

The Business Case for Investment in the Early Years

September 2023

WE NEED ACTION!



Action Executive Summary



Supply chain breakdowns. A shortage of skilled workers. A widening gap between rich and poor. What's a common threat behind these recent headlines? How can businesses increase prosperity and stability?

You'll find hints in the playrooms of homes and nursery schools all around you: Dozens of countries are reeling from an early years crisis. For children ages 5 and under, daycare is scarce, unaffordable, or woefully inadequate. Preschool education is not always present and often fails to meet the most basic standards, especially for the vast majority of families without high incomes.

The skyrocketing cost of childcare is particularly bleak in the U.S.: More than a quarter of parents say they have quit a job or dropped out of their studies to avoid childcare costs, according to a global survey of over 7,000 parents and childcare workers. Meanwhile, the U.S. Chamber of Commerce Foundation reports that \$3 billion in revenue is lost annually due to employee absenteeism due to childcare breakdowns.

Even as Environmental, Social, and Governance (ESG) performance faces political headwinds, stakeholders are demanding that businesses achieve better financial and social outcomes. Investment in the early years is key. This groundbreaking report shows the urgency of the crisis for all of us: executives, employees, investors, and taxpayers. When young children suffer, businesses lose valuable employees, economies lose productivity, and tax revenues fall.

Consider two related points: The World Bank says nearly 350 million children lack quality childcare around the globe. Meanwhile, more than 85 million jobs in the world could go unfilled by 2030 because of a lack of skilled people, according to a Korn Ferry study.

What can you do?

- Adapt the lessons of our short case studies. You'll meet an apparel company that provides daycare for parents, whether they work from stores or their kitchen table. You'll learn about a business that's owned in part by a foundation that focuses on bringing the benefits of learning through play to underprivileged children. You'll find a retailer that recycles toys every month to spread joy while easing the burden on landfills.
- Make the early years central to your sustainability and ESG efforts. We show you related metrics from the leading rating agencies that apply to supporting the early years in the workplace.
- Build global momentum for the early years across businesses, consumers, and government. In these pages, you'll see our action plan, the #ActForEarlyYears campaign - actforearlyyears.org - and much more.

And, of course, you can act on the information in this report by joining the Global Business Coalition for Education and our movement of businesses committed to ending the global education crisis.



Above: Act For Early Years font creation in Durban, South Africa by local NGO Surfers Not Street Children South Africa. Image credit: Surfers Not Street Children

Young children are the world's greatest persuaders

But they don't have a voice at the table to ask for urgent change. That's why the Act For Early Years campaign uses the child voice to persuade the world to act for our youngest children.

For more information: <https://actforearlyyears.org/>



Justin van Fleet
Executive Director



Sarah Brown
Executive Chair



<https://gbc-education.org>



Overview

Around the world, the quality of the care and education that a young child receives depends largely on where they are born.

More than 175 million children globally — almost half of all preschool-age children — don't have a place in preschool education.¹ Inequality sets in during the early years because they start their school life at a great disadvantage to those who have had the benefit of preschool.

Inequality of opportunity is not exceptional to poorer nations. Wealthy countries, too, have great disparities between households of different income levels.

This is calamitous for children who miss out, because the first years of childhood are a once-in-a-lifetime opportunity. Up to 90 percent of a child's brain development takes place between birth and age five. A poor start in life significantly reduces a child's chance of leading a healthy, prosperous, and secure life.

Science on the value of early investing in the early years is undisputed. Yet care and education for young children receives low levels of investment from the United States and governments around the world, according to research commissioned by the global children's charity Theirworld and its sister organization, Global Business Coalition for Education, who together have studied the costs of this early years crisis.²

Families too often have to cope with the burden of childcare on their own, with the burden usually falling on women. A lack of childcare can cost \$300,000 in lost earnings for women in their lifetime and limit opportunities for advancement.³ The high cost or lack of availability of early years support is the main reason that women leave the workforce, sometimes never to return. One in five parents told a Theirworld global survey that they are considering leaving or have left a job because of childcare challenges.⁴

At the same time, businesses lose valuable employees, economies lose productivity, and tax revenues fall. A study by ReadyNation found that the

childcare crisis in the U.S. costs \$122 billion in lost earnings, productivity, and tax revenue annually.⁵

A report released by Moms First in partnership with McKinsey & Company, *The Business Case for Childcare*, goes further: It estimates that the U.S. is losing \$840 billion in economic output because of women's diminished participation in the workforce.⁶ Expanded childcare can enable companies to bridge this gap by creating an environment where women can fully contribute to the economy.

The long education shutdown during Covid-19 and the global recession that followed exacerbated problems of high-cost childcare, as well as poor pay and conditions for the care workforce. This led to protests by parents as well as day care workers, leaving the world in a global crisis in early education and childcare - a crisis that affects us all, as parents, taxpayers, business owners, employees, policymakers, and investors.

To make matters worse, we're experiencing a global skills shortage. In the winter of 2023, job vacancies in the United States exceeded 9.9 million, yet there were 5.8 million officially unemployed people. Often this discrepancy comes down to a shortage of skills.⁷ Korn Ferry found that by 2030, more than 85 million jobs could go unfilled because there aren't enough skilled people to take them.⁸

This shortage provides ample opportunity to train women and find ways to enable them to return to the workforce if they choose, and to benefit themselves, their families, their communities, and economies.

Expanding the childcare economy alone offers substantial employment opportunities. The expansion of the childcare workforce to meet today's needs could create 43 million jobs globally.⁹

Early years investment will deliver increased earnings for caregivers, many of whom are women, and improved outcomes for children. Improved childcare access alone could deliver a \$3 trillion boost to global GDP, according to the Eurasia Group.¹⁰

INEQUALITY

STARTS IN THE EARLY YEARS

Some governments have begun to respond to the crisis. President Joe Biden set the goal of universal preschool care and education for the two years before kindergarten education starts. Canadian Prime Minister Justin Trudeau announced a C\$30 billion national plan to subsidize childcare, while the British government announced plans to expand free childcare coverage and allow 60,000 parents to return to the workforce.

The business sector has examples of enlightened practice, but it could do much more to support the early years, drawing on supportive research.^{11, 12} The business community has generally focused further up

the education chain on students who are nearer in time to starting their working lives.

Our report, based on research across the U.S. and around the world, makes an urgent case: The business community needs to broaden its focus to the youngest children to help transform not only their education, but their health, employability, and all-around contribution to their communities and the wider world.

In our previous [report](#), the Global Business Coalition for Education showed how businesses can position education at the core of their Environmental, Social,



Above: An early years center run by Amna Refugee Healing Network in Greece. Image credit: Theirworld / Vasia An-agnostopoulou

eArLY Years are
the start of
EVERYTHING

and Governance (ESG) strategies, and how education relates to each element of ESG.¹³ That applies to the early years.

We recognize that this is a difficult time for ESG. Not so long ago, the rise of ESG seemed unstoppable. Investors, corporate leaders, shareholders, and consumers applauded the idea of investing with more than profit in mind, especially amid concerns about the environment. Sadly, the business sector has suffered from the pandemic and supply side shocks, market stresses, and inflation. Amid controversies about “greenwashing” and confusion over ESG ratings, the momentum around ESG has been reversed. Recently, several leading business figures have questioned the legitimacy of ESG, and at least one has said the term should be abandoned altogether.¹⁴ Some states are legislating strongly against it.¹⁵

Yet a number of ESG reporting standards are being used successfully at a global level. The European Corporate Sustainability Reporting Directive comes into force in 2024, requiring about 50,000 companies to report and be audited on indicators relating to their impact on people and the planet.¹⁶ In the U.S., the Security Exchange Committee requires Human Capital disclosures, and President Joe Biden’s administration has added a regulation to the Chips and Science Act that requires companies seeking funding from a \$39 billion fund for semiconductor manufacturing to provide affordable childcare for their workers.¹⁷

Whatever happens to ratings, metrics, or the nomenclature around ESG, the practice is here to stay. Economic inequality is becoming as important as climate change to stakeholders, driven in part

by Gen Z influence. The Edelman Trust Barometer shows business stakeholders view societal leadership as a core function of business. Also, 49 percent of stakeholders across 28 countries agree that businesses need to do more to address economic inequality.¹⁸ Investments in early childhood development are a critical yet previously under-indexed component of business activities to reduce inequality.

Around the world, successful companies recognize the potential of the early years, and are investing in childcare, education, and health. We have included several case studies in this report. The aim of the Global Business Coalition for Education and Theirworld is to build global momentum for the early years across business, government, consumers, and all stakeholders. Earlier this year, our two organizations launched the #ActForEarlyYears campaign to serve that purpose.

Early child development is material to a variety of stakeholders who view risk mitigation and value creation through ESG as a priority for their companies. This report uses the four World Economic Forum Stakeholder Capitalism themes — People, Prosperity, Planet, and Principles of Governance — which are used by more than 200 businesses within their ESG reporting. This report concludes with an action plan for businesses to invest in the early years — and a call to join the global movement to give children around the world the best start in life.

Right: An early years center in Kenya run by Kidogo, a non-profit which improves access to quality early childhood care and education. Image credit: Theirworld / Trevor Maingi

Terminology

This report uses the term “early years” to cover all the key interventions and frameworks for early childhood — from birth through to the preschool years and the transition to school. At times, for variety, we use “early childhood development” (ECD). Both terms — as well as less commonly used acronyms such as ECCE and ECE — encompass all sectors involved in the early years: healthcare, nutrition, sanitation, safety, protection, play, childcare, nurturing care, and education.



One

People



“We are experiencing a macro ‘regime change,’ driven this cycle by a variety of unique supply side shocks, including a more challenging market for attracting and retaining workers.”

Henry H. McVey, Partner KKR

The pandemic — and the global economic turmoil and inflation that followed — have significantly set back education and childcare, exacerbating long-time challenges and widening inequalities.

Not only did children miss out on education, but once conditions allowed their return, in many countries the number of childcare providers declined, and others often were forced to raise their fees. Many working mothers who had dropped out of the workforce struggled to return.

In the U.S., this unprecedented combination of circumstances came against a background of declining education levels, which have continued a downward spiral after Covid.

Children returned to school after three disrupted years, but results from the National Assessment of Educational Progress (NAEP) showed historic drops in American students’ knowledge and skills, along with widening gaps between the highest- and lowest-scoring students.¹⁹ Four million young people are not in school or employed, and millions more are underemployed.

Declining educational standards have contributed to a shortage of skills among young people across the world. A generation is poorly prepared for labor in the fourth industrial revolution, highlighting a “disconnect between requirements and education and training systems.”²⁰

In a competitive global economy, “soft skills” such as resilience, teamwork, and creativity are in high demand from employers. Yet 45 percent of hiring managers in the U.S. have positions available but cannot find individuals with the relevant skills they need.²¹ Soft skills like conflict resolution, social skills, and self-management, as well as foundational literacy and numeracy skills, can be effectively developed in the first few years of childhood. It’s no wonder that companies can’t find youth with the skills they need when there is failure to invest in the early years.

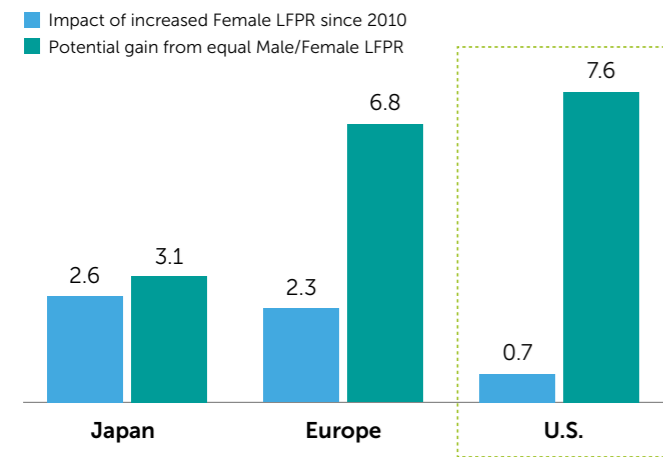
Social impact

Research by University of Chicago economist James Heckman found that among children from disadvantaged backgrounds, those who experienced quality care and early education were 17 percent less likely to be suspended from school, 26 percent more likely to be employed, and 11 percent more likely to enjoy good health.²²

Early years interventions can help narrow the wide gaps in outcomes and opportunities that exist between children from higher and lower socioeconomic backgrounds, as well as the gender gap between boys and girls.²³ Disparities start before preschool and tend to persist throughout life, when they become more difficult — and expensive — to close.

Improvement in Female Labor Force Participation could meaningfully increase the size of the global workforce

Impact of rising Female Labor Force Participation Rate (LFPR) (Millions)



Europe and Japan latest data available. Data as at December 31, 2022. Source: U.S. Bureau of Labor Statistics, Eurostat, Ministry of Internal Affairs and Communications.

Helping women back into the workforce

Providing quality childcare and education helps more women enter the workforce. In the U.S., up to two million women left the workforce after Covid, citing the cost of childcare as a major reason for not returning to work.²⁴

According to McKinsey, focusing on the needs of women would grow global GDP by an estimated \$13 trillion, or 16 percent, by 2030 — because when women thrive, so do their families and communities.²⁵

Affordable childcare is important to keeping women in work, increasing their lifetime earnings, and closing the gender pay gap.²⁶ Consider Brazil: Access to free childcare for low-income families increased family income by nearly one-fifth and almost doubled women's participation in the workforce.²⁷ Paid parental leave, as opposed to maternity leave, is an enabler of pay equality by encouraging shared

responsibility for childcare. Data from more than 800 U.S. companies over three decades found that family-friendly support to all employees increased the number of women and People of Color in senior management positions, revealing its role in supporting pay equality.²⁸

To increase female participation in the labor force, firms need to invest in and provide greater access to childcare, according to analysis by KKR.²⁹ Morgan Stanley agrees: Family-life balance, flexible working, and family leave help companies attract top talent, especially in countries that are experiencing an aging and shrinking labor market.³⁰ Childcare issues are main barriers to talent retention in the U.S., with 24 percent of workers citing childcare issues as a major reason for leaving a job in 2022.³¹

Gen Z is entering its mid-20s, becoming the next generation of parents and workers globally, with different expectations of work-life balance, and mental health support.³² This generation of parents wants to invest in family happiness and well-being, and look for programs that support work-life balance and which may improve employees' physical and mental health and morale.³³

In the U.S., the Society for Human Resource Management (SHRM) found that 61 percent of Gen Z respondents would strongly consider leaving their job if offered a new one with significantly better mental health benefits.³⁴ Globally, Gen Z parents are less likely to see their job as an important part of their identity, compared to millennials.^{35, 36}

make work
work for
FAMILIES



Above: The March of the Mummies protest in the UK in October 2022. Image credit: Angela Christofilou

Synchrony - Backup childcare improves productivity and retention

Few working parents have access to quality backup childcare. Synchrony is one of a small number of companies recognizing the benefits of ensuring its employees have access to reliable emergency childcare. When existing providers are unavailable, or plans change at short notice, parents can be left having to modify their work schedules or take time off entirely, while emergency childcare can be expensive and stressful. To remove this stress, Synchrony provides backup care for children as part of its package of benefits to support working parents. The company makes it simple for employees to choose the best provider in advance. In the first half of 2022, employees used almost 4,000 days of backup care.

Traditionally, the early years profession has not been professionalized or valued. There are a few countries which deviate from this norm, like Estonia, where childcare workers are required to have a degree and are paid the same as primary school teachers.³⁷ In the U.S., meanwhile, the average annual salary of a childcare provider is \$28,500, with the national average not even the minimum wage in all 50 states. Over the past couple of years, some have protested the cost of childcare or the poor pay received by caregivers.

Investing in people — whether the youngest children, parents, or care-providers — will pay dividends. But it is a challenge that everyone must take on — government, policymakers, consumers, and all stakeholders alike. The business community, especially, has a great opportunity to lead.

two

Prosperity

“People are talking about childcare, but I think it’s gaining traction now that more is being invested in products that support parents and caregivers with young children.”

Reshma Saujani- Co-Chair of the World Economic Forum Global Futures Council on the Future of the Care Economy.

Early childhood development interventions lead to better school readiness and help develop essential skills such as resilience, teamwork, cooperation, creativity, problem-solving, and emotional intelligence — each vital to a thriving economy and resilient, inclusive societies.

Early childhood interventions that improve health, nutrition, and education reduce the emergence of inequalities. They are fundamental for stable, cohesive societies and long-term economic growth and competitiveness.

Expanding the childcare workforce to meet current needs could create 43 million jobs globally, mostly for women, according to the World Bank.³⁸ The positive effects of the increase in incomes have been shown to outweigh the potential negative effects of children spending less time with their mothers.³⁹

Providing access to childcare for all, according to widely-quoted research by the Eurasia Group, could deliver an additional \$1.9 trillion - \$4.4 trillion of purchasing power parity per year, stemming from the value created by women able to join the workforce because of improved childcare.⁴⁰ Its research suggests that low-income countries and low- to middle-income countries stand to gain the most as a proportion of gross domestic product from better childcare provision.

Studies by the World Bank have shown that in most parts of the world, higher incomes for women are matched by increased household spending on education, health, nutrition, and housing. Countries with better access to quality, affordable early childcare have more women in the labor force, a smaller wage differential with men, and higher family incomes.⁴¹

Research shows that childcare yields a much higher return on educational investment than any other time. Research by James Heckman points to a 7 - 10 percent annual return on investment in high quality preschool.⁴²

The Institute for a Competitive Workforce, an affiliate of the United States Chamber of Commerce, found in a 2010 report that “for every dollar invested today, savings range from \$2.50 to as much as \$17 in the years ahead.”⁴³

A study by Harvard University found that parent support and preschool programs achieved returns of \$4 - \$9 per \$1 invested through increased earnings, and reductions in crime and welfare spending.⁴⁴

Governments are beginning to show that they understand the importance of childcare, and admit that childcare has been overlooked by policymakers. In Canada, a 2021 government announcement of



C\$30 billion investment in childcare over five years is forecast to boost real GDP by 1.2 percent within 20 years.⁴⁵ A 2023 analysis of the UK market by think tanks has shown that universally accessible and affordable childcare could increase parents' earnings by GBP 9.4 billion pounds per year and boost economic output by GBP 27 billion pounds, roughly equivalent to 1 percent of the UK's GDP.

Investing in childcare will boost the recovery from Covid-19 to alleviate the pandemic's disproportionate effect on women who were forced to drop out of the workforce and take on extra childcare duties. Fragile economies will fail to bounce back properly if women remain marginalized.⁴⁶

The remedy: enacting policies that address key barriers by increasing women's employment, opportunities for entrepreneurship, child and family care, and health services.

The opportunity for business

Committing to affordable and accessible childcare is a major financial, social, and environmental value creation opportunity for business.

Purpose-driven brands increasingly appeal to parents. Prosperity is being driven by innovative products and services that deliver social, economic, and environmental value. In one survey, 58 percent of stakeholders said they buy brands based on their beliefs and values.⁴⁷ As Gen Z becomes the new generation of first-time parents, they bring a stronger focus on purchasing decisions — they are more likely to focus on a brand's values, environmental record, and ability to connect with them as a whole person and not just in their role as a parent.⁴⁸ This change in consumption trends opens opportunities for businesses that might not have seen themselves traditionally as part of the "kids industry."

Where businesses invest in people and community access to childcare, multiplier effects further fuel prosperity and contribute to economic equality.⁴⁹

Venture capital investment around the world in apps and technology for parents has risen 50 percent faster than total investment growth over the last decade, signaling market opportunities in serving the unmet needs of children and their caregivers.⁵⁰ Some businesses, such as Sesame Street, have opened operations dedicated to finding new opportunities. Sesame Ventures, an internal team, is partnering with venture capital firms to make investments in start-ups that support its mission to improve children's education and well-being.⁵¹

Also, innovative finance tools such as Social Impact Bonds have enabled businesses like Goldman Sachs to invest in early childhood community and social vitality through financial investment contributions.⁵²

Goldman Sachs - Results-based financing for early childhood education yielding returns

Investment in the Utah Social Impact Bond (SIB) is an important move towards results-based financing for early childhood education. The SIB brings together private investors and public sector organizations to fund a targeted curriculum that aims to increase school preparedness for low-income children, which reduces the number of children that need to use special education services. In the first cohort, initial testing predicted that 110 children would likely need extra help, yet only one child went on to need special education services — delivering results for investors, government early education programs, and most importantly, for the children themselves.⁵³

Childcare

Investing in employees' young children is good for productivity and the retention of talent. McKinsey & Company and the Marshall Plan for Moms recommend companies offer flexible working arrangements, predictable hours, and assistance with childcare costs to attract and retain women as employees.

In a U.S. survey by ReadyNation, 85 percent of primary caregivers said problems with childcare affected their commitment at work.⁵⁴ More than 25 percent said they had been reprimanded by their employer, and nearly one quarter had been fired. As a result, families lost an estimated \$78 billion per year in earnings and job search expenses. Meanwhile, productivity problems caused employers to lose \$23 billion annually due to childcare challenges faced by their workforce.

CAN YOU
HELP
US?



Above: A kindergarten in Estonia. Image credit: Ministry of Education and Research of Estonia / Lauri Kadajane

THREE

Planet



As inheritors of the future, all environmental measures are material to children as a stakeholder group. One opinion survey reported that 52 percent of stakeholders say business is not doing enough to address climate change, highlighting the opportunity that the business community has to boost trust and engagement with environmentally conscious groups.⁵⁵

Businesses must not only work to improve the environment for children, but to educate them about climate change and its causes — because education unlocks climate action. When children learn about the causes and consequences of climate change, they become empowered and proactive in making our planet healthier and safer.⁵⁶

Research by the Brookings Institution found that for each additional year of schooling a girl receives, her country's resilience to climate disasters could be expected to improve by 3.2 points on the ND-GAIN Index, which measures climate change vulnerability (the study did not focus on early years education).⁵⁷

Air pollution

Children are particularly vulnerable to toxic environmental hazards and stresses because of their physiology. Evidence base links early childhood development with environmental factors, such as air pollution's impact on the developing brain.⁵⁸

Air pollution can impair lung, brain, and other organ development in babies and young children, reducing their capacity to learn, with cascading lifelong consequences.

Approximately two billion children live in areas where pollution levels exceed World Health Organization standards, which makes emissions reduction in line with children's needs materially relevant for business. Initiatives to reduce air pollution are an essential contribution to early childhood development, and a growing number of businesses are reporting directly about air pollution's impact on children and families.⁵⁹ IKEA has become the first business to report on air pollution emissions across its value chain.⁶⁰

Water pollution

Water pollution is responsible for an estimated 1.8 million deaths globally per year. There is evidence that pollutants in drinking water particularly affect brain development from prenatal to early childhood. Young children are uniquely vulnerable because they drink more water each day than adults on a per kilogram-body weight basis.⁶¹ The World Bank says water is at the core of healthy growth and development. And beyond drinking water, broad accessibility to water free from pollutants is needed for agriculture to protect the quality of early child nutrition.⁶²

Resource circularity

The three principles of the circular economy, as defined by the Ellen MacArthur Foundation, relate to early childhood development.⁶³ The first principle, to eliminate waste and pollution, stops harmful emissions, which directly improves health outcomes for young children in particular. The second principle, to circulate products and materials, ensures more resources and circular technologies are available for the benefit of future generations. The third principle, regenerating nature, also ties in by emphasizing improving the environment for future generations, rather than simply doing less harm.

Happy Baton - New business model delivering sustainable play

The toy market is big business — and a wasteful one. According to some estimates, 80 percent of toys end up in landfills or incinerators, with 90 percent of them made from plastic. Happy Baton in Hong Kong is a toy company rethinking the traditional business model of selling toys. It delivers greater value to customers and the planet through monthly toy subscription services. Families receive a new box of age-appropriate toys each month, giving children access to a wide variety of toys and, in turn, a greater range of play and exploration. Toys are then returned, sanitized, and sent out to other families, reducing waste and introducing children to the importance and value of reusing and sharing early on.



Above: A mother takes care of her child in Jharkhand, India. Image credit: UNICEF/ Prashanth Vishwanathan

four

Principles of governance



“We believe that when a company truly serves all stakeholders — including our shareholders, employees, customers, communities, and planet — business is the greatest platform for change.”

Marc Benioff, CEO and Chair, Salesforce

New data underscores the importance of early childhood development as a material issue for society, the economy, and business. It can also be a crucial lever for delivering a more just and equitable future.

The Nurturing Care Framework, created by the World Health Organisation, the World Bank, UNICEF, and other stakeholders, aligns children developing to their full potential with the Sustainable Development Goals.

Business governance that considers the economic, social, and environmental value around children and their caregivers — through good health, adequate nutrition, responsible caregiving, opportunities for early learning, and family security and safety — helps enable nurturing care.

Ethical decision making

UNICEF Family Friendly Policies, and the Global Compact’s Child Rights and Business Principles (devised by Save the Children and UNICEF) are among the frameworks that support businesses’ understanding of their impacts on children’s rights. Some activities that do not infringe on adult rights, such as pollution levels based on adult exposure, can still hurt children’s rights.

Stakeholder engagement

Businesses need a clear strategy for early childhood support. They need materiality assessments that include parents, caregivers, and children across all stakeholder groups: employees, management, vendors, customers, local community, investors, board members, and community organizations.

UNICEF has valuable tools for businesses looking to engage stakeholders on children’s rights, and on integrating children’s rights into ESG assessments.⁶⁴ Many countries have frameworks for good governance. A U.S. coalition of private sector leaders and childcare champions is advocating for greater private sector investment in childcare. The coalition has published research on the business case for private sector investment in childcare, drawing attention to childcare as a critical factor in attracting and retaining a skilled and engaged workforce. The research shows that more than 80 percent of parents cited childcare as a key factor when deciding whether to stay in a job. Members of the coalition speak out for childcare reform and share policies, data, and best practices to help build a broader movement for change.

FIVE

Risk and opportunity oversight

A clear strategy for business engagement in early child development supports stronger stakeholder relations. Increasingly, this is part of government, media, and business relations. In some countries, such as the U.S., early childhood care and education provision is needed to unlock tax benefits. In others, government and business highlight opportunities for the business community to add more value to early childhood development.

What about media coverage for such work? Companies find both risks and opportunities in being featured in publications like Forbes magazine or the Economist, or celebrated at platforms such as the World Economic Forum.

In 2023 in the UK, the Royal Foundation formed a Business Taskforce bridging the business and scientific communities. Business communicates with its stakeholders, from employees to consumers and beyond, about the importance of the early years. The taskforce will consider how business can support stakeholders who are parents or caregivers to cultivate their own wellbeing through a supportive work environment.

Action plan for businesses



Action Plan

What actions can businesses take to support early childhood development — and how can they be clearly presented to companies in the right framework? Our report has generated a selection of ideas along the four themes — People, Prosperity, Planet, and Governance — that businesses can use to achieve social and financial impact for themselves, their customers, and wider society.

For companies using ESG frameworks, we take a holistic approach, offering a business case for why and how businesses and investors should invest in early education. We also explain how this will improve financial and social performance. We hope every company can take actions that go beyond risk mitigation to proactively generate long-term financial, social, and environmental value for all stakeholders.

The Global Business Coalition for Education recommends the Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI) — the most highly adopted in the market — as ESG reporting frameworks. SASB is a risk-aversion framework, while GRI offers a more holistic approach that blends both risk-aversion and impact generation.

The recommendations below show that investing in early childhood development has a clear business link for different types of companies along the ESG spectrum. For more on the link between education and ESG, download our [ESG+Education playbook](#).

People

Companies can boost talent acquisition and retention, diversity, equity and inclusion, and pay equality metrics by:

- Supporting families of different structures during pregnancy and early childhood years with packages that include family leave, benefits, and support for the return-to-work transition.
- Investing in quality early years care and preschool provisions, including support of training and fair wages for the early years care workforce that provide for employees and contingent workers.
- Investing in health and wellbeing offerings that support families of different structures from fertility to pregnancy, adoption, and early years pediatric needs.
- Offsetting childcare costs, for example, with on-site provision of quality, affordable early childcare.
- Supporting community-based quality early childhood centers that serve employees, freelancers, and the wider community.

EVERYBODY
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Related ESG Material Topic: Employee Benefits, Health & Safety, Promoting Employee Wellness

Employers can demonstrate their support for early childhood education by offering employee benefits that support parents of young children. These benefits can also promote equal access to education and support corporate DEI goals by fostering a culture of inclusion and providing opportunities for all employees to develop their skills and knowledge.

By creating an environment which supports employees as parents, companies can attract and retain talent, and create opportunities for advancement, especially for women. Eighty-eight percent of women report preferring an employer who would offer some type of childcare benefit. (Business Case for Childcare report.)

Types of benefits offered could include:

- Free / affordable childcare
- Flexible work arrangements (including remote work)
- Predictable schedules
- Flexible spending accounts to cover the cost of childcare or adoption
- Back-up childcare
- Paid time off
- Paid parental / caregiver leave

Such programs could have wide-ranging positive outcomes, including:

- Increase in productivity
- Increase in career mobility and advancement
- Reduction in employee turnover
- Reduction in stress and burnout
- Reduction in absenteeism

Associated Metrics from GRI

GRI 401: Employment

- Disclosure 401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees
- Disclosure 401-3: Parental leave

GRI 403: Occupational Health & Safety

- Disclosure 403-6: Promotion of worker health

Additional Education-Related Metrics may also be applied. These are outlined in the [ESG+Education playbook](#) by the Global Business Coalition for Education.

Prosperity

Connect with purpose-led business practices that deliver value for families with young children, such as:

- Investing in early childhood development through product innovation and R&D that can deliver social, environmental, and financial value.
- Investing in social and community projects that enable early childhood development across education, health, nutrition, water, and sanitation.
- Considering corporate investment strategies that support early childhood development and family wellbeing.
- Increasing the percentage of R&D investment in innovative products and services that will create social, economic, and environmental value for young children and their families.



Related ESG Material topic: Human Rights and Community Relations, Mental Health & Wellbeing

Education is a fundamental human right, and plays a critical role in addressing other human rights. Improving accessibility to education has wide-reaching benefits, including reducing child labor, supporting vulnerable communities, and providing equitable access to education. Types of support could include:

- Education-related charitable giving
- Education-related catalytic philanthropy
- Advocacy for policies that support equitable access to education
- Programs which support mental wellbeing, community wellness, and counseling / therapy services

Such programs could have wide-ranging positive outcomes, including:

- Access to a skilled workforce by supporting policies that prioritize education at a young age
- A more equitable society by addressing inequalities in education, and especially education in vulnerable communities
- A deeper connection with consumers, enhancing their engagement and loyalty to the brand

Associated Metrics from GRI and SASB

GRI 408: Child Labor

- Disclosure 408-1: Operations and suppliers at significant risk for incidents of child labor

GRI 409: Forced or Compulsory Labor

- Disclosure 409-1: Operations and suppliers at significant risk for incidents of forced or compulsory labor

GRI 415: Public Policy

- Disclosure 415-1: Political contributions

SASB: Security, Human Rights, & Rights of Indigenous Peoples

- Discussion of engagement processes and due diligence practices with respect to human rights, indigenous rights, and operation in areas of conflict

Additional Education-Related Metrics may also be applied. These are outlined in the ESG+Education playbook by the Global Business Coalition for Education.

Left: A mother prepares a meal for her child in Madagascar. Image credit: UNICEF/ Rindra Ramasomanana)

Planet

- Monitoring investment being made in environmentally-friendly business practices that benefit early childhood development outcomes.
- Reporting on air pollutants — including nitrogen oxides (NOx), sulphur oxides (SOx), particulate matter, and other significant air emissions — and quantify the positive impacts of reducing pollution for children.
- Reporting on the impact of water pollution, including excess nutrients, heavy metals, and other toxins.
- Reporting the most appropriate resource circularity metric(s) for the whole company and/ or at a product, material, or site level as applicable.

ESG Lens: Circular Economy, Greenhouse Gas Emissions, Water and Air Quality

Investing in educational programs that build resilience where businesses operate can help mitigate risks of climate change. Companies need to do this to secure continuity of operations and supply chains, grow talent pipelines, protect investments, and maintain social and economic stability amid climate-related disruptions. Types of investments may include:

- Supporting a just transition to a green economy
- Building resilience to climate change through education
- Transitioning to a circular economy
- Implementing resource management programs to reduce waste

Such programs could have wide-ranging positive outcomes, including:

- **Reduced Health Impacts Due to Air Pollution:** Poor air quality can lead to respiratory illnesses, which can lead to absences from school and decreased academic performance. (See Air Quality on p.65)
- **Mitigated Displacement and Migration:** An increase in GHG emissions can lead to displacement and migration, as people are forced to move due to the impacts of climate change. These movements can disrupt students' educational continuity.
- **Improved Health:** Water stress can lead to inadequate access to clean water, which can increase the risk of waterborne illnesses, such as diarrhea and cholera. These illnesses can cause absences from school, decreased academic performance, and long-term health problems.



Above: An early years center in Byblos, Lebanon. Image credit: Theirworld / Diego Ibarra Sánchez

Governance

- Putting in place policy and legal frameworks to guarantee the rights of children and monitor those rights throughout the business chain.
- Examining how the voices of children and families are heard in stakeholder engagement processes.
- Publishing annual data on business contributions to early childhood development.
- Establishing compliance with a human rights-based approach to caregiver and child wellbeing throughout the supply chain.

Below: A kindergarten class in Chhattisgarh, India. Image credit: UNICEF / Panjwani



ESG Lens: Supply Chain Traceability

Corporate investment in supply chain transparency is critical for advancing educational activities and outcomes within the supply chain. By ensuring transparency, companies can identify and address issues like child labor and forced labor, promote fair labor practices, and collaborate with suppliers to maintain accountability. Investing in supply chain transparency supports responsible business practices, fosters worker well-being, and contributes to sustainable socioeconomic development. Types of investment may include:

- Supplier capacity building
- Collaboration with NGOs and educational institutions
- Worker training and education programs

Such programs could have wide-ranging positive outcomes, including:

- **Resilient and Sustainable Supply Chains:** Tracing products' lifecycles from raw materials to end consumers enables companies to mitigate risks related to environmental impact, human rights violations, and unethical practices. This creates a more sustainable supply chain that is resilient to disruptions, maintains ethical standards, and minimizes its environmental footprint.
- **Increased Innovation and Product Differentiation:** Transparency fosters collaboration and knowledge-sharing with suppliers. This, in turn, encourages the exchange of ideas and joint efforts to develop innovative solutions that address the ever-changing availability of raw goods, materials, and market demand.
- **Mitigation Against Child and Forced Labor in the Supply Chain:** Supply chain transparency investments play a crucial role in tracking and monitoring compliance with ethical labor standards. By conducting due diligence, verifying suppliers' practices, and implementing strict supplier codes of conduct, companies can detect and address instances of child labor and forced labor, and ensure their products are ethically sourced.

Associated Metrics from GRI

GRI Topic 13.23: Supply Chain Traceability

This topic is specific to agriculture, aquaculture, and fishing sectors, but it is anticipated that similar disclosures will be included as the GRI builds out other industry standards.

Disclosure 3-3: Management of material topics

- 13.23.1 Describe the rationale and methodology for tracing the source, origin, or production conditions of the products sourced by the organization
- 13.23.2 Describe the level of traceability in place for each product sourced; for example, whether the product can be traced to the national, regional, or local level, or a specific point of origin
- 13.23.3 Report the percentage of sourced volume certified to internationally recognized standards that trace the path of products through the supply chain, by product, and list these standards
- 13.23.4 Describe improvement projects to get suppliers certified to internationally recognized standards that trace the path of products through the supply chain to ensure that all sourced volume is certified

Additional Education-Related Metrics may also be applied. These are outlined in the ESG+Education playbook by the Global Business Coalition for Education.

Key tools that the business community has highlighted for further development:

- Data sharing initiatives to ensure children's and families' needs are understood and addressed, enabling purpose-driven collaboration and coordination.
- Indices to assess and continuously improve ESG metrics / stakeholder capitalism metrics that relate early childhood development.
- Tools for place-based funding and collective investment vehicles in early childhood development, such as Social Impact Bonds.
- Fora and platforms to engage in policy discourse on areas of policy and tax code reform that support progressive pay and reward / talent management strategies.
- Templates and data to support an internal business case for improving business practice.



Above: A mother with her 10-month-old son waiting for routine immunisation in India. Image credit: UNICEF/ Prashanth Vishwanathan

WE NEED your HELP!

Summary

Action Plan!

What actions can businesses take to support early childhood development and how can they be clearly presented to companies in the right framework?

People

- Support families of different structures during pregnancy and early childhood years, including adequate parental leave and paid breastfeeding breaks
- Support access to affordable, accessible, quality childcare and preschool provisions
- Invest in health and wellbeing offerings that support families of different structures including support for access to childcare benefits
- Offset childcare costs, offer affordable early childcare or support community-based quality early childhood centers

Prosperity

- Invest in early childhood development through product innovation and R&D
- Invest in social and community projects that enable early childhood development
- Consider corporate investment strategies that support early childhood development and family wellbeing
- Increase R&D investment in innovative products that will create social, economic, and environmental value for children and their families

Planet

- Monitor investment being made in environmentally-friendly business practices that benefit early childhood development outcomes
- Report on air pollutants and quantify the positive impacts of reducing pollution for children
- Report the impact of water pollution, including excess nutrients, heavy metals, and other toxins
- Report the most appropriate resource circularity metric(s) for the whole company on all levels

Governance

- Adapt policy and legal frameworks to guarantee the rights of children and monitor those rights throughout the business chain
- Ensure that voices of children and families are heard in stakeholder engagement processes
- Publish annual data on business contributions to early childhood development
- Establish a human rights-based approach to caregiver and child wellbeing throughout the supply chain

Six

Case studies: Companies putting people, planet, prosperity, and principles of governance into practice

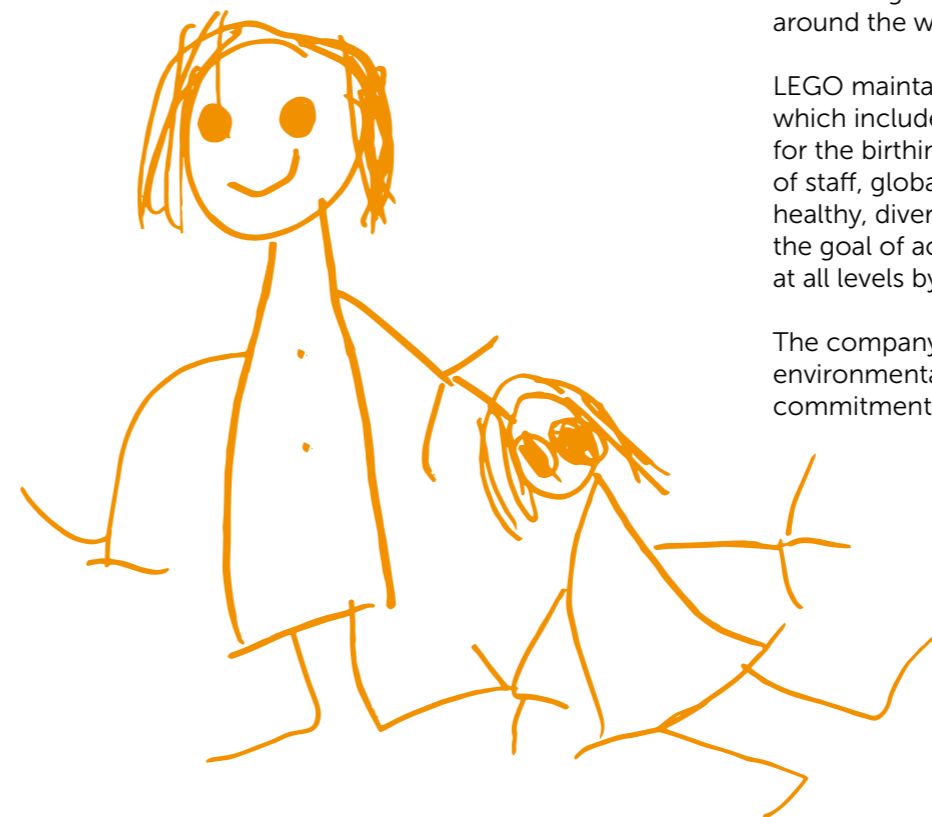
LEGO: “Children are our role models”

LEGO’s mission is to “inspire and develop the builders of tomorrow.” Its maxim, “children are our role models,” ripples through the business.

LEGO makes sure that children and their families are engaged as critical stakeholders through several forums and channels — from their YouTube channel on play experiences, to enabling children and young people’s opinions on the future of education to be heard at the United Nations General Assembly. The company’s commitment to good governance is reflected in its 25 percent ownership by the LEGO Foundation, which focuses on bringing the benefits of learning through play to underprivileged children around the world.

LEGO maintains a “People Promise” to its employees, which includes universal parental leave of 26 weeks for the birthing or adopting parent for every member of staff, globally. This contributes to ensuring a healthy, diverse, and equitable workplace, as well as the goal of achieving a gender-balanced organization at all levels by 2032.

The company’s Planet Promise aims for zero environmental impact, with a zero waste to landfill commitment — a key effort in resource circularity.



PATAGONIA: Commitment to ECD is part of the company's fabric

On its 50th anniversary, Patagonia transferred all voting stock to the Patagonia Purpose Trust, a nonprofit dedicated to fighting the environmental crisis and defending nature. Children are, of course, central to that mission.

Patagonia knows that children living near roads with heavy traffic suffer respiratory problems at twice the rate of others, and supports grassroots environmental groups campaigning for better air quality.

The company is vocal about the benefits of unstructured play, publishing a book titled *Family Business: 30 Years of Innovative On-Site Childcare*, which highlights the benefits of getting messy and wild in nature. Children who are connected with nature can become ambassadors for our planet's future.

For several decades, Patagonia has provided on-site early childhood education. For employees based at the company's headquarters in Ventura, California, benefits packages include on-site access to a Childhood Development Center which

serves 125 children. The company also provides childcare subsidies for employees in stores or working remotely. Family leave policies include both maternity and paternity leave, and from very early on breastfeeding facilities have been provided on-site.

Thanks to its years of supporting families, Patagonia has amassed an impressive set of evaluation data. Every three years, the company evaluates its on-site childcare program and reviews the return on investment (ROI). The most recent evaluation, in 2019, showed a 91 percent return on childcare and dependent care investments. Of this, 50 percent was attributed to a federal tax credit for offering on-site childcare, a further 30 percent reflected greater retention of employees, and 11 percent reflected the impact of providing care benefits on employee engagement and loyalty.

Patagonia has seen a near-100 percent rate of return to work of mothers after maternity leave, far above the U.S. national average of less than 60 percent. Patagonia also has reached complete gender parity and pay equity across all job categories and ranks in the U.S.



Above: Image credit: Generali Group

Generali Group: Investing in the early years with The Human Safety Net

Generali Group's purpose is to empower people to shape a safer and more sustainable future by caring for their lives and dreams. The global insurer and asset manager has taken a unique approach to extending that mission by unlocking the potential of families with children aged 0-6 who live in vulnerable circumstances.

Generali initiated The Human Safety Net (THSN) in 2017. THSN collaborates with more than 50 partners in 24 countries by combining the strengths of nonprofit organizations and the private sector in Europe, Asia, and Latin America. The initiative delivers programs that help parents gain skills and tools to support the development of their children. These programs can include workshops for parents, home visits by social workers, and family centers where parents and children can spend time playing, learning, and bonding.

The Human Safety Net was conceived as an open net fostering collaboration between funders. Generali itself has contributed more than €22 million to programs for young children and families through THSN and mobilized €10.7 million from third parties.

Generali employees volunteer as THSN program managers and are responsible for the delivery and management of partnerships at the local level. This ensures that the programs to support families of young children are deeply ingrained in the company.

Every year, 500 employees serve as ambassadors in one of four main roles: 1) as journalists, sharing the impact of THSN's work on the ground across the group, 2) as fundraisers 3) making THSN visible internally (i.e., explaining activities and making access to volunteering easy), and 4) by engaging the Generali insurance agents network. A total of 30,000 hours have been dedicated to THSN activities by ambassadors and volunteers.

Case study: Financial Literacy for Families in Italy and Indonesia

A large proportion of adults around the world struggle with financial literacy. Within that group, young parents living on low incomes have the lowest financial literacy levels.

Financial hardship often hampers parents' abilities to support their children with loving and responsive relationships, protection, and security.

Generali and UNICEF, based on a commissioned study by Aflatoun, saw a gap: While many parenting programs provide tips on nutrition, health, and caregiving, very few provide financial education. Also, few existing financial education programs are tailored to the needs of vulnerable families.

In 2021, The Human Safety Net decided to start a pilot in Italy and Indonesia to test the integration of financial literacy modules in parenting programs in two different settings. Working with Aflatoun International and UNICEF, modules covering topics such as smart saving, budgeting, and borrowing were developed. The program will be rolled out in an additional five countries starting in 2023.

Ella's Kitchen: Healthy eating, healthy future

Ella's Kitchen was founded with a mission to improve children's lives by helping them develop healthy relationships with food.

The organization follows the nutritional needs of young children from the Nurturing Care Framework for Early Childhood Development, devised by the World Health Organization, UNICEF, the World Bank, and others.⁶⁵

Examples of how that social purpose aligns with business strategy:

- **Packaging Innovation:** Introducing child-friendly, tactile packaging that's easy for children to manipulate and feed themselves from was an innovation in the marketplace. The multi-sensory appeal of primary colors and playful packaging gives children a sense of connection with food.
- **Recipe Innovation:** Innovating flavor combinations to bring together fruit (sweet flavors more appealing to most consumers) and vegetables (less popular for consumers) to introduce children at an early age to a range of vegetables and colors.
- **Marketing Innovation:** Changing the tone of voice to a family-to-family conversation rather than a product-to-consumer engagement, inspired by conversations the founder had with his daughter, Ella. The organization found that having an emotional component seems to help children build healthier relationships with food.

Refreshing its thinking on governance, Ella's Kitchen created a program to help suppliers and vendors think more in line with principles of governance, people, prosperity, and planet.

To advance its net zero mission, Ella's Kitchen now uses recycled caps, and is continuing efforts to increase the number of pouches recycled.



Above: Image credit: Angela Mulligan / Unsplash

Conclusion

Companies around the world have seen the educational, social, and economic case for early childhood education. In these pages, the Global Business Coalition for Education demonstrates why the global business community should show stronger commitment to protecting and expanding childcare – and how businesses can make that happen.

The Global Business Coalition for Education and Theirworld, with our #ActForEarlyYears campaign, aim to highlight the urgency of creating worldwide momentum for long-lasting change in early years care and education.

Around the world, businesses provide examples of enlightenment and good practice – along with return on investment. At the same time, a few governments are showing an enlightened approach. But occasional indications of progress are not enough. For the sake of the world's children, we need to make quality early education and childcare the norm in the business world and beyond.

To learn more, visit: gbc-education.org and <https://actforearlyyears.org/>



Above: Image Credit: Theirworld / Hussein Baydoun

Annexes



Annex 1: Resources

Resources and insights to help the business sector take sustainable and impactful action in early childhood education include:

- **The World Economic Forum's Global Future Council on the Future of the Care Economy**
[weforum.org/communities/global-future-council-on-the-care-economy](https://www.weforum.org/communities/global-future-council-on-the-care-economy)
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- **UNICEF Family Friendly Policies**
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- **Child Rights and Business Principles**
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About the Global Business Coalition

Established as an initiative of the global children's charity Theirworld in 2012, the Global Business Coalition for Education leverages the collective power of business, government, international organizations, NGOs, youth, and other stakeholders to achieve the Sustainable Development Goal of free, equitable, and inclusive quality education for all.

We empower companies to make strategic decisions about how to have the greatest impact in reaching this ambition.

We believe education is the key to unlocking all social, economic, and development goals. Innovation and economic growth, climate action and health outcomes, racial and gender equity — and so much more — all depend on education. We also know that tackling the global education crisis takes the collective power and assets of the business community.

For more information: <https://gbc-education.org>



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