

# Regular, Monthly Unconditional Cash Gift Increases Families' Investments in Young Children<sup>1</sup>

## THE BABY'S FIRST YEARS STUDY

Baby's First Years (BFY) is a randomized control study designed to identify the causal impact of a poverty reduction intervention on early childhood development. One thousand mothers with incomes at or near the official federal poverty line and their newborns were recruited from 12 hospitals in four ethnically and geographically diverse U.S. communities in 2018 and 2019.



Families were randomized to receive a high-cash (\$333/month) or low-cash (\$20/month) gift for the first several years of their child's life, with payments beginning right after birth. The BFY cash gift is automatically deposited each month to a debit card on the day of the child's birth. More about the study, pre-registration of measures, and analyses can be found [here](#).



## OVERVIEW

Healthy development in the early years of children's lives builds the foundation for future development. Young children thrive when their basic needs are met by having stable housing, safe neighborhoods, nutritious food, and medical care as well as safe, stable, nurturing relationships. Income supports families' abilities to provide enriching environments for their children. Yet many families do not have enough money to care for their children in the way they would like. This brief summarizes findings from The Baby's First Years study, examining the ways in which a monthly unconditional high-cash gift has been used to support children's learning and development. Results from the study highlight that such aid resulted in investments in children by increasing parents' spending on child-specific goods and time spent on early learning activities.

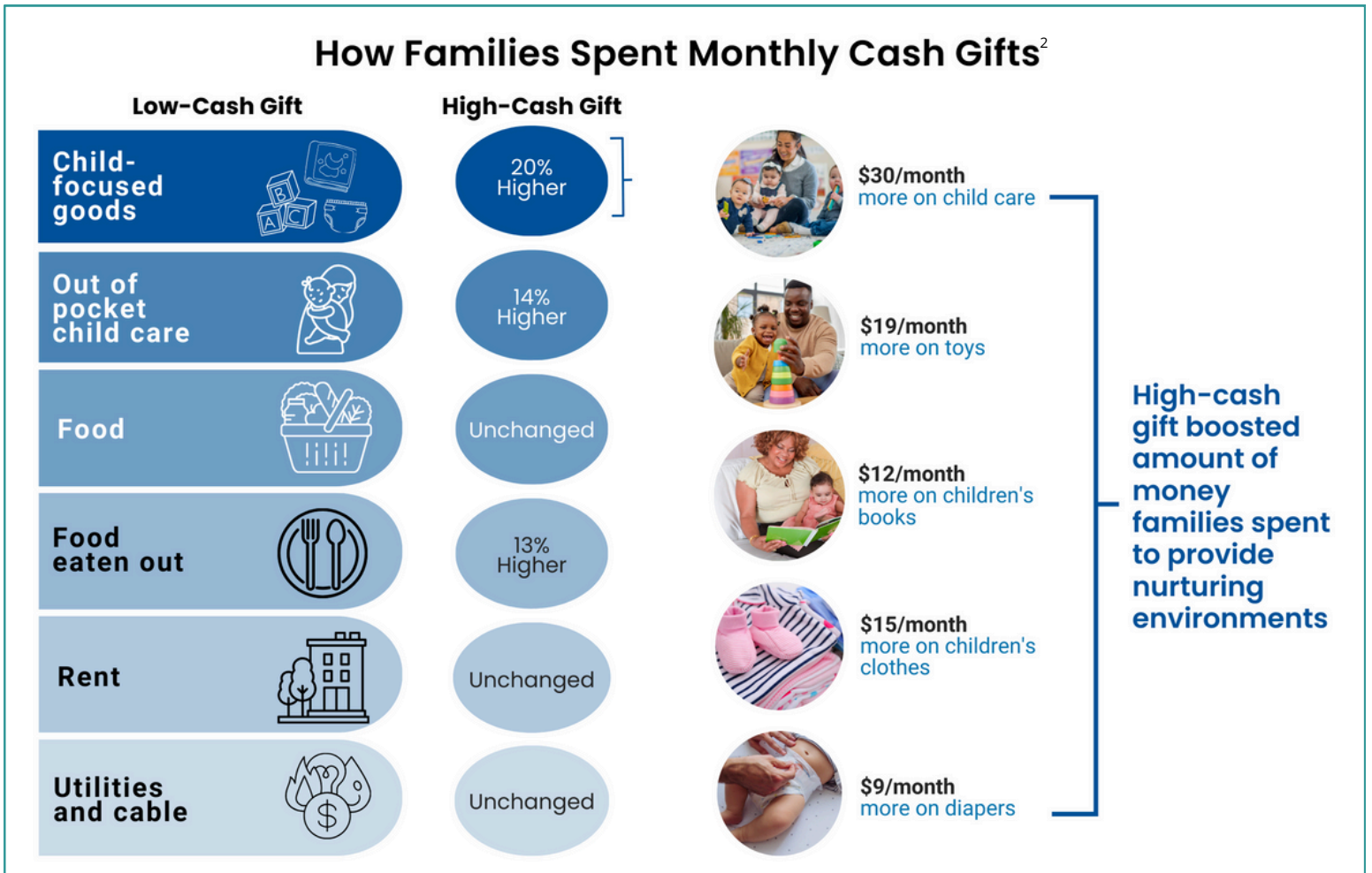
## HOW FAMILIES SPENT THEIR INCOME (INCLUDING THE UNCONDITIONAL CASH GIFT)

Higher income among families with very low financial resources might increase family purchases of basic household goods like food or the quality or quantity of child-specific purchases, including educational materials or child care. Higher income might also give parents more choices to restructure their time in paid work, time with children, or time spent investing in their own education, health or self-care, including sleep.

Overall spending on total household expenditures including utilities, cable/internet/phone and food was higher among high-cash gift families, but none of the individual categories except for food eaten out of the home differed between high- and the low-cash gift families. Families in the high-cash gift spent, on average, \$68 more in the prior month on child-specific goods, including \$12 more in the prior month on books, which equates to approximately one to two books more in the home per month.

<sup>1</sup> Recommended citation for the information in this brief is: Gennetian, L.A., G. Duncan, N. Fox, S. Halpern-Meehin, K. Magnuson, K.G. Noble, and H. Yoshikawa (2024). Effects of Monthly Unconditional Cash Transfer Starting at Birth on Family Investments Among U.S. Families with Low Income. *Nature Human Behavior*. See the article for full text and references. <https://www.nature.com/articles/s41562-024-01915-7>

## How Families Spent Monthly Cash Gifts<sup>2</sup>



### KEY FINDINGS

**Compared to mothers receiving the low-cash gift, those receiving the high-cash gift reported more time and resources invested in their child:**

- More time in early enriching activities, including reading and telling stories to their child.
- More spending—approximately \$68 (or 19 percent more)—in the prior month on child-specific goods, including increased spending on toys (\$18), activities (\$15), clothes (\$15), books (\$12), and electronics (\$8).
- More spending—\$29 more in the prior month—on out-of-pocket expenses for child care.
- More likely to purchase a highchair the year after the child's birth but no more likely to purchase other infant durable goods such as cribs, car seats, or safety devices.

**Compared to families in the low-cash gift group, those in the high-cash gift group had:**

- Similar rates of maternal employment, though high-cash gift mothers reported working slightly fewer hours primarily during the peak of the COVID-19 pandemic.
- \$245 more dollars (about 11 percent) in net monthly household income when combining the high-cash gift (\$333) with other sources of household income.<sup>3</sup>
- Despite lower poverty levels among high-cash gift families, income levels remained low three years after cash gift receipt began, with more than 92 percent of both the high- and low-cash gift families residing below 200 percent of the official federal poverty line.
- High- and low-cash gift families had similar household net worth, savings, and debt three years after cash gift receipt began.

<sup>2</sup> The estimates in the figures slightly differ from Gennetian et al., (2024) in that they are a transformation of the high-cash gift impact into percent change differences derived from marginal predictions adjusting for characteristics of families collected at study entry that are in pre-registered analyses, an indicator for the interview method (phone/in person) and a measure of child age at time of data collection interview.



## TAKEAWAYS

Evidence about how families respond to direct income support as a poverty alleviation strategy is crucial in light of economic policy debates about how parents might spend such support and whether parents would reduce their time in the labor market or become dependent on government aid.

Overall household income increased among families receiving the BFY high-cash gift. Household earnings did not change. Mothers in the high-cash gift group were as likely to be employed as low cash-gift mothers but did make some adjustments to their work hours by reducing very long hours (>40 hours/week) or shifting to part-time work. Additionally, mothers in the high-cash gift group reported increasing the amount of time they spent engaging with their children on early learning tasks like reading and telling stories. In a qualitative component of the BFY study, many mothers described the monthly cash gift as “the baby’s money,” whether it was spent directly on the child or used in other ways to support the child.

Federal and state assistance that targets families with young children often stipulate requirements on recipients or impose restrictions on how aid can be spent. Evidence from the Baby’s First Years study helps contribute to understanding the additional ways that unconditional cash can enable family investment choices in ways that support their children’s development and complement existing social assistance programs.



<sup>3</sup> The amount is less than \$333 because some reductions occurred in household earnings and income from other sources in the high-cash gift families. The changes were not significant or meaningful enough to fully offset the money received from the cash gift. No differences were found on spending on other types of goods, including food, utilities and cable, remittances, rent, and alcohol and cigarettes between high- and low-cash gift families.