

HOW CHILDCARE IMPACTS  
SOUTH CAROLINA'S  
WORKFORCE PRODUCTIVITY  
AND THE STATE'S ECONOMY



U.S. Chamber of Commerce  
Foundation

In partnership with



Untapped  
Potential in

SC







# Untapped Potential:

## How Childcare Impacts South Carolina’s Workforce Productivity and the State’s Economy

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South Carolina's  
childcare gaps  
drive parents out  
of the workforce,  
reduce tax  
revenue for the  
state, and put  
undue strain on  
households.

# Introduction

The U.S. Chamber of Commerce Foundation recognizes childcare as a two-generation workforce issue that is essential to supporting the workforce of today and developing the workforce of tomorrow. Unfortunately, the current supply of childcare falls short of demand due to a tight labor market and lack of sustainable funding for childcare programs. South Carolina's childcare gaps drive parents out of the workforce, reduce tax revenue for the state, and put undue strain on households—particularly among the most economically vulnerable. While these challenges are complex and persistent, they are addressable, and the business community can play a central role in developing solutions that benefit all South Carolinians.

Recognizing that a data-driven understanding of the impact of childcare breakdowns on working parents, their employers, and the state economy is prerequisite to creating meaningful solutions, the U.S. Chamber of Commerce Foundation partnered with the South Carolina Chamber of Commerce and the South Carolina Department of Social Services to produce this report, which aims to understand the unique needs of working parents in South Carolina by exploring the current childcare landscape. This report estimates how often parents leave the workforce, are absent from school or work, or miss educational opportunities due to insufficient childcare support.

Data for this report was gathered by surveying a representative sample of 500 parents of children under the age of six across South Carolina. Survey results were then used to model an estimate of the direct financial impact of insufficient childcare coverage on South Carolina's economy—\$997 million each year.

The issue to overcome is multifaceted. Childcare is a central determinant in whether and how reliably a parent can participate in the labor force, a reality that is on full display as the state continues to push for job growth. South Carolina ranks 47th in labor force participation relative to other states,<sup>1</sup> and findings indicate many parents may not be able to continue working without adequate childcare options. The childcare coverage gap in South Carolina is not only a barrier to parents' ability to participate in the labor force, but also a hindrance to the state's potential for growth and success. South Carolina also has an unemployment rate of 4.8%, tying it for the 6th highest rate among U.S. states,<sup>2</sup> and this analysis shows that childcare issues could hinder South Carolina's economic performance.

The complexity of childcare challenges requires collaboration across sectors to ensure that South Carolina's children, families, businesses, and economy thrive. Childcare is a crucial component in South Carolina's infrastructure, and if properly addressed, can unlock the full economic potential of the state. The goal is that the data presented in this report will help create opportunities for partnerships and collaboration that further the economic potential of the state of South Carolina.

<sup>1</sup> "Region, Division, and State Labor Force Participation Rates with Confidence Intervals, Their Relationships to the U.S. Rate, and Over-the-Month Rate Changes with Significance Indicators, November 2024, Seasonally Adjusted," *Bureau of Labor Statistics*, December 20, 2024, <https://www.bls.gov/web/laus/lalfprderr.xlsx>.

<sup>2</sup> "Unemployment Rates for States, Seasonally Adjusted," *Bureau of Labor Statistics*, December 20, 2024, <https://www.bls.gov/web/laus/laumstrk.htm>.

# Executive Summary

Numerous studies have highlighted the developmental benefits of high-quality childcare for young children. Children given appropriate childcare perform better in school, are less likely to drop out, and achieve higher test scores.<sup>3</sup>

Access to childcare also allows parents the flexibility to pursue careers or enhance their education or vocational skills. Consequently, breakdowns in the childcare system result in valuable missed opportunities for children and their parents, who may experience disruptions to their work or education. Despite the well-demonstrated benefits resulting from high-quality childcare, families in South Carolina often struggle to access affordable arrangements for their children. This occurs to the detriment of the state's economy.

This research conducted during March 2025 suggests that insufficient childcare availability is costing South Carolina \$997 million in lost economic activity each year. This report quantifies the direct economic impact due to childcare issues and builds on previous efforts to better understand the size of the childcare problem. Since 2019, the U.S. Chamber of Commerce Foundation has conducted studies in fifteen states. In each state, childcare breakdowns resulted in hundreds of millions—even billions—of dollars of lost economic activity. As state leaders consider next steps to position South Carolina for continued economic success, childcare initiatives could enable the state to capitalize fully on its resources.

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<sup>3</sup> (1998) Cleveland and Krashinsky, <https://files.eric.ed.gov/fulltext/ED435452.pdf>

## TOPLINE FINDINGS

– **\$997M**

**THE UNTAPPED POTENTIAL:**  
Childcare issues result in an  
estimated \$997 million annual loss  
for South Carolina's economy

– **\$179M**

South Carolina misses an estimated  
\$179 million annually in tax revenue  
due to childcare issues

– **\$818M**

Childcare-related employee turnover  
and absenteeism costs South  
Carolina employers an estimated  
\$818 million per year

**50%**

of parents of young children  
missed work or class at least  
once in the past three months for  
childcare-related reasons

**10%**

of parents reported leaving their  
job as a direct result of issues with  
childcare in the past year

**40%**

of parents attending school or work  
training needed to make a significant  
adjustment to their schedule due to  
childcare issues in the past year

# According to the 2023 American Community Survey, 13.9% of South Carolina's population lives in poverty.



**Population:** 5.48 million<sup>4</sup>

**Average Household Income  
(Median):** \$67,804<sup>5</sup>

**Minimum Wage:** \$7.25<sup>6</sup>

**Capital:** Columbia

**Surveyed:** 500 parents of children  
under the age of six

<sup>4</sup> <https://www.census.gov/quickfacts/fact/table/SC>

<sup>5</sup> <https://data.census.gov/table?q=S1901&g=040XX00US45>

<sup>6</sup> [https://www.laborlawcenter.com/state-minimum-wage-rates?srsIid=AfmBOord5bs\\_jLsLImDxaYZfYErLNpOb-OzXLLv2-YI4j3OPHZEWdxJ5](https://www.laborlawcenter.com/state-minimum-wage-rates?srsIid=AfmBOord5bs_jLsLImDxaYZfYErLNpOb-OzXLLv2-YI4j3OPHZEWdxJ5)



with limited access to licensed childcare options.<sup>19</sup> While pandemic-era shutdowns of childcare centers across the state exacerbated that figure, South Carolina's childcare sector remained more stable than in other states, thanks to strategic investments of pandemic federal relief funds into childcare programs and efforts.<sup>20</sup>

Since 2020, the Division of Early Care and Education (DECE), housed within the state's Department of Social Services, utilized nearly \$955 million in federal relief funds to support affordable, accessible, and quality childcare efforts for families statewide.<sup>21</sup>

While recent state-level initiatives are promising, the survey results show that there is still work to be done to maximize South Carolina's economic potential. Parents face both immediate and lasting consequences due to insufficient childcare arrangements that impact their ability to work full-time, earn a wage consistent with their experience, and continue their education. To quantify the full economic impact of childcare, one must consider questions like these:

#### FOR BUSINESSES

When employees leave or miss work due to childcare disruptions, how are business operations affected? **How much larger could the employee talent pool be if parents could work without being limited by childcare necessities?** What is the lost economic value from training replacements for parents who leave work to care for their children?

#### FOR PARENTS

**When parents leave the workforce, how much income are they sacrificing?** Are they missing out on promotions or raises? What is the value of these missed merit increases across a lifetime? What educational and personal development opportunities are parents skipping?

#### FOR THE STATE

How are the state's public programs impacted by childcare disruptions? **How much more growth could South Carolina see if parents struggling with childcare could return to and thrive in the workforce?** How would tax revenues increase if household wages went up? How would quality of life improve for families if they had adequate childcare options?

The next section of this report highlights the motivations behind parents' decisions, the most important contributing factors, and the wide economic implications of these choices.

<sup>19</sup> <https://childcaredeserts.org/2018/?state=SC>; A childcare desert is any census tract with more than 50 children under age 5 that contains either no childcare providers or so few options that there are more than three times as many children as licensed childcare slots.

<sup>20</sup> <https://dss.sc.gov/news/nearly-955-million-invested-in-affordable-accessible-and-quality-child-care-in-south-carolina/>

<sup>21</sup> <https://dss.sc.gov/news/nearly-955-million-invested-in-affordable-accessible-and-quality-child-care-in-south-carolina/>

Parents face both immediate and lasting consequences as a result of insufficient childcare arrangements that impact their ability to work full-time, earn a wage consistent with their experience and capability, and continue their education.

# Survey Results

We surveyed 500 parents with children under the age of six to gauge how childcare issues impacted their lives across employment and education. Survey respondents are reflective of South Carolina's racial demographics and are distributed across the socioeconomic spectrum. We also captured the decisions parents make regarding childcare arrangements—who they selected as providers and why. In making this data available, stakeholders will have better information about parents' motivations for selecting childcare, allowing efforts to be better aligned in supporting effective solutions.

## Key Findings

### Current Childcare Dynamics

- Among parents of children younger than six, **81% pay for childcare.**
- Parents primarily pick their childcare provider based on **affordability.**
- **Families spend on average \$576 per month**, although costs vary by provider type and household income. For those families that **do** pay for childcare every month, their average monthly spend was \$763.\*
- Families pay for childcare out of their **personal budget 68%** of the time.

The data confirms that childcare arrangements vary greatly based on household income (**FIGURE 1**). For reporting purposes, income was regrouped to “Low” (less than \$30,000 per household), “Middle” (\$30,000 to \$100,000 per household), and “High” (greater than \$100,000 per household) income classifications.

The most commonly selected childcare arrangement was placing the child under the care of a partner, parent, stepparent, or guardian, with over two-thirds of respondents reporting it as **one** of their arrangements (71%).

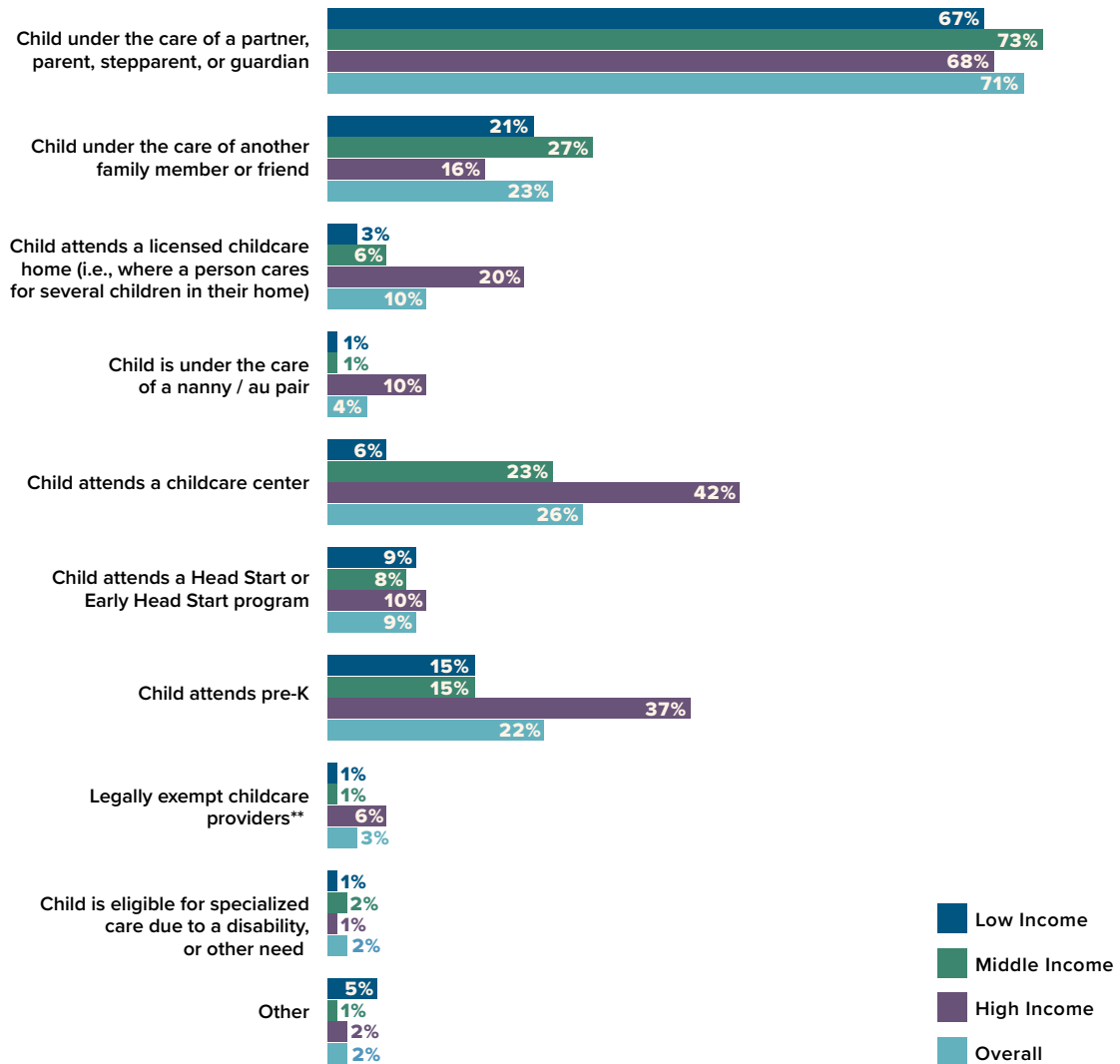
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\*Our survey sought to gather responses that mirrored the demographics of South Carolina, so we wanted to acknowledge that there are parents in the state who do not incur childcare costs. However, for those parents with children under six who do find themselves in the position that they must pay a weekly or monthly rate for childcare, their average monthly costs are significantly higher, around \$763. Further, for families who have no choice but to pay for care, there is a significant drop off in subsidy opportunities for South Carolinian families who make even \$1 above the eligibility cut-off.

**FIGURE 01.**

Current childcare arrangement by income group

\*Parents could select more than one option



\*\*Legally exempt childcare providers care for a maximum of six children at a time in their home, which means they are not subject to licensure.

This was true across all income levels, as low-income households are likely to forgo a second income, electing instead to subsist on one parent's salary, and as high-income families might choose to have a stay-at-home parent if one parent's income is enough to support them. The second most common childcare arrangement was placing the child in a childcare center, which was selected by over a quarter of South Carolina parents. Respondents who stated they used childcare centers as one of their care arrangements saw higher monthly childcare expenditures, reaching roughly \$910. Parents in high-income tiers were ten times more likely than their low-income counterparts to place their child under the care of a nanny or au pair. Many parents consider hiring a nanny to be the ideal childcare arrangement, but only the highest earners can comfortably afford this luxury. High-income families also frequently placed their child in childcare centers. Overall, high-income earners have a wider range of care options available to them relative to low-income earners, and high-income parents are more likely to use multiple childcare solutions simultaneously, compared to other income groups.

Preferences and motivations further reflect the childcare divide between socioeconomic classes. When asked why they chose a particular childcare arrangement, high-income earners were most likely to select "perceived quality / reputation" of all groups surveyed (FIGURE 2). High-income families also value convenience, as 50% of respondents selected "proximity to home, work, or school," which was more than respondents in other groups. In contrast, lower-earning families use price as the sole deciding factor when choosing their childcare arrangement more often, while high-earning families can consider several criteria and be more selective in their choice. The typical South Carolinian is motivated primarily by concerns about affordability. Cost is a relatively income-agnostic criterion for all parents

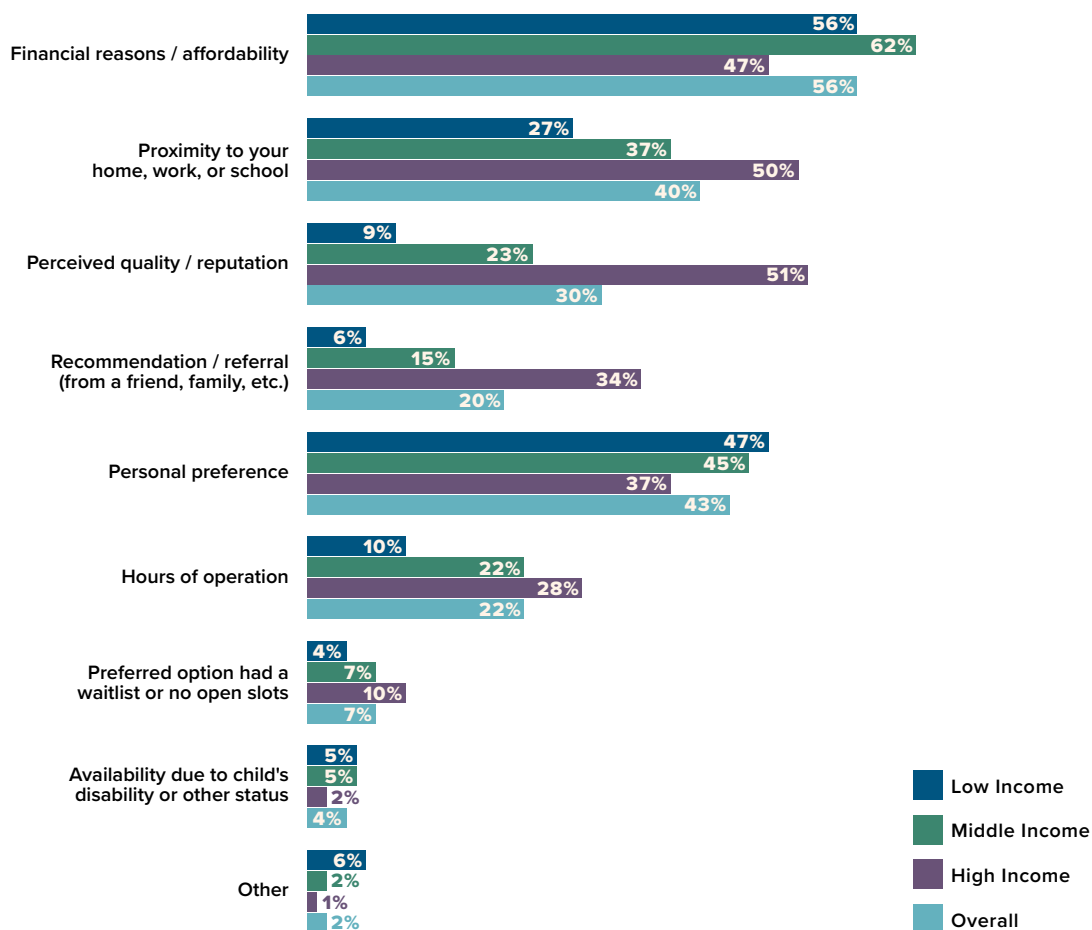
**“[The biggest challenge] is finding childcare that meets my expectations and being able to afford it as a single working mom.”**

**— SOUTH CAROLINA MOTHER OF A NEWBORN**

**FIGURE 02.**

Reason for selecting arrangement by income group

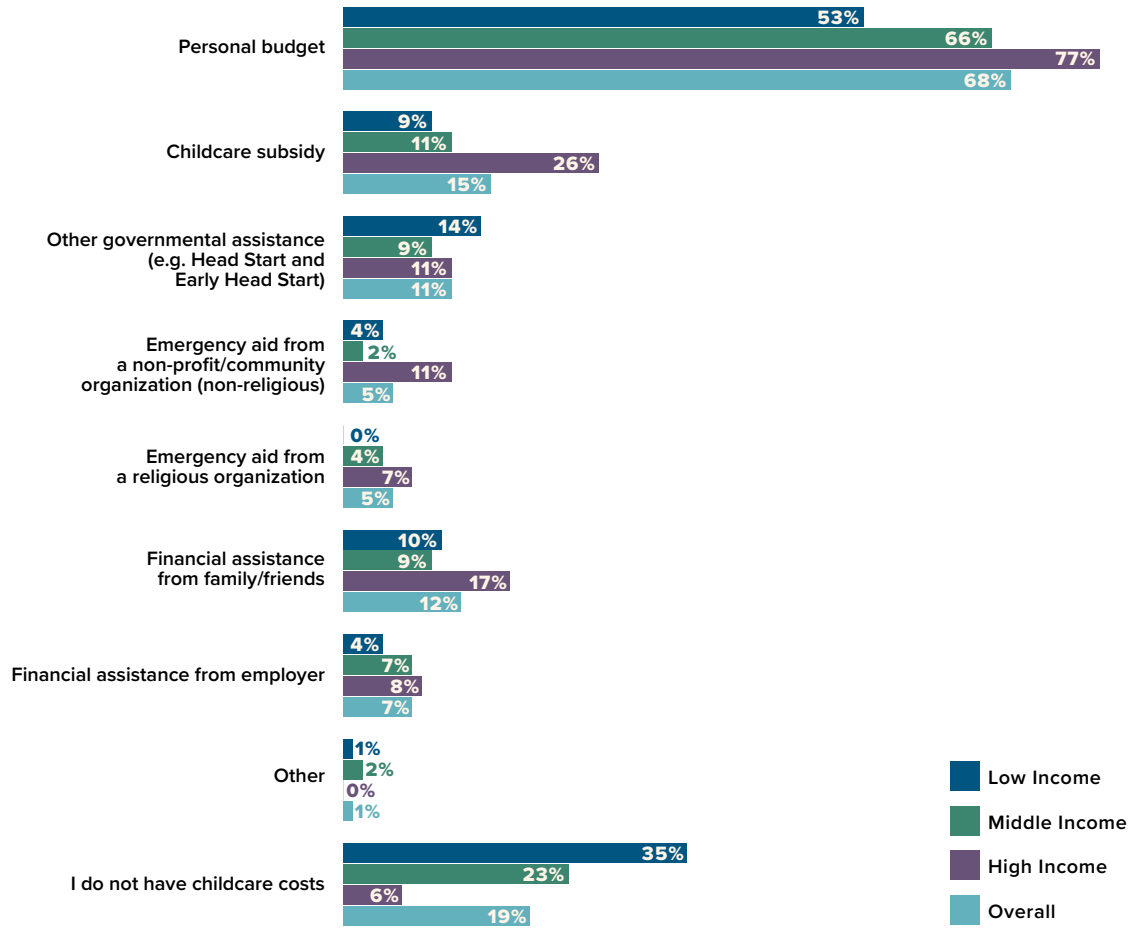
\*Parents could select more than one option



**FIGURE 03.**

Source of funding for childcare by income group

\*Parents could select more than one option unless they reported no childcare costs



surveyed, as 56% of low-income parents, 62% of middle-income parents, and 47% of high-income parents agree that it is a key factor in the childcare decision. Personal preference is the next leading factor, followed by proximity to home, work, or school.

When asked how they pay for childcare, 68% of respondents reported using their personal budget to pay for childcare (FIGURE 3). The average South Carolina family spends \$576 on childcare every month, with expenditures correlated to income levels (FIGURE 4). This figure includes parents who do not incur any childcare costs, which represent 19% of our surveyed population. Therefore, childcare costs for South Carolinian families that do pay for care are significantly higher than \$576. The gap between average expenditures for low and middle-income households was relatively small (roughly \$130) when looking at mean values and median values (\$100 difference). However, the gap in median expenditures widened significantly when looking at high-income earners, whose mean spend is \$1,010, which is more than twice as much as middle-income families spend in a month.

**FIGURE 04.**

Parents' reported monthly childcare expenditure by income group

\*Parents entered a dollar amount manually



**“In my area, there are very limited spots/availability for programs that offer quality childcare. You often are put on a long waitlist.”**

**— SOUTH CAROLINA FATHER OF A TWO-YEAR-OLD**

## Current Employment Dynamics

Recent shifts triggered by the COVID-19 pandemic have changed working dynamics for parents locally in South Carolina and across the country. Parents in certain industries especially benefit from flexible working options, such as remote work and flexible hours, which popularized beginning in 2020. A 2022 McKinsey study found that 58% of Americans reported working at least one day from home each week, and 35% had the option to work fully remote. Among the key findings in the study was the revelation that 87% of workers prefer to work remotely, given the option.<sup>22</sup>

However, many employees do not provide the option to work remotely or offer a flexible schedule—a fact particularly relevant to the state of South Carolina, where manufacturing is a top industry. High-income employees in technology, business, and other white-collar jobs are more often able to have flexible schedules and work remotely, while low-income parents usually have less flexible options. Remote work is one option for companies looking to support working parents, as it provides greater flexibility for these families.

In South Carolina, 60% of households with cohabiting parents with a child under the age of six have both parents participating in the labor force, while 39% have only one parent in the labor force, most typically the father (in over 90% of cases).<sup>23</sup> Parents who work full-time reported working 42 hours per week on average, while part-time parents average over 25 hour work weeks (FIGURE 5). Most full-time employed parents in the study worked a traditional “nine-to-five” weekday schedule, while part-time workers reported having a shift-based schedule more often than full-time parents did (FIGURE 6). A parent’s working schedule and job location frequently dictate the childcare options available to them. Thus, parents must weigh competing priorities, balancing their career or education goals with the responsibilities of raising children.

<sup>22</sup> <https://www.mckinsey.com/industries/real-estate/our-insights/americans-are-embracing-flexible-work-and-they-want-more-of-it>

<sup>23</sup> <https://data.census.gov/table/ACSDT1Y2023.C23008?q=C23008&q=040XX00US45>

Parents were prompted to select the response option that best describes their current employment status and report the number of hours they work (if applicable).

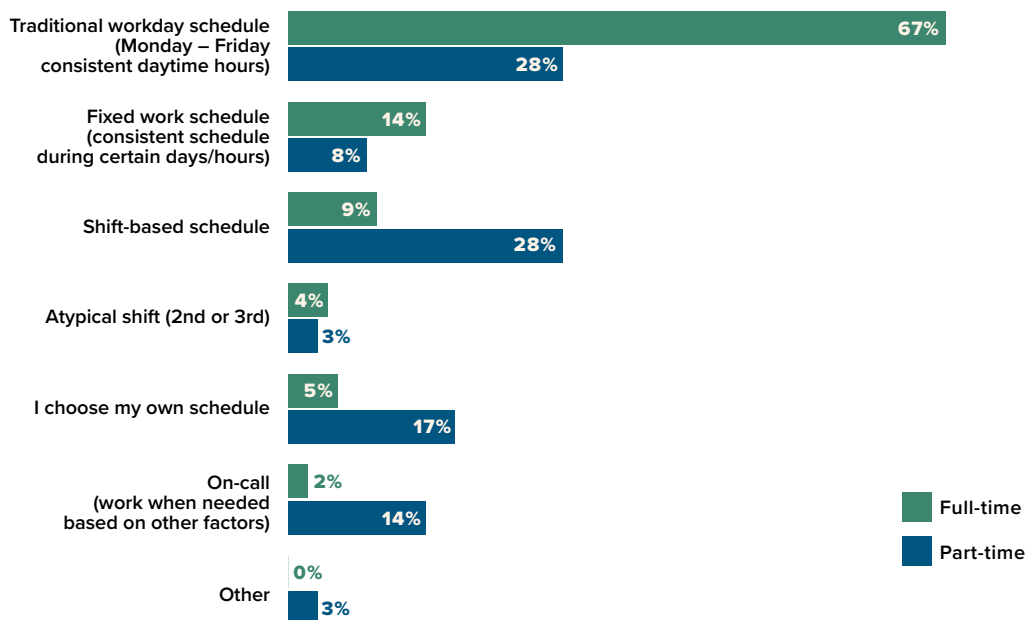
**FIGURE 05.**

Average hours per week by employment status



**FIGURE 06.**

Full vs. part-time job schedule



## SOUTH CAROLINA FATHER OF A 5-YEAR-OLD

“I turned down a second shift job with better pay because I would not be able to secure childcare during those hours.”

## Impact of Childcare on Employment and Education

According to the survey, 23% of households have experienced changes to their own employment situation due to childcare issues (FIGURE 7). Study respondents reported that their employment was affected in more ways than one, compelling them to decrease their hours from full-time to part-time, decline a job, or even quit a job due to childcare issues.

In addition to those who have already experienced changes to their work, 9% of working parents plan to leave their job in the next 12 months (FIGURE 8). 43% of those who indicated plans to leave their job within the next year are planning to leave due to childcare concerns. 44% express a desire to seek new work opportunities, and another 39% are leaving primarily due to dissatisfaction in their current role. Lower-income groups and women are the most likely to be planning on leaving their current employment (FIGURES 8 & 9).

The survey asked the same question as the National Survey of Children's Health (NSCH) to provide a comparison to the national data from 2019:

"During the past 12 months, did you or anyone in the family have to voluntarily leave a job, not take a job, or greatly change your job because of problems with childcare for this child, age 0-5 years?"

**"I left my job because I cannot afford childcare. It's more affordable for me to stay home with no income than to work and pay for childcare."**

— SOUTH CAROLINA MOTHER OF A NEWBORN AND A 5-YEAR-OLD

“It’s sad how much mothers and especially single mothers have to give up and sacrifice in their careers because they have children. I’ve had to delay taking a job to figure out childcare or turn down opportunities because of my child.”

— SOUTH CAROLINA MOTHER OF A 2-YEAR-OLD

FIGURE 07.

Percentage of parents who experienced employment changes due to childcare issues, by income group



FIGURE 08.

Parents planning to leave employment over the next 12 months, by gender

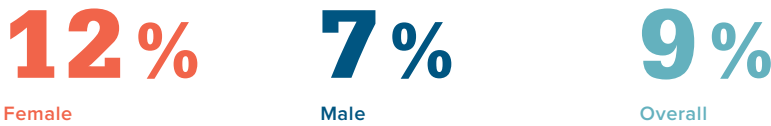


FIGURE 09.

Parents planning to leave employment over the next 12 months, by income group



According to the NSCH, just over 9.4% of parents in the U.S. reported that childcare issues are causing significant disruptions to their employment, with South Carolinians experiencing disruptions slightly below the national average (9.0%) (**FIGURE 10**). The parents in our survey reported much higher rates (22.8%) of childcare issues significantly impacting employment for their household. Aside from differences in survey design that affect the comparison of our data to the NSCH, ongoing economic uncertainty has likely contributed to an increase in the proportion of parents who feel that their employment has been disrupted by the childcare crunch.

#### FIGURE 10.

Percentage of parents who answered “Yes” to the NSCH question, comparison by state

“During the past 12 months, did you or anyone in the family have to voluntarily leave a job, not take a job, or greatly change your job because of problems with childcare for this child, age 0-5 years?”

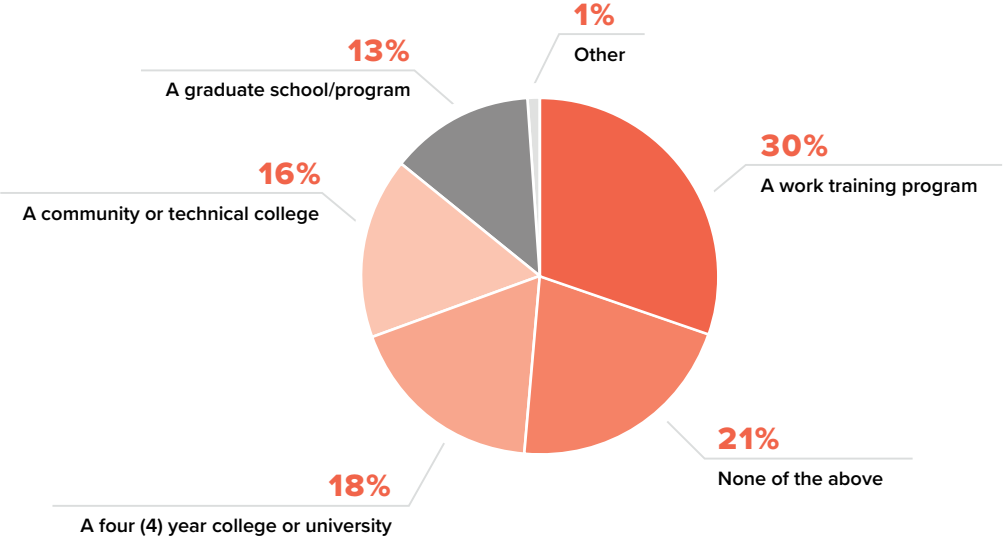
COMPARED NATIONALLY	PERCENT
Nationwide NSCH (2019)	9.4%
South Carolina NSCH (2019)	9.0%
South Carolina Untapped Potential (2025)	22.8%

Childcare issues also pose significant challenges to parents who are seeking to further their education. Nearly a quarter of parents in South Carolina are pursuing, or have pursued in the last 12 months, some type of school or work training program (**FIGURE 11**). Most often, parents are enrolled in work training or a 4-year college or university (**FIGURE 12**). Unfortunately, many of these parents (almost a third) left a program prior to completion or dropped from a class or program entirely, due to issues with childcare.

**FIGURE 11.**  
Percentage of parents who attended a school or work training program in the last year



**FIGURE 12.**  
Type of education being pursued



SOUTH CAROLINA MOTHER OF A NEWBORN AND A 1-YEAR-OLD

**“In the past 12 months  
I have reduced school  
classes, missed classes,  
missed days of work,  
reduced work hours and  
have had to leave work  
early due to not having  
reliable childcare.”**

## Childcare Subsidies, Benefits, and Accommodations

For many South Carolina parents, financial support for childcare comes from a wide range of sources. To support families in caring for their children, the federal government provides various subsidies and tax benefits. The State funds programs such as childcare choice vouchers, while receiving federal funding for programs like South Carolina Head Start and Early Head Start. Parents in the study also reported using several tax benefits to help pay for childcare, the most common being the Child Tax Credit (48%), followed by the Child and Dependent Care Tax Credit (23%) (FIGURE 13). In all, over two-thirds of South Carolina parents are taking advantage of at least one government assistance program or tax break.

While these programs are helpful, employers can play a role in bridging the gap between state-sponsored or subsidized care and parents' capacity to access childcare. In this study, only 27% of respondents reported that their employer offered some type of childcare assistance, benefits, or accommodations, with the most frequently shared examples being flexible work hours and flexible working days. National trends indicate employers are increasingly offering more flexibility to parents, a trend sparked by the pandemic that is proving to be highly appealing to parents.<sup>24</sup> When asked to name the benefits they believe to be most important or useful, parents most often mention flexible hours and remote work (FIGURE 14). Although not all jobs can accommodate flexible hours and remote work policies, employees prioritize flexibility, and in turn, businesses that provide these benefits support and incentivize participation in the workforce, reduce turnover, and improve employee satisfaction.<sup>25</sup>

**“I cut hours down from 40 to 20 to spend more time with children. Due to the high cost of daycare, [my] partner quit his job so I could work.”**

**— SOUTH CAROLINA MOTHER OF A 1-YEAR-OLD AND 3-YEAR-OLD**

<sup>24</sup> <https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/married-to-the-job-no-more-craving-flexibility-parents-are-quitting-to-get-it>

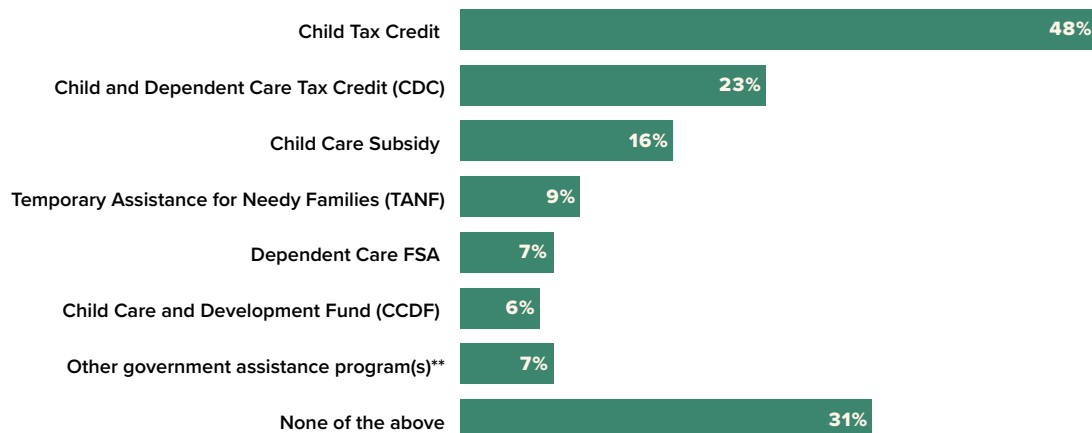
<sup>25</sup> <https://www.unwomen.org/sites/default/files/Headquarters/Attachments/Sections/How%20We%20Work/Gender-parity/Brief-Benefits-of-flexible-working-arrangements-en.pdf>

Respondents were provided with a brief explanation of each of the below programs.

**FIGURE 13.**

Parents use of assistance programs

\*Parents could select more than one option

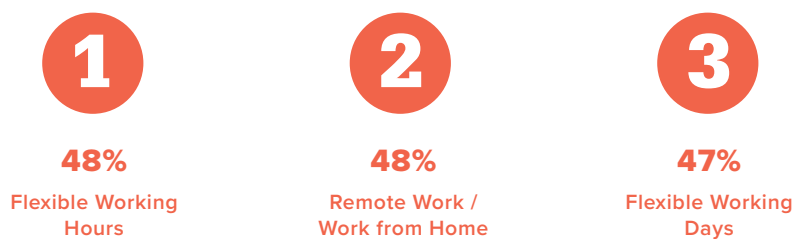


\*\*Government Assistance Programs may include: Head Start, Early Head Start, the Child Care Scholarship Program (formerly known as the SC Voucher Program), and First Steps 4K

**FIGURE 14.**

Top three most important employer benefits selected by parents

\*Parents could select more than one option



## SOUTH CAROLINA FATHER OF A 5-YEAR-OLD

“One of my biggest challenges in accessing affordable, quality childcare has been balancing the high cost of care with my budget. Childcare fees can be overwhelming, especially when trying to find care that fits my work schedule and meets my expectations for quality.”

### Parent Preferences and Decision Criteria

In deciding between available childcare options, parents must weigh their individual preferences against practical matters such as ease of access, affordability, and level of trust and safety. Parents face difficult tradeoffs between cost, convenience, and quality, and often settle for childcare solutions that do not perfectly match their preferences.

Overall, 78% of parents report being satisfied or extremely satisfied with their current childcare arrangement. However, satisfaction is not evenly distributed, and tends to vary based on income level, gender, and race. Satisfaction peaks among high-income parents, 83% of whom are satisfied with their current childcare situation, compared to 77% of middle-income parents and 70% of low-income parents (FIGURE 15). One explanation might be that high-income parents have financial freedom to enroll in the childcare option of their choice, while low-income households are forced to rely on less optimal accommodations.

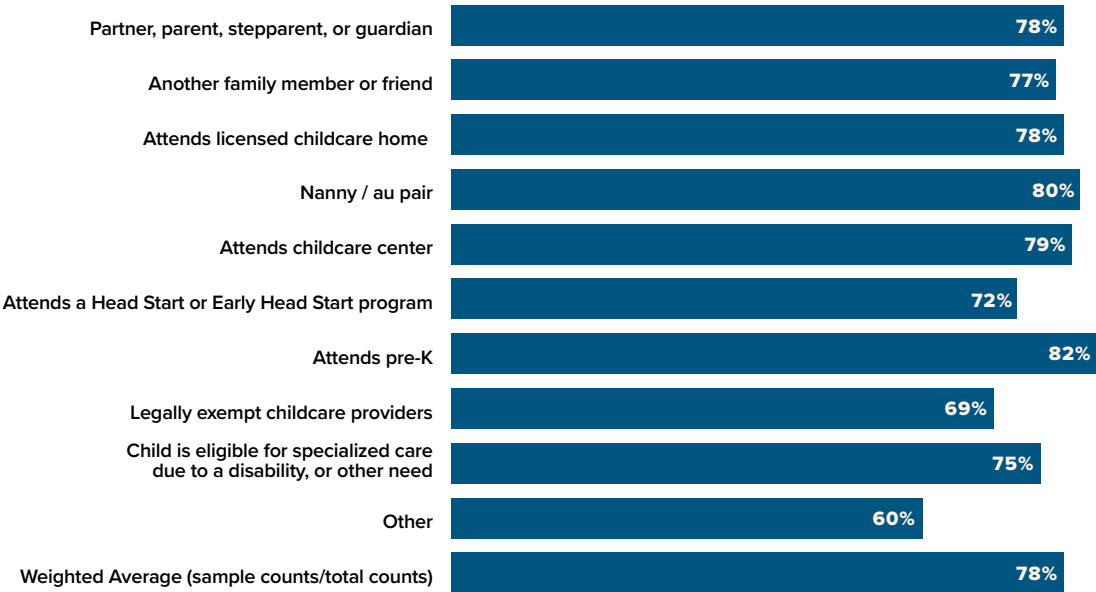
**FIGURE 15.**  
Satisfaction among parents, stratified by income level

SATISFACTION WITH CURRENT CHILDCARE ARRANGEMENT	LOW INCOME	MIDDLE INCOME	HIGH INCOME	OVERALL
Not at all satisfied	1%	2%	1%	1%
Not satisfied	5%	3%	4%	4%
Somewhat satisfied	23%	19%	13%	17%
Satisfied	15%	32%	52%	36%
Extremely satisfied	55%	45%	31%	42%

In South Carolina, the childcare arrangements with the highest levels of satisfaction are having a child attending pre-K and having a child under the care of a nanny or au-pair (FIGURE 16). Parents are also very satisfied when their child attends a childcare center or is under the care of a parent or guardian.

When it comes to decision criteria, parents primarily select a childcare arrangement based on financial considerations; affordability is key. Cost is viewed as the biggest hurdle to accessing quality childcare, with over half (56%) of parents mentioning it as a primary driver behind selecting their current childcare arrangement (FIGURE 17). The financial burden of childcare costs is particularly felt by low-income households, which tend to be less satisfied with their childcare arrangement. When choosing a childcare arrangement, health and safety and trust in the caretaker are top considerations for parents (FIGURE 18).

**FIGURE 16.**  
Percentage of parents who are satisfied with their given arrangement  
\*Parents selected “satisfied” or “extremely satisfied”



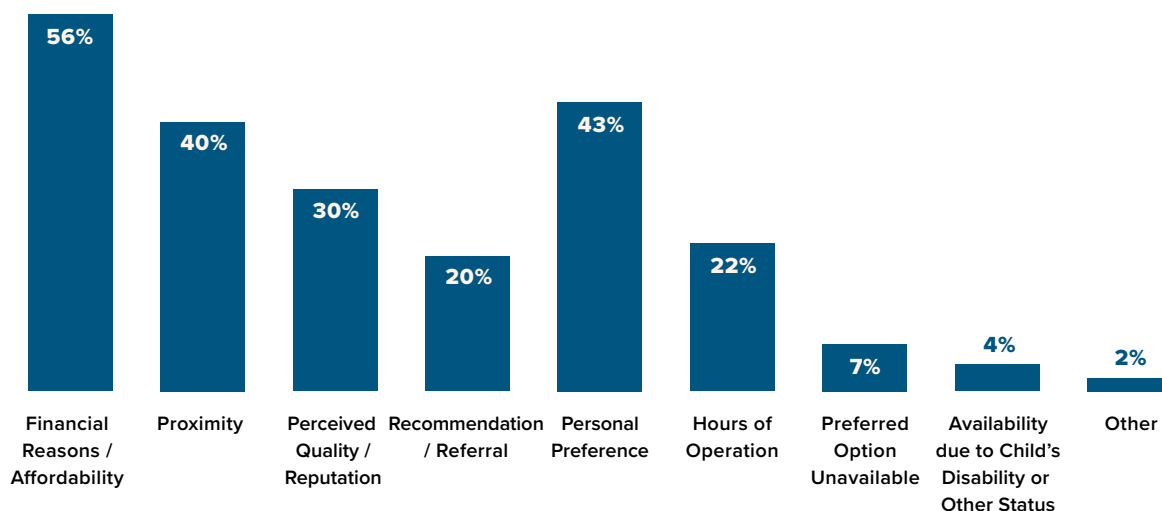
**“[The biggest challenges are] limited availability, long waitlist, inconsistent hours, and lack of flexibility.”**

**— SOUTH CAROLINA FATHER OF A 5-YEAR-OLD**

Moving forward, parents will continue to seek childcare that matches their needs and preferences while reflecting their financial constraints. Women, people of color, and low-income parents are especially feeling the strains of inflation and rising childcare costs—they want better care for their child, but do not know where to find it or how they will pay. Understanding the range of perspectives will allow businesses, the State, and local communities to align on solutions to address the most pressing problems.

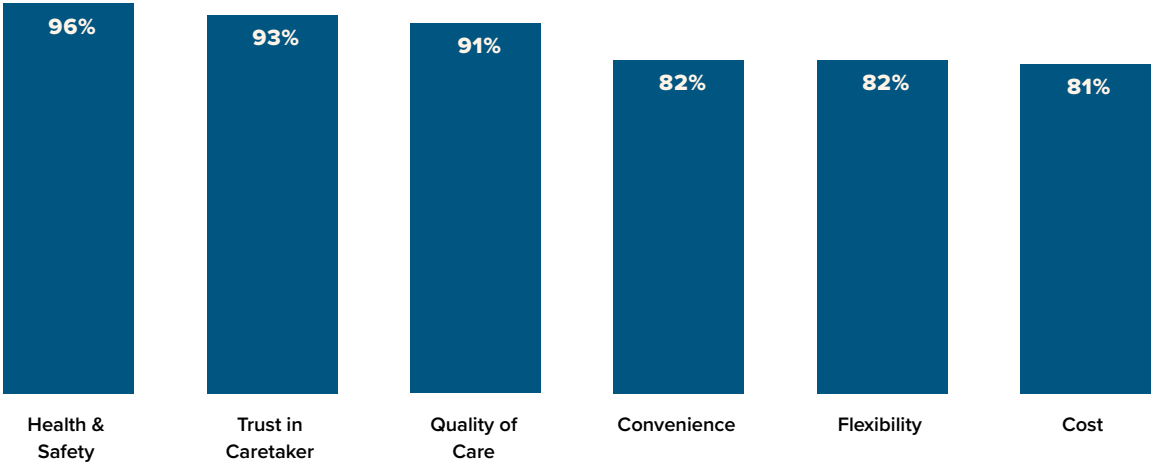
**FIGURE 17.**

Reason for selecting current arrangement



**FIGURE 18.**

Percentage of parents who indicated a given factor is of high importance when selecting a childcare arrangement  
\*Parents selected “important” or “extremely important”



SOUTH CAROLINA MOTHER OF A NEWBORN

“Cost. It’s cheaper to not work than to work and put a kid in daycare.”

## Economic Impact

We estimate that breakdowns in childcare are costing South Carolina \$997 million in untapped economic potential annually. Workplace disruptions in the form of absenteeism and employee turnover and lost tax dollars from unearned wages account for South Carolina's lost economic value.

Working parents often struggle with employment due to childcare issues and may be absent, arrive late, or otherwise be interrupted at work if they are unable to access adequate care for their children. In South Carolina, 50% of parents missed work at least once in the last three months due to childcare issues, and those that missed work did so for an average of 16 days per year. Parents who miss work incur costs to themselves and their employers; families suffer from reduced wages, and businesses bear the financial cost of making up for the lost work by paying overtime or hiring temporary workers. When accounting for these issues, we estimate that the direct employer cost due to absenteeism in South Carolina is \$501 million per year.

Parents who experience a significant change in their childcare arrangement or life situation may choose to voluntarily leave the workforce. At times, difficulties balancing work and childcare concerns lead to parents being involuntarily let go from their work positions. As employees leave the workforce and face their own financial consequences, employers face significant replacement costs. Secondary research indicates that it costs about one-fifth of an employee's yearly salary for them to be replaced.<sup>26</sup> Using this benchmark, we estimate that the turnover cost to employers in South Carolina to be \$318 million annually. This number represents a significant cost to employers each year replacing parents who perhaps could have continued in their current position if they had access to adequate childcare.

Costs from breakdowns in childcare are not isolated to employers and families. As people miss work or leave employment, there is an economic cost to South Carolina through decreased tax revenues. The consequences of decreased household income are felt repeatedly in the form of reduced sales and excise taxes. We estimate that every year South Carolina fails to capture \$179 million in taxes not excised because of insufficient childcare resources.

The \$997 million in lost economic value for South Carolina each year is not an abstract number; it represents money taken from the pocketbooks of South Carolina's families, businesses, and governments. Each dollar lost due to insufficient childcare is a dollar that will not be earned by a household to fund a single mother's education, provide for a child, or put food on a struggling family's table. The annual loss to the state of South Carolina is certainly eye-opening; compounded over decades, and measured in terms of unaddressed gaps in productivity and need, it becomes staggering.

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<sup>26</sup> <https://www.americanprogress.org/article/there-are-significant-business-costs-to-replacing-employees/>

## UNTAPPED POTENTIAL

– **\$997M**

Childcare issues result in an estimated \$997 million loss annually for South Carolina's economy

## DIRECT EMPLOYERS COSTS

**\$318M**

Turnover costs to employers

+ **\$501M**

Absences costs to employers

**\$818M**

Total

## DIRECT TAX REVENUE IMPACT

**\$135M**

State tax loss from turnover

+ **\$44M**

State tax loss from absences

**\$179M**

Total

## Immediate Effects on Employment and Education

39% of parents enrolled in education programs have had their education disrupted by childcare issues. Women were more likely to report that childcare affected their education than men (FIGURE 19).

For the purposes of this report, immediate and long-lasting effects were examined through the dual lenses of education and employment. The Bureau of Labor Statistics maintains historical educational attainment and employment data that charts a strong correlation between an individual's level of education, their lifetime earnings, and their likelihood of being unemployed. Stated simply, more education and skills equal more money and better job security.<sup>27</sup> Thus, hurdles preventing parents from finishing school are detrimental to the economy on both a micro and macro scale.

Across South Carolina, 24% of parents have been enrolled in school or work training programs at some point throughout the past year. These parents are often studying to try to provide better lives for their families by advancing their career prospects, but find their educational goals threatened by childcare gaps. Of those who have attended a school or work training program in the last year, 39% have found their education interrupted by childcare concerns, forcing them to go from full-time to part-time (16%), choose to stop attending an education program (19%), or be dropped from their class or program entirely (10%) (FIGURE 20). Women (50%) are more likely to see their education or training program impacted by childcare issues compared to men (32%). Educational disruptors negatively influence the earning potential of parents and their ability to contribute to the economy.

**FIGURE 19.**

Childcare issues impacted postsecondary education or training program, by gender



<sup>27</sup> <https://www.bls.gov/emp/chart-unemployment-earnings-education.htm>

Overall, 23% of employed parents in this survey experienced recent disruptions to their employment. Over a quarter of those parents left the workforce by either being let go (9%) or quitting (17%) as a direct result of issues with childcare. These effects were not experienced equally by all groups. Low-income households were the most likely to experience a change in work due to childcare (FIGURE 21). Women (30%) were more likely than men (15%) to experience employment changes due to childcare issues (FIGURE 22). Women also reported a higher rate of quitting but were equally as likely to be completely removed from the workforce as men (FIGURE 23).

FIGURE 20.  
Education changes due to childcare

HOW PARENTS SAID CHILDCARE ISSUES IMPACTED POSTSECONDARY EDUCATION OR TRAINING PROGRAM	OVERALL
* Parents could select more than one option	
Dropped from a class roster at school or at a work training program	10%
Stopped attending school or a work training program	19%
Went from full-time to part-time	16%
Did not go / declined going from part-time to full-time	5%
None of the above	61%

FIGURE 21.  
Percentage of parents for whom childcare issues have affected employment, by income group



FIGURE 22.  
Percentage of parents for whom childcare issues have affected employment, by gender



**FIGURE 23.**

How parents said childcare issues impacted their employment by gender

HOW PARENTS SAID CHILDCARE ISSUES IMPACTED THEIR EMPLOYMENT, BY GENDER * Parents could select more than one option	FEMALE	MALE	OVERALL
Was let go / fired by employer	9%	10%	9%
Quit a job	23%	8%	17%
Went from full-time to part-time	20%	10%	16%
Did not go / declined going from part-time to full-time	3%	3%	3%
Declined a promotion	14%	13%	14%
Declined a raise	1%	5%	3%
Declined / turned down / could not accept a job	24%	26%	25%

**FIGURE 24.**

Actions taken over the last 6 months

WHAT PARENTS SAY THEY HAVE DONE IN THE LAST 6 MONTHS TO PROVIDE CHILDCARE, BY INCOME GROUP	LOW INCOME	MIDDLE INCOME	HIGH INCOME	OVERALL
Alternate work hours with someone in my household	14%	23%	21%	21%
Work less hours	18%	29%	22%	25%
Work outside of normal business hours	21%	19%	26%	22%
Take unpaid leave	12%	17%	13%	15%
Take paid leave	1%	15%	26%	17%
Travel to extended family or friends for childcare support	8%	10%	21%	14%
Had a relative move in with you for childcare support	5%	8%	9%	8%
Worked (onsite or virtually) while simultaneously caring for a child	17%	20%	26%	22%
Delayed entry into the job market	13%	10%	10%	11%
Left employment (voluntarily or involuntarily)	18%	13%	10%	13%
Turned down a promotion	9%	6%	6%	6%

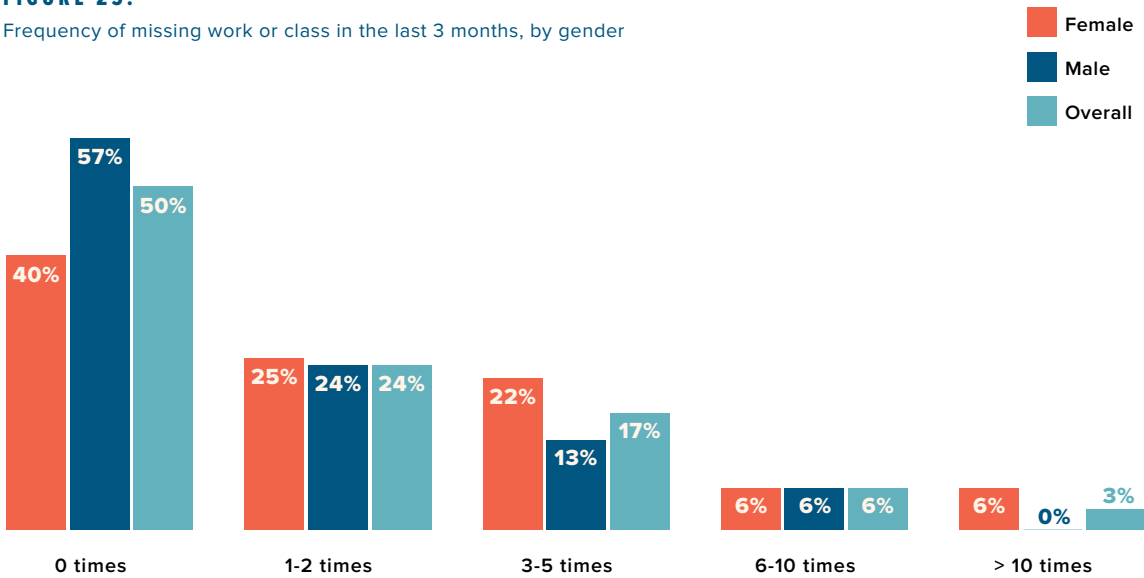
In the study, working parents reported that, in the last six months, they were forced to adjust their schedules by working fewer hours (25%), working outside of normal business hours (22%), and working while simultaneously taking care of a child (FIGURE 24). When adjustments cannot be made, parents are forced to disrupt work responsibilities, shown by the 50% of parents who missed work or school at least once in the last three months due to childcare issues. Short of being absent, parents may experience interruptions at work or school due to childcare. 45% of South Carolina parents reported being late to work or school at least once due to childcare — both mothers and fathers. Similarly, 43% of parents reported feeling disrupted, and 44% confessed to being distracted at least once in the past three months (FIGURES 25 TO 28). Employers without flexibility in their work policies may see parents, especially those from low-income households, opt to exit the labor market when forced to decide between balancing a work schedule and paying for childcare services or staying home to take care of their child.

Survey findings indicate that regardless of whether or not childcare issues drive parents completely out of the workforce, there are immediate effects on employment and education. The data can help businesses understand in the ways in which parents may be most vulnerable, helping employers tailor their childcare benefits to the parents who need them most, thus improving the retention of employees and reducing costs related to recruitment and employee training. Such decisions have an immediate effect on an employee's hours and income, but also have a lasting impact by altering the trajectory of an individual's career and professional development.

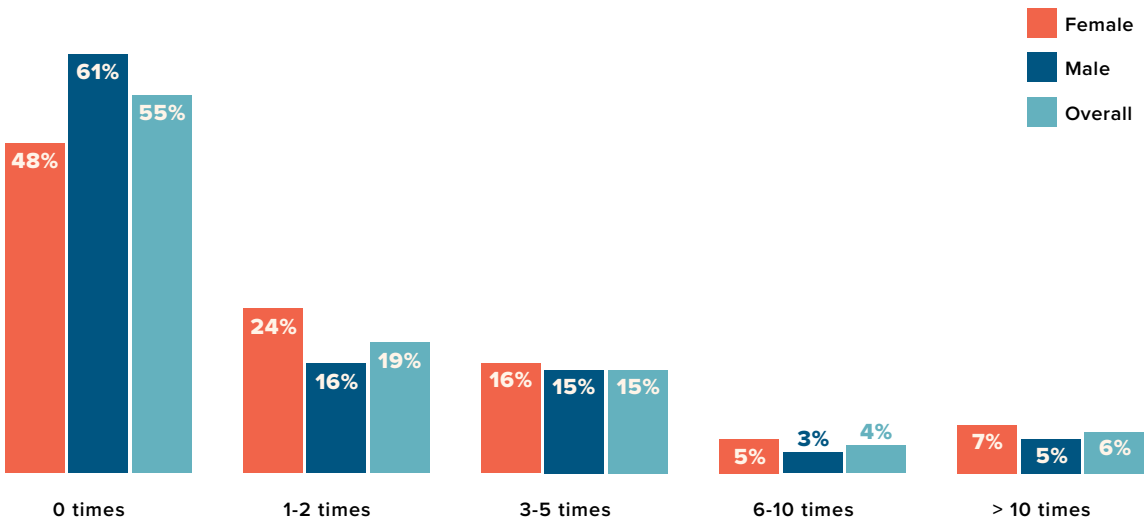
**“There were multiple factors that are best summarized as a lack of flexibility and leave benefits from my employer, lack of family support, the reduction of hours was not enough to afford full time daycare which would have allowed me to continue working, and when the kids get sick unexpectedly I didn’t have enough leave benefits to cover the days and despite being highly skilled, the interruptions to projects caused delays which were documented as performance concerns. I worked part time for a while, but I couldn’t be the professional the company needed, and the care my kids needed during the day was too much for the company to support.”**

**— SOUTH CAROLINA MOTHER OF A 2-YEAR-OLD**

**FIGURE 25.**  
Frequency of missing work or class in the last 3 months, by gender

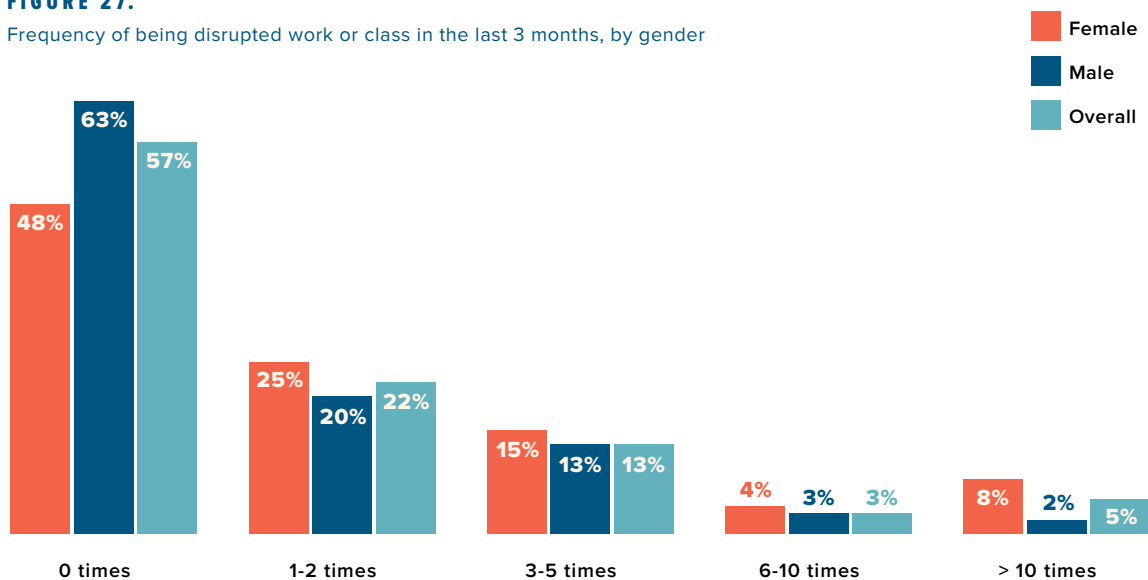


**FIGURE 26.**  
Frequency of being late to work or class in the last 3 months, by gender



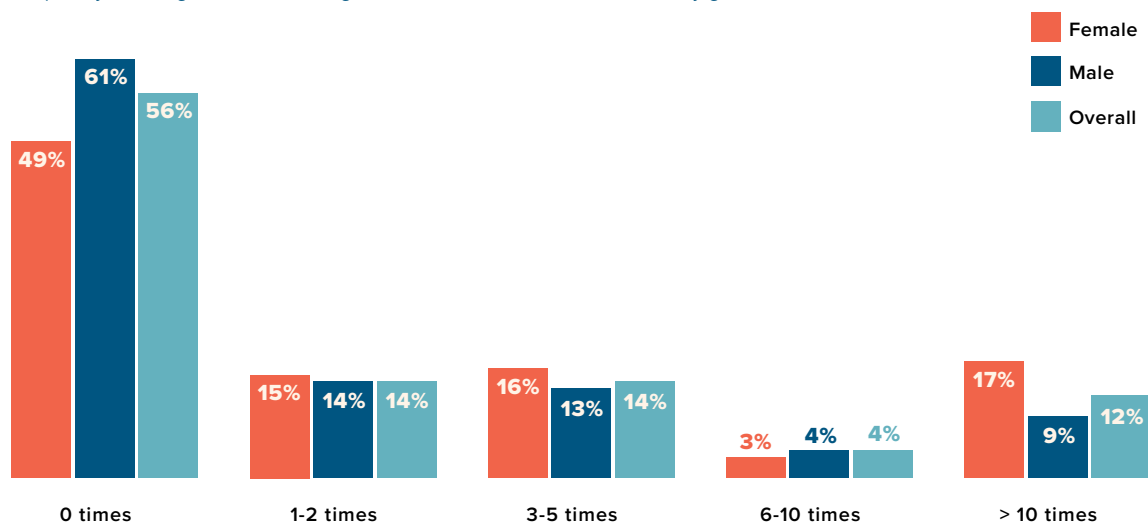
**FIGURE 27.**

Frequency of being disrupted work or class in the last 3 months, by gender



**FIGURE 28.**

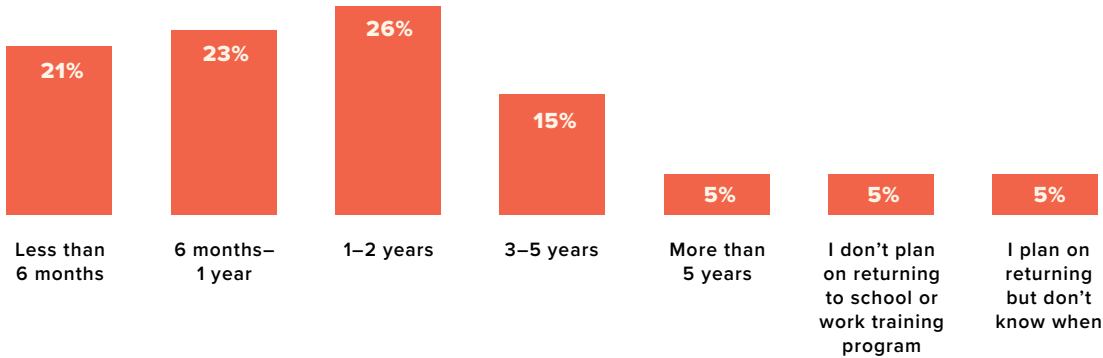
Frequency of being distracted during work or class in the last 3 months, by gender



# Lasting Effects on Employment and Education

The far-reaching effects of childcare gaps are complex and without simple solutions. Parents who have stopped attending education and work training programs usually take extended leaves before returning—if they return at all. The study shows that 46% of South Carolinians who depart from their education due to childcare issues, but plan to return, anticipate waiting at least a year, and another 10% either do not plan to return or do not know when they will be able to return (FIGURE 29). The longer people spend away from their education program, the less likely they are to return.<sup>28</sup> 87% of students who drop out of school never re-enroll, and the 13% that do typically do not re-enroll at the same level of institution.<sup>29</sup> Even for those who do return, the choice to delay education puts the potential for increased earnings on hiatus and pushes the attainment of a higher income to a later period in life. Doing so has long-term ramifications that can affect loan repayments, debt accumulation, interest, and retirement savings.

**FIGURE 29.**  
Time to return to education for those leaving education



<sup>28</sup> National Student Clearinghouse Research Center (October 30, 2019) *Some College, No Degree*  
<sup>29</sup> Ibid.

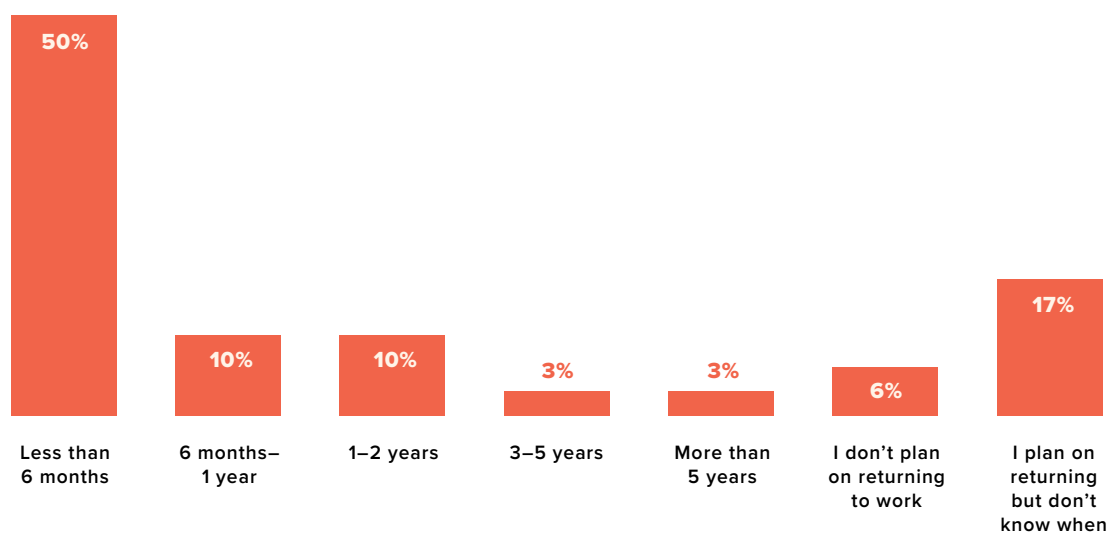
In addition, 60% of those who have left or are planning to leave the workforce due to childcare concerns plan to spend less than a year away from employment (**FIGURE 30**). Parents are more likely to feel a sense of urgency to get back to work than school. However, that still leaves 40% of those who have left or are planning to leave the workforce on the sidelines for potentially a year or more.

Women bear the brunt of the childcare-related economic losses; women with children earn slightly less than males with children earn, even after controlling for job and qualifications. Our survey revealed that women are also more likely than men to quit a job to care for a child (23% versus 8%), with similar reports from Payscale, McKinsey, and the Federal Reserve Bank of St. Louis confirming this assertion. In other words, this means that women are not only leaving the workforce at higher rates but are also being penalized with a higher opportunity cost for doing so.

In short, childcare issues are exacerbating existing issues with poverty in South Carolina in two ways: first, by reducing the ability of parents to get ahead through education, and second, by contributing to gender inequality by keeping women from achieving their personal and career goals.

**FIGURE 30.**

Time to return to the workforce for those leaving employment



SOUTH CAROLINA MOTHER OF A 1-YEAR-OLD AND A 4-YEAR-OLD

“I had to quit my high paying full-time job due to continuous issues with my children’s childcare.”

## Conclusions and Implications

This study is a conservative estimate of the economic toll of breakdowns in childcare coverage impacting employers and the state of South Carolina. The research indicates that access to childcare has a sizable impact on parents' career development and potential. Without access to childcare, working parents compromise on their futures to meet immediate childcare needs.

Turnover and absenteeism stemming from childcare issues results in costs for parents, their employers, and the state. Legislators and executives can thoughtfully consider impactful measures that will alleviate existing childcare issues. In doing so, they can strengthen their human capital and increase the size of the available talent pool.

This research raises a crucial question: **what could South Carolina's parents and leaders do with an additional \$997 million each year?** It is our hope that smart solutions produced in cooperation with government, businesses, and parents will benefit all South Carolinians, and lead the state to economic success in years to come.



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#### RESEARCH SPONSORS

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The research for the Untapped Potential report was conducted by the U.S. Chamber of Commerce Foundation in partnership with the South Carolina Chamber of Commerce and the South Carolina Department of Social Services.

## APPENDIX A: SURVEY METHODOLOGY AND RESPONDENT DEMOGRAPHICS

As with the previous studies conducted by the U.S. Chamber of Commerce Foundation, this study was conducted in two phases.

First, the U.S. Chamber of Commerce Foundation, the South Carolina Chamber of Commerce, and the South Carolina Department of Social Services partnered with Cicero Group to conduct a statewide survey of households with children under six who are not yet in kindergarten. Parents were asked a series of questions designed to investigate the intersection of workforce participation, education, and childcare issues. This survey was conducted online and sampled a population representative of South Carolina's racial and income demographics (**FIGURE 31**).

As mentioned in the body of the report, those surveyed were allowed to select from response options that were inclusive of a “parent, stepparent, or guardian” when indicating their current and pre-pandemic childcare arrangement. Income was self-reported by respondents, who selected the range that best described their income before taxes. Responses were later regrouped to establish “Low” (less than \$30,000 per household), “Middle” (\$30,000 to \$100,000 per household), and “High” (greater than \$100,000 per household) income classifications.

Second, Cicero Group estimated the economic impact of childcare issues based on phase one survey results and secondary data sources such as U.S. Census Bureau. Cicero's proprietary economic model is a simple quantification of lost economic activity resulting from insufficient childcare support. The model is an approximation only, though it is presumed by Cicero to be an accurate measurement of conditions in the State of South Carolina at the time of the study.

**FIGURE 31.**

Respondent characteristics

RACE	White	Hispanic / Latino	Black / African American	Asian	American Indian / Alaskan Native	Native Hawaiian / Pacific Islander	Multiple / Other
N=500	323	18	121	5	5	1	17

GENDER	Female	Male	Other
N=500	256	243	1

REGION	Rural	Suburban	Urban
N=500	130	222	148

INCOME	Low	Middle	High	Prefer not to say
N=500	78	259	163	0

## APPENDIX B:

### ECONOMIC IMPACT METHODOLOGY

Economic impact consists of two areas:

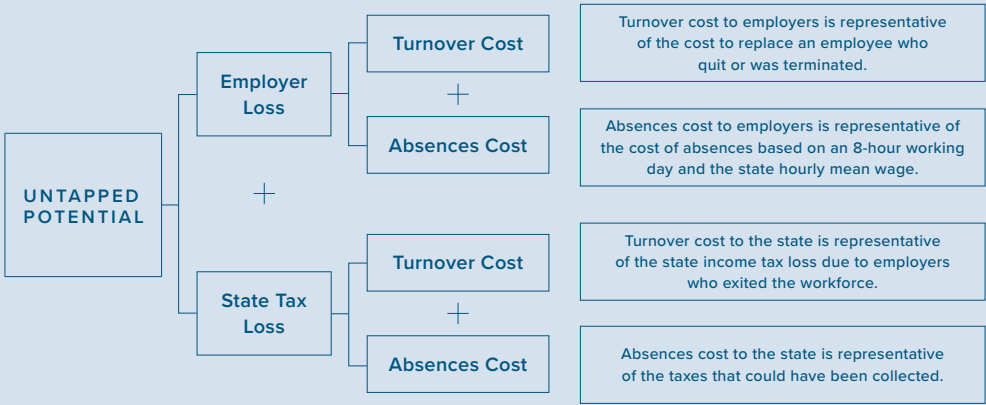
- Overall cost to employers
- Lost tax revenue for the state

Within these buckets, lost economic value is composed of turnover and absences costs.

The authors of this report pulled data from The American Community Survey (ACS) to calculate the total number of parents in the labor force with children under six. In South Carolina, there are an estimated 293,768 people in the workforce that match this description. This was calculated as follows:

- Multiply the percentage of households with children under six by the number of households with children under eighteen to obtain the number of households with children under six (215,776).
- Then, multiply the result by the average family size in the state to determine the total number of adults and children under six (638,697).
- Lastly, subtract the number of children under six to infer the number of parents with children under six (293,768).

10% of parents in our survey said they left a job either voluntarily or involuntarily as a direct result of issues with childcare within the past 12 months. We then applied this percentage to the number of parents in the workforce with children under six as a proxy for employee turnover activity within South Carolina’s labor market caused by child care challenges (28,274 workers). Subsequently, we applied Boushey and Glynn’s cost of turnover (21%)<sup>30</sup> to the annual mean salary for these workers, we arrived at the total cost to employers due to childcare-related employee turnover (\$317,511,468).

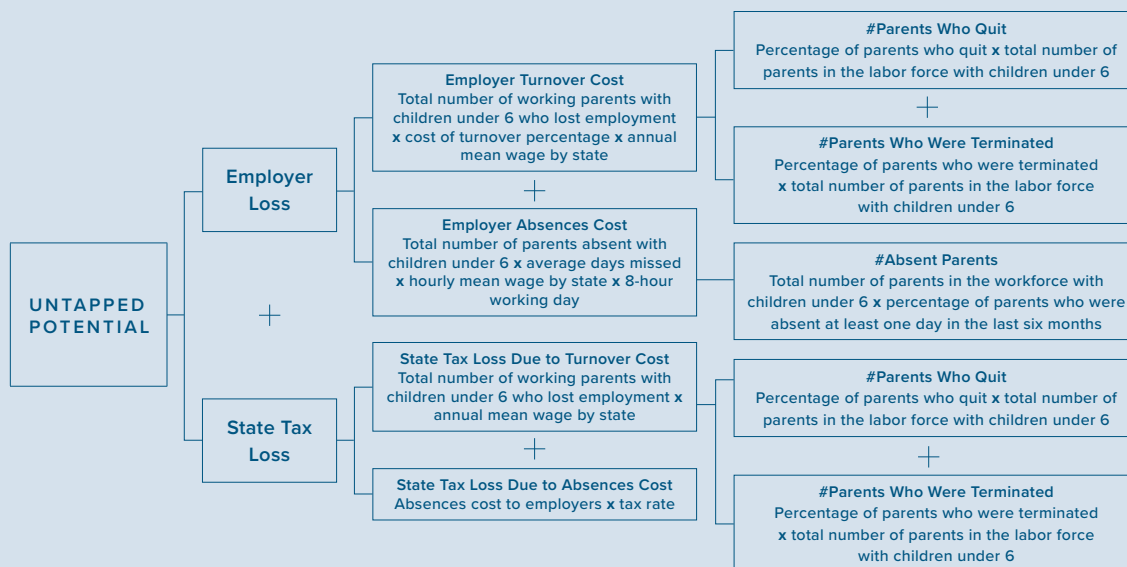


For absences, we applied the mean hourly wage to the number of parents who missed work, then assumed each worker missed an eight-hour shift. Although non-salaried workers forgo wages when they miss work, employers still pay a cost in lost productivity to those absent workers. Additional costs to employers may be incurred via overtime pay to other workers who must cover shifts, or if the company is forced to hire and pay temporary workers. This was calculated as follows:

- Determine the total number of absent employees by multiplying the total number of parents in the labor force by the percentage of parents with absences determined by the survey (146,884).
- Then multiply the total number of absent parents by the average days missed (as determined by the survey) by the hourly mean wage in the state by an eight-hour working day to determine the absence cost (\$500,753,130).

Just as childcare-related turnover hurts employers, state taxes are directly and indirectly impacted when employees lose their jobs or miss out on wage increases. Estimates from The Institute on Taxation & Economic Policy were used to determine appropriate tax rates.<sup>31</sup> The economic impact was calculated as follows:

- State incurred turnover cost: multiply the total number of working parents with children under six who voluntarily or involuntarily left the workforce due to childcare by the annual mean wage by the state tax rate (\$134,980,721).
- State incurred absence cost: multiply the previously calculated absence cost by the state tax rate (\$44,066,275).

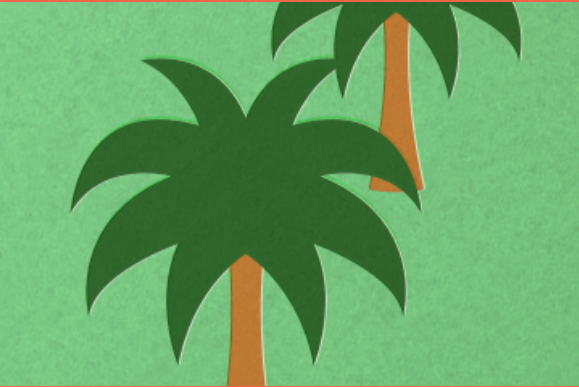
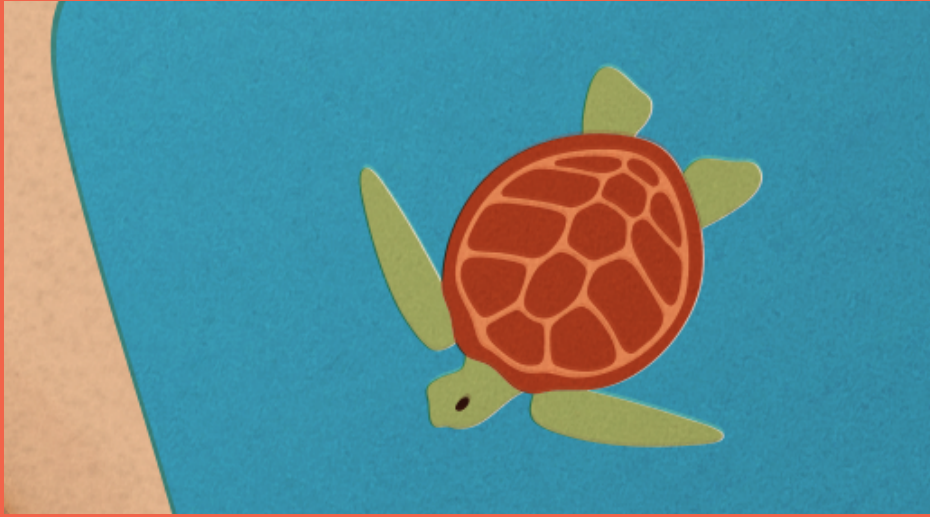


<sup>30</sup> For more on Boushey and Glynn and their calculations behind the average cost of turnover, reference their publication with the Center for American Progress, *There Are Significant Business Costs to Replacing Employees*.

<sup>31</sup> *Who Pays?* <https://ittp.org/whopays/south-carolina-who-pays-7th-edition/>

Notes:





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