

# Business Case for Early Childhood Investments



*“In business, we rarely have the luxury of making an investment decision with as much evidence as we have to support the economic value of investing in early childhood development and education... Put bluntly, in my terms, they are a financial no-brainer. The only question is ‘how strong is the ROI?’ The answer: Two or three or more to one.”*



**John Pepper,**  
former CEO,  
Procter & Gamble

*“By age 5, it is possible to predict, with depressing accuracy, who will complete high school and college and who won’t.”*

**David Brooks**  
Columnist, *The New York Times*

**Businesses need employees who are job-ready, team-capable, and well-prepared – but we’re not getting them:**

- The majority of fourth and eighth graders are not proficient in math and reading in all 50 U.S. states and Washington, D.C.<sup>1</sup>
- Fewer than one-third (32%) of students in all 65 participating countries and economies reached the baseline proficiency level on the 2012 Programme for International Student Assessment (PISA) mathematics assessment.<sup>2</sup>
- Only 25% of young people ages 17 to 24 would qualify to serve in the U.S. military. The rest could not meet the physical, behavioral, or educational standards for service – standards similar to those many employers use.<sup>3</sup>

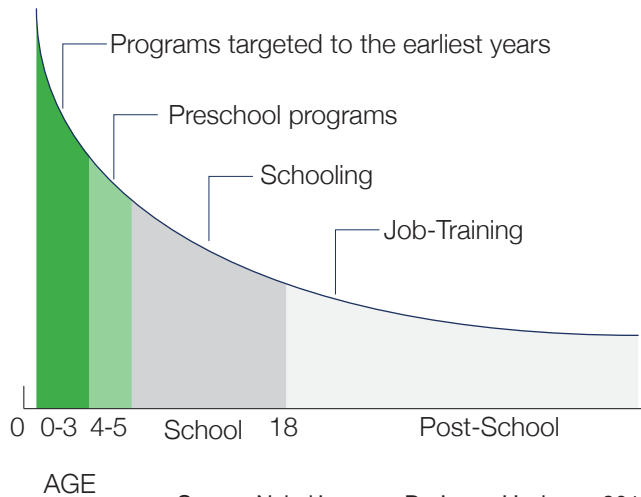
**This failing workforce pipeline can be repaired, but we have to start early.**

- The foundation of many skills needed for 21<sup>st</sup>-century jobs is established in the earliest years.
- Young children’s brains develop 700 synapses – neural connections that support learning and skills – every second.<sup>4</sup>
- By age 3, a child’s brain has reached about 85% of its adult weight.<sup>5</sup>
- The learning gap between advantaged and disadvantaged children shows up as early as 9 months of age. Disadvantaged children can start kindergarten as much as 18 months behind their peers. Many of these children never catch up, and are at an increased risk of dropping out of high school.<sup>6</sup>

## WHO WE ARE

ReadyNation is a business leader organization working to strengthen business and the economy through effective investments in children and youth. Find us at [www.ReadyNation.org](http://www.ReadyNation.org)

## Rate of Return to Human Capital Investment at Different Ages



- By age 30, individuals served by the Abecedarian preschool program were four times more likely to graduate college (and 42% more likely to be consistently employed).<sup>10</sup>
- Children not served by NFP had more than twice as many convictions by age 19. Those not served by CPC were 70% more likely to be arrested by age 18, while those not served by the Perry Preschool Project were five times more likely to be chronic offenders with five or more arrests by age 27.<sup>11</sup>
- A study from the University of California, Los Angeles and Johnson & Johnson found that providing basic health care education and tools for at-risk families reduced emergency room visits by 42%, saving individual families around \$500 per year. These efforts also reduced the number of missed school days by 29%.<sup>12</sup>

## Evidence-based early childhood programs protect children's health and help them succeed:

- An overview of 56 studies across 23 countries in Europe, Asia, Africa, and Central/South America found impacts of early childhood programs on health, IQ, and emotional development.<sup>7</sup>
- The Chicago Child-Parent Centers (CPC) preschool and the Nurse Family Partnership (NFP) home visiting / parent mentoring program both cut abuse and neglect in half.<sup>8</sup>
- Children in the CPC were 29% more likely to graduate from high school, and the Perry Preschool Project children graduated 44% more often.<sup>9</sup>

## Investments in early childhood programs yield short- and long-term returns:

- An independent analysis of NFP concluded that it produced a benefit-cost ratio of almost three to one and average net savings of almost \$17,000 per family by improving children's health, reducing child abuse and neglect, increasing their readiness for school and reducing their future crime. The same analysts reviewed over 20 studies of early childhood programs for at-risk children and found that the average benefit-cost ratio was over four to one, and average net savings were over \$26,000 per child served.<sup>13</sup>
- Child care and preschool professionals generally spend most of their earnings locally. States realize roughly \$2 in local spending for each child care dollar spent.<sup>14</sup>

## BUSINESS LEADERS MAKING A DIFFERENCE

- ReadyNation was the only national business group speaking out in support of the successful renewal of the federal Maternal, Infant, and Early Childhood Home Visiting program. ReadyNation members in 14 states and nationally submitted sign on letters to policymakers and contributed to other emails, meetings, and media pieces. Congress agreed to fund the program at \$400 million per year.
- Eli Lilly and Company, based in Indianapolis, played a critical role in advocating 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.
- Through global accounting firm KPMG's Family for Literacy program, employees distribute free books, read to children and create fundraising events. The program has distributed more than two million books through 90 offices world-wide, including Mexico, India, Nigeria, South Africa, Zambia and the U.S.
- In 2014, former Procter & Gamble CEO John Pepper testified before a U.S. Senate committee in support of expanding federal preschool funds.
- In 2015, more than 50 global business leaders signed ReadyNation's Open Letter to the United Nations asking that early childhood development be a priority in its Sustainable Development Goals Report.
- Leaders from eight branches of the U.S. Federal Reserve System, plus the chairman, have publicly supported early childhood investments.

ReadyNation partners with business groups to call for investments in early childhood:



ReadyNation has worked in many U.S. states to engage business. Partners include:

- ▶ Business Council for Alabama
- ▶ Los Angeles Area Chamber of Commerce
- ▶ Executives Partnering to Invest in Children (Colorado)
- ▶ Iowa Business Council
- ▶ Kentucky Chamber of Commerce
- ▶ Ohio Business Roundtable
- ▶ Early Learning Investment Commission (Pennsylvania)
- ▶ Maine State Chamber of Commerce
- ▶ Massachusetts Business Roundtable
- ▶ New Mexico Business Roundtable
- ▶ Oklahoma Champions for Early Opportunities (OKCEO)
- ▶ Vermont Business Roundtable



## WHAT BUSINESS LEADERS CAN DO – AND HOW READYNATION CAN HELP

### WHAT BUSINESS LEADERS CAN DO:

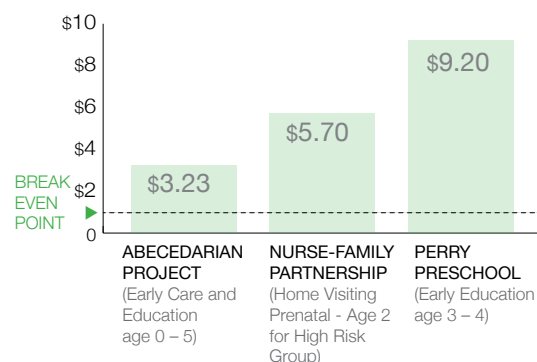
- ✓ Tell your elected officials and the media about the value of early childhood investments.
- ✓ Adopt family-friendly practices at your business.
- ✓ Provide time, volunteers, expertise, and funding to local early childhood programs.
- ✓ Host an event to share information with business and civic groups.
- ✓ Encourage your local business organizations to develop formal positions on the benefits of effective early childhood programs.
- ✓ Give your employees information about the importance of childhood and what they can do.

### HOW WE CAN HELP:

Business people who become members of ReadyNation (at no cost) can receive a variety of supports to speak out. You can:

- ✓ Distribute our free materials.
- ✓ Receive our monthly e-newsletter to learn about new evidence, business networking events, and champions.
- ✓ Contact us to find speakers as well as sample speeches, op-eds, talking points, and other communications materials.
- ✓ Get support for policymaker communications.
- ✓ Attend our conferences or connect with the national network of business leader advocates and learn more about championing early childhood programs.

### Quality Early Care and Education Pays Off: Cost/Benefit Analyses Show Positive Returns



Source: Nobel Laureate Dr. James Heckman

## Who We Are

ReadyNation is a business leader organization working to strengthen business through effective investments in children and youth. Our members educate local, state, national, and international policymakers and the media about effective investments that will help business compete in today's global marketplace by helping children get on the right track to succeed in school and in life.

## How We Make a Difference

Our members educate local, state, and federal policymakers and the public by:

- Engaging elected/appointed officials through letters, calls, and meetings.
- Speaking to the media through submitting opinion pieces or using radio/TV/social media outlets.
- Participating in public presentations or press events.

*"Information from ReadyNation not only has credibility with our business leaders, but also with elected officials in Ohio."*

**Richard A. Stoff**  
President, Ohio Business Roundtable

In 2013-2014, we supported our members to have 415 media appearances and 502 policymaker interactions. We have contributed to policy victories in U.S. states as diverse as Washington, Oregon, Utah, Ohio, Michigan, Indiana, Pennsylvania, and Maine. Our members contributed to winning more than \$1 billion in new state funds, and more than \$1.3 billion in federal funds for children.

We have launched *ReadyNation International* to work in countries outside the U.S. to help them build business networks for early childhood ([www.ReadyNation.org/international](http://www.ReadyNation.org/international)).

We are also leading a new project to explore *Pay for Success* (social impact bond) financing for early childhood ([www.ReadyNation.org/PFS](http://www.ReadyNation.org/PFS)).

For funders, see our website.

ReadyNation is a nonprofit membership organization of business leaders that operates under the umbrella of the non-profit Council For A Strong America.

## Add your voice.

Contact us at: ReadyNation  
+1 (202)408-9282  
[info@readynation.org](mailto:info@readynation.org)  
Twitter: @Ready\_Nation  
[www.Facebook.com/ReadyNation](http://www.Facebook.com/ReadyNation)



### Global Business Leaders Support Early Childhood Development Creating the workforce of tomorrow through the United Nations Sustainable Development Goals Report



March 2015

Secretary General of the United Nations Ban Ki-Moon  
H.E. David Donoghue, Permanent Representative of Ireland to the UN  
H.E. Macharia Kamau, Permanent Representative of Kenya to the UN

Executive Director of UNICEF Anthony Lake  
Director-General of UNESCO Irina Bokova  
Special Advisor on Post-2015 Development Planning  
Amina Mohammed

As business leaders with global interests, we write to 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. Children's experiences before birth and during the first five years of life lay the crucial foundation for a productive citizenry that can contribute to solving the world's pressing challenges.

We applaud the United Nations for including the youngest children in the Synthesis Report of the UN Secretary General on the Post-2015 Sustainable Development Agenda, and we ask for continued attention to this critical issue in the final report. During the first five years of life, children not only build their academic abilities but also the key physical, social and emotional skills that profoundly influence life outcomes. Remediation is costly and uncertain to succeed in helping children become the productive employees and customers every business needs and the informed citizenry every country desires.

Therefore, we urge the United Nations to:

- In the final report, keep under Goal 4 Education the specific target of Goal 4.2: ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education.
- In the final report, keep under Goal 3 Health the specific targets of preventing maternal deaths and those of children under five.
- In the final report, stress the importance of providing sufficient public and private funds to support effective investments that prepare children for success in school and in life.
- Ensure that the implementation of the Sustainable Development Goals includes the measurement, monitoring and tracking of births and child development through age five through coordinated efforts across health and education.

**Roy Bostock**  
Vice Chairman, Delta Airlines  
**Robert Bowater**  
Group Chief Executive, The dnb Group, UK  
**John "Jack" Brennan**  
Chairman Emeritus and Senior Advisor, Vanguard

**Sebastian Estades**  
President, Chile-US Chamber of Commerce  
**Jorge Gerdau Johannpeter**  
President, Conselho de Administração do Grupo Gerdau, Brazil

**President, Fundação José Luiz Egydio Setúbal, Brazil**

## ReadyNation's Global Business Leaders Support Early Childhood

More than 50 leaders from four continents signed a letter to the U.N. emphasizing the importance of early childhood development.

## How to Join

Go to [www.ReadyNation.org/join](http://www.ReadyNation.org/join). There are no membership fees, financial obligations, or formal meetings. Members are fully supported by our staff, minimizing your time commitment. Participation is always based on members' expressed consent, availability, and desire to speak out on a specific issue. Members' names will not be used without their consent, except to be listed as members of ReadyNation.

*"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."*

**Roy Bostock**  
Vice Chairman, Delta Air Lines

**ReadyNation**

ReadyNation | [www.ReadyNation.org](http://www.ReadyNation.org)  
1212 New York Ave NW Suite 300 | Washington, DC 20005 USA

## ENDNOTES

- 1** The National Assessment of Educational Progress. 2011. "The Nation's Report Card." Retrieved from: <http://nces.ed.gov/nationsreportcard/pdf/main2011/2012457.pdf> and <http://nces.ed.gov/nationsreportcard/pdf/main2011/2012458.pdf>
- 2** OECD (2014). PISA 2012 Results in focus What 15-year-olds know and what they can do with what they know. Retrieved from: <http://www.oecd.org/pisa/keyfindings/pisa-2012-results-overview.pdf>
- 3** Mission: Readiness: Military Leaders for Kids. 2009. "Ready, Willing, and Unable to Serve." Retrieved from: <http://cdn.missionreadiness.org/MR-Ready-Willing-Unable.pdf>.
- 4** Shonkoff, Jack. 2009. "In Brief: The Science of Early Childhood Development." Center on the Developing Child at Harvard University. Retrieved from: [http://developingchild.harvard.edu/index.php/resources/multimedia/videos/inbrief\\_series/](http://developingchild.harvard.edu/index.php/resources/multimedia/videos/inbrief_series/).
- 5** Dekaban, A.S., and Sadowsky, D. 1978. "Changes in brain weights during the span of human life: relation of brain weights to body heights and body weights." *Annals of Neurology*, 4, 345-356.
- 6** Barnett, W.S, Tarr, J.E., Lamy, C., & Frede, E.C. 2001. "Fragile Lives, Shattered Dreams: A Report on Implementation of Preschool Education in New Jersey's Abbott Districts." New Brunswick, NJ: National Institute for Early Education Research.
- 7** Nore, M. & Barnett, W.S. (2009). Benefits of early childhood interventions across the world: (Under) Investing in the Young. *Economics of Education Review*. 29.271-282.
- 8** Olds, D.L. (1998). Long-term effects of nurse home visitation on children's criminal and anti-social behavior: 15-year follow-up of a randomized controlled trial. *Journal of the American Medical Association*, 280(14), 1238-1244; Reynolds, A. J., Temple, J. A., Ou, S., Robertson, D. L., Mersky, J. P., Topitzes, J. W., & Niles, M. D. (2007). Effects of a school-based, early childhood intervention on adult health and well-being: A 19-year follow-up of low-income families. *Archives of Pediatrics & Adolescent Medicine*, 161(8), pp. 730-739.
- 9** Reynolds, A. J., Temple, J. A., Robertson, D. L., & Mann, E. A. (2001, May 9). Long-term effects of an early childhood intervention on educational achievement and juvenile arrest A 15-year follow-up of low-income children in public schools. *Journal of the American Medical Association*, 285, 2339-2346; Schweinhart, L.J., Montie, J., Xiang, Z., Barnett, W.S., Belfield, C.R., & Nore, M. (2005). *Lifetime effects: The High/Scope Perry Preschool study through age 40*. Ypsilanti, MI: High/Scope Press.
- 10** Barnett, W.S., & Masse, L.N. (2007). Comparative benefit-cost analysis of the Abecedarian program and its policy implications. *Economics of Education Review*, 26, 113 – 125.
- 11** Eckenrode, J., Campa, M., Luckey, D. W., Henderson, C. R., Cole, R., et al. (2010). Long-term effects of prenatal and infancy nurse home visitation on the life course of youths: 19-year follow-up of a randomized trial. *Archives of Pediatric and Adolescent Medicine*, 164 (1), 9-15; Reynolds, A. J., Temple, J. A., Robertson,
- D. L., & Mann, E. A. (2001). Long-term effects of an early childhood intervention on educational achievement and juvenile arrest. *Journal of the American Medical Association*, 285, 2339-2380; Schweinhart, L. J., Barnes, H. V., & Weikart, D. P. (1993). *Significant benefits: The High/Scope Perry Preschool study through age 27*. Ypsilanti, MI: High/Scope Press.
- 12** Peterson, Jeff. (2007). "NACOG Head Start and the UCLA/Johnson & Johnson Health Care Institute: A study of Health Care Savings." Arizona Rural Policy Institute. Retrieved from [http://www.franke.nau.edu/RPI/projects/NACOG\\_HCI\\_summary\\_finalrev051407.pdf](http://www.franke.nau.edu/RPI/projects/NACOG_HCI_summary_finalrev051407.pdf).
- 13** Washington State Institute for Public Policy. (2014, June 12). State and district early childhood programs. Olympia, WA: Author. Retrieved from: <http://www.wsipp.wa.gov/reports/531>
- 14** Warner, M. 2009. "Child care multipliers: Stimulus for the states." Ithaca, NY: Cornell Cooperative Extension.