RESEARCH REPORT

How Might Equity Scoring Apply to Federal Legislation?

Examples from Recent Family Policy Proposals

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ABOUT THE EQUITY SCORING INITIATIVE

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Federal legislation is fundamental to building a nation in which all can participate, prosper, and reach their full potential. Since our nation's founding, in many ways, federal legislation has created and exacerbated racial inequities, leaving one-third of the population experiencing material poverty and preventing our democracy from realizing the promise of equity.

To ensure the federal government serves us all, we must accurately understand and assess whether every policy advances or impedes equity.

The Equity Scoring Initiative (ESI) exists to establish the foundation for a new legislative scoring regime. By scoring for equity, we can begin to create an accountable, responsive democracy.

ABOUT THE URBAN INSTITUTE

The Urban Institute is a nonprofit research organization that provides data and evidence to help advance upward mobility and equity. We are a trusted source for changemakers who seek to strengthen decisionmaking, create inclusive economic growth, and improve the well-being of families and communities. For more than 50 years, Urban has delivered facts that inspire solutions—and this remains our charge today.

ABOUT POLICYLINK

PolicyLink is a national research and action institute advancing racial and economic equity by Lifting Up What Works®. To advance equity, PolicyLink advocates for groundbreaking policy changes that enable everyone, especially people of color, to be economically secure, live in healthy communities of opportunity, and benefit from a just society. PolicyLink is guided by the belief that the solutions to the nation's challenges lie with those closest to these challenges: when the wisdom, voice, and experience of those traditionally absent from policymaking drive the process, profound policy transformations emerge.

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How Might Equity Scoring Apply to Federal Legislation?

In the past year alone, some policy researchers and funders have increased calls to score federal and state legislative proposals for equity, resulting in the launch of new scoring initiatives. These initiatives have taken different forms: a year-end scoring of state legislative proposals for how they advance equity,[1] a score for related legislative proposals specific to issues such as housing or the criminal legal system,[2] and scoring individual legislative proposals for their ability to improve equitable access or outcomes.[3] What this past year has demonstrated is that equity scoring is both feasible and desirable. These initiatives show demand and interest in using equity assessments to influence policy as it is designed, not just to offer a postmortem after new policies are in place. Scoring legislation for equity will require establishing and using robust analytical frameworks to deliver results for the 100 million people in this nation with low incomes (living on income at or below 200 percent of the federal poverty level).

To further test the scoring concept, this paper considers the potential equity impacts of an expanded child tax credit and the Family and Medical Insurance Leave (FAMILY) Act. These family-focused policy interventions have been proven effective at improving outcomes for low-income families and families of color. For example, our analyses find that full expansion of the child tax credit would help lower poverty rates experienced by families of color while benefiting all families receiving the credit regardless of racial and ethnic background. Similarly, expanding paid family leave coverage through the FAMILY Act would increase access to paid family and medical leave for all workers while reducing gaps in access for Hispanic and Black workers.[*]

Our impact analyses and forecasts of these policies help demonstrate the combined benefit of reviewing the systemic effects of policies on current inequities and then determining the most opportune levers to reduce them. As we will discuss throughout the paper, this kind of diagnostic assessment can help policymakers evaluate whether equity-focused policies or amendments to policy interventions could achieve benefits for all.

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[*] We use "Hispanic" throughout this paper because it is the primary term the US Census Bureau uses in the American Community Survey (ACS), and our analysis of the child tax credit expansions uses ACS data. We acknowledge that this language may not reflect how people describe themselves and are committed to using inclusive language when possible. We use "Black" to refer to people who may describe themselves as Black or African American, excluding those who would describe themselves as Hispanic.

Methodology and Design Considerations

As discussed in our previous paper, *Scoring Federal Legislation for Equity*, the underlying infrastructure for equity scoring exists today in the federal legislative process (Ashley et al. 2022). Most notably, the data and analytic tools for scoring for equity could follow the model of budget scoring, which the Congressional Budget Office already uses for legislative proposals.

Under budget scoring, Congressional Budget Office analysts estimate a 10-year budget impact for new policies. Legislative proposals, or packages of proposals, that fall within agreed-upon thresholds for budget impact advance more easily to be debated or enacted by Congress, effectively deprioritizing proposals that would increase spending beyond established thresholds. Equity analysis and scoring could use a similar approach, in which proposals projected to worsen key outcomes between groups would be deprioritized. The novel contribution of equity scoring is the differential impact—by race and ethnicity, gender, or other characteristics—of proposed legislation.

To be sure, there are critical analytical differences between producing an equity score and a traditional budget score. Unlike budget scoring, which focuses on a single outcome or unit of analysis (dollars at a national level), equity analyses and scoring may include various quality-of-life outcomes (health, wealth, or education) that could be measured at a household, community, or national level. We use the term "score" to emphasize that our equity assessments, like budget assessments, should be part of the legislative process and could have similar thresholds for determining which proposals advance for debate.

The ability to score potential legislation for equity along demographic dimensions continues to be challenged by the limited availability of individual or household demographic data attached to the outcomes of federal policies. Even with available data, measuring equity has many conceptual and analytic challenges. A given policy may narrow differences between some groups on some dimensions of equity (such as gender) while widening them on others (such as disability). This paper grapples with this tension while illustrating the feasibility and utility of a score.

The measures and analyses of processes and the outcomes related to racial equity included here aim to demonstrate whether and how well the projected impact of a policy or program ensures that race no long determines who benefits from a policy. For example, if baseline levels of health between racial groups differ before a proposed policy, and those disparities remain after the proposed policy is enacted, one could conclude that the policy does not achieve or enhance racial equity. An equity scoring approach can take us beyond current disparities-focused analyses of policies and programs and lead us to analytical frameworks that promote structural and systemic reforms.

Our preliminary approach in this paper is to measure whether key policies could achieve racially equitable outcomes (future papers will also include analyses of other forms of equity). We do so by considering (1) if a policy improves outcomes, on average, for all racial and ethnic groups, (2) if the gaps between previously better-off and worse-off groups narrow, and (3) whether the policy harms any particular group.

The policies in this paper related to family well-being illustrate some common challenges of equity scoring: the policies reach different proportions of the population, and their impacts are influenced both by accessibility/eligibility policy rules and by individuals' decisions to participate. Further, the underlying data on race and ethnicity for both examples vary in quality and completeness. Even with these challenges, the examples illustrate that equity assessments are possible in various scenarios while highlighting the limitations of certain policies and data.

Our first policy example is the expansion of the child tax credit. Here the data and the analytic capabilities largely exist to score or assess how different expansions to the credit affect child poverty. Our second example considers a national paid family leave program. Here the data and modeling to assess equity are less developed. We have limited data on the impact of paid family leave programs across states and rely on estimates from a paid family leave model developed for the Department of Labor.

In each example, we describe the policy proposal, its goal, the data we use for analysis, and the model we use to estimate the policy's potential effect. We then review the results and discuss implications of the remaining gaps between racial and ethnic groups. The conclusion discusses policy implications and remaining analytic challenges.

Policy Example 1: The Child Tax Credit

Cash benefit programs like the child tax credit (CTC) effectively protect families who are more likely to be exposed to economic insecurity, including low-income families and families of color who are disproportionately impacted by job volatility, unaffordable housing, and other financial pressures.[4] The enormous infusion of funds to families with children in response to the COVID-19 pandemic drove child poverty in the US to historic lows (Creamer et al. 2022; Wheaton, Giannarelli, and Dehry 2021). But those gains will prove ephemeral as the temporary increases in aid expire. Here we consider how making one pandemic policy change—the expansion of the child tax credit—permanent could reduce

overall child poverty as well as racial and ethnic differences in poverty. While we focus on child poverty as an outcome, we could score other outcomes, such as changes in average after-tax income.

What Is the Policy?

Congress enacted the child tax credit in 1997 (Crandall-Hollick 2021). Originally, the CTC provided a $400 per child nonrefundable credit largely targeted at middle- and upper-middle-income families.[5] Because the credit was nonrefundable, families could only use it to reduce the federal taxes they owed; families with no taxable income received no benefit from the credit. Since then, the CTC has been expanded several times, increasing its value and making it partially refundable so families with low incomes and no federal income tax liabilities could receive some benefits. Under current law, the credit is worth $2,000 per qualifying child, of which $1,400 is fully refundable. The refundable portion is $1,500 for 2022 and will rise to $1,600 in 2023.

In 2021, the American Rescue Plan temporarily expanded the CTC in three important ways. First, parents could claim the credit for children up to age 17 instead of age 16. Second, the credit increased to $3,000 per child for children between the ages of 6 and 17 and to $3,600 for children from birth to age 5. Third, the credit became fully refundable, meaning a family with no taxable income could receive a payment equivalent to the value of the credit.[6] For many families, the difference in the value of the tax credit is substantial. For example, a single parent with two children above the age of 6 earning $14,500 a year would receive $6,000 under the expanded credit (Hendricks and Roque 2021) compared with $1,800 under the "traditional" CTC.[7]

These three expansions to the CTC all expired at the end of 2021. Here we consider how making those expansions permanent would affect racial equity. We estimate the effects of a permanently expanded CTC that includes full refundability, higher credit amounts, and extending the maximum age to 17. We also estimate the individual effects of enacting the higher credit amount or full refundability.

What Outcome Are We Scoring, and What Type of "Score" Can We Produce?

The CTC expansions aim to put more cash in the hands of families raising children, particularly families with low incomes. As such, we focus our equity assessment on how well the CTC expansions reduce child poverty. Because the official poverty measure does not take taxes into account, we focus on the Supplemental Poverty Measure, which captures both a family's needs (explicitly considering out-of-pocket work, health, and housing expenses) and a family's resources (counting the value of in-kind

benefits and taxes).[8] Because we have the tools to measure "supplemental" poverty under current law and to project it under the CTC expansions, we can provide point estimates of the expansions' impacts on child poverty overall and by race and ethnicity.

Where Do the Data for This Equity Scoring Come From?

To project the impacts of CTC expansions on child poverty, we use the Urban Institute's Analysis of Transfers, Taxes, and Income Security (ATTIS) model and data from the 2018 American Community Survey (ACS). ATTIS simulates eligibility and benefits in major government programs and models federal and state income taxes and credits (Pyati 2020).[9] ATTIS determines each family's income and poverty status, before and after a policy change, taking into consideration household composition, family structure, income, benefits, and tax liability.

Because ATTIS relies on household survey data, it lacks some of the details that would be provided in estimates based on administrative federal tax data. For example, the ACS does not identify tax-filing units and dependency status, so ATTIS assigns this information based on the family relationship, age, and income data reported in the ACS. We use ATTIS, rather than a model based on tax administrative data, for these estimates because federal income tax administrative data do not include the information on race and ethnicity needed for this analysis; they also lack information on nontaxable sources of income and program benefits that affect a family's poverty level. Further, the federal tax administrative data lack information on families who do not currently file income taxes but could be eligible for an expanded CTC. These families are included in the ACS data.

Families generally need to file a tax return to receive the CTC, but during the 2021 American Rescue Plan expansion, they could request the credit through other means. While some eligible families may not file tax returns, the Treasury Department estimated that the families of 60 million eligible children (over 80 percent of all children) received an advanced CTC payment in July 2021. Thus, the expanded CTC more than likely reaches the vast majority of children. Further, because the CTC directly increases the cash available to families with children, by definition it will reduce child poverty. Although some policymakers have expressed concern that an expanded credit will lead some parents to work less and lose out on earned income, there is little evidence that families' work behaviors changed after the temporary expansion of the CTC in the second half of 2021.

How Do We Estimate or Understand the Potential for Achieving Equity?

The ATTIS model acts like an accountant and computes a family's after-tax income under current law and then again under the CTC expansion provisions. We use those income measures to determine if a family's income falls below the poverty level for a family of that size and composition with those health, work, and other expenses. Specifically, we calculate the CTC amount and compute poverty rates under the current provisions and then recompute them increasing the benefit amount to $3,600 per child for children from birth to age 5 and to $3,000 per child for children ages 6 to 16; making 17-year-old children eligible for the $3,000 credit; and making the credit fully refundable. We consider the credit as augmenting income in the year that it is earned, rather than in the year it is received—traditionally, families receive the credit after they file their taxes based on their income in the prior calendar year. Expanding the CTC also affects state taxes in some states (Maag and Weiner 2021). We account for those changes in our analysis.

We assume that no adults will change their work behavior as a result of the expanded credit, based on analysis showing no decline in working rates during July–December 2021 when the first half of the American Rescue Plan–funded expanded CTC benefit was distributed (Hamilton et al. 2022; Karpman et al. 2022). Further we assume that some eligible families who would not otherwise file taxes do not take the additional step necessary to file taxes and claim the expanded credit. Specifically, we assume that 22 percent of families who become eligible for the credit after expansion will not claim it.[10] In practice, the households representing more than 80 percent of all children received advanced payments of the expanded CTC in July 2021, the first of six months in which the expanded credit was available.[11]

Our equity assessment compares the percentage-point reduction in child poverty rates by race and ethnicity. The largest overall reductions in child poverty rates and the largest reductions for the group with the highest baseline child poverty rates would be considered the most equity-enhancing.

What Are Our Findings?

We compare two of the expanded CTC's individual components—full refundability and a higher maximum benefit level—to the CTC with all three components. We find that the expanded CTC that combines full refundability, a larger credit amount, and increasing the eligibility age to 17 has the largest effects on reducing the child poverty rate and thus is the most equity-enhancing version of the proposal. It meets the criteria of overall reductions in child poverty—in this case, by dropping the average child poverty rate to less than 10 percent—and the largest reductions in poverty for those groups with the highest baseline child poverty rates: Hispanic and Black, non-Hispanic families.

As previously shown in Acs and Werner (2021), expanding the CTC would reduce poverty for children from all racial and ethnic backgrounds, with particularly large impacts for Black, non-Hispanic children (table 1 and figure 1). Expanding the CTC would cut poverty among these children in half, from 20.4 to 10.1 percent, meaning 1 million fewer Black, non-Hispanic children would be living in poverty. Poverty among Hispanic children would also be cut dramatically: their poverty rate would fall from 24.2 to 15 percent, and 1.7 million fewer Hispanic children would be poor. Poverty rates for Asian American and Pacific Islander (AAPI) children would fall from 14.9 to 11.3 percent, a reduction of 127,000 children, and poverty for non-Hispanic white children would fall from 7.7 to 4.4 percent, reducing the number in poverty by 1.2 million.

TABLE 1

Child Poverty Decreases Substantially after Expansion of the Child Tax Credit's Multiple Components

	Share (%)		Number (thousands)	
	Before expansion	After expansion	Before expansion	After expansion
All children	**14.2**	**8.4**	**10,403**	**6,109**
Asian American and Pacific Islander children	14.9	11.3	527	400
Black, non-Hispanic children	20.4	10.1	1,982	981
Hispanic families	24.2	15.0	4,489	2,778
White, non-Hispanic children	7.7	4.4	2,818	1,631
Children identifying as another race or multiple races	13.0	7.1	587	319

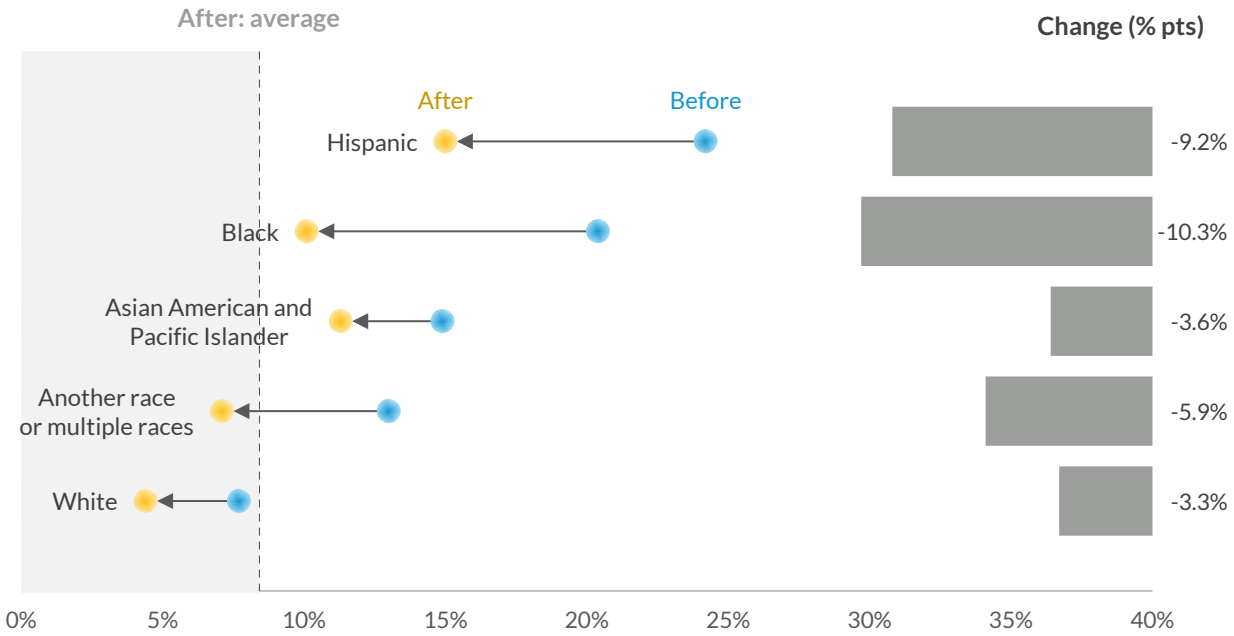
Source: Urban Institute's Analysis of Transfers, Taxes, and Income Security model, using data from the 2018 American Community Survey.

Notes: Poverty is measured using the Supplemental Poverty Measure. We use "Hispanic" because it is the primary term the US Census Bureau uses in the American Community Survey. "Another race or multiple races" includes Native Americans and Alaska Natives, people who identify as more than one race, people who do not identify with any race, and people who report that they are some other race not elsewhere classified.

Figure 1 shows the poverty rate changes before and after the expansion (blue dots and yellow dots, respectively), and the total changes in child poverty rates for each racial and ethnic group (the gray bars on the right). Despite the overall improvement, a sizable gap in poverty rates remains between families of color and white families after the expansion. In addition, the rank order between groups is largely similar: children in white families still have the lowest poverty rate, and children in Hispanic families still have the highest poverty rate. The fact that the average poverty rate is projected to remain high—above 8 percent—suggests that tax policy alone is not enough and that additional policy solutions will be required to reduce child poverty overall and close the gap between groups.

FIGURE 1

Share of Children in Poverty Decreases Significantly after Expansion of the Child Tax Credit



Source: Urban Institute's Analysis of Transfers, Taxes, and Income Security model, using data from the 2018 American Community Survey.

Notes: Poverty is measured using the Supplemental Poverty Measure. We use "Hispanic" because it is the primary term the US Census Bureau uses in the American Community Survey. Black and white families are non-Hispanic. "Another race or multiple races" includes Native Americans and Alaska Natives, people who identify as more than one race, people who do not identify with any race, and people who report that they are some other race not elsewhere classified.

We next examine how the key components of the CTC expansion affect child poverty. First, we consider the increase in the value of the credit from $2,000 per child to $3,000 per child age 6 to 16 and to $3,600 per child through age 5. (The increased value does not change the amount that is refundable, and we do not increase the age limit to 17.) If only the dollar value of the CTC is increased, projected reductions are modest: poverty would fall from 14.2 percent to 14.0 percent, meaning 166,000 fewer children would live in poverty (table 2). The increased value of the credit has the largest impact on poverty among Hispanic children, reducing poverty by 0.4 percentage points (74,000 children), perhaps related to the number of Hispanic parents working at low wages but earning enough to qualify for the full credit. Poverty among AAPI children falls by 0.35 percentage points (12,000 children). Poverty among Black children falls by 0.21 percentage points (20,000 children), and poverty among white children falls by 0.14 percentage points (53,000 children).

TABLE 2

Child Poverty Decreases Only Slightly with the Increased Value of the Expanded Child Tax Credit

	Share			Number (thousands)		
	Before (%)	After (%)	Change (% pts)	Before	After	Change
All children	**14.2**	**14.0**	**0.23**	**10,403**	**10,237**	**166**
Asian American and Pacific Islander children	14.9	14.6	0.35	527	515	12
Black, non-Hispanic children	20.4	20.2	0.21	1,982	1,962	20
Hispanic children	24.2	23.8	0.40	4,489	4,415	74
White, non-Hispanic children	7.7	7.5	0.14	2,818	2,765	53
Children identifying as another race or multiple races	13.0	12.8	0.15	587	580	7

Source: Urban Institute's Analysis of Transfers, Taxes, and Income Security model, using data from the 2018 American Community Survey.

Notes: Poverty is measured using the Supplemental Poverty Measure. Categories may not sum to totals because of rounding. We use "Hispanic" because it is the primary term the US Census Bureau uses in the American Community Survey. "Another race or multiple races" includes Native Americans and Alaska Natives, people who identify as more than one race, people who do not identify with any race, and people who report that they are some other race not elsewhere classified.

Next, we consider the impact of making the CTC fully refundable but keeping its value at $2,000 per child and the age limit at 16. Full refundability reduces child poverty more than increasing the CTC's value does because families with children that don't qualify for the full credit are very likely to have incomes below the poverty level, and the additional financial support from full refundability is enough to lift some of these families out of poverty. Making the credit fully refundable would reduce child poverty by 3.1 percentage points, lifting 2,250,000 children out of poverty (table 3). Full refundability drives more than half the percentage-point reduction in child poverty from the full set of expansions. Again, children from all racial and ethnic backgrounds would benefit, and Black children would see the largest declines in poverty—6.5 percentage points—compared with 4.2 percentage points for Hispanic children, 1.7 percentage points for white children, and 1.4 percentage points for AAPI children.

The combined effect of full refundability and the higher value of the CTC removes 4.1 million children from poverty. An additional 200,000 children are removed from poverty when the age limit is increased to 17, yielding the total 4.3 million reduction in poverty from the combined provisions of the expanded CTC (Acs and Werner 2021). (Box 1 explains how our assumptions about families' take-up of the CTC influence our results.)

TABLE 3

Full Tax Credit Refundability Drives the Poverty Reduction of the Expanded Child Tax Credit

	Share			Number (thousands)		
	Before (%)	After (%)	Change (% pts)	Before	After	Change
All children	**14.2**	**11.2**	**3.08**	**10,403**	**8,153**	**2,250**
Asian American and Pacific Islander children	14.9	13.6	1.36	527	479	48
Black, non-Hispanic children	20.4	13.9	6.46	1,982	1,354	628
Hispanic children	24.2	20.0	4.20	4,489	3,709	780
White, non-Hispanic children	7.7	5.9	1.73	2,818	2,184	634
Children identifying as another race or multiple races	13.0	9.4	3.56	587	426	161

Source: Urban Institute's Analysis of Transfers, Taxes, and Income Security model, using data from the 2018 American Community Survey.

Notes: Poverty is measured using the Supplemental Poverty Measure. Categories may not sum to totals because of rounding. We use "Hispanic" because it is the primary term the US Census Bureau uses in the American Community Survey. "Another race or multiple races" includes Native Americans and Alaska Natives, people who identify as more than one race, people who do not identify with any race, and people who report that they are some other race not elsewhere classified.

BOX 1

How Well Will the Benefit Reach Eligible Families?

The antipoverty effects of the child tax credit will be influenced by how many eligible families apply for and receive the credit. We anticipate that most eligible tax filers will receive the credit if they apply. But people who do not ordinarily file taxes would need to register with the IRS to receive the credit. This may be harder for some families with low incomes. For example, the "unbanked" (those without a formal account for deposits), those with less than a high school degree, and Spanish speakers were less likely to receive the advance/automatic CTC in 2021 than other people (Curran 2021). How much poverty falls depends on how many people who do not typically file taxes obtain the credit.

For our projections, we assume all eligible tax *filers* and 78 percent of eligible *nonfilers* will receive the credit. We select nonfilers randomly. Our analysis does not capture if some subgroups of eligible nonfilers, by race and ethnicity, are less likely to receive the expanded CTC than others.

Overall, we estimate 69.6 million children would receive the benefit in a typical year. This is somewhat higher than the 65 million children the White House estimates will benefit from the expanded CTC in 2021.[a]

[a] White House, "Fact Sheet: State-by-State Analysis of American Rescue Plan Tax Credits for Families and Workers," news release, March 8, 2022, https://www.whitehouse.gov/briefing-room/statements-releases/2022/03/08/fact-sheet-state-by-state-analysis-of-american-rescue-plan-tax-credits-for-families-and-workers/.

What Are the Limitations of Our Analysis?

Using an established model like ATTIS and a major federal data source like the ACS to look at the antipoverty effects of CTC expansions by race and ethnicity goes a long way toward generating a reliable and useful equity score. One limitation with this model is that we do not have data on actual CTC receipt: instead, we calculate receipt based on the income and demographic information available in the ACS. We assume everyone eligible for the CTC in the baseline receives it (and that there are no eligible nonfilers). The ATTIS baseline captures 95 percent of the actual CTC amount distributed in 2018 according to IRS data, suggesting the data are reliable. A second limitation is that all income data in the ACS data are self-reported and are thus subject to recall error (though we align participation in government programs to reach targets from administrative data). Finally, while this policy was implemented nationwide, process hurdles, such as signing up for the benefit, might be difficult in ways that could disadvantage some groups more than others (nonfilers, people without internet access, or others who may lack existing tools or channels by which they can receive the credit).

While this paper focuses on child poverty as an outcome, we could consider additional potential outcomes related to family financial well-being, such as changes in average after-tax income, the share of children living in deep poverty or near-poverty, or the depth of poverty. Future research could explore these and other outcomes, which could highlight other gaps to close. Future analyses also could consider scenarios of different take-up rates within each racial and ethnic group and how overall outcomes or gaps may vary in each scenario.

Policy Example 2: Paid Family and Medical Leave

Paid family and medical leave programs provide wage replacement benefits to workers who take time off for family caregiving and medical needs. The United States does not have a national paid family and medical leave benefit program, but 11 states and the District of Columbia have established such programs. Federal law does provide some workers with the right to 12 weeks of job-protected, *unpaid* family and medical leave with continuation of group health insurance under the Family and Medical Leave Act (FMLA). The FMLA applies to employers with 50 or more employees and is available to employees who have worked for their employer for a year and for at least 1,250 hours.[12] Workers can take leave for qualified reasons, which include the birth or adoption of a child, the care of a family member with a serious medical condition, a worker's own serious medical condition, and certain military caregiving and leave purposes. In addition to state benefits and federal unpaid leave, some workers

have access to paid family and medical leave benefits through voluntary employer-provided benefit plans.

While the FMLA represents an important step toward ensuring that workers can maintain job security while caring for a new child or loved one, or during a medical emergency, its reach remains limited. Fewer than 60 percent of workers in the US are eligible for leave under the FMLA (Brown et al. 2020), and there is no guaranteed pay associated with it. Consequently, even workers covered by the FMLA may not be able to afford unpaid time off. The combination of coverage rules and affordability contributes to racial and ethnic disparities. For example, Black and Hispanic women who are not covered by the FMLA are more likely to report being dismissed by their employer for having taken leave. And 73 percent of Hispanic workers are either ineligible for or cannot afford to take unpaid leave (National Partnership for Women and Families 2018).

The Family and Medical Insurance Leave (FAMILY) Act, introduced in 2021, proposes to establish a national paid family and medical leave program modeled on state examples and is the most widely sponsored paid leave bill in the House and Senate.[13] Under the FAMILY Act, eligible employees could take 12 weeks of paid leave when they take time off from work for their own serious health condition, including pregnancy and childbirth recovery; the serious health condition of a child, parent, spouse, or domestic partner; the birth or adoption of a child; and for particular military caregiving and leave purposes. Workers must meet certain eligibility criteria, including having earnings in the past 12 months and attaining "insured" status in the Social Security Disability Insurance program.[14] Eligible workers would receive 66 percent of their monthly earnings up to $4,000 with a minimum benefit of $580. Employees at firms of all sizes would be covered. Benefits would be financed through a payroll tax of 0.4 percent of covered wages, split evenly between employers and employees.

What Outcome Are We Scoring, and What Type of "Score" Can We Produce?

To assess the FAMILY Act's impact on equity, we measure the projected change in the share of workers receiving pay while taking paid family and medical leave, by race and ethnicity, as well as the median benefits received for each group. This analysis provides point estimates of the size and direction of the change in take-up of benefits that would result from the FAMILY Act within and across racial and ethnic groups. Providing estimates of median benefit levels allows us to quantify the difference in expected benefit levels between groups under the proposed law. However, we only know what *projected* benefits would be under the FAMILY Act; we do not have data by race and ethnicity on the level of benefits received before the policy simulation exercise. Consequently, we cannot assess racial and ethnic

differences in the change in benefits; we can only show what difference would remain under expanded paid leave policies.

Where Do the Data for This Equity Scoring Come From?

This equity assessment relies on estimates and modeling from the study "Estimating Benefits: Proposed National Paid Family and Medical Leave Programs" by Hartmann and Hayes (2021). The Hartmann and Hayes analysis was conducted using the ACM-IWPR Paid Leave model.[15] Developed to analyze state and federal paid family and medical leave policies, the ACM-IWPR Paid Leave model is the basis for the US Department of Labor's Worker Paid Leave Usage Simulation model and is the best available source for projecting the effects of paid leave policies.

Data for the ACM-IWPR Paid Leave model come from a few sources. Data about known leave-taking behavior comes from the 2000 and 2012 FMLA Employee Survey, a nationally representative survey conducted under contract for the Department of Labor, as well as experience from long-standing state paid family and medical leave programs in California, New Jersey, and Rhode Island.[16] Labor force and demographic data come from the American Community Survey for 2013–17. Additional data on employer size, weeks worked, and weekly pay come from the March Annual Social and Economic Supplement of the Current Population Survey. This combined dataset allows for analysis of results on access to and use of leave by race and ethnicity along the following categories: Asian American and Pacific Islander; Black; Hispanic; another race, including multiracial; and white.

How Do We Estimate or Understand the Potential for Achieving Equity?

The model makes reasonable assumptions for behavior based on leave-taking behavior observed in California, New Jersey, and Rhode Island, which had paid leave programs when the model was developed. Factors that influence leave-taking include wage-replacement rates, maximum benefit levels, and duration of leave.

There is strong evidence that enacting a national paid family and medical leave program will increase access and use of such benefits. First, access to paid family and medical leave is currently limited and distributed unevenly within the labor force; it is primarily available to people working full time for employers with 50 or more workers. Approximately 69 percent of workers said they had access to at least one form of paid family and medical leave, with significant disparities by race and ethnicity, part-time status, income, education, age, citizenship, and occupation, according to data from the Urban

Institute's Well-Being and Basic Needs survey. For example, while close to three-quarters (72 percent) of white workers reported access to at least one form of paid family and medical leave in 2021, just over half (58 percent) of Hispanic workers and two-thirds (67 percent) of Black workers did (Boyens, Karpman, and Smalligan 2022). Second, many workers have unmet needs for leave because of cost considerations. According to the Department of Labor's 2018 FMLA Employee Survey, 66 percent of workers reported needing family or medical leave and not taking it because they could not afford to go without their regular pay. More than 30 percent of employees said they did not take needed leave because they feared losing their job, being treated differently at work, or losing seniority or promotional potential. Third, evidence from state programs shows that offering paid leave increases leave-taking. When California introduced paid family leave, mothers with infants nearly doubled their leave-taking (Rossin-Slater, Ruhm, and Waldfogel 2013). Other studies have found evidence of paid parental leave policies increasing leave-taking among mothers and fathers (Han, Ruhm, and Waldfogel 2009).

To assess the impact of the FAMILY Act on take-up and benefits and the implications for racial equity, we use results from the Hartmann and Hayes study, which simulates individual worker's decisions when faced with a qualifying life event such as the birth of a child or the onset of illness. The model assumes that when workers experience a life event requiring leave, they will choose the best benefit available to them. As described in the previous section on data sources, data on known leave-taking behavior is combined with data on take-up from existing state programs, and we make reasonable assumptions when no data are available. The model assigns probabilities to each decision affecting leave taking, including whether to take leave for a qualified reason, how many leaves to take (more than one type or spell of leave is allowed as long as the total number of weeks is not exceeded), the duration of leave, and whether and how to use any employer or state paid leave benefits available to the worker. It then puts every worker in the ACS through the simulation of whether they would be eligible for paid leave, whether they would use that leave, and the benefits paid out if they take leave. The model assumptions and design are described further in Hartmann and Hayes (2021).[17]

What Are Our Findings?

The FAMILY Act would increase access to paid family and medical leave for all groups of workers while reducing gaps in access for Hispanic and Black workers; therefore, it is equity-enhancing. The FAMILY Act would benefit all groups, and the largest increase in projected use of paid leave would be among those least likely to use it under current law. The policy would increase the share of workers receiving pay while on leave by 22 percentage points for Black workers and 21 percentage points for Hispanic

workers, while white and AAPI workers would see increases of 16 to 17 percentage points (see table 4 and the gray bars in figure 2).

Ultimately, the policy does not result in equal rates of access or use for workers across racial and ethnic lines, but the gains are substantial. For example, the 9 percentage-point gap between white and Black workers in the receipt of paid leave narrows to 4 percentage points.

TABLE 4

Access to Paid Family and Medical Leave Increases across All Groups under the FAMILY Act

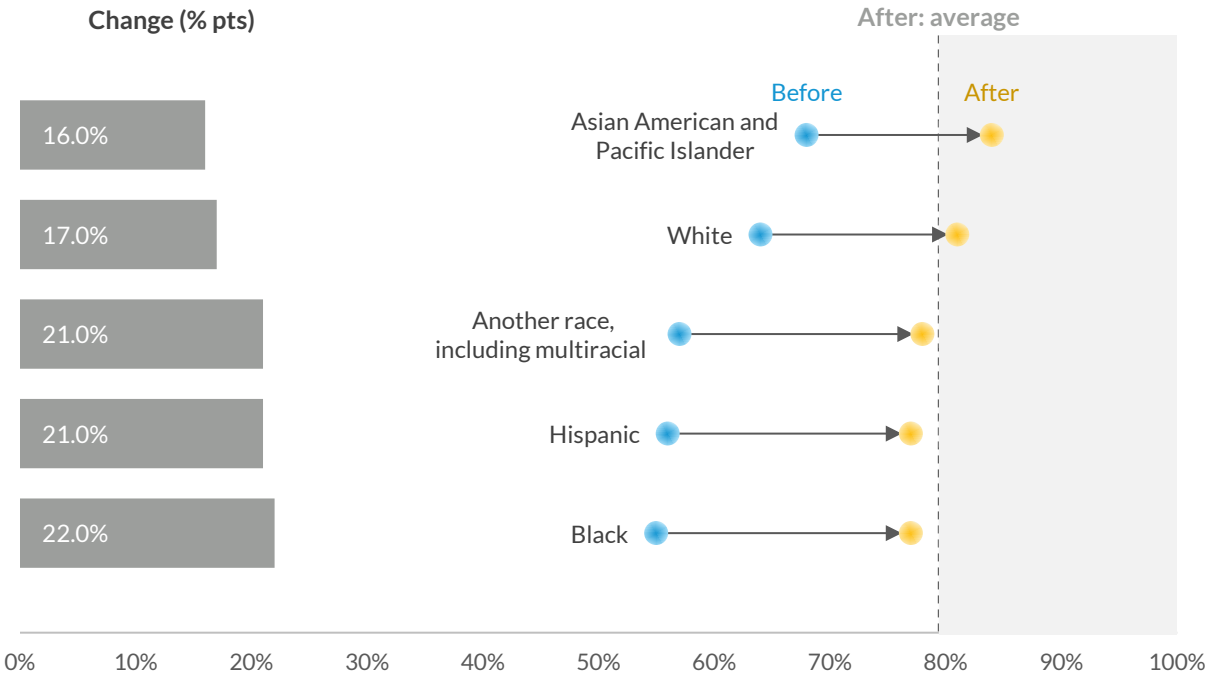
Race or ethnicity of worker	Share receiving pay while on leave before PFML expansion (%)	Share receiving pay while on leave after PFML expansion (%)	Change (% pts)	Median PFML benefit ($)
Asian American and Pacific Islander	68	84	16	4,897
Black	55	77	22	3,211
Hispanic	56	77	21	3,093
Another race, including multiracial	57	78	21	3,463
White	64	81	17	4,288

Source: Heidi I. Hartmann and Jeff Hayes, "Estimating Benefits: Proposed National Paid Family and Medical Leave Programs" (*Contemporary Economic Policy* 39:537–56, 2021).
Notes: PFML = Paid family and medical leave. Black and white workers are non-Hispanic. Benefits are in 2020 dollars.

However, despite these gains, the rank order of access to leave among race and ethnic groups is the same before and after the FAMILY Act, as seen in figure 2. White and AAPI employees have the highest rates of access before and after the proposed policy, while Hispanic and Black employees have the lowest rates (we acknowledge that access may vary widely within each of these racial and ethnic groups). Under-employment, hourly wage employment, and occupational segregation also relate to differences in the rates of access.

FIGURE 2

The FAMILY Act Increases the Share of Workers with Access to Paid Family and Medical Leave



Source: Heidi I. Hartmann and Jeff Hayes, "Estimating Benefits: Proposed National Paid Family and Medical Leave Programs" (*Contemporary Economic Policy* 39:537–56, 2021).
Note: Black and white workers are non-Hispanic.

The analysis in table 4 also shows that median benefits for all workers simulated to take paid leave would be higher for AAPI and white workers than for all other workers. In 2020 dollars, the estimated median benefits for AAPI and white workers would be $4,897 and $4,288, respectively, compared with $3,093 for Hispanic workers and $3,211 for Black workers. Thus, the policy results in disparities in benefit levels. However, we cannot assess the change in benefit amounts relative to current law because we do not have a baseline estimate of benefits. Since wages differ by race and ethnicity, we need to assess the change in benefits received relative to the baseline to understand whether the policy mitigates those differences. Because the FAMILY Act uses a fixed replacement rate of 66 percent on wages up to a capped level, we could expect some narrowing of disparities. A policy using a progressive benefit formula that replaces a higher share of lower earnings, such as the one used by the Social Security program, would be expected to narrow the gap in benefits even more between groups with higher average earnings (white and AAPI workers) and groups with lower average earnings (Black and Hispanic workers).

BOX 2

Determining Who Gains Eligibility for Paid Leave and Who Takes Up the Benefit

This analysis simulates the effects of paid family and medical leave program under which all workers who have insured status under the Social Security Disability Insurance program and have worked in the past year are eligible for paid leave if they have a qualifying event like a health emergency or needing to provide care for a family member on new child. As not all workers can qualify for Social Security Disability Insurance, not all workers will be eligible for this new paid leave program.

Under the projections here, some workers who have a qualifying event and are eligible for paid leave do not take up the benefit. Hartmann and Hayes assume that take-up rates vary by the type of qualifying event but not by any other factor, including race and ethnicity. They assume 40 percent take-up for a worker's own illness; 100 percent take-up for pregnancy; 75 percent take-up for bonding with a newborn, adopted, or foster child; 10 percent take-up for care of an ill spouse or child; and 5 percent take-up for care of an ill relative. Those take-up rates are based on what Hartmann and Hayes observe under state paid leave programs.

What Would It Take to Produce a Better Estimate and Score?

An updated and expanded microsimulation modeling capability could make possible a more comprehensive equity score. For example, the model used for the Hartmann and Hayes analysis is based on data from the 2000 and 2012 FMLA Employee Survey, which found relatively small differences over time in access to paid leave between Black and Hispanic workers. More recent data from multiple surveys have found Hispanic workers have substantially lower rates of access to paid family and medical leave than white or Black workers, related in part to their holding hourly or non-salaried jobs, which are less likely to offer paid leave (Boyens, Karpman and Smalligan 2022). Hispanic workers may also be less likely to have Social Security numbers than their non-Hispanic counterparts. An updated model could incorporate these newer estimates, including the 2018 FMLA survey, which was expanded in size and asks additional questions about state program benefits.

Another enhancement would be to incorporate the paid leave model into a comprehensive. microsimulation model, such as the Urban Institute's ATTIS model. This would make it possible to analyze how family leave programs reduce poverty, taking into account the effect of paid leave on eligibility for and benefits received from government programs and on taxes paid. Results would be available state by state, as well as at the national level. A more robust model would also allow for annual updating of key data. It could also estimate the current level of benefits going to workers with access to paid family and medical leave, then estimate the projected change in benefits received under proposed

policies. More data on the costs of implementing paid family and medical leave and the interaction with employer plans would also help us understand who would benefit most from proposed policies. Additional demographic and economic data on beneficiaries of state programs would further improve model estimates.

In addition, enhanced modeling capabilities could estimate impacts on other outcomes of interest, such as changes in poverty rates and annual income. We could also see how the receipt of paid leave would affect participation in public assistance programs. For example, a family on paid leave may be less likely to apply for and receive assistance from government benefit programs than a family that needs to take unpaid leave or one that is fired or forced to leave a job because of medical, parental, or caregiving needs.

To better understand how paid family and medical leave policies could help achieve equity across various outcomes, more research is needed on factors affecting leave-taking behavior for all workers, as well as how take-up rates differ by race and ethnicity and what factors are at play. For example, the Bay Area Parental Leave Study of Mothers found that significantly fewer Black (54 percent) and Hispanic (51 percent) women understood the maternity leave benefits available to them, likely because significantly fewer of them received help understanding their benefits (63 percent of Black women and 66 percent of Hispanic women reported receiving help from anyone, compared with 91 percent of white women). Among private-sector workers, "39% of black and 38% of Hispanic women report that they received no paid leave through the government, compared to just 14% of white women" (Goodman, Williams, and Dow 2021, 747). Understanding these differential effects could help us refine our metrics for assessing the equity impact of paid family and medical leave programs.

Discussion

Our analyses of the two family-focused policies in this paper illustrate that researchers can use existing national datasets and microsimulation models to assess proposed policies for their potential effects on equity. Demographic data are already available and reliable analytic techniques exist to simulate different levels of policy adoption and use. These analyses are projections and therefore have some uncertainty around them. However, the relatively large magnitude and clear direction of positive change in both cases signal promise for improving equity.

Our criteria for the potential to achieve racial equity are (1) if a policy improves outcomes, on average, for all racial and ethnic groups; (2) if the gaps between previously better-off and worse-off

groups narrow; and (3) whether the policy harms any particular group. These criteria are akin to those used to look at effects of a policy between groups at different starting levels of income or wealth: do all groups improve, do we narrow the spread between different quintiles, and so on. Policies that have some targeting by need or that progressively increase allocation of resources in proportion to need may be more likely to meet these criteria. But analysis will need to consider if the eligibility or targeting mechanisms are based on data or processes that may themselves be inequitable or incomplete.

Policies are multifaceted, so analyzing one dimension of equity on its own, like race, does not paint a complete picture of paths to improve equity. A deeper equity assessment could examine more intersectional effects: for example, looking at projections for various race-by-income combinations could illustrate within-group differences as well as between-group differences in a policy's impact. Depending on the policy in question, one also could analyze effects related to the factors shown to affect program participation, such as race by insurance status or race by immigration status, to estimate differential impacts of a policy by these multifaceted group characteristics.

Similar to analyses of policies by income groups, these equity analyses are not meant to suggest that any single policy could close gaps between racial and ethnic groups. Instead, we encourage readers to consider these analyses as approximations of *how much* a given policy could improve overall averages and narrow gaps in outcomes between groups. For example, no version of a child tax credit can serve as a stand-alone solution to child poverty or overcome the long history of policies preventing Black families from accumulating wealth and investing in healthy neighborhoods through housing that contributed to Black families' persistent financial insecurity. Similarly, no version of paid family and medical leave can overcome long-standing differences in access to employment by geography, occupational segregation, and vulnerable work arrangements that disproportionately disadvantage communities of color. Certain occupations offer less stable employment (such workers would not be insured under Social Security and Disability Insurance) and offer low wages or salaries so some newly covered workers still could not afford to use the paid leave. The fact that the FAMILY Act doesn't create full access to paid leave and that the child poverty rate is still around 8 percent after the CTC expansion clearly indicates that additional policy solutions would be required to boost family well-being and protection for all groups.

Although these particular policies involve individual or household take-up of a benefit, the policy barriers and solutions are systemic and structural. Evidence is growing that lasting policy benefits for all and the potential for achieving equity come from changes to structures.[18] Policies that confer rights, such as the right to paid leave to care for family members, can expand options and opportunity for a wide range of families and therefore could do more to improve well-being for all income, race, gender,

and other groups than policies that create short-term programs or distribution of benefits. In doing so, such policies illustrate the benefit of including strategies to improve overall outcomes and address past disadvantage in policy design. These policies also illustrate that equity is not a zero-sum calculation with winners and losers; rather, equitable policies can create cascading benefits for all. Until policies that confer these rights are expanded to include the people currently excluded from policy coverage or protections, the relative ranking of access to benefits between groups will likely remain the same.

Future papers will explore the policy bundles that may be required to advance more equitable outcomes, as well as the ways policies interact and how markets may respond to policy changes over time. We also will examine different dimensions of equity—gender, disability, and more—to understand whether policies may be equity-enhancing in one dimension but not in another. This and other work can provide policymakers a clearer picture for decisionmaking on behalf of all of their constituents.

We welcome questions and suggestions. Please reach out to the initiative director, Rekha Balu (rbalu@urban.org).

Notes

[1] For example, the Research Institute for Social Equity in the L. Douglas Wilder School of Government and Public Affairs at Virginia Commonwealth University produces an annual social equity policy analysis of bills brought before the Virginia General Assembly (see https://wilder.vcu.edu/research-and-outreach/research-institute-for-social-equity-rise/).

[2] See Office of Governor Jay Inslee, "Executive Order 22-04: Implementing the Washington State Pro-Equity Anti-Racism (PEAR) Plan and Playbook," State of Washington, March 21, 2022, available at https://www.governor.wa.gov/office-governor/official-actions/executive-orders; and the Housing Justice Initiative housed at the Urban Law Center at Fordham University (https://www.urbanlawcenter.org/housing-justice-initiative).

[3] Other examples are the Washington Center for Equitable Growth (https://equitablegrowth.org/) and the State Innovation Exchange (https://stateinnovation.org/). Publications addressing scoring for racial equity include de Souza Briggs and McGahey (2022).

[4] See Hardy (2022); Nora Cahill and William G. Gale, "Narrowing the Racial Wealth Gap Using the EITC and CTC," *How We Rise* (blog), Brookings Institution, February 2, 2022, https://www.brookings.edu/blog/how-we-rise/2022/02/02/narrowing-the-racial-wealth-gap-using-the-eitc-and-ctc/; and Kevin Werner, "The COVID-19 Pandemic Underscored the Child Tax Credit's Power to Alleviate Family Poverty," *Urban Wire* (blog), Urban Institute, January 27, 2022, https://www.urban.org/urban-wire/covid-19-pandemic-underscored-child-tax-credits-power-alleviate-family-poverty.

[5] Elaine Maag and Nikhita Airi, "The Child Tax Credit Grows Up to Lift Millions of Children Out of Poverty," *TaxVox* (blog), Urban-Brookings Tax Policy Center, March 16, 2021, https://www.taxpolicycenter.org/taxvox/child-tax-credit-grows-lift-millions-children-out-poverty.

[6] The American Rescue Plan also made the credit available in monthly installments. As poverty is measured annually, this provision has no effect on the estimates shown in this analysis.

[7] The credit in this example is $1,800 rather than $4,000 ($2,000 per child) because the credit without further expansion would not be fully refundable.

[8] See "Measuring America: How the U.S. Census Bureau Measures Poverty," Census Bureau, June 2022, accessed October 24, 2022, https://www.census.gov/library/visualizations/2021/demo/poverty_measure-how.html.

[9] See also the description of the ATTIS model on the Urban Institute's website, https://www.urban.org/research-methods/attis-microsimulation-model.

[10] This estimate is based on prior Treasury Department experience with American Recovery and Reinvestment Act payments in 2009.

[11] US Department of the Treasury, "Treasury and IRS Announce Families of Nearly 60 Million Children Receive $15 Billion in First Payments of Expanded and Newly Advanceable Child Tax Credit," press release, July 15, 2021, https://home.treasury.gov/news/press-releases/Treasury-and-IRS-Announce-Families-of-Nearly-60-Million-Children-Receive-%2415-Billion-Dollars-in-First-Payments-of-Expanded-and-Newly-Advanceable-Child-Tax-Credit.

[12] "Family and Medical Leave Act," US Department of Labor, accessed October 25, 2022, https://www.dol.gov/agencies/whd/fmla.

[13] The FAMILY Act is H.R. 804 and S. 448. For more information see https://www.congress.gov/bill/117th-congress/senate-bill/248.

[14] To be insured under the Social Security Disability Insurance program, a person must have worked in at least 20 quarters in the 10 years before becoming disabled (or having an event that would qualify for paid leave under the FAMILY Act), and at least one of those quarters must be in the prior year. Some exceptions apply for those under age 31. To be considered working during a quarter, a person has to earn a specified minimum amount of money ($1,640 in 2023). See "Insured Status Requirements," Social Security Administration, accessed October 25, 2022, https://www.ssa.gov/oact/progdata/insured.html#:~:text=To%20be%20fully%20insured%2C%20you,year%20before%20you%20become%20disabled.

[15] The model was developed by Randy Abelda and Alan Clayton-Matthews in conjunction with the Institute for Women's Policy Research and the Labor Resource Center of the University of Massachusetts, Boston. For more details, see https://www.dol.gov/agencies/oasp/evaluation/completedstudies/Microsimulation-Model-on-Worker-Leave.

[16] For details about the survey data, see Klerman, Daley, and Pozniak (2012/2014).

[17] Their analysis compares access, usage, and benefit levels under the FMLA (unpaid leave), the FAMILY Act, and state programs in California, New Jersey, and Rhode Island.

[18] Recent examples are changes to how schools are organized improved ongoing student success (Unterman and Haider 2019/2020), changes to how families search for housing improved long-term earnings (Bergman et al. 2020), and elimination of cash bail reduced the jail population (Kim, Hood and Connors 2021).

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