



# Strengthening Michigan Businesses through Investments in Early Care and Education

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How Investments in Early Learning  
Increase Sales from Local Businesses,  
Create Jobs and Grow the Economy

A report by:  **AMERICA'S EDGE**  
Strengthening Businesses Through Proven Investments in Kids

The logo for America's Edge features a stylized blue letter 'A' with red and white stripes on its right side, and a red ribbon-like shape extending from the bottom of the 'A'.



## Acknowledgements

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The following individuals also contributed to this report: K.P. Pel-leran, William Christeson, Soren Messner-Zidell, David Kass, Miriam Rollin, Erica Cribbs, Lindsay Warner, and Jeff Kirsch.

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## Who We Are

The business leaders of AMERICA'S EDGE take a critical look at the knowledge, skills and abilities businesses need their employees to have in the 21st century, including the ability to be communicators, collaborators and critical thinkers. Using that analysis, we educate policy-makers and the public about high-quality, proven in-vestments that strengthen businesses, establish a foundation for sustained economic growth, and protect Ameri-ca's competitive edge in a global mar-ket place, while helping our nation's children get on the right track.

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# Executive Summary

## How Early Learning Investments Can Help Expand Michigan's Economy

Michigan business leaders recognize that the key to jump-starting the state's economy and keeping struggling companies in business is to generate additional sales of local goods and services, while also creating new jobs. That is why, after taking a hard look at the research and calculating proven returns on investment, Michigan business leaders are calling on state and federal policy-makers to invest in early care and education. This report documents that investments in early learning provide a significant, immediate economic boost for local businesses and help build stronger communities over the long term.

Fully investing in early care and education would generate billions of dollars in sales of goods and services for Michigan businesses and create tens of thousands of jobs in the state. In fact, investments in quality early learning generate more new spending for local businesses than investments in eight other major economic sectors. For every \$1 invested in early care and education in Michigan, an additional \$1.11 is generated for a total of \$2.11 in new spending in the state. This strong economic boost for local businesses is higher than investments in other major sectors such as construction, transportation, retail trade, manufacturing, transportation and utilities.

Early care and education should be a critical component of Michigan's economic recovery. If all Michigan's children were given access to quality early care and education, with an investment of an additional \$1.4 billion, that investment would generate \$2.9 billion in total new spending in Michigan businesses. And nearly all of these dollars generated in Michigan would stay in Michigan – helping local businesses prosper while also creating up to 58,000 new jobs, including 12,000 jobs outside the early learning sector.

Such an investment will also save Michigan businesses money every day through reduced absenteeism and turnover. The average working parent in America misses five to nine days of work per year because of child care problems. This costs U.S. businesses \$3 billion a year. Research confirms that if

parents have quality early care and education available in their communities, not only will absenteeism and turnover go down, but productivity will also go up – immediately improving businesses' bottom lines.

Yet another strategic reason for this investment is that access to quality early care and education will increase the ability of Michigan businesses to attract skilled employees. Quality programs for our youngest children are needed for the same reasons communities strive to have a strong K-12 education system to attract skilled workers and new businesses. Sixty percent of new jobs in the early 21<sup>st</sup> century will require skills possessed by only 20 percent of the current workforce. As our economy begins to turn around, Michigan businesses need the right resources to attract and retain the best workers. One resource that can help communities attract the best employees is the availability of quality early learning for their children.

Finally, such an investment will establish a foundation for sustained economic growth because quality early learning is key to ensuring that future employees have the 21<sup>st</sup> century skills Michigan businesses need. To remain competitive in a global marketplace, businesses need communicators, collaborators and critical thinkers. Research confirms that quality early learning is the crucial first step in the development of those skills. And research shows that the return on investment is impressive: Studies of high-quality early education programs for at-risk children have shown that quality programs can save as much as \$16 for every dollar invested.

**The bottom line:** With limited funds available to help businesses and our economy get back and stay on track, few investments make as much sense for Michigan businesses' balance sheets as do investments in high-quality early care and education.

# Strengthening Michigan Businesses through Investments in Early Care and Education

## Immediate Short-Term Economic Gains

### Critical Issues for Michigan Businesses

Even in today's tough economy, many businesses are experiencing a short supply of employees with 21<sup>st</sup> century skills in large part because high school and college graduates lack the knowledge and abilities businesses need.<sup>1</sup> Consider these facts. In Michigan:

- 22 percent of high school students do not graduate on time;<sup>2</sup>
- 69 percent of eighth graders are below grade level in math;<sup>3</sup> and
- 70 percent of fourth graders read below grade level.<sup>4</sup>

Nationally, 60 percent of 3- to 5-year-olds do not have the basic skills needed to enter kindergarten, such as counting to ten and recognizing letters in the alphabet.<sup>5</sup>

Each year, dropping out costs the United States dearly in lost productivity. In fact, high school dropouts are so much less productive than high school graduates that each class of dropouts will make \$335 billion less over their lifetime than they would have as graduates.<sup>6</sup> That loss of earnings translates into less spending power, lower contribution to the tax base, and decreased productivity.

### Increasing Sales of Local Goods and Services

New research by AMERICA'S EDGE found that attracting skilled employees, strengthening local and state economies now, and improving businesses' bottom lines can be achieved through cost

effective and proven investments in quality early childhood care and education programs.<sup>7</sup>

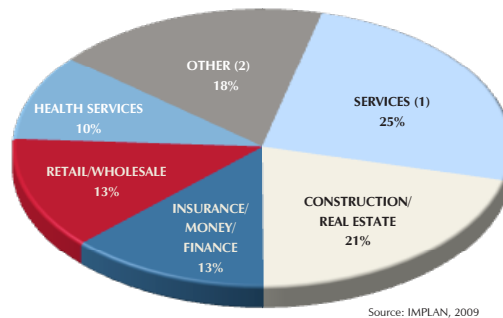
What economic modeling is the most effective way to determine early education's economic impact in Michigan? This report used IMPLAN, an economic modeling system first developed 18 years ago that is widely used for conducting a variety of economic impact and related analyses, to find the impact. This study employed the most recent available (2009) data sets and IMPLAN models and adheres fully to standard input-output and IMPLAN conventions (see the Appendix for a complete explanation of IMPLAN and the report's methodology).

This economic impact modeling system found that, for every additional \$1 invested in early care and education in Michigan, \$2.11 is generated in total spending within the state. This strong economic boost for local businesses is higher than investments in other major sectors such as construction (\$1.95), transportation (\$1.94), wholesale trade (\$1.87), retail trade (\$1.76) and manufacturing (\$1.75).<sup>8</sup> Research shows that among Michigan's major economic sectors that will spur economic growth, early care and education offers one of the smartest

ways to create additional buying power for consumers and help local companies stay in business.

To ensure all Michigan's children have access to quality early care and education would require an investment of an additional \$1.4 billion. That investment would yield \$1.5 billion in additional sales in Michigan's economy outside of early care and education, for a total of \$2.9 billion of new money infused into the state (see

**Every \$1 spent in Michigan on early learning generates an additional \$1.11 in other sectors of the economy**



Source: IMPLAN, 2009

1. Professional, business, information, entertainment, rental, and utility services.  
2. Includes a variety of additional smaller economic sectors.

**The early learning sector in Michigan generates more additional spending in the economy than other major economic sectors:**

Economic Sectors	Output Multipliers
<b>Early Care and Education<sup>1</sup></b>	<b>\$2.11</b>
<b>Other Major Sectors</b>	
<b>Construction</b>	<b>\$1.95</b>
<b>Transportation</b>	<b>\$1.94</b>
<b>Other</b>	<b>\$1.91</b>
<b>Wholesale Trade</b>	<b>\$1.87</b>
<b>Farming, Forest, Fishing, Hunting</b>	<b>\$1.83</b>
<b>Retail Trade</b>	<b>\$1.76</b>
<b>Manufacturing</b>	<b>\$1.75</b>
<b>Mining, Oil, Gas</b>	<b>\$1.70</b>
<b>Utilities</b>	<b>\$1.49</b>
1. The early care and education sector is part of the larger services sector, which on average generates a multiplier of \$1.92 for every \$1 invested.	
Source: IMPLAN, 2009 analysis of Type SAM Output Multipliers for Michigan	

Every \$1 invested in the early learning sector generates an additional \$1.11 in the local economy.

Appendix B).<sup>9</sup> And most of these dollars generated in Michigan would stay in Michigan – helping local businesses improve sales in almost every sector. Here are some examples of the economic impact that investing in early learning would have on the major economic sectors in Michigan:

- **Approximately \$391 million in new sales in the state’s services sector**, which employs the majority of workers in Michigan. The additional dollars would benefit many small businesses including dry cleaners, mobile phone and cable companies, and numerous professional firms such as accounting, law and tax offices.<sup>10</sup>
- **Approximately \$327 million in new sales in real estate and construction** – providing a boost to the slumping real estate market and helping many low- and middle-income families keep up with their mortgage or rental payments.<sup>11</sup>
- **Over \$200 million in new dollars to Michigan’s insurance and finance sectors**, including local banks and insurance companies.<sup>12</sup>
- **Approximately \$196 million in new sales in Michigan’s retail and wholesale trade sectors**, including grocery stores, department stores and auto dealers.<sup>13</sup>

those 400-plus categories, here are just a few concrete examples of increased sales for Michigan businesses:

- Over \$70 million in sales at local restaurants, the cost for over 21,000 households of four to eat out for one year;<sup>14</sup>
- Over \$35 million in sales from local electric companies, the cost of monthly electric bills for over 21,000 families of four;<sup>15</sup>
- \$12 million in sales from local supermarkets, the cost of a year of groceries for over 2,000 families of four;<sup>16</sup>
- Over \$14 million in sales from gasoline stations and petroleum refineries, the cost, for example, for over 5,500 families to pay for gasoline for an entire year.<sup>17</sup>
- Over \$10 million in sales from local car and automobile parts dealers, the cost, for example, for over 500 families to get a new compact car.<sup>18</sup>

The key point is that investments in the early learning sector are very competitive with investments in other major sectors, and these investments create an immediate infusion of dollars throughout Michigan’s local businesses.

The \$1.5 billion in additional spending outside of early care and education will be generated in over 400 economic categories. Of

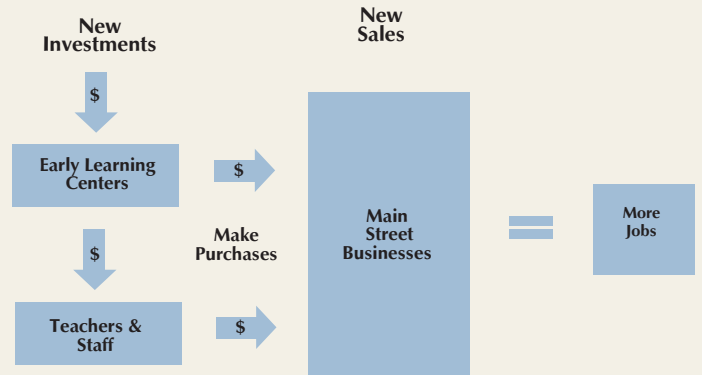
# Early Learning Spending Stays in Michigan

## Here's how it works:

The dollars initially invested in an early learning program re-circulate through the local economy. The first dollar of spending goes directly to early care and education programs, and the additional spending is generated in two ways: (1) when early learning centers purchase local goods and services to operate their programs; and (2) when early learning teachers and staff spend their wages on local goods and services. All this additional spending is generated through what is known as the “multiplier effect.”

Although every industry generates some additional spending in these two ways (see table on page 2 for a comparison of economic output multipliers for different sectors), the early child care and education sector has one of the highest output multipliers because a high proportion of the spending by early learning programs and staff is spent locally. Much of the investment in early education goes to teacher wages, and the person-to-person nature of this service means that it must be provided and delivered locally. This is different from many industries that are based on products that could be manufactured outside of Michigan or on services that can be provided remotely (e.g., customer service representatives via phone lines from other states or even internationally).

## How Early Learning Investments Help Michigan Businesses



In turn, since early education teachers and staff are low- and moderate-wage workers (child care workers have median annual incomes of \$17,440)<sup>19</sup> they typically spend rather than save their wages, purchasing local goods and services, including housing and retail products.

Here's what this means in actual dollars and cents: Every dollar spent on early care and education in Michigan yields a total of \$2.11 in the state economy.<sup>20</sup>

## 58,000 New Jobs in Michigan

Fully investing in early care and education would also create tens of thousands of new jobs. For every four jobs created in the early care and education sector, one job is created outside that sector in Michigan's economy.<sup>21</sup>

An analysis of the IMPLAN economic data for Michigan shows that a \$1.4 billion investment to offer early care and education to all of Michigan's young children would create up to 58,000 new jobs, including 12,000 new jobs in other economic sectors.<sup>22</sup> These additional jobs are created when expanded early learning programs and their employees purchase additional local goods and services. As demand for goods increases, so does the need to supply those goods, which creates jobs.

Thus, investment in early learning, with the increased spending power from newly-employed individuals, would help Michigan begin to reduce its unemployment rate and immediately strengthen local businesses.

## Cost Savings and Increased Productivity for Businesses

Quality early learning saves businesses money through reduced absenteeism and turnover. The average working parent in America misses five to nine days of work, or one to two weeks per year, because of child care problems. In fact, according to a study published by Cornell University, this problem costs U.S. businesses \$3 billion every year.<sup>23</sup> Research confirms that if parents have quality early care and education available in their communities, not only will absenteeism and turnover go down, but retention and productivity will also go up.<sup>24</sup> Reduced absenteeism and turnover and increased retention and productivity translate into immediate savings and increased profits for businesses—good news to Michigan businesses on both sides of their balance sheets.

## Attracting Skilled Employees

Even in tough economic times, businesses often struggle to attract qualified applicants to fill skilled positions. Having access to



quality early care and education services currently helps hundreds of thousands of parents stay in the workforce in Michigan.<sup>25</sup> However, approximately 300,000 children under five in Michigan do not participate in regulated early learning programs, and a significant number would likely participate if high-quality, affordable programs were available in their neighborhoods.<sup>26</sup> Like strong K-12 education systems, quality early education for our youngest children can help attract skilled workers and new businesses. Michigan businesses must be poised to compete for the most skilled workers as the economy begins to recover.

## Long-Term Benefits for Economic Security

In addition to jump-starting Michigan's economy and creating tens of thousands of new jobs, major investments in quality early learning programs would also have important long-term benefits that would establish a foundation for sustained economic growth.

To remain competitive in the global marketplace, businesses need employees with hard skills (math, reading, writing) and soft skills (communication, collaboration and critical thinking). But employers are experiencing a significant shortage of workers with the skills they need.

According to a 2006 survey, less than a quarter of employers (only 23.9 percent) report that new entrants with four-year

### The Perry Preschool Program

One of the best studies of early care and education for 3- and 4-year-olds, the High/Scope Perry Preschool Program in Ypsilanti, Michigan, followed the children who attended the preschool until they were age 40. From 1962 through 1967, preschool teachers worked intensively with low-income children ages 3 and 4. The children attended preschool during the week and teachers came to their homes once a week to coach their parents. When the children were age 40, researchers compared their life stories with those who did not participate in the early education program. The payoff was impressive. Children who participated in the preschool program had significantly higher reading achievement and arithmetic achievement scores at age 14 compared to the children not participating in the program; 44 percent more of the children in the Perry program graduated from high school; and 60 percent of participants were earning upward of \$20,000 a year in their forties, versus 40 percent of those in the control group.

## Cuts to Early Learning Hurt Businesses

In the same way that investments in early learning generate additional spending in Michigan due to the multiplier effect, the reverse is also true: funding cuts to early learning programs also reduce sales from Michigan businesses.

Thus, for every \$1 cut from early learning programs, an additional \$1.11 will be lost in sales of local goods and services.<sup>27</sup> Michigan cannot afford cuts to early learning that will directly hurt the bottom lines of Michigan businesses.

college degrees have “excellent” basic knowledge and applied skills, and significant deficiencies exist among entrants at every level.<sup>28</sup> The deficiencies are greatest with high school graduates: 42.4 percent of employers report the overall preparation of high school graduates as deficient; 80.9 percent report deficiencies in written communications; 70.3 percent report deficiencies in professionalism; and 69.6 percent report deficiencies in critical thinking.<sup>29</sup> Although preparedness increases with education level, employers note significant deficiencies remaining among graduates of the four-year colleges in written communications (27.8 percent), leadership (23.8 percent), and professionalism (18.6 percent).<sup>30</sup>

High-quality early care and education is a critical step to support the development of the 21<sup>st</sup> century skills that businesses require in their workforce. Research studies demonstrate that children who participate in high-quality early learning can do better on a range of outcomes. Here are examples of what outcomes are impacted and what is possible:

- **Better preparation to succeed in elementary school** – for example, children exposed to one year of Oklahoma's universal pre-kindergarten program experienced a 16 percent increase in their overall test score;<sup>31</sup>
- **Less special education** – children who attended the Chicago Child-Parent Centers (CPC) program were 40 percent less likely to need special education;<sup>32</sup>
- **Lower rates of retention in school** – children participating in the Abecedarian early education program were 43 percent less likely to be held back in school;<sup>33</sup>
- **Higher rates of high school graduation** – children attending the Perry program were 44 percent more likely to graduate from high school;<sup>34</sup>

## Early Care and Education in Michigan: An economic snapshot

Early care and education programs serve young children from birth through age 5. These programs take several forms, including child care centers and family child care homes, private preschool programs, and publicly-funded and regulated early education programs including public pre-k, Head Start, and early childhood special education programs provided by the public schools. In Michigan, approximately 300,000 young children under age 5 are not served by regulated early care and education settings.<sup>39</sup>

Early care and education is an important economic sector in Michigan, making significant contributions to the local economy:

- Early care and education programs represent a sizable small business sector in the state, with more than 5,500 licensed childcare centers and more than 4,500 family child care homes.<sup>40</sup>
- There are over 27,000 full-time workers in the early care and education sector in the state, including teachers and childcare workers.<sup>41</sup>
- The childcare sector generates \$2.1 billion dollars annually in Michigan.<sup>42</sup>

- **Less crime** – children not offered the Perry program were five times more likely to become chronic offenders by age 27;<sup>35</sup> and
- **Higher rates of employment** – children in Perry were 22% more likely to be employed at age 40.<sup>36</sup>

Studies of high-quality early education programs for at-risk children have shown that these programs can save as much as \$16 for every dollar invested.<sup>37</sup> These long-term benefits are realized when the children who receive high-quality early learning grow up and become better educated and more productive workers, with far less remedial education or criminal costs to society. That is a return on investment that cannot be matched by almost any other public investment.

### Conclusion

Research is clear that investments in high-quality early care and education will help jump-start our economy through an immediate increase in sales for Michigan businesses and the creation of many new jobs. At the same time, we will be building the skills of our future workforce. Policy-makers must make difficult decisions about where to invest limited funds as revenues have decreased during the recession. Funding for early care and education should be a priority since it is one of the best ways we can immediately strengthen our economy while creating lasting economic security.



# Appendix A

## Economic Multipliers Analysis

Economists have documented the contributions that the early care and education sector makes to the economy in the short term through economic multiplier effects.

The short-term economic development benefits of the early child care and education sector are based on estimates calculated from what are called input-output economic models. These models show the linkages between all sectors in the economy, creating a matrix detailing how spending in each sector ripples through other economic sectors via the purchases of goods and services from other sectors.

There are three types of economic linkage effects that this input-output analysis captures. Direct effects of new spending in the child care sector are seen within the sector itself, through new money spent on child care programs. Indirect effects reflect the inter-industry expenditures generated when child care businesses purchase goods and services from other sectors. These businesses, in turn, are stimulated to increase their input purchases, and so on in widening ripple effects throughout the economy. Induced effects reflect similar economy-wide impacts due to the increased spending on goods and services of early education workers as first their wages increase, and then the wages of workers in other affected industries increase. The combined linkage effect of indirect (inter-industry spending) and induced (household spending) is called a Type SAM multiplier.

Early learning investments generate new dollars and jobs throughout Michigan's economy. Every new dollar spent on early learning yields a total of \$2.11 in the Michigan economy.

AMERICA'S EDGE commissioned an analysis of the most recent available data for Michigan on the economic impact of the early care and education sector on other sectors.

All input-output modeling results were generated using the Minnesota IMPLAN Group, Inc. (MIG, Inc.) IMPLAN® economic impact modeling system. First developed in 1993, the system now is in widespread use for conducting a wide variety of economic impact and related analyses.

This study employed the most recently available (2009) data sets and IMPLAN models. One model was created for Michigan. Our modeling approach and analyses adhere fully to standard input-output and IMPLAN conventions.

Multipliers were generated for the model using two separate sets of assumptions about regional purchase coefficients

(RPC), or the proportion of purchases in each sector that occur regionally (locally). First, the multipliers were generated based on estimates from MIG, Inc.'s recently-completed National Trade Flow Model. Second, in order to facilitate comparison with earlier IMPLAN modeling work, multipliers were also generated based on the previous IMPLAN standard for RPC estimates, namely an econometric model.

The reported results are based on fully disaggregated models (i.e. 440 distinct sectors). The disaggregated sectors are defined by MIG, Inc. but are based upon and cross-walked with the North American Industrial Classification System (NAICS), which several years ago replaced the Standard Industrial Classification (SIC) code system. Additional analysis was also conducted using models we aggregated into a small number of very broad sectors (e.g. Agriculture, Manufacturing, Services, etc.).

To illustrate the impact of increased spending on early learning, we used the models created to estimate the indirect and induced effects on each sector of the economy of exogenous increases (e.g. of a \$1,000,000 base investment) in the demand for child care services. Because government spending is determined as much by policy decisions as by the regional dynamics of economic forces, government spending is conventionally treated as a source of exogenous demand. We focus on this source.

For additional information and background on input-output analyses of the early care and education sector, see the following resources:

Zhilin, L., Ribeiro, R., & Warner, M. (2004). Child care multipliers: Analysis from fifty states. Linking Economic Development and Child Care Research Project. Ithaca, NY: Cornell University, Cornell Cooperative Extension. Retrieved from <http://government.cce.cornell.edu/doc/pdf/50StatesBrochure.pdf>

Zhilin, L., Ribeiro, R., & Warner, M. (2004). Comparing child care multipliers in the regional economy: Analysis from 50 states. Linking Economic Development and Child Care Research Project. Ithaca, NY: Cornell University, Cornell Cooperative Extension. Retrieved from <http://government.cce.cornell.edu/doc/pdf/50States.pdf>

## Appendix B

AMERICA'S EDGE estimates that \$1.4 billion in new early care and education investments are needed in Michigan to serve an additional 159,000 young children from birth through age four currently unserved by these programs, such that these new investments plus current investments together reach a full 75% of all young children from birth through age four in the state.

Serving 75% of all young children is a conservative estimate for providing early care and education services to all young children who are likely to participate. These percentages are common upper-bound estimates of the full "take-up rate" for early care and education services, that is, the maximum proportion of families likely to participate in programs, given that some families use parental care exclusively or otherwise do not enroll in formal early care and education services.

### **Economic multipliers calculations for new investments needed**

The \$2.9 billion estimate of the total new spending generated in Michigan's economy from \$1.4 billion in new early care and education spending was calculated by taking the Type SAM Output multiplier for Michigan, \$2.11, and multiplying it by the \$1.4 billion, which yields \$2.9 billion in new spending. This new spending includes the \$1.4 billion new direct spending in the ECE sector, plus the new indirect and induced spending (with a subtotal of \$1.5 billion) which ripple out to other sectors of Michigan's economy, yielding \$2.9 billion in new total spending.

### **Estimates of current capacity in early care and education programs**

In Michigan, there are an estimated 615,000 children (615,494) under age five living in families. U.S. Census Bureau. (2011). B01001. Sex by Age. American Community Survey. Washington, DC: Author. Retrieved on March 17, 2011 from [http://factfinder.census.gov/home/saff/main.html?\\_lang=en&\\_ts=](http://factfinder.census.gov/home/saff/main.html?_lang=en&_ts=). To estimate the number of children under age five in regulated early care and education programs, AMERICA'S EDGE obtained the most recently available figures from state data sources documenting enrollment in the various early care and education programs.

America's Edge was able to obtain estimates of program capacity or enrollment for each major type of early care and education program available to children and families in Michigan.

**Pre-kindergarten:** there were 28,904 part-day program slots (spaces in the program) in Michigan's Great Start Readiness Program (GSRP) in the 2010-2011 school year. (Some of these slots are used to provide a full-day program for a child (e.g., two

part-day slots are used for one child), but data on how many children receive a full-day program were not available.) Personal communication on Jan 24, 2011 with Dr. Lindy Buch, Office of Early Childhood Education and Family Services, Michigan Department of Education.

**Head Start:** 32,125 children were enrolled in Head Start programs in Michigan, based on 2009-2010 program year enrollment data. Personal communication on December 20, 2010 with Jeremy Reuter, Director of the Head Start State Collaboration in Michigan; data obtained from the Head Start Enterprise System on December 20, 2010.

**Child care centers and family child care homes:** the total number of young children in child care centers and family child care homes was estimated to be 271,376 children, based on child care capacity numbers from 2010. While the total figure for licensed child care capacity in Michigan was 363,221, according to the National Association of Child Care Resource and Referral Agencies, this figure includes Head Start and GSRP enrollment. Since AMERICA'S EDGE calculations include Head Start and GSRP enrollment figures elsewhere, for these purposes we subtracted Head Start and GSRP enrollment figures from the total child care capacity, which yields 302,192 children. To adjust for the presence of school-aged children (ages 5 through 12) that were also counted in this child care capacity figure, AMERICA'S EDGE subtracted an estimated 30,816 school-aged children in family child care homes in the state; this figure was calculated based on national estimates of the proportion of school-age children in home based child care, from which America's Edge extrapolated that approximately 42 percent of home-based child care is used by school-age children. Subtracting the school-age estimate yielded the adjusted estimate of child care capacity of 271,376 children from birth through age four.

National Association of Child Care Resource and Referral Agencies. (2010). 2010 Child care in the state of Michigan. Washington, DC: Author.

Capizzano, J., Tout, K., & Adams, G. (2002). Child care patterns of school-age children with employed mothers. (Occasional Paper Number 41.) Washington, DC: The Urban Institute.

### **Total children served and unserved**

AMERICA'S EDGE estimates that the total number of young children served by early care and education programs in Michigan is 301,891 children. This estimate totals the number of children served by the early care and education programs detailed above,

and adjusts for the potential for duplicated counts for individual children enrolled in more than one early care and education setting (pre-K and child care, for example) by adjusting the half-day programs estimates (for pre-K and Head Start) downward by 50%, which assumes that 50% of these children were also enrolled in another early care and education program. Subtracting this estimate of the number of children being served (301,891 children) from the proposed number of children to be served to reach the goal of serving 75% of all children from birth through age 5 (461,621 children) yields 159,730 children, or approximately 159,000 children under age 5 not being served who would need to be served to reach this goal. Program data documenting the number of children enrolled in multiple early learning programs were not available; improved early learning data systems that track individual children's participation in multiple programs would provide useful data to develop more precise estimates across the whole early learning sector.

### **Calculations for per-child and total costs for early care and education investments**

The National Institute of Early Education Research (NIEER) estimates that the average per-child annual cost for high-quality pre-k is \$8,700. Multiplying this per-child cost (\$8,700) by the total number of new children to be served to reach 75 percent of all children age four and under, which is an additional 159,000 children (159,730 children, rounded to 159,000), yields an estimated \$1.4 billion in new early care and education spending needed in Michigan.

While this cost figure for high-quality pre-k is higher than Michigan's Great Start Readiness Program's per-child cost of \$3,400, the NIEER national cost figure is a more appropriate estimate for the purposes of this report. While the GSRP figure is based on a half-day pre-k program, which is typically a 2.5-hour or 3-hour day, the \$8,700 estimate is more reflective of full-day pre-k (which would be a 6-hour school day), as well as full-day child care for working parents (which would be a 9-or 10-hour day), thus the higher per-child cost to provide a high quality early care and education program on a full school day or a full working day basis.

National Institute for Early Education Research. (2011). Cost of providing quality preschool education to America's 3- and 4-year olds. New Brunswick, NJ: Author. Retrieved on March 17, 2011 from <http://nieer.org/resources/facts/index.php?FastFactID=5>

## Endnotes

- 1 Deloitte Consulting LLP, Oracle Corporation, and The Manufacturing Institute. (2009). *People and profitability: A time for change. A 2009 people management practices survey of the manufacturing industry*. Retrieved October 26, 2010 from [http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/us\\_pip\\_peoplemanagementreport\\_100509.pdf](http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/us_pip_peoplemanagementreport_100509.pdf); Carnevale, A.P., Smith, N. & Strohl, J. (June 2010). *Help wanted: Projections of jobs and education requirements through 2018*. Georgetown University Center on Education and the Workforce. Washington, DC: Author. Retrieved October 22, 2010 from <http://cewv.georgetown.edu/jobs2018/>
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- 5 Nord, C.W., Lennon, J., Baiming, L., & Chandler, K. (1999). *Home literacy activities and signs of children's emerging literacy, 1993 and 1999*. Washington, DC: U.S. Department of Education. Retrieved on April 6, 2010 from <http://nces.ed.gov/pubs2000/2000026.pdf>
- 6 Alliance for Excellent Education. (August 2009). *The high cost of high school dropouts: What the nation pays for inadequate high schools*. Washington, DC: Author. Retrieved on October 12, 2010 from <http://www.all4ed.org/files/HighCost.pdf>
- 7 High-quality early care and education programs include the following essential features: Highly-qualified teachers with appropriate compensation, comprehensive and age-appropriate curricula, strong family involvement, small staff-to-child ratios to ensure that each child gets sufficient attention, small, age-appropriate class sizes, and screening and referral services for developmental, health, or behavior problems. Whitebook, M. (2003). Early education quality: Higher teacher qualifications for better learning environments—A review of the literature. Berkeley, CA: Institute of Industrial Relations. Retrieved on February 25, 2010 from <http://iir.berkeley.edu/cscce/pdf/teacher.pdf>; Katz, L. (1999). Curriculum disputes in early childhood education. Champaign, IL: Clearinghouse on Early Education and Parenting. Retrieved on February 25, 2010 from [http://ceep.crc.uiuc.edu/early\\_care\\_and\\_educationarchive/digests/1999/katz99b.html](http://ceep.crc.uiuc.edu/early_care_and_educationarchive/digests/1999/katz99b.html); Goffin, S. G., & Wilson, C. (2001). Curriculum models and early childhood education: Appraising the relationship (2nd ed.). Upper Saddle River, NJ: Merrill/Prentice Hall; Some examples of a strong parent-involvement component include the home visits in the High/Scope Perry Pre-kindergarten and Syracuse University Family Development programs, the intensive parent coaching in Chicago Child-Parent Centers, and the parent volunteers in Head Start. For Perry Pre-kindergarten see: Schweinhart, L. J., Barnes, H. V., & Weikart, D. P. (1993). Significant benefits: The High/Scope Perry Pre-kindergarten study through age 27. Ypsilanti, MI: High/Scope Press. See also D. R. Powell (Ed.). (1988). Parent education as early childhood intervention: Emerging directions in theory, research, and practice (pp. 79-104). Norwood, NJ: Ablex Publishing. For preschool classrooms, the staff-to-child ratio should be not more than 10 children per teacher. In early learning settings for infants, the child-staff ratio should be not more than three children per teacher, and for toddlers, not more than four children per teacher. American Academy of Pediatrics, American Public Health Association, and National Resource Center for Health and Safety in Child Care and Early Education (2002). *Caring for Our Children: National Health and Safety Performance Standards: Guidelines for Out-of-Home Child Care Programs*, 2nd edition. Elk Grove Village, IL: American Academy of Pediatrics and Washington, DC: American Public Health Association; Barnett, W.S., Epstein, D.J., Friedman, D.J., Boyd, J.S., & Hustedt, J.T. (2008). *The state of preschool 2008: State preschool yearbook*. New Brunswick, NJ: National Institute of Early Education Research; Dunkle, M., & Vismara, L. (2004). Developmental checkups: They're good, they're cheap and they're almost never done. What's wrong with this picture? Retrieved on February 25, 2010 from <http://www.child-autism-parent-cafe.com/child-development.html>
- 8 AMERICA'S EDGE's commissioned an analysis of the linkage effects of early care and education. Analyses were conducted using fully disaggregated models and using models aggregated into nine very broad sectors. This analysis calculated the Type SAM (Social Accounting Matrix) Output multipliers for all nine major aggregated economic sectors in the state using IMPLAN models. The analysis was conducted on 2009 data, the most recent available data set for Michigan. The early care and education sector's Type SAM output multiplier for Michigan was \$2.11. See table for Type SAM output multipliers of each sector analyzed. See Appendix A, Economic Multipliers Analysis, for more details on analysis and methods.
- 9 AMERICA'S EDGE estimates that \$1.4 billion in new early care and education investments are needed in Michigan to serve an additional 159,000 young children from birth through age four currently unserved by these programs. See appendix B for calculations of new early care and education investments in Michigan.
- 10 The services sector includes professional, business, information, entertainment, rental, and utility services. It represented 25 percent of the new spending generated outside the early care and education sector. The \$391 million figure was calculated by taking 25 percent of \$1.5 billion, which is the amount of the total \$2.9 billion in new spending that is generated outside the early care and education sector (the first \$1.4 billion dollars invested is spent directly, in the early care and education sector).
- 11 The real estate and construction sectors represented 21 percent of the new spending generated outside the early care and education sector. The \$327 million figure was calculated by taking 21 percent of \$1.5 billion, which is the amount of the total \$2.9 billion in new spending that is generated outside the early care and education sector. These numbers illustrate how far the \$327 million figure would go in terms of average mortgage payments. Housing sector economic demand included real estate and construction industry spending due to early care and education sector spending.
- 12 The insurance and finance sectors represented 13 percent of the new spending generated outside the early care and education sector. The over \$200 million figure was calculated by taking 13 percent of \$1.5 billion, which is the amount of the total \$2.9 billion in new spending that is generated outside the early care and education sector.
- 13 The retail and wholesale trade sectors represented 13 percent of the new spending generated outside the early care and education sector. The \$196 million figure was calculated by taking 13 percent of \$1.5 billion, which is the amount of the total \$2.9 billion in new spending that is generated outside the early care and education sector.
- 14 Based on input-output analysis using fully disaggregated IMPLAN models with 440 distinct economic sectors in the 2009 Michigan model. See Appendix A, Economic Multipliers Analysis, for more details on analysis and methods. Bureau of Labor Statistics. (2010). *Consumer Expenditure Survey*. Washington, DC: U.S. Department of Labor. Retrieved on March 10, 2011 from <http://www.bls.gov/cex/>. The national figure for yearly out-of-home food spending is adjusted to reflect lower expenses in the Midwest, using other data from the same Census database.
- 15 Based on input-output analysis using fully disaggregated IMPLAN models with 440 distinct economic sectors in the 2009 Michigan model. See Appendix A, Economic Multipliers Analysis, for more details on analysis and methods. Bureau of Labor Statistics. (2010). *Consumer Expenditure Survey*. Washington, DC: U.S. Department of Labor. Retrieved on March 10, 2011 from <http://www.bls.gov/cex/>. The national figure for spending on electricity is adjusted to reflect lower expenses in the Midwest, using other data from the same Census database.
- 16 Based on input-output analysis using fully disaggregated IMPLAN models with 440 distinct economic sectors in the 2009 Michigan model. See Appendix A, Economic Multipliers Analysis, for more details on analysis and methods. Bureau of Labor Statistics. (2010). *Consumer Expenditure Survey*. Washington, DC: U.S. Department of Labor. Retrieved on March 10, 2011 from <http://www.bls.gov/cex/>. The national figure for in-home food spending is adjusted to reflect lower expenses in the Midwest, using other data from the same Census database.
- 17 Based on input-output analysis using fully disaggregated IMPLAN models with 440 distinct economic sectors in the 2009 Michigan model. See Appendix A, Economic Multipliers Analysis, for more details on analysis and methods. The multiplier effects on petroleum refineries and retail gasoline stations were aggregated to total approximately \$14.6 million. Bureau of Labor Statistics. (2011). *Consumer Expenditure Survey*. Washington, DC: U.S. Department of Labor. Retrieved on March 10, 2011 from <http://www.bls.gov/cex/>. The national figure for yearly gasoline and motor oil spending is adjusted to reflect lower expenses in the



Midwest, using other data from the same Census database.

**18** Based on input-output analysis using fully disaggregated IMPLAN models with 440 distinct economic sectors in the 2009 Michigan model. See Appendix A, Economic Multipliers Analysis, for more details on analysis and methods. The estimated cost <http://www.bls.gov/cex/of> a 2011 Ford Focus, including taxes and fees, financing, and insurance is \$19,096. Automotive.com. (2011). *2011 Ford Focus ownership costs*. Bonita Springs, FL: Source Interlink Media. Retrieved on March 10, 2011 from <http://www.automotive.com/2011/12/ford/focus/ownership-costs/index.html>

**19** Bureau of Labor Statistics. (2008). *Child day care services. Career Guide To Industries*. Washington, DC: U.S. Department of Labor. Retrieved on March 10, 2011 from <http://www.bls.gov/oco/cg/cgs032.htm#earnings>

**20** AMERICA'S EDGE commissioned an analysis of the linkage effects of early care and education using IMPLAN models. Analyses were conducted using fully disaggregated models and using models aggregated into nine very broad sectors. The analysis was conducted on 2009 data, the most recently available data set for Michigan. The early care and education sector's Type SAM output multiplier for Michigan was \$2.11. See Appendix A, Economic Multipliers Analysis, for more details on analysis and methods.

**21** The linkage effects of the early care and education sector were analyzed using IMPLAN models for Michigan using 2009 data, the most recently available for the state. The Type SAM employment multiplier for early care and education for Michigan was 1.27. This means that for every one new job in the ECE sector, an additional 0.27 jobs are created outside that sector in other parts of the state economy. Multiplying both numbers by four yields this reformulation of the same finding: for every four jobs created in the ECE sector, one job is created outside the sector.

**22** The \$1.4 billion investment in early care and education programs was applied to the 2009 Michigan employment multiplier findings for the ECE sector (with a Type SAM multiplier of 1.27 using IMPLAN), and yielded 58,026 total jobs, or approximately 58,000 jobs, with 12,422 of these jobs (or approximately 12,000 jobs) being in other economic sectors outside early care and education. See Appendix A, Economic Multipliers Analysis, for more details on analysis and methods.

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**24** Shellenback, K. (2004). *Child care and parent productivity: Making the business case*. Linking Economic Development & Child Care Research Project. Ithaca, NY: Cornell University, Cornell Cooperative Extension. Retrieved on February 26, 2010 from <http://government.cce.cornell.edu/doc/pdf/ChildCare-ParentProductivity.pdf>

**25** Based on the proportion of children under six in Michigan with both or their only parent in the labor force. U.S. Census Bureau. (2010). B23008. Age of own children under 18 years in families and subfamilies by living arrangements by employment status of parents. *American Community Survey*. Washington, DC: Author. Retrieved on January 12, 2011 from [http://factfinder.census.gov/home/saff/main.html?\\_lang=en&\\_ts=](http://factfinder.census.gov/home/saff/main.html?_lang=en&_ts=)

**26** Although estimates of the number of children participating in regulated early learning programs vary, and no precise figure is available due to data limitations (described in Appendix B), AMERICA'S EDGE's estimates that about 300,000 young children under age 5 in Michigan were not in regulated early learning programs. This estimate was calculated by subtracting the estimated total number of young children in early learning programs, 301,891 children, from the Census-based population estimates of the number of children under age 5 in Michigan (615,494 children), yielding 313,603, or approximately 300,000 children. (See Appendix B for a fuller explanation of the number of children served in each type of early learning program in Michigan.)

**27** The additional lost spending to local businesses is calculated by applying the 2.11 Type SAM output multiplier for the early care and education sector in Michigan.

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**29** Casner-Lotto, K., & Benner, M.W. (2006). *Are they really ready to work? Employers' perspectives on the basic knowledge and applied skills of new entrants to the 21st century U.S. workforce*. Retrieved on February 26, 2010 from [http://www.21stcenturyskills.org/documents/FINAL\\_REPORT\\_PDF09-29-06.pdf](http://www.21stcenturyskills.org/documents/FINAL_REPORT_PDF09-29-06.pdf)

**30** Casner-Lotto, K., & Benner, M.W. (2006). *Are they really ready to work? Employers' perspectives on the basic knowledge and applied skills of new entrants to the 21st century U.S. workforce*. Retrieved on February 26, 2010 from [http://www.21stcenturyskills.org/documents/FINAL\\_REPORT\\_PDF09-29-06.pdf](http://www.21stcenturyskills.org/documents/FINAL_REPORT_PDF09-29-06.pdf)

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**37** Schweinhart, L.J., Montie, J., Xiang, Z., Barnett, W.S., Belfield, C.R., & Nores, M. (2005). *Lifetime effects: The High Scope/Perry Preschool Study through age 40*. Ypsilanti, MI: High/Scope Press.

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