

} **FEDCAP SOLUTION SERIES**  
BUSINESS IN THE 21<sup>ST</sup> CENTURY

Why Business  
Should Support  
Early Childhood  
Education:  
*Building a Workforce  
Pipeline for the 21st  
Century Business.*

**A JOB MAKES A DIFFERENCE**

Solution Series is a project of Fedcap's **Community Impact Institute**



# A LETTER FROM FEDCAP'S PRESIDENT & CEO

Dear Friends of Fedcap,

Welcome to our 13th Solution Series – *Why Business Should Support Early Childhood Education: Building a Workforce Pipeline for the 21st Century Business.*

Early childhood development programs are critically important to the economic vitality of our nation. Research shows an annual rate of return to society of 16 percent in the years ahead for every dollar invested in early childhood education. That's why the U.S. Chamber of Commerce is urging its members to support policies and practices that strengthen early childhood development programs and why companies like JetBlue, Eli Lilly and IKEA and a consortium of businesses in Minnesota have taken the lead in advancing quality programs, forging the foundation for a competent 21st century workforce.

Our nation is facing a skills gap that will challenge employers to fill key positions in the coming years. Quality early childhood development programs are a critical vehicle for filling that gap. Studies consistently show that when infants are exposed to environments that stimulate their brain development they do better in school, remain in school longer than their peers, and possess higher cognitive abilities – all contributing to a more skilled, diverse and talented workforce.

I am extremely honored to welcome three remarkable guests to our Solution Series panel, experts in the field who will help shed light on a complex and multifaceted topic.

Fedcap is deeply committed to quality early childhood development. Our Easterseals New York and Rhode Island Child Development Centers provide life-altering programming for children with disabilities in integrated environments—where children learn and grow alongside their typically developing peers. Our PrepNOW! initiative is working with foster parents of children from birth to 21 years old, demonstrating the importance of building an environment of learning as early as possible in a child's life.

Thank you for joining us at this important event.

Sincerely,



*Christine McMahon*

**Fedcap President and CEO**

# CURRENT REALITY

The global business community is starting to recognize that our future as a prosperous and sustainable society, and indeed all societies, depends on our willingness to provide for the health and well-being of our children. Aside from questions of equity and fairness, early childhood development provides the foundation for community and economic development, and is the answer to the technology-based workforce needs of the 21st century. An aging population – including the pending retirement of 77 million baby boomers – as well as gaps in educational achievement and international competition for talent have pushed investments in early childhood development to the top of many corporate agendas.

Early childhood development refers to the healthy education and development of children from birth to age five. The human brain, which begins developing before birth, is comprised of integrated neural circuits that develop at

“*Early childhood development is the compelling economic, social and moral issue of our time. Investing in young children’s healthy development is a financial and social imperative for any country.*”

— **John Pepper,**  
*Former Chairman and CEO, Procter & Gamble, and Co-Chair, ReadyNation CEO Taskforce on Early Childhood*

remarkable speed - 700 new neural connections are formed every second, through the interaction of genetics and a child’s experiences in the world.

Neural circuits provide the foundation upon which higher level functioning – emotional well-being, social competence, cognitive skills and language development – depends. These neural circuits are strongly influenced by family and early care interactions which provide the sensory input that builds healthy brain architecture – a key prerequisite for growth and productivity in adulthood.

Conversely, the absence of healthy brain development in young children is associated with stressors that can have negative impacts on the nervous and hormone systems, potentially leading to lifelong problems in learning, behavior, and both physical and mental health. One study showed that children exposed to multiple risk factors such as poverty, caregiver mental illness, child maltreatment and low maternal education face a 90-100 percent likelihood of having one or more delays in their cognitive, language, or emotional development.

Thus, neuroscience and how skills are developed clearly show that early interventions are far more effective than interventions at later age. The keys to successful early interventions - adequate nutrition and health care, relationships with caregivers and the extent and cognitive stimulation – are the hallmarks of quality early childhood development programs.

## HOW DOES EARLY CHILDHOOD DEVELOPMENT GENERATE RETURNS?

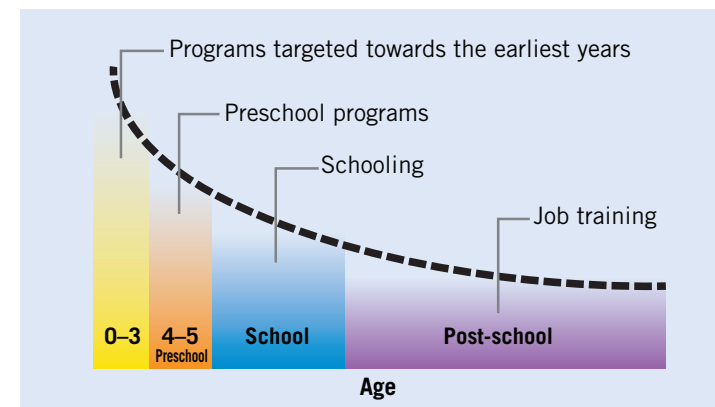
Investments in early childhood development produce high returns - and the earlier the investment the higher the rate of return to children, families and society such as improved health and quality of life, reduction in crime, higher earnings as well as long-term increases in tax revenues and decreased use of welfare and other social services.

**In the long term, early childhood interventions are critical to ensuring a pipeline of skilled workers for the 21st Century workforce – a key priority for developed and developing nations as they work to meet sustainability goals such as reducing poverty, improving nutrition, fostering health, achieving gender equality, ensuring sustainable jobs and fostering a productive, peaceful society.**

**Research conducted by Nobel laureate Dr. James Heckman shows a return of 7-10 percent for high-quality preschool programs serving 3 to 4 year-olds, and a 13 percent annual return on investment for high-quality birth-to-five programs for disadvantaged children.**

Despite the proven benefits of early childhood development supports to society, funding for these programs is woefully inadequate in most countries, with negative impacts on the mental, physical and emotional well-being of children. Business and political leaders around the world are increasingly recognizing the short-sightedness of chronic underfunding of early childhood development programs. According to President Akinwumi Adesina of the African Development Bank: **“Child education should not be seen as a social development issue but rather one that shapes the path of economic growth and development. We therefore need to significantly increase our investments in child education, as children are the future of the world.”**

**Rates of Return to Human Capital Investment at Different Ages:  
Return to an Extra Dollar at Various Ages**



# SKILLS GAP

The skills gap in the U.S. workforce pipeline is a primary driver of business investment in early childhood programs. By 2020, 65 percent of jobs in America will require postsecondary education - which only 60 percent of Americans currently have, leaving a gap of over 5 million jobs.

**Business leaders also report a lack of “deeper learning” - the ability to collaborate, communicate effectively, direct their own learning and believe in themselves - among job applicants which can be enhanced through early childhood education.**

*“Investments in Early Childhood education do much more than bridge the skills gap: they will unlock the untapped potential of generations. The successful businesses of the future will no longer be the ones who only create profits for their shareholders, but the ones who also create value for all stakeholders.”*

— Global Business Coalition for Education



The interconnectedness of global business, and the ongoing introduction of disruptive technologies and new business models further contribute to the skills gap.

Studies by ReadyNation, an organization of business leaders committed to investing in early childhood programs, find that the foundation for many of the skills needed for 21st-century jobs is established in the earliest years, and the best long-term solution to addressing the skills gap is investing in early childhood development programs.

**In a webinar co-sponsored by ReadyNation and the Global Business Coalition for Education, Roy Bostock, Vice Chairman, Delta Air Lines, said; “Before she ever studies a software manual, the 3-year-old future programmer must build a foundation for learning how to read. The future pilot must begin to think critically and understand how to solve problems. These skills are built beginning in the earliest years of life.”**



# EFFECTIVENESS OF EARLY CHILDHOOD DEVELOPMENT PROGRAMS

While early childhood development programs are key to addressing the skills gap the programs vary in quality, and many parents have limited access to high quality programs. Cost is also a factor. Despite the fact that many states provide matching amounts for federal child care funding and at least 40 states have invested in state-funded pre-K programs, families nationally pay 60 percent of early care and learning costs for children under the age of five.

The best early childhood development programs encompass child and maternal health, early learning, childcare, and nutrition throughout a period spanning from pregnancy to primary school. According to Harvard University's Center on the Developing Child, the most effective programs employ well-trained professionals, have high adult-to-child ratios in the classroom, offer stimulating, age-appropriate materials and curricula, provide a safe, language-rich environment, ensure that children fully participate in classroom activities, and nurture caring, positive relationships between children and staff.

Recognizing that parents are a child's first teachers, these programs often incorporate family supports to maximize early learning, as well as home visits, parent education programs, and health and developmental screenings.

Statistically significant benefits to children were found in over 65 percent of early childhood development programs examined in the U.S. Department

of Education's Early Childhood Longitudinal /Study of the Kindergarten Class of 1998-1999 (ECLS-K). Benefits to children were found in numerous areas including cognition and academic achievement, behavioral and emotional competencies, educational progression and attainment, health, delinquency and crime, social welfare program use, and labor market success.

Research in Brazil showed that early education increased second grade literacy, improved math scores in fourth grade, and increased rates of educational completion through college. A meta-analysis by the National Institute for Early Education Research of 56 studies across 23 countries in Africa, Central/South America, Asia and Europe found positive impacts of early childhood programs on health, education, IQ and emotional development.

**A study conducted in Jamaica found that 129 disadvantaged children ages 9-24 months who participated in Early Childhood Development programs earned 25 percent more as adults than children who received no treatment or services.**

— The Jamaican Study, Dr. James Heckman

# THE BUSINESS CASE FOR INVESTING IN EARLY CHILDHOOD DEVELOPMENT PROGRAMS

*“As business leaders we stress the vital importance of the early childhood years as creating the foundation for life-long health and productivity in all countries. A well-trained workforce is essential to address any international priority, including economic development, energy, environment, health, gender equity and conflict resolution.”*

— ReadyNation Letter to Secretary General  
of the United Nations Ban Ki-Moon  
(signed by over 50 business leaders) 10/15

The business case for investing in early childhood development programs is overwhelming and grounded in evidence-based research and best practices. It is so compelling that the U.S. Chamber of Commerce’s Institute for a Competitive Workforce (ICW), created to promote high educational standards and effective workforce training, expanded its agenda to include early childhood development with the launch of the Early Childhood Education Initiative. The U.S. Chamber, the world’s largest business federation, represents more than three million businesses of all sizes, sectors, and regions.

Long-term investments in early childhood development provide societal and macroeconomic benefits in a number of ways:

**Current and Future Workforce:** Employer-supported child care enhances the productivity and retention rates for current workers, while hundreds of global studies document the impact of quality early childhood services – education, health, nutrition, parental support – on long term adult productivity in the workplace.

**Economic Growth:** A major U.S. study found that funds spent on early childhood programs produce immediate economic benefits. Each dollar invested in community-based early childhood development programs generates almost two dollars in local activity.

**Societal Benefits:** Early childhood development reduces government spending on criminal justice, health care, education, welfare and substance abuse treatment, and improve health, education and employment outcomes. Immediate social and economic impacts are realized through lower levels of childhood abuse and neglect, fewer hospital visits, and reduced spending on remedial and special education. Higher rates of graduation from high school and college, and higher lifetime earnings produce long-term economic value to society.

#### **Economic, Social and Gender**

**Equity:** Businesses' role in promoting and investing in early childhood development ensures that children from marginalized populations receive equal opportunities. Investing in equity ensures a broader pool of qualified job applications, enhances a company's image, and produces economic and workplace benefits resulting from a diverse workforce.

“*Life skill formation is dynamic in nature. Skill begets skill; motivation begets motivation. If a child is not motivated and stimulated to learn and engage early on in life, the more likely it is that when the child becomes an adult, it will fail in social and economic life.*

— **Dr. James Heckman,**  
*Nobel laureate*

Beyond the long-term benefits to the economy and society, companies that publicly support early childhood development programs enjoy marketing and reputational advantages as a socially responsible organization. This helps to attract new customers, encourage prospective employees to relocate to the area, and improves morale and employee retention.

ReadyNation has identified the many ways that business can support early childhood development. *These include:*

- Investing in community early childhood development programs
- Providing philanthropic support for initiatives that promote early childhood development programs
- Donating books, learning toys, computers and other supplies
- Sponsor community forums on early childhood development as a foundation for a future workforce
- Ask professional business groups and civic organizations to add early childhood to organizational or conference agendas
- Communicate directly with policymakers through meetings, public statements, sign-on letters and individual communications
- Promote child-friendly workplace policies such as subsidized child care, family leave, flexible return-to-work policies or job protection when employees are pregnant or must care for children
- Bring business expertise to early childhood advisory bodies that can effect change



# Early Childhood Development: **THE BUSINESS COMMUNITY IN ACTION**

*“Investments in early childhood development education and programs will do much more than bridge the skills gap: they will unlock the untapped potential of generations.”*

— Global Business Coalition for Education

While much work remains to be done, thousands of companies and business associations worldwide have elected to support early childhood development programs. Below are just a few examples of the myriad ways that organizations are investing in children, families and skilled workforce pipeline.

- Indianapolis-based **Eli Lilly and Company** advocated for an expansion of the city’s preschool program. In December 2014, the city council voted to approve the \$40 million program.
- In Feb. 2015, executives from the four major city chambers of commerce in Tennessee – **Chattanooga, Knoxville, Memphis, and Nashville** – submitted a letter to the U.S. Congress supporting early childhood education in the reauthorization of the Elementary and Secondary Education Act—because of the importance for the future generation of workers .
- Swedish-based home furnishings company **IKEA** promotes early childhood development programs through the IKEA Foundation, working with Save the Children on its Soft Toys for Education campaign, which serves 11 million children in 46 countries. In the U.S., IKEA’s Early Steps to Success initiative provides home visits and books, and sponsors parenting groups.
- Since the 1940s, **Hindalco Industries** of India has supported early childhood development initiatives, which now include health camps that provide family planning, health care and immunization drives, and promote the awareness, prevention and treatment of malaria, water-borne diseases, TB, HIV/AIDS, and other diseases.
- Minnesota business leaders from companies such as **3M, General Mills and Ecolab** raised funds to launch an early learning scholarship program, along with a quality rating system called Parent Aware that helps families find early education programs that use research-based best practices to help their children succeed in school and life.

**3M, General Mills and Ecolab raised funds to launch an early learning scholarship program**

- Public and private donations created a state endowment, the **Nebraska Early Childhood Education Endowment Fund**, that funds early childhood services. The \$60 million fund requires early childhood development programs to meet quality criteria that ensure children are in settings that will provide maximum benefit for their positive development.
- Companies, foundations and civic leaders in Pennsylvania created the **Erie Futures Fund**, which provides scholarships to early childhood development centers to low-income families with children under 5 years of age. The leaders sought to address growing concerns about the lack of school readiness among many children entering kindergarten, and the significant impact this was having on Erie County's economy and quality of life.
- The **PNC Financial Services Group**, Inc. surveyed its employees to find out what issue was most important to them. As a result, they launched PNC Grow Up Great, a \$350 million, multiyear English/Spanish initiative in early childhood education.
- Through its Neighbor of Choice programs, **Merck Pharmaceuticals** enables employees to model reading behaviors in health clinic waiting rooms by sharing books with children. Program data shows that parents are four times as likely to read to their child after taking part in the program.
- Pennsylvania's Early Learning Investment Commission includes 76 senior executives from companies such as **Crayola, Vanguard, Blue Cross/Blue Shield, KPMG and The PNC Financial Services Group, Inc.** Members are appointed by the governor and tasked with sharing the message of the importance of early childhood with state and federal policymakers.



## RESOURCES

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*Child Care is Critical:* Katharine B. Stevens U.S. News and World Report: (January 12, 2017)

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*Early Childhood Interventions: Proven Results, Future Promise:* Lynn A. Karoly, M. Rebecca Kilburn, and Jill S. Cannon: Rand Corporation (January 11, 2006)

*Five Numbers to Remember About Early Childhood Development:* Center on the Developing Child, Harvard University (2009)

*Fostering and Measuring Skills: Improving Cognitive and Non-Cognitive Skills to Promote Lifetime Success:* Tim Kautz, James J. Heckman, Ron Diris, Bas ter Weel, Lex Borghans: Organization for Economic Co-operation and Development (2014)

*How Early Education Shrinks the Workforce Skills Gap:* ReadyNation (November 16, 2016)

*The Jamaican Study: Early Childhood Education Can Compensate for Developmental Delays, Boost Earnings and Reduce Inequality:* by Professor James Heckman, UC Berkeley economist Paul Gertler, and fellow researchers at the University of Chicago, the University of the West Indies, the World Bank and the University of London Science (May 30, 2014)

*The Journey of a Girl: Opportunities for Business Investment in Girls' Education:* Alisha Miranda: Global Business Coalition for Education (2015)

*Lifelines for Poor Children:* James Heckman: New York Times (September 14, 2013)

*Opportunities for Impact: The Business Case for Early Childhood Development:* Global Business Coalition for Education: Molly Curtiss, Colleen Bouchane (June 30, 2016)

*The Science of Early Childhood Development: Closing the gap Between What We Know and What We Do:* National Scientific Council, Center on the Developing Child at Harvard (January, 2007)

*Tomorrow's Skilled Workforce Requires Investing in Young Children Today: The Importance of Early Childhood Development:* Emily Gustafsson-Wright, Tamar Manuelyan Atinc: The Brookings Institute (September 22, 2014)

*Why Business Should Support Early Childhood Education:* primary researcher and writer Elena Rocha; advisors Sara Watson, Elanna Yalow, and Nina Rees; and reviewers Cornelia Grumman, Eric Karolak, Craig Pascal, and Joan Walters: Institute for a Competitive Workforce (2010)

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*We invest in the early years because it makes sense. If we want our economies and industries to thrive, we need a pipeline of human capital that can think critically and problem-solve. The foundations of these abilities are built in early childhood.”*

— **Sabrina Premji,**  
Co-founder and Chief  
Exploration Officer, Kidogo





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