The Case for a Global Business Coalition for Education

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INTRODUCTION

We are facing a global learning crisis in developing countries. While there are tens of millions of children out of school, hundreds of millions more are in school, but receiving an education of such poor quality that they have little prospect of gaining the literacy, numeracy and life-skills that they need to be productive members of society. This crisis has economic and social benefits that are devastatingly high, stifling economic growth, perpetuating poverty, and creating unstable societies. This crisis has a direct impact on the business community and its bottom line. Corporations must come together under the united banner of a Global Business Coalition for Education to address the education crisis head-on for the benefit of both society and business.

As direct stakeholders in the quality of education of the world’s children and youth, the business community has tremendous assets to bring to bear on the global learning crisis. These assets include technology, innovation, financing, employee skills and talents, and a unified advocacy voice. While the business community does engage significantly in education, the impact of these interventions is minimal. In the aggregate, corporate resources are deployed in such an inefficient manner to support global education that these practices would never pass muster in the day-to-day business of a company. If the same tactics were used in product research, marketing and development, they would lead a company to a loss in market share.

A Global Business Coalition for Education would strengthen the business community’s engagement in education and allow it to serve as a force for results-oriented change in the education sector. Collectively, companies will benefit by:

• Reducing the inefficiencies by spreading the investment risk, lowering startup and transaction costs, creating economies of scale, leveraging investments, and making investments strategic and results-oriented.

• Narrowing the global talent gap in developing and emerging economies.

• Educating consumers so they can earn higher incomes and accumulate more disposable income to spend on products and services.

• Increasing the effectiveness, health and well-being of employees and their families.

• Creating more competitive business environments for attracting and retaining labor.

• Increasing the ease of doing business in developing and emerging markets.

• Improving government and community relations.

• Increasing profits from educational innovation.

This call to action is not far-fetched: In the last decade, the Global Business Coalition for Health (GBC Health) has effectively engaged a membership of over 200 companies to be a voice for change in the global health sector. Only through collective action can the global learning crisis be addressed and generate benefits that are not only positive for society, but for the business community.
Falling Short is Not in the Best Interest of Business

The statistics are staggering: approximately 67 million children remain out of primary school and 72 million more do not have access to junior/lower secondary education opportunities in low income countries. For many already enrolled in school, the prognosis is grim. Approximately 200 million primary school students worldwide are learning so little that they are struggling to read basic words. In some Sub-Saharan African countries, after five years of schooling children still have a 40 percent chance of being illiterate. Three out of ten young people in emerging economies cannot do basic math. In rural India, only 53 percent of grade five students can read at a second grade level.

Why should the business community care about this crisis? The systemic impact of such unfathomable learning achievement in developing countries has a direct impact on the business community, irrespective of location or industry. More and more businesses are operating in emerging and developing economies as multinational companies expand their reach and new companies are started. There are currently 127 emerging-market companies in the Financial Times Global 500, compared to 32 in 2002. Expanding operations in developing and emerging markets raises the importance of quality education systems. There are five cross-cutting impacts of the global learning crisis that hinder companies’ efficient and effective operation in the global economy.

First, the global learning crisis is starving companies of access to skilled workers, perpetuating a global talent gap. Failure to address the root of the learning crisis by examining the structural education challenges in developing countries has made the global talent gap a chronic hindrance to business. Year after year, companies are faced with the option of expending resources to use band-aid approaches to bridge the global talent gap or to forego business opportunities. The failure to systematically address the challenge makes the forecast for closing the talent gap bleak for the coming years. A recent survey of respondents in over 100 countries concludes that industries and countries will experience a widening talent gap, notably for highly skilled positions and for the next generation of middle and senior leaders. And the largest proportion of companies’ intake over the next few years is projected to be young professionals with a few years of experience.

The global talent gap is a direct result of the learning crisis in developing countries. Firms project that soft skills — social skills such as communication, teamwork, problem solving and conflict management — will be in higher demand and harder to find over the next three years than technical skills. These skills are the basic values produced from a quality basic education system. Consider the proportion of firms reporting that an inadequately educated workforce is an obstacle: nearly 70 percent in Brazil, 57 percent in Argentina, 56 percent in Russia, 50 percent in Egypt and 30 percent in China.
Faced with a large youth population lacking basic employment skills, companies are left with two options: either invest resources to train local employees or hire expatriates. A significant number of firms are spending resources on formal employee training, ranging from just over 25 percent in the Middle East and North Africa to nearly 50 percent in Latin America and the Caribbean and East Asia and the Pacific. Given the degree to which soft skills are identified as the most difficult to find in emerging markets, we can assume that many firms’ formal training programs are compensating for what national education systems should already be addressing. Companies choosing to hire expatriates spend exorbitant amounts of money. Expatriates can cost up to five times as much as local staff to run in-country operations. The bottom line: companies pay a lot to compensate for low levels of learning in developing countries.

Second, low levels of learning undermine global markets, limiting growth and profit potential. The failure to focus on learning achievement limits the income of potential consumers in current and new markets. Linking years of schooling to economic growth has been an inconclusive economic quest for decades. However, recent evidence suggests that the degree of learning is proportional to long-run economic growth. A study using math scores as a proxy for quality learning demonstrated higher test scores were associated with one percentage point higher annual growth. Another suggests that improved learning achievement could increase long-run economic growth by 2 percent per capita and cut the period over which income doubles by 14 years.

Low degrees of learning set off a chain reaction that leads to a lack of employable skills and lower levels of income. Businesses need consumers with disposable income, but allowing social structures to produce millions of consumers with no skills and inherently lower incomes is counterintuitive to the savvy business planning aimed at generating profit. The potential income forgone by poor education is not small change. For instance, a recent report estimates that 65 low- and middle-income countries are losing approximately $92 billion per year by failing to educate girls to the same standards as boys.

Consider a hypothetical scenario based on the current wages in Brazil. If the private sector worked with the government of Brazil to ensure that the 682,000 out of school youth completed school and learned basic skills, over their lifetime, they could have an additional $82 billion in disposable income beyond their currently projected incomes to spend on goods and services. The potential income is even greater where quality learning was extended to those already in school and those about to enter school. In this scenario, education creates an entirely new consumer base as a potential source of revenue for the corporate sector.

Third, the global learning crisis stifles worker productivity, given education’s high correlation with health outcomes. Ignoring the critical link between education quality and health outcomes has long term costs for the business community. Lack of education and learning erodes health, well-being and morale of employees and their families. The link between education and health outcomes is strong. A child born to

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a mother who can read stands a 50 percent greater chance of surviving past age five. Some models suggest doubling the proportion of girls with a secondary level education from 19 percent to 38 percent would cut the fertility rate per woman from 5.3 to 3.9 children, and the infant mortality rate from 81 deaths per 1000 births to 38. More educated women are more likely to seek HIV testing during pregnancy and take proactive steps to reduce the rate of transmission to their children.

Failure to invest in education has health repercussions for the business community. Healthy employees with healthy families leads to lower levels of employee absenteeism as employees will less frequently stay home to take care of ill children. Without quality education, young people do not have the basic knowledge and skills they need to make responsible choices, which can have detrimental health consequences (such as increasing the prevalence of HIV/AIDS or other preventable diseases in the workforce). This causes employers to compensate for lower productivity and absenteeism by paying overtime, supporting the demands placed on onsite employee health clinics, and increased recruitment and training costs for new employees. For example, one study suggested that HIV/AIDS added up to nearly 6 percent to the wage bill of large firms in South Africa and Botswana.

**Fourth, faced with low levels of learning, companies struggle in uncompetitive operating environments where it is more difficult to conduct business.** With the shortage of talent in emerging economies, businesses are faced with tight competition to attract and retain talent. The quality of the business environment where a company operates—the competitive context—is most closely linked to the attraction and retention of labor. Companies operating in poor competitive contexts are forced to pay higher wages or provide better benefits to attract potential employees.

Quality education is a key component of a strong competitive context. It improves the ease of doing business by making business operating environments more cohesive and less unstable. For example, evidence suggests that on average an additional year of education reduces a country’s chances of falling into civil war by 3.6 percent. Quality education promotes non-cognitive skills leading to social cohesion, values of democracy and peace, ease of working in teams, critical thinking, abilities to engage with others in society with respect and empathy, and a sense of responsibility. The externalities lend to lower crime rates, better functioning democracy, and lower levels of marginalization, and the ability to innovate and adapt to new technologies, among others, all of which improve the ease of doing business.

Employee’s morale will be higher in these improved operating contexts as investing in employee’s children’s education can improve employee morale and loyalty to the firm. Strongly supporting education can also increase employee morale in developed countries. Strong education strategies can incorporate the use of employee time, talent and matching contributions to support a social cause and increase employee satisfaction with the company’s social mission.

**Fifth, by not investing in education, companies forgo direct benefits such as profit from education innovations, positive brand recognition and improved government relations.** By utilizing product design capacities to innovate and produce better, low-cost tools for improving learning in low-resource environments, companies can have a direct impact on improving education quality while generating profit.
Technologies can support learning in the classroom, improve the home environment, or strengthen teacher training and content delivery. Through impact evaluations and scaling of successful innovation, companies can create breakthrough products that can enhance learning and have widespread public and private market appeal.

With product and cash contributions focusing on improving education for marginalized populations, a company can create a reputation as good community partner and create brand value for positive social engagement. Companies that place education as a core value can innovatively engage consumers through cause marketing. Engaging consumers in a social mission, such as education in developing countries, cannot only generate awareness among consumer bases, but channel financial resources from consumers to the cause, while also generating income from cause marketing for the company.

Increasing the coordination of corporate social investment with development agencies and developing country governments can promote good government relations. By engaging substantively in education, businesses can improve the effectiveness of their contributions by leveraging complimentary investments and understanding how the initiatives of the company fit into larger plans.

**WHAT ARE COMPANIES DOING?**

Companies bring a significant amount of talent, resources and voice to the global education challenge. But the inefficiency in utilizing these resources to maximize outcomes is shocking. While companies are actually doing a lot, the individualistic nature of engagement in education prohibits any progress on a systemic level. While the business mentality of competition and rivalry in the marketplace discourages business from cooperating in the social sector, no single business can tackle the global learning crisis and the “go it alone model” has a high engagement cost with few real outcomes. Collectively, the business community loses out. The challenges associated with the current *modus operandi* of corporate engagement in education are counterintuitive to good business practice.

Instead of ensuring investments are structured to lower startup costs and reduce risk, engagement from the business community in education is highly fragmented causing companies to absorb the full risk of the investments. Lack of coordination with entities outside the individual company makes investments lose their potential effectiveness by not leveraging complimentary investments. Over half of the companies sampled in a U.S. corporate study do not coordinate their contributions with others—this includes other companies, foundations, donor governments, or host governments at any level. Only 27 percent coordinate...
with host governments and 20 percent coordinate with donor governments. This leads to companies taking on the full risk of investment by implementing projects alongside other companies, foundations, and aid agencies with no connection to the national education plans. All of these disjointed education efforts do not maximize or leverage the investments of the government or other donors, making them silo, parallel efforts that do not build off the larger community of actors. This leads to extreme inefficiencies and overlapping programs or support gaps for different parts of the education system based on government financing and donor preferences. With the lack of coordination, companies miss the opportunity to leverage hundreds of millions—if not billions—of dollars of public and private education financing that would achieve better outcomes than their individual investments in education.

**Instead of creating economies of scale for education investments, the relatively small sizes of individual corporate contributions to education have high transaction costs.** While aggregate data from U.S. companies suggest approximately a half billion dollars in resources are directed by the private sector towards education in developing countries, the aggregate total is deceptive. Corporate contributions ranged from less than $50,000 to more than $30 million annually and over half of the companies in a Brookings survey made annual contributions of less than $1 million. These contributions, when divided between more than one hundred countries, multiple themes and projects, become thousands of small grants with limited collective impact.

The effort to deploy these small contributions has a high level of overhead. Companies tend to lack programmatic expertise in the education sector and there is no central source of best practices in education for the business community. This adds costs to program design as companies lacking education professionals in-house hire consultants to advise on social investment strategies in the education sector. Companies also individually expend resources to identify new partners to implement education activities in developing countries. Interviews and focus groups with corporate philanthropy and social responsibility leaders demonstrate that companies recreate the wheel when engaging in education. In the 500 largest companies in the world, over 250 invest in education in developing countries. If each company uses a different grant application cycle and process, replicates internal vetting to identify trusted, local non-profit partners, and individually assesses each potential partners’ capacity, the inefficiencies in the duplication of nonproprietary vetting and assessment adds more to the corporate tab.

**While companies tend to think strategically about how to address business challenges, the tactics used to address education in developing countries do not target the chronic needs or systemic causes.** Investing in education and learning, while a long-term investment, requires corporate market foresight to look ten years into the future as opposed to the next quarter. Corporate social investments are not tied to short-term political cycles, as is official development assistance from governments. Thus, if corporate philanthropy is instead based on the donors’ long-term business interests in the recipient countries, it can reflect longer-term commitments and allow for deep transformation in the education sector. Unfortunately, research shows this is the exception and not the norm, making corporate contributions relatively volatile from year to year. Over 70 percent of corporate contributions are either one-time grants or grants for less than three years of support. Only 17 percent of contributions are for more than three years of sustained financing.
Operating below the radar of national and local education plans, the short-term investments focus on acute labor needs and not the systemic issues. By and large, companies make investments primarily directed toward science, technology, engineering and math (STEM) education, entrepreneurship education and skills training in developing countries. Companies are less likely to invest in early childhood development, early learning, or transition to secondary education. These limited investments continue to place a band-aid on the acute business needs for an educated workforce and fail to address the underlying learning crisis. They have no long-term impact and fail to solve, and instead perpetuate, the challenges associated with the learning crisis.

If a company were to invest in a new product, the CEO would ensure strong market research and demand metrics and results—but the money companies dedicate to education has no outcomes-based results framework with meaningful metrics. When making business decisions, companies invest where they think they will gain a high rate of return; however, the same does not hold true for social investments in education. Although a handful of companies do strongly emphasize monitoring and evaluation, their metrics do not provide strong indicators of educational outcomes; instead, companies tend to focus on educational outputs such as enrollment rates or measures of perception relevant to business practices (e.g. employee satisfaction or community perceptions of the company). In only a very few instances do companies actually measure learning or other true outcomes.

In interviews with nearly 20 companies making contributions to education in developing countries, research has found that the offices directing education contributions are small with limited staff capacity or expertise in education in developing countries. Many companies are isolated from the global education agenda and research, and are unable to tap into best practices or knowledge sharing with other companies, foundations or aid agencies implementing similar programs. This results in additional fees for consultants or the replication of errors already made by others engaging in education. Although all companies make investments in education according to their business goals, nearly all companies still indicate a desire to learn more about what others are doing in education, how others address challenges, and how companies can promote closer networks of learning and dialogue alongside other corporate donors.

**PROPOSING A GLOBAL BUSINESS COALITION FOR EDUCATION**

The Global Business Coalition for Education will foster cooperation where shared interests apply across the business community and promote networking and cohesiveness that can mitigate these inefficiencies and maximize collective impact and business benefits.

The time is ripe to launch a Global Business Coalition for Education that supports, strengthens and enhances existing efforts to ensure access to quality learning opportunities in developing countries. Given the timeline for the Education for All’s goals, lessons learned from previous private sector endeavors in education, and mounting evidence demonstrating that failure to support learning in developing countries is bad for the bottom line, the time to act is now. As the global community calls for a redoubling of efforts to achieve the Education for All and Millennium Development goals by 2015 and the groundwork is being set for a post 2015 education agenda, the business community’s support is crucial.
While previous efforts to engage the private sector in education have failed to capture the full imagination of the global business community, the lessons learned from these endeavors can also apply to developing a strong coalition for the business community. The call for a Global Business Coalition for Education also builds upon the efforts and recommendations from the United Nations Educational, Scientific and Cultural Organization (UNESCO), the World Economic Forum, the Department of Economic and Social Affairs of the United Nations Economic and Social Council, the Global Partnership for Education (formerly known as the Education for All Fast Track Initiative) constituency of private sector and private foundations, and a recent education review by former British prime minister Gordon Brown, and others, calling for stronger private sector engagement in education.

The formation of a Global Business Coalition for Education should not recreate the wheel but rather build upon the success of the health sector’s GBC Health. Launched in 2001, this business coalition has grown from 17 to nearly 200 corporate members. The vision of GBC Health is “a global business community that is fully contributing its assets, skills, influence and reach to making a healthier world for employees, their families, and their communities” accomplished by leveraging the “power and resources of the business community for positive impact on global health challenges.” GBC Health serves the business community through its roles of convening and connecting businesses, governments, multilateral organizations and civil society; driving partnerships and collective action; representing the business sector in health settings; providing thought leadership and advisory services.

To see the benefits of this strong business constituency supporting global health, one needs to look no further than the examples of this year’s GBC Health Business Action on Health Award Winners, which set the agenda in the health community by raising the profile of outstanding company achievements:

- One program in Ghana increased worksite and surrounding community HIV testing to 96 percent and reduced the cases of malaria by 65 percent.
- Working with the Kenyan Ministry of Health and a non-governmental organization, another company’s use of data and technology will increase the number of HIV infected infants identified and put on treatment by 50 percent in the first year.
- Collaboration between several non-governmental organizations, technology and telecommunications companies and the Tanzanian Ministry of Health has led to the use of SMS, mobile phone and electronic mapping technology to track stock levels of anti-malarial medicines in remote rural communities, increasing the percentage of health facilities stocked with all anti-malarial medicines from 25 to 75 percent overall.

Bringing together the business community to act collectively on matters in health, the coalition recently launched a partnership with 11 companies and the U.S. Department of State’s Office of Global Women’s Issues to advance the role of business in improving the health and economic opportunities of women and girls worldwide. GBC Health also continued its relationship with the Corporate Alliance on Malaria in Africa to lead a partnership that built Angola’s Ministry of Health technicians’ capacity to effectively support entomology surveillance and monitoring, and undertook work to develop a strategic plan to improve transparency and good governance, and for bed net procurement with the industry’s dominant manufacturers committed to corporate Codes of Conduct.
The Global Business Coalition for Education will leverage the unique assets and interests of the business community to be active and supportive actors in realizing the vision of all children having access to and acquiring the basic skills and knowledge needed to be productive members of society. Serving as the central hub and liaison for the business community’s engagement in education, the Coalition will serve as a collective voice to promote high quality education for all in the global agenda, enhance the quality of education, lower overhead and increase efficiency in the corporate sector’s engagement in education, and support strong national education plans by governments.

The Global Business Coalition for Education would have four core functions which will reduce the risk for companies to engage in education, lower the transaction costs, address the systemic causes of the learning crisis and institute outcomes-based results.

1. **Provide strategic guidance on the best ways to support education in developing countries derived from evidence-based research and practice.** The Global Business Coalition for Education will ensure the business community has the latest evidence to develop education strategies supporting the global education agenda, complement existing endeavors, and build off of lessons learned by the sector. The Coalition would provide the business community with tools for the development of common metrics for monitoring and evaluating social and business outcomes in education. The coalition will provide centralized due-diligence for vetting potential programs and organizations for the business community to support, thus reducing the costs of overhead and reducing inefficiencies through streamlining current duplicative processes.

   Promoting shared knowledge among corporations and the broader education sector will increase the education expertise of the business community. A stronger knowledge base will enhance the quality of learning through proven interventions in early childhood, primary and post-primary education including, the training of teachers, development of curricula, provision of training for decent employment and promotion of the development, deployment and effective use of new technologies that link classrooms and teacher training institutions to the global information highway, educational materials, and support systems for effective learning.

2. **Provide networking opportunities to connect individuals within the business community and bridge the business community with other actors in the education sector, including developing country governments, donor governments, civil society and the research community.** Networking within the business community will promote collaborative efforts which leverage the business-led investments with other actors in the education sector. A mapping of membership priorities and efforts can facilitate an understanding of which companies are working in the same geographic and thematic areas of education and spur greater coordination of efforts and less duplication and replication of programming. Bridging the business community with donor governments, foundations and other civil society partners can leverage education investments to promote unified outcomes by leveraging multiple sources of support.

   Though collaborating in learning networks may be more difficult within the context of competing business goals, it is possible when companies can identify common social agendas that accommodate
different business strategies. Opportunities to expand these networks beyond global corporations and to include private foundations and local businesses could be explored based on geographic or thematic interests. Incorporating the public sector, NGOs, and researchers in these discussions is an important mechanism for increasing the knowledge base and informing investments in education.

3. **Promote a single voice from the business community on global education.** Utilizing the Coalition as the liaison between the business community and external actors, the Global Business Coalition for Education will develop a strong advocacy and communications constituency that is able to provide high-level engagement in education. The Coalition will represent the business community in discussions with multilateral organizations and other education forums and have the unique perspective of understanding the business rationale and social interests for supporting education. The Coalition will serve as an advocacy platform and provide communications tools to the business community membership. These efforts will provide a strong business voice advocating for access and learning for all children and youth through strong national education plans. The Coalition can provide visibility to individual companies as well as collective actions taken by collaborating private sector actors.

4. **Streamline opportunities to support national governments in the development and delivery of strong national education plans.** Working directly with the new Global Partnership for Education (formerly the Education for All FastTrack Initiative), multilateral organizations, developing country governments and other actors, the Coalition will lobby for and support the development and delivery of ambitious national education action plans. Activities facilitated by the Coalition may include innovative financing models of infrastructure for education and other capital costs that exceed the budgetary capacities of developing country governments, the development of true partnerships with governments and the business community to support strong education plans, and broader dialogue between the public and private sector to support education. The Coalition can also assess unique corporate assets in terms of in-kind products and services that could further support national education plans and strengthen the quality of learning.

**TAKING ACTION**

In order to improve the quality of learning in developing countries and allow companies to reap all of the potential private benefits, a Global Business Coalition for Education must capture the imagination of the potential for effective business engagement in education in developing countries. This initiative is not an effort to privatize education but instead to improve the access and quality of public education through the strengthening national plans and delivery.

**In order for this vision to become a reality, the following groundwork needs to be established:**

1. **High-Level Leadership:** The education community needs high-level leadership from the public and private sector to convene and convince the business community that educating young people in developing countries is in the best interest of business. This leadership should serve as chairpersons for a Global Business Coalition for Education.
2. **High-Level Corporate and Political Support:** A core contingent of CEOs—representatives of the private sector at the highest level—must come together to reaffirm the impact of the global learning crisis on the bottom line and call for united action from the business community to advocate for and contribute to addressing the crisis. The founding companies should represent various sectors as well as the global north and global south.

3. **Planning Period:** Upon the high level call from the business community for a Global Business Coalition for Education, a secretariat must be formed to identify and map the activities of member companies, identify existing initiatives and efforts in the global education sector, and develop an operational plan for the coalition. The Global Business Coalition for Education needs to be established as the central hub for the business community to engage in education. Tiers and benefits of corporate membership should be established to meet the needs of companies at various stages of supporting education in developing countries.

4. **Gain Legitimacy in the Education Sector:** The business community needs to be seen as a legitimate actor in the global education space through a unified voice. The secretariat should establish partnerships with existing initiatives in multilateral and civil society organizations, rally to support a new Global Partnership for Education, and join discussions and activities to garner collective support for the strengthened the Education for All and Millennium Development Goals, and keep education, most importantly **access and learning**, on the post-2015 global development agenda.

The time has come for the business community to acknowledge that the lack of learning is not an **only an education crisis, but a business crisis.** It affects the bottom line and the current efforts to support education fail to address the root causes of poor learning or create sustainable change to generate shared value for business and society. By developing a strong constituency in the business community for global education, the private sector can be a serious actor in the global education space and direct its efforts in ways that support and enhance government-led national education plans and existing initiatives in the education sector in a more effective and efficient manner. A value for learning in developing countries needs to transcend every aspect of a corporate strategy in order for the company to reap all of the benefits of education in developing countries and emerging economies. The time has come for a strong, supportive, informed and unified voice from the business community in support of quality education for all young people.

**ENDNOTES**

1. Luis Crouch, communication, June 1 2011.


19. Ibid.


27. Ibid.

28. Ibid.


31. Ibid.


33. Ibid.


