



Michigan Family Impact Seminars

Early Childhood Education and Care as an Economic Development Strategy for Michigan



Briefing Report No. 2005-2
Executive Summary

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Executive Summary

Rosalind Kirk, Laura Bates & Betty Tableman

The Value of Investing in Early Childhood Education and Care

“The return on investment from early childhood is extraordinary, resulting in better working public schools, more educated workers and less crime.”¹

Demand for quality early childhood education and care services has grown in recent years because of:

- Increased participation in the workforce by parents of very young children.
- Increased knowledge about brain development and the benefits quality services can bring to the development and school readiness of infants and young children, especially for disadvantaged and vulnerable children.
- Increased legal and policy imperatives for children to demonstrate academic achievement and school performance.
- Increased public and political awareness of the social and economic returns which result from these services

The growth in demand has been matched by increased knowledge and understanding that quality early childhood services can make a sound economic investment with returns ranging from \$2.36 to \$17 for every \$1 invested.² The quality of care offered by different types of providers varies greatly. Aspects of the workforce, such as pay, working conditions, training, and qualifications, often affect the cost-effectiveness of systems of care and education and also child outcomes.³

Early Childhood Education and Care in Michigan – Esther Onaga PhD, MSU

Early childhood education and care is already a multi-billion dollar industry in Michigan. Approximately 672,000 children under 5 years old live in Michigan. Over 15% live in poverty while nearly 2 out of every 3 children under 6 years of age, live with working parents.⁴ Child care is a necessity for many, but is also a major household expense. Early childhood education and child care services in Michigan, like elsewhere in the USA, form a fragmented array of services which serve a variety of purposes. Publicly funded services are often targeted to “at risk” children and families. Various types of services are subject to different levels of quality standards. Funding streams can be diverse, are often complex, lack coordination and are underpinned differing federal and state rules and requirements.

- Parents spend \$2.1 billion annually on child care in Michigan⁵
- In 2002-03, the State spent around \$85 million on the Michigan School Readiness Program⁶ (MSRP) for low-income 4-year-olds.
- \$240 million in funding (80% federal funds and 20% local and state match) was spent on Head Start (including Migrant and Tribal programs) and Early Head Start in 2005.⁷

“The return on investment from early childhood is extraordinary, resulting in better working public schools, more educated workers and less crime.”¹

Early childhood education and care is already a multi-billion dollar industry in Michigan.

In 2003, the State of Michigan spent \$475 million on subsidized childcare.⁸

Over 40% of children with disabilities in Michigan, continue to receive services in special education settings.¹⁰

Insufficient availability of early childhood care and education to match the diverse characteristics and needs of the children under 5 and their families in Michigan.

Current state subsidy payment levels have regressed¹¹ and will not support access to quality care.

In 2003, the State of Michigan spent \$475 million on subsidized childcare⁸ provided by childcare centers, family and group homes. Around 2/3 was spent on care provided by relatives, and aides in the child's home (\$309 million).

In fiscal year 2002, Michigan received roughly \$12.9 million; under Individuals with Disabilities Education Act (IDEA)—Part B (Preschool Grants). The program provides grants for children ages 3-5 with disabilities.⁹ Education, care, and services are to be provided in the 'least restrictive' setting such as Head Start or MSRP, but over 40% of children with disabilities in Michigan continue to receive services in special education settings.¹⁰ Opportunities to learn and play alongside typically developing children are very limited.

Issues

1. Insufficient availability of early childhood care and education to match the diverse characteristics and needs of the children under 5 and their families in Michigan.
2. Neither Head Start nor MSRP provide full day care so children of working parents must move from one setting to another to obtain full day care.
3. MSRP and Head Start are targeted programs for 'at risk' children and are not available to middle and upper income families in the state.
4. Preschool children with disabilities who are entitled to preschool services in the '*least restrictive environment*' are often denied their legal right. The shortage of early childhood care and education for all children further reduces inclusive opportunities for children with disabilities.
5. Current state subsidy payment levels have regressed¹¹ and will not support access to quality care.
6. Licensing requirements are lower compared to some requirements enforced by other states.¹²
7. There is insufficient knowledge about the current and future training needs and qualifications of the existing childcare workforce, especially relative providers and daycare aides.
8. The majority of available child care does not meet the high quality standards that would adequately prepare a child to succeed in school.

Current Policy Developments

Quality

- Revised child care center **licensing requirements** are currently in progress.
- **A tiered quality rating system** is being developed as a basis for varying state child care subsidy payments and as a guide for parents.
- The **Project Great Start Professional Development Initiative** is reaching some 800 child care staff over a two year period, providing **T.E.A.C.H. scholarships** for enrollment in community college courses toward the Child Development Associate (CDA) degree.

The Promotion of Awareness, Support and Coordination

- **Early Learning Michigan Project**, developed by a grant from the Joyce Foundation, will support the development of public awareness, policies, and investments to expand access to high quality preschool programs and services, beginning with low income children and those most at risk.
- The **Early Childhood Investment Corporation (ECIC)** designed to create a state-local/public-private partnership to provide leadership to the various efforts to promote a quality system of early childhood services.
- A **multi-agency professional development workgroup** to advise on the development of a comprehensive, fully designed statewide training system.

Early Childhood Education – A Sound Investment for Michigan - Larry Schweinhart, PhD, High/Scope Educational Foundation

Background to the Study

This internationally renowned study was set up in the 1960s using an experimental design in which 123 young African-American children living in poverty and at risk of school failure were randomly assigned to program or no-program group. The children have been followed into adulthood and are now aged 40 years.

Major Findings

- **Increased school readiness.** Without the preschool program, 1 out of 3 children was ready for school at age 5, but with the program 2 out of 3 were ready.
- **Increased school commitment.** By age 14, the program group was more committed to school.
- **Increased school achievement.** Half of the program group attained a basic level of school achievement at age 14, as compared to only 15% of the no-program group.
- **Increased high school graduation.** More of the program group graduated from high school.
- **Increased earnings.** At age 40, three-fifths of the program group earned \$20,000 or more annually, half again as many as the no-program group.
- **Reduced involvement in crime.** Only two-thirds as many of the program group were arrested 5 or more times. The evidence indicates that the preschool program reduced various types of crime cited at arrest – violent, drug, and property.
- **Reduced drug crime.** 60% fewer program than no-program males reported prescription drug abuse and 32% fewer program males reported using marijuana.
- **Less time off work for health problems.** 22% fewer program members lost a week or more of work for health problems.

Major findings

- *Increased school readiness*
- *Increased school commitment*
- *Increased school achievement*
- *Increased high school graduation*
- *Increased earnings*
- *Reduced involvement in crime*
- *Reduced drug crime*
- *Less time off work for health problems*
- *Fatherhood*

The program helped men become more responsible for their own actions.

For each dollar invested, the program returned \$12.90 to the public and \$4.10 to participants, for a total return of \$17.07.

Quality counts

- *Children's participation in their own learning*
- *Adequate staff: child ratios*
- *Length of time in program*
- *Parent-teacher partnership*
- *Teacher qualifications*
- *In-service training, support and supervision*

• **Fatherhood.** Almost two-thirds of the program males compared to only about one-third of the no-program males raised their own children.

These findings and others related to crime indicate that the program helped men become more responsible for their own actions.

Economic Returns

The best estimate, in 2000 constant dollars using a 3% annual discount rate, which is similar to an interest rate over and above inflation, is that for each dollar invested, the program returned \$12.90 to the public and \$4.10 to participants, for a total return of \$17.07. The sources of the return were savings in welfare, education due to less need for special education classes, greater earnings of participants, higher taxes paid on greater earnings, and both criminal justice system and victim costs of crime. The High/Scope Perry Preschool Study was the first study to identify many long-term effects of an early childhood program, including economic return on investment, but it is not the only one. Other studies that have found long-term effects and economic return on investment include the North Carolina Abecedarian high-quality child care study conducted by Craig Ramey and Frances Campbell; the Chicago Child-Parent Centers study conducted by Arthur Reynolds.

Policy Implications: Quality Counts

- **Children's participation in their own learning.** The teachers' role is to help children participate in their own education by having them plan, do, and review their own activities.
- **Adequate staff: child ratios.** High/Scope Perry Preschool Program employed one teacher to every eight children.
- **Length of time in program.** Many state programs serve only 4-year-olds, but most of the children in this program attended for two school years.
- **Parent-teacher partnership.** Teachers must visit with families frequently to discuss their children's development
- **Teacher qualifications.** Every preschool classroom should be led by a teacher with a bachelor's degree and teacher certification.
- **In-service training, support and supervision.** All teachers, whatever their educational background, should receive adequate training, supervision and assessment that supports a participatory educational approach.

For more information or to contact the speaker, <http://www.highscope.org/>

Building and Financing Early Care and Education Systems in the States - Anne Mitchell, MS; Early Childhood Policy Research & Alliance for Early Childhood Finance

Why Invest in Early Care and Education?

Numerous studies show the benefits of investment in quality child care and education. High quality preschool has been linked with long-term benefits in education and employment. However, communities also have experienced short-term gains:

- New York state estimates savings to public education at 40-60% of the cost of the investment because of fewer students being retained or needing special education services ¹³
- Studies of the economic impact of the child care industry demonstrate that the industry is a substantial employer and generates significant revenue in the local economy with ripple effects larger than those of most other industries

The return on investment in early childhood education is better than that for economic development strategies such as public subsidies to sports venues or industrial parks.

How is Early Childhood Care and Education Funded?

In the US, most of the cost of child care is borne by families themselves:

- 40% is public money, 1-2% from the private sector, 60% from parents and families (total investment estimated at \$75-80 billion)
- The cost of center-based childcare to families is 1½ to 2 times as much as education at a public college, because **less** of the cost is subsidized

Most industrialized countries support early childhood education and care through subsidies up to 80 – 90% of costs

What are States Doing to Build Systems of Early Childhood Education and Care?

A number of states, including Michigan, are developing early childhood education and care systems. This process is illustrated by three states – Illinois, North Carolina, and Rhode Island – to show the variety of ways that systems can evolve and to identify critical components. States experiencing success have focused on infrastructure (system and workforce development) as well as services. Infrastructure investment is critical because:

- Infrastructure investments are relatively cheap compared to costs of direct services.
- Without adequate infrastructure, services will not be as effective or sustainable.

However, no one model is necessary for success, and change efforts can go forward in difficult as well as favorable times.

The return on investment in early childhood education is better than that for economic development strategies such as public subsidies to sports venues or industrial parks.

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Without adequate infrastructure, services will not be as effective or sustainable.

Policy Ideas for Michigan

- *Take a system perspective on early education and care.*
- *Move Pre-K education toward voluntary universal access for all families who want it.*
- *Invest in improving the quality of child care and measure the results.*

What Factors are Critical to the Success of Systems Development?

The experiences of these three states point to common ingredients of successful reform:

- **Strong individual champions of reform.** Leadership from the governor, state legislators, or managers in state agencies which provides a clear vision of how conditions could improve
- **We're all on the same team.** The willingness of people inside and outside of government — bureaucrats, political leaders and advocates — to work together
- **Continuity of leadership.** System development occurs over time and needs leaders who keep the focus on moving the agenda along.
- **Philanthropic investments.** Philanthropic organizations that make well-conceived investments in policy and advocacy can facilitate change.
- **Policy windows.** Times of a major policy change, such as welfare reform or education reform, can provide the impetus for early childhood initiatives.

Policy Ideas for Michigan

- **Take a system perspective on early education and care.** Research tells us that rapid brain development occurs from birth and the early years are “prime time” for learning. Providing a range of options for children from birth to five years and their parents allows families to choose programs to best prepare their children for school.
- **Move Pre-K education toward voluntary access for all families who want it.** Although low-income children are most at risk of not being prepared for school, many children from middle or higher income families also need additional preparation to be ready for school. With many single parent families and two-working parent families, children from all socioeconomic levels can benefit from high quality preschool education.
- **Invest in improving the quality of child care and measure the results.** Studies are clear that high quality is a major factor in effective early childhood programs. The extra investments in quality will pay off in better outcomes. Quality Rating Systems are a powerful policy tool; they give policymakers a framework for accountability, help parents make more informed choices, and provide benchmarks of progress for the early care and education industry.

For more information or to contact the speaker, awmitchell@aol.com

*More information is available from the full report including useful links and good practice programs.

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