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Mobilizing Business Champions for Smart Investments in Young Children

By Sara Watson and Robert Dugger

To compete in today's marketplace, business leaders need productive employees who can solve complex problems, persevere, and work well with others. The pipeline to produce these workers is failing – of 100 children in ninth grade, only 18 will complete their two-year college degree within three years or four-year college degree within six years.[1] This pipeline starts before birth, when children begin to establish the building blocks of their academic and social skills. Business leaders are recognizing that creating a vibrant economic future depends on investments in proven strategies that set children on the path to success from the earliest days and years of their lives. Advocates for early childhood care and learning need to tap into this wellspring of interest and mobilize employers to use their influence and carry this vital message to policymakers.

Introduction

CEOs know that nothing gets made or sold without capable people and that a company's employees are its most important assets. They think in terms of beginning-to-end processing: "If you don't start right, you can't end right." For example, a defective wind turbine cannot be fixed in the paint shop. Defects in the earliest production stages affect everything that comes after and are the most costly to repair. The same is true of people. Healthy, nourished, educated children grow up to be more productive employees and better customers. For these reasons, business leaders have been a driving force behind efforts to provide a quality education for the nation's children – as philanthropists, state and local school

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board members, and leaders of national initiatives such as the effort to create common education standards.[2]

More recently, executives have been galvanized by the mounting evidence that workforce quality is significantly impacted by individuals' experiences before kindergarten. Concerned about the future of their companies, their states, and the nation, employers want to see resources committed to evidence-based interventions that will set young children on the right course to become productive, healthy adults. And they are making a difference:

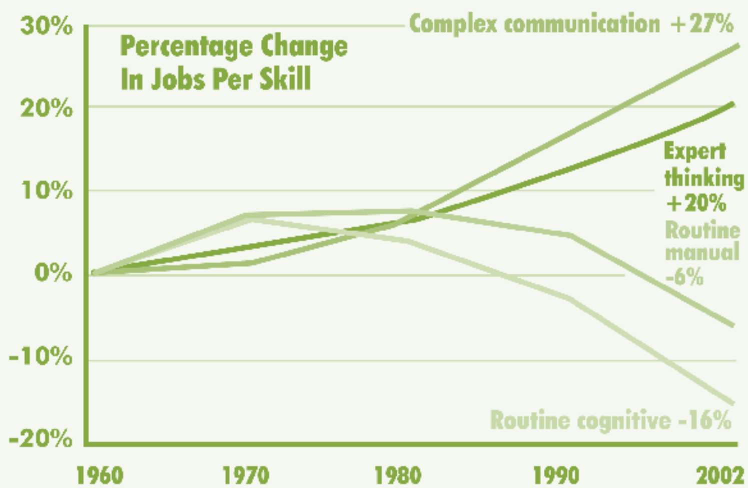
- Executives in Denver were key to winning passage of the city's 2006 pre-K ballot initiative.
- George Kaiser, chairman of BOK Financial Corporation, has financed (through his foundation) and advocated for the dramatic expansion of early childhood services in Oklahoma.
- Financial investor J.B. Pritzker, together with other advocates from across the state, lobbied successfully for expansion of the Illinois Early Childhood Block Grant, including funding for infant/toddler services, and for a commitment to provide pre-K education for all three- to five-year-olds, which became law in 2006.
- In 2010, Richard Alexander, a longtime business champion in Oregon, helped persuade the legislature to make a first-time, $1 million investment in a comprehensive infant/toddler program.
- Despite the desperate budget climate, in 2010 business leaders successfully fought off attempts to eliminate the Virginia Early Childhood Foundation and to cut back on pre-K funding.
- Business members of the Early Learning Investment Commission in Pennsylvania have mobilized to educate all candidates in the 2010 governor's race about the economic value of evidence-based early education and to ensure that this policy is not seen as the purview of one official or party.

In 2006, the Pew Charitable Trusts and financial services executive Robert Dugger, along with other funders,[3] created the Partnership for America's Economic Success. The purpose was to document the economic impact of research-based investments in young children, and, if the evidence was compelling, engage business leaders to advocate for smart policy change. The Partnership's body of research showed profound impacts associated with many detrimental early childhood conditions such as poor nutrition, inadequate housing, low parent income, and a lack of access to early education and health services – as well as the benefits of high-quality interventions.[4] Based on those data, the Partnership now supports a network of executives who have added their voices to policy debates in order to secure the workforce needed for tomorrow.

The Economic Context

Three main concerns are creating the climate for business interest in early childhood – the need to develop a more highly skilled workforce, to spend less on remediating social problems, and to allocate public dollars based on performance.

Figure 1
The Economy Generates High Demand for Higher Order Skills



SOURCE: David Autor, Frank Levy and Richard J. Murnane, "The Skill Content of Recent Technical Change: An Empirical Investigation", Quarterly Journal of Economics, 118, 4 (November 2003, pp. 1279-1334. (2003) data updated to 2002 by Davis Autor.

Workforce: The United States is falling behind competitor nations in terms of producing workforce-ready employees.[5] As Figure 1 shows, an increasing percentage of jobs require people who can solve problems and communicate well, instead of simply performing a rote task.[6] Yet, not a single state can claim that over half of its school children are proficient in reading and math – essential building blocks for a well-prepared workforce.[7]

An expanding body of neuroscience research has shown that the earliest years already affect the beginning of the labor-force pipeline, as the dramatic physical development of the infant brain can influence much of a child's cognitive, social, and emotional capabilities. Babies' brains form neural connections – the linkages that build their mental and social capacities – at a rate of 700 per second.[8] Traumatic experiences or severe neglect – what Dr. Jack Shonkoff has termed "toxic stress" – can damage those connections, with possible lifetime consequences. By the same token, evidence clearly shows that when babies are well nourished and stimulated and have warm, supportive interactions with adults, they develop healthier brains, better learning abilities, and more successful interpersonal relationships throughout their lives. Nobel laureate James Heckman, an economist at the University of Chicago, has popularized the concept that "skill begets skill"– that early advantages give children a solid foundation on which to build greater aptitude and outpace their less-advantaged peers.[9]

In their 2010 State of the State addresses, at least seven governors – from Illinois, Iowa, Kentucky, Maine, Nebraska, West Virginia, and Virginia – called for investments in early childhood education specifically because of the impact on economic growth or workforce development. For example, in his inaugural address, Governor Bob McDonnell (R-VA) said, "To compete in this global economy, every young Virginian must have the opportunity of a world-class education from preschool to college."[10]

Cost of remediation: At any time, but especially now, taxpayers cannot afford growing expenditures associated with negative outcomes, such as students dropping out of high school, substance abuse, and crime. Tax money spent addressing these problems drains resources from both businesses and customers. This is especially critical when the nation's budget deficit is already so large – currently, almost $42,000 per person, and growing.[11] Early childhood programs can influence a variety of long-term outcomes that have a dramatic impact on public expenditures – academic achievement, healthy behaviors, and even involvement in crime. What's less well known is that these programs produce immediate savings as well. High-quality, voluntary pre-K and home visiting programs show reductions in costly special education placement, grade repetition, and child abuse and neglect rates as early as first grade. Investments in early learning also produce local jobs with multiplier effects, as the teachers and caregivers tend to spend their salaries in their communities.[12]

Desire for smarter government: If there is a silver lining to the current economic situation, it's that policymakers are increasingly seeking to understand the return on public investments and determine whether they can make better, more evidence-based decisions. This is a familiar concept to business leaders, who support this trend because it helps ensure that their tax dollars are used wisely. In 2003, Art Rolnick and Rob Grunewald of the Minneapolis Federal Reserve Bank ushered in a new model of economic evidence when they turned data behind the well-known cost-benefit ratio for the HighScope Perry Preschool Program into a rate of return, comparable to a stock portfolio. They found that pre-K programs for at-risk children generated a 16 percent annual inflation-adjusted return. Equally important, they also pointed out that this rate was greater than that for many other government expenditures claiming to generate economic benefits. They called for decisions about public spending – not just on children's programs but also on all economic development strategies – to be based on solid evidence of impacts.[13]

Military's Workforce Emergency Mirrors the Nation's

A recent report by Mission: Readiness showed that only 25 percent of young people aged 17–24 would qualify to serve in the U.S. military.[14] The other 75 percent could not meet the physical, behavioral, or educational standards for service – standards that are similar to those many industries use in hiring. Such a grave lack of military readiness represents a serious failure of the public policies meant to help ensure that children grow to be successful adults, including the ability to participate in a strong national defense. If 75 percent of the transportation sector or the agricultural sector worked poorly, there would be overwhelming public pressure to take action. We need that same sense of urgency for our children.

Recruiting Business Leaders

Two of most pressing questions that advocates ask are: "How do we make the case to business leaders?" and "How do we find potential champions?" When reaching out to any prospects, it is important to understand what motivates them so that the request to take action can be framed in a way that is consistent with their professional or personal priorities. Individuals and companies advocate for early childhood policy change for many different reasons:

- Securing a well-prepared future workforce
- Building a customer base with the means to buy their products and services
- Helping current employees be more productive
- Building employee pride in their company
- Reducing expenses, for companies that profit directly from better outcomes and behaviors
- Generating revenue, for companies that provide goods and services that support children's development
- Efficient use of public funds to address expensive community problems that contribute to higher taxes
- Demonstrating their company's interest in improving their community
- Building leadership skills and networking opportunities
- A personal desire to help children

One way to use these rationales to find business leaders who might become involved is to look for individual companies that fit one or more of these concerns. When a company's interest in early childhood issues is driven by a combination of business concerns – current and future workforce, customer base, public image – it can be an especially strong motivator. For example, utility companies have multiple reasons to act: they generally draw from a local workforce; their growth depends on economic prosperity in their service area; and they are publicly regulated, creating a strong rationale to care about their image with citizens and policy officials. In 2002, Entergy released a report calling for increasing public funding for pre-K programs, saying, "Providing a high-quality preschool education for low-income children is an economic imperative. The benefits to doing so are enormous; the costs of not doing so are equally great."[15] The CEO of Entergy Arkansas, Hugh McDonald, championed expansion of the program in the state and observed, "It's a matter of economics for us as a business. While it's certainly the right thing to do, it's also an opportunity to improve the economic environment where we operate and to reduce the burden on our customers."[16]

One group of companies in particular could provide a deep pool of potential supporters – those that operate in the Early Childhood Sector (ECS). Preliminary research by Weiss and Brandon shows that expenditures on goods and services for children ages birth to five make up almost 3 percent of GDP – a larger share than agriculture or utilities, and on par with the transportation sector.[17] A separate analysis by Robert Dugger finds that the economic sector devoted to children up to age 18 is approximately 10 percent of GDP.[18] The companies in this sector have an especially strong interest in ensuring that the nation focuses on giving children a strong early start. Some have already stepped forward – children's book publisher Scholastic is a founding member of the Partnership for America's Economic Success, and executives at Crayola and PlayWorld Systems recently became members of the Pennsylvania Early Learning Investment Commission. Similarly, Hal Kaplan, CEO of Kaplan Early Learning Company, and his employees have been advocates for early childhood policy change at the federal level and in many states, such as California, Florida, Illinois, and North Carolina.

In addition to targeting individual companies or business leaders, another route to finding potential business champions is working through membership organizations. Through these groups, advocates can introduce an entire business community to early childhood issues. Moreover, once a state-level or local body makes the decision to get involved, the organization can help enlist others. Several of these networks around the country, some with support from Pew, have begun taking on early childhood care and learning as a core issue.

- **Chambers of commerce:** Chambers are found at the state level and in thousands of communities nationwide. Chamber membership is open to all businesses with an interest in public policy and in improving the economic prosperity in their community or state. This structure makes chambers a valuable source of leadership. Leaders from chambers at the city (Nashville, Memphis, and Richmond) and state (Alabama, Maine, and Tennessee) levels have already become spokespeople for early childhood issues. The Institute for a Competitive Workforce, a nonprofit affiliate of the U.S. Chamber of Commerce, has endorsed high-quality pre-K programs and actively works to get the message out to its members.

In 2005, the Los Angeles Chamber of Commerce made history when, under the leadership of (now former) CEO Rusty Hammer and board chair Maureen Kindel, it endorsed a tax increase for the first time. The revenue-generating measure was part of a ballot initiative – Proposition 82 – to require the state to provide pre-K education to all four-year-olds. Although it didn't pass, the chamber's action was a watershed moment, signaling an understanding by its members that early education is critical to their interests. As Kindel expressed it, "When we voted to endorse the ballot initiative, the members of my board looked at me and said, 'you are asking us to vote for a tax increase on us in order to pay for pre-K?' and I said 'absolutely' and they did it."[19]

- **Business roundtables:** Twenty-two states currently have business roundtables (BRTs), which are membership organizations of CEOs that are active in state policy and focused on a targeted agenda to promote economic vitality.[20] BRTs in at least six states – Hawaii, Iowa, Massachusetts, Minnesota, Ohio, and Vermont – have taken up early childhood policy. In 2009, the National Business Roundtable and Corporate Voices for Working Families issued a joint position statement, "Why America Needs High-Quality Early Care and Education."[21]

- **Economic development authorities and agencies:** These public-private organizations are realizing that investments in early childhood programs can help them meet their primary goals: providing immediate jobs, short-term savings, and long-term growth at the state or local level. Julie Meier Wright, CEO of the San Diego Regional Economic Development Authority, explains her motivation: "Every company is interested in a location's human and physical capital. Places that have good early childhood services should be pitching businesses to come to their location because of the direct impact on improving human capital – both immediately and over the long term."[22]

- **Manufacturing affiliates:** Virtually every state has a manufacturing association, and in general, member companies and the industry as a whole care deeply about competitiveness and workforce development. According to Jennifer McNelly, senior vice president of the Manufacturing Institute / National Association of Manufacturers, the best way to approach these organizations is to "find a local manufacturer who is willing to introduce you to these groups. Emphasize that your interest is in promoting the state's economic competitiveness and the quality of its workforce, and ask them if they could help you spread the message to their other members."[23]

- **Civic groups:** Civic groups, such as Kiwanis and Rotary clubs, have business members with broad connections in their communities. Kiwanis International has started to work with the Partnership for America's Economic Success to convey the importance of early childhood advocacy to its members. Wil Blechman, past president of Kiwanis International, advises, "Advocates can increase knowledge of early childhood issues and urge the organization's membership both to continue the services they already provide and to add an aggressive advocacy component. Clarify the difference between encouraging policy improvements and the partisan politics of individual political races. Urge participants to sign up with advocacy groups for follow-up materials and requests to take action."[24]

Supporting Action

Bear in mind that finding private-sector champions is only the first step. Ensuring that they take action requires individualized support to educate them on the issue and make the best use of their limited time. Some key lessons learned include the following:

- **Be prepared to follow up if business leaders want to act.** Reach out to business leaders only when there is a concrete plan in place to channel commitments into useful action.

- **Commit staff time.** Supporting them to take action is very labor-intensive, requiring opportunities and materials tailored to each person.

- **Know what you want them to do.** Have specific requests in mind that fit their interests, levels of commitment, and available time.

- **Play to their strengths.** Business leaders are naturals at conveying to policymakers the need for a highly qualified workforce or their desire to see reductions in public expenditures associated with crime, poor health, and other negative outcomes—not the details of the early childhood system.

- **Don't mix fundraising with advocacy.** Businesspeople get a lot of inquiries and may dismiss outreach from a group that seems to just want funds. Linda Galliher, vice president of the Bay Area Council, observes, "People are honored when you say you don't want money, you want their opinion or input."[25]

- **Prepare them for questions.** Know opponents' arguments and questions, and prepare your business advocates with strong answers.

Abby Thorman, a Florida-based consultant, sums up much of this advice: "Advocates typically give business leaders the 'War and Peace Version of Everything They Never Wanted to Know' about the issue, rather than giving them the information they need to make a difference. They really have only three questions: 'What do you want?' 'How much will it cost?' 'What impact will it have?'"[26]

Conclusion

Business leaders know that their employees are critical to success, and they are beginning to realize that early child development and education are the long-term keys to achieving our national goals. Without a healthy, collaborative, educated workforce, the nation cannot fully achieve its goals for environmental safety, energy independence, scientific innovation, global competitiveness, national security, fiscal sustainability, or any other national priority.

About 70 million Americans will leave the workforce over the next 10 years, and it's not clear that we will have enough qualified employees to replace them.[27] Executives increasingly understand the risks evident in stagnant high school graduation rates, persistent crime statistics, and rising obesity and juvenile diabetes trends. They are beginning to recognize that if we don't significantly upgrade investments in early care and education, the nation will face a growing human capital deficit. If investments in early care and education are allowed to fall relative to our national needs, more and more young adults will be unable to get and keep jobs. As expressed by House Budget Committee chairman John Spratt (D-SC) at the Partnership for America's Economic Success March 2010 National Economic Forum on Early Childhood Investment, "If we don't get human capital right, it doesn't matter much what else we do."[28]

Mobilizing business champions means helping them first understand and then make the case for investments that are in the best interest of their companies and their country. Advocates need to remember that businesspeople think in terms of evidence of effectiveness, beginning-to-end processes, and competitiveness. Virginia's early childhood business coalition is named "VA Job One" because executives' primary responsibility is managing human capital, and to succeed they need the most-team-oriented, best-educated employees in the world. If these leaders understand the evidence and what it means for getting the employees they need, they will help the nation make children's healthy development our top economic priority.

Notes:

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