

## "A Proposal for Achieving High Returns on Early Childhood Development"

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Early childhood development (ECD) programs are rarely portrayed as economic development initiatives, and we think that is a mistake. Such programs, if they appear at all, are at the bottom of the economic development lists for state and local governments. They should be at the top. Most of the numerous projects and initiatives that state and local governments fund in the name of creating new private businesses and new jobs result in few public benefits. In contrast, studies find that well-focused investments in ECD yield high public as well as private returns.

### **Involvement by business leaders**

Several U.S. business leaders have taken a strong interest in ECD as a human capital development policy. ECD improves the quality of the workforce (current and future) and creates tremendous cost savings for society. Business leaders contribute by bringing a business approach to a social issue, serve as key advocates, and harness business resources to promote school readiness.

For example, in Minnesota a group of 200 business and community leaders, the Minnesota School Readiness Business Advisory Council (MSRBAC), has taken an active role in promoting the importance of ECD. Their goal is to help improve the statewide school readiness scores of children entering kindergarten. Currently, just over half of Minnesota children entering kindergarten are fully prepared to succeed in school.

MSRBAC: [www.ready4k.org](http://www.ready4k.org), click on "Business"

MN School Readiness Survey: [education.state.mn.us/content/065878.pdf](http://education.state.mn.us/content/065878.pdf)

### **A market-oriented approach to ECD investments**

To establish a successful, large-scale ECD system, we propose a permanent scholarship fund for all at-risk children. It would be financed and managed as follows: State and local governments, in partnership with the private sector and the federal government, would create ECD endowments to fund the scholarships. The scholarships would cover the expense of parent mentoring as well as tuition to qualified ECD programs. In addition, scholarships would be outcome based; that is, they would include incentives for programs that achieve significant progress toward the cognitive and social-emotional development needed to succeed in school.

Programs that provide early childhood development are diverse, including part-day preschools and full-day care and education programs run by public and private organizations. By providing scholarships to low-income families whose children need them the most, and incentives to boost the overall quality of these programs, early childhood programs will be better positioned to ensure that children have the life and learning skills needed to succeed in school.

- For full report and other related papers: [www.minneapolisfed.org](http://www.minneapolisfed.org), click on "Early Childhood Development"
- Also read position papers on ECD at [www.ced.org](http://www.ced.org) and [www.businessroundtable.org](http://www.businessroundtable.org)

