The Economics for Investing in Child Care:

Why States and Employers Benefit from Cost-Sharing Child Care Models

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I. Introduction

States across the country are confronting a persistent and costly challenge: the lack of affordable, accessible child care. While often framed as a social or family issue, child care is in fact a core component of state economic infrastructure — one that directly affects labor-force participation, business productivity, tax revenue, and long-term economic resilience. When parents cannot reliably secure child care, the economic consequences are immediate and far-reaching. Workers exit the labor force, businesses face costly turnover disruptions, and states lose billions in productivity and tax revenue each year.

At the same time, innovative cost-sharing models — particularly Tri-Share programs — are demonstrating that coordinated investment from states, employers, and families can reverse these trends. By reducing the financial burden of child care and stabilizing early-learning supply, Tri-Share initiatives strengthen labor markets, bolster business performance, and help states prepare for economic slowdowns.

The following sections outline the economic risks posed by child care barriers, the business and household impact of unreliable care, and the evidence supporting Tri-Share programs as a strategic economic investment.

II. Child Care Delaying State Economic Growth: Lost Tax Revenue and an Untapped Workforce

Across the United States, child care shortages suppress economic growth by restricting workforce participation and reducing productivity. Research from the First Five Years Fund (2025) estimates that inadequate access to child care costs the national economy **$122 billion annually** in lost earnings, productivity, and tax revenue.[1] These losses manifest at the state level through reduced GDP, weakened labor-market efficiency, and diminished economic competitiveness.

Florida illustrates this impact at scale. According to a 2024 report from the Florida Chamber Foundation and the U.S. Chamber of Commerce Foundation, the state loses **$5.38 billion each year** because of child care instability — including **$911 million in lost tax revenue** and **$4.47 billion in employer-related costs** tied to absenteeism, turnover, and reduced productivity.[2]

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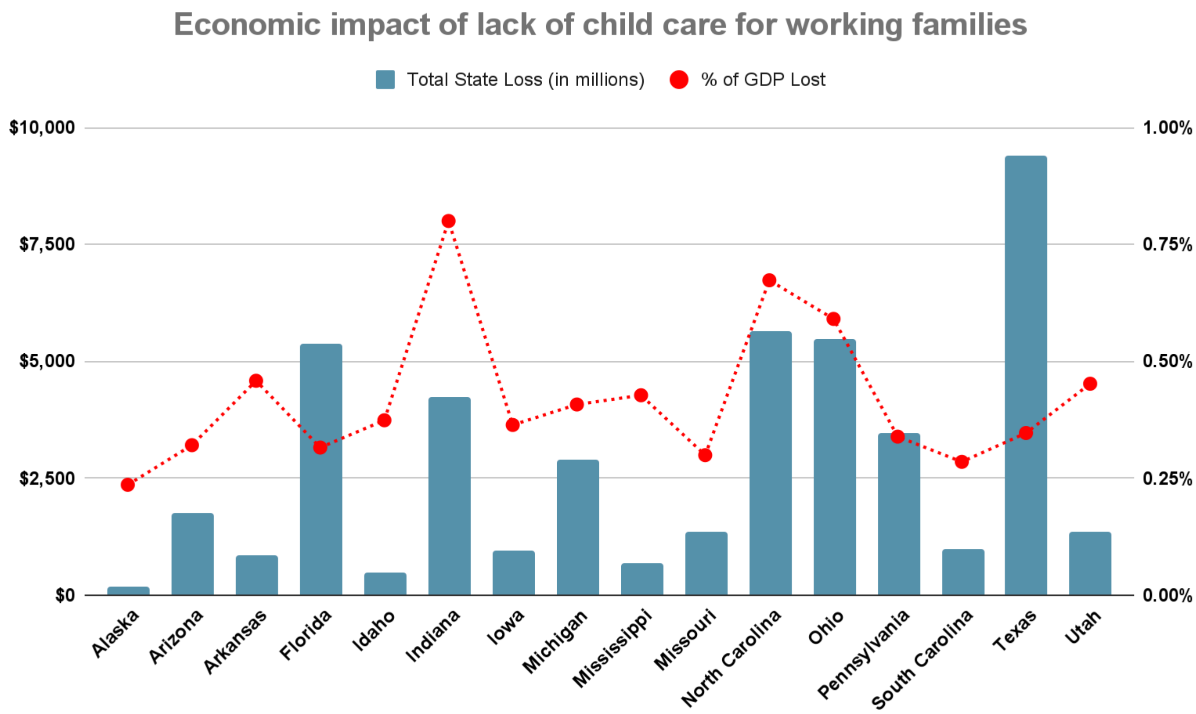
[1] First Five Years Fund. (2025). *How a Lack of Affordable Child Care Impacts the Economy*.
[2] U.S. Chamber of Commerce Foundation. (2024). *Untapped Potential in FL*.



Source: Chamber of Commerce Foundation. Untapped Potential: How Childcare Impacts State Economies. [State Report Series Homepage].

Employers across the nation increasingly recognize that child care is not merely a family issue but a business and economic necessity. Through all US Chamber *Untapped Potential* reports, surveyed states experience on average an economic loss equivalent to **0.42%** of their state's gross domestic product (GDP).[3]

The U.S. Department of the Treasury similarly identifies child care as **essential economic infrastructure**. Chronic underinvestment and constrained supply reflect classic market failures that suppress labor-force participation and limit states' productive capacity.[4] Without state-level intervention to address these structural issues, long-term economic inefficiencies accumulate, weakening fiscal resilience.

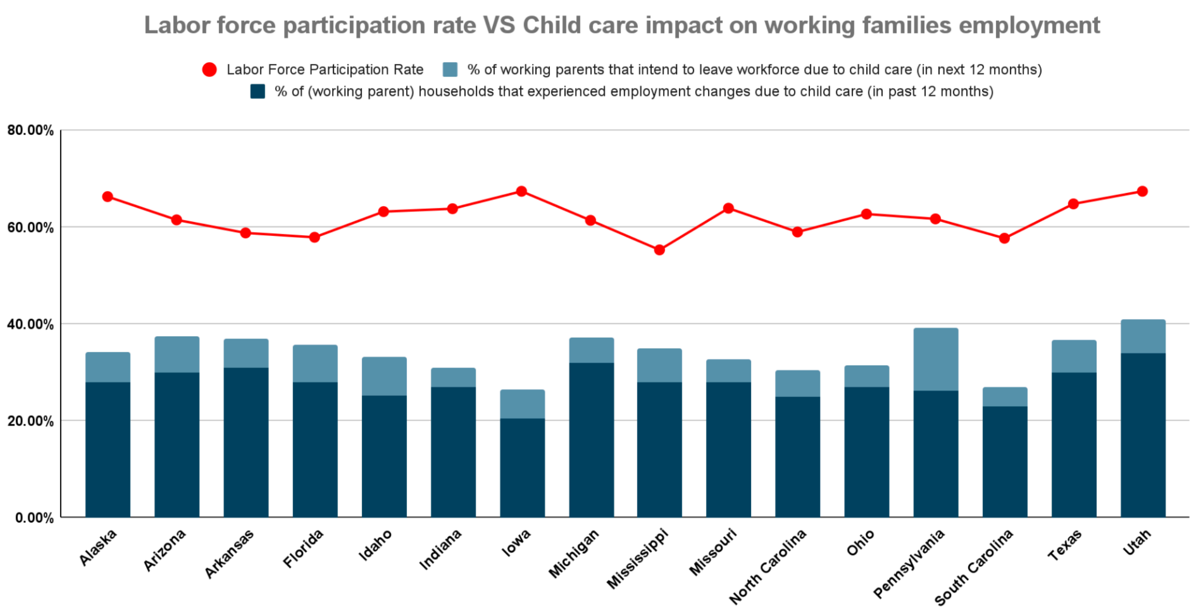
These vulnerabilities become especially consequential during economic downturns. As states face reduced consumer spending or employment contractions, child care barriers magnify productivity losses and shrink tax bases. Without a strong child care system, states risk deeper, longer-lasting downturns.

[3] U.S. Chamber of Commerce Foundation. Untapped Potential: How Childcare Impacts State Economies. State Report Series Homepage.
[4] U.S. Department of the Treasury. (2021). *The Economics of Child Care Supply in the United States.*

III. Child Care as a Business Risk: Turnover, Absenteeism, and Replacement Costs

For employers, child care barriers present immediate and measurable risks. Staffing shortages, preventable turnover, and frequent absenteeism directly affect operations and profitability. A 2024 U.S. Chamber of Commerce report estimates that child care-related disruptions cost employers between **$400 million and $3 billion annually**.[5]

The *Untapped Potential* reports from 16 states paint an alarming picture about both how the workforce has been impacted AND the mindset of the current working-parent workforce. In the 16 states, the average workforce participation rate is 62.1% (slightly lower than the national average 62.4%).[6] Of those surveyed, **27.7% of households** experienced an employment change in the past year specifically due to child care challenges. An additional **6.4%** of working parents expect to leave the workforce within the next year for the same reason.



Source: Chamber of Commerce Foundation. Untapped Potential: How Childcare Impacts State Economies. State Report Series Homepage.

Despite these clear indicators, most businesses remain underprepared. Wonderschool surveys in West Virginia and Kansas found that **approximately 70% of small and medium-sized businesses offer no child care benefits**,[7] even though a significant number of their employees report that child care barriers affect their ability to remain employed. The disconnect is stark:

[5] U.S Chamber of Commerce. (2024). *Understanding America's Labor Shortage: The Impact of Scare and Costly Childcare.*
[6] Federal Reserve Bank of St. Louis. (2025). Labor Force Participation Rate.
[7] Wonderschool. (2025). *Child Care is a Workforce Issue.*

nearly one in eleven working parents may leave a job because of child care, while only one in seven receive any support from their employer.

The cost of turnover highlights why child care should be understood as a business investment rather than a personal issue. Research is consistent on replacement costs:

- The Society for Human Resource Management (SHRM) estimates that direct replacement expenses equal **50–60% of annual salary**, and total costs can reach **90–200%** when accounting for training and lost productivity.[8]
- Boushey & Glynn estimate median replacement costs at **21% of annual wages**.[9]
- Gallup finds that replacing an employee can cost **half to twice their annual pay**, depending on role and seniority.[10]

For a worker earning $60,000 annually, even conservative estimates place replacement costs between **$30,000 and $45,000**. In a company of 1,000 employees (where 20% of employees are parents of children under the age of 5), if only **5%** leave due to child care—consistent with state survey findings—the annual cost is roughly **$500,000**. These losses do not include reduced morale, customer service disruptions, or institutional knowledge loss. ReadyNation also estimates that child care instability contributes to **$23 billion annually** in lost productivity nationwide.[11] The conclusion is clear: businesses absorb significant financial consequences when child care is unreliable.

IV. The Economic Impact on Households and Individual Families

For families, child care gaps impose both immediate financial strain and long-term economic consequences. Across surveyed states, **50–70% of parents** reported missing work at least once in a three-month period due to child care breakdowns. **40-50%** of families also reduce hours, decline shifts, or postpone education and training. These short-term disruptions accumulate quickly; inadequate child care contributes to an estimated **$78 billion annually** in lost earnings for parents nationwide.[12]

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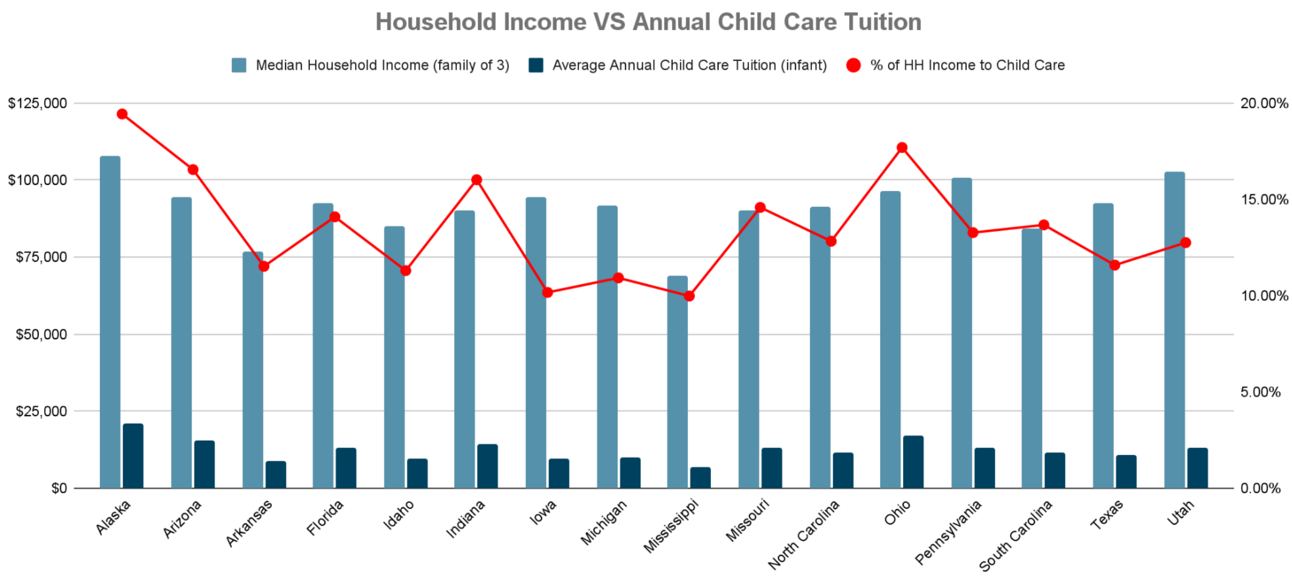
[8] SHRM. (2025) “The Myth of Replaceability: Preparing for the Loss of Key Employees”.
[9] Boushey, Heather, and Sarah Jane Glynn. There Are Significant Business Costs to Replacing Employees. Center for American Progress, 2012.
[10] Gallup. “This Fixable Problem Costs U.S. Businesses $1 Trillion.” (2020)
[11] Nash, C. $122 Billion: The Growing, Annual Cost of the Infant-Toddler Child Care Crisis. ReadyNation. (2023)
[12] Ewall-Wice, S. The child care crisis is costing the economy $122 billion a year, new study finds – and it's not just hurting families, businesses and taxpayers are taking a hit. CBS News. (2023).



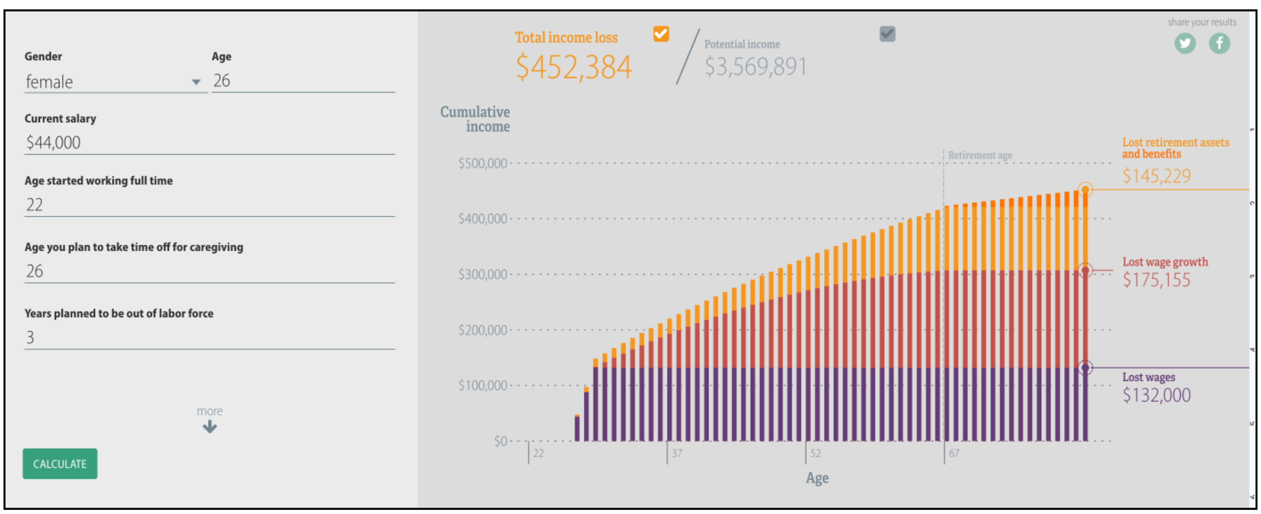
Source: Economic Policy Institute. Child care costs in the United States.

At the same time, the high cost of child care consumes a significant share of household income. With an average cost of **$12,481 per year**, families in many states spend over **13.5%** of their income on care—far above the commonly cited affordability benchmark of 7%.[13] A budget analysis for a family of three in Broward County, Florida underscores this burden. Despite earning the median family income of **$88,689**, the family faces an annual budget deficit of more than **$11,000** after covering basic expenses including child care, housing, food, transportation, health care, and taxes.

[13] Bipartisan Policy Center. (2020). Demystifying Child Care Affordability.

The long-term financial consequences of leaving the workforce due to child care challenges can be profound. Research from the Center for American Progress shows that a 26-year-old woman earning $44,000 who leaves the workforce for three years may experience more than **$450,000** in lifetime income loss due to reduced wage growth, missed promotions, and diminished retirement and Social Security contributions.[16] These losses undermine financial stability for families and diminish the overall labor pool for states already experiencing workforce shortages.

Annual Family Budget[14] (Broward County, FL)	
REVENUE	
Median Family Income	88,689
EXPENSES[15]	
Child Care	(10,416)
Housing	(25,224)
Food	(10,770)
Transportation	(15,315)
Health Care	(14,206)
Other Necessities	(12,110)
Taxes	(11,751)
REMAINING FUNDS	**(11,103)**

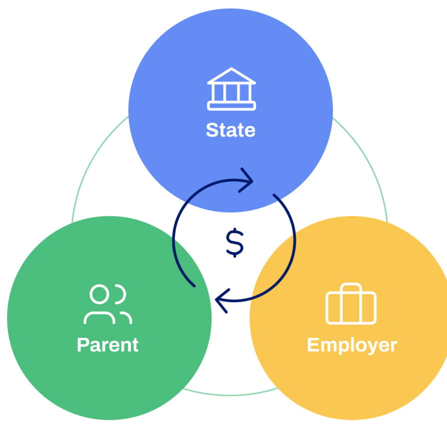


Source: Center for American Progress. (2016). The Hidden Cost of a Failing Child Care System.

[14] Florida Office of Economic and Demographic Research. (2025). Broward County.
[15] Economic Policy Institute. (2025). Family Budget Calculator.
[16] Center for American Progress. (2016). The Hidden Cost of a Failing Child Care System.

V. Re-engaging the Workforce: The Promise of Cost-Sharing Child Care Initiatives

To re-engage workers who have left the labor force—and prevent additional exits—cost-sharing child care models have emerged as a promising solution. Michigan's Tri-Share program, launched in 2021, divides child care costs evenly among the state, employers, and families.[17] This approach reduces financial barriers for working parents while helping employers retain staff and allowing states to support workforce participation without bearing the full cost of subsidies.



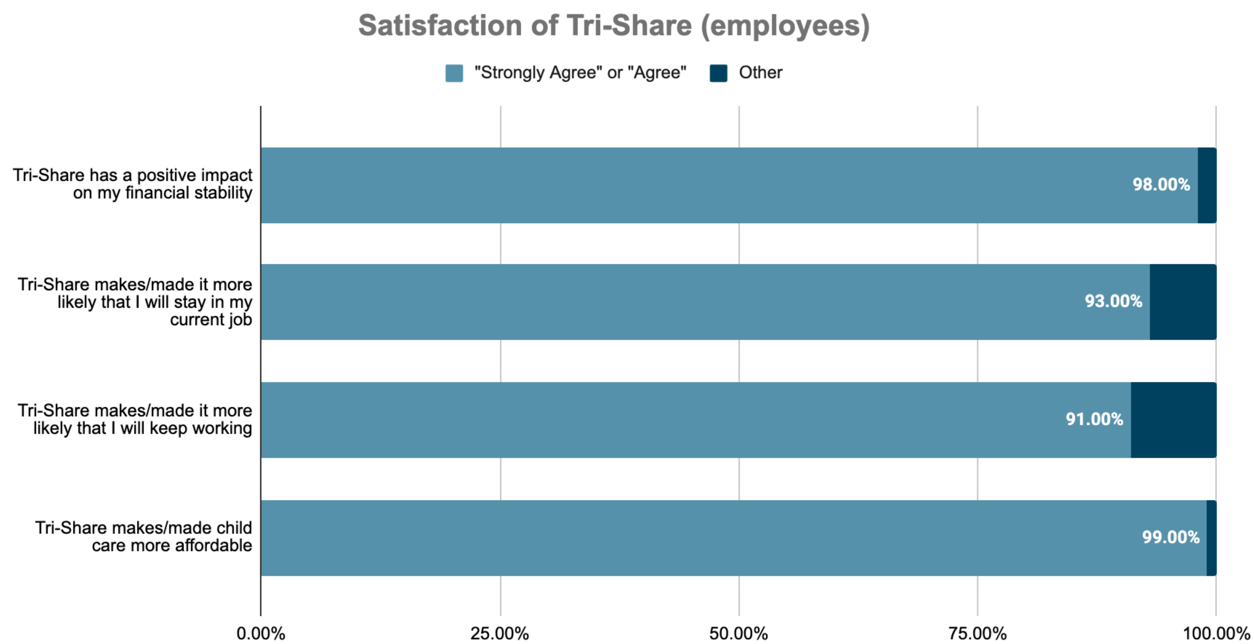
Since Michigan's launch, more than ten states and regions have adopted tri-share models with variations tailored to their needs.[18] Wonderschool-administered Tri-Share in West Virginia has demonstrated rapid growth and strong employer and family demand. Additional programs such as Tri-Share in Indiana grew from Nobel County, to now an 11-county program in northeast Indiana.[19] Kentucky continues their Employee Child Care Assistance Partnerships program since 2023, and has made some improvements to streamline the administration through technology incorporation.[20] Each program operates uniquely, but all share the same underlying strategy: reducing the cost of child care to keep parents working and encourage those who have exited the workforce to return.

[17] Results for America. (2025). Affordable and accessible childcare: Michigan's Tri-Share Program.
[18] Sullivan, E. *More States Adopt 'Tri-Share' for Child Care Even As Some Question Its Merits*. EdSurge. (2025).
[19] Northeast Indiana Early Education Coalition. (2025). Tri Share.
[20] Kentucky Cabinet for Health and Family Services. (2025). Employee Child Care Assistance Partnership Program.

VI. How Tri-Share Can Support State and Business Economic Strategies

Cost-sharing child care models like Tri-Share directly support state economic stability and business performance. By reducing out-of-pocket costs, these programs help keep parents attached to the labor force, which in turn stabilizes state GDP, supports tax revenue, and improves employers' access to a reliable workforce. During economic slowdowns, when staffing challenges and budget pressures intensify, the benefits become even more significant.

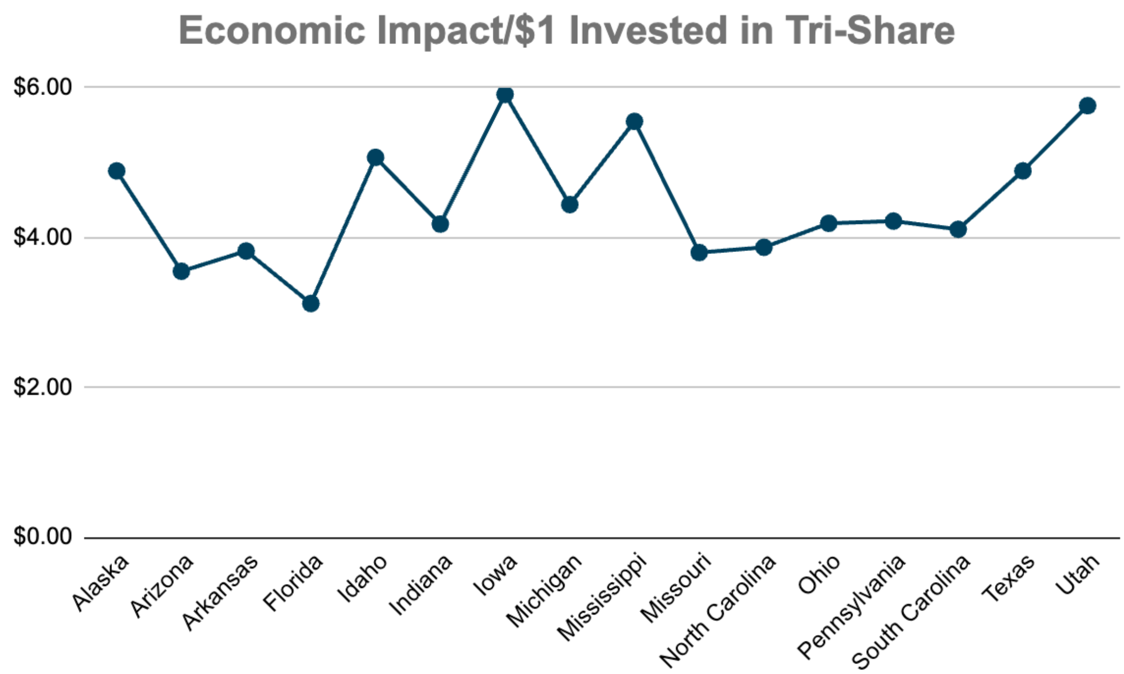
Michigan's Tri-Share evaluation underscores the impact: **91% of participating parents** reported that the program makes it more likely they will remain in the workforce, and **93%** indicated it makes them more likely to stay with their current employer.[21] These outcomes mirror what employers report nationwide—that child care support reduces turnover, improves recruitment, and enhances productivity.



Source: Public Sector Consultants. (2024). MI Tri-Share 2024 Evaluation Report.

Wonderschool's Tri-Share ROI calculator further demonstrates the fiscal strength of the model. In Florida, for example, a **$5 million state investment** could generate more than **$12.4 million** in revenue impact, driven not only by increased tax revenue but also by reduced spending on safety net programs such as SNAP, Medicaid, and TANF. As more families achieve financial stability and higher earnings through sustained employment, states realize long-term savings.

[21] Public Sector Consultants. (2024). MI Tri-Share 2024 Evaluation Report.



Source: Public Wonderschool. (2025). [Tri-Share ROI Calculator.]

Tri-Share programs also stabilize the child care sector itself. By ensuring predictable payments, providers can retain staff, expand capacity, and maintain operations during periods of fluctuating enrollment. A stronger child care sector reinforces the workforce, creating a feedback loop that supports broader economic resilience.

VII. Investing in Child Care Is a Smart Business Strategy

While the challenges are significant, the business case for investing in child care is equally strong. Child care benefits are now among the most sought-after employee supports. National surveys consistently show that working parents view child care assistance as a top priority when evaluating current or prospective employers. The KinderCare/Harris Poll Parent Confidence Report found that **nearly half** of parents rank child care among their top three desired benefits, and **65%** would remain with an employer if such benefits were offered.[22]

Additionally, child care benefits strongly influence employer choice. Choosing where to work is increasingly shaped by child care support. A 2023 national survey by Catalyst found that **70%** of

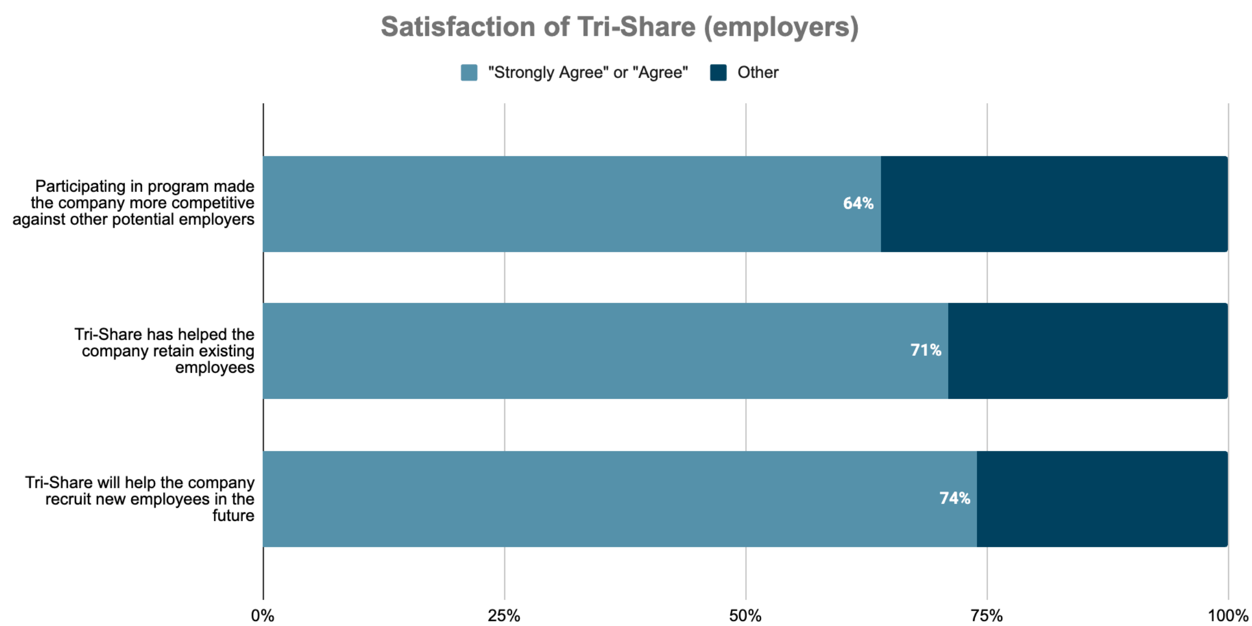
[22] KinderCare Learning Companies & The Harris Poll. 2024 Parent Confidence Report.

working parents are more likely to choose an employer that provides child care benefits over one that does not.[23]

Employers that provide child care support report improvements in recruitment, retention, and productivity. A 2024 Care.com Employer Child Care Survey found that:

- 81% of employers saw improved talent recruitment
- 80% experienced better retention
- 82% reported increased productivity and engagement[24]

The MI Tri-Share program has yielded similar results, with employers noting that cost-sharing support is helping them keep current employees and attract new talent. **71%** of enrolled employers have said the program has helped retain existing employees, while **74%** of employers believe that Tri-Share will help the company recruit employees in the future.[25] Given that turnover often costs between half and twice a worker's salary, even modest investments in child care benefits can produce significant financial returns.



Source: Public Sector Consultants. (2024). MI Tri-Share 2024 Evaluation Report.

[23] Catalyst. (2023). "Survey finds 4 in 10 working mothers likely to change jobs because of childcare issues."
[24] First Five Years Fund (FFYF). "Employer Child Care Survey from Care.com Shows Growing Demand for Employer-Sponsored Child Care Support." March 2024.
[25] Public Sector Consultants. (2024). MI Tri-Share 2024 Evaluation Report.

Beyond recruitment and retention, employer child care support reinforces employee commitment:

- The 2024 KinderCare/Harris Poll reports that child care benefits significantly increase employees' perception that their employer "supports families."
- The Care.com 2024 findings indicate that employees with child care benefits report greater job satisfaction and stronger organizational commitment.

For an employer, providing child care benefits reduces turnover, improves recruitment and expands talent pools, increases productivity, and leads to stronger morale, engagement, and organizational commitment. Given that replacing a single employee often costs 50%–200% of annual salary, even moderately priced child care benefits can yield net financial gains.

VIII. Recommendations: Funding a Tri-Share Program Through State-Business Collaboration

Given the substantial evidence demonstrating the economic benefits of child care cost-sharing, states should prioritize the development and funding of a Tri-Share program. Successful implementation requires dedicated state resources, strong employer partnerships, and streamlined administration. States that invest proactively can protect their tax base, maintain a stable labor force, and reduce the economic drag caused by child care shortages.

Businesses play an essential role in the success of Tri-Share. Their participation not only reduces costs for families but also strengthens their own workforce by lowering turnover and improving employee satisfaction. Collaborative funding is key: instead of relying solely on public dollars, Tri-Share programs distribute the cost more equitably among employers, families, and the state.

To support execution, states benefit from partnering with an experienced administrator. Wonderschool provides full-service administration, reducing burdens that often impede rollout. Key administrative advantages include employer recruitment and management, contribution collection and distribution, marketing and outreach, and technology-enabled data insights.[26] This model allows states to maintain oversight and access critical data without creating new administrative layers.

[26] Levinson, K. (2025). "West Virginia turns to tech to implement a new child care payment model." *Route Fifty.* Nov 20, 2025.

IX. Conclusion

Child care is a foundational element of economic infrastructure. When it is unaffordable or inaccessible, states lose revenue, businesses face heightened operational costs, and families experience financial instability that can persist for decades. The economic consequences—reduced workforce participation, lower productivity, and diminished tax revenue—are too great for states to ignore.

Tri-Share programs offer a practical, cost-effective solution that strengthens families, employers, and state economies simultaneously. By distributing the cost of child care among the state, employers, and families, these models keep parents in the workforce, reduce employer turnover costs, and stabilize the child care sector. As states navigate ongoing labor shortages and brace for future economic uncertainty, investing in child care through cost-sharing strategies is one of the most powerful tools available to support long-term economic resilience.