Heckman
The economics of human potential.

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NEBRASKA

Investing in early childcare and education produces significant economic returns.

Research by Nobel Laureate economist James Heckman shows the value of investing in high-quality early care and learning for disadvantaged children. He finds that every dollar spent on high-quality, birth-to-five programs for disadvantaged children can deliver a 13% per annum return on investment from better education and health outcomes for children, employment gains for parents, greater economic productivity and reduced spending on healthcare and crime. Recent research by University of Nebraska-Lincoln, Bureau of Business Research shows how a lack of access to childcare in Nebraska hinders the state's economic viability through reduced workforce participation and loss of productivity.[1] Together, these research studies evidence the economic wisdom of providing families with access to early care and learning. Helping families with early care and learning helps grow a more vibrant economy.

Heckman's research shows that investments in quality early childhood education pay off.

Access to quality early childhood education (ECE) for disadvantaged families is essential for a thriving economy. High-quality programs demonstrate improved economic prospects of children and their parents, allowing the latter to enter the workforce and increase earnings while children gain foundational skills for a productive future. Investing in comprehensive birth-to-five ECE is also a cost-effective way to mitigate the negative consequences of poverty on child development and adult opportunity—increasing skills and productivity, strengthening families and resulting in less costly social services. Maternal employment in particular proves critical for upward mobility. Childcare generates gains in maternal education, workforce participation and parental income. An analysis of the ABC/CARE program found that quality care and learning provided five days a week for five years enabled mothers to re-enter the workforce, built skills for mothers and participating children and advanced careers and income.[2] As a result of these gains, the program paid for itself in five years based on mothers' income alone. In addition, Heckman has found that children treated in the Perry Preschool program had gains in education, health, employment and stronger family lives that were passed on to their children.[3] As such, investments in quality early childhood programs emerge as an effective way to improve the economy while fighting intergenerational poverty.

Research shows that gaps in childcare hurt Nebraska's families, businesses and economy.

While disadvantaged families often face the greatest challenges in accessing quality childcare, gaps in childcare availability affect families at all income levels throughout the state. Gaps in childcare exist throughout Nebraska, touching most families and significantly affecting the viability of businesses, workforce and the state economy. This is evidenced by First Five Nebraska and the University of Nebraska-Lincoln, Bureau of Business Research in their recent study of the economic losses caused by gaps in childcare.[1]

Economic fallout of childcare gaps in Nebraska.

The University of Nebraska-Lincoln, Bureau of Business Research found that lack of available childcare costs Nebraskans heavily every year due to reduced workforce participation, business productivity and state revenues:

- Working parents lose $489 million in annual income;
- Nebraska businesses lose $234 million per year in reduced productivity and increased business costs;
- As a result, Nebraska state income tax revenues fall by $21 million annually; and,

- The multiplied effects on the state economy demonstrate that inadequate childcare costs Nebraskans $639 million in income, $731 million in business output, 3,337 jobs lost and $26.4 million in income tax revenues, annually.

Building greater access to early learning and care will turn economic losses into gains.

Research suggests that Nebraska's policymakers, business leaders and philanthropic community can turn these economic losses into gains by investing in greater access to quality childcare and early learning. Building sufficient capacity can be a challenge, especially in economically uncertain times. However, the investment will have immediate beneficial impacts on the state's workforce, economy and revenue. The long-term positive impacts result in even greater gains—strengthening families, improving education and health outcomes, reducing social spending and producing the next generation of highly skilled and productive employees.

Access to quality early childhood education for disadvantaged families is essential for a thriving economy—and produces gains that span multiple generations.

References

[1] University of Nebraska—Lincoln, Bureau of Business Research and First Five Nebraska, "The Bottom Line: Economic Impacts of Inadequate Child Care Access in Nebraska," University of Nebraska—Lincoln College of Business (2020).

[2] James Heckman, Jorge Luis García, Duncan Ermini Leaf and María José Prados, "Quantifying the Life-cycle Benefits of an Influential Early Childhood Program," National Bureau of Economic Research (2019).

[3] James Heckman and Ganesh Karapakula, "Intergenerational and Intragenerational Externalities of the Perry Preschool Project," National Bureau of Economic Research (2019).

Learn more and read The Bottom Line report on First Five Nebraska's website: www.FirstFiveNebraska.org

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