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The Case for Investing in Disadvantaged Young Children

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The early years in the lives of children are important in creating inequality and in producing skills for the workforce. Capitalizing on this knowledge requires a major refocus of public policy. Interventions that supplement the early lives of children from disadvantaged families can improve their cognitive and socioemotional skills, reduce inequality and raise productivity. Their returns are much higher returns than those of later remedial interventions applied to the same children.

A large body of research examines the origins of inequality and analyzes policies to alleviate it. Families play a powerful role in shaping adult outcomes and it is not just through the transmission of genes. The accident of birth is a major source of inequality. Compared to 50 years ago, a greater fraction of children in many countries is being born into disadvantaged families where investments in children and the quality of parenting are much lower than in advantaged families. Growing unassimilated immigrant populations in Western Europe create similar adverse trends in child quality. Policies that supplement the child rearing resources available to disadvantaged families reduce inequality and raise productivity.

COGNITIVE AND "SOFT" SKILLS ARE IMPORTANT

The recent literature shows that many major economic and social problems such as crime, teenage pregnancy, dropping out of school and adverse health conditions are linked to low levels of skill and ability in society. In promoting successful lives, policy makers need to recognize the multiplicity of human abilities. Currently, public policy in many countries focuses on promoting and measuring cognitive ability as measured by IQ or achievement tests. The PISA score has become a principle target for evaluating European education. An exclusive focus on achievement test scores ignores important noncognitive factors that promote success in school and life.

A growing literature establishes that while cognitive abilities are important determinants of socioeconomic success, so are socioemotional skills, physical and mental health, perseverance, attention, motivation, and self confidence. These "soft" skills contribute to performance in society at large and even help determine scores on the very tests that are commonly used to measure cognitive achievement.

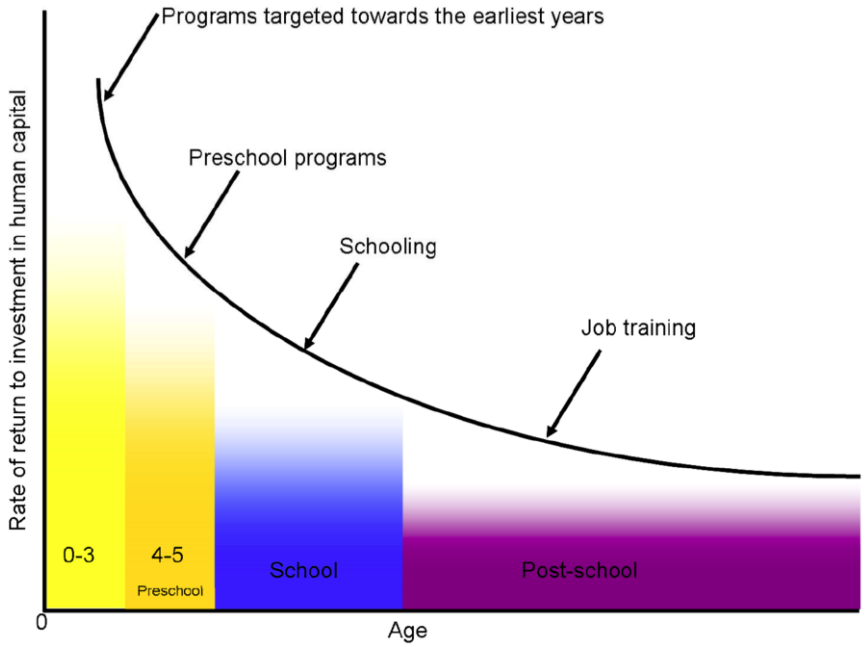
INEQUALITIES OPEN UP EARLY IN LIFE

Gaps in both cognitive and noncognitive ability between the advantaged and disadvantaged open up early in the lives of children. Family environments of young children are major predictors of cognitive and socioemotional abilities, as well as a variety of outcomes such as crime and health. However, family environments in the U.S. and many other countries around the world have deteriorated over the past 40 years. A greater proportion of children is being born into disadvantaged families including minorities and immigrant groups where the resources available for parenting are low.

EARLY INTERVENTION BETTER THAN LATER REMEDIATION

Experimental evidence from a variety of sources establishes the benefits of interventions that supplement the early lives of the children from disadvantaged families. This evidence is consistent with a large body of non-experimental evidence showing that the ab-

Returns to a Euro invested in human capital at different ages



Return to a unit Euro invested at different ages from the perspective of the beginning of life, assuming one Euro initially invested at each age. Source: see reference below.

sence of supportive family environments harms child outcomes. If society intervenes early enough in the lives of children, it can improve cognitive and socio-emotional abilities and the health of disadvantaged children. Such early interventions promote schooling, reduce crime, foster workforce productivity and reduce teenage pregnancy. They have high benefit-cost ratios and rates of return (see Figure).

As programs are currently configured in many countries, interventions early in the life cycle of disadvantaged children have much higher economic returns than later remedial interventions such as reduced pupil-teacher ratios, public job training, convict rehabilitation programs, adult literacy programs, tuition subsidies or expenditure on police. The returns are much higher than those found in most active labor market programs in Europe that target disadvantaged adolescents. The reason for that is that life cycle skill formation is dynamic in nature. Skill begets skill; motivation begets motivation. Motivation cross-fosters skill and skill cross-fosters motivation. The less a child is motivated to learn and engage early on in life, the more likely it is that when the child becomes an adult, he or she will fail in social and economic life. The longer society waits to intervene in the life cycle of a disadvantaged child, the more costly it is to remediate disadvantage.

Programs that target adolescents with high cognitive and noncognitive abilities have high returns. But in order to harvest such benefits it is necessary to build the skill base. That is why the returns to early childhood programs targeted at the disadvantaged are so high. They build the skills that create success in schools and work places. A major refocus of public policy is required to capitalize on the recently acquired knowledge about the importance of the early years in creating inequality and in producing skills for the workforce.

Understanding that abilities are malleable and multiple shows the folly of pursuing outdated approaches based on genetic determinism of abilities. If genetics is the sole source of differences in ability and ability is genetically determined and is primary in shaping adult outcomes, public policy towards disadvantaged populations is limited to transfer payments to the less able. There is no evidence for such rigid genetic determinism.

Attack inequality by supplementing disadvantaged family environments

Recent research establishes the power of socioemotional abilities and an important role for environment and intervention in creating abilities. High quality early childhood interventions foster abilities. Inequality can be attacked at its source. Early interventions also boost the productivity of the economy.

For further evidence see: James J. Heckman, "Schools, skills, and synapses," *Economic Inquiry*, Vol. 46, Iss. 3, pp. 289-324, 2008 (see http://ftp.iza.org/dp3515.pdf).

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