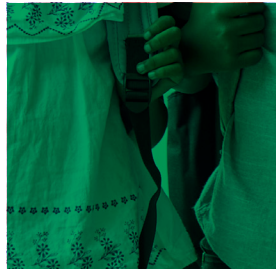
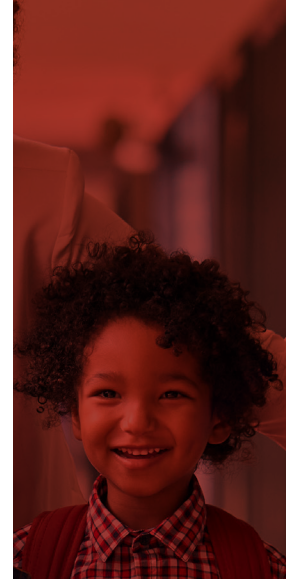


FINAL REPORT

Early Care and Education Economic Benefits Study



Riverside County – 2026

PREPARED FOR:



CONSORTIUM
FOR EARLY LEARNING SERVICES
Serving Riverside County Families

PREPARED BY:



Executive Summary



This executive summary presents key findings and recommendations from the *2026 Early Care and Education (ECE) Economic Benefits Study*, prepared for Riverside County by Brion Economics, Inc. The summary is divided into four sections, which relate to the full report's key findings and recommendations.¹ The study analyzes the economic benefits and multiplier effects of the ECE industry and compares them with those of other similar-sized industries in the County. While the ECE industry directly benefits the local economy, it also provides broader benefits to the entire local economy, such as enabling parents with children to go to work and developing young children's skills needed for successful adulthood. **ECE leads to a more stable workforce, reduces recruitment costs for businesses, and promotes advancement and career development for workers with children.** ECE results in better educational outcomes for children and lower social service expenditures from childhood to adulthood. The following analyses and data are included in the study's six chapters:

Literature Overview of the Economic Benefits of ECE and successful examples of State and local compensation initiatives for the ECE workforce;

ECE Needs and Demographics in Riverside County, including an estimate of shortages in ECE spaces;

Countywide Baseline Economic Conditions, including GDP, employment, wages and salaries, and unemployment rates, to understand the context for the economic benefits of the ECE industry;

ECE Workforce Analysis, including estimates of the size of the ECE workforce, their wages, and a comparison of current with living wages.

Economic Benefits of ECE Industry, including ECE industry spending, the economic multiplier effects, and the economic impact of the lack of ECE; and

Key Findings and Recommendations, including actions that can strengthen the ECE industry.

¹Note that study citations, data sources, and other references are included in the full report and technical appendices, which can be found on the Consortium for Early Learning Services website <https://consortiumels.org/>



1

Current Research on Economic Benefits of ECE and Local Compensation Strategies for ECE Workforce

Across the State and nation, the lack of ECE for parents with children and the struggles facing ECE workers and providers are significant.

- A 2024 study by the National Bureau of Economic Research showed that parents of children enrolled in Universal Pre-Kindergarten (UPK) **saw a 21.7% increase in earnings due to reduced child care costs and greater workforce participation**. The study concluded that for every \$1 invested, there was a \$10.04 return, primarily driven by higher parental income.
- A 2023 study conducted by economist Arthur Rolnick showed that investments in high-quality ECE programs generate substantial societal returns, including an **18% return on investment through enhanced workforce participation, lower crime rates, and improved population health outcomes**.
- Each 10% increase in UPK enrollment is associated with a 1.6 percentage point increase in the average employment rate of mothers with young children.
- Ready Nation has estimated that **the lack of infant/toddler care costs** parents, businesses, and the broader public **\$122 billion** combined nationwide.
- **Every 10% increase in the number of children under 3 in publicly funded ECE leads to a 1% decrease in the wage gap for mothers with children.**
- By providing a safe and nurturing environment for children, ECE programs enable parents to focus on their professional responsibilities, resulting in **improved productivity, job retention, and a more stable workforce for businesses**.
- By **narrowing achievement gaps** and promoting social mobility, ECE programs contribute to a more **equitable distribution of opportunities** and resources within society.
- **ECE workers are some of the lowest-paid workers nationwide** and often do not receive any employee benefits, such as health insurance or paid time off.
- **Sustained compensation investments for ECE workers can reduce turnover and improve retention.** Washington, D.C.'s Pay Equity Fund reduced turnover from 35% to 5% and pay increases/bonuses in states like Colorado and Virginia improved retention.
- **Initiatives are more successful when pay improvements are supported by durable funding approaches.** Successful strategies employed by different stakeholders are dedicated revenue streams (e.g., D.C.'s tax on high-income earners), blended/braided funding, federal seed funding for pilots, and benefit supports.

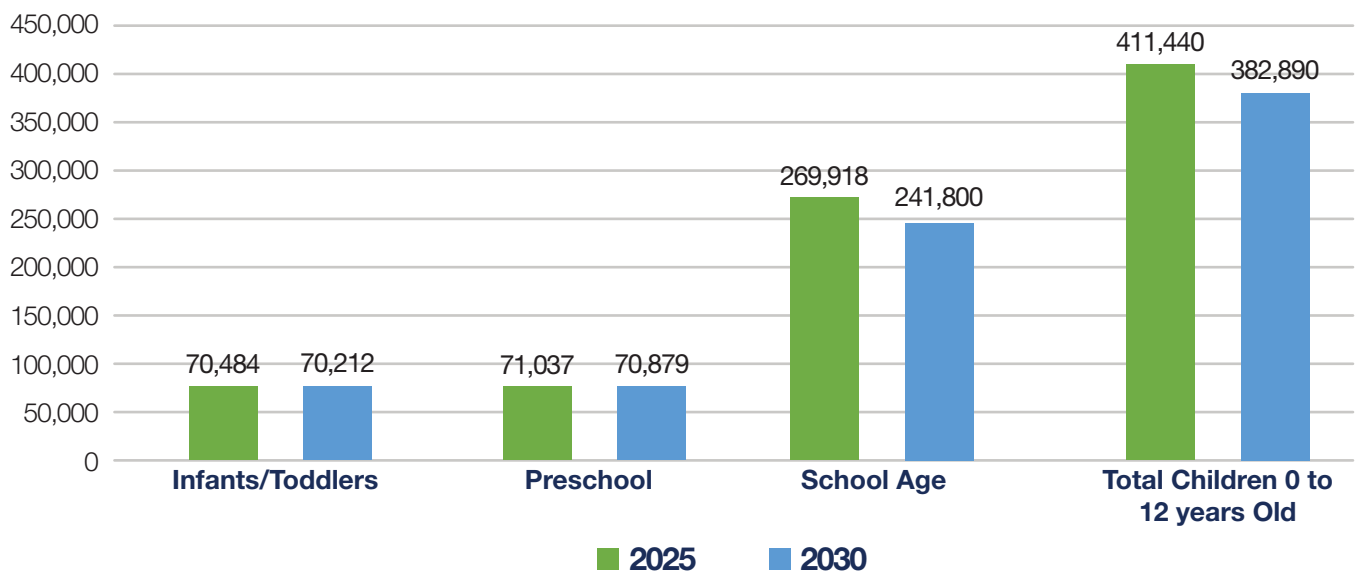
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Current Conditions in Riverside County

The lack of ECE costs Riverside County economic activity and jobs and contributes to low workforce participation and poverty amongst families with children.

- **Children as a Percent of Total Population:** The ratio of children to total population is currently 15.9% and projected to decrease to 14.1% by 2030. Overall, there will be about 28,500 fewer children in the County by 2030, or a 7% reduction overall.

Children Population in Riverside County - 2025 and 2030

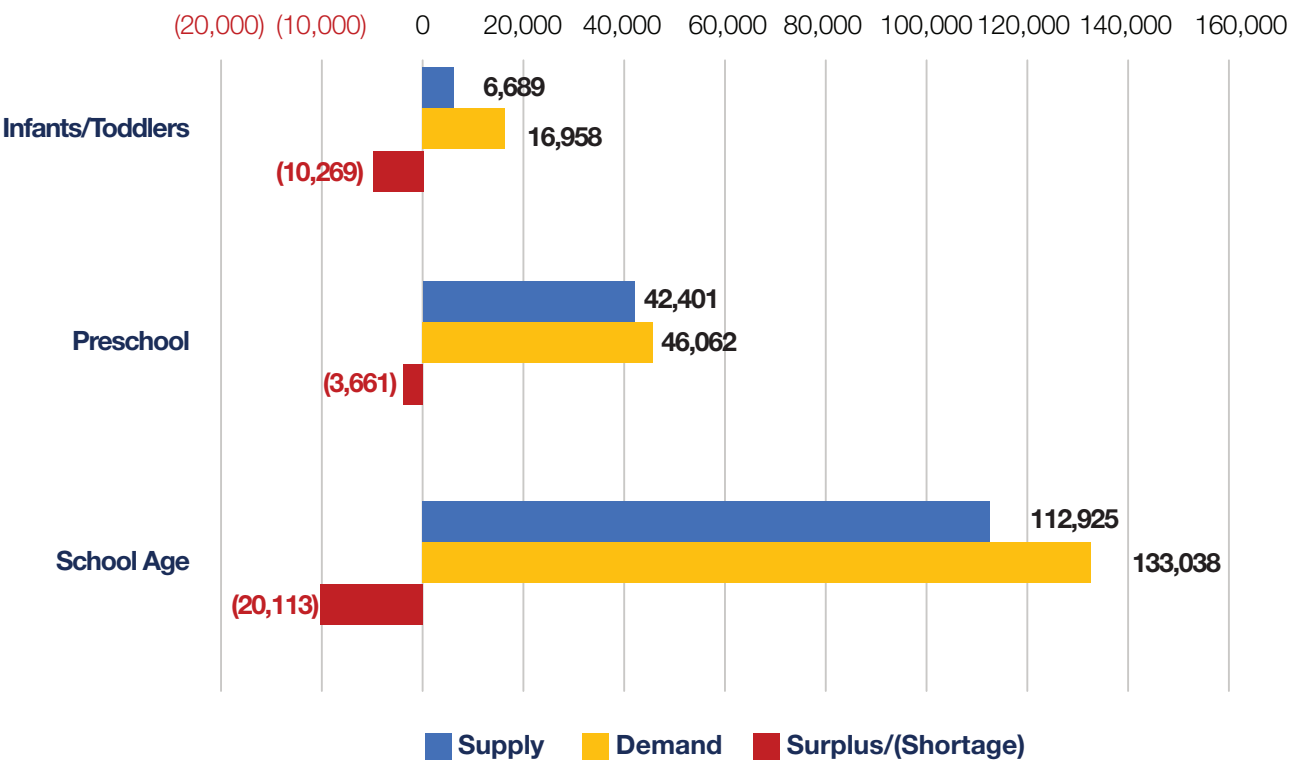


- **Labor Force Participation Rates (LPFRs):** LPFRs at 63.6% for parents with children under 6 are lower than the State average of 65.4%, in part due to the **lack of ECE**, especially infant/toddler care.
- **High Poverty Level:** About 8.5% of all families in Riverside County live below the federal poverty level, which was at \$31,200 for a family of four in 2024. **This makes it very difficult for families to afford ECE for their children.**
- For **women with children under 6, the unemployment rate is about 8.3%** (2.8 percentage points higher than the County average of 5.5%), consistent with the lower-than-average LPFRs among parents with children.

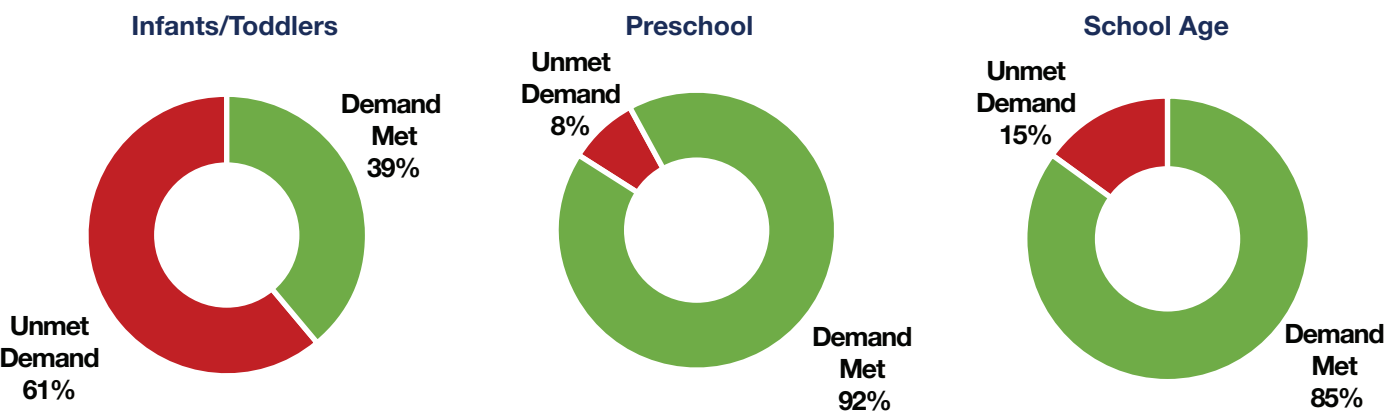
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Current Conditions in Riverside County (cont'd)

Supply, Demand, and Shortage of ECE Spaces in Riverside County - 2025

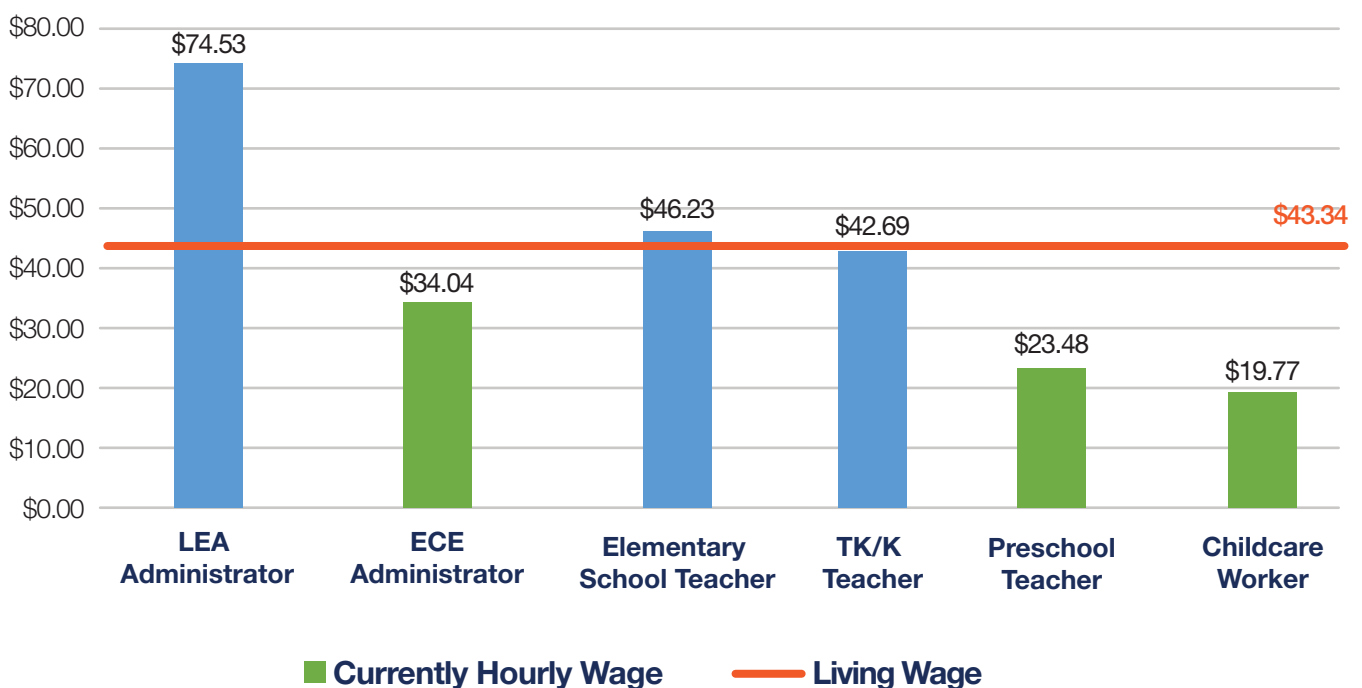


Percent of Demand Met and Unmet by Age Group in Riverside County - 2025



- Shortage of ECE Spaces:** There is an estimated shortage of about 34,000 ECE spaces, of which about 14,000 are for Infants/Toddlers and Preschool children.
- ECE Workforce:** Based on teacher-to-child ratios required by the State, there are currently about **14,100 ECE workers** in the County, including ECE staff working for Local Education Agencies (LEAs).
- Average ECE Wages:** Wages in the ECE field are 44% of living wages, or what is called sustainable wages.
 - Current ECE wages range from a **low of \$22 per hour** to a high of \$29 per hour for ECE center directors.
 - In annual salary terms, ECE workers currently earn an average of **\$48,000 per year**, compared to a **living wage of \$110,000** in Riverside County.
- ECE Worker Shortage:** The current shortage of 34,000 ECE spaces would require an additional 6,100 ECE workers.
- The challenges associated with significantly increasing supply include the need for **funding** for facilities, hiring **new workforce**, providing **higher wages** in the ECE field to attract and retain workers, and **land** for new facilities.

Mean Hourly Wage of Early Educators Compared to Positions in the Public School System in Riverside-San Bernardino-Ontario MSA - 2025



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Economic Benefits of the ECE Industry

The benefits of ECE for young children are multifaceted and ripple through a child's life, society, and the economy.

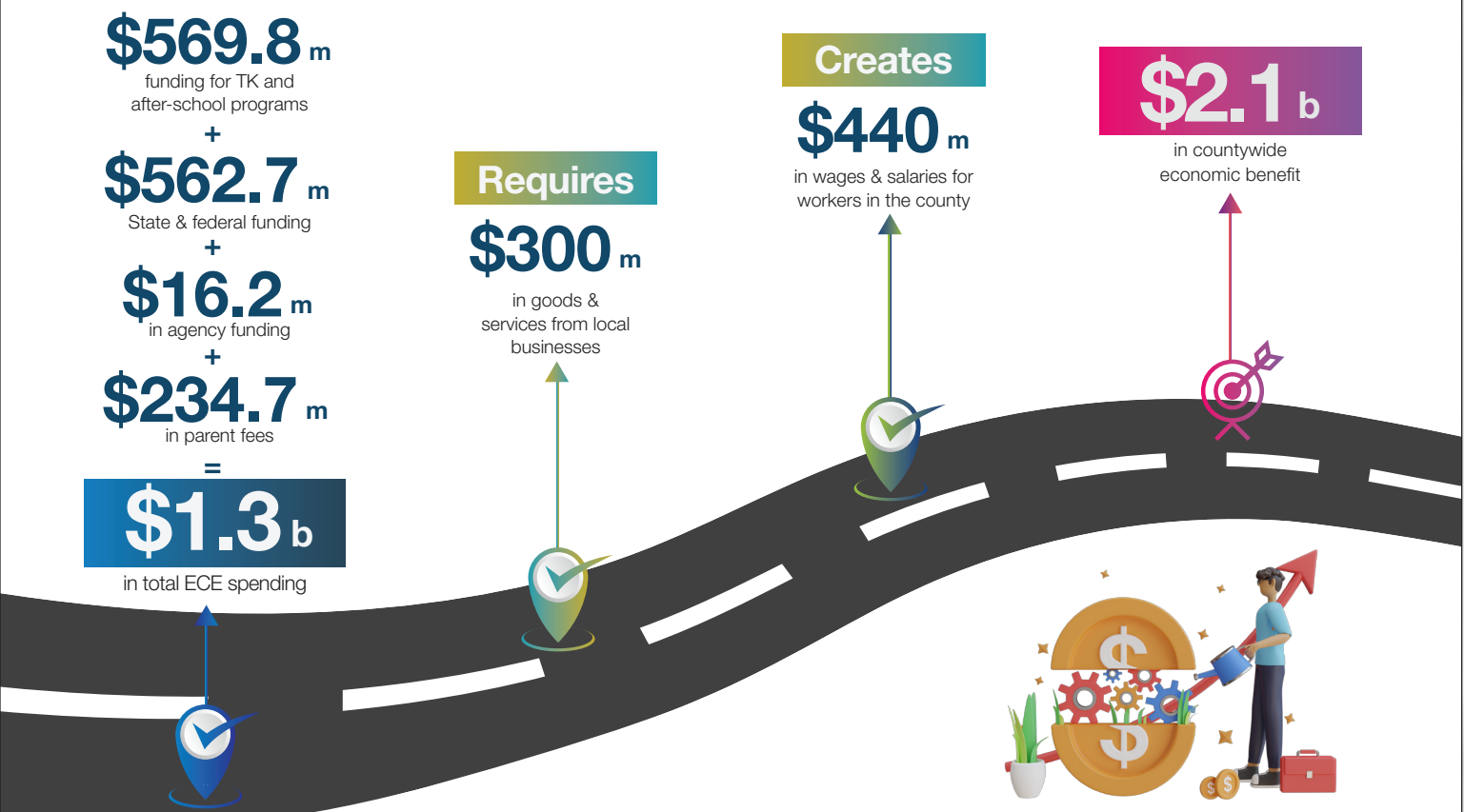
The economic multiplier or impact analysis includes:

- **ECE industry current spending** or direct revenue estimates.
- **Input/Output or Multiplier Analysis** quantifies the economic relationships between spending and funding for a specific industry and how that direct spending ripples through the local economy. These benefits are described as:
 - ◆ **Direct benefits or impacts** include the dollars parents spend on ECE services and the subsidies provided by public agencies.
 - ◆ **Indirect benefits or impacts** are the goods and services required by the ECE industry to provide care, such as accounting services, toys, equipment, food, and sundries.
 - ◆ **Induced benefits or impacts** are the effects that wages and salaries paid to ECE industry employees and owners have on the local economy, including spending on housing, food, personal services, health care, transportation, and vehicles.
- ✦ For each type of benefit discussed above, the analysis estimates **1) jobs, 2) wages and salaries (labor income), and 3) economic activity (output)**.
- **Current ECE Spending:** Direct spending on ECE operations in Riverside County totals **\$1.38 billion per year and is comprised of:**
 - ✦ **\$562.7 million** from State and federal subsidy funding;
 - ✦ **\$16.2 million** from agency and ECE program budgets;
 - ✦ **\$569.8 million** associated with Transitional Kindergarten and after-school programs at local school districts; and
 - ✦ **\$234.7 million** annually from private and non-profit ECE providers offering unsubsidized market-rate ECE services.
- **Subsidized Spaces:** An estimated **141,650 or 87% of ECE spaces are subsidized**, which significantly reduces ECE costs for families.
- **Employment Benefits:** ECE supports nearly **18,300 positions countywide**. The multiplier for employment is 1.30, which means for every 3 direct ECE jobs 1 additional job is supported elsewhere in the County.

- **Wages and Salary Income Benefits:** The total wages and salaries (labor income) associated with ECE expenditures **equal \$981 million per year.**
- **Total Economic Benefit:** The ECE industry's economic output from ECE expenditures totals \$2.1 billion, with \$300 million spent on needed goods and services and \$440 million in wages and salary income spent in the local economy.
- The multiplier value for industry output is \$1.53, or **for every dollar spent in ECE, another \$0.53 in economic activity** occurs in Riverside County in other industry sectors.
- **Similarly Sized Industries:** The total \$2.1 billion of economic activity from the ECE industry is similar to other industries in the County, such as:
 - ✦ **Arts, Entertainment, and Recreation** - \$2.8 billion
 - ✦ **Utilities** - \$2.8 billion
 - ✦ **Agriculture, Forestry, Fishing, and Hunting** - \$1.8 billion

In conclusion, this study estimates that **\$1.38 billion in direct annual ECE spending**, or input, does not merely trigger an equivalent level of output within the ECE industry but rather **generates a total of \$740 million in additional economic activity**, for a total of \$2.1 billion throughout the County, **plus an additional \$376 million in annual public tax revenue.**

Total ECE Output - Economic Activity in Riverside County - 2026



4

Key Findings and Recommendations

Increasing public investment in ECE – resulting in increased workforce participation, higher family incomes, and teacher compensation and retention – would cause a similar beneficial ripple effect across the County’s economy.

Key Findings

Since COVID-19, more businesses and the State and federal governments have recognized the importance of ECE to the functioning of the overall economy. The study outlined some significant challenges facing the ECE industry in general and analyzes these challenges specific to Riverside County, most notably:

- **Low wages and benefits** impact the ECE workforce and industry
- **Significant shortages** of ECE providers and ECE spaces
- **Wage gap** between current wages and sustainable living wages
- **Lower than average labor force participation rates**, particularly for women with children
- **Higher ratio of children** (percent of total population) compared to statewide levels
- **Higher unemployment rate** than California’s
- **High poverty levels**, especially for families with children
- The economics of ECE create **challenges for providers and families**
- **ECE tuition costs** need to be reduced so parents can afford ECE services
- **State reimbursement rates** for providers need to be increased

While the economic multiplier effects of ECE are not as high as those of industries such as manufacturing and technology, the indirect benefits of allowing parents to go to work, while challenging to quantify, are extremely important to the overall function of the Riverside County economy.

The economic loss of not having enough ECE spaces to support working parents totals **\$446.4 million**. The current average Gross Domestic Product (GDP) per worker in the County is about \$150,103. Applying this figure to the additional 34,000 workers that could go to work would generate a 4% increase in the County’s current GDP **or a potential additional \$5.1 billion**. This represents a rough estimate of the opportunity costs of not having enough ECE supply in Riverside County.

Recommendations

ECE is a complex ecosystem or industry with a myriad of delivery methods. Based on this study's analysis and findings, the following recommendations are, therefore, multifaceted, approaching a solution from a variety of perspectives.

Stabilize and Professionalize ECE Compensation Countywide

- Move from one-time supplements to a sustained compensation strategy.
- Adopt a countywide wage scale and career ladder.
- Prioritize benefits and total compensation.
- Align local strategy with the State's rate reform timeline.

Target Capacity Expansion Where the Gap is Greatest (Infant/Toddler) and Protect Wrap-Around Care

- Prioritize Infant/Toddler expansion.
- Build and preserve full-day options.
- Support TK wrap-around implementation.
- Use a project pipeline approach for facilities.

Strengthen Local Data Systems and Continuous Planning

- Invest in a stronger ECE workforce data system.
- Monitor TK and rate reform impacts on providers.
- Use the study's metrics as a baseline.

Build a Sustainable Local Financing and Employer Partnership Strategy

- Evaluate stable local revenue options.
- Engage employers in high-growth sectors.
- Leverage tax-credit changes and shared models where applicable.

ECE generates significant long-term benefits for children's development and well-being, reduces poverty for families, increases employment stability and retention, and its economic benefits extend throughout the entire Riverside County economy. Addressing the challenges facing ECE demands coordinated, multifaceted solutions across all sectors. The recommendations outlined above offer a roadmap toward that goal. Investing in ECE is not just an investment in children — it is an investment in the entire economy.



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