Families who access free, full-day, universal early care earn more – for years to come

Research identifies key elements that make early care effective as labor market policy

A central rationale for early care is that it enables workforce participation, thereby strengthening families' economic stability. While there has been extensive research on the impact of early care and education on kids, there is very little evidence on the effects of early care access on parents' work and earnings. Understanding to what degree it does so, under what circumstances, and with what return on public investment is essential for effective policy design. Researchers widely acknowledge the absence of rigorous evidence. Policymakers have long called for better answers.

To address this need, Yale's economists linked 20 years of New Haven Public School pre-K lottery data with CT state data on parental earnings. Their findings provide the strongest evidence to date of the positive and lasting effect early care has on family earnings—and the most instructive on what aspects of care most effectively enhance earnings: it is **free**, **full-day** (offered at times that match typical work days), and **universal** (non-means tested).

So, what happens when families access free, full-day, universal early care?

Families' incomes immediately increase.

- Families saw their annual income increase by 22%.
- As compared to unenrolled families, average annual earnings increase by $7,200 while enrolled. Out-of-pocket childcare costs decreased by $4,500.
- Families' net benefit is $11,700 annually during the pre-K years.

Families earned more because free all-day early care allowed them to work more.

- Parents make use of the additional care, accessing an extra 11 hours of weekly childcare and working 13 more hours per week (a 46% increase) compared to parents of non-enrolled children.
- Parents are more likely to work full-time when early care hours allow them to. This enables significantly greater economic well-being during the early care years—and beyond.

Other families had a harder time balancing childcare alternatives with work.

- Most other parents (89%) whose children are not enrolled in free, full-day early care enrolled in alternative programs that cost money or offered fewer hours—or both. (11% receive no childcare.)
- Other parents who find alternative programs or don't receive care were more likely to: work fewer hours, take part-time roles, and experience disruptions in employment—causing them to earn less.

After pre-K, families are on a better earnings trajectory for years to come.

- Parents who are able to work more while their kids are in early care also see their earnings increase after their kids begin K-12.
- As compared to unenrolled families, annual earnings average $8,500 higher for each of the next six years (as far out as the study can reliably see).
- Other families who miss out on free, all-day early care face comparative economic setbacks. It takes 7 years or more to close the earnings gap with participating families, if they ever do.

- Why does the earnings gap persist after parent work hours even out? Strong evidence shows full-time employment continuity is important for earnings growth.

Free, full-day pre-K is effective labor market policy with notably high ROI.

- Each dollar of government expenditure yields at least $5.51 in societal benefits when accounting only for parents' economic gains (excluding longer-run gains of children).
- Returns on government spending are much larger than most other major programs that seek to incentivize work.
- Researchers find that free, all-day early care is "one of the most cost-effective active labor market policies ever evaluated in the US."

Children in low-moderate income working families benefit most educationally.

- Families with incomes slightly above the threshold for subsidy programs (like Head Start; CCDBG) often struggle to afford market-priced childcare alternatives.
- These families fall into a "donut hole" between subsidies and affordability, and experience the most significant challenges affording care.
- The study finds children from these families show the most substantial and enduring educational benefits from accessing the program.
- While both middle-class families and those qualifying for subsidies receive fewer hours of care than lottery winners, middle-class families may stretch their budgets to afford higher quality market-rate care. Subsidy-qualifying families have access to Connecticut's higher quality child care for free or at discounted rates.

What it means for policymakers:

Policymakers can design early care policy to **measurably and significantly enhance family economic well being**: enabling parents to work the hours they want, achieve greater economic stability, and reduce financial stress.

Evidence shows early care that is **free, non-means tested, and aligned with normal work hours** (including time for drop-off and pick-up) are what unlocks significant economic opportunity.

Because these characteristics are **extensible beyond public pre-K**, so are the results: both to pre-K and similar programs outside of public school systems, as well as to childcare programs for **working parents of younger children (0-3)**.

The incremental cost increases of work-enabling care **unlock large value for the public investment**, with returns that are large and lasting.

All figures are averages and dollar amounts are adjusted for inflation (2024 $).

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