



## Research Summary from the Wisconsin Family Impact Seminars Early Childhood Programs as an Economic Development Tool: Investing Early to Prepare the Future Workforce

As part of the 31<sup>st</sup> Wisconsin Family Impact Seminar on *Preparing Wisconsin's Youth for Success in the Workforce*, Dr. Timothy Bartik, Senior Economist at the W.E. Upjohn Institute, presented his research on how state and local economies can benefit from investing in early childhood programs. Such programs include child care, pre-K education, and home visiting programs. This brief summarizes his primary research findings.

**Investing in children at the earliest stages of life can have lasting effects.** In rigorous studies, early childhood programs produce very high returns on investment. For every \$1 spent on high-quality early childhood programs, \$8 to \$16 is returned to society, largely through reduced future costs of crime and government assistance. But do these returns end up benefitting the state or local taxpayers who invest in early childhood programs?

**High-quality early childhood programs provide sizable benefits to the state and local economy.** For each \$1 invested in high-quality early childhood programs, a state economy will get a \$2 to \$3 return on investment, measured in terms of increased jobs or earnings for state residents. Research shows that a large proportion of children who participate in early childhood programs end up staying in their home city or state as adults. Also, the entire local economy benefits from substantial spillover effects of increasing the average level of local skills.

**Benefits are similar in size to what states would get from investing in well-designed business incentives.** When considered nationally, early childhood investments have a much higher return on investment compared to business incentives, because they improve the overall quality of America's workforce.

**Benefits come mainly from effects on child participants.** As adults, children who participated in early education programs are more likely to be educated, employed, and trained in a specific occupation. These long-term benefits may be due to

the effectiveness of early childhood programs in improving both hard skills and soft skills. Moreover, when stable, affordable, high-quality child care is available, parents improve their productivity by putting in more work hours, missing fewer work days, experiencing less stress, and/or pursuing education.

**Ensuring that early childhood programs are of high quality is key to fully realizing their benefits.** In studies, several key drivers of quality appear to matter most: lower class size, early childhood training for teachers, length and time intensity of the program, and the quality and frequency of teacher-student interactions.

**Taking a long view, high-quality early childhood programs pay for themselves.** They significantly reduce the costs of criminal justice, special education, remedial education, and welfare programs. They also increase state and local tax revenue due to the higher employment and earnings when children enter the workforce.

**In addition to the long-term gains, states can capitalize on several substantial short-term benefits these programs produce.** For example:

- When child care and other services are available, parents can work more and spend more, both of which can stimulate the state economy.
- High-quality early childhood programs significantly reduce the percent of children in special education. Over 10 years, early childhood programs may be able to recover 50% to 150% of their annual costs through reduced special education costs alone.
- High-quality early childhood programs can help attract parents to a local area and raise local property values. For each \$1 in annual spending on high-quality pre-K, local property values will go up by \$13.

Dr. Bartik's Family Impact Seminar presentation can be viewed at [www.youtube.com/watch?v=YmbAIDP\\_1\\_I&feature=youtu.be](http://www.youtube.com/watch?v=YmbAIDP_1_I&feature=youtu.be). His chapter is available in the Seminar briefing report edited by Olivia Little, Stephanie Eddy, and Karen Bogenschneider at [www.familyimpactseminars.org/s\\_wifis31c03.pdf](http://www.familyimpactseminars.org/s_wifis31c03.pdf).