

New Study Shows: For every shekel invested in early childhood development, 5 shekels will be generated

A new and first-of-its-kind [study](#) in Israel calculated the return on investment in early childhood development: for an investment of NIS 3.3 billion in education, the return on wages, taxes and GDP will reach NIS 15.7 billion. JDC Ashalim CEO: "If you want to achieve social mobility, you need early intervention"

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The financial benefit of investment in early childhood development is 5 shekels for every 1 shekel invested. An investment of 3.3Bn NIS is expected to generate a return and savings that will add up to 16Bn NIS from salary increase, taxes and GDP and from reducing expenses on special education and crime. This is a result of a [study](#) conducted by JDC Ashalim, who is active in initiatives for the social advancement of children and youth together with Social Finance Israel [SFI] which specializing in pricing of social matters.

Global research has recognized in the last decades, that early childhood has a crucial impact, larger than any other age on the development of the brain. There have been many studies around the world regarding the economic benefit of investment in early childhood, but in Israel this is the first study, and it is based on global and was conducted in consultation with several senior economists.

According to JDC Ashalim deputy director Yoav Bedukai, in Israel in particular, early childhood care is of particular importance due to the double birth rates above the OECD average. "With the transition of day-care centers to the supervision of the Ministry of Education, there is an opportunity to improve the services to preschoolers".

The study indicates that the national investment in Israel in a young child [0-6] is very low relatively to the OECD and is \$4,300 per child. But this comparison does Israel a favor. The public expenditure on a child 0-3 is

\$450 per annum. It is last in the OECD and stands at about 5% of the average of developed countries.

As an investment model, the researchers estimated that full implementation of the day care supervision regulations would cost 3.3Bn NIS for a full turnover of students (180,000 children) for three years. The study found that the total economic benefit of this investment in one cohort is 15.7Bn. NIS and it is worth 1% of the GDP.

Out of the total benefit, 15.1Bn NIS are on the revenue axis and include: 5.6Bn NIS net salary additions, 3.9Bn NIS increase in taxes and reduction in benefits and an additional 5.6Bn NIS of increase in GDP. Savings in education expenses is estimated at 0.45BN NIS and it stems mostly, from savings on special education costs. Savings in crime costs is estimated at 0.2Bn NIS and is significantly lower than what studies in the US have suggested. These sums refer to the revenues from a work period of 30 years of graduates of the relevant cohort.

The study was conducted by Omer Snir and Achinoam Zigel from the R&D team at SFI. The researchers note that they took conservative assumptions for the purpose of the analysis. They treated the non-Haredi Jewish population only for the economic return on children from the lowest socio-economic deciles 1-5. This assumes that the return on investment in children from the higher deciles will be much lower. They also assumed that there would be no increase in the employment of Arab women and ultra-Orthodox men as a result of the increase in investment, although such an increase is certainly possible.

The ratio between economic benefit and investment is a multiplier of 4.8 NIS, of which 4.6 NIS as a result of an increase in income and 0.2 NIS as a result of a reduction in expenses. In other words, for every shekel invested, 4.8 NIS will be returned to the economy. According to Omer Snir one of the study managers "The look always is at the cost of investing in early childhood and the benefits in the narrow aspect of women's employment.

We wanted to look at it at the level of how it will affect the future of the students".

The JDC study manager Noa Ben-David said that the goal is to change discourse in the country on the subject of early childhood investment. According to the CEO of JDC Ashalim Dr. Ariel Levi "If you want to achieve mobility [social economic promotion] it is important that the intervention be as early as possible. In investment in early age there is always a dilemma, since it is expensive, and you do not see instant results. The study shows that there is quite a good return on expense".

Yaron Neudorfer, CEO of SFI: "The study demonstrates the benefit of investments in early childhood. The combination of economic benefit and social benefit should energize policy makers to make the right and more beneficial decisions".