

Reducing NYC's Wage-Earner Inequity through Universal Pre-K

Norm Fruchter &
Christina Mokhtar-Ross

A 2021 research study by the NYC Independent Budget Office (IBO) and the city's *Gotham Gazette* found that NYC's income inequality was substantially reduced during Bill de Blasio's mayoralty. The IBO analysis measured income inequality by examining the ratio of the income of top earners to the income of the bottom half of the city's distribution, excluding the outliers in each group.

Using city tax returns, the IBO's analysis found a significant increase among wage-earners in the bottom half of the city's income distribution from 2014 to 2019. According to several economists interviewed by Elizabeth Kim, who wrote the *Gotham Gazette* story, the percentage gain by the city's lowest-income earners is quite unique. A significant reduction in wage-earner inequality contradicts both national and local trends that are widening income gaps. These remarkable NYC findings raise a critical question: which de Blasio policies may have contributed to this increase in equitable income distribution?

Kim's story suggests that several city and state policies enacted during the de Blasio years may be contributory: the statewide increase to a \$15 minimum hourly wage; new union contracts negotiated under de Blasio that raised municipal wages; the enactment of a minimum wage standard for Uber and Lyft drivers; and the burgeoning local economy across the de Blasio years. As Kim's story indicates, de Blasio himself credits his universal pre-k program with improving city wage-earner and family economic improvement and contributing to the citywide reduction in income inequality.

Research will eventually establish which city policies were responsible for this unique reduction in income gaps. But let's suppose that de Blasio's universal pre-k policy was one of the major factors. How might citywide pre-kindergarten for all the city's four-year-olds have contributed to a substantial reduction in citywide income inequality?

Some of our previous blogs have explored de Blasio's expansion to universal pre-k and its associated gains and costs. About 80,000 four-year-olds and their families ultimately benefited from de Blasio's initiative. Aside from what this dramatic growth in early childhood education contributed to participating children's cognitive and socio-emotional development, what were some of the economic spillover effects?

First, there was a reduction in child-care expenditure for the families of those 80,000 four-year-olds whose full-day schooling was now part of the city's education budget, rather than a family expense. But family savings on childcare expenditures would not have contributed to reducing the city's income gap. Instead, thanks to universal pre-k, many families have enjoyed significantly more disposable income because the city now meets their previous child-care costs.

But assume that in some substantial percentage of the families of those 80,000 four-year-olds, parents or extended family members, primarily low-income women and women of color who had been providing home care for their four-year-olds were now free to join or re-enter the city job market. Their new wages undoubtedly contributed to reducing the citywide income gap and reduced the gender income gap as well. Moreover, the expansion necessary to provide universal pre-k for all eligible four-year-olds generated a vast expansion of pre-k in both public schools and community-based non-profit agencies. This expansion required large numbers of new and returning caregivers to fill those positions. Moreover, because parity between public and non-profit providers' pay scales ultimately became a principle of the new reform, the entire pre-k sector likely contributed to reducing income inequality across the city.



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As research continues to explore the benefits and multiplier effects of the city's pre-k and allied reforms such as full-day schooling for three-year-olds, we will learn more about how such reforms contributed to reducing income inequality across the city. But we already know enough about universal early childcare's benefits to understand why such reforms are critical to improving the life chances of our most vulnerable children. The work of James Heckman, a Nobel laureate and economist at the University of Chicago, has demonstrated the significance of high-quality early childhood education to the life outcomes of participating children. Heckman and his colleagues' studies of the original participants, their siblings and their offspring who were part of the Perry Preschool and Abecedarian preschool programs demonstrate that children who participate in high-quality early childcare experience improved cognitive and socio-emotional skills. They also experience fewer school suspensions, higher levels of employment, and lower levels of participation in crime and teenage pregnancy, compared with the control groups' children.

Recent research by Heckman and his colleagues also finds long-term health effects of early childhood interventions for disadvantaged children that incorporate early education, nutrition, and health. Decades later, individuals who participated in early childhood treatment groups faced significantly reduced risk for cardiovascular and other diseases such as stroke and diabetes. These findings demonstrate the great benefits of high-quality early childhood programs to prevent chronic disease and reduce healthcare costs. Heckman's research also suggests a 7-10% rate of return for investments in high-quality early childhood education for disadvantaged children annually through better outcomes in education, health, sociability, economic productivity, and reduced crime.

The New York State legislature's most recent budget deal calls for \$7 billion in early child care funding over the next four years, which could pave the way for universal child care and greatly expand access for New York City families according to a recent article published by Chalkbeat NY.

Among the groups advocating for expanding New York State's childcare provision is the Alliance for Quality Education (AQE), which for years has led the struggle to fully fund the state courts' decisions in the Campaign for Fiscal Equity's epoch struggle to achieve fiscal equity for the state's schools. "When a parent stays home due to a lack of childcare, they lose out on income," AQE argues. "Businesses lose out on workers and productivity. And all of us lose out on the revenue the State can't collect from lost income, sales and business taxes — revenue that could be reinvested into our communities in the form of schools, healthcare, jobs and childcare expansion."

Adding to all the gains to children's futures that high-quality early childcare provides, the IBO/*Gotham Gazette* study suggests that programs such as universal pre-k also contribute to reducing municipal wage-earner inequalities. Given all the benefits that good early childcare provides to children and to a more just and thriving society, let's hope the New York State legislature leads the way to universal high-quality free child care.