NATIONAL HEAD START ASSOCIATION

Research Blast

July 2013:
The Economic Argument for Early Childhood

In last winter's State of the Union, President Obama called for greater investments in early childhood on the grounds that the return on investment was "$7 for every $1 spent." Those of us working in early childhood are familiar with many of the short and long-term benefits that lead to savings - more on those below! - and for our economy as a whole, early childhood education plays a role in fighting the opportunity gap and producing adults better prepared for the modern workforce. In recent years, economists and business leaders have become some of early childhood's best advocates. But how are those calculations made and what do they mean? Understanding the economic argument for early childhood funding is important because it's a great tool for talking about Head Start with people who are swayed more by data than by stories. Learning about these issues can also help practitioners and parents deepen their thinking about how Head Start and Early Head Start go far beyond the ABCs toward changing children's lives.

Resources

Proven Benefits of Early Childhood Interventions

In 'Proven Benefits of Early Childhood Interventions', RAND conducted a comprehensive evaluation of twenty programs focused on early childhood development. Dividing the existing programs into three categories according to the features offered, RAND found positive outcomes in fifteen of the sixteen programs where participants had reached the ideal age to collect data. Although cognition or school achievement effects eventually faded, early childhood investment yielded economic returns by reducing costs for grade repetition, decreasing crime rates, and increasing tax revenues. Furthermore, parents benefitted from these programs. While this paper is not specific to Head Start, it offers a clear and concise overview of the economic impact findings of early childhood programs in general.

The Heckman Equation

James Heckman, a Nobel Prize winning economist from the University of Chicago, has become one of the strongest advocates for early childhood education and "the great gains to be had by investing in early and equal development of human potential." He's been involved in many of the recent conversations about early learning and the President's Preschool for All proposal, and is a great source for clear information.

- **Read** this article from the Washington Post where Professor Heckman made an economic argument for the high return of early childhood investment.

- **Watch** this interview with Rachel Maddow, where Professor Heckman talked in general about how early childhood intervention could help benefit everyone and close the gap between the rich and the poor.
- **Listen** to this interview from 'The Take Away' where Professor Heckman discussed how to redistribute available funding from less effective programs such as job training for high-school dropouts to support early childhood intervention, which tackles the problem from the root.
- **Download** powerpoints, fact sheets, videos and flyers from Professor Heckman's website to help engage your community on these issues.

Research

The Benefits and Costs of Head Start

by Jens Ludwig and Deborah A. Phillips for the National Bureau of Economic Research

This article presents a review of previous economic analyses of Head Start that used benefit-cost analyses to determine whether the money invested in Head Start programs saved enough money to repay or more than repay that investment over time. Ludwig and Phillips conclude confidently that Head Start repays these investments. First they point out that we should not expect Head Start to eliminate social problems but rather close the gap. The authors critique economic studies with smaller findings for underestimating the results due to flaws in experimental setup. In comparison, Ludwig and Miller compared counties with nearly identical child poverty rates that either did or did not receive Head Start funding in 1965, and found positive return to program spending as well as possible additional effects on reducing child mortality and obesity.

In terms of modern programs, the authors caution that current short-term impacts of Head Start programs cannot predict long-term ones. Drawing from other studies with sufficient evidence, this paper suggests that despite Head Start's impact on test scores leveling off over time, the program's positive influence on children's non-cognitive and social skills may be key to later success. The article goes on to compare the differences between pre-K and Head Start, including requirements for teaching, target groups and student-teacher ratios. Possible improvements for the Head Start program include higher teacher requirements, smaller class sizes, or even more targeted outreach to children in need. Given the restrictions in funding and unforeseeable risks involved, one needs to consider carefully how to improve the program most efficiently.

Intergenerational Long Term Effects of Preschool – Structural Estimates from a Discrete Dynamic Programming Model

James J. Heckman and Lakshmi K. Raut for the National Bureau of Economic Research

Using detailed and complex economic analysis, this paper examines parents' preschool investment decisions to study the effect of preschool programs on children's cognitive and noncognitive skills and subsequent outcomes later in life. The authors explore the potential effects of publicly provided free preschool to children in poverty financed by taxing all parents. Such a program, Heckman and Raut find, would result in not only certain skill enhancement among disadvantaged children, but also higher college enrollment, lower crime rates, lower inequality and higher tax revenues from better performance. The magnitude of the effect depends on the scope of the policy—one time or long term for all future generations. In all, there is a net gain in long-run per capita earnings. The model generates positive findings to Head Start programs, especially if one takes into account the improvement within Head Start since the data was collected.

Cost-Effective Investments in Children
by Julia B. Isaacs for the Brookings Institution

This report argues for public investments funded by the government for early children programs based on positive outcomes and sound benefit-cost ratios. The first priority is federal support for three and four-year-olds since this age group prove to have the strongest return, estimated at 2:1 in a real-world setting (such as Head Start). Furthermore, early childhood programs may provide benefits for children beyond economic calculation, such as greater learning and job equality, potential of improved life quality and decision-making skills. Lastly, such investment improves the national economy on a whole through a more qualified and trained workforce. The paper proposes federal funding for high-quality, half-day, center-based programs. Other sections address economic investments in children focused on healthy development of infants and toddlers, elementary and secondary school reform, programs to reduce teen pregnancy and improvement in teacher quality.

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Discussion Questions

1. Have you made any efforts to document cost savings in your community? Does your LEA track Head Start children in a way that would let you measure savings in special education costs or reduced grade repetition?

2. Ludwig and Phillips write, 'One possibility that has figured prominently in debates about Head Start is to make the program more academically oriented, rather than focused on providing

a broad range of academic, health, and social services to disadvantaged children.' Have you felt this shift over the years in Head Start? What findings above explained best to you how children benefit from all the components of Head Start?

3. What do you think is the most urgent problem Head Start needs to address and direct funding to? What other investments could we make in children, families and staff, and what do you think the returns would be?

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Do you know of other recent research that may be of interest to the Head Start field? Do you have other questions, comments or concerns? E-mail Emmalie Dropkin (edropkin@nhsa.org).