



# Capitalizing on an Advantage: New Jersey's business case for early childhood investments



*“No economy can succeed without a high-quality workforce, particularly in an age of globalization and technical change... Research increasingly has shown the importance for both individuals and the economy as a whole of both early childhood education as well as efforts to promote the lifelong acquisition of skills. The payoffs of early childhood programs can be especially high.”*

—Ben Bernanke, Chairman, Federal Reserve Board

## The right start

Today more than ever, businesses need employees who are well prepared to succeed in a competitive economy. Young people need good paying jobs, and the nation needs a growing economy. Over the next 10 years the highest projected growth rate industries in New Jersey are professional and business services, education, and health;<sup>1</sup> and jobs requiring some college or above are growing at a rate above all others.<sup>2</sup>

For New Jersey's workforce development, the foundation for success starts in the earliest years of children's lives, when they begin to develop the knowledge, skills, and behaviors they need to do well in school and beyond. Achievement gaps start to open as early as nine months of age,<sup>3</sup> and disadvantaged children can start kindergarten as much as 18 months behind their peers.<sup>4</sup> Data show that children not kindergarten-ready are half as likely to read well by third grade,<sup>5</sup> and children not reading well by third grade are four times more likely to drop out of high school.<sup>6</sup> Though children who fall behind can benefit from intensive help at every stage of development, the later the intervention, the harder it becomes for them to catch up and achieve their potential. Getting our children off to the right start in life will enable them to succeed and provide the state's businesses with the skilled workforce needed for an increasingly knowledge-based economy.

## New Jersey's competitive advantage: early childhood education

New Jersey has a competitive advantage in preparing its young people for success: the state has one of the highest quality early childhood education programs in the nation.

Years of research have shown that quality early childhood programs support children's healthy development and help them become productive, career-ready adults. High-quality early childhood care and education can close nearly half of the educational achievement gap.<sup>7</sup> Pre-kindergarten education, especially for disadvantaged children, has been shown to:

- Decrease child abuse and neglect 51 percent,<sup>8</sup> juvenile arrests 33 percent,<sup>9</sup> and instances of substance abuse;<sup>10</sup>
- Increase high school graduation rates 31 percent, college attendance more than 80 percent,<sup>11</sup> employment 23 percent;<sup>12</sup> and
- More than double home ownership by age 27.<sup>13</sup>

These programs produce benefits for young people—and for the communities in which they live.

## WHO WE ARE

ReadyNation is the nation's preeminent business organization working to strengthen business and the economy through effective investments in children and youth.

## Demonstrated success: Abbott Districts

New Jersey's Abbott Preschool Program offers high-quality pre-k in 31 communities with the state's highest poverty levels. ("Abbott" refers to one of the parties in a court case that led to the creation of this exceptional program.) Eighty percent of students in an Abbott program are in a preschool that scored a 9 on a 10-point preschool Quality Standards Checklist according to the National Institute for Early Education Research at Rutgers University, and the remaining enrolled children are in preschools that scored 8 out of 10.<sup>14</sup> Services are delivered in a variety of public and private settings, showing how quality early childhood programs can take place in multiple venues.

These programs are producing lasting results in four main areas:

**Greater kindergarten readiness:** Kids who enrolled in Abbott programs scored significantly higher than their peers in kindergarten readiness—especially in reading and math.<sup>15</sup>

**Improved outcomes that last:** Kids who enrolled in Abbott

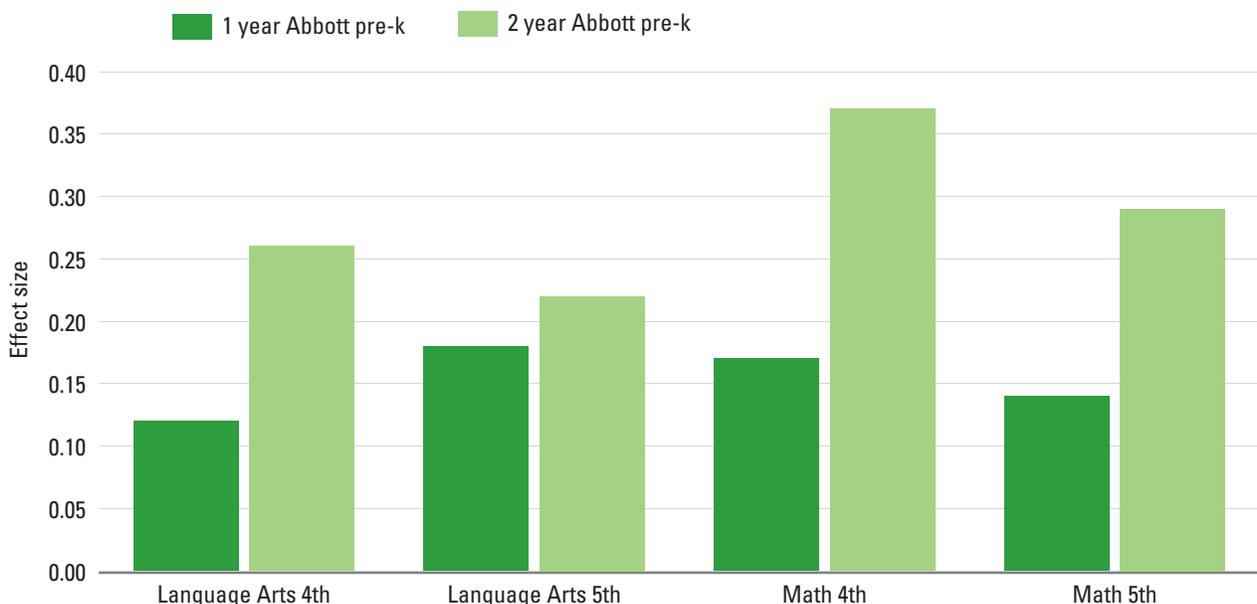
programs continued to score higher than their counterparts in math, reading, and science even into fourth and fifth grade. And children with two years of pre-k showed significantly greater effects than their classmates with only one year of pre-k (figure 1).<sup>16</sup>

**Reduced achievement gaps:** Estimates suggest that by fourth and fifth grade, children previously enrolled in Abbott programs closed as much as 40 percent of the achievement gap faced by children from similar backgrounds.<sup>17</sup>

**Lower special education enrollment:** Kids involved in Abbott programs were up to six percent less likely to be enrolled in special education, and up to eight percent less likely to be retained in-grade.<sup>18</sup>

Unfortunately, New Jersey's program reaches only a little more than half of eligible children who could benefit from it.<sup>19</sup>

**Figure 1: Pre-K Abbott Effects on New Jersey Assessment of Skills and Knowledge by Years of Participation**



Barnett, W.S., Jung, K., Youn, M., & Frede, E.C. (2013). *Abbott Preschool Program Longitudinal Effects Study: Fifth Grade Follow-up*. New Brunswick, NJ: National Institute for Early Education Research.

Interpreting Figure 1: In the context of this chart, an effect size of one would be roughly equivalent to closing the full share of the achievement gap between minority and white students. As the chart shows, gains from one year of an Abbott program reduces between 10 to 20 percent of the achievement gap, and the gains from two years in a program are equivalent to 20 to 40 percent of the gap.

## Community Highlight—Union City

Union City is one of America's poorest and most crowded cities.<sup>20</sup> With an unemployment rate 50 percent higher than the national average, it's no surprise that a staggering 92 percent of its students qualify for free-and-reduced price school lunches.<sup>21</sup> Almost half of its students do not speak English fluently before enrolling, and almost all students (98 percent) speak Spanish at home.<sup>22</sup> Yet its students now rank among New Jersey's best. From third grade onwards, their math, reading, and writing scores are comparable to wealthier suburban counterparts.<sup>23</sup> Almost 90 percent of their students graduate from high school, and more than 60 percent head off to college.<sup>24</sup>

What's helping to close the achievement gap? Many factors—but it appears that high-quality preschool is one of the most important. Since 2003, over 90 percent of its kids have enrolled in qualified, full-day preschool. By starting kindergarten ready to learn, Union City kids are ready to succeed—and the results show it.

### Bringing success to scale

Despite the proven success of New Jersey's quality preschool, the state is not bringing this competitive advantage to every child.

- Almost 50 percent of low-income children in the state live outside of Abbott districts and do not benefit from this proven program.<sup>25</sup>
- 90 percent of eligible three- and four-year-olds living in non-Abbott districts are not receiving full-day, high-quality preschool.<sup>26</sup>
- Even Abbott districts have room to improve. In 2009-10, only 89.6 percent of eligible children enrolled in Abbott programs, meaning 5,074 eligible three- and four-year olds were left out.<sup>27</sup>

In 2008, the New Jersey Legislature enacted a state-wide school funding formula, the School Funding Reform Act (SFRA). The law funds preschool beyond the Abbott districts and requires that programs are offered at high standards. Yet five years later, nearly 50 percent of eligible children remain under-served due in part to lack of facilities, lack of funding, and poor recruitment efforts.<sup>28</sup>

### Because it works

Giving our youngest learners the tools they need to succeed in life is smart economic policy. A worker with a high school diploma earns, on average, \$8,000 more each year than their high school-dropout peers.<sup>29</sup> An additional 1,000 high school graduates in New Jersey would likely:

- Earn \$15 million in additional earnings in an average year;
- Support 100 new jobs in the state, increase the gross state

product by \$20 million; and

- Pour an additional \$2.6 million annually into state coffers, all through their increased spending and investments.<sup>30</sup>

Rigorous, extensive data now prove that investments in early childhood are vital for achieving these outcomes. Business leaders who recognize the importance of a highly skilled workforce need to join the fight to help young children get the right start in life.

Early childhood education matters to your business and your community. It is New Jersey's competitive advantage and the state must capitalize on it.

### Things you can do

- Advocate for expansion of high quality pre-kindergarten programs.
- Tell your elected officials and the media about the value of early childhood investments.
- Encourage your local business organizations and associations to support effective early childhood programs.
- Provide time, volunteers, expertise and funding to local early childhood programs.
- Adopt family-friendly practices at your business.
- Give your employees information about the importance of early childhood and what they can do to help children succeed from their earliest years.

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## WHO WE ARE

READYNATION is the nation's preeminent business leader organization working to strengthen business through better policies for children and youth. It operates under the umbrella of the non-profit Council for A Strong America. Our more than 1,100 members educate policymakers and the public about effective investments that will help business compete in today's global marketplace, build a foundation for lasting economic security, and help children get on the right track to succeed in school and in life. Our members have contributed to victories for children in dozens of states.

We invite anyone from a business or business organization to join. There are no membership fees, financial obligations, or formal meetings. Our staff support our members to take action, making the best use of their time. Go to [www.readynation.org/join-us](http://www.readynation.org/join-us).

For funders or full references, see our website.

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