

# High-Quality Early Education: Economic Growth and Development Benefits

Research demonstrates that high-quality early education produces higher-achieving students and more successful adults, helping to reduce costs in education, health care and other public sectors while generating new revenue sources. A majority of state governments have recognized the benefits associated with pre-kindergarten and in FY08 36 states increased funding by \$525 million for a total of \$4.8 billion. Despite revenue shortfalls in FY09, pre-kindergarten investment remains strong with 32 states plus the District of Columbia making funding increases that total \$316 million.<sup>1</sup> Below, select findings illustrate the positive impact of high-quality early education on economic development.

## Individual Economic Gains

High-quality early education is an investment in human capital, helping to produce more literate, educated and employable workers who earn higher salaries and generate greater tax revenues.

- A 2004 analysis of the High/Scope Perry Preschool Program – a scientifically studied high-quality early education program for low-income families – determined that program participants were 20% more likely to graduate from high school, 14% more likely to be employed and earned \$548 more per month at the age of 40 than non-participants.<sup>2</sup>
- A 2002 benefit-cost analysis of the Abecedarian Project – a comprehensive high-quality early education program – estimated that program participants earn \$143,000 more over their lifespan than non-participants. The mothers of participants earn \$133,000 more than the mothers of non-participants. And, the children of participants earn \$48,000 more than the children of non-participants.<sup>3</sup>

## Shared Economic Gains

High-quality early education produces important short-term economic gains by reducing employee turnover, lowering absenteeism, increasing worker productivity and leading to new business opportunities.

- High-quality early education reduces public costs through greater school system efficiencies, such as reduced special education placement and grade repetition, as well as improved health outcomes, reduced criminal activity and a more limited use of social services.
- Children who participate in high-quality early education become more employable workers, strengthening the state's tax base and generating new revenues through increased private investment.
- Reliable, high-quality early education and care arrangements reduce employee turnover and lower absenteeism. Employee absenteeism costs American businesses more than \$3 billion per year.<sup>4</sup>

## Long-Term Economic Gains

Nobel Prize-winning economist Dr. James Heckman asserts that high-quality early education enables future skill formation, essential to the success of a modern economy, and provides a substantial return to society.

- The Federal Reserve Bank of Minneapolis reports that investments in early childhood education yield an estimated 16% return for every dollar invested.<sup>5</sup>
- Estimates of a national, universal pre-kindergarten system with an enrollment rate of 80% predict a net benefit of \$150.8 billion, or \$3.42 earned for every dollar spent.<sup>6</sup>

In a post-industrial high-tech service economy focused on global competitiveness, a highly skilled workforce is essential. Skill formation depends on education and begins with early learning. Investments in high-quality early education are fundamental to preparing Massachusetts for long-term economic growth and prosperity.

<sup>1</sup> Doctors, J. (2008). *Votes Count: Legislative Action on Pre-K Fiscal Year 2009*. Pre-k Now. Retrieved from [http://www.preknow.org/documents/LegislativeReport\\_Sept2008.pdf](http://www.preknow.org/documents/LegislativeReport_Sept2008.pdf)

<sup>2</sup> Schweinhart, L., et al. (2004). *Lifetime effects: The High/Scope Perry Preschool Study through age 40*. Retrieved from <http://www.highscope.org>

<sup>3</sup> Masse, L. N. and Barnett, W. S. (2002). *Benefit Cost Analysis of the Abecedarian Early Childhood Intervention Project* in Bracey, G. W. and Steller, A. (2003). Long-term studies of preschools: Lasting effects far outweigh costs. *Phi Delta Kappan*, 84(10): 780-783, 797.

<sup>4</sup> Shellenback, K. (2004). *Child Care and Parent Productivity: Making the Business Case*. Ithaca, NY: Cornell Department of City and Regional Planning.

<sup>5</sup> Rolnick, A. and Grunewald, R. (2003). *Early childhood development: Economic development with a high return*. Retrieved from [http://www.minneapolisfed.org/publications\\_papers/studies/earlychild/abc-part2.pdf](http://www.minneapolisfed.org/publications_papers/studies/earlychild/abc-part2.pdf)

<sup>6</sup> Witte, J. F. (2007). A proposal for state, income-targeted, preschool vouchers. *The Peabody Journal of Education*, 82(4): 617-644. [Updated April, 2009]