

Taking preschool education seriously as an economic development program: Effects on jobs and earnings of state residents compared to traditional economic development programs ^[1]

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AVAILABILITY

- Full report in pdf (174 pp.) ^[2]

Description: This report takes preschool education seriously as a state economic development program by measuring the effects of a high-quality universal preschool program on the economic development goals of more jobs and earnings of state residents. Universal preschool's effects on state residents' jobs and earnings over a 75-year period are compared with the effects of a program of economic development subsidies to businesses of the same cost. These jobs and earnings effects of preschool programs are calculated using estimates on the effectiveness of the Chicago Child Parent Center (CPC) program in increasing educational attainment. These estimates are extrapolated to future effects on employment and earnings. These calculations also use new estimates of the proportion of preschool participants who remain in the same state in which they attended preschool. In addition, a regional econometric model is used to estimate the economic effects of spending more government funds on universal preschool. Previous estimates of how lower child care costs affect parents' labor supply are used to estimate earnings effects of the part-time free child care provided by universal preschool. Finally, comparable effects are calculated for economic development subsidies by using previous estimates of how subsidies affect job growth, and how state job growth affects the employment and wages of state residents. The key conclusions of the report are the following. - Preschool programs and economic development subsidies both have about the same cost-effectiveness in producing earnings benefits for state residents, yielding about \$3 in present value of earnings benefits for every dollar invested in these programs. - In achieving economic development goals of more jobs and earnings for state residents, preschool programs and economic development subsidies should be viewed as complementary programs, rather than as potential substitutes for one another. Economic development subsidies offer greater benefits over a 5 to 10 year period, while preschool programs offer more longer-term benefits. - Most of the earnings benefits of preschool are due to effects of high-quality preschool in increasing the future educational attainment and employability of preschool participants. Other economic development benefits of preschool education- such as the effects of extra government spending or lower priced child care - are present but modest in size. - State government investments in preschool education not only produce sizable economic development benefits for the state economy, but also produce large positive spillovers on other states and the nation, due to out-migration of preschool participants with better job skills. These spillover benefits of preschool make a case for federal subsidies to encourage greater state government investment in preschool education. In contrast, a state's use of traditional economic development subsidies often harms the economies of other states by attracting job growth that would have otherwise gone to those states.

Region: United States ^[3]

Tags: economics ^[4]

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