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Prospects for Post-Pandemic Progress

The American Families Plan's Impact on Washington State Working Families' Ability to Meet Basic Needs

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Preface

This analysis is based on the Self-Sufficiency Standard, a realistic, geographically specific, and family composition-specific measure of income adequacy, and thus a more accurate alternative to the official poverty measure. Over the last 23 years, calculation of the Self-Sufficiency Standard has documented the continuing increase in the real cost of living, illuminating the economic crunch experienced by so many families. This report utilizes the 2020 Self-Sufficiency Standard for Washington State sponsored by the Workforce Development Council of Seattle-King County.

This report and more are available online at www.selfsufficiencystandard.org/Washington. For further information about the Self-Sufficiency Standard, please visit www.selfsufficiencystandard.org or contact Self-Sufficiency Standard lead researcher and author, Annie Kucklick, at (206) 685-5264/akuckl@uw.edu.

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The conclusions and opinions contained within this document do not necessarily reflect the opinions of those listed above. Any mistakes are the author's responsibility.

Introduction

Working families in Washington State are struggling in the face of a mounting disparity between rising costs and stagnating wages: in 2019, 30.8% of working families with children in Washington State were unable to make ends meet as measured by the Self-Sufficiency Standard. While the 2020-2021 pandemic-related economic downturn illuminated severe financial deprivation, the pandemic has merely exacerbated economic inequality that existed prior to 2020. This economic inequality persists as the country begins its recovery. Rental costs, which dipped in certain areas of Washington State in 2020, are now climbing to pre-pandemic levels. Increased food costs and oil prices are putting a strain on family finances while essential financial supports from the American Rescue Plan Act (ARPA), including supplemental unemployment and an increased Child Tax Credit, are no longer available for struggling families.

To interrupt the trend of increasing income inequality, families need policies that provide more than temporary relief. During the COVID-19 pandemic related economic downturn, increased social safety net spending including Economic Impact Payments (stimulus checks), expanded child tax credits, and unemployment insurance benefits provided temporary, impactful assistance for families struggling with job loss. However, short-lived alleviation through reactive policies does not solve the persistent economic inequality that has been documented by the Self-Sufficiency Standard. The American Families Plan (AFP), one prong of President Biden's three-part Build Back Better Agenda, called for significant federal investment in the areas of child care, paid leave, universal preschool for three and four year olds, increased tax credits, and free community college, among other economic supports. Though still unpassed, our analysis shows that AFP investments have the potential to create long standing economic well-being for struggling Washington State families.

This report investigates the impact of four key policy initiatives set forth in the AFP on Washington State working families' ability to make ends meet, utilizing the Self-Sufficiency Standard as a measure of income adequacy. Our research estimates that enacting these measures which directly affect families with young children—including increased child tax credits, expanded child care, and universal preschool—will result in **11.9% or 94,885 more working parents in Washington State** having the ability to make ends meet for their families.

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About the Self-Sufficiency Standard

The Self-Sufficiency Standard, a budget-based, living wage measure, has documented the real cost of living for working families in Washington State since 2001. The Standard determines the amount of income required for working families to meet basic needs at a minimally adequate level, taking into account family composition, ages of children, and geographic (by county) differences in costs. The Standard provides a modern, comprehensive, and detailed alternative of the outdated Federal Poverty Measure.

In the last twenty years, the cost of basic needs has increased faster than median earnings across *all* Washington State counties.[1] For families with young children, the cost of housing and child care combined typically make up half of a family's budget. When median earnings even for Washington State's top occupations do not keep pace with increasing costs, many parents working full-time are unable to pay for basic family needs without public or private assistance.

Why the Self-Sufficiency Standard?

Because the Standard utilizes current and geographically-specific family costs and taxes, it is uniquely situated to model the effects of policies on family budgets. The AFP is comprehensive and has potential to extensively impact the well-being of families by adding at least four years of free public education, increasing taxes for high earners, expanding paid leave, and maintaining the tax credit changes from previous COVID-19 relief bills. This report focuses specifically on the policy mechanisms that directly impact a working family's budget: child tax credits, universal preschool, and child care cost reductions.

The Self-Sufficiency Standard provides various thresholds specifying what it takes to make ends meet at a minimal level, based on county, age of children, and family composition. For example, in 2020 a family of one adult, one infant, and one preschooler living in King County (Seattle) needed $99,519 per year to cover the cost of housing, child care, food, transportation, health care, necessary miscellaneous items and taxes. This basic needs wage is equivalent to nearly three full-time minimum wage jobs in Seattle in 2020.

Even in counties with lower costs, such as Clark County in 2020, a family of one adult, one preschooler, and one school age child needed $64,600 per year in order to cover their basic needs. This parent would need to work more than two full-time minimum wage jobs to meet their family's cost of basic needs. Based on median earnings data from the U.S. Bureau of Labor Statistics, Washington State retail salespersons, the third largest occupation in the state, earned less than 50% of what it takes for this family to get by in either King or Clark county.

American Family Plan Policies Modeled in the Self-Sufficiency Standard

In order to model the Self-Sufficiency Standard cost changes resulting from specific provisions that were included in the previously proposed American Family's Plan, the following steps were taken to adjust the Self-Sufficiency thresholds:

1. Increase the annual **Child Tax Credit (CTC)** to $3,600 per child under six years and $3,000 per child six years and older
2. Increase the **Child and Dependent Care Tax Credit (CDCTC)** to a maximum refundable benefit of $4,000 for one child or $8,000 for two or more children
3. Reduce the cost of child care for children under age five to a **maximum of 7% of income** for low- and middle-income families
4. Provide **free, universal preschool** for three-and four-year-olds
5. Combine each model to produce **one comprehensive, adjusted Self-Sufficiency Standard**

*For more details please see "**Technical Appendix: Methodology and Assumptions***

How is the Self-Sufficiency Standard Calculated?

The Self-Sufficiency Standard is the amount needed to meet each basic need at a minimally adequate level, without public or private assistance. The Standard is calculated for over 700 family types for all Washington counties. The data components and assumptions included in the calculations are briefly described below.

HOUSING. Housing costs are based on the U.S. Department of Housing and Urban Development Fair Market Rents (FMRs). FMRs include utilities (except telephone and cable) and reflect the cost of housing that meets basic standards of decency. FMRs are set at the 40th percentile, meaning that 40% of the decent rental housing in a given area is less expensive than the FMR and 60% is more expensive. FMRs within a multi-county metropolitan area are adjusted using Small Area FMRs. Sub-county areas are adjusted using American Community Survey data.

CHILD CARE. Child care includes the expense of full-time care for infants and preschoolers and part-time (before and after school) care for school-age children. The cost of child care is calculated at the 75th percentile of market-rate costs, taken from a state-commissioned survey by facility type, age, and geographic location. It does not include extracurricular activities or babysitting when not at work.

FOOD. Food assumes the cost of nutritious food prepared at home based on the U.S. Department of Agriculture Low-Cost Food Plan. The Low-Cost Food Plan was designed to meet minimum nutritional standards using realistic assumptions about food preparation time and consumption patterns. The food costs do not allow for any take-out or restaurant meals. Food costs are varied by county using Feeding America's Map the Meal Gap data based on Nielsen scans of grocery receipts.

TRANSPORTATION. The cost of public transportation is assumed if 7% or more of workers in a county use public transportation to get to and from work. Otherwise, private transportation costs include estimates of expenses for owning and operating a car. Fixed costs of car ownership are calculated using Consumer Expenditure Survey amounts for families with incomes between the 20th and 40th percentile. Per-mile costs are calculated from the American Automobile Association. Commuting distance is computed from the National Household Travel Survey. Travel is limited to commuting to work and daycare plus one shopping trip per week. Auto insurance premiums are the average statewide premium cost from the National Association of Insurance Commissioners indexed by county using premiums from top market share automobile insurance companies.

HEALTH CARE. Health care costs assume the expenses of employer-sponsored health insurance. Health care premiums are the statewide average paid by workers, for single adults and for families, from the Medical Expenditure Panel Survey (MEPS). A county index is calculated from rates for the second-lowest cost Silver plan via the insurance marketplace. Out-of-pocket costs are from the MEPS Insurance Component.

MISCELLANEOUS. Miscellaneous expenses are calculated by taking 10% of all other costs. This expense category consists of all other essentials including clothing, shoes, paper products, diapers, nonprescription medicines, cleaning products, household items, personal hygiene items, and telephone service.

TAXES AND TAX CREDITS. Taxes include federal and state income tax, payroll taxes, and state and local sales taxes where applicable. Tax credits calculated in the Standard include: the federal Earned Income Tax Credit, Child and Dependent Care Tax Credit, and the Child Tax Credit, along with relevant local tax credits.

The American Families Plan Can Decrease the Income Needed to Make Ends Meet

Enacting the AFP policies will result in significant reductions in the cost of meeting basic needs for Washington State's working families. **Table 1** illustrates how the Self-Sufficiency Standard for a family of one adult, one infant, and one preschooler living in Clark County changes with each AFP proposal as well as the combined impact of all proposals. The provisions of a 7% cap on child care expenses, Universal Pre-K, and the expanded Child Tax Credit decrease total annual income needed by nearly half—from $75,558 to $33,884 per year. This reduction is predominantly due to the cost of child care decreasing from $2,359 per month to $0 per month. The parent also receives an increase in the Child Tax Credit (to $600 per month) and becomes eligible for the Earned Income Tax Credit ($238 per month). These provisions would give struggling families a meaningful abatement from burdened finances by lowering the cost of child care and increasing the amount of tax credits.

Table 1. Comparison of Monthly Self-Sufficiency Standard by Policy Proposal
Clark County, WA 2020 | Single Parent with One Infant & One Preschooler

Costs	Original Self-Sufficiency Standard	Increase Child Tax Credit	Increase Child Dependent Care Tax Credit	Free, Universal Preschool	7% Cap on Child Care	Combined Impact of All Proposals
Housing	$1,468	$1,468	$1,468	$1,468	$1,468	$1,468
Child Care	$2,359	$2,359	$2,359	$1,261	$0	$0
Food	$455	$455	$455	$455	$455	$455
Transportation	$515	$515	$515	$515	$515	$515
Health Care	$319	$319	$319	$319	$319	$319
Miscellaneous	$512	$512	$512	$512	$512	$512
Taxes	$1,101	$1,002	$954	$799	$480	$392
Child Care Tax Credit (-)	($100)	($100)	($667)	($100)	$0	$0
Child Tax Credit (-)	($333)	($600)	($233)	($333)	($333)	($600)
Earned Income Tax Credit (-)	$0	$0	$0	$0	($143)	($238)
Self-Sufficiency Wage						
Hourly	$35.78	$33.70	$32.29	$27.82	$18.60	$16.04
Monthly	$6,296	$5,931	$5,682	$4,896	$3,273	$2,824
Annual	$75,558	$71,176	$68,189	$58,757	$39,282	$33,884

The American Families Plan Can Decrease the Rate of Families with Inadequate Income

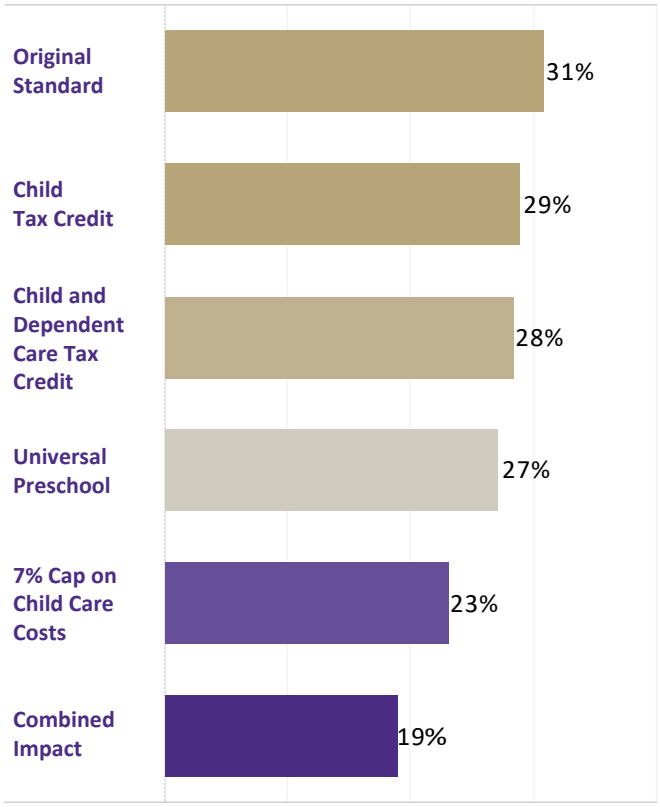
Nearly a third of Washington State working families with children struggled to make ends meet prior to the pandemic according to the Self-Sufficiency Standard. To estimate the impact of the AFP proposals on Washington State households, we compared household income in the 2019 U.S. Census Bureau's American Community Survey Public Use Microdata Sample (PUMS) with the Self-Sufficiency Standard for the corresponding family type and county (see "**Technical Appendix: Methodology and Assumptions**").

The American Families Plan could successfully reduce the number of working families with incomes below the Self-Sufficiency Standard by over a third. **Figure A** illustrates how each model impacts the total percentage of working families in Washington State with incomes below the Standard. When the comprehensive policy package (tax credits, child care expansion, and universal preschool) is modeled, only 19% of working families with children fall below the Standard, **a third fewer** than when no policies were implemented.

To restate these findings, **in 2019 31% of working families were unable to make ends meet according to the Self-Sufficiency Standard.** With the AFP's policies unenacted, nearly 250,000 Washington households continue to struggle to meet their basic costs. If the increased child tax credits, expanded child care, and universal preschool provisions in the AFP are passed into law, **more than a third (12% or 94,885 households) of those families** will be able to make ends meet through reduced costs and increased tax credits.

The AFP policies would provide impactful financial alleviation for a significant portion of Washington State working families. Our analysis so far has only shown generalized impact—the next step is to examine specific demographic variables in order to address whether policy changes reflect other social inequities and as a result, might have disproportionate impact.

Figure A. The Percentage of Households with Inadequate by American Family Plan Policies



Source: U.S. Census Bureau, 2019 ACS 1-Year Public Use Microdata Sample.

The COVID-19 pandemic has created undue economic burdens on communities: according to the Pew Research Center, one third of U.S. adults say they or someone in their household has been laid off or lost a job as a result of the pandemic. However, Latinx and Asian households documented higher rates of earnings loss, with 58% of Latinx households and 54% of Asian households reporting wage reduction or loss.[2] Black, Latinx, and Native American and Alaska Native communities have also experienced higher risk of infection, hospitalization, and death from COVID-19 compared with white communities, according to research by the Kaiser Family Foundation.

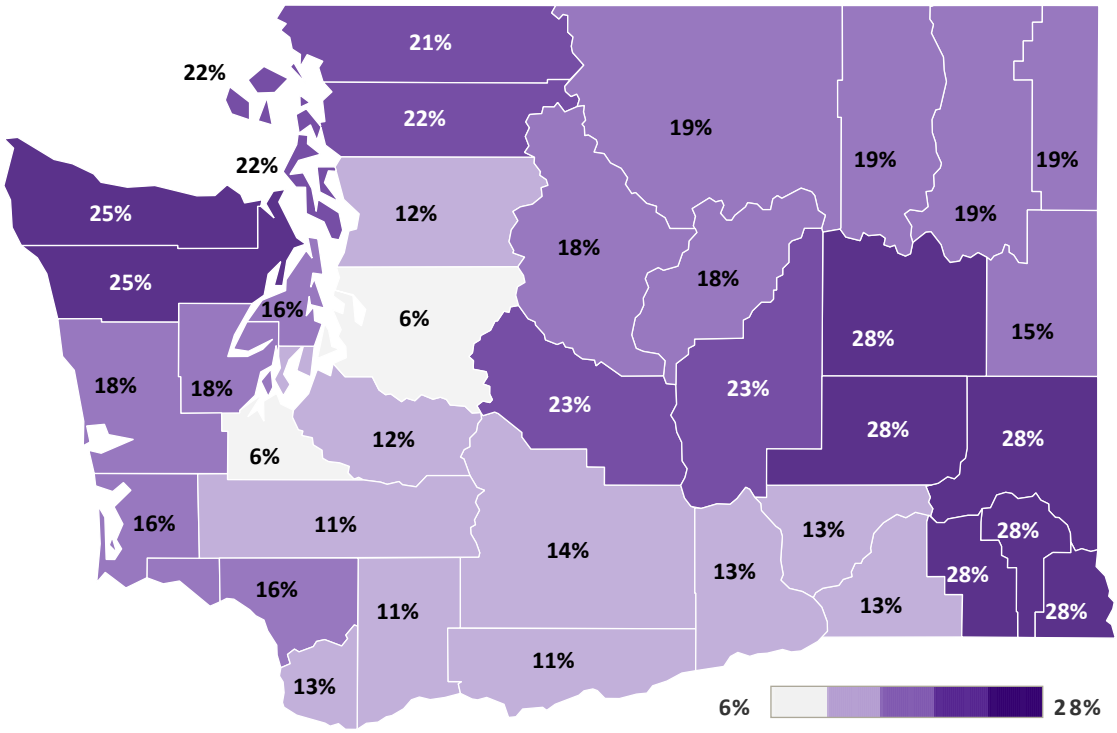
This causes both a detrimental financial impact from time away from work and the heavy emotional burden of caring or grieving for a loved one.[3] The pandemic accentuated economic insecurity in communities of color, but it is not the unique cause. The Standard has documented years of higher rates of earnings inadequacy for communities of color, resulting from systemic, institutionalized racism. The Standard has also documented higher rates of economic insecurity in communities with educational attainment below the bachelor's level and higher rates of wage inadequacy for women compared to men in general.

This detailed analysis will reveal how these policies can alleviate the economic burden raising young children has on the ability of working parents, particularly those of color, to afford basic needs in Washington. The following demographic analysis focuses solely on working families with children where the impact of the AFP policies is most likely to be needed and effective.

Impact of the AFP by Geography

Enacting a 7% cap on child care expenses, Universal Pre-K, and the expanded Child Tax Credit and Dependent Child Tax Credit helps working families across the state of Washington. However, there are several regions that experience a heightened percentage of families that move from income inadequacy to adequacy (see **Figure B**). Counties in the southeast portion of the state experience the largest shift in households moving to income adequacy. Without any policy intervention, 41% of working families with children living in Whitman, Garfield, Asotin, Adams, Lincoln, and Columbia Counties do not have wages that allow them to meet all of their basic needs. If the comprehensive AFP package is enacted, only 13% of families with children in those counties are left struggling to make ends meet, meaning that over 28% of families with children would achieve income adequacy due to the decreased burden of child care

Figure B. The Percentage of Households that will Move from Inadequate to Adequate Wages by County after the Full Implementation of the American Family's Plan Provisions



Source: U.S. Census Bureau, 2019 ACS 1-Year Public Use Microdata Sample.

costs and increased tax credit income. Despite having a lower percentage of working family households moving to wage adequacy (6%), King County (Washington's most populated county) has the largest number of households with children moving to wage adequacy (over 15,000 households).

Impact of the AFP by Race and Ethnicity

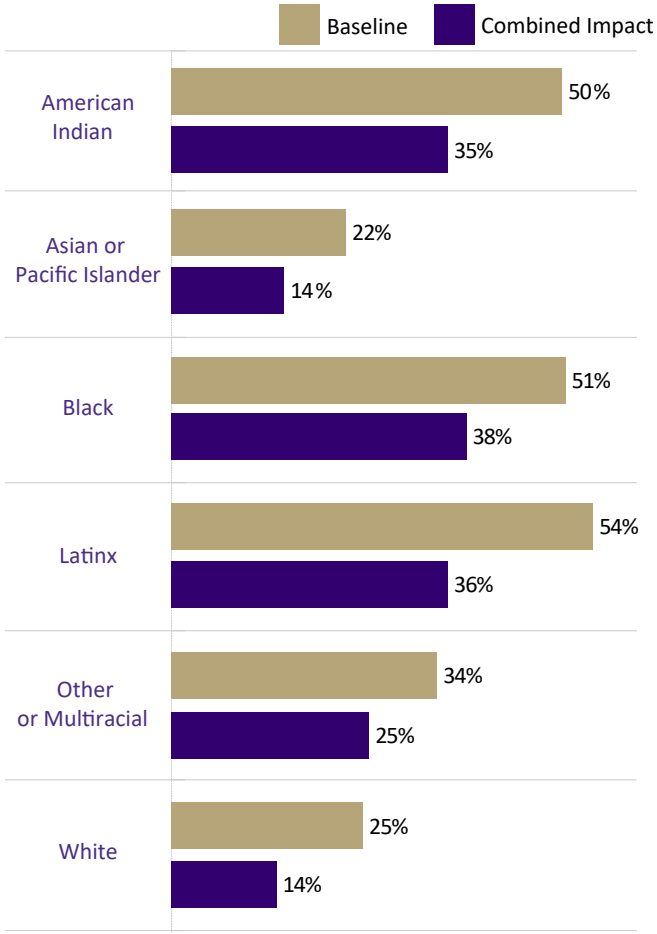
Previous Self-Sufficiency Standard research shows that Black, Indigenous, and people of color (BIPOC) have the highest rates of income inadequacy due to historical barriers that prevented wealth-building and structural racism. Additionally, these communities were some of the hardest hit during the pandemic, experiencing the highest rates of wage loss and illness. Therefore, policy changes intended to serve families need to intentionally address these racial inequities.

When examining the income inadequacy rates in the broader Washington State population (not just working families), people of color, particularly Black, Latinx, and American Indian households, consistently have higher rates of wage inadequacy (40% of Black households, 39% of Latinx households, 35% of Native American households). For white and Asian or Pacific Islander households, 19% struggle to meet basic costs.

These rates increase when examining the population of working households with children (see **Figure C**). For example, in 2019, 54% of working Latinx households in Washington State with children experienced income inadequacy with earnings that did not keep up with costs. Additionally, 51% of Black working families and 50% of Native families also struggled with inadequate earnings. Comparatively, 25% of white working families and 22% of Asian families struggled to make ends meet.

In 2019, 51% of Black working families and 50% of Native families also struggled with inadequate earnings.

Figure C. Income Inadequacy Rate by Race/Ethnicity at Baseline and with Combined Impact



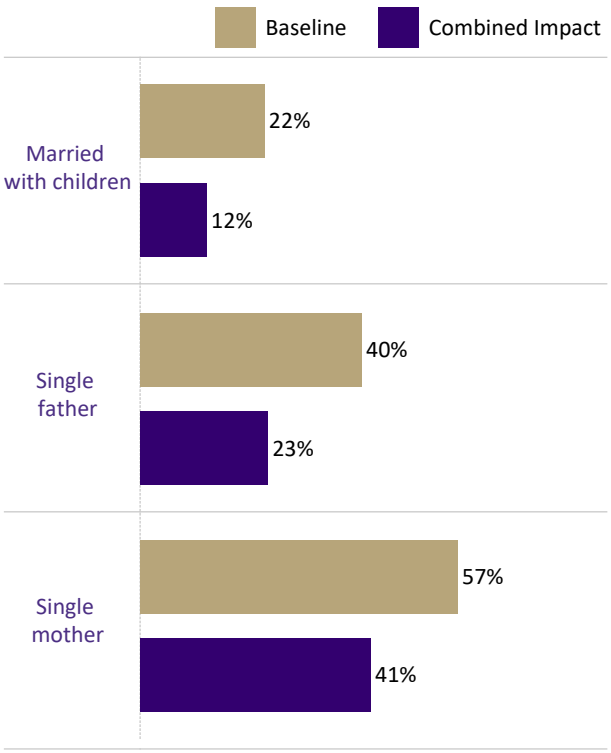
Source: U.S. Census Bureau, 2019 ACS 1-Year Public Use Microdata Sample.

The combined impact of AFP policies modeled in this research would dramatically support family wage adequacy, particularly for households of color with children. Income inadequacy rates would drop to 35% for Native households, 36% for Latinx households, 38% for Black households, and 14% for white households with children.

Impact of the AFP by Household Composition

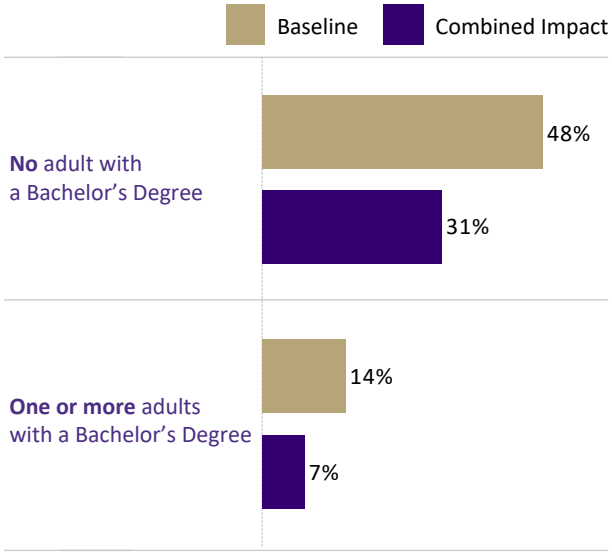
When analyzing working households with children, single mothers experienced the highest rates of income inadequacy: in Washington State, 57% of single mothers did not have incomes that supported their basic needs in 2019. A large percentage of single father-led households also struggled to make ends meet (40%). Conversely, 22% of married couples with children in Washington struggled to meet basic needs.

Figure D. Income Inadequacy Rate by Household Composition at Baseline and with Combined Impact



Source: U.S. Census Bureau, 2019 ACS 1-Year Public Use Microdata Sample.

Figure E. Income Inadequacy Rate by Educational Attainment at Baseline and with Combined Impact



Source: U.S. Census Bureau, 2019 ACS 1-Year Public Use Microdata Sample.

With the combined impact of all four policies, 16% of single mother households, 17% of single father households, and 10% of married couple households would gain income adequacy. However, 41% of single mother households would still struggle to meet basic needs, emphasizing again that these policies are not a comprehensive policy solution for struggling families. More is needed to help parents struggling with wages that do not meet basic costs, particularly as inflation and increasing housing costs put an added pressure on their budgets.

Combining analysis by household type, gender, and race/ethnicity, our findings reveal even more dire results for single mothers of color in Washington State, with over 67% of households led by mothers of color having earnings that do not support the family's basic costs. Even with the AFP's reduction in child care costs and increased tax credit benefit, 51% of single mother of color households are still left with earnings that do not support their families' needs.

Predictably, the impact of the American Families Plan provisions increases with the number of children in a family—for example, before the effects of the AFP provisions, 24% of households with one child had inadequate income. With the provisions enacted, 17% of families struggle to get by (7% change). For a family with two children, the impact results in a 12% change (from 27% to 15%). For families with three or more children, the change is a reduction of 21% (from 51% of families with three or more children being economically insecure to 30% of families being economically insecure).

Citizenship Analysis

The Center for Women's Welfare acknowledges the importance of researching the impact of wage adequacy for Washington families by citizenship status: non-citizen households tend to have higher rates of income inadequacy than naturalized or U.S. born households. For example, in Washington State 20.6% of U.S. born households are unable to make ends meet, compared to 25.6% for naturalized households, and 33.5% for non-citizen households. However, given the AFP's lack of detail in how these tax credits and child care subsidies might be accessed by families without citizenship or documentation, CWW determined that attempting to model the effect on non-citizen and naturalized households would produce inaccurate findings.

Impact of the AFP by Educational Attainment

Washington State householders with more education experience lower rates of inadequate income. In the broader population of Washington State, those without a high school degree have an income inadequacy rate of 49%, decreasing to 11% for college graduates. For working families with children, 48% of households do not have an adult with a bachelor's degree have earnings that do not meet their cost of basic needs. For working families with at least one adult with a bachelor's degree in the household, only 14% do not have adequate earnings.

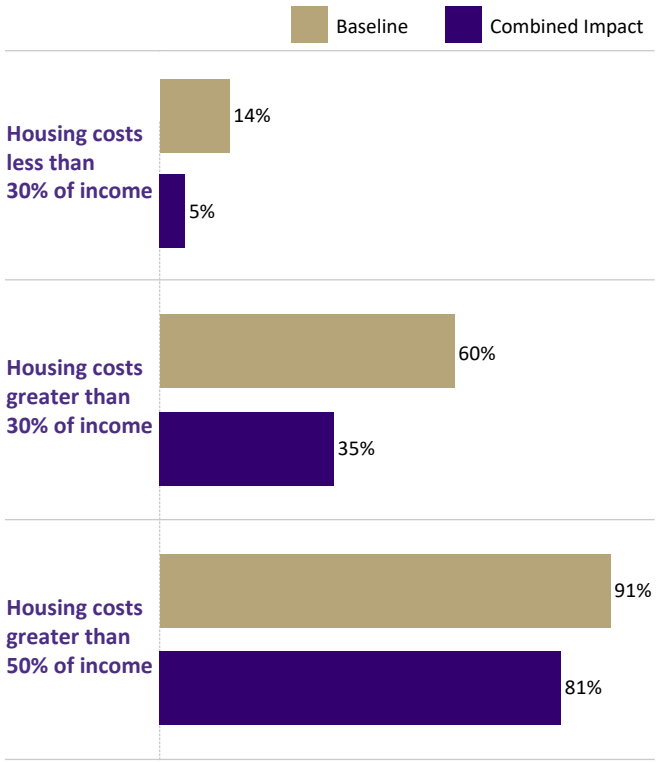
With the AFP reduced costs and increased tax credit benefit, only 31% (a decrease of 17% or 67,582 households) would be left with inadequate income to cover their basic needs. For those households with an adult who has a bachelor's degree, only 7% would be left struggling to make ends meet.

Impact of the AFP by Housing Burden

In Washington State, 30% of all households are housing burdened, meaning that families pay more than 30% or more of the household income towards the cost of housing. When examining the impact of the AFP provisions on the housing burden of working families with children, those households who spend between 30% and 50% of their income on housing costs experience a dramatic decrease in income inadequacy, lessening from 60% to 35% (see **Figure F**). Those who pay more than 50% of their monthly costs towards housing experience less dramatic results, with 91% of households being income insecure before the AFP to 81% after the provisions.

Of note, the impact of the AFP may be underestimated on housing burdened working families because as child care costs decrease, more of the family budget is freed up to pay for other essential needs (such as housing) which stay constant after the effects of the AFP. For example, for a family of one adult, one preschooler, and one infant living in Pierce County—their housing cost goes from being 23% of the family budget ($1,324 of a needed monthly $5,675) to 53% of the budget ($1,324 of $2,483). The family's overall costs went down—thanks to the reduced child care costs, but the housing cost became a bigger portion of the budget.

Figure F. Income Inadequacy Rate by Housing Cost Burden at Baseline and with Combined Impact



Source: U.S. Census Bureau, 2019 ACS 1-Year Public Use Microdata Sample.

In Washington State, 30% of all households are housing burdened, meaning that families pay more than 30% or more of the household income towards the cost of housing.

The American Families Plan Impact on Workers in the Top Occupations

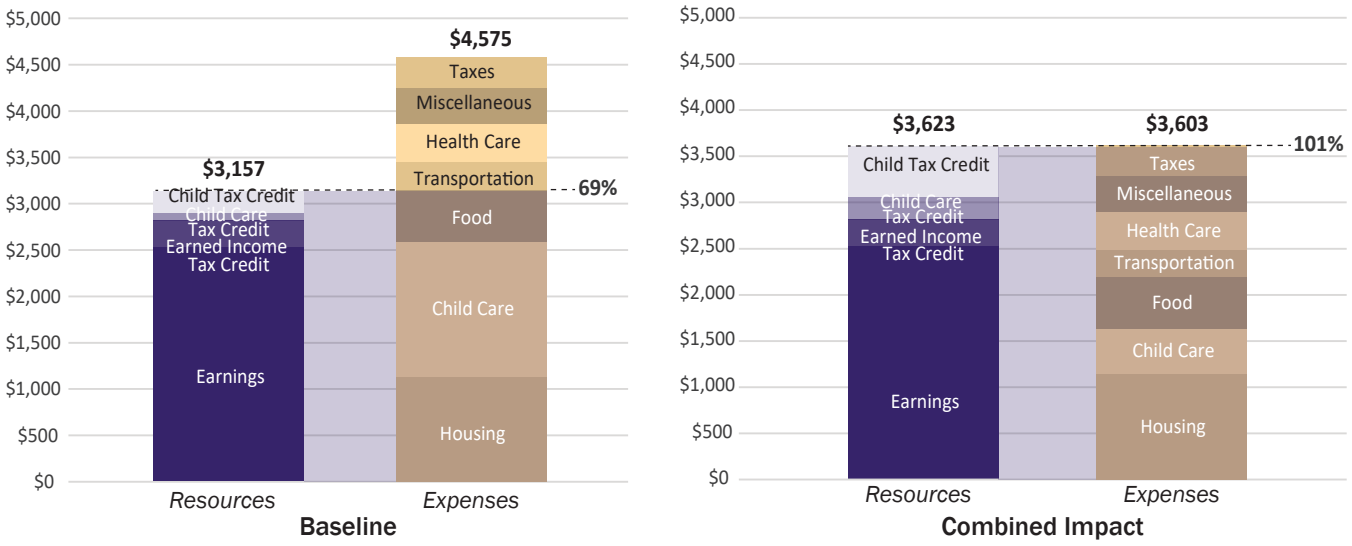
Having detailed the significant impact of the combined provisions in the American Families Plan on the number of Washington State households based on their demographic composition, the next question is **how would the provisions impact the wage adequacy provided by earnings from certain top occupations across Washington State**. The following section will detail a family specific scenario to illustrate how the top ten occupations in two Washington metropolitan areas compare to baseline and combined AFP impact. The next section analyzes how the number of struggling households in the top ten occupations with median earnings below the Standard change when modeling the combined impact of the AFP provisions.

Single Parent with a Preschooler and School-Age Child Living in Kennewick, Washington

In order to illustrate the impact of the American Families Plan provisions on a specific household in Washington State, let us consider a single parent who has a preschooler and school-age child living in the city of Kennewick, Washington (see **Figure G**). This parent works as a retail salesperson (the top occupation in the Kennewick-Richland Metropolitan Statistical Area (MSA) with 4,280 employees).[1] In 2020, the median hourly and annual earnings in Kennewick for a retail salesperson was $14.57 and $30,310 respectively. As shown in **Figure G**, the median monthly earnings for a retail salesperson plus a monthly allocation of the child care tax credit ($97), Earned Income Tax Credit ($301), and child tax credit ($233) meet only 69% of that family's basic needs. As tax credits are typically only paid out in one yearly payment at tax time, this parent would have a reduced capacity to meet their needs on a monthly basis.

If, however, the working parent was able to access an increased amount of tax credits and reduce the total amount paid for child care (as set forth in the AFP), the family's total monthly resources (earnings and tax credits) increase to $3,623 and their monthly costs decrease to $3,603, allowing that single parent to cover all of their basic needs. **Figure G** illustrates how the addition of the tax credits (proportioned monthly) to the parent's earnings brings the family's wage adequacy to 101%.

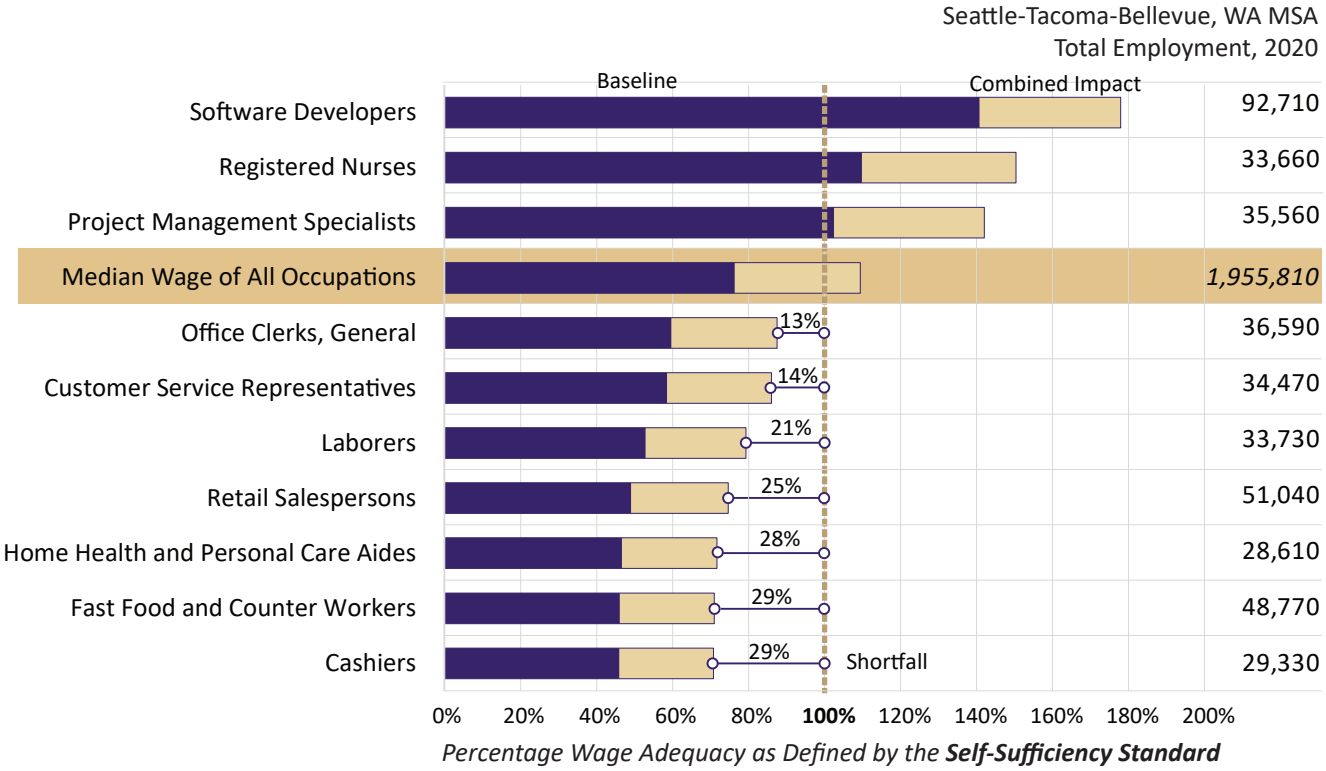
Figure G. Baseline Resources and Expenses Compared to Combined Impact Resources and Expenses
Benton County, WA 2020 | Single Parent with One Preschooler & One School-Aged Child



Source: U.S. Census Bureau, 2019 ACS 1-Year Public Use Microdata Sample.

Figure H. Wage Adequacy of Top Ten Occupations In the Seattle-Tacoma-Bellevue MSA for Baseline and Combined Impact

King County (Seattle), WA 2020 | Single Parent with One Preschooler & One School-Aged Child



Source: U.S. Census Bureau, 2019 ACS 1-Year Public Use Microdata Sample.

Top Ten Occupations in Seattle/King County

Figure H illustrates the wage adequacy of the top ten jobs in the Census defined Seattle-Tacoma-Bellevue MSA for a family with one adult, one preschooler, and one school-age child in King County (City of Seattle) before and after the combined American Families Plan provisions. The purple bar represents the percentage wage adequacy with earnings prior to the projected policy change and the gold bar illustrates what happens when child care costs are reduced and tax credits increased.

Twenty-two percent of Seattle-Tacoma-Bellevue MSA's nearly 1,955,810 workers work in the ten most common occupations. However, as shown in purple, prior to projected AFP policies, only three of the Seattle-Tacoma-Bellevue MSA's ten most common occupations—project managers, registered nurses, and software developers and software analysts—have median wages (plus the tax credits the family is eligible for) that provide 100% wage adequacy as defined by the Self-Sufficiency Standard for this family type. On the other hand, four of the top ten occupations—retail salespersons, fast food and counter workers, and home health and personal care aides—have median earnings and tax credits that provide less than 50% of what is needed for that family to make ends meet.

With the addition of the modeled AFP tax credits and the reduction of child care costs, the wage adequacy of each occupation increased as indicated by the stacked gold bar. While the three occupations above 100% wage adequacy prior to the modeling remain the only jobs that provide 100% wage adequacy, the median wage of all occupations increases to 109% demonstrating that these policies would allow half

These policies would allow half of all workers to have earnings that meet the wages required for a family of one adult, one preschooler, and one school-age child in Seattle.

of all workers to have earnings that meet the wages required for a family of one adult, one preschooler, and one school-age child in Seattle.

While significantly reducing the cost burden by at least 25% for each occupation, hourly earnings from seven of the top ten occupations still do not provide enough for this family to meet their basic needs (ranging from a shortfall of 13% for office clerks to 29% for cashiers). Due to the high costs of this region and the insufficient hourly pay for most of the top ten occupations—the proposed AFP changes help lower the financial burden, but still leave some parents struggling to cover their needs.

Top Occupations Below the Standard Before and After the AFP Provisions

While the previous two sections focused on area-specific top occupations and how the median earnings from those occupations allow a family to meet their basic costs, this section will focus on how the number of struggling households in the top ten occupations with median earnings below the Standard change when modeling the combined impact of the AFP provisions. **Table 2** documents the top ten occupations with the most households below the Standard in Washington State. Before any projected impact of tax credits or reduced child care costs, cashiers and agricultural workers had the highest number of households not able to cover their basic needs (13,008 and 13,003 respectively). According to the U.S. Bureau of Labor Statistics, a cashier in Washington State earned a median wage of $14.90 per hour and an agricultural worker earned $15.73 per hour.[4] The median wages of both occupations were above the Washington State's minimum wage in 2020 ($13.50 per hour) but were still not adequate to meet the basic needs of close to 26,011 households.

When examining the same top ten occupations below the Standard after the impact of the tax credit increases and child care cost reduction, the number of households below the Standard within each occupation decreases at varying rates. The occupation with the most households moving from inadequate to adequate income is agricultural workers. This occupation decreased in total households below the Standard by 4,989. In other words, when modeling the policy mechanisms offered by the AFP—the most significant impact is experienced by agricultural workers. Importantly, in Washington State 89% of agricultural workers below the Standard are households of color. With the combined effects offered in the AFP, the total number of households of color below the Standard in the occupation of agricultural workers drops slightly to 85%.

Several factors may influence the significant shift in agricultural workers from inadequate to adequate income. First of all, CWW analysis of the American Community Survey shows that 66% of agricultural workers in Washington State have children, making

Table 2. Top Ten Occupations Below the Standard Before and After the American Family Plan Provisions in Washington State

Top Ten Occupations Below the Standard	BASELINE	COMBINED	Difference
	Number of Workers	Number of Workers	
Cashiers	13,008	9,735	3,273
Agricultural Workers	13,003	8,014	4,989
Personal Care Aides	11,339	7,540	3,799
Cooks	10,648	7,653	2,995
Housekeeping Cleaners	10,435	6,261	4,174
Waiters And Waitresses	10,020	5,710	4,310
Sales Workers and Truck Drivers	9,787	5,181	4,606
Laborers And Freight, Stock, And Material Movers	9,480	5,181	4,299
Janitors And Building Cleaners	9,473	6,618	2,855
First-Line Supervisors of Retail Sales Workers	8,311	3,513	4,798

Source: U.S. Census Bureau, 2019 ACS 1-Year Public Use Microdata Sample.

them more likely to experience a resource increase and cost reduction as a result of the child-focused tax credits and reduction in child care costs as a result of the modeling scenario. It should also be noted that according to the Agricultural Workers Survey, 48% of farm workers are undocumented —meaning while they pay taxes, they are only able to access tax credits if their children have a social security number and they have an Individual Taxpayer Identification Number (ITIN). Immigration status is also a determining factor in wage adequacy: Standard research shows that foreign-born householders have higher income inadequacy rates than U.S. born householders, especially if they are not citizens. While these findings model an ideal scenario for agricultural workers, access to these benefits is less assured due to policies creating obstacles and vulnerabilities related to the availability of tax documentation. Additionally, until 2021, Washington State farm workers were excluded from the Fair Labor Standards Act of 1938, which was the result of a racist attempt to keep Black workers (the majority of farm workers at that time) from accessing overtime pay and other labor standard protections.[5] As a result, agricultural workers in Washington State were not compensated fairly for overtime, keeping earnings low. Because certain tax credits (EITC and the Child Tax Credit) and eligibility for cheaper child care (0% for child care premiums) in the AFP are income dependent, lower earnings translates to increased eligibility and higher impact of these provisions—causing more households to move from inadequate to adequate wages.

When modeling the policy mechanisms offered by the AFP—the most significant impact is experienced by agricultural workers.

Conclusion

When this research was originally undertaken, the American Families Plan still had hope of passing through the Senate—bringing with it much needed relief for struggling American families who were battling the dual threat of the economic shutdown from the pandemic and a longer trend of growing inequality, often as a result of ongoing institutional racism. The 2021 American Families Plan did not pass into law, but studying the impact of the combined (and individual) proposals demonstrates the immense possibility these policy mechanisms offer for struggling families in Washington State. In 2019, before the pandemic or recent skyrocketing inflation, nearly one third (31%) of Washington's working families were unable to get by based on their earnings alone. With the increased child tax credits, expanded child care, and universal preschool provisions offered in the AFP, **more than a third (12% or 94,885 households) of those families will be able to make ends meet** through reduced costs and increased tax credits.

Additionally, due to the impact of institutional racism, redlining, unfair hiring practices and in some cases, blatantly exclusionary and racist law, among other sources of discrimination, people of color are disproportionately more likely to experience higher rates of income inadequacy. Therefore, targeted policies intended to interrupt social inequities, need to ensure that people of color experience a larger proportion of the positive impact. This research shows that if the AFP policies are passed in combination, Latinx, Black and American Indian communities experience a significant decrease in rates of income inadequacy, with Latinx working families experiencing the largest shift (18%). The analysis also indicates that agricultural workers, the occupational category with the highest shift in households below the Standard moving to adequate wages also is composed of a high proportion of people of color. Though the rate of change is significant for Washington families, these policies are clearly not a panacea and additional changes such as increased wages are necessary to give more families the ability to cover all of their basic costs.

Using the Self-Sufficiency Standard to model the impact of the American Families Plan finds that the problem of inadequate income is extensive, affecting working families throughout Washington State even before the pandemic. However, it also shows that targeted, increased tax credits and lower child care costs could significantly interrupt the trends of income inequality and serve communities that have often been ignored or intentionally excluded.

Endnotes

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4. Occupational Employment Statistics (OES), May 2020 data, U.S. Bureau of Labor Statistics. https://www.bls.gov/oes/

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Technical Appendix: Methodology and Assumptions

This analysis uses the Self-Sufficiency Standard for Washington State 2020 as the definition of income adequacy. The Self-Sufficiency Standard defines the amount of income necessary to meet the basic needs, differentiated by family type and geographic location. The Standard measures income adequacy and is based on the costs of basic needs for working families: housing, child care, food, health care, transportation, and miscellaneous items, plus taxes and tax credits. It assumes the full cost of each need, without help from public subsidies or private assistance. An emergency savings amount to cover job loss is also calculated separately. The Standard is calculated for over 700 family types for all of Washington counties.

Step 1. Adjust Income Thresholds

The first step in this analysis was to adjust the 2020 Self-Sufficiency Standards with American Families Plan proposals that directly impacts the adequate income threshold. Below are details on each proposal as of Spring 2021:

1. **Child Tax Credit**: The American Families Plan would extend the American Rescue Plan Act (ARPA) Child Tax Credit increases through 2025 and make the Child Tax Credit permanently refundable. ARPA increased the Child Tax Credit from a maximum non-refundable credit of $2,000 to a fully refundable credit of $3,600 for children under five years of age and $3,000 for children six to 17 years of age. Additionally, ARPA made the Child Tax Credit an advance credit provided on a monthly basis for 2021.
2. **Child and Dependent Care Tax Credit**: Like the Child Tax Credit, the AFP would make permanent the Child and Dependent Care Tax Credit expansion enacted in the ARPA. Under ARPA, the allowable child care expenses increased from $3,000 for one child and $6,000 for two or more children to $8,000 for one child and up to $16,000 for two or more children. ARPA also increased the maximum credit from 35% of allowable expenses to 50%. This means the maximum credit increased from $2,100 ($6,000 x 35%) to $8,000 ($16,000 x 50%) for two or more children. Like the CTC, ARPA also made the CDCTC fully refundable.
3. **Child Care Support:** The AFP would expand child care assistance by limiting child care expenditures for children under five to a maximum of seven percent of income for families earning 1.5 times the state median income. While the plan notes the child care support would be based on a sliding scale, details of the scale were not included at the time of this analysis. Thus, we looked to the Child Care for Working Families Act first introduced in 2017 by Senator Patty Murray of Washington State as the basis of the sliding scale:
   - Income less than 75% of SMI = 0% of income on child care
   - Income less than 100% of SMI = 2%
   - Income less than 125% of SMI = 4%
   - Income less than 150% of SMI = 7%

Note that 150% of State Median Income is about $150,000 in Washington State for a family of four.

4. **Universal Preschool:** The AFP includes the development of free, universal, high quality preschool programs for all three- and four-year-old children. This analysis assumes that the universal preschool program will provide free full day and full year care for three- and four-year-old children resulting in on child care expenses for preschool children in the Self-Sufficiency Standard. If implemented, some families may require child care expenses for before and after school care or summer care depending upon the program offerings.
5. **Comprehensive Model:** Finally, we combined the four policy proposals into a single model that

adjusts the Self-Sufficiency Standard calculation of the Child Tax Credit, Child and Dependent Care Tax Credits and limits child care expenses to the sliding scale for children under five and free universal preschool for three- and four-year olds.

Each model holds miscellaneous expenses constant with the baseline assumption in the Self-Sufficiency Standard. Additionally, with the exception of the modeled tax credits or subsidized child care costs, all taxes and costs reflect that of the 2020 Self-Sufficiency Standard (pre-ARPA). After updating the cost model with each AFP proposal, a new set of adjusted Self-Sufficiency Standards were calculated for over 700 family types in each Washington county.

Step 2. Code the American Survey Dataset with the Adjusted Income Thresholds

To estimate the number of households at risk of not meeting their basic needs according to the Self-Sufficiency Standard, this analysis uses the 2019 American Community Survey (ACS) 1-year Public Use Microdata Sample (PUMS) by the U.S. Census Bureau. The ACS is an annual survey of the social, housing, and economic characteristics of the population.

Sample Unit: The sample unit for the demographic analysis is the household, not the individual or the family. The ACS includes incomes of all persons residing in households, including not only the householder and their relatives, but also non-relatives such as unmarried partners, foster children, and boarders. For determining the PUMS sample size, the size of the housing unit universe is the ACS estimate of the total number of housing units. In Washington, the 2019 1-year ACS sample size is 33,537 housing units (representing a housing unit estimate of 2,932,478 Washington housing units).

Exclusions: As the Self-Sufficiency Standard was initially designed as a benchmark for job training programs, the Standard assumes that all adult household members work and includes all of their work-related costs (e.g., transportation, taxes, child care) in the calculation of expenses. Therefore, the population sample in this analysis excludes household members not expected to work or their income. This includes: adults over 65 and adults with a work-limiting disability. A work-limiting disability exists if the adult is disabled and is not in the labor force or receives Supplemental Security Income or Social Security income. Thus, although the ACS sample includes households that have disabled or elderly members, this analysis excludes elderly adults and adults with work-limiting disabilities and their income when determining household composition and income. Households defined as "group quarters" are also excluded from the analysis.

In total, 2,073,761 non-disabled, non-elderly households are included in this dataset of Washington State.

Income Threshold Assignment: Each household in the ACS dataset is assigned an income threshold defined by each Self-Sufficiency Standard models based on the following variables:

- *Geography*: The most detailed geographic level in the ACS available to the public with records at the household and individual level is the Public Use Micro Data Sample Areas (PUMAs), which are special, non-overlapping areas that partition a state. Each PUMA, drawn using the 2010 Census population count, contains a population of about 100,000. Washington, which has 39 counties, is partitioned into 56 PUMAs. In the instances when a single PUMA is in more than one county, each county was weighted by population and a new weighted average was calculated to determine a Self-Sufficiency Standard specific to that PUMA. If there are multiple PUMAs in a single county, each PUMA in the county is assigned the county's Self-Sufficiency Standard.
- *Household Type*: Each ACS household is coded for the number of adults and infants, preschoolers, school-age children, and teenagers. The household code is matched with the over 700 family types calculated by the Self-Sufficiency Standard.

Working Family: This study examines the impact of the American Families Plan proposals specifically on working families. Households are identified in the ACS as a "working family" if the household is a "family" household (meaning that there are related persons in the household), if children are present in the household, and if at least one adult in the household is in the labor force.

Step 3. Compare Household Income to Adjusted Income Threshold

Earnings for each household member in the 2019 ACS are summed up and adjusted to 2020 dollars to determine total household income. Total household income is then compared to the calculated Standard for the appropriate family composition and geographic location to determine if a household has adequate income to cover the basic needs. This analysis was repeated for each model described above in Step 1.

Income: Income is determined by calculating the total income of each person in the household, excluding seniors and disabled adults. Income includes money received during the preceding 12 months by non-disabled/non-elderly adult household members (or children) from: wages or salary; farm and non-farm self-employment; Social Security or railroad payments; interest on savings or bonds, dividends, income from estates or trusts, and net rental income; veterans' payments or unemployment and worker's compensation; public assistance or welfare payments; private pensions or government employee pensions; alimony and child support; regular contributions from people not living in the household; and other periodic income.

It is assumed that all income in a household is equally available to pay all expenses. Not included in income are: capital gains; money received from the sale of property; the value of in-kind income such as food stamps or public housing subsidies; tax refunds; money borrowed; or gifts or lump-sum inheritances. The Employment Cost Index from the United States Department of Labor Bureau of Labor Statistics was used to inflate 2019 income in the American Community Survey.

Income Adequacy: Households in the ACS are categorized by whether household income is (1) below the U.S. Census Bureau's poverty threshold as well as below the Self-Sufficiency Standard, (2) above the poverty threshold but below the Standard, or (3) above the Standard. Households whose income is below the Self-Sufficiency Standard are designated as having "insufficient" or "inadequate" income.

About the Center for Women's Welfare

The Center for Women's Welfare at the University of Washington School of Social Work is devoted to furthering the goal of economic justice for women and their families. The main work of the Center focuses on the development of the Self-Sufficiency Standard and related measures, calculations, and analysis. The Center partners with a range of government, non-profit, women's, children's, and community-based groups to:

- research and evaluate public policy related to income adequacy;
- create tools to assess and establish income adequacy and benefit eligibility;
- develop policies that strengthen public investment in low-income women and families.

Learn more about the Center and the Self-Sufficiency Standard research project at www.selfsufficiencystandard.org or contact cwwsss@uw.edu.

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