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Early Childhood Education and Local Economic Development

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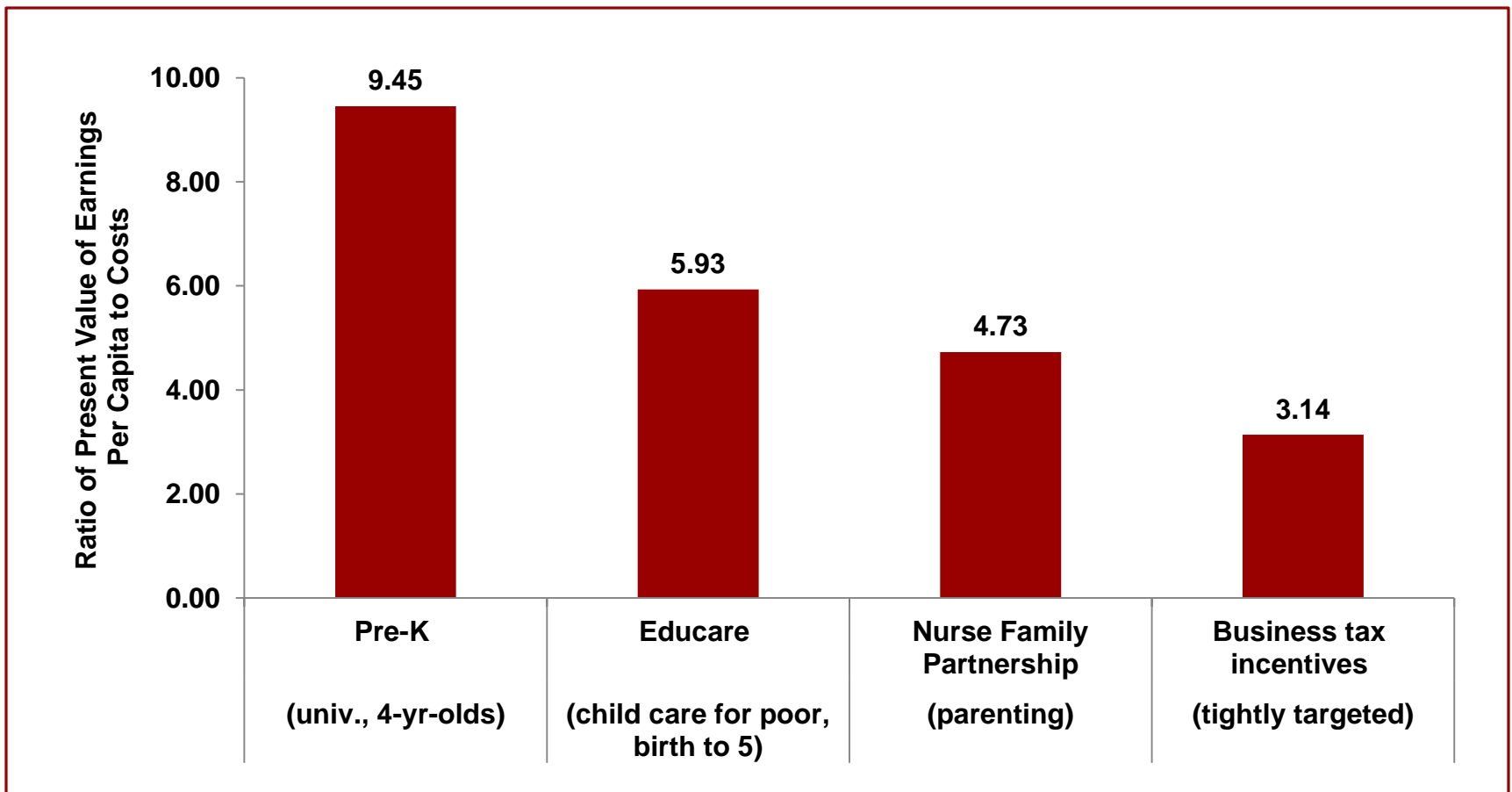
**Based in part on Bartik's 2011 book, *Investing in Kids*, and
2014 book, *From Preschool to Prosperity***

**Presentation at Indiana Summit for Economic Development Via Early Learning
Coalitions**

Main Points

- **High-quality** early childhood education programs (pre-K, child care, parenting), like business incentives, can provide large “local economic development benefits”: higher per capita local earnings
- Early childhood education affects local economy by increasing **quality of labor supply** of 2 groups: **former child participants** as adults; **parents**. *Labor supply drives job growth.*
- 60-70% of child participants spend career in same state; for metros, 40-50%
- Parents’ labor supply increased by free child care, and by parenting programs
- Per dollar invested, early childhood programs increase present value of state per capita earnings by \$5 to \$9

Ratio of Increase in State Earnings per Capita to Costs, 3 Early Childhood Programs, and Business Tax Incentives

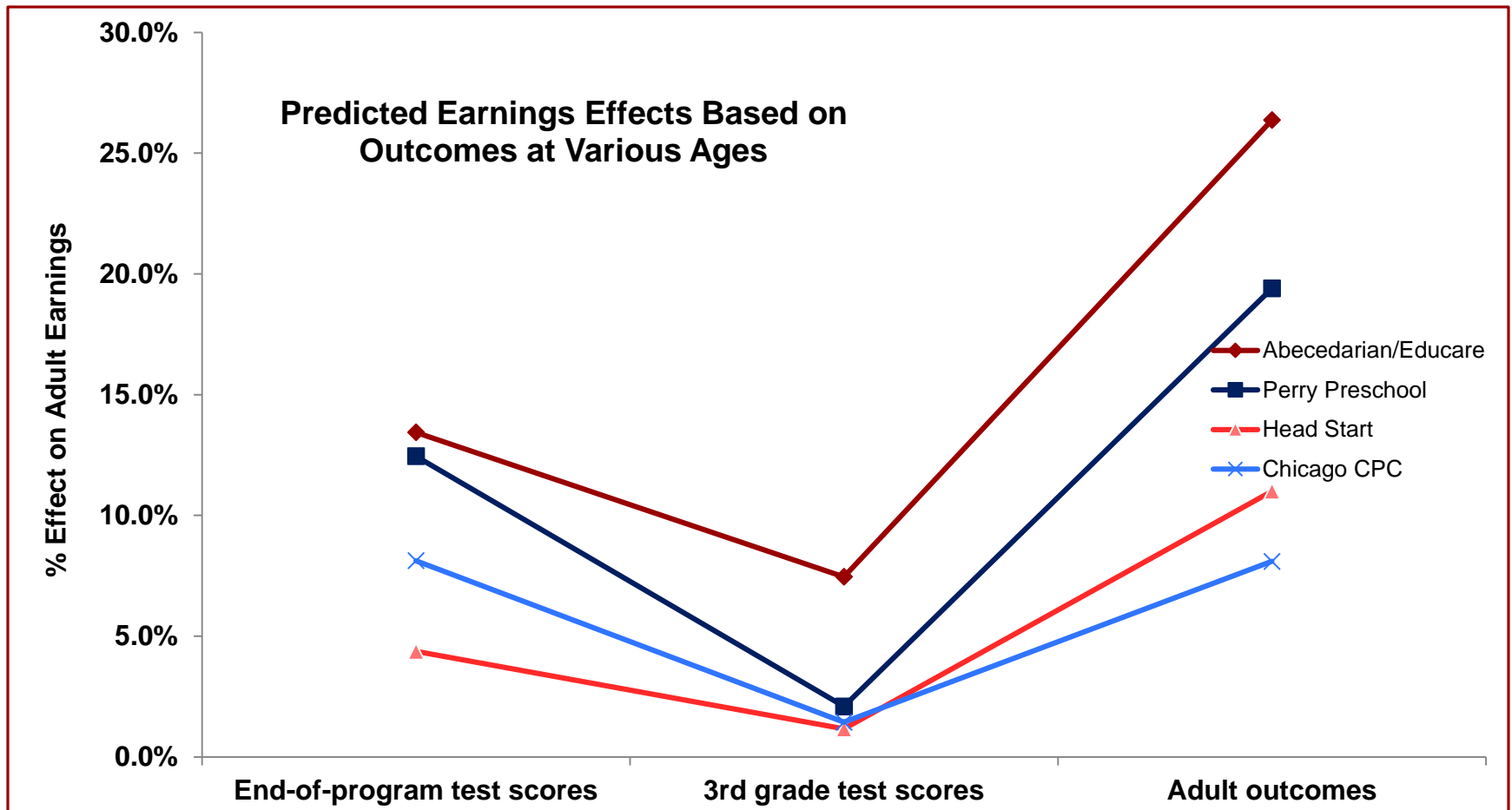


Costs at full-scale, as % of K-12 spending: 4% for Pre-K, 8% for Educare, 1% for NFP.
National ratios: Pre-K 12.79; Educare 6.88; NFP 5.60; Incentives 0.65.
Metro: Pre-K 6.02; Educare 4.96; NFP 3.82; Incentives 3.66.

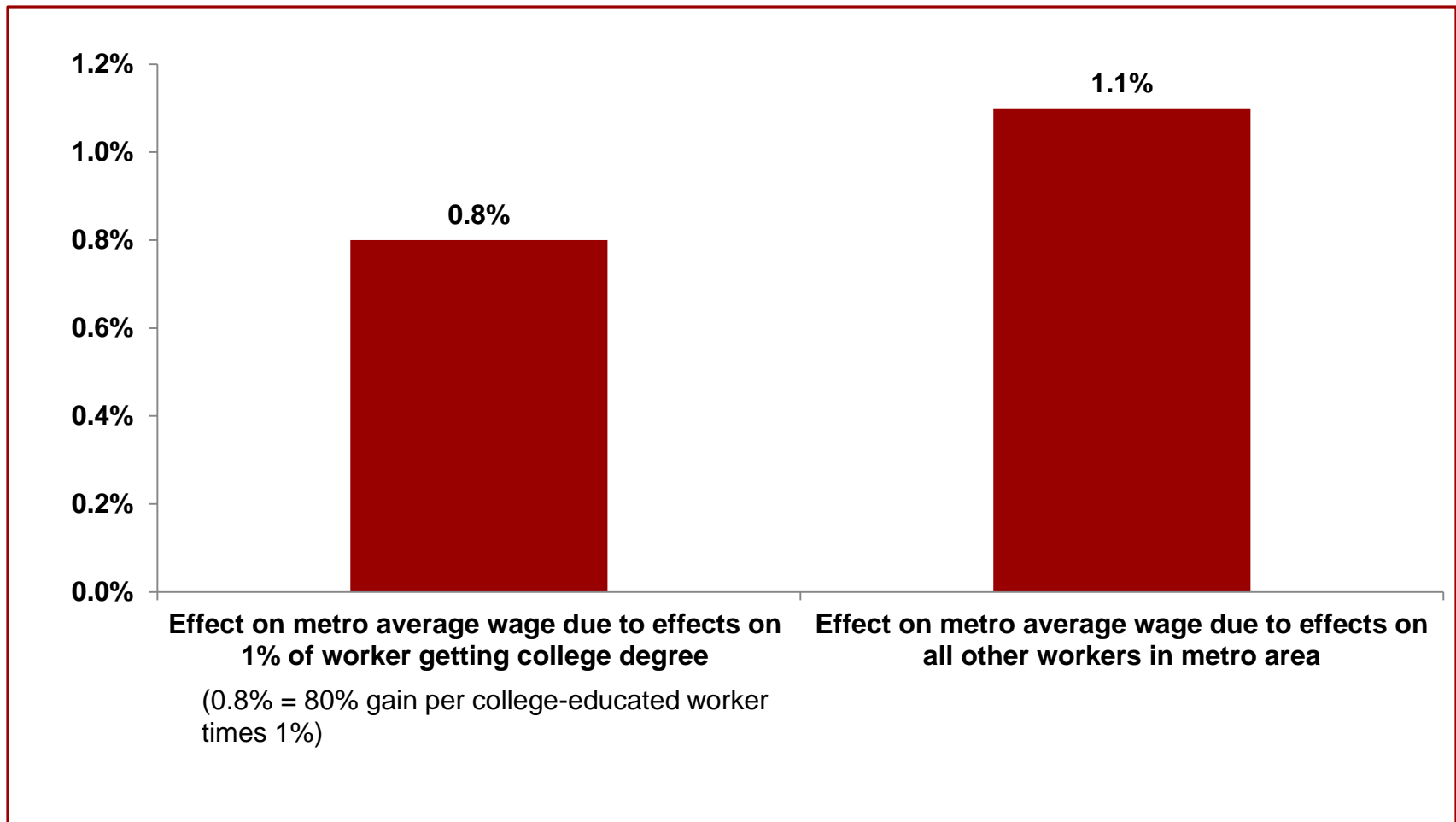
Why should we believe these claims that early childhood programs work?

- Because of limited access to early childhood programs, comparison groups are better than in most program evaluations.
- Randomized control trials show effects for: Perry Preschool (19% earnings increase); Abecedarian/Educare Child Care (26%); Infant Health and Development Program (12%), & NFP. Abecedarian/NFP also show large benefits for parents.
- Head Start sibling comparison shows earnings effects of 11%, Chicago Child Parent Center preschool neighborhood comparison shows effects of 8%, North Carolina More at Four county comparison shows test score effects that predict earnings effects of 11%.
- Comparisons of pre-K entry/K entry test scores of children near age cutoff predict adult earnings effects in 6% to 15% range in studies from Boston, Tulsa, Kalamazoo, NJ, SC, GA, WV, MI, AK, OK, NM

Re-Emergence of Program Effects Suggests Importance of Soft Skills



Why invest in “other people’s children”: Spillover benefits of skills



Short-term benefits of early childhood programs

- Free child-care & parenting programs boost parent earnings immediately, and benefits last.
- High-quality pre-K can lower special ed costs (@\$10K per child-year) by 20%-80%.
- If parents fully understood long-run benefits of pre-K, would expect property value boost from high-quality universal pre-K of around 5%.

Summary of Business Case for Early Childhood Programs

- High-quality early childhood education can pay off for entire state/local economy in stronger growth in per capita earnings
- Costs are modest: e.g., universal full-day pre-K for 4-year-olds costs about 4% of what we pay for K-12.
- Despite high benefit/cost ratios, only modest investment. Some states near universal (8 states over 50% in state pre-K), Indiana at 2% of all 4-year olds. U.S. average: 32%.
- Business community support key to greater political viability
- Why should business community support: skills are key in global competition, this is a proven way to increase skills that we know how to do at large scale.