

THE MORE YOU SPEND THE MORE YOU SAVE? EXPOSING THE FALSE ECONOMY OF DAYCARE/PRESCHOOL COST-BENEFIT ANALYSIS

- 1-THE PERRY HIGH/SCOPE PRESCHOOL PROJECT
- 2-UNIVERSITY OF TORONTO ECONOMISTS CLEVELAND & KRASHINSKY
- 3-THE RAND CORPORATION

THE CLAIM: EVERY \$1 SPENT ON DAYCARE/PRESCHOOL SAVES \$2, \$7, \$10, or \$17

by improving: I.Qs, test scores, high school graduation, employment, human capital, health, social cohesion, happiness etc. and reducing: teen pregnancy, crime, substance abuse, smoking, school drop-out rates, welfare dependency etc.

For example:

"high-quality universal preschool... could add \$2 trillion to annual U.S GDP by 2080."

Brookings Institute 2006 <http://www.brookings.edu/comm/policybriefs/pb153.pdf>

REALITY CHECK These claims are based on:

*ignoring the fact that successful intervention projects **involved only mothers or required mothers'** intense involvement: *"Single-component models, such as those that address only educational factors, have not been shown to demonstrate significant results."*

"The High/Scope Perry Preschool Project" in *Juvenile Justice Bulletin*, Oct 2000. http://www.ncjrs.gov/html/ojdp/2000_10_1/page5.html

*ignoring most costs and/or understating others

* padded benefit calculations

* downplaying or ignoring the difference between targeted model projects and universal programs: *"the widespread international use of the most favourable headline findings, and in particular of the Perry High/Scope study, is unjustified. Apart from...problems of interpretation of the results, especially crime figures, there is also a problem about the context... The targeting of low-income African-American children in ghettoized neighbourhoods, in a period of considerable racial tension, leads to considerable doubts about the generalisability of these interventions outside their original context."*

"Long-term economic impact of centre-based early childhood interventions" 2006 Evidence for Policy and Practice Information and Co-ordinating Centre, Univ. of London <http://eppi.ioe.ac.uk/cms/Default.aspx?tabid=720>

WHAT HAPPENED

In 1993, the creators of the Perry Preschool Project claimed \$7 were saved for every \$1 spent by the time participants were age 27. In 2006 they claimed this was and \$17 by age 40 (later reduced to \$16 when double-counting was noticed).

The Perry Preschool Project's fantastical cost-benefit claims are cited as the **basis of all other claims** of positive economic "human capital" returns for daycare/preschool. These claims are used to argue for preferential funding for daycare/preschool centres by (among others)...

THE CLAIMANTS

*Pres. Barack Obama
*The World Bank
*The OECD
*The RAND Corporation
*UNICEF Innocenti Report
*The Brookings Institute

IN CANADA
*former PM Paul Martin
*unions
*Campaign 2000
* Fraser Mustard, author of the Early Years Study
* Charles Pascal, Ontario Special Advisor for All-Day Kindergarten for ages 4-5
* Charles Coffey, VP RBC
* Clyde Hertzman & Hillel Goelman of HELP at UBC, advisors for All Day Kindergarten for ages 3-5 in BC
*Univ. of Toronto. economists Cleveland and Krashinsky

THE MOTHER OF ALL COST-BENEFIT CLAIMS THE PERRY PRESCHOOL PROJECT

THE PROGRAM PARTICIPANTS

- only 58 children in the project, 65 children as a control group
- in a high crime, American inner city area
- African-American children only
- children were required to have low I.Q.s – averaging 70 – far below general populace average of 100
- children were required to be of very low assessed 'socio-economic' standing
- mothers were single, who had previously been teen mums, were 'stay-at-home', and on welfare – impossible now due to 'welfare reform' and 'workfare' programs introduced in late 1990s

THE PROGRAM

- not daycare or preschool
- conducted 46 years ago in 1962 in Ypsilanti, (Detroit) Michigan
- was a highly targeted, carefully designed, experimental project
- the experiment has never been repeated
- was not a "single component" - ie classroom-only program as daycares are. There were 4 components:
 - 1 Mothers were on welfare, therefore able to be highly involved in the program and not required to take or train for jobs
 - 2 Mothers participated in "regular" meetings.
 - 3 Teachers did 1½ hour weekly home visits.
 - 4 Children spent only 2½ hours per day in classroom setting for 30 wks/yr for 2 yrs
- child:teacher ratio was 5 or 6 to 1 (Canadian preschools allow 15:1, daycare centres 8-10:1)
- used specially trained teachers with graduate degrees
- 'High/Scope' specially designed intensive, exploratory play & problem-solving program

THE COST-BENEFIT REPORTS

- written by the creators of the project who founded High/Scope Educational Resource Foundation in 1970
- none was ever published in a peer-reviewed journal of economics
- most were self-published by High/Scope
- High/Scope Foundation is largely funded by preschool-related "contracts with local, state, and federal governmental agencies" <http://www.highscope.org/Content.asp?ContentId=6>
- High/Scope is a leading producer of preschool-related curriculum, training, and research
- US Head Start and 'universal' preschool programs were initiated and expanded partly due to this project and often use High/Scope products

LOW-BALL COST CALCULATIONS

PADDED BENEFITS CALCULATION

<p style="text-align: center;">INCLUDED</p> <p>*ONLY cost of "program operation" \$15,827 (in 2000 \$'s)</p> <p style="text-align: center;">EXCLUDED</p> <p>*Education of staff *Government bureaucracy that would be needed for 'universal' program *Capital costs *Welfare for families up to child age 18 *46 yrs of research/analysis of outcomes *Opportunity cost of volunteered time (mothers)</p>	<p>*\$160,597 (in 2000 \$'s) saved per participant at age 40 in "crime victimization" - speculated "savings on in-court and out-of-court settlements for would-be victims of crime" and savings to the justice system</p> <p>*\$2,918 (in 1993 \$'s) by age in reduced use of welfare reported in 1992.</p> <p>This was later changed to a NEGATIVE benefit of -\$757 (in 2000 \$'s) at age 40.</p>
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-“Errata” Lifetime Effects: The High/Scope Perry Preschool Study Through Age 40 http://www.highscope.org/file/Research/PerryProject/Errata_3Final.pdf

-The High/Scope Perry Preschool Study Through Age 40: Summary, Conclusions, and

Frequently Asked Questions

http://www.highscope.org/file/Research/PerryProject/3_specialsummary%20col%2006%2007.pdf

-“Public Policy Report: Success by Empowerment – The High/Scope Perry Preschool Project Through Age 27” by Schweinhart & Weikhart in Young Children Nov 1993

CANADIAN CONTENT THE \$2 for \$1 HYPOTHESIS

“that for every dollar spent on such a program, approximately two dollars worth of benefits are generated”

-Univ. of Toronto Economists, Drs. Cleveland & Krashinsky, 1998

“The benefits and costs of good child care: The economic rationale for public investment in young children -- A policy study”

<http://www.childcarecanada.org/pubs/other/benefits/bc.pdf> p.5

THE REPORT

*was published by the Childcare Resource and Research Unit (CRRU), HQ for Canada daycare lobby headed by Martha Friendly

*was never peer-reviewed

*was not a work of the University of Toronto as claimed: the CRRU was on campus but was not an academic institution

LOW-BALL COST CALCULATIONS

EXCLUDED

- *children under 2 and over 5 – this exclusion is ignored
- *any value to child development via parental care
- *current gov't expenditures on daycare
- *opportunity cost of mothers' foregoing paid work to care for their children
- *capital costs
- *training costs
- *government bureaucracy costs
- *medical costs for increased child illness
- *costs of parent absenteeism due to sick children
- *mothers' job related costs
- *cost of loss of mothers' unpaid work in community

ASSUMED

- *total cost of only \$8,500/child/yr (p.47)
- *compensation pkg. of only \$36,000/yr for FT staff (p.47)

PADDED BENEFITS CALCULATION

INCLUDED

- *valued a \$20,000 job as \$40,000 benefit (p.62)
- *\$6,000/yr benefit to child development from daycare over “informal” care eg father/nanny (p.76)
- *\$3,600/yr benefit to child development from daycare over mother's care (p.76)

ASSUMED

- *1:7 staff:child ratio provides benefits of 'good' care (p.47)
- *10/hr day, 5 day/wk in daycare centre produces developmental benefits to 2-5 yr olds
- *jobs would be available to mothers
- *mothers/parents would want this

THE MILITARY-INDUSTRIAL COMPLEX AND THE KIDS THE RAND CORPORATION

ABOUT RAND

*one of the first, biggest, and most influential ‘think tanks’ in the world

*very closely tied to US and World Bank officials

*established and funded by the US military and large corporations http://www.rand.org/about/clients_grantors.html

*was what Eisenhower meant when he warned against the “military industrial complex”

*credited with creating the policies that led to the nuclear build-up and Vietnam quagmire

*an authority on ‘cost-benefit analysis’

* inspired the movie, Dr Strangelove

Soldiers of Reason: The RAND Corporation and the Rise of the American Empire by Alex Abella

Cleveland & Krashinsky, the Perry Preschool, and RAND all fail to apply RAND's cost-benefit methodology which states:

“Measure all costs. ...Costs measured should include not only budgetary costs but off-budget social resources (such as the value of donated time or space) that could have been used for other purposes.”

Analyzing the Costs and Benefits of Early Childhood Interventions http://www.rand.org/pubs/research_briefs/RB5051/index1.html

RAND'S CHILD POLICY

RAND now champions daycare/preschool by recycling others' cost-benefit reports. However, RAND once warned against using the cost-benefit findings of the Perry Preschool Project (and other targeted "demonstration" projects) stating:

"it is important to recognize the limitations of the evidence base."

http://www.rand.org/pubs/monographs/2005/RAND_MG341.pdf p120-121

2001 *"The evidence that the Perry Preschool program was a good societal investment in the early 1960s is strong circumstantial evidence but not proof that a replication today would also be a good investment. Much has changed in the intervening four decades."*

Assessing Costs and Benefits of Early Childhood Intervention Programs http://www.rand.org/pubs/monograph_reports/MR1336/MR1336.ch4.pdf p70

"The demonstrations have been undertaken in a more resource-intensive context than is likely to be achievable in full-scale programs."

"Previous demonstrations were carried out under the now-superseded welfare system. Costs and savings may be different under the new system."

"Early Childhood Interventions: Benefits, Costs, and Savings" http://www.rand.org/pubs/research_briefs/RB5014/index1.html

"...the favorable effects found for small-scale model programs may be attenuated when programs operate on a larger scale."

http://www.rand.org/pubs/monographs/2005/RAND_MG341.pdf p120-121

An excellent chart showing RAND's thorough compilation of cost-benefit studies showed that classroom-only programs were NOT effective. Only programs which involved mothers only, or involved mothers intensively, produced benefits. That is programs *"that focus on home visiting or parent education, as well as those that combine home visiting or parent education services with early childhood education."*

See chart: "A Variety of Early Childhood Interventions Have Generated Favourable Economic Returns"

<http://www.rand.org/publications/randreview/issues/fall2005/cpiece.html>

However, RAND abandoned caution and moved to all-out promotion of UPK -"universal pre-kindergarten". Their reports reveal many assumptions and ignored costs. Thus, RAND's conclusions are not supported by the evidence presented.

2006 – "A RAND Corporation study issued today says well-designed programs for disadvantaged children age 4 and younger can produce economic benefits ranging from \$1.26 to \$17 for each \$1 spent on the program."

"RAND study says early childhood intervention programs save money and benefit children families and society"

Early Childhood Interventions: Proven Results, Future Promise <http://www.rand.org/news/press/06/01.12.html>

2005 - "RAND researchers assumed a high level of program quality, meaning that the universal preschool program would meet nationally recognized standards for class sizes, staff ratios, staff qualifications, and other features associated with better outcomes for children."

"\$4,300-per-child cost beyond current public preschool spending in the state"

"They also assumed a part-day, voluntary program"

The Costs and Benefits of Universal Preschool in California http://www.rand.org/pubs/research_briefs/RB9118/index1.html

Recently it has studied the outcomes of the "universal preschool" it pushed and found, predictably, poor results.

2008 – "These programs fall short on some quality benchmarks, particularly those for the promotion of thinking and language skills."

"All groups of children in center-based ECE experience quality shortfalls."

Room for Improvement in the Use of High-Quality Preschool Programs for California's Children

http://www.rand.org/pubs/research_briefs/RB9358/index1.html