"Examining the Powerful Impact of Investments in Early Childhood for Children, Families, and Our Nation's Economy"

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Chairman Yarmuth, Ranking Member Smith, and Members of the Committee – Thank you for the opportunity to testify before you today.

Nelson Mandela, speaking at the dedication of a new school close to his childhood home, once said "Our children are the rock on which our future will be built, our greatest asset as a nation. They will be the leaders of our country, the creators of our national wealth, those who care for and protect our people."[1] I don't believe that anyone here would disagree with this statement. In fact, I've heard myriad variations on it from lawmakers on both sides of the aisle. A genuine concern for the healthy development and education of our children is one of our clearest shared values as a society and this is reflected by our representatives in government.

But when it comes to making commitments in the federal budget towards evidence-based early childhood policies, we have fallen short as a nation. The U.S. invests a smaller percentage of our GDP in child care and early education than almost every other developed economy in the world.[2] Consequently, we now have one of the lowest labor force participation rates for mothers with young children. Even if one includes all other programs that offer aid to families with children, we still rank 36th out of 37 OECD countries, this is despite our relatively high rates of child poverty.[3]

The fact that there is abundant need for early childhood policy intervention is hardly in dispute, especially when it comes to early care and education. Before I even touch on the stresses that the Covid-19 pandemic has placed on our child care sector, it should be noted that most communities have had a systemic undersupply of child care options for decades. While the positive effects of high-quality child care have been studied for years by economists and other social scientists, little public funding has followed to scale up these models to reach American families. This has resulted in a mostly privately financed market that is highly responsive to the revenue available to child care providers, namely parental fees. In many places, a year of child care costs more than a year of college tuition since quality child care is very costly to provide.[4] It should not surprise us that such a market produces inequities in access to care.

The effects of the ongoing pandemic have aggravated these issues of undersupply and imbalanced access to licensed care. One in ten early educators have still not returned to the field, leading to longer waiting lists than ever in many places. Fundamentally, the numbers don't work for child care businesses. They can't pay their teachers any less and they can't charge parents any more than they already do. This funding gap is begging for a public investment so that supply can meet demand. Without it we will continue to have educator shortages, diminished maternal labor force attachment, and ever-widening inequality of child outcomes.

The silver lining here is that these conditions present us with an historic opportunity to dramatically improve conditions for children, their families, and early childhood educators. All available evidence makes it very clear that investing in early childhood, including early care and education, is by far the best bang for the buck when it comes to public spending. More than 100 prominent economists and public policy scholars recently signed an open letter in support of long-term child care investments so that working families would no longer be "forced to choose between work and caregiving, hampering female labor force participation and reducing productivity."[5] There is a growing consensus among economists and policy analysts that investing in early care and education isn't merely a positive benefit for children – it's a long-term cost saver that helps pay for itself in the form of higher tax revenues and increased productivity. Investments in the child care sector both create and enable job growth.

Towards a More Complete Accounting of Costs and Benefits

For decades, public policy interventions have often been evaluated through a comparison of the tangible and intangible costs and benefits associated with the policy alternative. Sometimes this is employed during a regulatory analysis so that scarce public resources are deployed to programs with the greatest benefit relative to its cost. This can help policymakers or regulators compare options within a set of similar actions, but its utility is often limited to a list of options within a defined set of policy parameters.

More recently, public policy scholars have sought a unified analytical framework by which policymakers could compare the relative merits of social programs across different policy objectives. The idea is not to find which single approach to a particular problem might be most cost-effective, but which social investment is most cost-effective across a range of policies targeted at differing social problems. Harvard economist Nathaniel Hendren and his co-author Ben Sprung-Keyser have developed one such analytical approach, which produces what they call the "Marginal Value of Public Funds."[6]

This metric is intended to allow for a comparative analysis of both the benefits that a policy provides its recipients as well as the policy's net cost, inclusive of the long-term impacts on the government's budget. This last clause is key, as it accounts for savings to the government that result from the initial upfront costs that are incurred by the government. By dividing the benefits by the net costs, these researchers derive the Marginal Value of Public Funds (MVPF), which can be compared across a range of interventions for which there is reliable data.

According to Hendren and Sprung-Keyser, this unified welfare analysis can be summarized by one simple question: *Which policies improve social well-being the most?*[7] Interestingly, these scholars don't just ask the question, they attempt to answer it as well. Their team at Harvard and Policy Impacts analyzed 133 historical policy changes in the U.S over the last 50+ years. What they found is that direct investments in the health and education of low-income children yield the highest MVPFs. Several of the early childhood policies that they analyzed produced an infinite MVPF, meaning that the policy didn't even have a net positive cost to the government. That is to say, on top of the benefits received by the children that were targeted, these programs literally paid for themselves through increased tax revenue and reduced transfer payments.

The Health, Educational, and Economic Benefits of Child Care

Now I will cover the numerous benefits to high-quality child care that decades of academic and policy research have identified. They fall into three categories: 1) Family and health benefits, 2) Children's educational benefits, and 3) Broad-based economic benefits. I would highlight the fact that benefits are usually proportional to the quality and intensity of the child care benefits that are studied. Low-quality, poorly targeted interventions do not produce the kinds of benefits that have been observed in studies of better designed and implemented programs. Not every intervention can be scaled to meet the challenges faced by every type of family with young children, so successful implementation would likely require a combination of programs that would offer choices to parents.

Family and Health Benefits

High-quality child care can produce benefits at the family level by increasing family economic stability and reducing parental stress. Comprehensive child care can ease the burden on caregivers to balance the immediate needs of their children with the financial demands of maintaining their households and the occupational demands of their work.[8] Policies that mitigate costs to families also support parents' mental health by reducing the financial concerns associated with program affordability. Importantly, parents' mental health predicts their children's mental health, as parents who suffer from mental health challenges can struggle to provide care for their children without adequate external support.

Financial support for the child care sector can also benefit the health of early educators and other child care professionals, many of whom were leaving the field at an alarming rate even before the COVID-19 pandemic, citing low wages as the main reason for resigning.[9] Providers who reported difficulties making ends meet also reported higher generalized depressive symptoms, anxiety, and stress—all of which can contribute to more negative caregiver-child interactions, which are critical for children's social and cognitive development.[10]

Meanwhile, Head Start and Early Head Start offer nutritional support programs that decrease children's food insecurity and promote healthier eating habits and physical activity. They also often provide developmental assessments and connections to services that offer treatment or support for disabilities, immunizations and physical screenings, and early referrals for primary care.[11]

<u>Children's Educational Benefits</u>

Babies, toddlers, and preschoolers all benefit from the educational experiences that come from developmentally appropriate settings. Children's brains develop more than 1 million neural connections every second – they are learning all the time. Supporting those stages of hyper-developmental growth can happen in the home with parents or extended family, or it can be with a trained early educator, either in a provider's home or in a child care center. This early cognitive maturation sets the foundation for later learning and skill development, ranging from academic learning to memory, decision-making, and emotion regulation.[12]

Decades of research have found that rigorous, high-quality child care programs promote children's school readiness, in addition to providing other cascading benefits such as higher educational attainment and adult earnings.[13] These effects are most pronounced for low-income students, and while there is significant variation in immediate outcomes—often attributed to children's subsequent educational experiences—many child care programs show lasting educational, economic, and even intergenerational benefits.[14] Moreover, these investments can result in decreases in special education placement, which also has significant associated economic costs.[15]

<u>Broad-based Economic Benefits</u>

As of 2019, two-thirds of American children had all available parents or other primary caregivers in the workforce, meaning that they relied on professionals, family members, friends, neighbors, or others for care.[16] With ten percent of the early care and education field having left the sector, child care shortages are more acute than ever. Meanwhile, the responsibility of supplying child care when services are unavailable or unaffordable falls disproportionately on women, especially on women of color and mothers of young infants.[17]

The lack of child care for babies less than one year old cuts heavily into mothers' labor force attachment. While their children are in infancy, women's workforce participation falls to less than 60 percent. The loss of women in the workforce has contributed to more than $35 billion in annual income losses, which has cascading consequences for families' abilities to afford household essentials or to build wealth over time.[18]

Economists will tell you that the fundamental inputs for economic growth are the size of the labor force and the productivity of that labor. By providing the stability and economic relief that comes from a well-funded, broadly accessible child care system, we should expect positive impacts on both of those inputs.

Policy Considerations for Future Early Childhood Budgets

Developing high-quality, affordable, and abundant child care infrastructure will not be easy, and it will not come without significant upfront costs. But as this testimony attempts to lay out in detail, a richer accounting of the net costs and the direct and indirect benefits suggests that early childhood investments are one of the most responsible, high-impact, long-term budget choices available to lawmakers. They need not be in competition, as spending to alleviate child poverty does not diminish the effectiveness of nutritional programs, which in turn can positively affect the provision of high-quality child care. These are complementary policies that reinforce one other, all the time reducing costs for government well into the future.

As Dr. Hoynes has written about extensively, economic research has typically been focused on the short-run benefits of policies. This has discounted and short-changed children, their families, and those who care for and educate our youngest babies and children. The work of educating and caring for young children has been systemically undervalued for far too long because of this bias in our policy analysis framework. This committee is taking an important first step today by acknowledging these historical misconceptions, and in the future, I hope that Congress will move away from short-sighted policy concerns.

President Biden has a quote that he attributes to his father, and it seems appropriate to end my testimony on it here. As the President says, “Don't tell me what you value, show me your budget, and I'll tell you what you value.” For a very long time in this country, there has been a significant divergence between our stated values and our public budgets. It is my hope that this hearing can be a step in the direction of reconciling that imbalance.

Thank you again for inviting me to this hearing and I look forward to answering your questions.

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[2] https://www.oecd.org/els/soc/PF3_1_Public_spending_on_childcare_and_early_education.pdf

[3] Anna Aizer, Hilary W. Hoynes, and Adriana Lleras-Muney, “Children and the US Social Safety Net: Balancing Disincentives for Adults and Benefits for Children,” NBER Working Paper, available at https://www.nber.org/papers/w29754.

[4] https://www.childcareaware.org/demanding-change-repairing-our-child-care-system/

[5] https://americanprogress.org/wp-content/uploads/2021/09/Economist_childcareletter_2021_withSignatures.pdf

[6] Nathaniel Hendren and Ben Sprung-Keyser, “A Unifed Welfare Analysis of Government Policies,” Quarterly Journal of Economics available at https://cdn.policyimpacts.org/cms/welfare_vnber_2eec2305f7.pdf

[7] https://cdn.policyimpacts.org/cms/welfare_executive_summary_236f203240.pdf

[8] Hailey Gibbs and Rasheed Malik, “Child Care Spending Generates Massive Dividends,” available at https://www.americanprogress.org/article/child-care-spending-generates-massive-dividends/

[9] Meg Caven and others, "Center- and Program-Level Factors Associated with Turnover in the Early Childhood Education Workforce" (Washington: Institute of Education Sciences, 2021), available at https://ies.ed.gov/ncee/rel/Project/4633.
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[15] Peter Belonon-Rosen, "Special education costs add up for parents, schools as federal law remains underfunded," Marketplace, June 22, 2018, available at https://www.marketplace.org/2018/06/22/special-education-adds-up-parents-federal-underfunded/.
[16] Katie Hamm and others, "America, It's Time to Talk About Child Care" (Washington: 2019), available at https://caseforchildcare.org/2020CaseForChildCare.pdf.
[17] Katherine Lim and Mike Zabek, "Women's Labor Force Exits during COVID-19: Differences by Motherhood, Race, and Ethnicity" (Washington: Federal Reserve Board, 2021), available at https://www.federalreserve.gov/econres/feds/files/2021067pap.pdf.
[18] Andre Dua and others, "Achieving an inclusive US economic recovery" (New York: McKinsey & Company, 2021), available at https://www.mckinsey.com/industries/public-and-social-sector/our-insights/achieving-an-inclusive-us-economic-recovery.