

## Meeting North Carolina’s Workforce Needs

### Recommendation

Provides \$554.3 million in FY 2023-24 and \$645.3 million FY 2024-25 to address North Carolina’s workforce needs, with an emphasis on investing in successful workforce development programs and pilots, expanding high-need workforce training programs, retaining community college faculty to provide workforce training, and permanently increasing direct care workforce wages. These investments are funded through a combination of General Fund net appropriation, the new Strategic Workforce Investment Trust Fund (SWIFT) within the Department of Commerce Division of Employment Security (DES), and transfers from the Savings Reserve.

Table 1: Allocation of Funds for Workforce Needs

	FY 2023-24	FY 2024-25
On-the-Job Training and Credentialling	\$160,000 R \$13,100,000 NR	\$25,160,000 R \$0 NR
Child Care Access and Affordability for Working Parents	\$100,000,000 R \$211,000,000 NR	\$100,000,000 R \$300,000,000 NR
Hard to Staff Industry Supports	\$107,900,000 R	\$109,400,000 R
High-Demand Workforce Supports	\$77,100,000 R \$45,000,000 NR	\$106,000,000 R \$4,700,000 NR
<b>Sub Total</b>	<b>R \$285,160,000</b> <b>NR \$269,100,000</b>	<b>\$340,560,000</b> <b>\$304,700,000</b>
<b>Grand Total</b>	<b>\$ 554,260,000</b>	<b>\$ 645,260,000</b>

### Statement of Need

Over the coming decades, North Carolina must navigate both shifting demographics and evolving business needs that will impact the state’s workforce. Impacts of some of these changes, such as an increasing number of retirees and fewer working-age adults, are already being felt. The most immediate issues include:

- Growth in computer and math, healthcare support, and personal care support occupations are projected to grow at 1.4%, 1.4%, and 1.3% respectively between 2018 and 2028, more than double the statewide growth 0.6% across all occupations.<sup>1</sup>
- Over half of the respondents to the February 2023 NC Business Pulse Survey had concerns about adequate staffing levels, and 25% believe their ability to find qualified workers will be harder six months from now. Most – 66% – believe their ability to find qualified workers in six months will not improve.<sup>2</sup>
- North Carolina’s 2021 women’s labor force participation rate remains 1.9% below its pre-pandemic high in 2019, and child care issues were cited by almost half of workers with children younger than 18 as a reason for leaving a job, according to a 2021 Pew survey.<sup>3,4</sup>

<sup>1</sup> NC Department of Commerce, Employment Projections.

[https://tools.nccareers.org/employmentprojections/occupation\\_employment\\_projections.html](https://tools.nccareers.org/employmentprojections/occupation_employment_projections.html)

<sup>2</sup> NC Department of Commerce, Labor & Economic Analysis Division. North Carolina Business Pulse Survey, February 2023.

<https://analytics.nccommerce.com/pulse-survey/>

<sup>3</sup> U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics, 2021 and 2019 annual averages

<sup>4</sup> <https://www.pewresearch.org/fact-tank/2022/03/09/majority-of-workers-who-quit-a-job-in-2021-cite-low-pay-no-opportunities-for-advancement-feeling-disrespected/>

- Due to systemic discrimination, marginalized populations face a much higher unemployment rate than average and thus need greater support. For example, in January 2023, the national unemployment rate was 3.4% while the African American unemployment rate was 5.6%, the Hispanic or Latino rate was 5.5%, and the rate for individuals with a disability was 7.1%.<sup>5</sup>
- In North Carolina, and nationwide, there are longstanding concerns about the shortage of healthcare professionals, especially in nursing. North Carolina is projected to face a shortage of 12,500 Registered Nurses and over 5,000 Licensed Practical Nurses by 2033.<sup>6</sup> Burnout from the pandemic, an aging workforce, and challenging working environments exacerbate the shortage of bedside nurses.<sup>7</sup>
- North Carolina needs two million adults ages 25-44 with a degree or industry credential to meet employer demand. “As of 2022, the state has an estimated 1,555,543 adults (ages 25-44) with a degree or industry-valued credential...31,000 short of where the state needs to be, at this time” to meet its goal.<sup>8</sup>

Tackling these issues will help North Carolinians return to work, secure well-paying jobs, and ensure employers can find the skilled workers they need to succeed.

### Recommendation Detail

Addresses critical workforce development and stabilization needs across the state by funding new and existing programs at state agencies and nonprofit entities, including the Department of Commerce, Department of Health and Human Services (HHS), North Carolina Community College System (NCCCS), the University of North Carolina (UNC), North Carolina Business Committee for Education, and North Carolina Independent Colleges and Universities. These investments bolster job training, better target priority populations, and support hard-to-staff industries.

#### On the Job Training and Credentialing

**Workforce Development and On-the-Job Training:** Provides \$15 million in recurring funding from SWFT to fund competitive grants to workforce development boards to support employers hiring, training, and retaining employees. Funding will be used to support outreach, work-based learning, on-the job training, or employer engagement activities. To receive these funds, workforce development boards must address how they plan to target outreach to priority populations, including: jobseekers in rural and underserved communities, military veterans and spouses, seasoned workers, reentry and justice-involved individuals, people of color, recipients of public assistance, limited English proficiency jobseekers, and individuals with disabilities. In addition, this investment provides \$4 million to the North Carolina Business Committee on Education for a three-year Rural Works pilot. This program will expand on the successful Surry-Yadkin Works program, providing work-based learning opportunities like internships and pre-apprenticeships from middle school through high schools, in five pilot counties.

**Short-Term Workforce Credentials and Credentialing support:** Provides \$9.1 million one-time funding in FY 2023-24 and \$10 million recurring from SWFT in FY 2024-25 for assistance grants for Short-Term Workforce Credentials at community colleges. This supports the unemployed individuals and those looking to re-train to earn new, high-quality credentials quickly and enter the workforce more rapidly. This program is currently funded by federal funds, which end in September 2023. To ensure credentials

<sup>5</sup> U.S. Bureau of Labor Statistics, retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/categories/32447>, March 7, 2023.

<sup>6</sup> NC Nursecast – North Carolina Nursing Supply & Demand Model. <https://ncnursecast.unc.edu/key-findings/>.

<sup>7</sup> <https://www.northcarolinahealthnews.org/2022/03/02/within-a-decade-nc-could-see-nursing-shortage-of-more-than-21000/>.

<sup>8</sup> My Future NC. Press Release. <https://www.myfuturenc.org/news/myfuturenc-releases-2022-county-attainment-profiles/>

are high-quality and add value to recipients, this investment includes a position within the Division of Workforce Solutions at the Department of Commerce to support the North Carolina Workforce Credentials Advisory Council, which will manage the process needed to approve industry recognized credentials and certifications.

#### Child Care Access and Affordability for Working Parents

##### **Child Care Stabilization Grants, Child Care Subsidy Rates, and Increased Supply of Child Care for Working Parents:**

Utilizes a portion of the overfunded Savings Reserve to invest \$500 million over the biennium to stabilize and sustain the North Carolina child care industry through compensation and fixed cost grants that are necessary as critical one-time federal funding for stabilization grants will expire this year. Includes \$100 million recurring to provide a statewide rate floor in the child care subsidy program for child care centers and family child care homes in lower wealth counties. Lastly, invests \$11 million to assist community college campuses put in place or expand child care services. This will increase professional development opportunities for the child care workforce while providing additional child care options to support students completing their degrees.<sup>9</sup>

#### Hard-to-Staff Industry Supports

**Direct Care Workforce Wage Increases, Child Care WAGE\$ Program Expansion:** Invests \$80.4 million recurring to increase direct care workforce wages above pre-COVID levels. This investment makes permanent 50% of the COVID-19 rate increases for Personal Care Services (PCS) and Skilled Nursing Facility (SNF), ensuring qualifying individuals can continue receiving community-based personal care and increasing staffing of direct support professionals in SNFs, addressing the state's direct care workforce shortage. In addition, this investment provides \$27.5 million in FY 2023-24 and \$29 million in FY 2024-25 and thereafter for the NC Child Care WAGE\$ program to expand the program statewide in order to attract early childhood educators, minimize turnover, and increase continuity of care and learning in the classroom by increasing pay.

#### High-Need Workforce Training Program

**Community College Faculty and Nurse Preceptors:** Provides \$33.3 million in the first year of the biennium and \$48 million in the second year for community college faculty bonuses in high-need workforce areas (funding provided through the SWFT fund) and nurse preceptors to address shortage of mentors for newly-qualified nurses (funded provided from net appropriation). Recruiting and retaining community college faculty and mentors is a key component of creating a highly-skilled state workforce prepared to meet employers' needs.

**High-Need and High-Demand Workforce Programs:** Invests nearly \$151.5 million over the biennium for high-need workforce programs and specific high-demand programs at UNC constituent institutions, providing start-up and expansion funding for critical programs such as nursing and healthcare, engineering, computer science, data science, and electric vehicles.

Of these funds, over \$95 million is provided over the biennium for institutions of higher education to allocate to programs that address these high-needs areas:

- Community Colleges: \$25 million nonrecurring in net General Fund appropriation in 2023-24 and \$10 million recurring from SWFT in FY 2024-25 to be allocated across the system based on needs.

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<sup>9</sup> The Hope Center, #RealCollege 2021: Basic Needs Insecurity during the ongoing pandemic, March 2021. <https://hope4college.com/wp-content/uploads/2021/03/RCReport2021.pdf>

- UNC System: \$20 million recurring in net General Fund appropriation starting in FY 2023-24 and \$10 million recurring from SWFT starting in FY 2024-25 to be allocated across high-need workforce programs at constituent institutions.
- North Carolina Independent Colleges and Universities: \$10 million from net appropriation in FY 2023-24 specifically to help grow the health care workforce in programs at the state's independent colleges and universities.

In addition, UNC is provided \$58.1 million recurring and \$8.4 million nonrecurring for ECU Growing the Primary Care Workforce, NC A&T Agriculture Research and Extension Match and NC A&T Premier Research Institution Funding, and for UNC Pembroke Health Sciences Program Expansion.

### Expected Impact

These proposals aid the state's new and existing businesses by equipping North Carolinians for high-quality, well-paid jobs, and provide the support needed for parents and seasoned workers to remain in the workforce. Expected impacts include:

- Enhance services to an additional 10,800 jobseekers each year through expansion of workforce development board services for priority populations.
- Decrease turnover of the child care workforce by up to 7%. The statewide early childhood education turnover was 21% in 2019 compared to 14% for WAGE\$ participants in FY 2021-22.
- Expand of the successful Surry-Yadkin Works program to five counties with the potential to impact over 250 students per year through work-based learning opportunities benefiting both employers and students.
- Improve access to high-quality, value-add credentialing aligned with industry needs.
- Increase opportunity for North Carolinians to gain skills at UNC institutions and community colleges to take advantage of the well-paying job opportunities arising from major investments in the state, boosting economic opportunities for all.
- Mitigate healthcare workforce shortage through increased capacity for training healthcare professionals across North Carolina's higher education institutions.