

Investing in early education

Childhood-development spending pays off in many ways for society

By Rob Grunewald and Arthur J. Rolnick

Imagine a typical Hawaii sunny day and a playground full of 3- and 4-year-old kids from poor households. Given their socioeconomic status, these children are more at risk to drop out of school, end up in prison, or receive welfare payments than their peers from middle- and high-income households.

Now imagine that you are a policymaker and you have been handed an early childhood development program that will reduce arrest rates for these children by half. Further, imagine that this program will improve the grades of those children and help them become responsible citizens and productive employees, as well as positively influence the lives of the parents. Still further, imagine that the money you invest in this program will yield a 16 percent inflation-adjusted annual rate of return. How? Because of the savings attributed to the decrease in crime, reductions in the use of social services, and increased earnings when these children reach the workforce. That's a rate of return that policymakers usually dream about.

But it's no dream. Long-term studies reveal that investing in high-quality, early childhood development for at-risk kids has been shown to pay back a great deal more than invested. As professor James Heckman, the Nobel Laureate economist at the University of Chicago, writes, "An accumulating body of evidence suggests that early childhood interventions are much more effective than remedies that attempt to compensate for early neglect later in life." In other words: You can pay now, or pay a lot more later.

This economic evidence comes on the heels of overwhelming physiological evidence from research in children's brain development. Neuroscientists have demonstrated that environmental factors affect the healthy development of a young child's brain. If children receive developmentally appropriate care and education in the early years, they are likely to thrive by kindergarten. But if they are subject to excessive stress, such as living in poverty or exposed to abuse or neglect, healthy development is compromised and they arrive at kindergarten more at risk for failing grades and later committing crime.

The question is no longer whether we need to invest, but rather what shape the investment should take. Over the past five years we have been traveling the country to discuss the impressive research on the economic benefits of early childhood development programs, and one question has consistently arisen: How can we achieve the extraordinary returns found in the research; that is, how can we bring the programs to scale? The evidence has shown that small-scale early childhood development programs can work; the trick is to reproduce those successes on a larger scale.

In 2005 we completed a paper wherein we discuss a model for such a market-oriented program (www.minneapolisfed.org/publications_papers/studies/earlychild). The marketplace for early education and care is a diverse collection of public and private child care and preschool programs. Most of the money in the market comes from the pockets of parents paying for child care and preschool. In fact, the cost of a year of private child care rivals the cost of tuition at many public universities. A smaller proportion comes from public sources: child care subsidies for low-income working parents, state sponsored preschools and federally funded Head Start.

In January 2008, The Minnesota Early Learning Foundation with contributions from both business and philanthropy began a pilot of a parent mentoring and scholarship model in St. Paul. Scholarships are provided to low-income families in two St. Paul neighborhoods with a high concentration of families living below or just above the poverty line. Similar initiatives that provide resources to parents to enroll their children in preschool programs are under way in Denver and Sioux Falls, S.D. As these projects and others that offer families choices for their children to attend an ECD program move forward, we will better understand the effectiveness of demand-side approaches to investing in ECD.

Early childhood development programs work and pay a high rate of return for society. Hawaii has limited funds and choices to make. While the image of those kids on the playground seems melodramatic, it's no less real. If we choose not to invest, we are condemning some of those kids to a life of crime and welfare dependency. And Hawaii — and our nation — will pay the price.
