# The next best place to invest? Child care

*Get involved in providing high-quality early child care and education programs for your employees. The ROI is huge, and hugely important.* **By Allan Miller**

Companies are often caught in a classic dichotomy. What is good for the organization today may not be best for the long-term, and vice-versa. The battle pitting today's stock price or, for the private company, valuation (and the executive compensation that may be related) against what may be tomorrow's corporate best interest, is an issue for boards, economists, and philosophers. There is, however, one element that boards and executives should recognize as being in their best interest in the short term and long term, both internally and as a matter of desirable public policy. It is the availability of affordable, high-quality child care.

Affordable, high-quality early care and education is essential for the success of American business. The effects of an educational system that furthers the development of social skills in very young children, provides them with literacy and math building blocks, and stamps them with a hunger for learning that lasts a lifetime is also a boon to the economy. Business benefits of early education include a more stable workforce today, a more highly skilled labor pool tomorrow, and an economy that includes an increasing proportion of upwardly mobile consumers with access to an increasing amount of disposable income. The improved "stay-in-school" and graduation rates that high-quality programs have been shown to create bring about reduced need for future public spending on special and remedial education, penal systems, and certain social programs. This, in turn, helps to improve the business climate by reducing pressure on taxes and putting more dollars in the pockets of consumers and investors.

**Allan Miller** is executive director of the Terri Lynne Lokoff Child Care Foundation, a nonprofit organization dedicated to making America better by improving the quality of programs that care for and educate children from birth through age five (www.childcare-abc.org). Prior to joining the foundation staff, his professional background includes 35 years in executive positions in steel distribution, project development, project finance, and consulting. His responsibilities with the foundation have grown from volunteer to board member to full-time staff over a 21-year period.

High-quality early care and education allows parents to work, confident that their pre-school age children are nurtured, safe, and developing the skills necessary to succeed in later life. It reduces absenteeism at work, improves productivity and, therefore, builds a better current workforce. As one believer, SEI Corp. Chairman and CEO Alfred West, has said, "[SEI] is aware that child care is a critical issue for families in the workforce ... [We have] found that benefits such as [child care options] help in recruiting to fill highly skilled positions, reduce employee turnover, and provide a productive and engaged workplace."

## Tied in to global competitiveness

According to a survey of executives from large corporations, high-quality child care is an essential for the future workforce as well. Opinion polling firm Zogby International reports that 83 percent of executives participating in a survey to determine business leaders' views on publicly funded pre-kindergarten felt that high-quality early care and education is important for America to remain competitive in a global economy.

Children from high-quality programs enter school ready to learn. They tend to stay in school longer and get in trouble less than their peers who are not privy to such programs. Thus, they garner the skills necessary to be more successful wage earners. This makes them more competitive in the job market, makes their companies more competitive in the global marketplace, and increases the amount of dollars in circulation available for discretionary spending.

Superior workforce skills can create a distinct corporate advantage in the marketplace. The converse is also true. For a company or a nation, lack of workforce skills can be a distinct disadvantage in an increasingly competitive world.

The notion of early care and education as an economic development tool is one that has been floated for several years. It is finding more converts daily as the considerable evidence accumulates from several studies indicating that improving the quality of early care and education produces better citizens and better economies.

According to Rob Grunewald, regional economic analyst for the Federal Reserve Bank of Minneapolis, "On the margin, the next best place for us to invest economic development dollars is in early care and education." Mr. Grunewald cites an internal rate of return of up to 18 percent realized from investment in education for our youngest citizens, based on the analysis of studies that have gathered data for up to 40 years. Arthur Rolnick, senior VP and director of research for the Minneapolis Fed, has also been out front on the issue. Mr. Rolnick has indicated that, "… the two independent lines of research, brain studies and longitudinal economic analysis, lead us to conclude that the early years are critical to the society's economic development." Facing this investment opportunity, Mr. Rolnick describes the competition among cities to lure corporate citizens with incentive packages as a zero-sum game.

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Undoubtedly, their collective influence recently encouraged Federal Reserve Board Chairman Ben Bernanke to make the same case in his speech to the U.S. Chamber of Commerce, Education and Workforce Summit in September 2007: "Building the foundation for lifelong learning from the earliest ages is crucial. Research suggests that … children

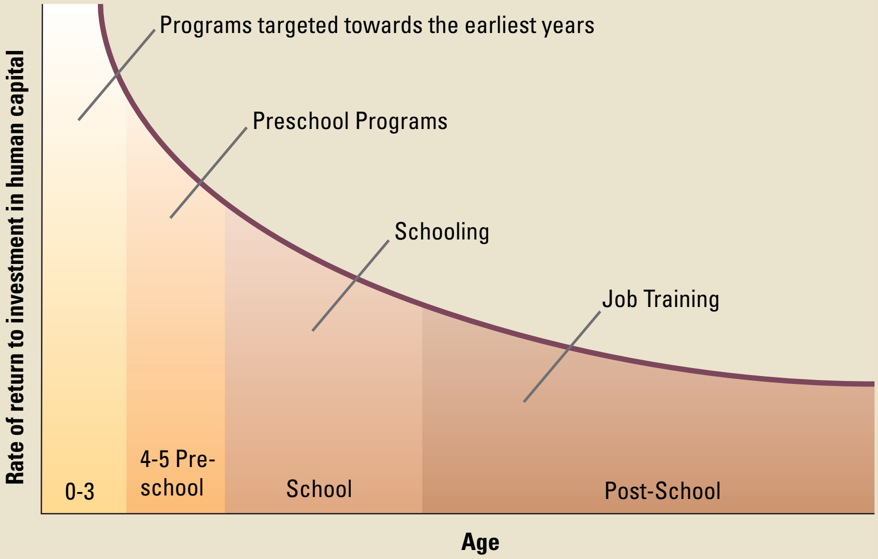
## Skill begets skill

**The Joint Economic Committee** of Congress held hearings in June 2007 on child care's economic impacts. The session included testimony from a number of experts on early care and education. Some of these experts came from fields that you may not normally associate with childhood education knowledge and expertise. Professionals from the world of economics and policy were there to help make the economic case.

At that hearing, Dr. James Heckman, Nobel Laureate in Economics from the University of Chicago, presented testimony in which he reiterated his views of life cycle skill formation, indicating that "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. The longer we wait to intervene in the life cycle of the child the more costly it is to remediate to restore the child to its full potential." The chart below, provided to the committee by Dr. Heckman, indicates returns for an investment in education are in inverse proportion to the age at which the investment is made.

You will note from Dr. Heckman's chart that the most effective and efficient investment in education occurs during the first three years of life. It is during this period that the building blocks for literacy, math and social interaction are formed. Failure to expose children to an environment rich in language, including reading and conversation, can lead to developmental delays. The same is true for math skills. Structured play with blocks and discovering relative relationships (big/small, fast/slow, near/far) are creating the foundation for math achievement. Social interaction with peers during this earliest period provides the experiential learning required for self-confidence and conflict resolution that will last a lifetime.

—*Allan Miller*



who start behind find catching up increasingly difficult … The payoff from high-quality pre-school and home visitation programs is likely very high, especially for children born into poor or otherwise disadvantaged families."

The most extensive of these studies may be the High/Scope Perry Project study of the effect of high-quality early care and education programs. Dr. Lawrence Schweinhardt, president of High/Scope Educational Research Foundation, estimates the economic return to be $17 for each $1 invested, with approximately $13 of that benefit accruing to the public sector and $4 of that return benefiting the individual. Much of the public, societal benefit includes savings in social services for those items articulated above versus costs for a control group not receiving the same early education advantage.

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U.S. Senator Robert Casey of Pennsylvania, who has helped introduce a "Prepare All Kids Act" in the Senate, says, "It is imperative that we make wise investments in our children in the early years. We can spend upwards of $40,000 on incarceration or thousands of dollars on drug treatment and special education [annually]. Or we can spend a small fraction of that now on high quality preschool and give children the good start they deserve. We can pay now or we can pay later. The choice is ours."

## Enlightened self-interest

In study after study, high-quality early care and education has been shown to reduce crime, reduce the need for special education in schools, and help the study group children to become good citizens. These programs therefore make neighborhoods safer and more secure, reduce the drain on the public coffers for prisons and special education programs and, because students coming from these programs have greater wage-earning capacity, they will serve to increase America's tax base.

Education is the key to breaking the cycle of poverty in at-risk areas and high-quality early education is the key to efficiency and effectiveness in our system of education. The benefits of providing people with the opportunity to move from at-risk upbringing to middle-class living will be reflected by our then-current and future workforce, by our collective spending power, and by our global competitiveness.

The doctrine of enlightened self-interest dictates that what is good for your business, good for your employees, and good for the country and the economy is an imperative. Add your voice and the strength of your business to the side of improving our economy and our collective quality of life. Make America better by adopting policies that ease the child care burden on your employees, by working to improve the availability and affordability of high-quality early care and education and by working to influence public policy regarding provision of effective early education for our youngest children. ■

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