

# Paying Later

## The High Costs of Failing to Invest in Young Children

Pay now, or pay later. States face this choice every day, particularly with how and when they invest in new generations who will become tomorrow's students, parents, employees and citizens.

The rewards of paying now are better known than ever before. Research has demonstrated that supporting healthy early childhood development—from before birth through age 5—produces substantial educational, social and financial benefits for children and their communities.

A new analysis by economist Mark Cohen and criminologists Alex Piquero and Wesley Jennings reports the lesser known

pay-later price tag. They estimate the social costs caused by an array of bad outcomes including child abuse and neglect, high school dropouts, criminal activity, teen pregnancy, drug and alcohol abuse and other health problems. All of these expensive social ills could be significantly diminished through investments in evidence-based early childhood programs.

This study helps policy makers and the public fully evaluate the consequences of today's funding decisions. It also estimates resources our nation could redirect to more cost-effective policies in the future as proven preventive measures reduce crime, school failure and health problems.

Of course, even effective programs will not avert every social ill; paying \$9,000 now for a mother and child to receive home visiting services through the Nurse Family Partnership program will not guarantee later savings of \$30,000 (a conservative estimate of the social costs for an abused and neglected child). Many effective investments do, however, produce net benefits at the societal level, by decreasing the frequency and severity of these problems.

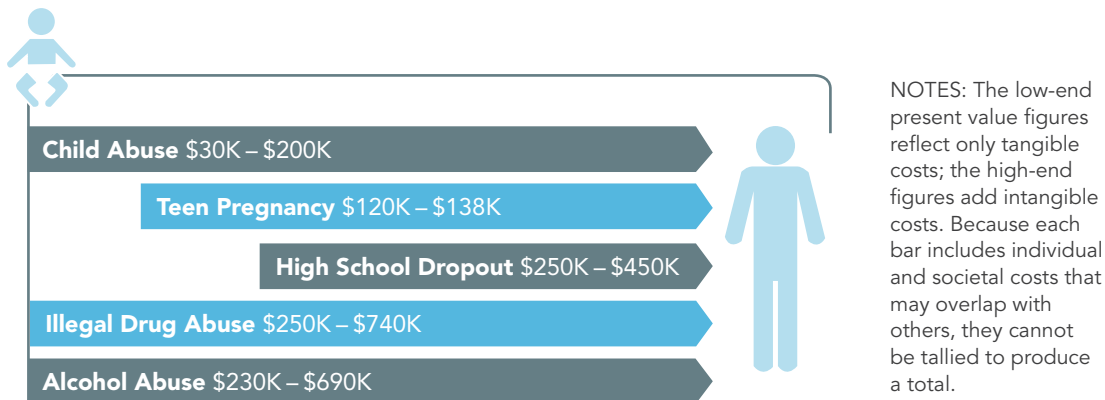
**This brief shows policy makers the steep price of *not* making proven investments in children.**



FIGURE 1

## Average Lifetime Per-person Costs of Bad Outcomes

When we fail to invest early, children suffer from a range of problems—they are at higher risk for being abused, becoming teen mothers, dropping out of high school and misusing alcohol and illegal drugs. They are less likely to be healthy and more likely to be criminals.



### The researchers divide the societal costs of each outcome into two categories:

- **tangible**, which covers items such as prison beds that are easier to measure and calculate in dollars; and
- **intangible**, which includes consequences like a crime victim's pain and suffering that clearly have costs but must be estimated using more complex methods.

### The average per-person tangible costs, as described below, are substantial:

- **Child Abuse:** Societal costs for medical and mental health care and services such as foster care total more than \$30,000 for a child who is abused.
- **Teen Parenthood:** When a teenager has a child, the nation pays \$120,000 for expenses including medical care, social assistance programs and efforts to deal with higher rates of abuse and neglect among these young parents.
- **High School Dropout:** A dropout costs society \$250,000 through lower earnings and benefits.
- **Illegal Drug Abuse:** Treatment, medical care and other societal costs caused by a drug abuser amount to \$250,000.
- **Alcohol abuse:** Societal costs for an alcoholic, such as medical problems, car crashes and lost productivity at work, add up to \$230,000.

## The Pay-Later Price Tag

The price society pays for one person who suffers child abuse, drops out of high school or misuses alcohol ranges from tens to hundreds of thousands of dollars over that individual's lifetime (see Figure 1). Millions of Americans struggle with these issues at great personal cost, but the burden is not theirs alone. The nation, states and taxpayers share the expense in several ways including larger public health care bills, higher spending to combat crime and help its victims and an economy weakened by less-educated workers who have fewer job prospects and lower earnings.

In some cases, preventive care or early treatment can reduce or eliminate negative outcomes—for instance, expensive, chronic health conditions with origins in childhood. The researchers estimate the average lifetime per-person costs of four such conditions, illustrating the potential for societal savings:

- Poor birth outcomes—\$10,000 (conservative estimate of medical costs)

### **\$1,000** Pay Now

Nutritional support during pregnancy from the **Women, Infants and Children (WIC)** program prevents unhealthy births.

### **\$10,000** Pay Later

A **low birth weight** baby incurs additional medical bills totaling thousands of dollars.

- Asthma—\$85,000 (medical costs)
- Diabetes—\$150,000 (medical costs and lost work productivity)
- Coronary heart disease—\$110,000 (medical costs and lost wages and benefits)

## Putting Policy to the Cost-Benefit Test

Comparing pay-now and pay-later costs is only one step toward making smart investments with public dollars. Policy makers also must ensure that today's funding decisions support evidence-based policies proven to work and generate savings for states and taxpayers. This study highlights several pay-now strategies that meet these criteria.

### Ensuring Public Safety and Reducing Corrections Costs

Research shows that policy makers can protect the public, hold offenders accountable and better control spending on corrections by employing alternatives to prison for many of today's inmates and focusing resources on those criminals who pose the greatest risk and costs. A number of states have cut crime and recidivism rates and earned a better return on taxpayers' public safety dollars through the use of research-based strategies for low-risk offenders.

Prison is unquestionably the right place for chronic and violent offenders.

**Failing to support programs that can prevent or alleviate adverse life outcomes represents an expensive missed opportunity.**

In recent decades, however, many more low-level lawbreakers have been put behind bars. The costs have been significant—corrections is now the second fastest growing category in state budgets—but states that have dramatically increased incarceration rates don't have dramatically lower crime rates to show for it.

One study, published by the Manhattan Institute, analyzed data on inmates in Arizona, New Mexico and New York and concluded that, for half of the inmates entering the prison system, taxpayers would end up spending more on incarceration and its aftereffects than they would save in crime costs avoided.<sup>1</sup>

Texas, by contrast, saved more than \$500 million in prison construction and operation costs over two years

by implementing several corrections reforms and investing in alternative sentencing and residential treatment programs. The prison population has remained flat while the overall Texas crime rate has fallen, tracking the decline in the crime rate nationally. Lawmakers also reinvested a portion of the savings in the Nurse-Family Partnership program, an evidence-based home visiting model that decreases the likelihood of arrest for participating children.<sup>2</sup> A combination of attention to preventive measures and redirection of current resources to more effective strategies could help many states get similar results.

**Effective Investments in Young Children**

Policy makers increasingly recognize that, while the factors leading to expensive social problems are complex and interwoven, poor outcomes often are rooted in children's earliest years. Research demonstrates that providing children with a strong start and continuing to support them as they grow into young adults can avert problems in many areas of life.<sup>3</sup>

**\$9,000** Pay Now

The **Nurse-Family Partnership program** reduces child abuse and neglect by improving the parenting skills of low-income women expecting their first child.

**\$30,000** Pay Later

An **abused and neglected child** requires substantial spending on health care and social services like foster care.

**Effective early childhood investments with substantial returns for taxpayers include:**

- **Evidence-based, voluntary home visiting programs.** One rigorously evaluated program model, the Nurse-Family Partnership, was shown to decrease child abuse and neglect by low-income, first-time mothers by up to 80 percent<sup>4</sup> and to reduce children’s arrests by age 15 by more than 50 percent.<sup>5</sup> Studies of other home visiting programs found that the incidence of babies born at low birthweight dropped by half among participants.<sup>6</sup>
- **Nutrition support for pregnant women and young children.** Research has demonstrated that, by improving infants’ health at birth, the federal Supplemental Nutrition Program for Women, Infants, and Children (WIC) can generate Medicaid savings within the first few months of a child’s life of more than \$3 per dollar invested.<sup>7</sup>
- **Early diagnosis, medication and monitoring for asthma.** Studies show that these preventive measures can virtually eliminate costly acute asthma attacks.<sup>8</sup>
- **High-quality, voluntary pre-kindergarten.** Evaluations of several state and local pre-k programs have shown that three and four year olds, especially

disadvantaged children, gain large benefits. Participants in the Chicago Child-Parent Center program were about 25 percent less likely to drop out of high school.<sup>9</sup> Children who attended the Perry Preschool Program were nearly 50 percent more likely to graduate high school on time<sup>10</sup> and about 40 percent less likely to become repeat criminal offenders.<sup>11</sup>

Failing to support programs that can prevent or alleviate adverse life outcomes represents an expensive missed opportunity. Even taking the researchers’ lowest estimated cost of a dropout—\$250,000—an effective pre-k program that annually costs \$10,000 per child and helps one additional student in 10 earn a high school diploma would save at least \$2.50 for every dollar spent.

Investing now in evidence-based policies amounts to smart budgeting in any economy.

**\$10,000 Pay Now**

Children prepared for school success by **quality pre-kindergarten** programs are less likely to drop out.

**\$250,000 Pay Later**

A **high school dropout’s** lower earnings create costs for public assistance programs and efforts to offset the dropout’s reduced contribution to society.

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## Endnotes

1 Piehl, Anne M., Bert Useem and John J. DiIulio, Jr., *Right-Sizing Justice: A Cost-Benefit Analysis of Imprisonment in Three States* (New York: Manhattan Institute, Sept. 1999).

2 Olds, et al. (1998). Long-term Effects of Nurse Home Visitation on Children's Criminal and Antisocial Behavior: 15-Year Follow-up of a Randomized Controlled Trial. *Journal of the American Medical Association*, 280(14): 1238-1244.

3 The authors found 14 studies of early childhood programs that met their standards for rigor and reliably reduced poor outcomes. Not all are cited here because some did not have specific numbers attached to them.

4 David L. Olds et al., "Prenatal and Infancy Home Visitation by Nurses: Recent Findings," *The Future of Children* 9, no. 1, 1999.

5 Olds, et al. (1998). Long-term Effects of Nurse Home Visitation on Children's Criminal and Antisocial Behavior: 15-Year Follow-up of a Randomized Controlled Trial. *Journal of the American Medical Association*, 280(14): 1238-1244.

6 E. Lee et al. "Reducing Low Birth Weight through Home Visitation: A Randomized Controlled Trial," *American Journal of Preventative Medicine* 36, pp. 154-60, 2009.

7 "Child Nutrition Fact Sheet: Women, Infants, and Children (WIC)," (Food Research & Action Center) <http://www.frac.org/pdf/cnwic.pdf>.

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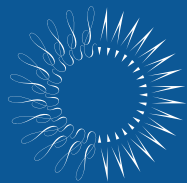
11 36% of participants vs. 55% of control group were arrested five or more times, Schweinhart, L. J., Montie, J., Xiang, Z., Barnett, W. S., Belfield, C. R., & Nores, M. (2005). *Lifetime effects: The High/Scope Perry Preschool study through age 40* (Monographs of the High/Scope Educational Research Foundation, 14). Ypsilanti, MI: High/Scope Educational Research Foundation.

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The Partnership for America's Economic Success is a coalition of economists, policy experts and advocates mobilizing business leaders to improve tomorrow's economy through smart policy investments in young children today. The Partnership is managed by The Pew Charitable Trusts and is funded by Robert Dugger, the George Gund Foundation, the Ohio Children's Foundation, the Society for Human Resource Management and The Pew Charitable Trusts.

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