

# Economic impacts of early care and education in California<sup>[1]</sup>

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## AVAILABILITY

Report in pdf<sup>[2]</sup>

Press release<sup>[3]</sup>

## Excerpts from the report:

Early care and education (ECE) is an important industry in California, serving more than 850,000 California children and their families and bringing in gross receipts of at least \$5.6 billion annually. The industry not only benefits the children who receive care, but also strengthens the California economy as a whole, which is especially important during this time in which California is struggling with high unemployment and a weak economic recovery. This paper discusses the range of economic benefits that the ECE industry brings to California.

Our review of the research finds that the ECE industry benefits the California economy by promoting and facilitating parents' ability to participate in the paid workforce. Research has found that high-quality and reliable child care increases worker productivity and improves businesses' bottom line. Access to ECE reduces absenteeism and decreases turnover. ECE is especially important to the careers and earnings of mothers. Parents' ability to pursue education is also tied to the availability of ECE.

The human development aspects of the ECE industry also have a significant economic impact on California. Studies of the costs and long-term benefits of high-quality ECE programs have consistently found substantial savings derived over the course of years and decades from reduced need for remedial and special education, reduced incarceration rates, lower rates of teen pregnancy, and many other factors. Analyses of the costs and benefits of ECE have found impressive returns on investment to the public, ranging from \$2.69 to \$7.16 per dollar invested. Quality ECE can also help foster the development of a productive workforce to meet the future needs of California businesses in light of our state's changing economy and shifting demographics.

In this paper, we also build on existing research by quantifying the impact that the ECE industry has on California's economy in terms of parents' purchasing power, economic output, jobs, and tax revenue. We found that parents who rely on paid ECE services have purchasing power of \$26.4 billion, based on their annual earnings. We also found that every dollar spent on the ECE industry yields two dollars in economic output for the entire California economy. This is because ECE spending creates demand for suppliers and at the businesses where ECE workers and their families shop. Spending on ECE supports nearly 200,000 jobs, both direct jobs in the ECE industry and jobs in educational supplies, food, health care, and other industries, and also results in more than half a billion dollars in state and local tax revenue.

ECE is a critical part of California's infrastructure for economic development. Like the system of highways and roads and public transportation, parents need the infrastructure of reliable, affordable child care in order to productively participate in the workforce. It is important to maintain the ECE system even during periods of recession and high unemployment. If the system atrophies during times of economic contraction, a child care shortage during recovery impedes the workforce mobilization and productivity of many parents and hinders new economic growth. Like the public highway system, the child care infrastructure cannot be rebuilt overnight when the number of jobs returns to previous levels.

**Region:** United States<sup>[4]</sup>

**Tags:** economics<sup>[5]</sup>

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