

Investing in Kids: Early Childhood Programs and Local Economic Development

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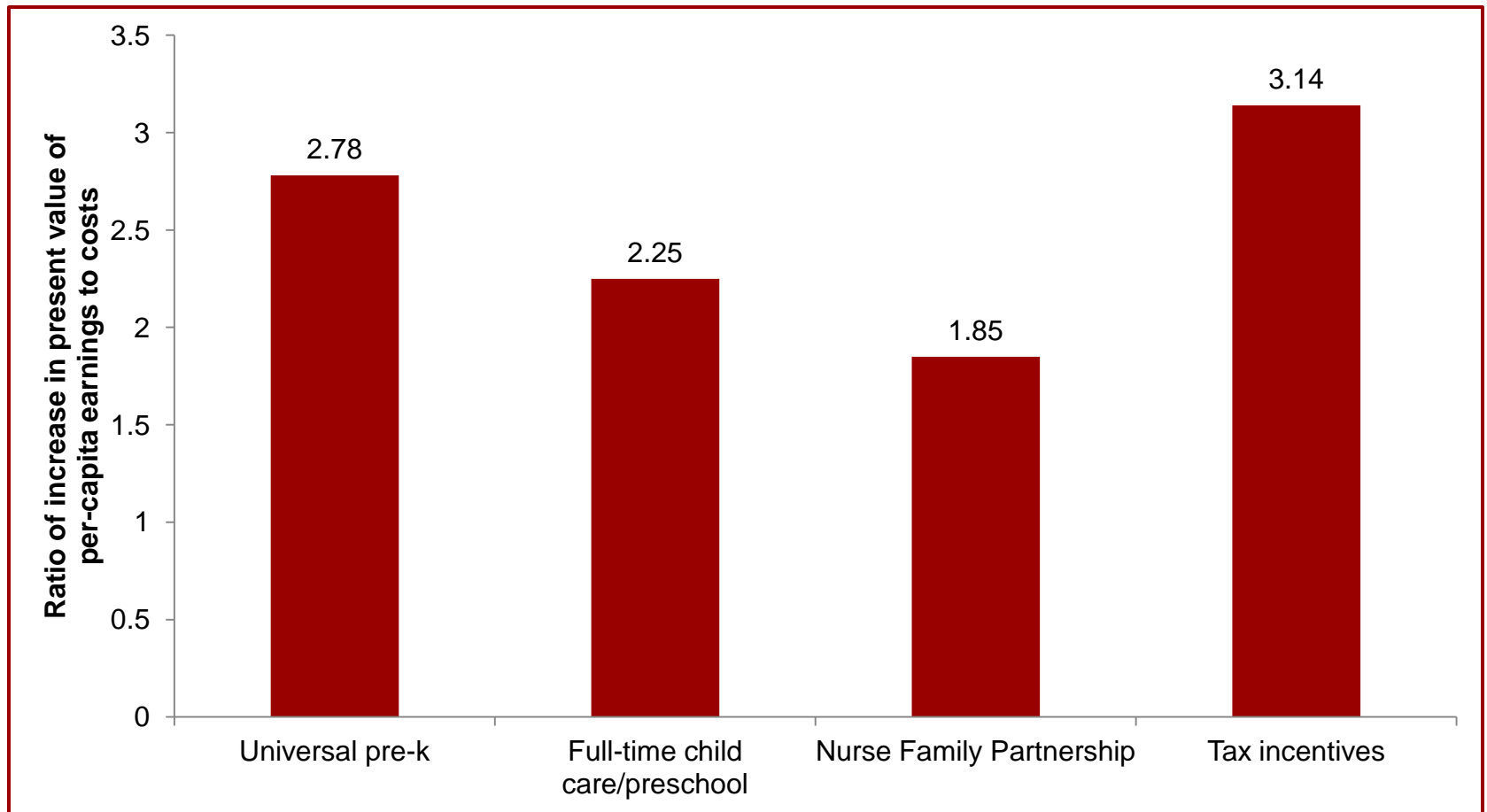
blog: <http://investinginkids.net>

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Main Points of *Investing in Kids* Book

- High-quality early childhood programs, like business incentives, can provide large “local economic development benefits”: higher per capita local incomes
- Early childhood programs’ main way of affecting local economy is by increasing quality of labor supply as adults of former child participants in programs
- Enough former participants will stay to significantly increase overall local labor quality, which is key factor attracting better jobs
- Per dollar invested, early childhood programs increase present value of **local** per capita earnings by \$2 to \$3

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



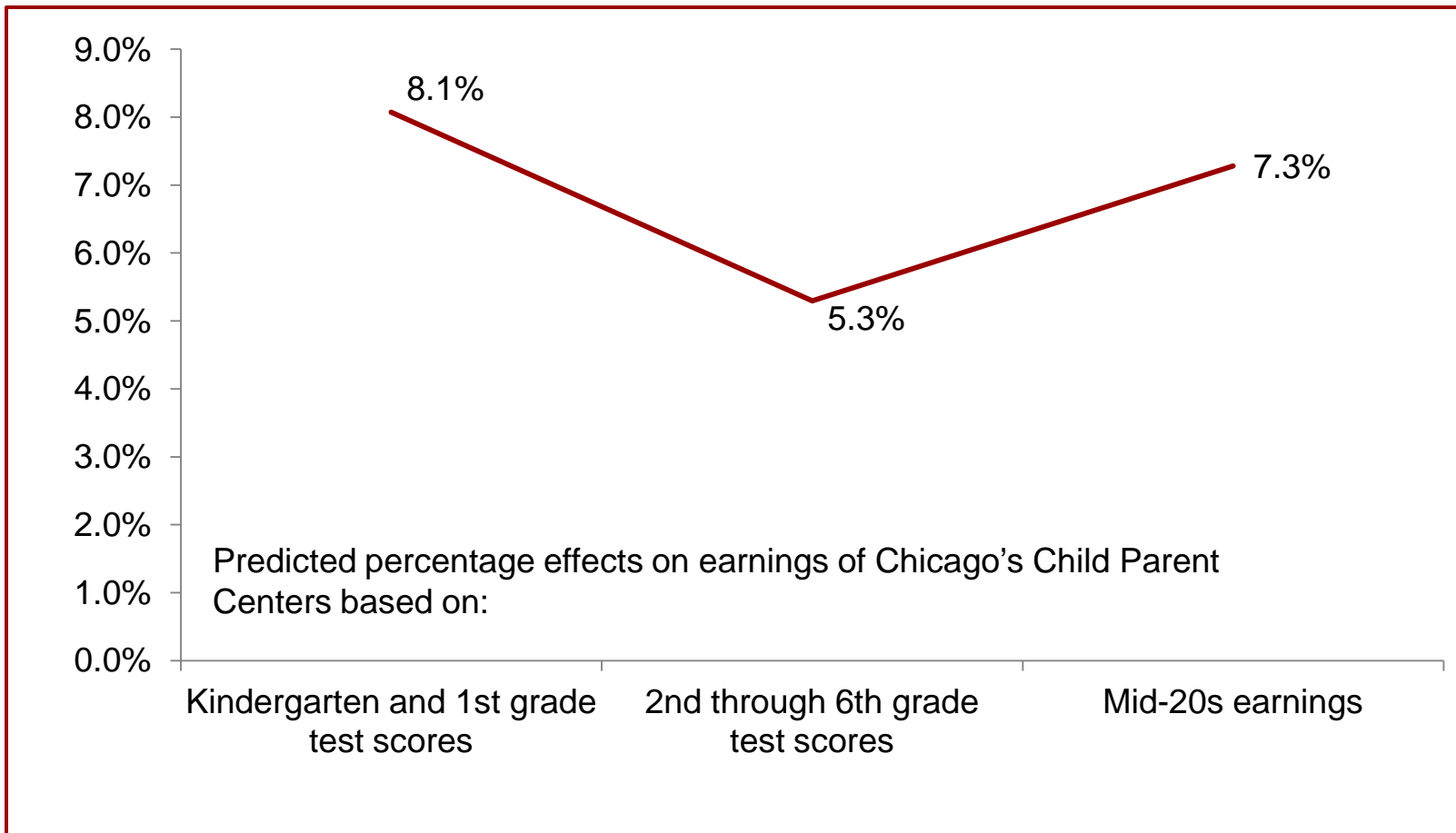
Source: *Investing in Kids*, Figures 4.1 and 10.1.

Responding to Skeptics 1:

Why should I 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
- Recent evidence for large-scale effectiveness from Oklahoma, West Virginia, South Carolina, New Mexico, New Jersey, Michigan, Chicago, North Carolina
- Even when test score effects fade, effects of early childhood programs re-emerge in adulthood due to soft skills

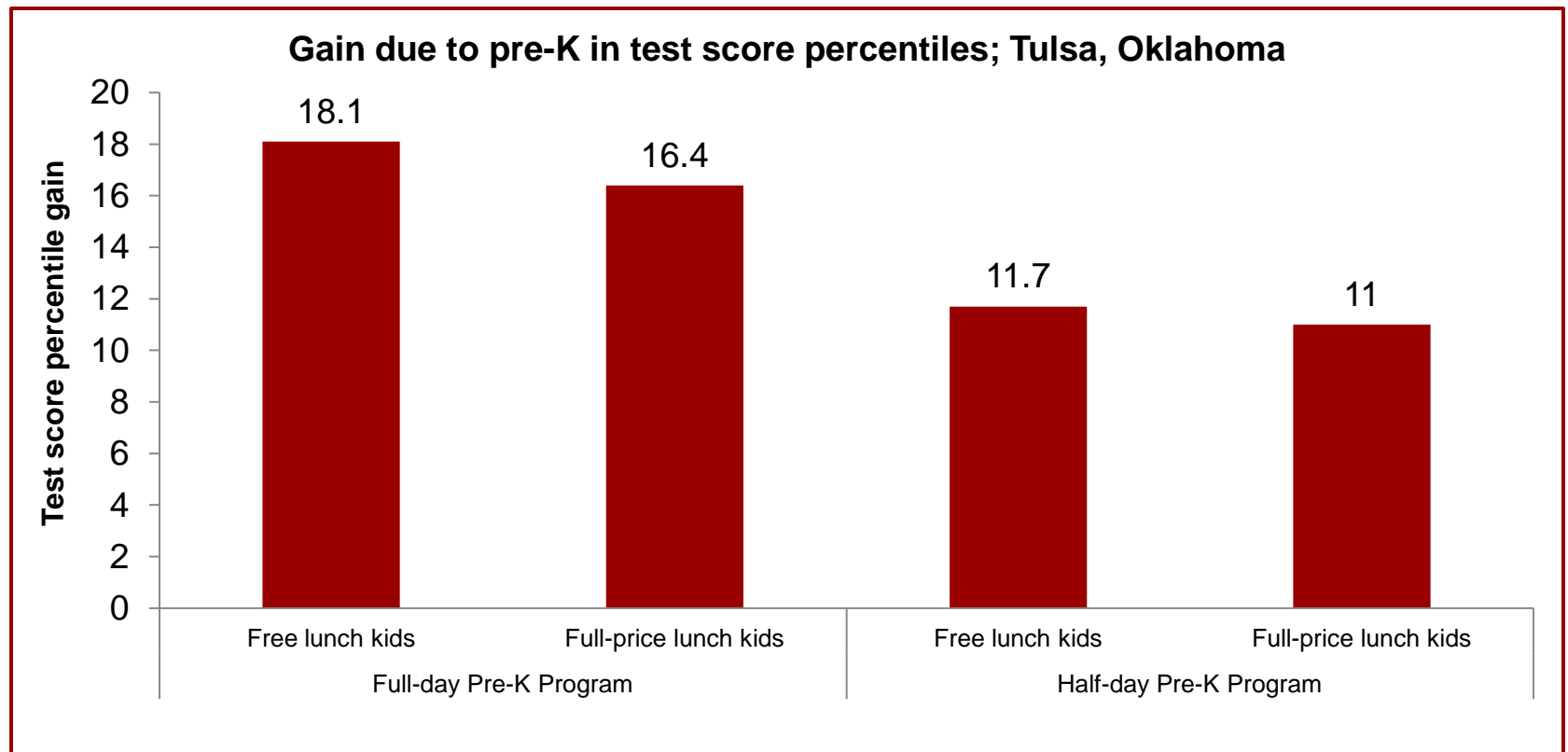
Re-Emergence of Pre-K's Effects Suggests Importance of Soft Skills



Responding to Skeptics 2:

Are early childhood programs just needed for the disadvantaged, or do other groups gain?

Response: Available evidence suggests similar gains for middle-class

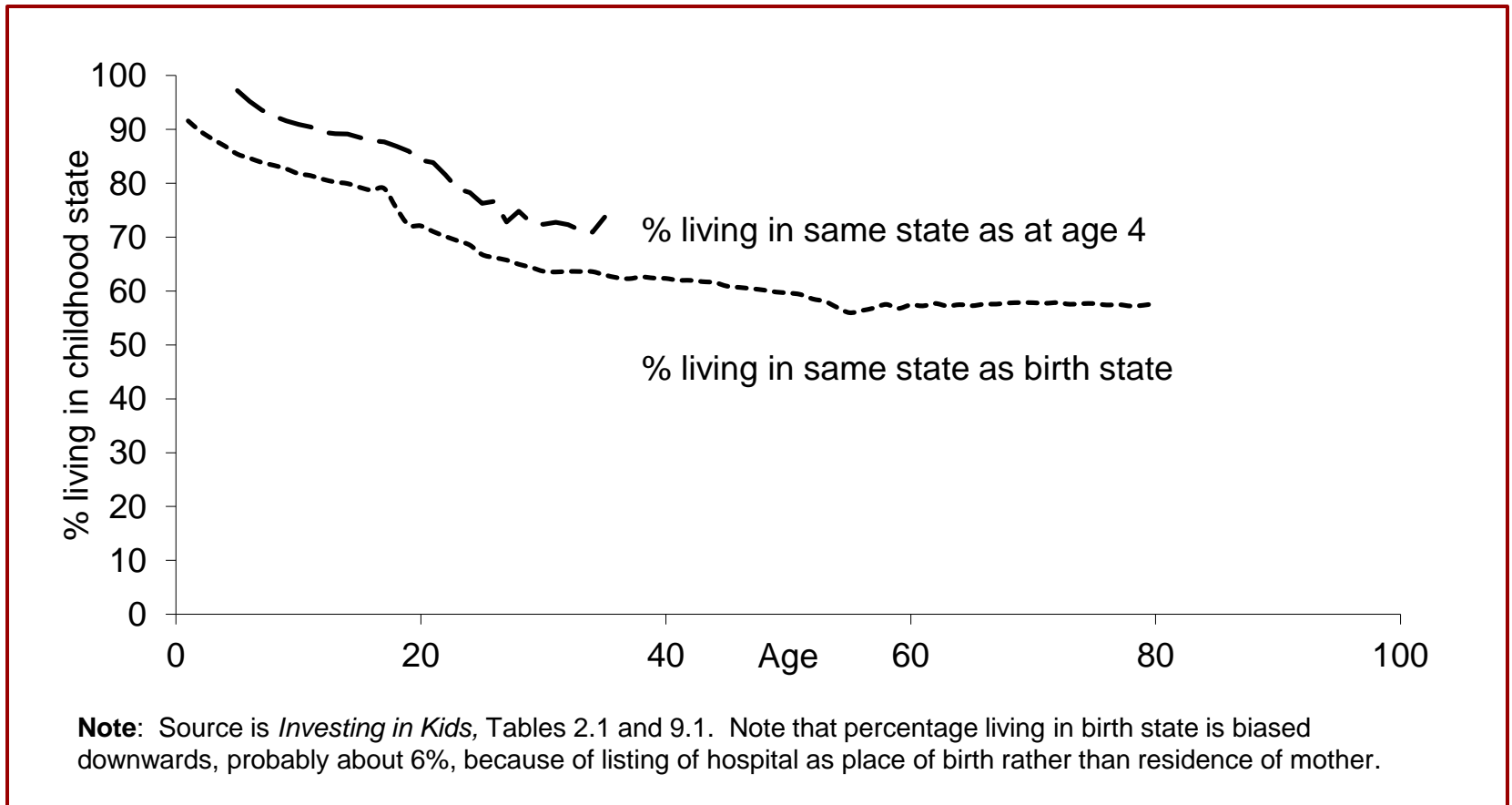


Source: Bartik, Gormley, & Adelstein, 2011.

Responding to Skeptics 3:

Will this really benefit not only local participants, but the entire local economy?

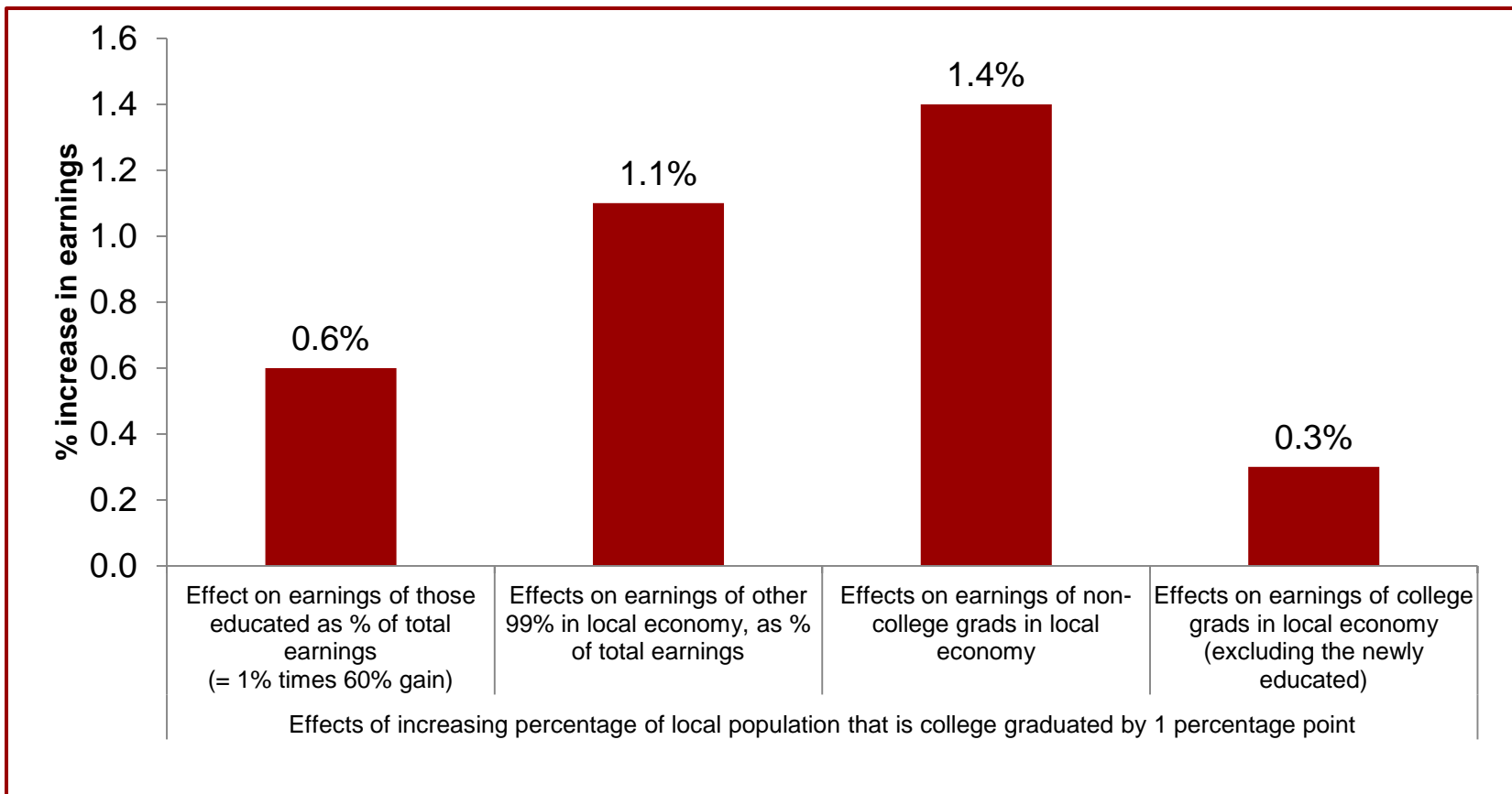
Point 1: Most participants will stay, even in smaller or distressed areas



Responding to Skeptics 3:

Will this really benefit not only local participants, but the entire local economy?

Point 2: The skills of “other people’s children” matter to my wages



Source: Moretti, 2004.

Responding to Skeptics 4:

Are early childhood program benefits only long-term, or are there also short-term benefits?

Point 1: Parents will be attracted, increasing property values

Effects of Preschool on Property Values

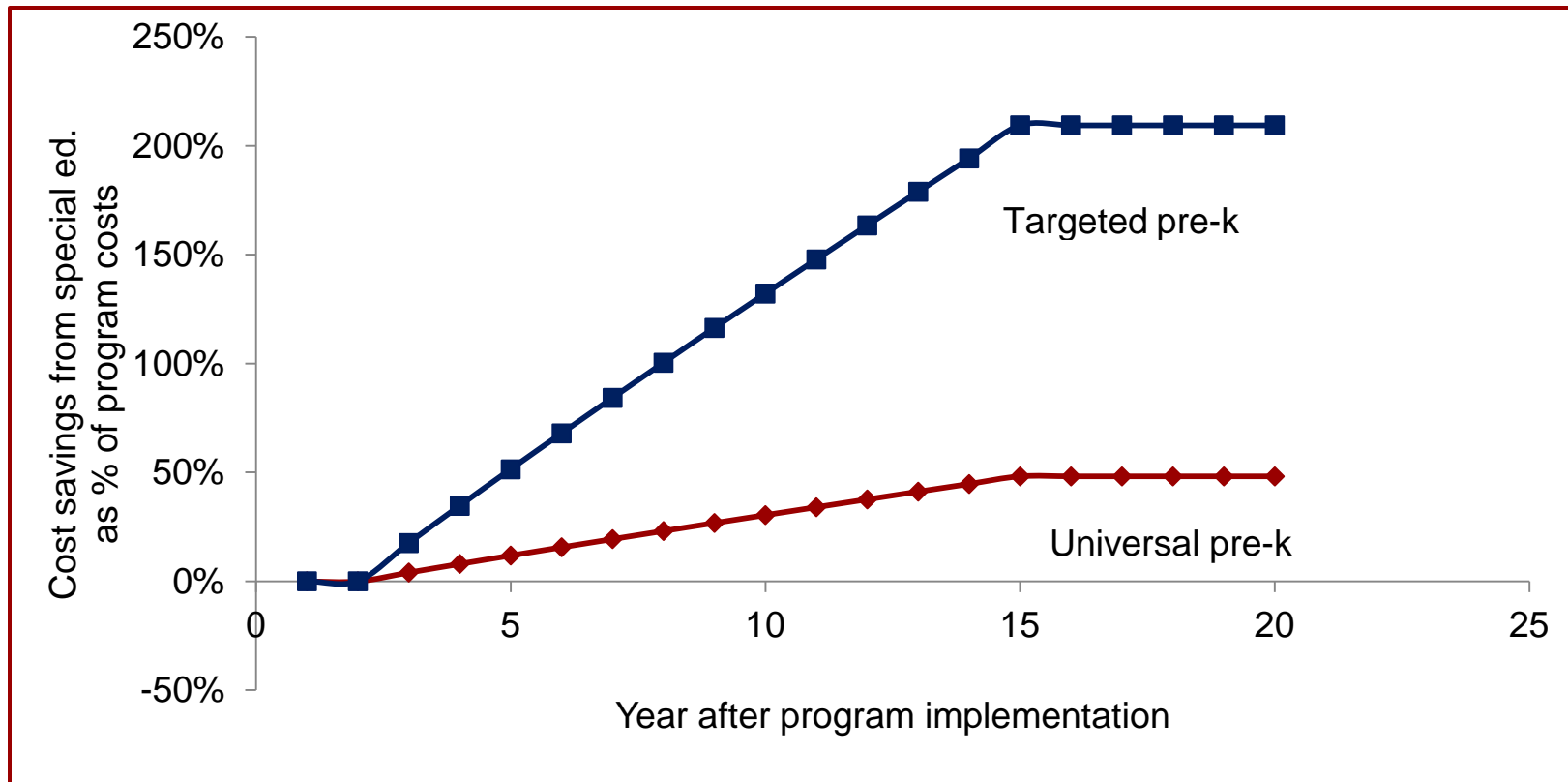
	Based on effects on elementary test scores	Based on assumed full capitalization of earnings effects, 4.7% discount rate
% effect on property values	0.8%	5.1%
Ratio of property value increase to annual program costs	13	81

Source: Table 7.3, *Investing in Kids*

Responding to Skeptics 4:

Are early childhood program benefits only long-term, or are there also short-term benefits?

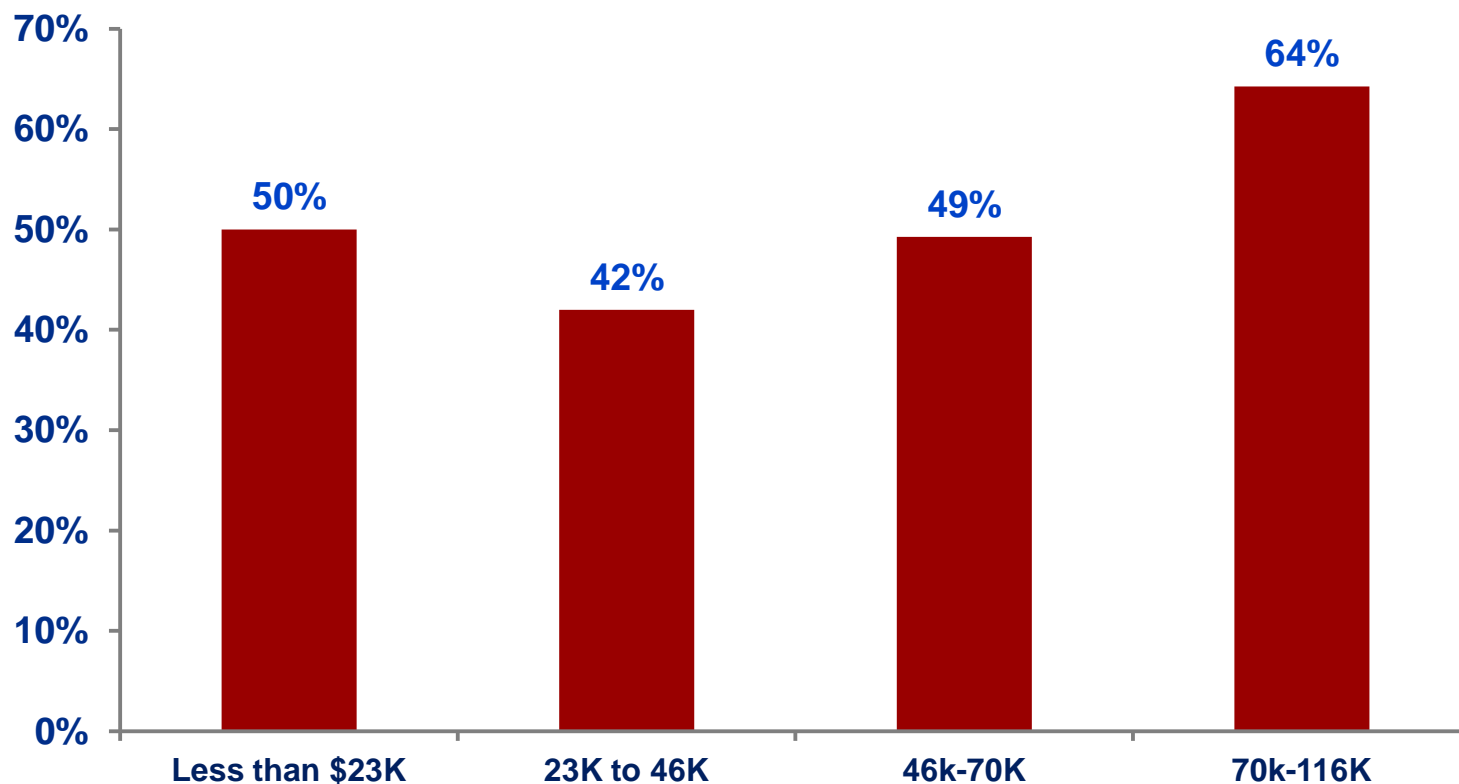
Point 2: Savings in special education costs



Responding to Skeptics 5:

Do early childhood programs undermine the role of parents?

Point 1: Upper-income parents' use of pre-K suggests pre-K complements parenting

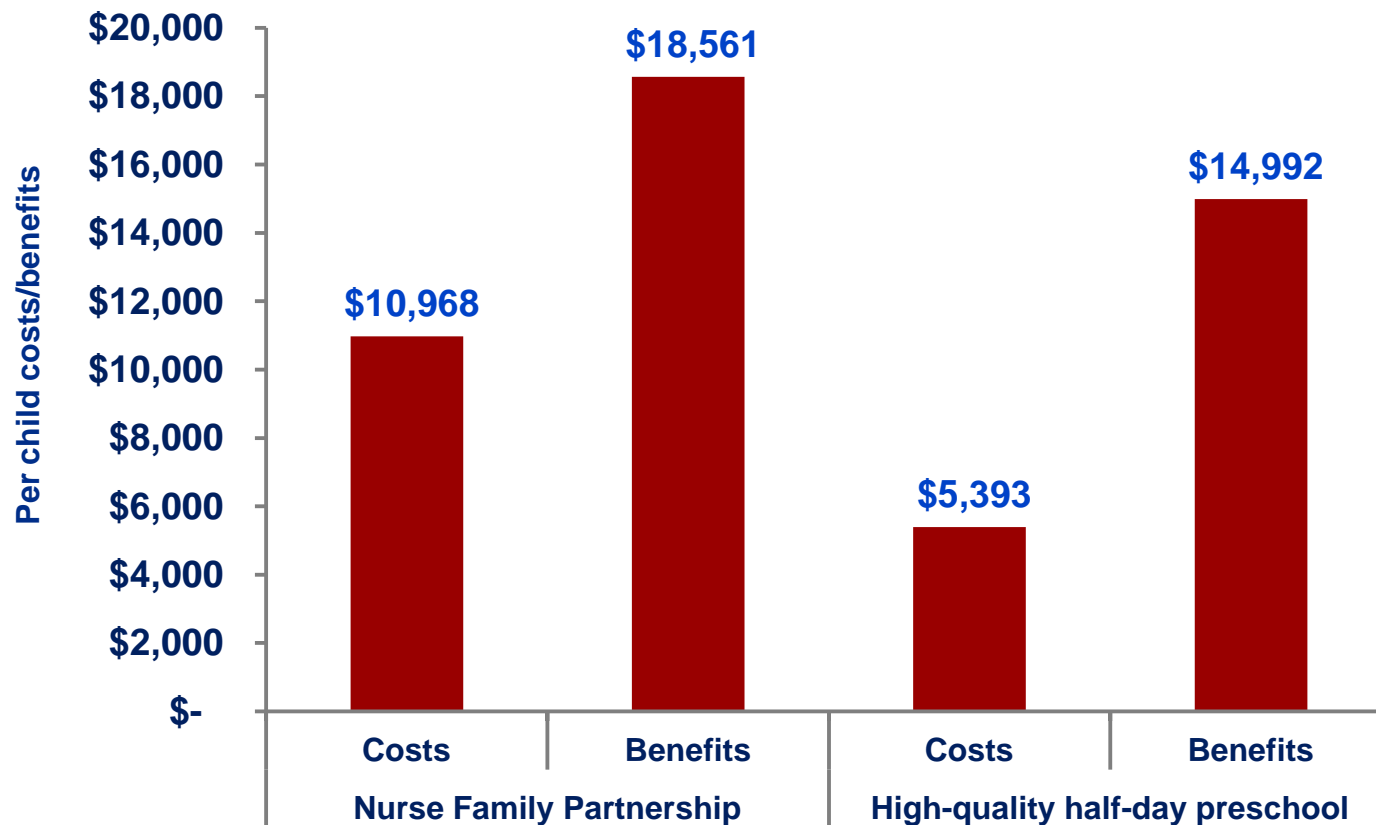


Percent of 3- and 4-year-olds in Pre-K, by family income.

Responding to Skeptics 5:

Do early childhood programs undermine the role of parents?

Point 2: Proven parenting programs are not a cheap alternative



Responding to Skeptics 6:

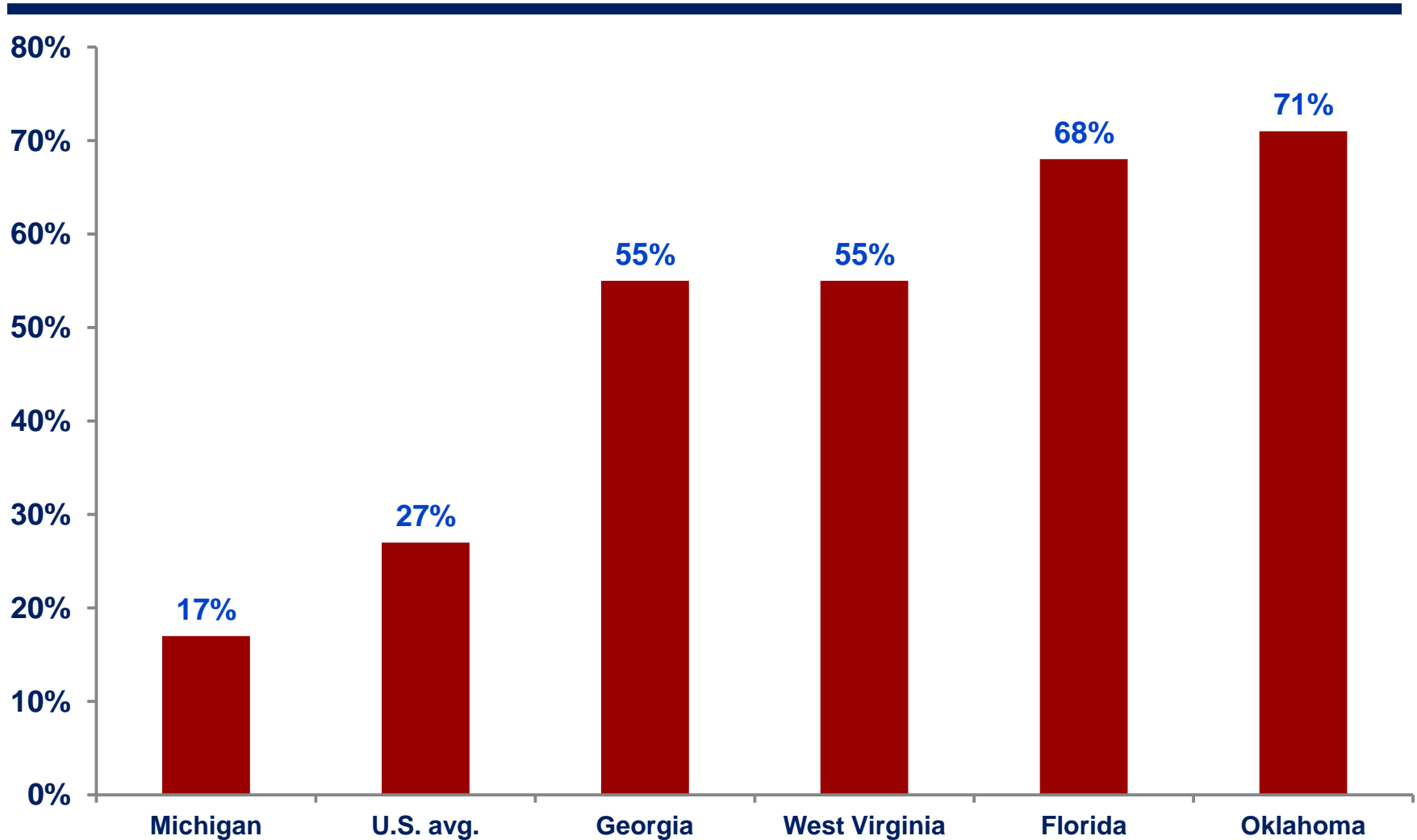
Shouldn't we fix K-12 before tackling early childhood?

- High-quality early childhood works even if K-12 has challenges: Chicago CPC program reduces special ed assignments by 2/5ths, reduces felony arrests by 1/4th, increases # of HS grads by 10%, and increases age 26 earnings by 7%.
- Synergies between early childhood investments and K-12 investments: some research evidence that rate of return to investment in K-12 goes up with investment in pre-K, and vice versa.

Current Status of Early Childhood Programs

- Around the United States:
 - Big cutbacks in some states, such as North Carolina. In other states, sacrosanct (e.g., Oklahoma)
- In Michigan:
 - Modest expansions, consolidation of programs in state ed department
 - But Michigan has state pre-K for 17% of 4-year-olds vs. national average of 27%, and some states above 50%, e.g. Oklahoma at 71%
 - State funding of \$3,400 for half-day program is less than \$4,500 cost, so K-12 cuts put pressure on quality

% of 4-year-olds in State-Funded Pre-K



Policy Options for Michigan Early Childhood Programs

- State pre-K for all eligible kids: increase from \$100M to \$200M. (\$10 per cap to \$20 per cap)
- Universal pre-K would cost \$400M, less than 3% of K-12 budget
- Some increase in state \$3400 payment would help support quality.
- Other flexible early childhood programs: \$200M to match NC's Smart Start.
- How to finance: possibility of "PKSE" financing for some of this, but general fund budget also benefits
- A sensible early childhood system should be a flexible system with accountability for results, pre-tests and post-tests, both soft/hard skills.
- Improved early childhood programs require support beyond education and social services advocacy community, in particular from business

High-quality early childhood programs should be part of local economic development strategies:

- Development strategies should work to improve labor supply, not just labor demand
- Among policies to boost quantity or quality of labor supply, early childhood programs have most rigorous evidence of large effects per dollar invested
- Long-term payoff through skills of former child participants
- Short-term payoff through attracting parents