Analyzing Equity in Policy Analyis

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Building a Good Society with Public Policy

Background

Policy analysis, or "client-oriented advice relevant to public decisions and informed by social values," is carried out classically by evaluating multiple alternative policy options in regards to specific, defined criteria.[1] Among these criteria, three in particular tower over all the others: effectiveness, efficiency, and equity. Of these three, "equity" is the red-headed stepchild, often getting short shrift and much more prone to hand-waving and hurried explanation than the other two.

The role of the policy analyst is to "speak truth to power," to provide policymakers with valuable, evidence-based predictions about the outcomes of their choices. At the University of California, Berkeley's Goldman School of Public Policy, the leading policy analysis school in the country, students are outfitted with a year of quantitative analysis training, teaching students techniques to predict alternative states of the world and evaluate the effectiveness of a given policy in bringing about such states.[2] Students are also outfitted with a year of microeconomic training, learning to predict which policies will lead to the most efficient outcomes, rigorously defined as maximizing aggregate consumer and producer surplus. Equity, on the other hand, receives only three class periods of instruction in the fall semester. Similarly, in Eugene Bardach's *A Practical Guide for Policy Analysis: The Eightfold Path to More Effective Problem*

[1] Weimer, David L., and Aidan R. Vining. *Policy analysis: Concepts and practice*. Routledge, 2015, p. 24.

[2] "Best Public Policy Analysis Programs," U.S. News & World Report: Best Grad School Rankings, 2016.

Solving, which serves as a textbook in the program and has been used by thousands of policy analysts throughout the years to inform their work, five pages are spent analyzing the concept of efficiency analysis, while only one page is dedicated to deciphering equity analysis.[3]

If policy analysts are to be of any help to policymakers in helping bring about more equitable policies, they must first have the tools necessary to carry out rigorous equity analysis. The objective of this essay is to put forth a framework that policy analysts can use to carry out rigorous equity analysis that is informative to policymakers and will help bring about the adoption of more equitable public policies.

Equity as Distributional Fairness

Politics has sometimes been described as the process by which we decide "who gets what, when, and how."[4] The theme that runs through much of policy analysis literature in regards to equity is that equity analysis is the study of who *should* get what, when, and how. While the dictionary definition of equity allows for a more broad understanding of "fairness," policy analysis generally sticks to the question of "distributional fairness," or fairness in distribution of the benefits and costs of a given policy, with some notable exceptions.

The most commonly-covered analytical framework in policy analysis around the concept of equity is the distinction between "horizontal equity" and "vertical equity," and this is a distinction that is normally reserved for analysis of alternative tax plans. According to Jonathan Gruber, vertical equity is "the principle that groups with more resources should pay higher taxes than groups with fewer resources" and horizontal equity is "the principle that similar individuals

[3] Bardach, Eugene, and Eric M. Patashnik. *A practical guide for policy analysis: The eightfold path to more effective problem solving*. CQ press, 2015.
[4] Lasswell, Harold Dwight. *Politics: Who gets what, when, how*. New York: P. Smith, 1950.

who make different economic choices should be treated similarly by the tax system."[5] Gruber then goes on to show how horizontal equity and vertical equity can be used to analyze the relative progressivity or regressivity of tax systems.

Lee Friedman takes this concept to a further level of abstraction, saying that the distinction can be used "to assess the fairness of differences allowed owing to exceptional characteristics."[6] In Friedman's formulation, "horizontal equity means that likes should be treated alike" and "vertical equity means that there is a fair difference in shares among people with different levels of exceptional characteristics." For example, a policy like reparations would not pass muster under a horizontal equity standard, but could be justified under a standard of vertical equity, with the exceptional characteristic being historical harm.

David Weimer and Aidan Vining similarly pin equity analysis to distributional considerations.[7] In their book on policy analysis, Michael Kraft and Scott Furlong define equity as "fairness or justice in the distribution of the policy's costs, benefits, and risks across population subgroups."[8] Eugene Bardach gives little guidance on equity analysis, but utilizes examples of impacts of policies on low-income consumers and ethnic minorities to suggest a distributive fairness framework for policy analysis.[9] Even Deborah Stone, in her book challenging the assumptions of contemporary policy analysis, simply provides a broader range of frameworks than horizontal and vertical equity, made up of membership, merit, rank, group-

[5] Gruber, Jonathan. *Public finance and public policy*. Macmillan, 2004, p. 533.
[6] Friedman, Lee S. *The microeconomics of public policy analysis*. No. 338.5 F7. Woodstock, Oxfordshire: Princeton University Press, 2002, p. 134.
[7] Weimer, David L., and Aidan R. Vining. *Policy analysis: Concepts and practice*. Routledge, 2015, p. 132.
[8] Kraft, Michael E., and Scott R. Furlong. *Public policy: Politics, analysis, and alternatives*. Sage, 2012, p. 175.
[9] Bardach, Eugene, and Eric M. Patashnik. *A practical guide for policy analysis: The eightfold path to more effective problem solving*. CQ press, 2015, p. 75-76.

based, need, value, process equity.[10] While these provide new frameworks for determining an analytical approach, they still preserve the conception of equity analysis as analysis of distributional fairness. Of all the various interpretations of "equity" in policy analysis, equity as distributional fairness has emerged as the most commonly accepted framework for understanding what "equity" means.

Before moving into the section of the paper that proposes a framework for rigorously analyzing equity as distributional fairness, it is worth noting some of the other takes on equity that fall outside this definition. Lee Friedman considers not just distributional fairness as a discrete variable, but also as a continuous variable, mentioning the concept of the Gini Coefficient as an example of how to measure equity.[11] He also addresses the concepts of universal minimums and equal opportunity, which are important conceptions of equity in the capabilities literature.[12,13]

Analyzing Equity

Despite these alternatives, the best opportunity the policy analyst has to provide policymakers with evidence-based, rigorous equity predictions comes from this core concept of "distributional fairness." Below, I sketch out a three-step process that analysts can use to evaluate alternative policies in regards to their equity implications, as defined as the impact the policy has on distributional fairness.

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[10] Stone, Deborah. "Policy paradox: The art of political decision making, revised edition." *London and New York, NY: WW Norton and Company* (2002), chapter 2.
[11] Friedman, Lee S. *The microeconomics of public policy analysis*. No. 338.5 F7. Woodstock, Oxfordshire: Princeton University Press, 2002, p. 128.
[12] Ibid, p. 130-131.
[13] Nussbaum Martha, C. "Frontiers of justice: disability, nationality, species membership." (2006).

Step 1: Determine groups of interest

In order to analyze the distributional fairness impacts of a given policy, one must start out by determining the groups to be analyzed. People care about distributional fairness across many different types of groups: income groups, racial groups, gender groups, renter vs. owner, worker vs. manager, and the list goes on. Identifying groups of interest that could especially be impacted by a given policy, whether positively or negatively, and measuring that impact can provide valuable information to a policymaker who is trying to make a decision on a given policy.

Sometimes identifying groups will be easy given the policies that are being analyzed. If your alternatives are affirmative action policies, racial minority groups are likely groups of interest. If your alternative is a union policy, workers are likely a group of interest. If your alternatives deal with providing funding for reproductive health, women are likely a group of interest.

Sometimes, determining groups will hinge on your client. For instance, if you are working for the NAACP, your client will likely have strong interest in the impact of given policies on African-Americans. If you are working for the National Council on Disability, the impact of a given policy on people with disabilities will likely be helpful for your client. If you work for a city office of economic empowerment, your client will likely be interested in the impact of a policy on low-income residents.

Sometimes, you might need to look a bit deeper. An alternative that disallows employers from requiring their employees to keep their salary secret could be a ripe candidate for equity analysis around the impacts on women's wages, as it could expose differences in wages between men and women. An alternative that would require photo ID for voting purposes could be a ripe candidate for equity analysis around voting patterns for the poor, elderly, and racial minorities,

since these groups are more likely to be impeded from voting by such laws. During your literature review, keep your eye open for disparities researchers are talking about, and if one jumps out as especially troubling for you, designate that as a group for your equity analysis.

Step 2: Operationalize Equity

This is the most conceptually difficult step of equity analysis: determining what exactly you mean, in this given policy analysis, when you're talking about "equity." If you want to do a rigorous equity analysis, this step is crucial. By making it clear to yourself and your client what you mean by "equity," you can take a problem that is ripe for subjective meddling and make an objective claim based on available data. This can be a powerful tool in convincing even those who may be skeptical of claims of inequity, but it will only work if you are rigorous in your definition stage.

The simplest way to define equity is to use one of the two most common definitions: horizontal equity or vertical equity. Straightforwardly, a test for horizontal equity will take different groups and will say that the ideal policy would result in equal outcomes for the groups. Alternatives would then be measured by how far they deviate from this ideal. For instance, if one health insurance plan resulted in a high percentage of health insurance coverage for white Americans and a low percentage of coverage for black Americans while another plan would result in an equal percentage of coverage for both groups, the latter would score better on a horizontal equity test.

A test for vertical equity, however, would call for different impacts for different groups with some sort of justification. For instance, alternatives that hope to improve the lot of the poor may call for more transfers to low-income individuals than other income groups. Thus, a policy

that is more vertically equitable would give more transfers to lower-income individuals than higher-income individuals.

Step 3: Calculate the Impacts

This is where the policy analyst determines the information that will be valuable to the policymaker: the quantified equity impact of potential policies. There are different ways to calculate the equity impacts, and I will address a few of the options that I have determined as most rigorous here.

The most basic way to calculate the equity impacts of a policy is to simply provide blunt numbers for the impact of the policy on different groups. This could come in the form of what the new tax rates will be for different groups, raw numbers on the average amount someone in a given group will have to spend under a new policy, estimates of what new rates of incidence of diseases in different groups will be under a new policy, etc. While this may seem elementary, providing simple numbers about how different groups will be effected by a policy can be extremely valuable to a policymaker and goes above and beyond what many policy analyses usually do.

If you want to take this a step further, Anthony Boardman, David Greenberg, Aidan Vining, and David Weimer put forth a powerful analytic technique in their Cost Benefit Analysis textbook: the tool of internal weighting.[14] This technique works best when calculating dollar impacts on different groups of a policy, but the overall strategy is to calculate the dollar impacts on different groups, then to determine how much one group would have to be "weighted" versus another group in order for the policy to "break even" under cost-benefit analysis. For instance, if

[14] Boardman, Anthony E., David H. Greenberg, Aidan R. Vining, and David L. Weimer. *Cost-benefit analysis: concepts and practice*. Vol. 3. Upper Saddle River, NJ: Prentice Hall, 2006.

a given reparations policy required two dollars to be transferred from white Americans for every dollar black Americans received, your internal weight for black Americans over white Americans for the purpose of the policy would be 2, since that is how much their benefits must be multiplied to justify the costs to the other group. Providing this number to a policymaker can allow the policymaker to have a number to evaluate the tradeoffs implicit in a given policy.

A further step that can be used is what I will call here "external weights." These are weights that are derived from external studies, using tools such as Arthur Okun's "leaky bucket" thought experiment.[15] If you have access to survey or experimental data that provides information about the public's willingness to make tradeoffs for equity's sake, you can provide your policymaker with a benchmark based off of the values of the public. This allows the policy analyst to make a claim about equity without relying on her own values and instead appealing to more objective, democratic measures of the value of equity.

Conclusion

The goal of the policy analyst is to provide information to policymakers that is rigorous, scientific, and useful. Equity analysis provides significant difficulties since conceptions of equity are heterogeneous throughout society and policy analysts are likely to have different views of equity than the general public.

Above, I lay out a framework that analysts can use to more objectively approach the question of equity. By providing policymakers with objective, empirical data around questions that are pertinent to the policies at hand and the mission of the client, policy analysts can help strengthen the policymaking process.

[15] Okun, Arthur M. *Equality and efficiency: The big tradeoff*. Brookings Institution Press, 2015.

More research on public opinion in regards to equity and on distributional impacts of different policies will help bolster equity analysis as a tool for the policy analyst. Equity analysis is a tool that has the potential to be rigorous, scientific, and helpful to policymakers, and by following the approach laid out above, policy analysts can bring equity analysis closer to that ideal.