Investing in Kids: Early Childhood Programs and Local Economic Development

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How early childhood programs promote economic development:

• Job growth via business incentives: main benefit is higher local per capita earnings

• Early childhood programs promote higher per capita earnings by increasing adult labor force quality of former child participants

• Many of these former child participants will stay in the same state or metro area as adults

• Local labor force quality is key to a good “business climate” in a global economy
Most Americans spend most of their working career in their childhood home state or metro area

Note: Source is *Investing in Kids*, Tables 2.1 and 9.1. Note that percentage living in birth state is biased downwards, probably about 6%, because of listing of hospital as place of birth rather than residence of mother.
Ratio of increase in state earnings per capita to program costs for early childhood programs and business tax incentives

<table>
<thead>
<tr>
<th>Program</th>
<th>Ratio of Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Universal pre-k</td>
<td>2.78</td>
</tr>
<tr>
<td>Full-time child care/preschool</td>
<td>2.25</td>
</tr>
<tr>
<td>Nurse Family Partnership</td>
<td>1.85</td>
</tr>
<tr>
<td>Tax incentives</td>
<td>3.14</td>
</tr>
</tbody>
</table>

Short-term benefits of early childhood programs: Increases in property values

<table>
<thead>
<tr>
<th>Effects of Preschool on Property Values</th>
<th>Based on effects on elementary test scores</th>
<th>Based on assumed full capitalization of earnings effects, 4.7% discount rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>% effect on property values</td>
<td>0.8%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Ratio of property value increase to annual program costs</td>
<td>13</td>
<td>81</td>
</tr>
</tbody>
</table>

Source: Table 7.3, *Investing in Kids*
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