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## THE ECONOMIC BENEFITS OF INVESTMENT IN ECCD

Linking early childhood interventions to subsequent economic productivity and employment involves tracing a chain of relationships.

- Working backwards from the goal of economic productivity, we know from an extensive research literature that grew in the 1980s, that economic productivity is related to schooling because schooling:
  - is associated with important changes in outlook affecting adult behavior (e.g., Inkeles and Smith 1974);
  - helps build such skills as the ability to organize knowledge into meaningful categories, to transfer knowledge from one situation to another, and to be more selective in the use of information (Rogoff 1980);
  - facilitates greater technological adaptiveness (Grawe 1979);
  - relates directly to both increased productivity by farmers (Lockheed, Jamison and Lau 1980) and by workers in the informal sectors (Colclough 1980).
- We now know also that various kinds of early interventions can improve the preparedness of children for school, in terms of their physical growth, mental capacities, and social adjustment. These preschool gains can lead, in turn, to increased enrollment in school, and to improved progress and performance in school. This is evident from a review by Myers (1995) of nineteen longitudinal studies, all carried out in countries of the Majority World, and all of which compared children who had participated in various kinds of preschool interventions with children from similar settings who had no intervention. In that review:
  - Ten of the fourteen studies that reported effects on repetition showed there was less repetition and better progress through school for children who had participated in an early childhood program. Of the four that showed no effect, one was carried out in a system with automatic promotion so no difference would be expected.
  - Of fourteen studies reporting on academic performance, eight indicated that children from early intervention programs performed better; in one case, positive effects were found in a rural, but not an urban context.

But potential increases in economic productivity for the society, related to investment in programs of early education, go beyond those resulting from changes in the child. They are also brought about because many early childhood education programs are often childcare programs as

well, permitting increased labor force participation by women and freeing older siblings (usually girls) to learn and earn at a higher level. In many cases, women without access to child care and development alternatives are unable to consider employment in more economically productive jobs outside the home because they must care for young children at home. An evaluation of the Colombian Home Day Care Program (Ortiz 1992) showed that 20% of the women with children in the program changed their employment status after placing their children in childcare.

**COST-BENEFIT CALCULATIONS AND COST SAVINGS** From an economic standpoint, an early childhood development program may be considered a good investment if the ratio of benefits to costs is high. Although rarely attempted, cost-benefit calculations indicate a potentially high rate of return to investments in early childhood. Data from the High/Scope Perry Project in the United States suggests that the returns on a preschool investment can be as high as seven-fold (Schweinhart, Barnes and Weikart 1993). To arrive at this calculation, estimates were made for differences in the economic productivity over a lifetime of the two groups of children—with and without preschool—and for a variety of cost savings associated with reduced levels of crime, less need for remedial programs, and less demand for other social welfare programs.

The idea that early investment may save costs later on provides us with a more general way to look at how good an investment in early childhood development may be. When this is done, we see several ways in which programs may pay for themselves by reducing future costs. They may, for instance:

- reduce inefficiencies in school systems by reducing repetition and dropout. A study in Brazil demonstrated that pre-school costs were more than recovered because repetition was reduced in the first two primary school years (Myers 1995);
- reduce work losses by assuring that children of workers are well taken care of, removing a common worker concern and making it less necessary for parents to take time off from work (Galinsky 1986); and
- reduce health costs because good care and education involve preventive measures (Evans 1993).

These economic arguments for investing in early childhood programs have gained force in relation to the broad shift in economic policy occurring around the world, emphasizing open economies which require a well-educated and flexible labor force in order to compete globally. In light of these shifting economies, the need to improve the human resource base of a country has taken on ever-greater importance. Improving that base is a process that begins well before children enter into primary school.

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