

# 2025 ECE Market Insights

*Dynamics Affecting the Early Childhood Education Market 2025*

PREPARED FOR ECEC

FEBRUARY 25<sup>TH</sup>, 2025

TUSCANY STRATEGY CONSULTING

# Background

**This deck began as an internal project to understand critical drivers shaping today's early childhood education market.** This work was presented to the Early Care and Education Commission (ECEC) February 2025.

## Authors

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The authors wish to thank Radha Mohan, Executive Director of the ECEC and Senior Policy Advisor and Counsel at Brownstein Hyatt Farber Schreck

# Presentation at a Glance

## Ideas in Brief

**Demographic Stabilization & Plateauing Enrollment** The post-COVID decline in the under-five population is stabilizing but not rebounding to pre-pandemic levels. Private preschool enrollment for 3–4-year-olds has returned to pre-2020 levels, indicating that enrollment growth has likely plateaued.

**Structural Shift Toward Quality** The market is moving from basic childcare to quality early education. This is driven by knowledge-economy parents who value creativity, social development, and cognitive growth in their children.

**Macroeconomic Pressure on Families** Inflation, housing, and car costs have significantly outpaced wage growth, leaving high-income families with less disposable income. ECE is now part of a complex set of trade-offs in family budgeting.

**Consolidation and Tier Differentiation** Independent, home-based centers are declining. Chains and higher-tier providers (Tier 3–5) now dominate, especially in markets like Tennessee and Connecticut where Tier 4 and 5 providers increased by 81–150%.

**Workforce Shifts Reinforce ECE Value Proposition** The economy is increasingly dominated by non-routine cognitive jobs (e.g., knowledge work), which demand creativity, critical thinking, and adaptability—skills that high-quality ECE aims to develop.

## Implications

**Value Differentiation is Critical:** Providers must clearly communicate long-term educational outcomes (e.g., kindergarten readiness, social-emotional growth) to justify premium pricing.

**Quality Signals Matter:** As parents become more discerning, they rely on observable proxies—like teacher quality, leadership, curriculum, and facility appearance—to judge educational value.

**Competitive Pressure Is Intensifying:** With more Tier 4 and 5 centers entering the market, especially from chains, existing providers must compete not just on price, but also on reputation, service quality, and parent experience.

**Budget Sensitivity Must Be Addressed:** Even affluent families are experiencing financial pressure. Providers should consider flexible pricing models, clear communication of value, and operational consistency to retain families.

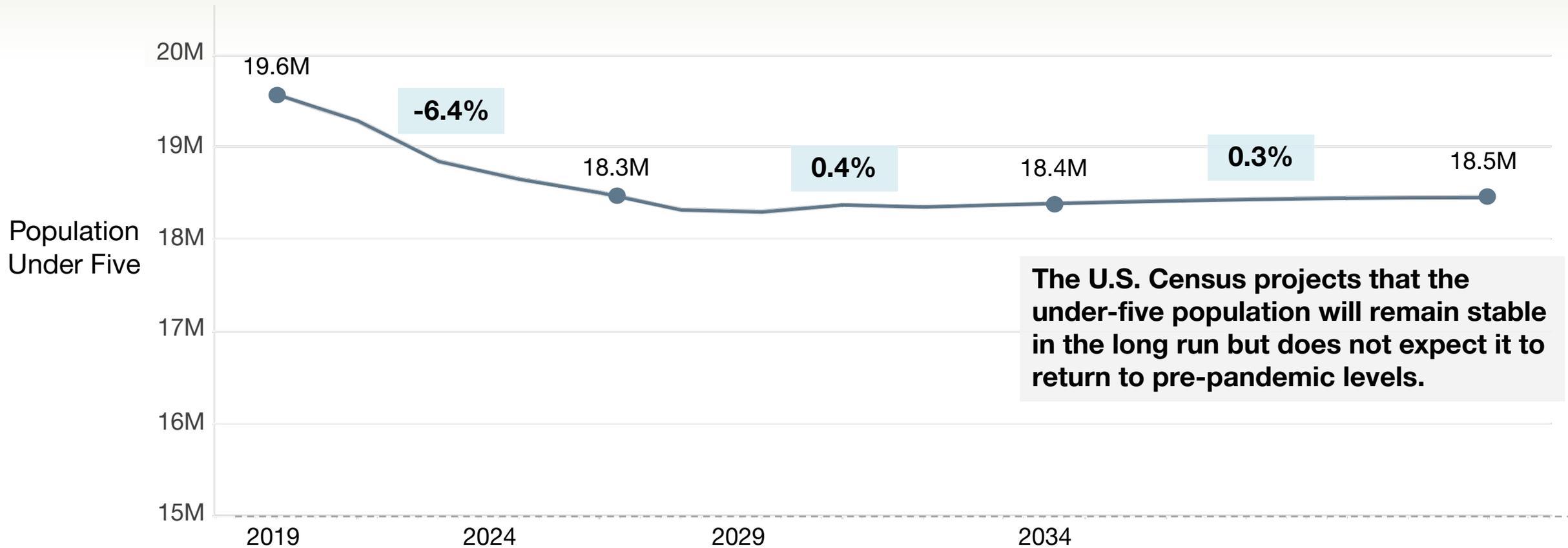
**Align With the AI Economy:** Programs that prepare children for non-routine cognitive skills (e.g., through constructivist, play-based learning and SEL) will align better with what knowledge-economy parents are seeking.

1. Post-Covid ECE and population trends have stabilized
2. The ECE market is undergoing a structural shift towards quality
3. Compared to five years ago, your parents today have **less disposable income** due to increased interest rates, costs of living, and inflation forcing difficult tradeoffs

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# The five-year decline in children under 5 is stabilizing

*U.S. Census projects the under-five population will remain stable in the long run*

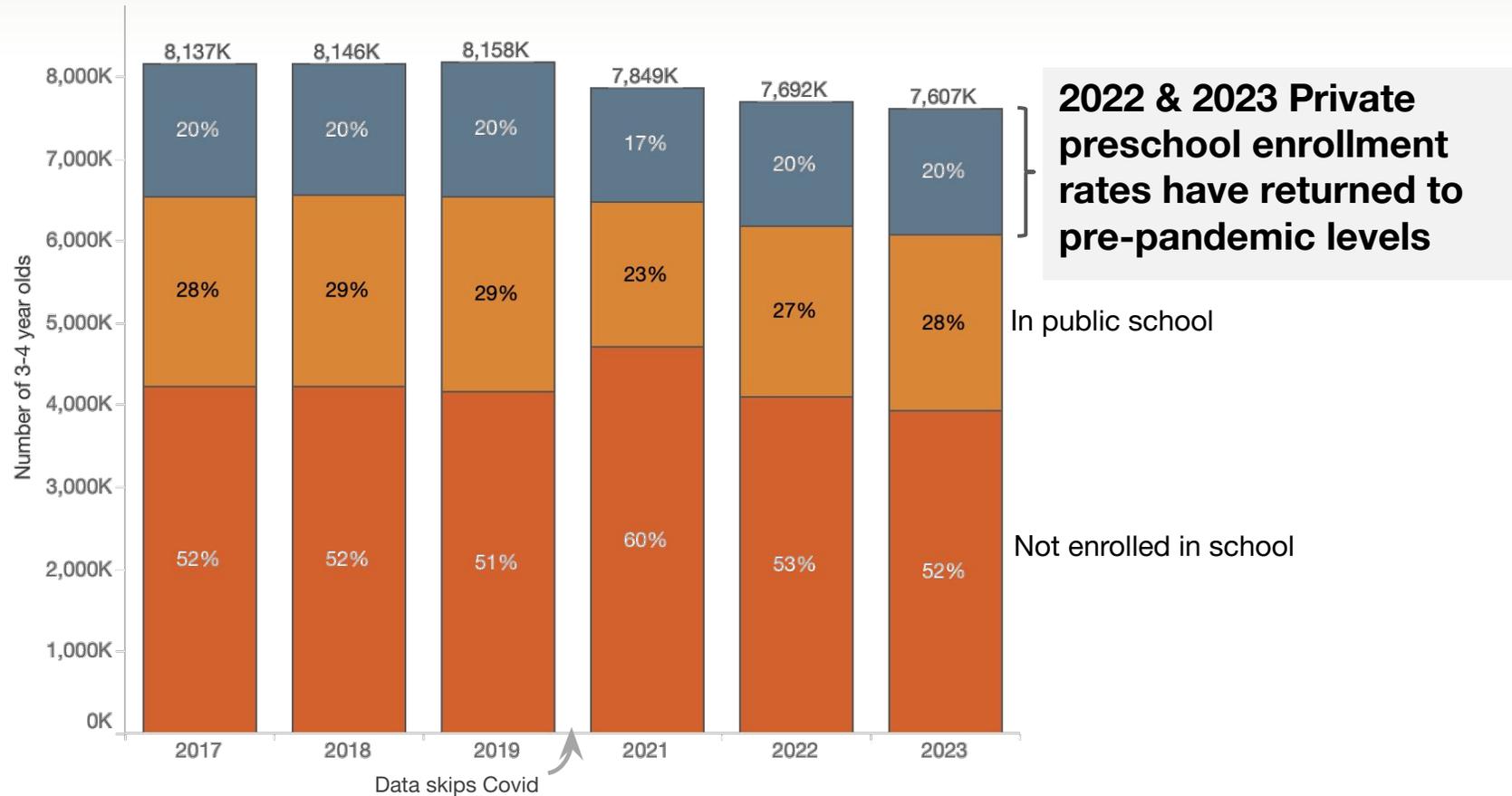


Source: [U.S. Census](#), Tuscany Strategy Analysis

# Private preschool enrollment rates (3–4-year-olds) have returned to pre-pandemic levels

*This trend may indicate that growth in enrollment rates experienced in the last few years have plateaued*

3-4-year-old school enrollment by school type, 2017-23



Note: \*If a student were enrolled at a private center that participated in UPK, the student was still counted as enrolled "in private school" in the dataset visualized above. Data is not available for 2020.

Source: [U.S. Census](#), Tuscany Strategy Analysis

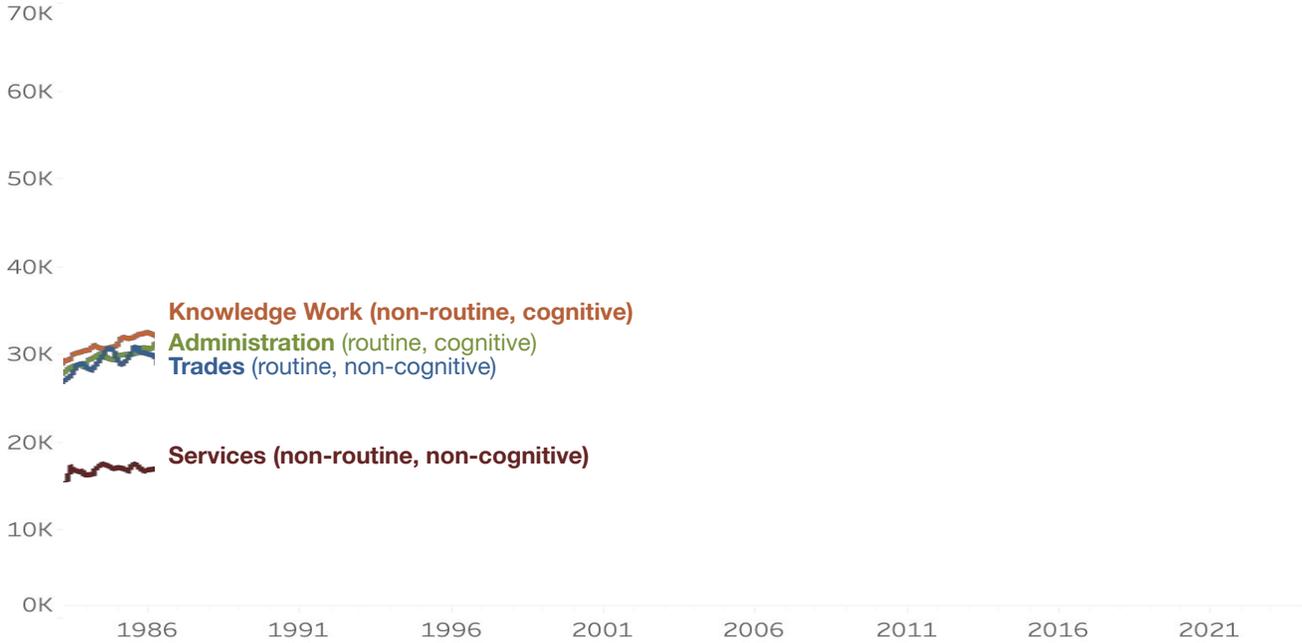
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# The FRED divides work into four mutually exclusive, collectively exhaustive categories

*Routine & non-routine, cognitive & non-cognitive*

US Employment, by Type of Work 1983-2022

Jobs (Thousands)



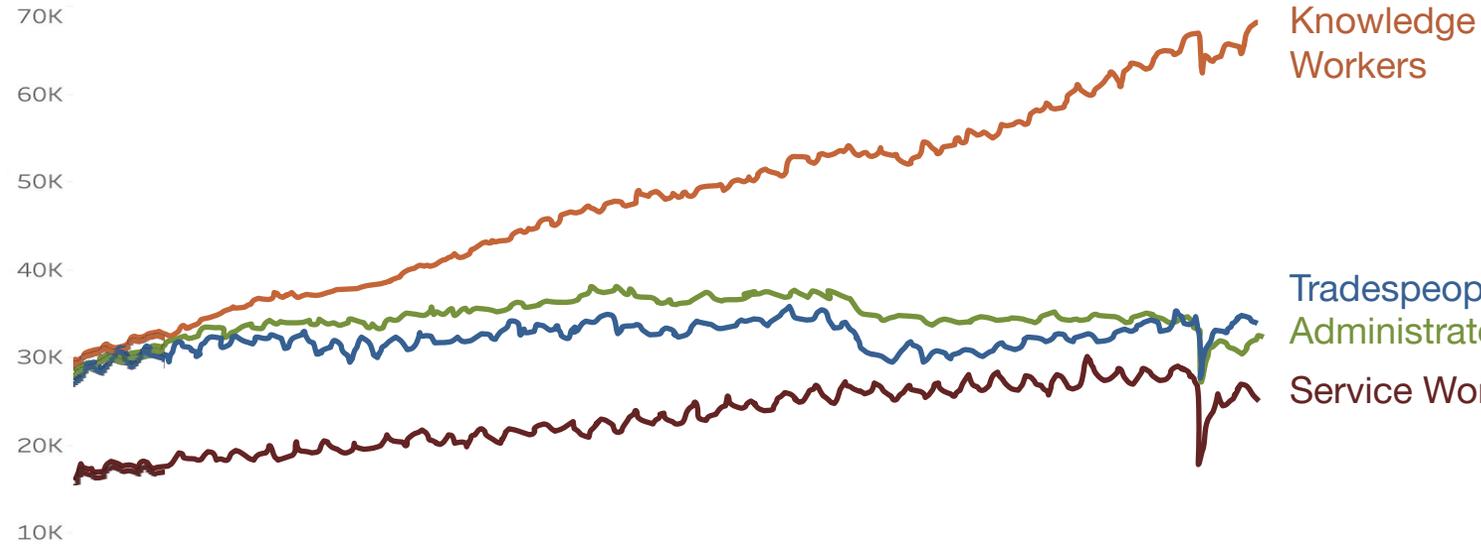
Source: Federal Reserve Bank of St Louis, 2023 (FRED), Tuscany Strategy Analysis

# The grand story of the U.S. economy is the explosion of knowledge work

*Technology, increased education levels, and the redesign of analog processes radically shifts the nature of work*

US Employment, by Type of Work 1983-2022

Jobs (Thousands)



**Knowledge Workers**

**Non-Routine Cognitive** Median Wage \$77,200 (42% of Jobs)

Example: Digital Interface Designers (\$77,200) earn the median wage

**Tradespeople Administrators**

**Routine Manual:** Median Wage \$47,460 (21% of Jobs)

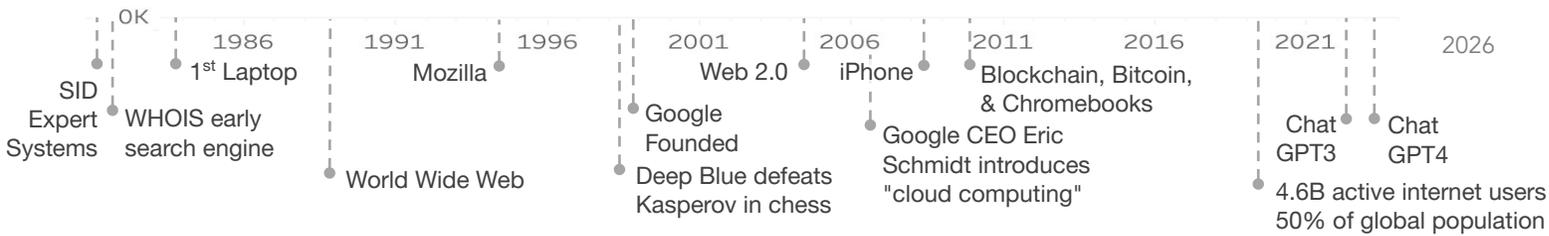
**Routine Cognitive:** Median Wage \$43,290 (19% of Jobs)

**Service Workers**

**Non-Routine Manual** Median Wage \$35,850 (16% of Jobs)

Example: Medical Assistants (\$35,850) earn median wage

Jobs: Services, Child Day Care, Retail, Death Care, First-Line Supervisors, Recreation, Gambling, Hospitality, Local-Government, & Personal Care Occupations



Notes: 17% of the U.S. labor force works on unpredictable or unstable schedules with short advance notice.

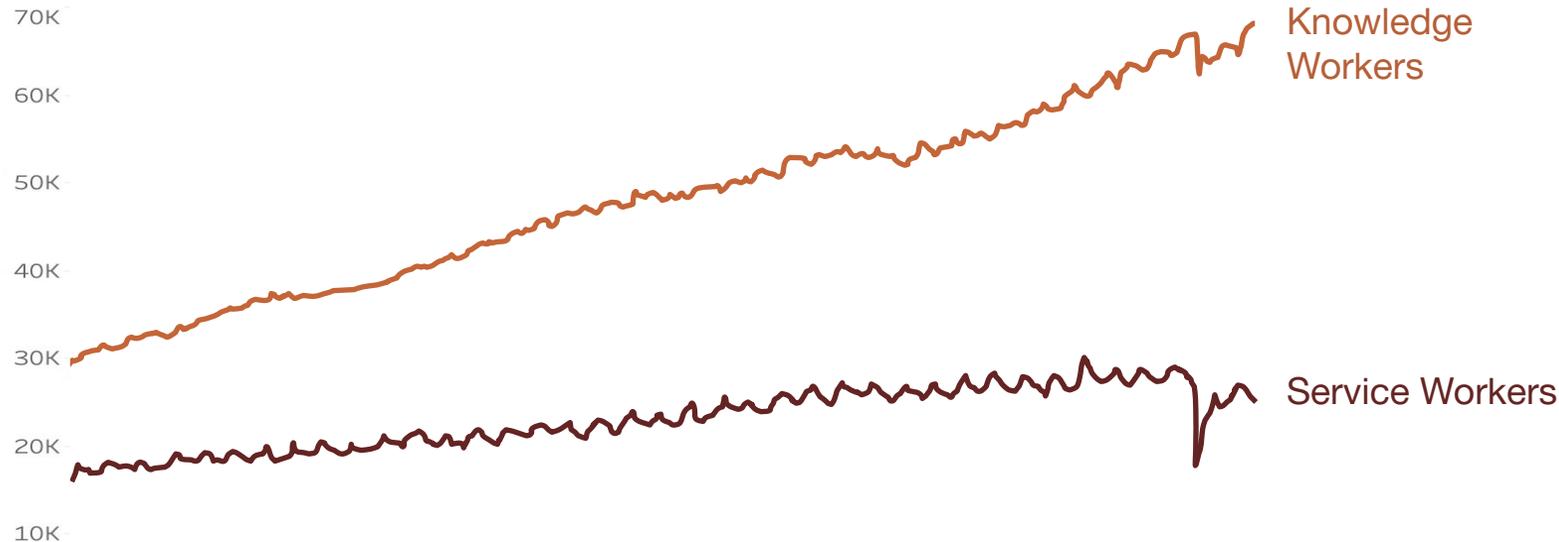
Source: Federal Reserve Bank of St Louis, 2017, [Brookings](#), Golden 2015, Tuscany Strategy Analysis, [The Growing Skills Divide in the U.S. Labor Market](#), May 2017.

# The massive wealth from knowledge work has fueled the rapid expansion of ECE

*ECE centers are an excellent preparation for non-routine work through critical thinking, growth mindset, and child-centered education*

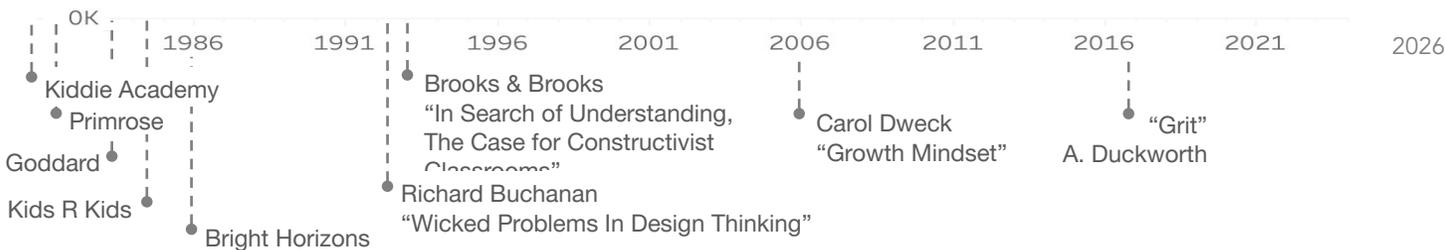
US Employment, by Type of Work 1983-2022

Jobs (Thousands)



## College grads hold 75%+ of U.S. wealth

- Knowledge worker parents seek an ECE environment that fosters creativity, problem-solving, play, and social development.
- This is fueling the growth of the early childhood education market and its evolution into different quality tiers serving different income levels.



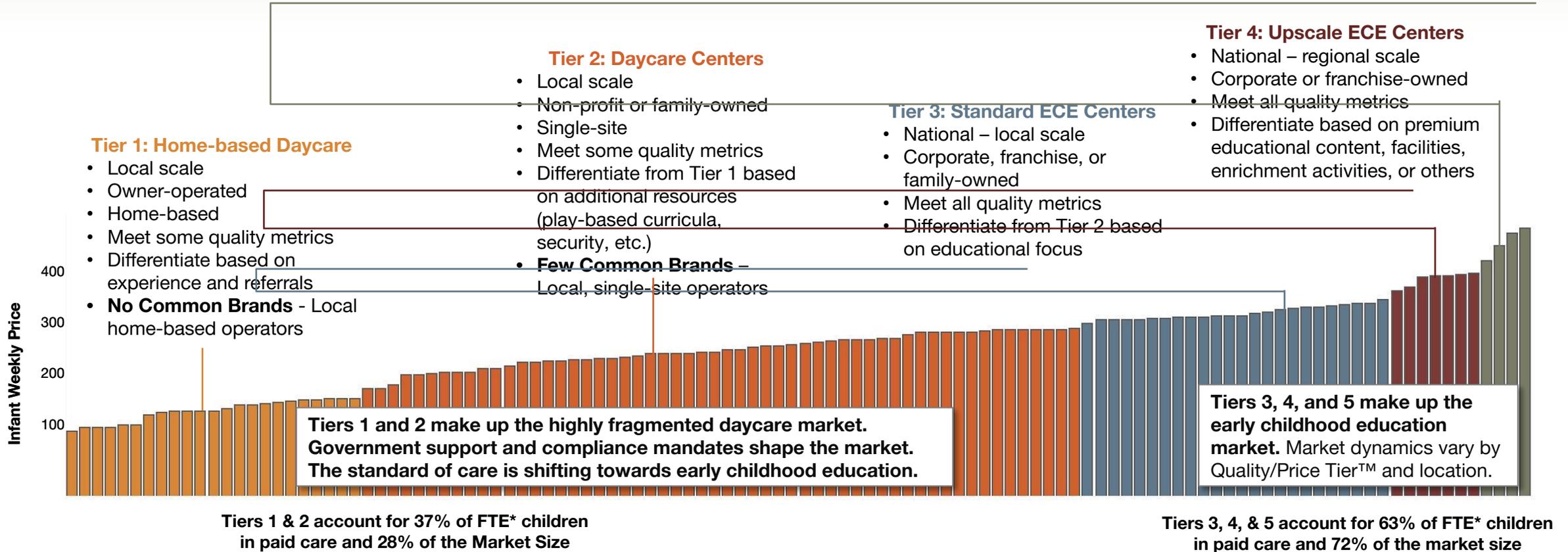
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# We divide the U.S. Childcare Market into Five Quality/Price™ Tiers

Tiers 3-5 share table stakes features but at different levels of quality & differentiation

- Tier 5: Premium ECE Centers**
- National – regional scale
  - Corporate or franchise-owned
  - Excel on most quality metrics
  - Differentiate based on proprietary educational content, facilities, or convenience

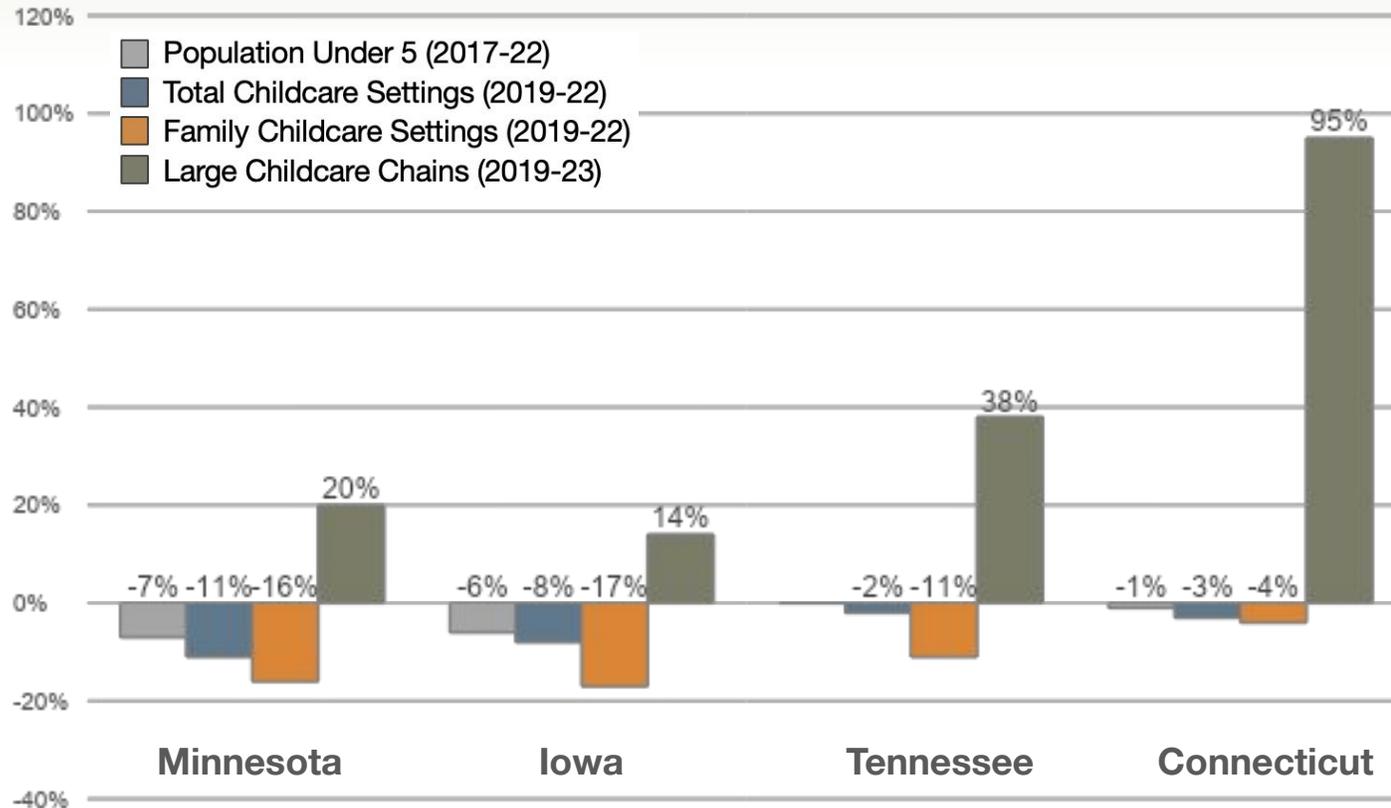


Note: This visualization is based on the proportion of the number of centers per tier for three representative markets: Nashville, TN, Minneapolis, MN, and Phoenix, AZ. \*FTE = Full-Time Equivalent.  
 Source: State Licensing Data, Provider Websites, Tuscany Strategy Analysis. Estimated weekly infant prices are derived from mystery shopping conducted in each market from 2020-2024.

# The market is shifting towards larger chains

*Smaller, home-based, and independent centers have declined*

Population and childcare center growth trends, select states



**The growth in large childcare chains indicates that the higher end of the market may be growing even as the total enrollment is declining.**

Shifts in the structure of the private childcare market are demonstrated through the examples of Minnesota, Iowa, Tennessee, and Connecticut, where large childcare chain locations increased between 14-95% and family childcare (FCC) locations decreased between 4-17%. It's likely that smaller, independent daycare centers are also declining.

Note: "Childcare chains" are early-childcare centers that have 5+ locations. "Independent centers" are family or group home childcare centers. Groupings used in this analysis assign non-tiered centers to this independent centers group, but it is possible that there are some local Tier 3, 4, or 5 schools that would otherwise be part of the "known childcare chains" group if tiering was completed for all schools in all states.

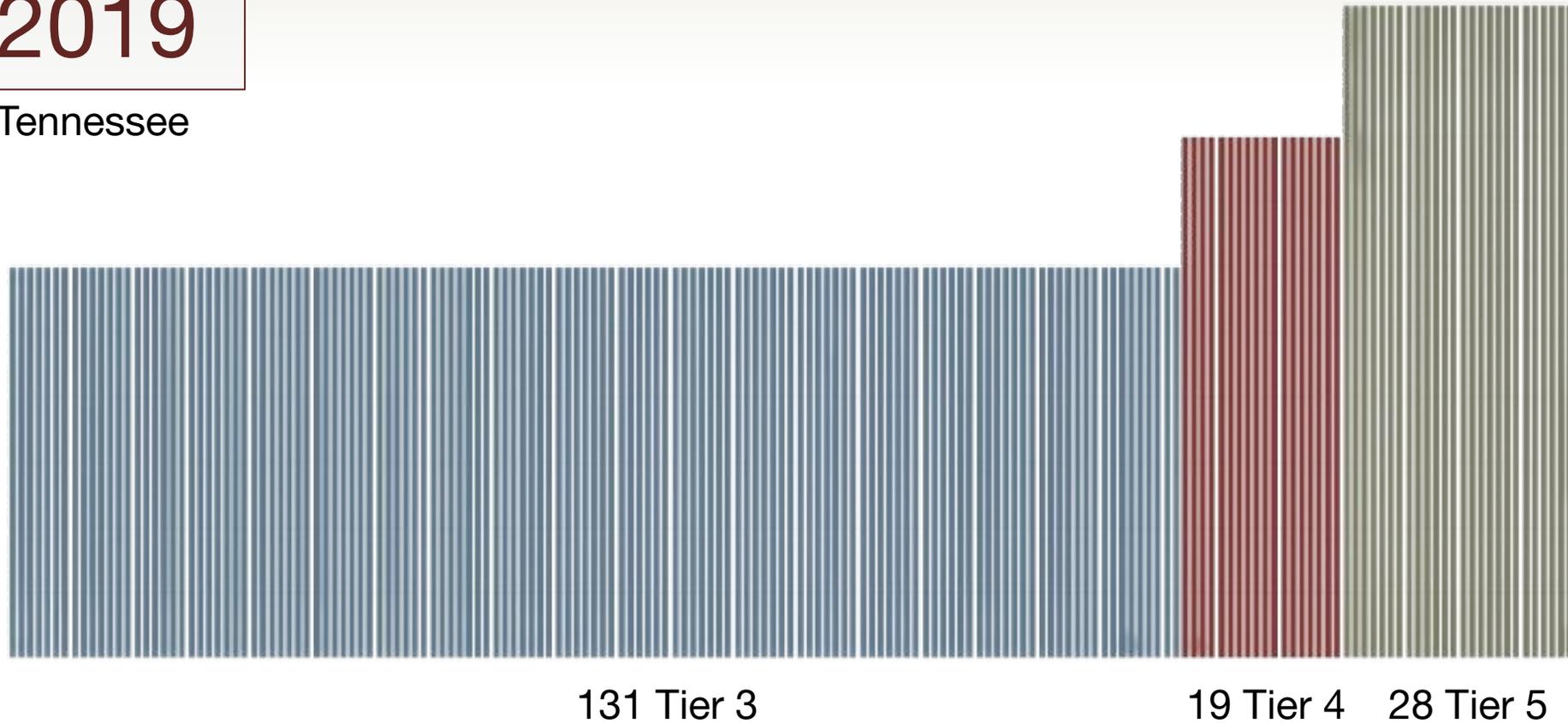
Source: Tuscany Strategy Analysis, [Connecticut Childcare Portal](#), [Tennessee Department of Human Sources](#), [Iowa Child Care Client Portal](#), [Minnesota Department of Human Services](#), [Child Care Aware](#), [41-state analysis](#)

# Changing competitive environment for high-quality ECE centers

*The number of high-quality centers has increased, raising the bar for competition.*

2019

Tennessee



Note: Local Tier 3, 4, & 5 centers were not prioritized for this analysis. Data reflects "Childcare chains" defined as early-childcare centers that have 5+ locations.

Source: Tuscan Strategy Analysis, [Tennessee Government](#)

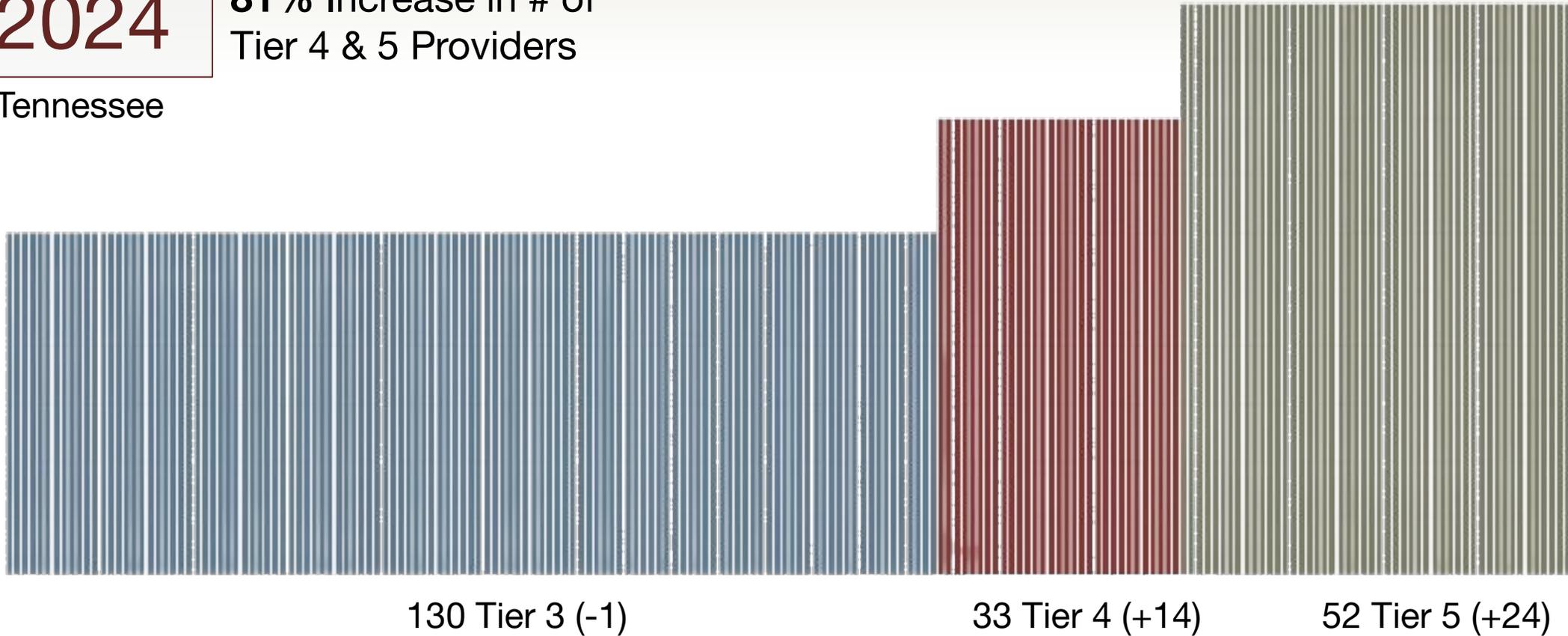
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**2024**

**81% Increase in # of Tier 4 & 5 Providers**

Tennessee

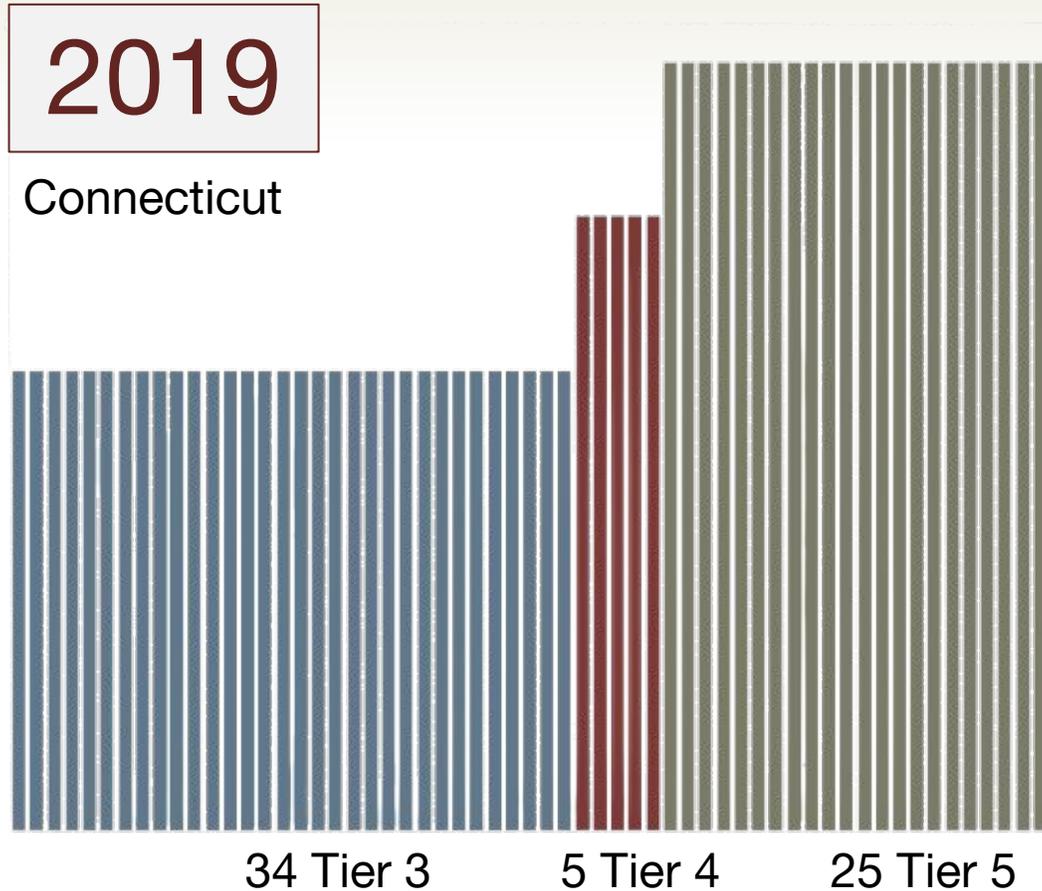


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# Changing competitive environment for High Quality ECE Centers

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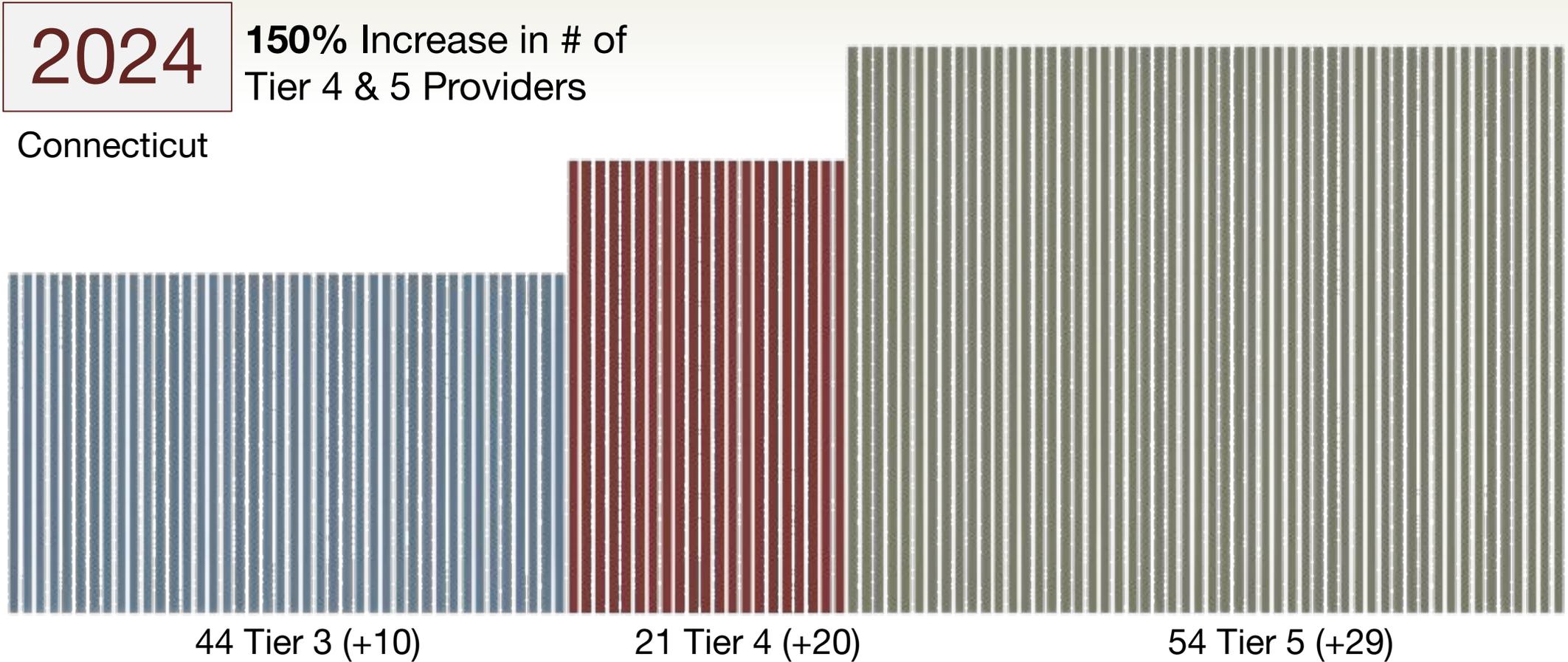


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Source: Tuscan Strategy Analysis, [Connecticut Government](#)

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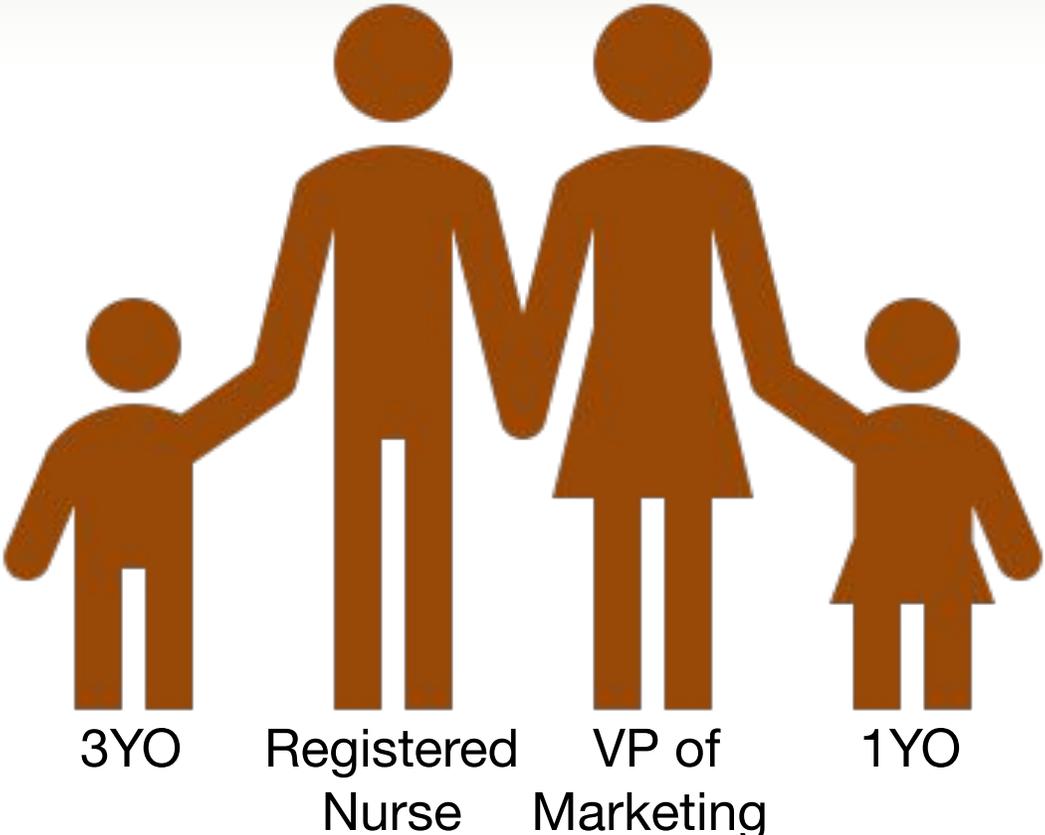


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Let's look at a family of four considering early childhood education in 2019



5-bedroom home on 892 Stratfield Rd, Fairfield, CT with A-rated public schools



# New Honda Pilot EX-L



# Annual Vacation to Hawaii



Both children attend an early childhood education center, 10 minutes from Home



# What would these purchases cost in 2019?

*Actual 2019 prices*

	<b>2019</b>	
VP of Marketing	\$157,572	
Registered Nurse	<u>\$86,702</u>	
Yearly Household Income	\$244,274	< Lightcast
892 Stratfield Rd, Fairfield, CT	\$489,200	< Zillow, 2019 Sale Price
<b>Non-Discretionary Expenses</b>		
Home Payments	35,365	< Zillow
Utilities	4,481	
Cost of Car Ownership	15,853	< 2019 Kelley Blue Book
Food Expenses	5,015	
Retirement	38,000	< 2019 IRS max contribution (19k)
Federal + State Taxes	54,295	< ADP
Health Insurance Premium	6,173	
Rainy Day Fund	5,000	
<b>Discretionary Expenses</b>		
Hawaii Vacation	10,000	
College Fund	5,000	
Subscriptions	2,784	
Dining Out/Entertainment	6,991	
Clothing	2,011	
<u>Childcare</u>	<u>31,278</u>	< Mystery Shop
Total Expenses	222,246	
<b>Remaining</b>	<b>\$22,028</b>	

**\$22,000** in disposable income

# What would the same occupations earn in 2024?

	<b>2019</b>	<b>2024</b>	<b>% Change</b>	
VP of Marketing	\$157,572	\$180,752		
Registered Nurse	<u>\$86,702</u>	<u>\$107,603</u>		
<b>Yearly Household Income</b>	<b>\$244,274</b>	<b>\$288,355</b>	18%, Lightcast	<b>\$44,000 more in income</b>

# What would the same purchases cost in 2024?

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892 Stratfield Rd, Fairfield, CT	\$489,200	\$813,200	95%, Zillow 2024 Actual Sale Price (\$324k)
<b>Non-Discretionary Expenses</b>			
Home Payments	35,365	68,970	95%, Zillow
Utilities	4,481	5,523	
Cost of Car Ownership	15,853	19,813	25%, Kelley Blue Book
Food Expenses	5,015	7,293	
Retirement	38,000	46,000	
Federal + State Taxes	54,295	73,550	35%, ADP
Health Insurance Premium	6,173	6,393	
Rainy Day Fund	5,000	5,000	
<b>Discretionary Expenses</b>			
Hawaii Vacation	10,000	13,000	30%, Tuscany Estimate
College Fund	5,000	5,000	
Subscriptions	2,784	3,198	
Dining Out/Entertainment	6,991	8,767	
Clothing	2,011	2,366	
Childcare	<u>31,278</u>	<u>41,600</u>	33%, Mystery Shops
<b>Total Expenses</b>	<b>222,246</b>	<b>306,472</b>	38%
<b>Remaining</b>	<b>\$22,028</b>	<b>\$(18,117)</b>	

In 2024, a family with the same purchases would have an **\$18,000 deficit**

# Less disposable income means harder choices

Today, the early childhood education decision is more likely to be made in light of budgetary tradeoffs

## 2019



5-bedroom home in Fairfield, CT with A-rated public schools



New Honda Pilot EX-L



Annual Vacation to Hawaii



Premium Early Childhood Education

## 2024



4-bedroom home in Stamford, CT with B-rated public schools



Used Kia Sorento

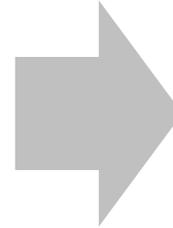


Annual Vacation to Local Beach



Early Childhood Education

Each decision impacts the others



# What would the same purchases cost in 2024?

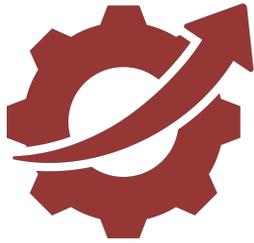
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## How does ECE fit into budget trade-offs?

- Knowledge workers still prioritize their children's education
- But are likely to be more discerning and more sensitive to teacher attrition, service inconsistency, and poor parent reviews
- And more eager to switch to UPK if it's perceived as high quality.



When growth is no longer fueled by growing demand,  
competing on three vectors is increasingly important



**Operational  
Excellence**



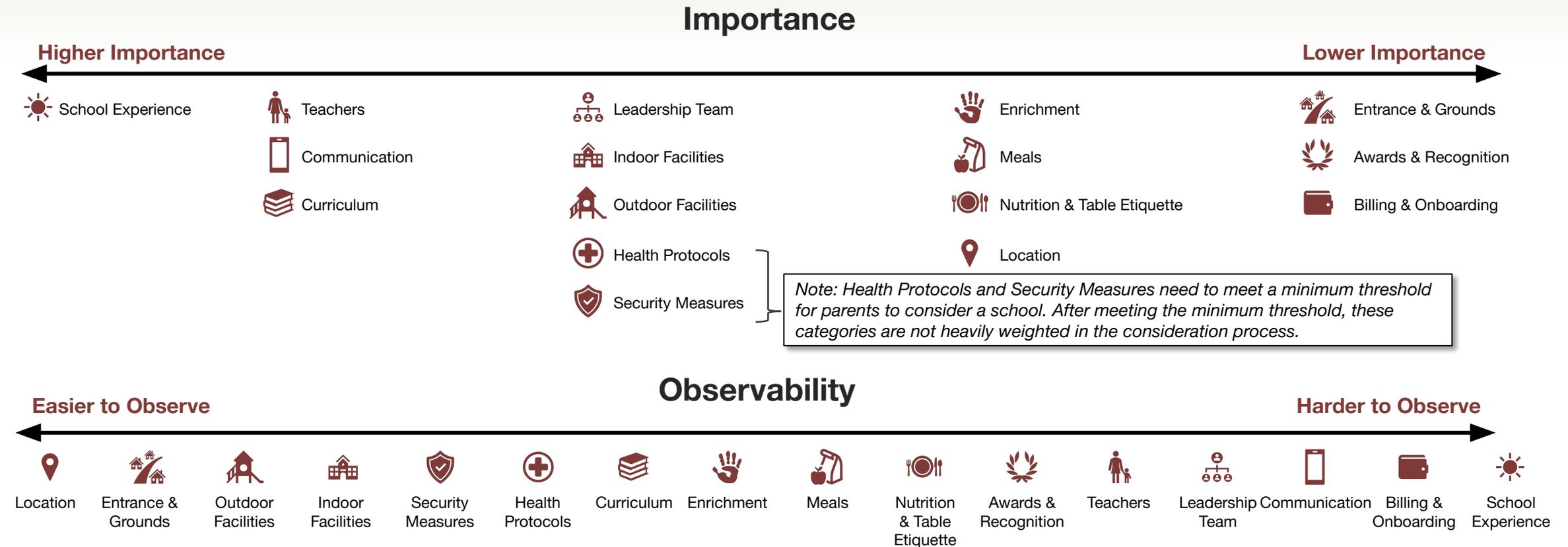
**Site Selection  
That Considers  
Competitor  
Quality & Trade  
Area Saturation**



**A Compelling and  
Demonstrable  
Value Proposition**

# It is difficult for prospective parents to observe the elements they care about most

*They use proxies to assess how their child will be treated*



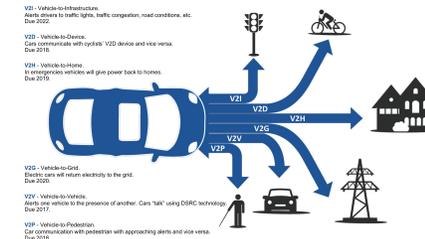
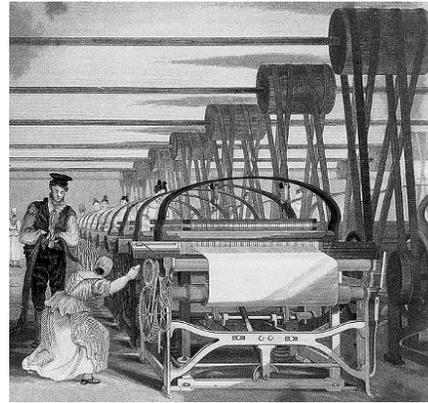
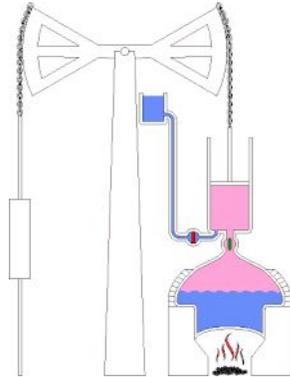
Source: Tuscany Strategy Analysis

## The Bottom Line

- **This is no longer a market defined by demand outstripping supply.**
- **High income parents have less disposable income** but still value early childhood education. Winning these parents depends on standing out against other high stakes household purchases.
- **Knowledge work has elevated expectations for early education.** Programs should align with parents' aspirations by emphasizing **future-ready skills** and kindergarten readiness.
- **Competition is intensifying.** Centers must clearly communicate their **educational value and long-term benefits** to justify premium pricing.

# There is strong evidence that we are early in a fourth industrial revolution predicated on A.I. and cyber-physical systems

*The first, second, and third industrial revolutions fundamentally changed our civilization. The fourth revolution will do the same.*



	38,000 BCE	1712	1765	1870	1969	2015
Age	Ancient	Proto-Industrialization	First Industrial Revolution	2 <sup>nd</sup> Industrial Revolution	The Information Age	The AI Age
Key Innovation	Husbandry	Steam Engine	Steam Engines	Mass production	Microelectronics / Programming language Computer Science Curriculum	A.I./Cyber-physical systems
Organization	Families & Clans	Families & guilds	Small business	Large business	Global buyer/supplier networks	Global expert networks
Power Source	Water	Water & Steam	Coal, Water, Steam	Electricity & coal	Mixed Fossil Fuels	Nuclear, FF, Renewables
Per Capita Energy	50 megajoules	109 MJ		332 MJ	962 MJ	75,000 MJ (300k MJ in US)
Global Energy Use	0 Terawatt-hours	1,000 TWh		8,600 TWh	171,000 TWh	2.1 Terawatt Years
Digital Data	0 bits	0 bits	0 bits	0 bits	< 1 zettabyte	< 15.5 zettabyte

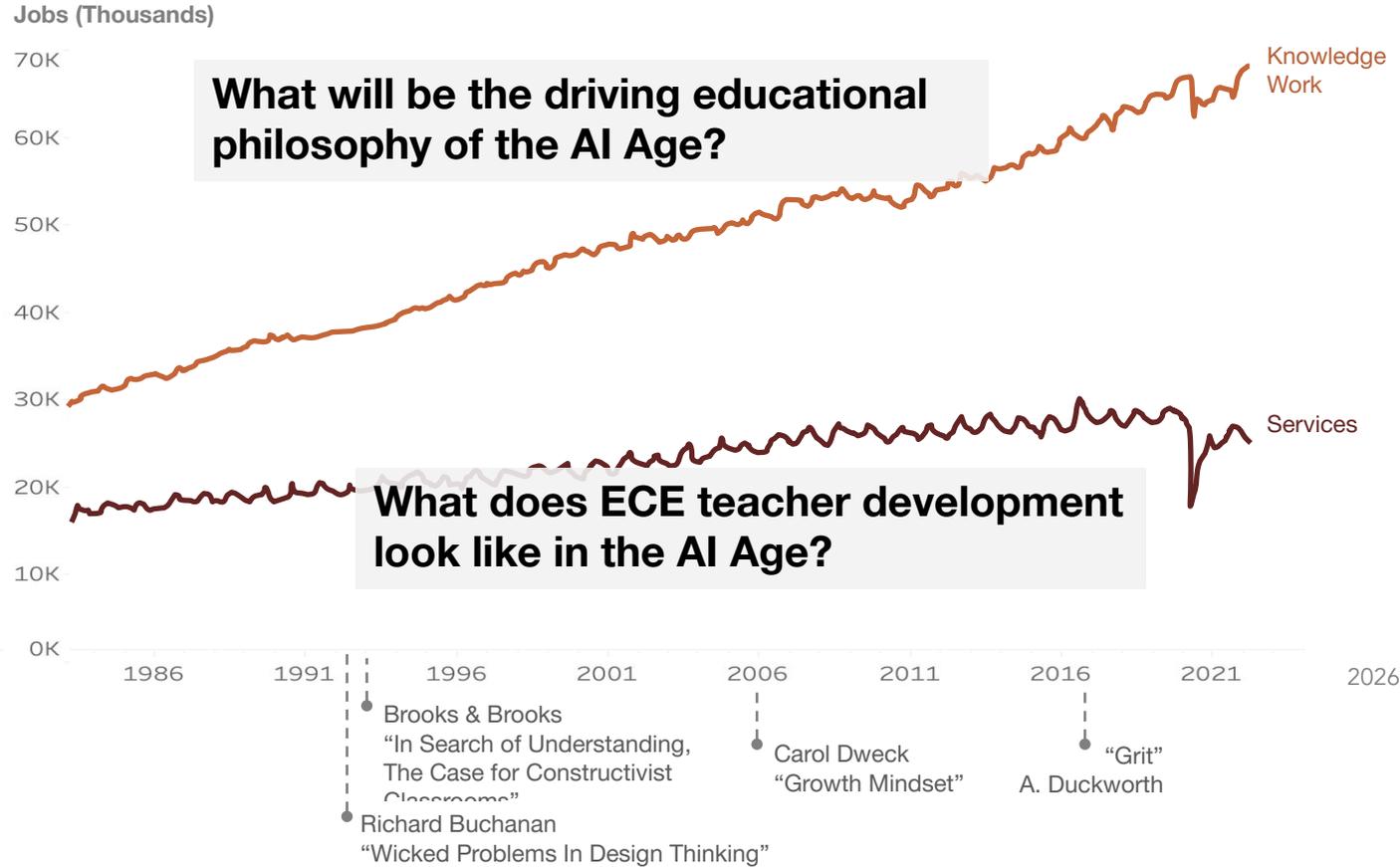
Notes: 1200 Watt hair dryer uses approximately one megajoule of energy in 15 minutes. A 100 Watt light bulb will use one megajoule of energy in about three hours, Fanchi, 2004. Cyber-physical systems (CPS) locally sense their environment, infer something from this data and act upon that data with real and unmediated effects on the world. The new cybernetics. The first transistor was successfully demonstrated on December 23, 1947, at Bell Laboratories in Murray Hill, New Jersey

Source: [Brewarrina Aboriginal Fish Traps](#) Wikipedia, Our World In Data, [Energy Production and Consumption](#), Brian Williams [Brief History Of Energy Consumption](#) Energy Development May 2022, Tuscany Strategy Analysis

# What does it take to work these non-routine jobs?

*Educational philosophy is evolving to meet the demands of non-routine work*

US Employment, by Type of Work 1983-2022



Source: Federal Reserve Bank of St Louis, 2017, FRED, The History of Artificial Intelligence Harvard 2017, Tuscany Strategy Analysis

**Non-Routine Cognitive occupations** involve independent working conditions, extensive decision making, setting broad objectives followed by review of end-results, contextual adaptation, and less physical effort.

- Think critically to solve novel problems
- Tolerate ambiguity
- Discern fact from fiction
- Perseverance
- Intrinsic motivation
- Communicate nuance
- Experiment

**Non-Routine Manual occupations** require workers to be adaptable & able to exercise judgment in response to a widerange of known challenges. Often stressful and demanding, these jobs require extensive training to ensure that workers respond appropriately to unforeseen situations.

- Learn from mistakes
- Give & take constructive feedback
- Adapt to criticism
- Recognize talent/ideas regardless of the source
- Perseverance in the face of stress & ambiguity
- Apply procedural knowledge to new things
- Willingness to learn from mistakes & take criticism
- Upwards management
- Ability to stay motivated
- Flexibility
- Attention to detail
- Work amicably with different kinds of people