

THE MISSING LINK IN ECONOMIC DEVELOPMENT: FAMILIES



***WISCONSIN CARES, INC.
and
RIGHT FROM THE START
COALITION OF WISCONSIN***

Challenge: Growing Wisconsin's economy
Proposal: Strengthen Wisconsin families
Actions: Family Policy Councils & Family Foundations
Result: Families ♥ Wisconsin

**Despite major changes over time and enormous variations
across social and economic environments,
the family remains the most influential of all institutions.**

Gary Becker, Nobel Prize winning economist

Recent Wisconsin Economic Summits have concluded that Wisconsin has fallen behind neighboring states in economic development. One of the Summits' recommendations is to improve Wisconsin's *national image* in order to recruit high-tech businesses and to attract and retain college graduates during their family-forming years. Another is to upgrade the education of our work force.

Wisconsin can be justly proud of its educational system and its work ethic. Wisconsin's ACT scores and the percentage of its labor pool in the workforce are the highest in the nation. The quality of Wisconsin's human capital generally is high, but its supply of human capital is low. This shortage of human capital will be aggravated by lower birth rates and by the forthcoming retirement of "baby boomers".

In describing human capital, Adam Smith, the progenitor of modern economics, saw human beings as "creatures driven by passions and at the same time regulated by their ability to reason and — no less important — by their capacity for sympathy (i.e. empathy)." The capacities for reason and empathy were Smith's "invisible hand" of human capital that produces an adaptable society and a strong economy. The origins of the "invisible hand" lie in families where the capacities for empathy and adaptability grow from attachment bonds formed during early life.

Families are the missing link in economic development plans. Thriving families are the core of our economy. They prepare children for learning in school and support their children's education. They provide dependable workers in the present and produce the workforce of the future. They build the foundations in early life of later work productivity.

In our constantly changing world governments, businesses, and consumers are becoming more interdependent. Our world relies on cooperative relationships between people and institutions rather than on vertical, command authority. Employer surveys reveal that the most important considerations in hiring new workers are their attitudes and ability to get along with others. Growing Wisconsin's financial capital depends upon growing human capital in the form of workers who can empathize and cooperate with each other under changing circumstances in addition to having knowledge and skills.

Wisconsin's Image

Wisconsin's national image needs improving. In his presentation at Economic Summit I, *Sustaining Wisconsin's Economic Prosperity*, Dennis Winters, Director of Research at NorthStar Economics, Inc., noted ambiguously: "Wisconsin has an image as a clean and wholesome (if not backward), unencumbered place."

Todd Berry, President of the Wisconsin Taxpayers Alliance, commented: "it is hard to deny that state budgets of recent years have conveyed the message that Wisconsin is a politically unstable, unpredictable place in which to innovate, hire, work, and grow. Wisconsin is an atypical state, not because of its proud history, but because it is unable to conduct its public affairs and manage its finances

in a deliberate and proactive manner." It is noteworthy that Wisconsin has produced national leaders in the contrasting images of Robert La Follette and Joseph McCarthy. Wisconsinites also bear the image of cheeseheads, at times proudly.

Wisconsin's lack of long-range planning is not new. In 1986 the governor's Expenditure Commission concluded: "...the revenue 'roller coaster' in the past has resulted in a shortsighted approach to budgeting." Since then a series of similar commissions have had little impact. Wisconsin has not done well in planning for the future and is now suffering the consequences. For example in 2002,

- Wisconsin ranked 41st in the nation in the wealth of its citizens as measured by assets per capita. This is related to comparatively low wages that lead to a below national average income with consequent low savings and investment rates.

- Wisconsin ranked 22nd nationally in investing in research and development.

- Wisconsin had a low Moody bond rating because of "traditional policies of maintaining minimal reserves and paying relatively little planning attention to recurring spending commitments."

- Wisconsin was the only mid-western state that has not maintained "rainy day" reserves. Minnesota and Michigan built up reserves of \$1 billion each that softened the current economic downturn.

- Wisconsin was the only state in the nation to completely deplete its tobacco settlement fund.

- Wisconsin was below the national average in college graduates because too many graduates of our colleges and universities leave the state, often for better jobs in neighboring states.

- On a number of business-related dimensions Wisconsin compared unfavorably with Minnesota in spite of their comparable tax rates and weather.

- Wisconsin relied on income, sales, and property taxes more than excise taxes and user fees, placing Wisconsin 3rd nationally in per capita tax as a percent of personal income. However, Wisconsin was 17th in all government generating revenues per capita. If the superior quality of its institutions and infrastructure were taken into account, Wisconsin would have fallen even lower than 17th on a national tax rating scale.

Wisconsin: A Great Place for Families

In the light these negatives, Wisconsin needs to emphasize its assets. One of its most important is that Wisconsin is a great place to raise a family. The desire to raise children in Wisconsin in addition to the availability of jobs plays a central role in inducing people who leave the state to return.

Jobs and the quality of life are the keys to retaining and attracting college graduates for Wisconsin's workforce. These people can choose where they live. Perhaps a high quality of life for families might offset lower salaries, just as the quality of life and the proximity of three lakes has been used to justify lower salaries in recruiting UW-Madison staff.

In our effort to improve Wisconsin's image, we should capitalize on its childrearing asset by making Wisconsin as family friendly as possible in reality so that our image becomes something like:

FAMILY FRIENDLY WISCONSIN

A GREAT PLACE FOR FAMILIES

FAMILIES ♥ WISCONSIN

If any of these themes are to be used, there must be evidence that Wisconsin truly is family friendly in its communities, workplaces, and governance. We must demonstrate that Wisconsin has:

Safe neighborhoods

Summer and winter recreational opportunities

Excellent schools

Excellent health care

- Access to high quality childcare
- Friendly communities
- Stimulating cultural opportunities
- Family friendly governmental policies

The Problem: Unfriendly Governmental Family Policies

Wisconsin's economy and quality of life depend on thriving families that prevent social problems and that create a productive workforce by raising children who become responsible, tax-paying citizens.

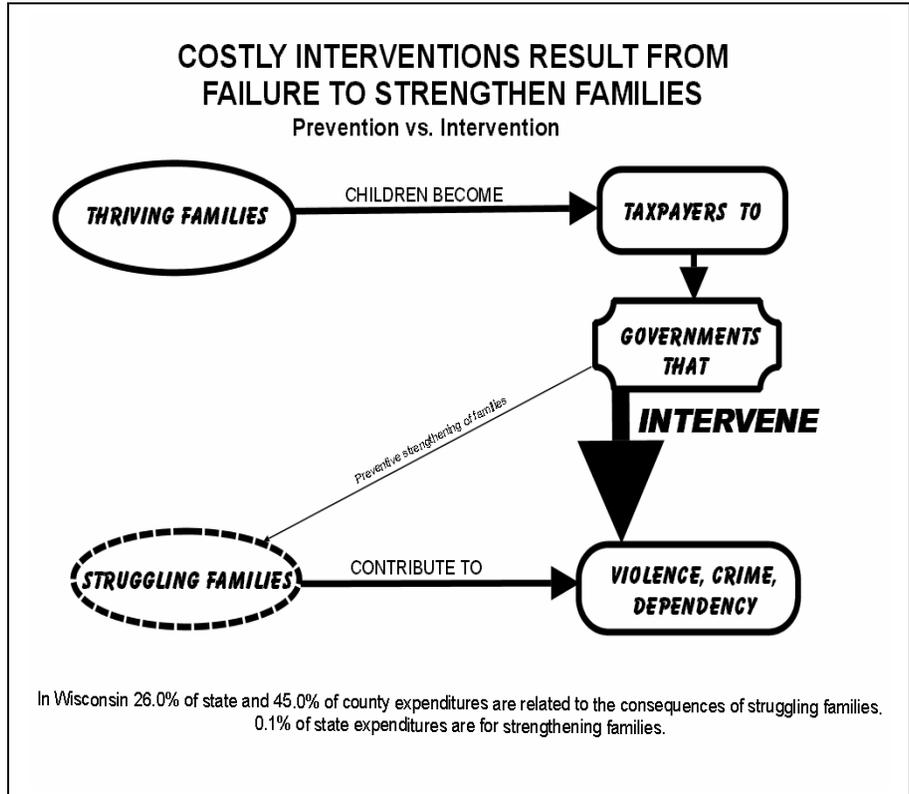
A family that raises a child to become a productive citizen contributes over \$1.2 million to our economy. A family that neglects and abuses a child costs over \$2.4 million in lost wealth and tax outlays for special education, mental health, and correction services. Struggling families contribute to 26% of state and 45% of county tax spending.

It is not easy to convey a competitively positive image of Wisconsin when our state lags behind neighboring states in family friendly policies. As examples, Wisconsin places:

- more emphasis on attracting financial capital than on producing, maintaining, and attracting human capital.
- more emphasis on lowering the tax burden of high rather than middle range incomes.
- more emphasis on parental employment than on parental competence and on high quality childcare.
- more emphasis on costly individually oriented human service and special education interventions that drive up taxes than on preventive strengthening of families that reduces the costs of crime, special education, and other social problems.
- more emphasis on punishing criminal offenders than on rehabilitating them, than on the effects of incarceration on families, and than on preventing crime.

All neighboring states' developmental plans include supporting lifelong education from pre-school to later years. Illinois, Iowa, Minnesota, and Michigan especially emphasize improving the well-being of families. The Minnesota plan specifically encourages parent involvement in their communities and reduces the tax burden of middle-income families to help parents have more time and resources to devote to their children.

Wisconsin has an excellent educational system, but we lag behind neighboring states in family strengthening programs. Wisconsin is the highest of neighboring states in per capita corrections



expenditures and the lowest in investing in home visitation for families to insure that every child has a good start in life.

An example of the contrast in attitude toward family responsibilities in the workplace between Minnesota and Wisconsin is the treatment of breastfeeding in their statutes. In Minnesota, employers are required to make reasonable accommodations for breast-feeding mothers {Statute 181.939}. In Wisconsin, breastfeeding is only mentioned as exempt from criminal prosecution for indecent exposure {Statute 948.10 (2) (b)}.

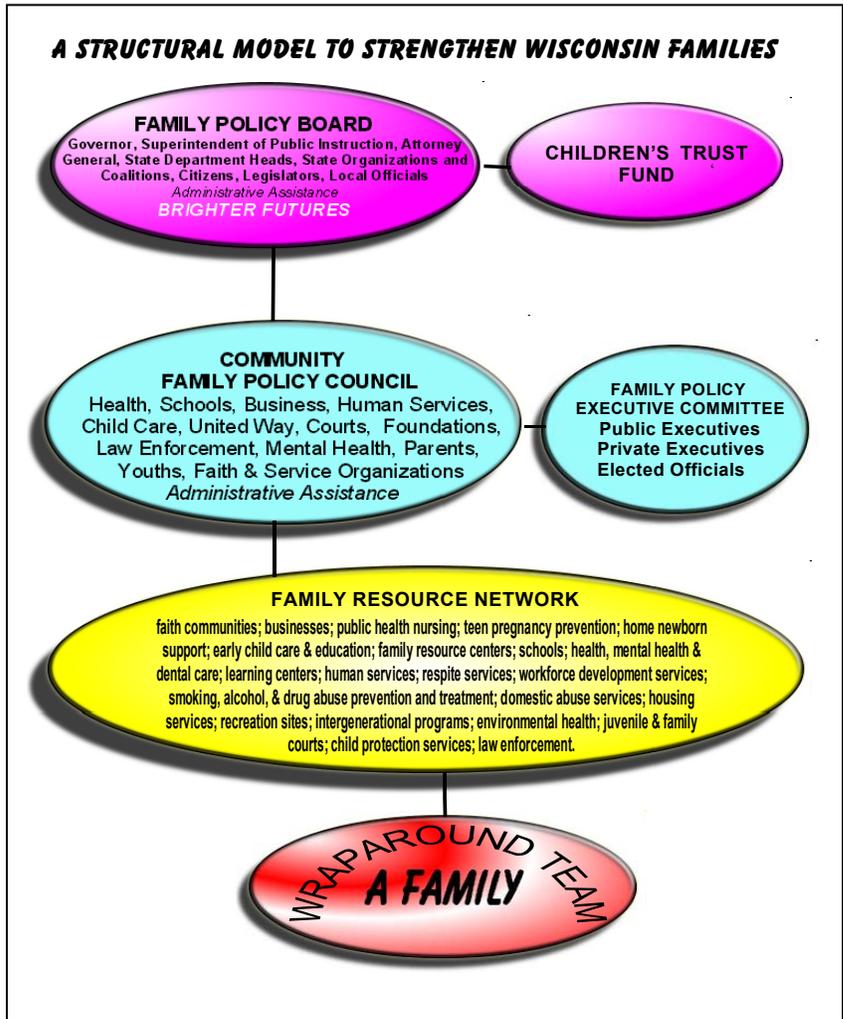
Home Visitation for the Parents Of Newborns & Corrections Funding (Per Capita Expenditures FY 2001)			
Home Visitation		Corrections	
1) Minnesota	\$ 9.90	1) Wisconsin	\$ 173.00
2) Indiana	\$ 7.03	2) Michigan	\$ 158.00
3) Michigan	\$ 5.00	3) Illinois	\$ 102.00
4) Illinois	\$ 3.79	4) Indiana	\$ 96.00
5) Iowa	\$ 3.48	5) Minnesota	\$ 92.00
6) Wisconsin	\$ 1.10	6) Iowa	\$ 89.00

How Can Wisconsin Improve Its Image as Family Friendly?

Wisconsin Cares and the *Right From the Start Coalition of Wisconsin* propose two practical and proved ways to improve Wisconsin's family friendly image and sustain a dependable workforce by strengthening families through *interventive* and *preventive* strategies.

The first way is to establish a state Family Policy Board that interacts with local family policy councils on *interventive* and *preventive* state and local policies that affect children, youth, and families. The councils would coordinate programs and services *without significant added public cost*. They would focus currently fragmented and discontinuous individually oriented private and public policies and services on families through the local wraparound process. State/local county and regional systems of this kind have demonstrated their effectiveness in twenty-two other states, including Iowa, Minnesota, Michigan, and Ohio.

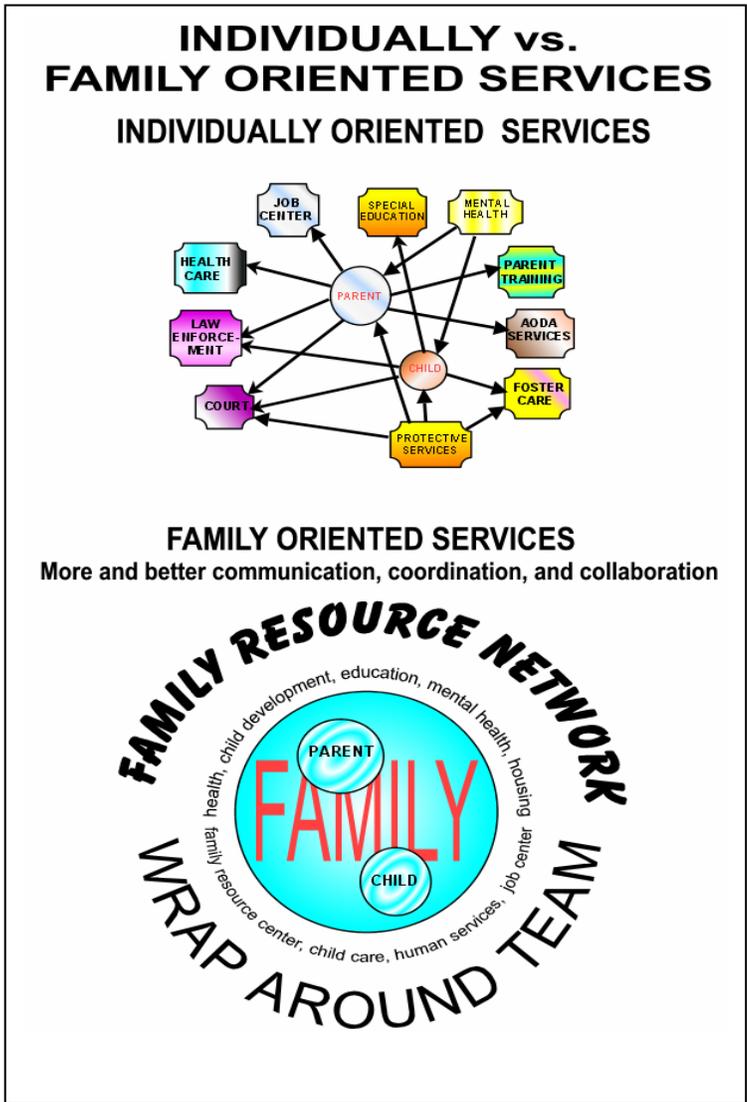
The *interventive* wraparound process is now being used in Wisconsin with some families of children with serious mental illnesses, as illustrated by Wisconsin's Children Come First program and by Wraparound Milwaukee, a program that is used as a model in other parts of the nation. This *interventive* wraparound process entails providing services through an interdisciplinary team in a family's community, drawing



upon the re- sources of all relevant programs and services. The focus of the wraparound process is on a family rather than on individual family members. This process reduces family-generated stress in the workplace, where productivity is directly related to family stability.

The second way is *Family Foundations*—a *preventive* wraparound initiative that expands a variety of existing state/local private and public programs to offer home support to all parents of newborns to ensure that all children have a good start in life. Private and public family resource programs have demonstrated their effectiveness in most other states and with twenty-five percent of Wisconsin families with newborns. *Family Foundations* exemplifies an effort to bring Wisconsin up to the level of neighboring states in investing in the workforce of the future. This initiative prepares families for childrearing so that their children will be ready for learning in school and supplements childcare and early childhood education.

The benefits of *Family Foundations* are both immediate in the present and in the long term. In the present, home support helps parents function more effectively at home and in the workplace. Ameliorating the stresses of childrearing improves the work performance of caregivers, lessens job absences and disruptions, and reduces the present costs of health care, welfare programs, and unemployment. The long-term benefits are in reduced costs of health, mental health, human, and correctional services for children, youth, and adults. If home support for the parents of newborns were available to all parents of newborns instead of the twenty-five percent now covered, Wisconsin also would burnish its image as a truly family friendly state for the family-forming age cohort of workers it seeks to retain and attract.



Conclusion

We must recognize that the strength of Wisconsin’s economy and our tax burden are directly related to the well-being of our families. In 1991, the National Commission on Children warned that, unless each state took dramatic measures to ensure that every child had a good start in life, its effective workforce would be depleted. That prediction has been fulfilled in Wisconsin.

Our state and local policy makers must recognize that families play a vital role in resolving Wisconsin's structural budget deficit and in its economic development.

Resources

The National Academy of Sciences, chartered by Congress to advise the federal government on scientific and technical matters, summarized the science of early child development in its book *From Neurons to Neighborhoods* edited by Jack P. Shonkoff and Deborah A. Phillips. One of its conclusions is that businesses should support family well-being by creating positive workplaces, offering flexible work schedules, and providing financial benefits, such as family health insurance and childcare. Further information about the Center on the Developing Child and the science of early childhood development is available on <www.developingchild.harvard.edu>.

For a discussion of the importance of attitudes in the workplace see: Cappelli, Peter. Is the "Skills Gap" Really About Attitudes? *California Management Review*: Vol.37, No.4, Summer, 1995, pp. 108-124.

Leadership and the New Science: Discovering Order in a Chaotic World by Margaret J. Wheatley is a best selling and widely acclaimed guide for applying science to organizations of all types, especially businesses. This readable book is used by corporations as a theoretical and practical basis for improving internal and external communication and workplace productivity.



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