

The economics of early childhood investments ^[1]

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Executive summary

Early childhood, beginning in infancy, is a period of profound advances in reasoning, language acquisition, and problem solving, and importantly, a child's environment can dramatically influence the degree and pace of these advances. By supporting development when children are very young, early childhood development and education programs can complement parental investments and produce large benefits to children, parents, and society.

An analysis by the President's Council of Economic Advisers describes the economic returns to investments in childhood development and early education. Some of these benefits, such as increases in parental earnings and employment, are realized immediately, while other benefits, such as greater educational attainment and earnings, are realized later when children reach adulthood. In total, the existing research suggests expanding early learning initiatives would provide benefits to society of roughly \$8.60 for every \$1 spent, about half of which comes from increased earnings for children when they grow up.

- **High-quality early education for all would narrow the achievement gap.** Dozens of preschool programs have been rigorously examined since the 1960s. Overall, across all studies and time periods, early childhood education increases cognitive and achievement scores by 0.35 standard deviations on average, or nearly half the black-white difference in the kindergarten achievement gap. Since higher income children are currently more likely to have access to high-quality early education, expanding access to all would narrow the achievement gap.
- **Early childhood education can boost children's earnings later in life.** Long-term analyses suggest that early childhood education can increase earnings in adulthood by 1.3 to 3.5 percent. These earnings gains alone are bigger than the costs of such programs.
- **Earnings gains from increased enrollment in early childhood education would provide benefits that outweigh the costs of the program.** Researchers estimate the gain in income for recent statewide programs over a child's career to be \$9,166 to \$30,851, after taking out the cost of the program. If all families were able to enroll their children in preschool at the same rate as high-income families, enrollment would increase nationwide by about 13 percentage points and yield net present value of \$4.8 billion to \$16.1 billion per cohort from earnings gains alone after accounting for the cost of the program. In the long run, these earnings gains translate into an increase in GDP of 0.16 to 0.44 percent.

Parents recognize the importance of early childhood investments and, despite working longer hours for pay, both mothers and fathers are also spending more time interacting with their children. Early childhood education programs can strengthen parents' attachment to the labor force and increase their earnings potential by providing a safe and nurturing environment that furthers the education and development that parents are providing at home.

High-quality, affordable child care can help parents balance work and family responsibilities. Studies show that providing better access to and lowering the cost of high-quality care can significantly increase mothers' employment rates and incomes. This increase in family income has been shown to improve children's outcomes as well. Children who enter school at higher levels of readiness have higher earnings throughout their lives. They are also healthier and less likely to become involved with the criminal justice system. These positive spillovers suggest that investments in early childhood can benefit society as a whole.

Early childhood education can lower involvement with the criminal justice system. Research shows that improving cognitive and socio-emotional development, investments in early childhood education may reduce involvement with the criminal justice system. Lower crime translates into benefits to society from increased safety and security as well as lower costs to the criminal justice system and incarceration.

Early childhood interventions can reduce the need for remedial education. Research shows that benefits in children's development may also reduce the need for special education placements and remedial education, thereby lowering public school expenditures.

The estimated benefits to society from investing in early childhood education are large and go beyond the estimated increase in earnings for children as they become adults. While it is difficult to put a precise number on the sum total in gains to parents and society, research shows that gains that come from the benefits to children's employment and earnings far outweigh the costs.

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