

Focus on Economic Development:

**Early Childhood Education and Care
Challenges Facing Wisconsin**

*A Working Paper
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Part One ~ Thesis

The major purpose of this working paper is to provide state leaders with a new context for viewing the economic challenges facing Wisconsin. This paper seeks to stimulate thoughtful reflection and substantive discussion on the relationship between the quality of Wisconsin's early childhood programming and the future growth of our state's economy.

- This paper advances the argument that any efforts toward building the state's future economic capacity must start with providing high quality early childhood education and care for our youngest residents.
- The major premise is that consideration of public policy issues associated with early childhood education and care must be included in any comprehensive economic planning effort intending to improve Wisconsin's future economic conditions.

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“The real question is how to use available funds wisely. The best evidence supports the policy prescription: invest in the very young.” James Heckman, Nobel Laureate in Economics

Part Two ~ The Present Context

Efforts to strengthen Wisconsin's economy have consistently focused on building future capacity. Since our state's pool of human resource talent is fundamental to the success of most organizations, a premium has been placed on assuring that Wisconsin continues to have affordable access to high quality education and training opportunities. Based on Wisconsin's present economic condition, we can identify a number of significant trends:

- In addition to focused efforts encouraging an expansion in available venture capital, other initiatives have suggested the need to raise Wisconsin's per capita income to at least the national level.
- Promoting growth in Wisconsin's high-tech, biotech, and knowledge-based economy sectors has been viewed as essential to the long-term diversification of Wisconsin's economic base.
- Changes in the state's traditionally-strong manufacturing base (such as the rather precipitous loss of jobs as a result of the present economic slow-down) have contributed to other changes in the state's economy. Growth in the state's service sector, for example, has been increasing in recent years.

The following strategies have been identified as essential to strengthening our state's economic base:

- **Increase Educational Achievement.** Increasing the educational achievement level of Wisconsin residents in order to help raise income levels;
- **Close the Achievement Gap.** Closing the achievement gap that often differentiates among people on the basis of ethnicity, socio-economic level, and special needs;
- **Stay in Wisconsin.** Improving the attractiveness of employment opportunities in the state to encourage more state residents to work in Wisconsin after completing college degrees; and
- **Move to Wisconsin.** Making Wisconsin more competitive in attracting skilled and highly-educated workers from other states to move to Wisconsin.

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Recognition of the above factors does not, however, tell the full story. Overshadowed by increases in unemployment rates, downturns in the manufacturing sector, and uncertainty across all economic sectors, little attention is currently being devoted to the structural issues plaguing Wisconsin's labor market.

Wisconsin Faces a Structural Labor Shortage. Other than economists, demographers and forward-thinking government and business leaders, there has been little public recognition that our state faces what is best described as a "structural labor shortage." These structural conditions will have a profound impact on our state's potential for future growth. Indeed, the demographics of Wisconsin's population base suggest a number of important trends that must be considered in order to develop a complete picture of the challenges facing our state.

- Wisconsin's workforce is rapidly aging, and the impending retirement of the "baby boomer" generation will result in more qualified and skilled workers leaving employment than are found among the younger workers who follow.
- While many people tend to think of Wisconsin as a "manufacturing" state, it is important to note that there is a shift taking place from producing goods to providing services. We are losing manufacturing jobs at the same time as we are seeing job increases in health care, financial services, information services, professional and technical services, and insurance.
- Wisconsin has traditionally had high levels of labor force participation. This means that proportionately more Wisconsin adults work than is the case in many other states. The prevalence of "dual income" households has raised household earnings at the same time that it has created increased demand for early childhood care and education services. In Wisconsin, the labor force participation rate for females is moving closer to the level of males. In 1980, for example, female labor force participation in Wisconsin was 55 percent versus 80 percent for male. The female labor force participation rate has since expanded to 70 percent, while the male rate has dropped to 78 percent.
- Given the relative aging of Wisconsin's population, we are approaching a time when there will be more elderly residents than younger citizens. This shift is contributing to the transformation in Wisconsin's health care sector, as well as significantly raising the costs of health care and various forms of public assistance.
- Finally, if the labor force has any one immutable characteristic, it is that it is constantly changing. Today's conditions can be offset by tomorrow's innovations. The emergence of a global marketplace for goods and services has created

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undercurrents of pressure within the state's economy that are likely to accelerate the pace of change and the degree of instability.

"The future will depend on what we do in the present."
Gandhi

Part Three ~ Focus on Early Education

In some ways, it has long been recognized that the earliest years of life are important to later human development. It is relatively recent, however, that the relationship between early childhood experiences and outcomes for later life has been the focus of scientific inquiry. Results of numerous research studies now demonstrate that the earliest years are critical in preparing children for success in school, community, and life.

- From *Neurons to Neighborhoods* (a joint publication by the National Research Council and Institute of Medicine) detailed over fifty years of research on early childhood brain development from birth to age five, and called for a serious re-evaluation of our national attitudes, practices, and policies affecting young children. According to Jack Schonkoff, head of the *Neurons to Neighborhoods* research team, early experiences affect the development of the brain and lay the foundation for intelligence, emotional health, and moral development.
- The National Business Roundtable has also highlighted the crucial importance of early childhood through its recent "call to action." The Roundtable concluded that "America's continuing efforts to improve education and develop a world-class workforce will be hampered without a federal and state commitment to early childhood education for 3- and 4-year-old children."

This research has brought a new emphasis to the role of early education within economic development. Clearly, early childhood education and care play an important role in the economic strategies mentioned in Part Two, above.

These findings on early education and care point to the following as we consider economic strategies for increasing the educational achievement level and closing the achievement gap:

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- **The early years are crucial.** Brain research points out birth to five as the key developmental and growth years. Access to learning opportunities in the early years facilitates later success in school and in life.
- **Early education prepares for success in school.** Young children who attend high quality early learning programs tend to learn more and are better prepared for success in school and life. Access to early learning opportunities improves reading, number skills, language abilities and overall school readiness. This is particularly important in addressing the achievement gap related to socio-economic status.
- **The achievement gap exists before children enter school.** According to a recent Economic Policy Institute report, at kindergarten entrance, the average cognitive score for children at the top socioeconomic level is 60% higher than the average score among children at the lowest socioeconomic level. A recent article by Susan Neuman offered the following startling comparison of school readiness skills and experiences of beginning kindergarteners at the lowest socioeconomic levels with those at the highest socioeconomic levels:

<u>Skill/Experience</u>	<u>Lowest SES</u>	<u>Highest SES</u>
Recognizes letters of alphabet	39%	85%
Identifies beginning sounds	10%	51%
Amount of time having been read to		
Prior to kindergarten	25 hours	1,000 hours
Accumulated experience with words	13 million	45 million

- **Head Start has been found to improve academic achievement** in children from low income families, to reduce crime, and to result in an estimated 8.74 percent return on investment.
- **Investments in early education pay off.** Recent studies show an average of \$7 return for every \$1 spent on early childhood programs. Results of the cost-benefit analysis of the Chicago Child-Parent Center Program by Arthur Reynolds and Judy Temple demonstrated positive educational and social outcomes from early childhood intervention up to age twenty. Longitudinal research studies reviewed in a recent draft policy brief by the National Council of State Legislators have further outlined the following early childhood program impacts:
 - short-term child outcomes, including improved language skills, advanced learning skills, and more positive relationships,

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- intermediate child outcomes, including reduced need for special education, improved academic achievement, less likelihood of grade retention, and increased probability of high school graduation, and
- long-term outcomes (in adulthood), including higher rates of post-secondary school attendance and completion, higher employment rates, lower rates of public assistance, lower rates of crime and incarceration, delays in child birth, and higher rates of home ownership.

In addition, economic development efforts are enhanced by focusing on improving the attractiveness of employment opportunities and attracting skilled and highly educated workers.

- **Access to early childhood education and care allows parents to work.** Clearly, parents of young children need access to a wide array of early childhood education and care opportunities in order to work. Single parent families and families with both parents working are faced with the challenge of finding care for their child that covers their working hours. Whether working part time, full time, seasonal, or shift work, parents can not work if there they can not find care for their child.
- **Supporting family child care needs, helps the employer recruit and retain productive employees.** A variety of studies indicates that employers report that the provision of child care services has a positive impact on employee productivity retention. Studies by Work and Family Institute suggest:
 - that \$1 percent on family-resource programs usually yields more that \$2 in direct cost savings for companies (reported by PRNewswire);
 - 53% employers report that the provision of child care services has a positive impact on reducing employee absenteeism;
 - 65% employers report that the provision of child care services helps to reduce employee turnover;
 - 49% employers report that the provision of child care services improves employee productivity; and
 - 35% of employees with children under the age of 15 say they would change employers if they could find one that offered them more flexible work arrangements.

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- **Jobs in early childhood education and care could be an attractive employment opportunity.** Early childhood programs are part of a diverse workforce that range from minimal skilled and poorly compensated providers to qualified professionals with adequate compensation. The low child care compensation results in high turnover in employees and reduces interest in this service sector employment. The lack of higher education opportunities inhibits the training and professional development within the field. Early childhood education and care can provide a skilled and stable workforce that is attractive to people interested in working with young children and their families.

Based on research findings such as these, a number of influential voices have begun to speak out forcefully on the need to make early childhood care and education a national priority. Examples include the following:

- The Council of Chief State School Officers has called for universal preschool for three and four-year-olds.
- The national Committee for Economic Development (CED) recently released "Preschool for All: Investing in a Productive and Just Society." According to Roy Bostock, CED's Education Subcommittee Chair, early education is "an absolute imperative, a national priority of the highest order."
- An analysis by Arthur Rolnick, Senior Vice-President and Director of Research at the Federal Reserve Bank of Minneapolis, indicates that the return on investment in the High Scope Perry Preschool Program is 16 percent after adjusting for inflation (compared to the long-term return on U.S. stocks of 7 percent).
- National law enforcement officials also emphasize the connection between early learning and crime prevention. Investment in early childhood and after-school programs has been identified as the best strategy to reduce youth violence and crime.
- A recent review of early childhood policies in twelve countries by the Organization for Economic Cooperation and Development indicates that the United States lags considerably behind many other nations in the provision of quality early childhood education and care programs.

"The test of the morality of a society is what it does for its children." Dietrich Bonhoeffer

Part Four ~ What is the State of Affairs in Wisconsin?

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In examining the options currently available to meet the educational and care needs of our youngest children, it is clear that current early childhood policies and practices are highly fragmented. Access to services is uneven, and gaps in services prevent seamless integration of programming. Many segments of the early childhood population remain under-served, and transitions across programs are often problematic.

While precise data is at times elusive, it is possible to make some general comparisons. In terms of where young children are served, the vast majority of placements (roughly 65 percent) are in regulated child care facilities. Next highest is the state's four-year old kindergarten program, which accounts for roughly 22 percent of the placements. Head Start serves children from birth to four. Of that population, it roughly serves four to five percent of those who are eligible. Various other birth-to-five programs account for eight percent.

It is also important to note that each year approximately 69,000 babies are born in Wisconsin. Roughly six and one-half percent of all Wisconsin residents are under the age of five. When we look at the percent of those under age five who are from households with income levels below the federal poverty level, we see that this accounts for 13 percent of all young children in the state. When we focus on single mother households in Wisconsin with children under age five, we see that this accounts for 43 percent of that total.

Reflecting Wisconsin's relatively high labor force participation rates, two-thirds of all families with children under age five have both parents in the workforce. On the other hand, only seven percent of families with children under age five have no parent in the workforce.

Access to child care opportunities varies widely across the state. In some communities there are many options and choices, in other communities there are none. As quality varies, so also does cost to the parents.

The annual rate for licensed fulltime child care can vary from a high of \$11,180 in some areas to a low of \$4,162 in other parts of Wisconsin. It is interesting to note that the lower-end cost figure, \$4,162, is approximately the same as the present annual in-state tuition for an undergraduate student enrolled at UW-Madison. Other programs such as Head Start and kindergarten are free to parents. While there is considerable public interest in higher education – and while there are savings programs, scholarships and loan opportunities to help cover these costs – there is very little discussion about how the child care and education costs are met for pre-school age children.

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It is clear that the supply of early childhood education and care opportunities does not meet the demand. It is estimated that the present statewide availability of child care options meets approximately eighty percent of the demand. In other words, twenty percent of the current demand for child care is not presently being met. Early Head Start and Head Start only serves an estimated 39% of the eligible low income families. Only 1/3 of the schools offer four-year-old kindergarten.

"Each child is an adventure into a better life – an opportunity of change the old pattern and make it new."
Hubert Humphrey

Part Five ~ Closing Perspectives

Any discussion of efforts to build Wisconsin's economy will eventually lead to consideration of the characteristics of Wisconsin's workforce. Consideration of our state demographics will point out that Wisconsin's population is aging at a rate faster than many other states, and that Wisconsin's population base is not likely to grow as quickly. Census data indicates the direct correlation between educational attainment levels and earning capacity. There is a direct and a positive relationship between the acquisition of higher levels of education and increases in earning capacity.

As Wisconsin considers and develops various strategies to raise per capita income, we must not lose sight of the fact that the academic achievement gap evidenced by our youngest citizens directly influences future educational attainment levels. Efforts to close the achievement gap must begin by maximizing early learning opportunities for our birth- to- five-year-old population.

In order to support continuation of Wisconsin's relatively high labor force participation rates, to maximize the potential of our future workforce, and to attract highly skilled and educated workers to our state, we must provide working families with affordable access to high quality early childhood education and care.

All of these circumstances combine to underscore a fundamental truth: Attentiveness to meeting the early childhood education and care needs of our youngest residents is the first step toward ensuring a future of economic strength and viability.

- Decisions made today will have ripple effects that will carry forward decades into the future.

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- Building Wisconsin's future economy must begin with maximizing the likelihood that our infants, toddlers, and preschoolers will become educated, productive citizens.
- All Wisconsin children deserve the opportunity to start school ready to learn. Their future success and the well-being of our state depend on it.

"There is no single effort more radical in its potential for saving the world than a transformation of the way we raise our children." Marianne Williamson

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- Council for Economic Development: www.ced.org
- Council of Chief State School Officers: www.ccsso.org/earlychildhood.html.
- Corporate Voices: www.cvworkingfamilies.org
- Economic Policy Institute: www.epinet.org
- Families and Work Institute: www.familiesandwork.org
- Fight Crime: Invest in Kids: www.fightcrime.org
- National Conference of State Legislatures: www.ncsl.org
- National Institute for Early Education Research: www.nieer.org
- Pew Charitable Trusts: www.pewtrusts.org
- National Economic Development and Law Center: www.nedlc.org
- US Census Bureau: www.census.gov
- Voices for America's Children: www.voicesforamericaschildren.org
- Wisconsin Early Childhood Collaborating Partners:
www.collaboratingpartners.com
- Wisconsin Council on Children and Families: www.wccf.org

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