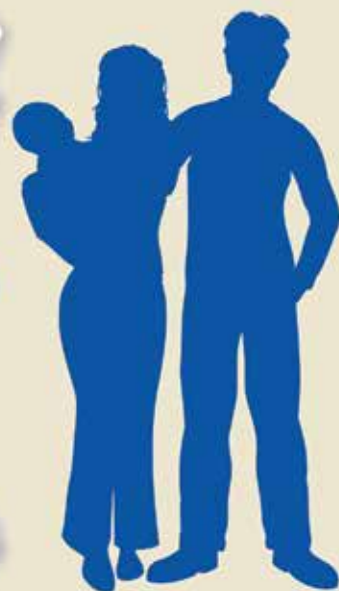


ALICE[®]

ASSET LIMITED, INCOME CONSTRAINED, EMPLOYED



Winter 2016

STUDY OF FINANCIAL HARDSHIP

A project of United Ways in
Connecticut, Florida, Idaho, Indiana, Iowa,
Louisiana, Maryland, Michigan, New Jersey,
New York, Ohio, Oregon, Virginia, Washington,
and Wisconsin

UnitedWayALICE.org



THE UNITED WAY *ALICE PROJECT*

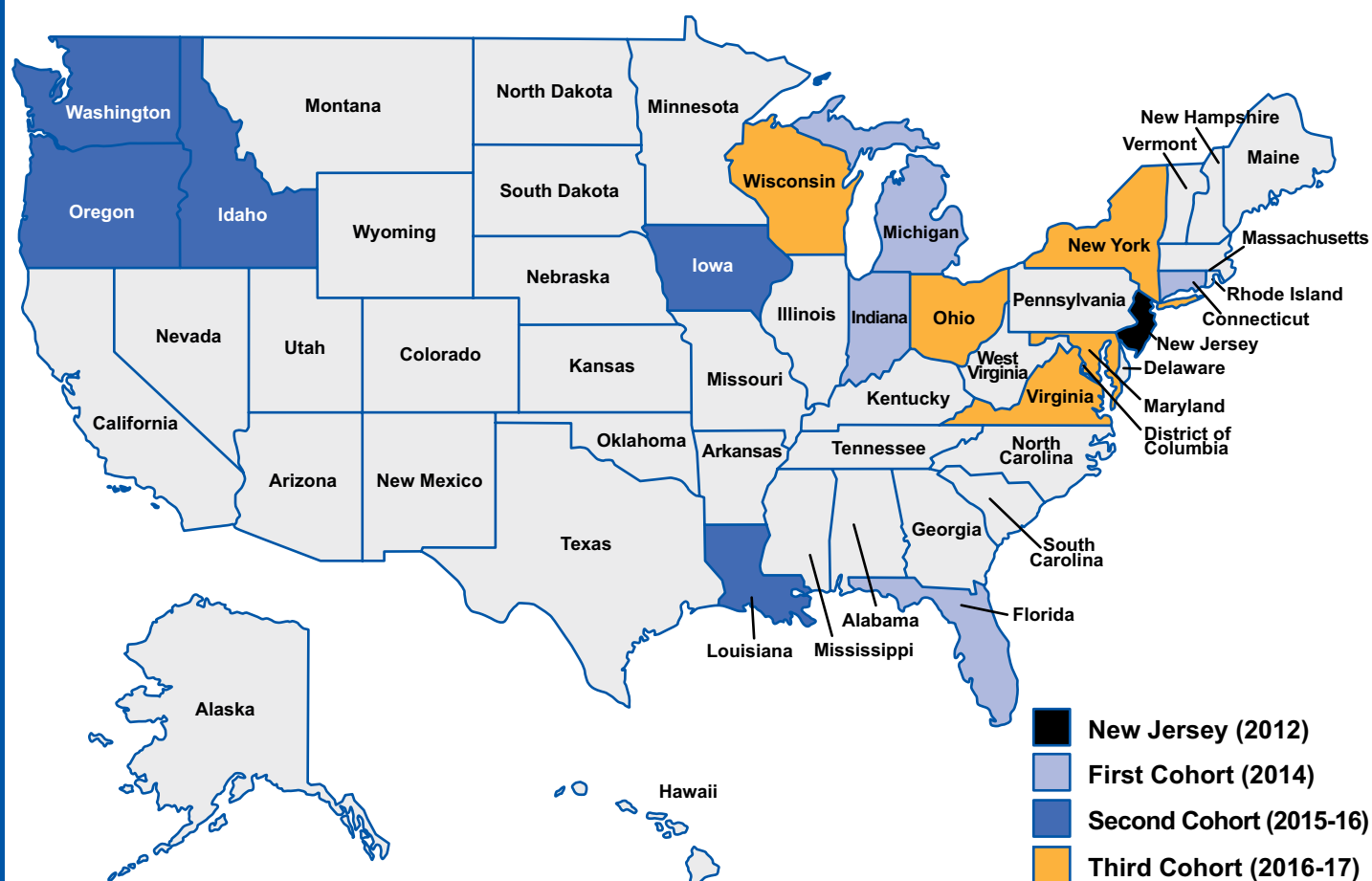
The United Way *ALICE Project* provides a framework, tools, and language to measure and understand the struggles of the growing number of households in our communities that do not earn enough to afford basic necessities. United Way has called this group **ALICE**, an acronym for **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed. ALICE households earn above the Federal Poverty Level, but not enough to live and work in the modern economy. This research initiative partners with state United Way organizations to present data that can stimulate meaningful discussion, attract new partners, and ultimately inform strategies that lead to positive change.

Together, United Ways, government agencies, nonprofits, and corporations have the opportunity to evaluate current initiatives and discover innovative approaches that can improve life for ALICE and the wider community.

STATES INVOLVED IN THE UNITED WAY *ALICE PROJECT*

Based on the overwhelming success of the research in identifying and communicating the needs of ALICE households, this Project has grown exponentially from its Morris County, New Jersey debut in 2009. Including the planned launch of Reports for Ohio and Virginia in 2017, the *Project* spans 15 states representing nearly 40 percent of the U.S. population.

To access reports from all states, as well as additional data and the methodology overview, visit UnitedWayALICE.org



THE ALICE RESEARCH TEAM

The United Way *ALICE Project* is led by a team of researchers and is supported by a Research Advisory Committee for each state. This collaborative model ensures each Report presents unbiased data that is replicable, easily updated on a regular basis, and sensitive to local context.

Lead Researcher

Stephanie Hoopes, Ph.D. is the lead researcher and director of the United Way *ALICE Project*. Her research has garnered both state and national media attention, and in 2016, she received a resolution from the New Jersey Assembly for her work on ALICE.

She began the United Way *ALICE Project* as a pilot study of the low-income community in affluent Morris County, New Jersey in 2009, to more accurately measure financial hardship. In 2015, Dr. Hoopes joined the staff at United Way of Northern New Jersey to expand the Project as more and more states become involved.

Dr. Hoopes was an assistant professor at the School of Public Affairs and Administration (SPAA), Rutgers University-Newark from 2011 to 2015. She has taught at Columbia University in New York and at the Universities of Sussex and Birmingham in the United Kingdom. Dr. Hoopes has a doctorate from the London School of Economics, a master's degree from the University of North Carolina at Chapel Hill, and a bachelor's degree from Wellesley College.



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Research Advisory Committees

Each state convenes a Research Advisory Committee to advise and contribute to its state Report. Members represent a range of organizations including academic institutions, social and human service organizations, hospitals, government agencies, or market researchers. A full list of Research Advisory Council members for the 13 states studied to date is available in the back of this document.

NATIONAL ALICE ADVISORY COUNCIL

The National ALICE Advisory Council convenes corporate and national organizations to elevate ALICE's voice to a national level. The Council advises the growth and development of the Project and offers solutions to help ALICE. Members of the Council include:

Aetna Foundation | AT&T | Atlantic Health System | Deloitte | Entergy | Johnson & Johnson

KeyBank | Novartis Pharmaceuticals Corporation | OneMain Financial

Thrivent Financial Foundation | UPS | U.S. Venture

OVERVIEW

Across the United States – in cities, suburbs, and rural communities alike – American families struggle to afford the basic necessities of life. Data from 13 states that have participated in the United Way *ALICE Project* – Connecticut, Florida, Idaho, Indiana, Iowa, Louisiana, Maryland, Michigan, New Jersey, New York, Oregon, Washington, and Wisconsin – show that at least **31 percent of households in each state cannot afford the bare minimum to live and work in the modern economy. In some states, the proportion is as high as 44 percent.**

These rates are more than double the rate of “poverty,” as defined by the Federal Poverty Level (FPL), and clearly demonstrate that an alternative measure is necessary to capture the magnitude of Americans who cannot make ends meet. The lack of accurate information on the number of struggling households masks problems related to poverty and misguides policy solutions.

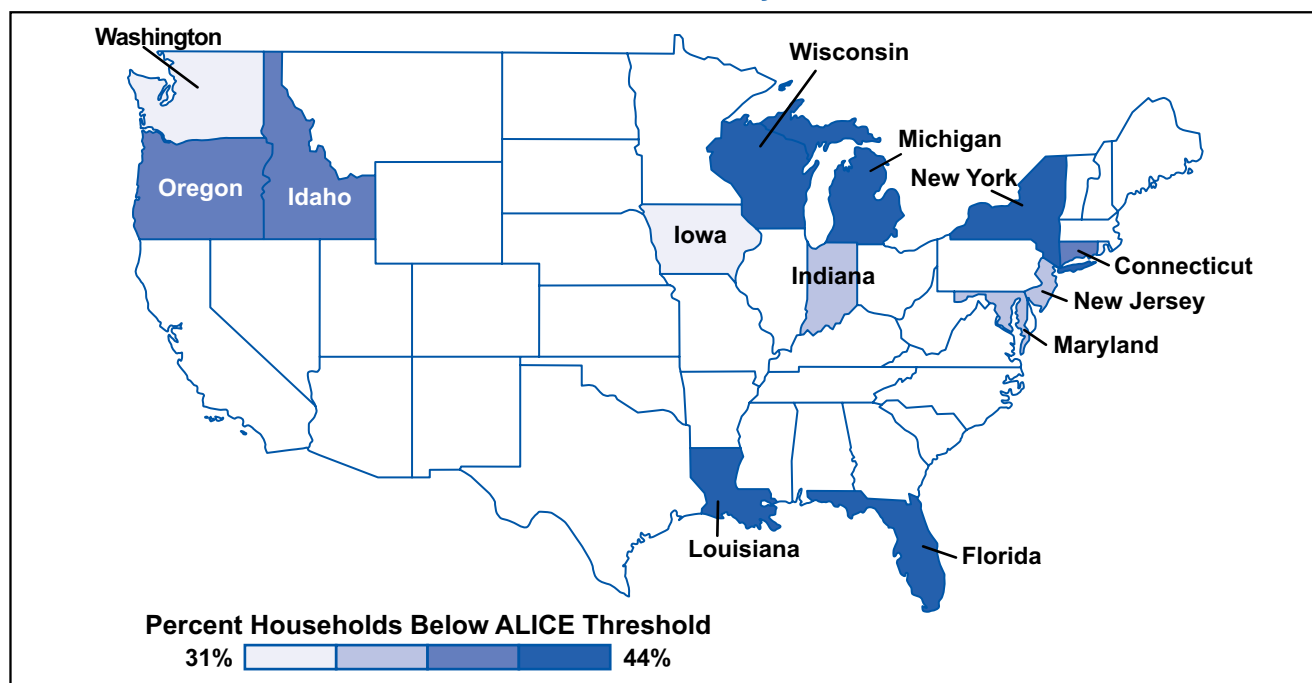
The state United Way ALICE Reports calculate the number of households in each county that cannot afford a **Household Survival Budget**, a basic budget that includes the cost of housing, child care, food, transportation, and health care. Through this research, the state Reports have identified millions of Americans whose incomes are above the FPL, but who still cannot afford these five basic needs.

The United Way put a face on this demographic group with the acronym **ALICE** – for **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed.

ALICE lives in every county in this country. ALICE is male and female, young and old, single and married, with and without children, and is every race and ethnicity. Many hold jobs, pay taxes, and provide services that are vital to the local economy. They are child care providers, retail salespeople, customer service representatives, health care aides, and laborers and movers. And some are underemployed, unemployed, disabled, or retired. Whether these families can stay afloat versus sinking into poverty affects everyone in their communities.

This Multi-State Report provides a new comparative analysis of ALICE households across the country. With data from 711 counties in 13 states, our understanding of this population deepens. These rich data sets provide an outstanding opportunity to learn more about which factors create better conditions for ALICE and poverty-level households, and which bring the most change over time.

Figure 1.
Percent of Households Below the ALICE Threshold by State, 2014



Source: American Community Survey, 2014, and the ALICE Threshold

WHY ARE THERE SO MANY ALICE HOUSEHOLDS?

- **Low-wage jobs:** The majority of jobs in the U.S. are low-wage jobs. More than half of all jobs in every state except for Connecticut paid less than \$20 per hour in 2014. The percent of jobs paying less than \$20 per hour ranged from 49 percent in Connecticut to 71 percent in Idaho. The majority of these low-wage jobs paid less than \$15 per hour (if working full-time, this equals \$30,000 per year), not enough to support a family Household Survival Budget in any state.
- **Basic cost of living:** The ALICE Household Survival Budget is significantly higher than the FPL. For example, for a family of four (two adults with one infant and one preschooler), the FPL was \$23,850 in 2014, while the Household Survival Budget, which takes into account geographic differences in the cost of living, ranged from \$46,020 in Louisiana to \$70,788 in Connecticut.
- **Lack of savings:** The majority of households in every state do not have savings to cushion them during a period of unemployment or for an unexpected expense. The percent of households with an asset that could be used for an emergency (such as a savings account or 401k) ranged from 16 percent in Louisiana to 28 percent in Connecticut. In other words, 72 to 84 percent of households did not have a financial cushion.
- **Economic challenges:** Local job opportunities and affordable housing are critical to the financial stability of ALICE families, yet it remained difficult to find jobs in locations that are near to affordable housing.

GLOSSARY

ALICE is an acronym that stands for **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed, comprising households with income above the Federal Poverty Level but below the basic cost of living.

The Household Survival Budget calculates the actual costs of basic necessities (housing, child care, food, health care, and transportation) in each state, adjusted for different counties and household types.

The ALICE Threshold is the average income that a household needs to afford the basic necessities defined by the Household Survival Budget for each county in each state (households earning less than the ALICE Threshold include both ALICE and poverty-level households).

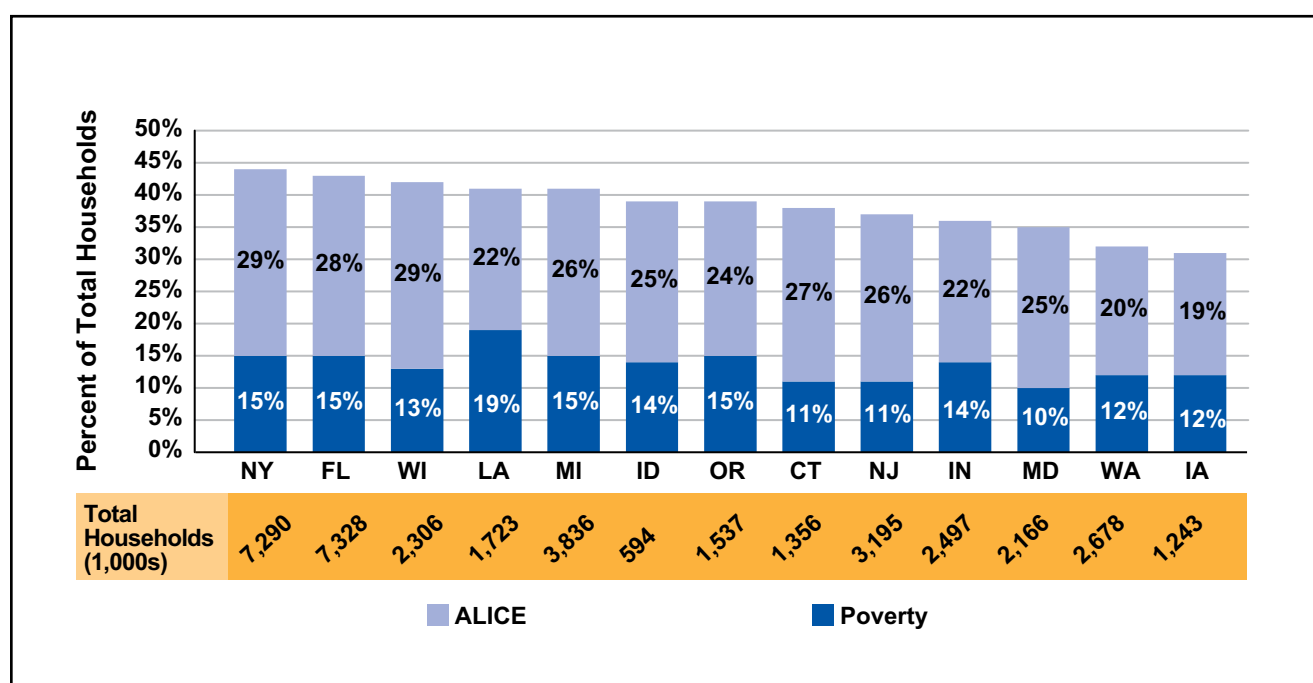
The ALICE Income Assessment is the calculation of all sources of income, resources, and assistance for ALICE and poverty-level households. Even with assistance, the Assessment reveals a shortfall, or Unfilled Gap, between what these households bring in and what is needed for them to reach the ALICE Threshold.

The Economic Viability Dashboard is comprised of three Indices that evaluate the economic conditions that matter most to ALICE households – Housing Affordability, Job Opportunities, and Community Resources.

WHO IS ALICE?

Of the 38 million households across the 13 states covered in this Report, 40 percent could not afford the Household Survival Budget, and were living below the ALICE Threshold in 2014. Rates ranged from 31 percent in Iowa to 44 percent in New York. The 13 states represent all regions of the country – the South (Florida and Louisiana), the East (Connecticut, Maryland, New Jersey, and New York), the Midwest (Indiana, Iowa, Michigan, and Wisconsin), and the West (Idaho, Oregon, and Washington). But despite the differences in geography, economics, and demographics among the states, gaps remain between the cost of basic necessities and wages (Figure 2).

Figure 2.
Percent of Households Below the ALICE Threshold by State, 2014



Source: American Community Survey, 2014, and the ALICE Threshold

The number of ALICE households increased from 2007 to 2014. The number of households with income below the ALICE Threshold increased in all states, ranging from a 4 percent increase in Washington to a 40 percent increase in Maryland (Figure 3).

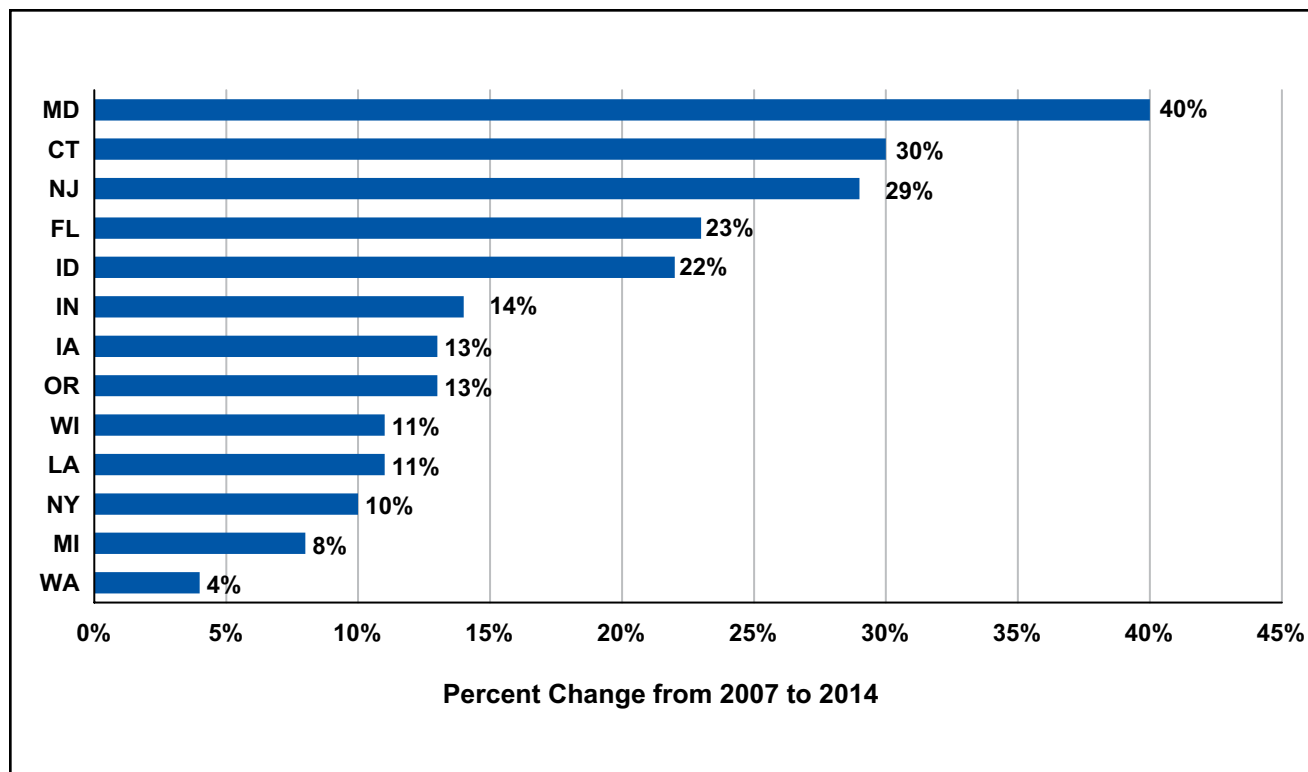
Several factors contributed to the increase in households below the ALICE Threshold:

- The cost of the Household Survival Budget increased steadily, and in most places it increased more than the rate of inflation.
- Many families faced reduced earnings as the result of unemployment, fewer work hours, or new jobs with lower wages.
- As the overall population increased in every state, so did the number of households with income below the ALICE Threshold.

States encountering all of these factors, as Maryland did, had the highest increase in families below the ALICE Threshold. Maryland had the largest budget increase (26 percent), reduced wages and periods of unemployment for many low-wage workers, and the largest population increase with the number of total households increasing by 4 percent (almost 92,000 households).

Figure 3.

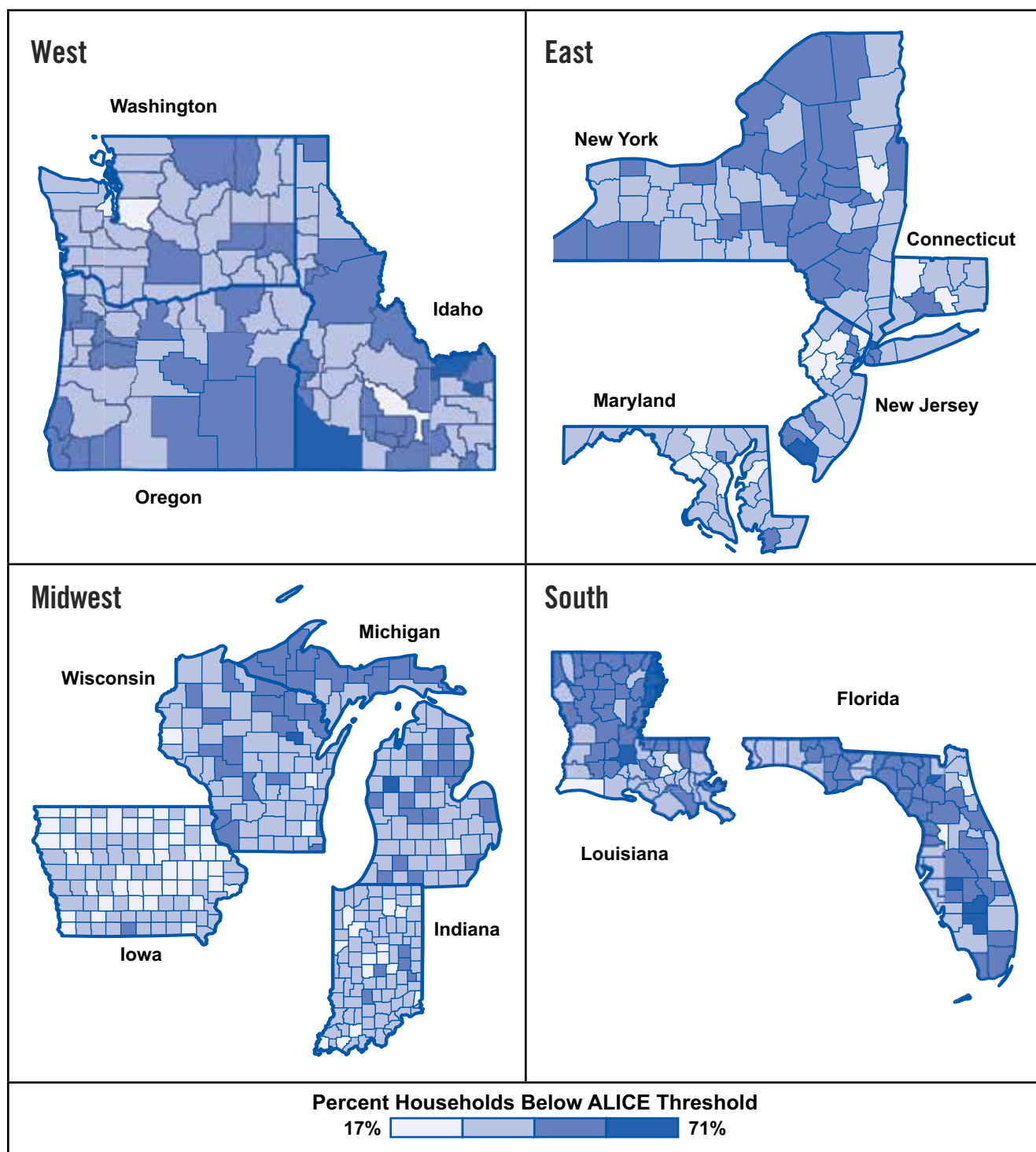
Households Below ALICE Threshold by State, Percent Change, 2007 to 2014



Source: American Community Survey, 2014; the ALICE Threshold; United Way 2016 ALICE Reports

ALICE and poverty-level households are not confined to urban areas, but live in every county in the country. In every county in each of the 13 states – including some of the wealthiest counties in the country – more than 17 percent of households live below the ALICE Threshold. Rates range from 17 percent in Hamilton, Indiana to 71 percent in the Bronx, New York (Figure 4).

Figure 4.
Households Below ALICE Threshold by State and County, 2014



Source: American Community Survey, 2014, and the ALICE Threshold

While ALICE households live in all major urban areas, the percent with income below that ALICE Threshold varies greatly among cities. Of the cities with more than 75,000 households, the proportion of households below the ALICE Threshold ranged from 28 percent in Seattle to 70 percent in Detroit (Figure 5). Most cities had more than 40 percent of households with income below the ALICE Threshold. New York City, the country's most populous city (3.1 million households), had 46 percent of households below the ALICE Threshold in 2014. Six cities had 60 percent or more households below the ALICE Threshold: Buffalo (NY), Detroit (MI), Miami (FL), Milwaukee (WI), Newark (NJ), and Rochester (NY).

Figure 5.

Households Below ALICE Threshold, Cities with More Than 75,000 Households, 2014

Largest Cities	Number of Households	Percentage of Households Below ALICE Threshold
New York, New York	3,148,067	46%
Indianapolis, Indiana	328,526	44%
Jacksonville, Florida	320,809	42%
Seattle, Washington	304,564	28%
Portland, Oregon	257,267	32%
Detroit, Michigan	253,490	70%
Baltimore, Maryland	238,897	45%
Milwaukee, Wisconsin	233,161	63%
Miami, Florida	158,039	66%
New Orleans, Louisiana	152,788	41%
Tampa, Florida	140,429	43%
Buffalo, New York	110,070	60%
Orlando, Florida	109,685	53%
Madison, Wisconsin	103,771	45%
St. Petersburg, Florida	103,519	40%
Fort Wayne City, Indiana	100,239	44%
Jersey City, New Jersey	98,873	40%
Baton Rouge, Louisiana	91,034	49%
Newark, New Jersey	89,182	62%
Spokane, Washington	85,300	43%
Boise City, Idaho	84,511	35%
Rochester, New York	83,944	69%
Des Moines, Iowa	81,779	40%
Tacoma, Washington	78,717	44%
Fort Lauderdale, Florida	75,205	47%
Tallahassee, Florida	75,056	50%

Source: American Community Survey, 2014, and the ALICE Threshold

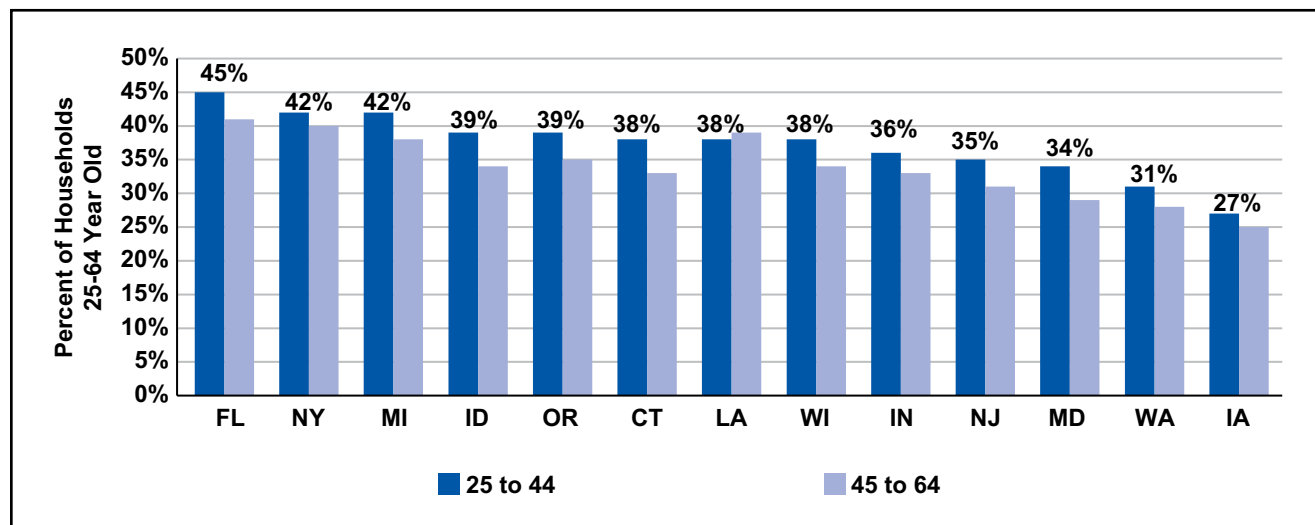
HOUSEHOLDS BY AGE

ALICE and poverty-level households exist in all age groups. The youngest households, those headed by someone under the age of 25, make up the smallest age group but are the most likely to be in poverty. In 2014, the percent of under-25 households in poverty ranged from 35 percent in Washington to 49 percent in Michigan and Oregon.

Senior households are the least likely age group to be in poverty, but the most likely to be ALICE. Although seniors are less likely to be working (even as the number of seniors in the workforce has increased in the last decade), they are still considered ALICE because of their income range. Many seniors had to tap into retirement savings during the Great Recession, or were not able to accumulate savings, forcing more to be dependent on Social Security. The average Social Security payment of \$15,528 per year in 2014 is below the Household Survival Budget for a single person in every state (ranging from \$16,728 to \$24,300), and well below for a married couple (ranging from \$24,185 to \$32,624). While Social Security has ensured that many retired workers live above the FPL, it has not made them financially stable (U.S. Social Security Administration, 2014). By state, the proportion of senior households who are ALICE ranges from 24 percent in Washington to 44 percent in Wisconsin.

What may be most surprising is that many households headed by someone in their prime working years, aged 25 to 64 years old, have income below the ALICE Threshold. Among the 13 states, the lowest rates were in Iowa, with 27 percent for 25- to 44-year-old headed households and 25 percent for 45- to 64-year-old headed households. The highest rates were in Florida, with 45 percent for 25- to 44-year-old headed households and 41 percent for 45- to 64-year-old headed households (Figure 6). In terms of overall size, 45- to 64-year-old headed households are the largest age group, and 25- to 44-year-old headed households are the second largest.

Figure 6.
Households Below ALICE Threshold by State, 25 to 64 Years Old, 2014



Source: American Community Survey, 2014, and the ALICE Threshold

Household composition has shifted in recent years, reflecting broader demographic and economic changes. The biggest changes are the reduction of younger households and an increase in senior households (Figure 7). This has implications for housing, schools, transportation, and retirement, which are discussed further in the conclusion.

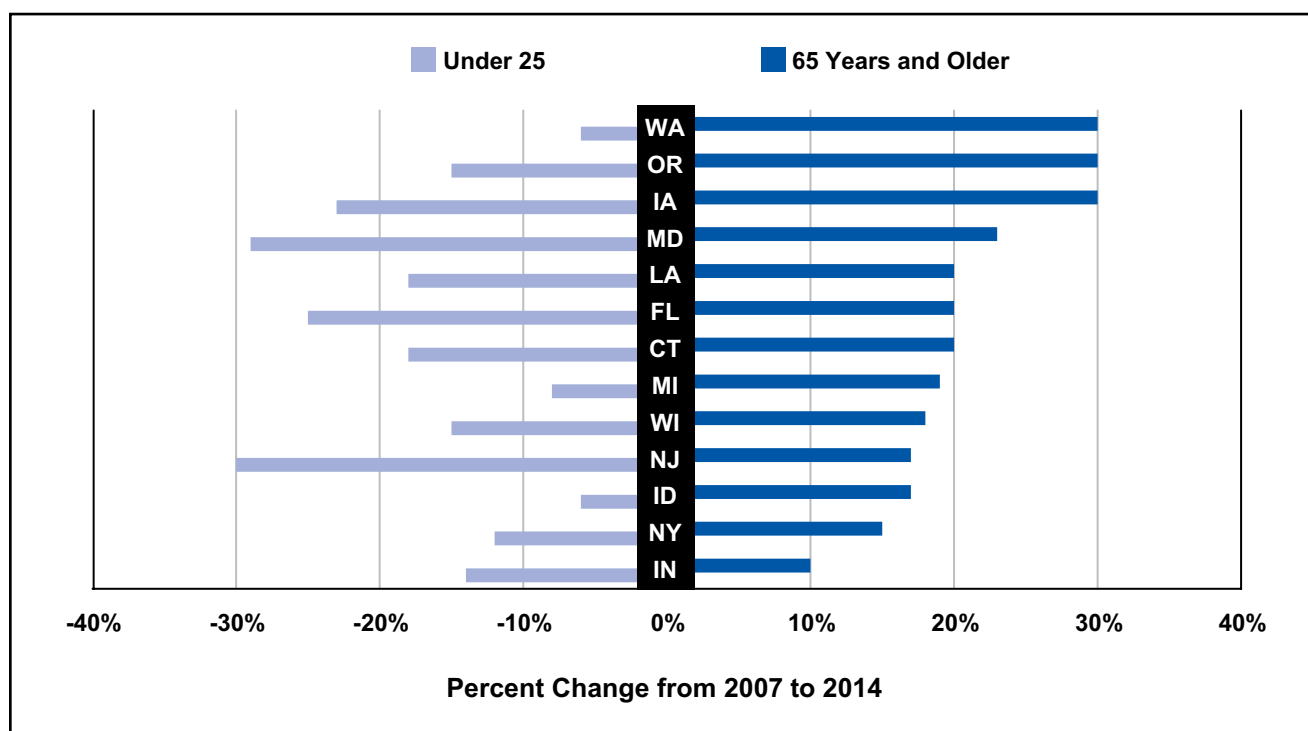
Through the Great Recession, the number of households headed by someone under the age of 25 decreased as young workers moved back in with their parents or found roommates to save money. In fact, from 2007 to 2014, the number of households headed by someone under 25 decreased in all states (Figure 7), ranging from a 6

percent decrease in Indiana (129,833 households in 2007 to 122,493 households in 2014) to 30 percent in New Jersey (74,466 households in 2007 to 51,966 households in 2014) (American Community Survey, 2007, 2010, 2012, and 2014; Vespa, Lewis, & Kreider, 2013).

At the same time, the Baby Boomers are aging. Senior households, those headed by someone 65 years and older, increased across the country by at least 10 percent from 2007 to 2014. The lowest rate of increase was in Indiana, with a 10 percent increase in senior households (from 492,699 households in 2007 to 578,118 households in 2014). Many states experienced even higher rates, up to a 30 percent increase in Iowa (275,940 households in 2007 to 304,876 households in 2014), Oregon (300,219 households in 2007 to 388,829 households in 2014), and Washington (401,878 households in 2007 to 494,542 households in 2014). Though these are large percent changes, seniors make up the second smallest of all age groups.

Figure 7.

Change in the Number of Households, under 25 and 65 and Older, by State, 2007 to 2014



Source: American Community Survey, 2007-2014, and the ALICE Threshold

HOUSEHOLD BY RACE AND ETHNICITY

The racial and ethnic diversity of ALICE households closely mirror that of each state's overall population (Figure 8). The most notable changes over time have been the increases in Asian and Hispanic populations, and in some places Black populations. While these groups have increased, the number of White households in most places has remained flat. These trends led to a decline in the percent of total households that were White from 2007 to 2014. Though still the majority of households in every state, their proportion of all households varies widely across the country, from 58 percent of households in Maryland to 91 percent in Iowa.

With increases in total households, the number in poverty and ALICE increased at an even higher rate. The number of households below the ALICE Threshold increased for all race and ethnicities, especially Asian, Blacks, and Hispanics.

White Households

White (non Hispanic) households accounted for the largest number of households below the ALICE Threshold in every state in 2014.

- **ALICE:** White ALICE households ranged from 19 percent in Iowa to 29 percent in Wisconsin. The number of White ALICE households has increased significantly in most states studied – more than 20 percent in eight states, and more than 10 percent in four states from 2007 to 2014. In Washington, the number fell by 3 percent.
- **Poverty:** White households in poverty ranged from 7 percent in Connecticut, Maryland, and New Jersey to 12 percent in Oregon.
- **Total Households:** The number of all White households remained flat across the country, while other race and ethnicities increased, leading to a decline in the percentage of all households that were White.

Asian Households

Asian households are the smallest racial group in most states and had a similar income distribution to White households in 2014.

- **ALICE:** Asian ALICE households ranged from 16 percent in Iowa and New Jersey to 33 percent in New York. The number of Asian ALICE households increased on average by 31 percent from 2007 to 2014.
- **Poverty:** Asian households in poverty ranged from 6 percent in New Jersey to 18 percent in Indiana. Asian households in poverty increased on average by 30 percent.
- **Total Households:** The number of Asian households increased by more than 8 percent in all states; in Indiana, the number of Asian households rose by 19 percent.

Black Households

Black households accounted for a small percent of total households in most states, with the notable exceptions of Maryland (29 percent of households) and Louisiana (30 percent) in 2014.

- **ALICE:** The percent of Black ALICE households ranged from 24 percent in Oregon to 45 percent in Wisconsin. From 2007 to 2014, the number of Black ALICE households across the 13 states increased on average by 27 percent.
- **Poverty:** Black households are the most likely racial or ethnic group to be in poverty. The percent of Black households in poverty ranged from 12 percent in Maryland to 30 percent in Iowa. The number of Black households in poverty increased on average by 11 percent from 2007 to 2014.
- **Total Households:** The increase in the number of Black households varied by state, ranging from 0.4 percent in New Jersey (accounting for 8 percent of total households) to 25 percent in Iowa (accounting for 3 percent of total households).

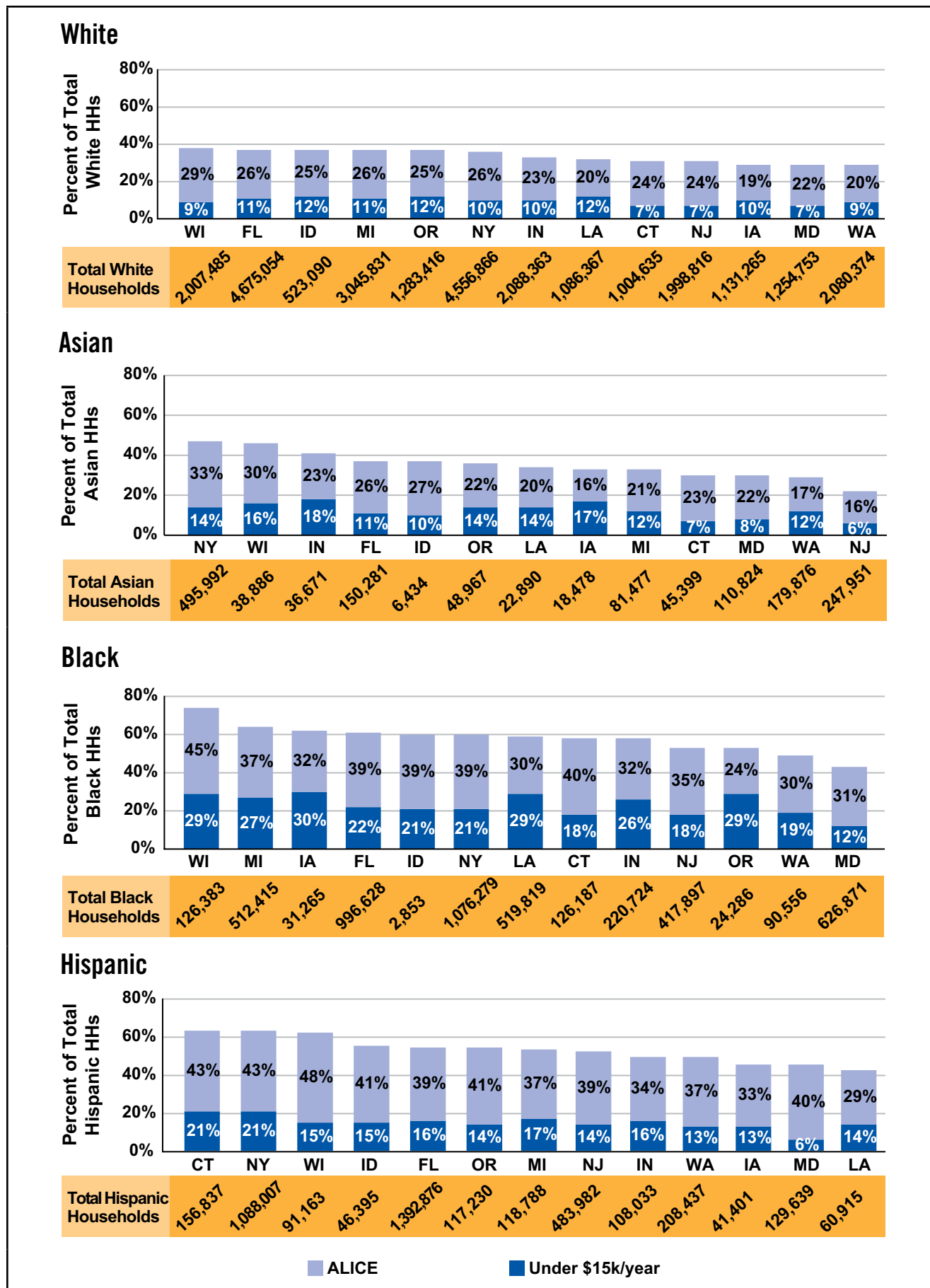
Hispanic Households

Hispanic households accounted for a small percent of total households in most states, but are a significant group in Connecticut (12 percent of households), New Jersey and New York (15 percent), and Florida (19 percent).

- **ALICE:** Hispanic households are the mostly likely racial or ethnic group to be to be ALICE. The percent of Hispanic ALICE households ranged from 29 percent in Louisiana to 48 percent in Wisconsin. The number of Hispanic ALICE households increased on average by 41 percent.
- **Poverty:** The percent of Hispanic households in poverty ranged from 6 percent in Maryland to 21 percent in Connecticut and New York. The number of Hispanic households in poverty increased on average by 34 percent.
- **Total Households:** The number of Hispanic households increased by more than 8 percent in every state and by more than 40 percent in Louisiana and Maryland.

Figure 8.

Households Below ALICE Threshold by Race/Ethnicity and State, 2014



Source: American Community Survey, 2014, and the ALICE Threshold

HOUSEHOLDS BY TYPE

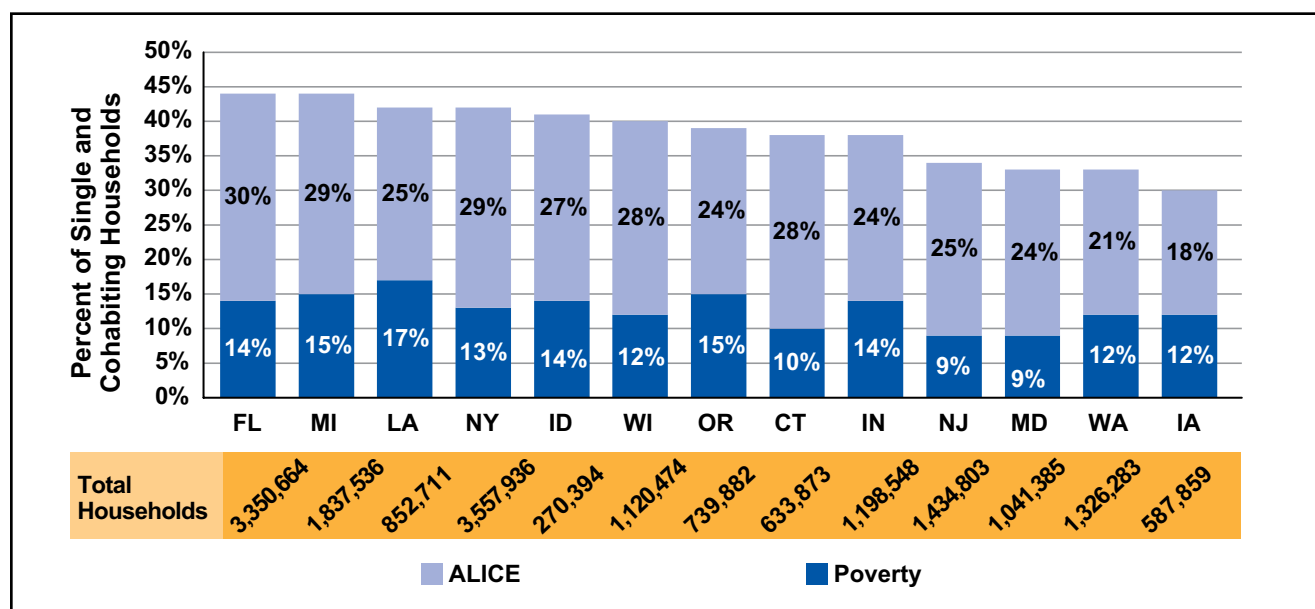
Households are changing across the country. People are increasingly living in a wider variety of arrangements, including singles living alone or with roommates, and grown children living with parents or other relatives. Since the 1970s, U.S. households have followed a trend toward smaller households, fewer households with children, fewer married-couple households, and more people living alone, especially at older ages.

Single and Cohabiting with No Children

Owing to this trend, single and cohabiting adults with no children under 18 years old account for 45 to 50 percent of households across the 13 states. They are slightly less likely than other types of households to be in poverty, ranging from 9 percent in New Jersey and Maryland to 17 percent in Louisiana; but they are just as likely to be ALICE, ranging from 18 percent in Iowa to 30 percent in Florida (Figure 9).

Figure 9.

Single & Cohabiting (No Children Below 18) Households Below the ALICE Threshold, 2014



Source: American Community Survey, 2014, and the ALICE Threshold

Families with Children

Not surprisingly, families with young children have the most expensive Household Survival Budget of all household types. Not only are these households larger, but they have the added expense of child care, preschool, and after-school care. Overall, 38 percent of families with children under the age of 18 years old have income below the ALICE Threshold. By state, that ranges from 27 percent in Iowa to 44 percent in Florida and New York (Figure 10).

Figure 10.

Families with Children Under 18 by Income, 2014

State	Married Families			Single Female-Headed Families			Single Male-Headed Families			All Families
	Total Households	% Poverty	% ALICE	Total Households	% Poverty	% ALICE	Total Households	% Poverty	% ALICE	Below ALICE Threshold
CT	260,668	4%	12%	92,696	36%	38%	28,922	22%	39%	127,944
FL	1,108,080	10%	16%	496,392	47%	30%	153,795	28%	35%	767,213
IA	245,425	6%	5%	73,350	44%	29%	31,349	20%	25%	94,649
ID	134,716	10%	14%	33,776	46%	34%	15,317	20%	30%	67,011
IN	474,571	8%	9%	183,443	50%	26%	62,518	27%	28%	254,479
LA	280,981	8%	8%	157,539	58%	19%	41,327	25%	27%	187,752
MD	421,296	4%	12%	159,565	31%	36%	49,314	16%	43%	203,411
MI	681,874	8%	12%	262,682	51%	29%	91,310	27%	31%	399,480
NJ	695,184	6%	13%	218,986	38%	35%	62,672	22%	36%	328,295
NY	1,292,202	10%	18%	522,828	47%	32%	146,225	26%	38%	868,435
OR	275,008	10%	14%	95,074	48%	29%	38,004	27%	34%	144,737
WA	529,829	6%	11%	153,950	43%	28%	65,361	21%	29%	232,056
WI	424,259	6%	11%	152,116	46%	34%	63,243	23%	39%	233,027

Source: American Community Survey, 2014, and the ALICE Threshold

Families with married parents are the largest family type overall. With two income earners, a smaller proportion of these families have income below the ALICE Threshold, ranging from 11 percent in Iowa to 28 percent in New York. Yet, because there are so many more families with married parents, they still make up the largest number of families below the ALICE Threshold.

A greater proportion of single female-headed families have income below the ALICE Threshold, ranging from 67 percent in Maryland to 80 percent in Wisconsin, Michigan, and Idaho. The range for single male-headed families with children below the ALICE Threshold is from 45 percent in Iowa to 64 percent in New York.

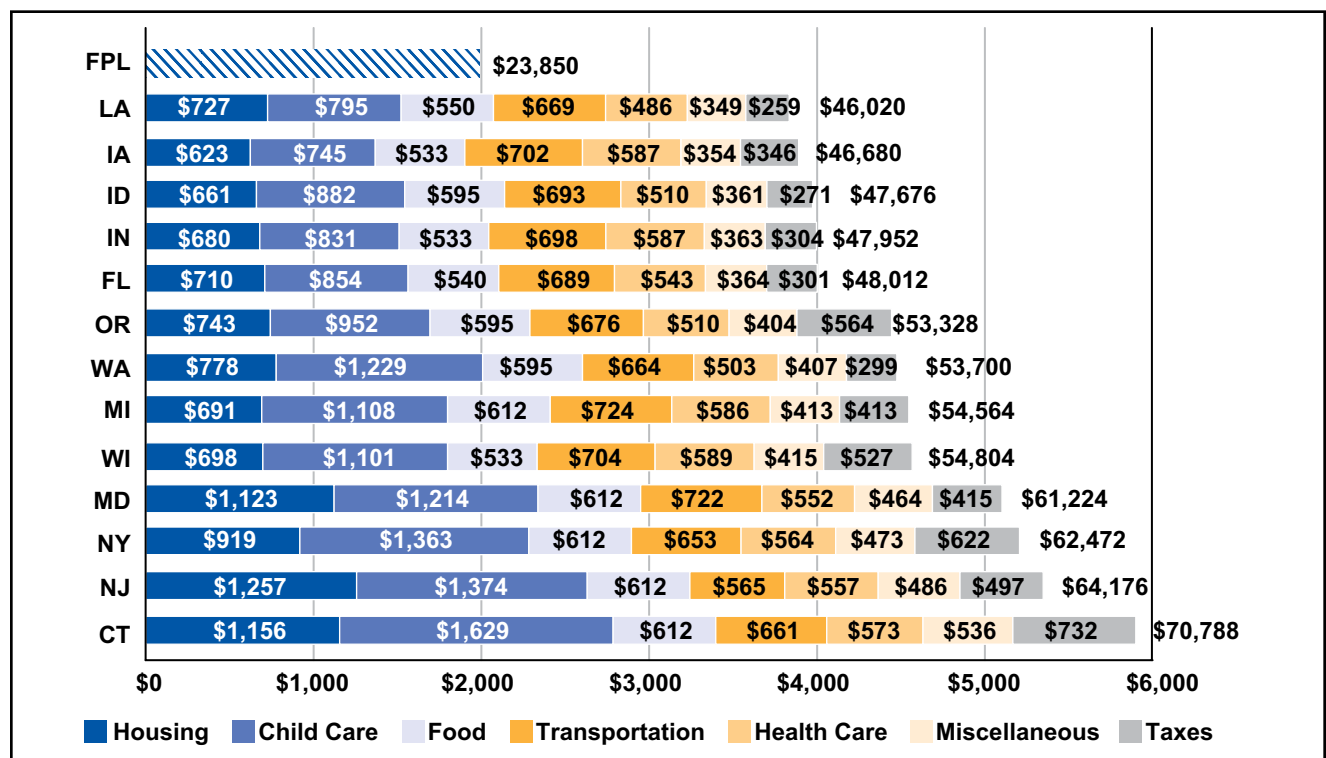
Between 2007 and 2014, the number of families with children under 18 fell across the states. Families with married parents had the biggest decline, falling by more than 5 percent in all states except Washington (1 percent decrease) and by as much as 14 percent in Connecticut. The number of single female-headed families decreased on average by 1 percent and single male-headed families increased on average by 9 percent.

WHAT DOES A HOUSEHOLD SURVIVAL BUDGET COST?

The Household Survival Budget calculates the cost of the five basic household necessities – housing, child care, food, health care, and transportation – plus taxes and miscellaneous costs, for each county in each of the 13 states. The average cost of the Household Survival Budget for a family of four ranges from \$46,020 per year in Louisiana to \$70,788 per year in Connecticut (Figure 11). Despite the variability in the cost of basic necessities, more than 31 percent of households in each state earn less than the cost of basic household necessities.

Figure 11.

Average Household Survival Budget by State, 2014 (Monthly Expenses for a Family of 2 Adults with 2 Children in Child Care)



Source: U.S. Department of Housing and Urban Development (HUD), 2014; Child Care Aware, 2014; U.S. Department of Agriculture (USDA), 2014; Bureau of Labor Statistics (BLS), 2014; Internal Revenue Service and state treasuries, 2014

Housing is the biggest expense in all states, except for families with two children in child care. For example, low-cost housing for a single adult – an efficiency apartment at the Department of Housing and Urban Development (HUD) Fair Market Rents (40th rent percentile) – on average accounts for one-third of the Household Survival Budget, but ranges from 19 percent of the budget in Louisiana to 44 percent in New Jersey. Housing units in this price range are difficult to find and are often of poor quality or older, in unsafe neighborhoods, and located far from jobs, shops, and medical facilities (Joint Center for Housing Studies of Harvard University, 2016; Levitt, 1999; Galoustian, 2016; Tu, 2015; National Low Income Housing Coalition, 2016).

For a family of four, family-based child care for an infant and 4-year-old on average costs more than housing. The cost ranges from \$745 per month in Iowa to \$1,629 per month in Connecticut. Child care at a licensed, accredited center costs even more. Quality early learning experiences not only enable young children to gain skills necessary for success in kindergarten and beyond, but enable parents to work, enhancing a family's current and future earning potential. Yet many ALICE parents cannot afford quality child care (U.S. Department of Education, 2015; Child Care Aware, 2016).

HOUSEHOLD SURVIVAL BUDGET COMPONENTS

Housing: U.S. Department of Housing and Urban Development (HUD)'s Fair Market Rent (FMR) for an efficiency apartment for a single adult and a two-bedroom apartment for a family. The cost includes utilities but not telephone service, and it does not include a security deposit.

Child Care: The cost of registered home-based child care for an infant and a 4-year-old. Home-based child care has only voluntary licensing, so the quality of care that it provides is not regulated and may vary widely between locations (Child Care Aware of America, 2014). However, licensed and accredited child care centers, which are fully regulated to meet standards of quality care, are significantly more expensive.

Food: U.S. Department of Agriculture's (USDA) Thrifty Food Plan, which is also the basis for the Supplemental Nutrition Assistance Program (SNAP) and Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) benefits.

Like the original Economy Food Plan, the Thrifty Food Plan was designed to meet the nutritional requirements of a healthy diet, but it includes foods that need a lot of home preparation time with little waste, plus skill in both buying and preparing food. The cost of the Thrifty Food Plan takes into account broad regional variation across the country but not localized variation, which can be even greater, especially for fruits and vegetables (Hanson, 2008; Leibtag & Kumcu, 2011).

Transportation: The transportation budget is calculated using average annual expenditures for transportation by car and by public transportation from the Bureau of Labor Statistics' Consumer Expenditure Survey (CES). Since the CES is reported by metropolitan statistical areas and regions, counties are matched with the most local level possible.

Health Care: The health care budget includes nominal out-of-pocket health care spending, medical services, prescription drugs, and medical supplies using the average annual health expenditure reported in the CES plus a penalty for not purchasing insurance as mandated by the Affordable Care Act (ACA). Because ALICE does not qualify for Medicaid but cannot afford even the Bronze Marketplace premiums and deductibles, we add the cost of the "shared responsibility payment" – the penalty for not having coverage – to the current out-of-pocket health care spending. The penalty for 2014 was \$95 per adult and \$47.50 per child under 18, for a maximum of \$285.

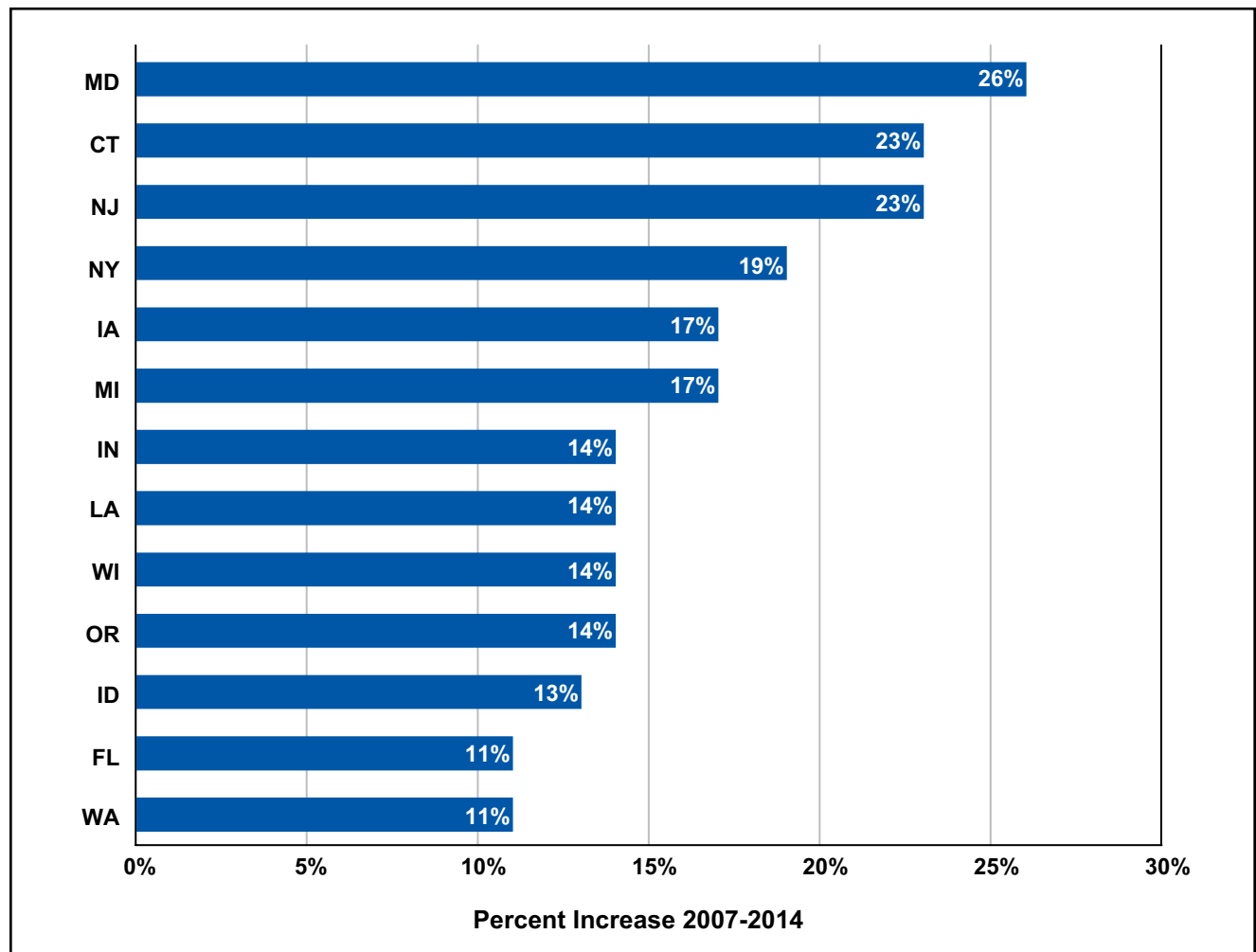
Miscellaneous: The miscellaneous category includes 10 percent of the budget total (including taxes) to cover cost overruns. It could be used for items many consider additional essentials, such as toiletries, diapers, cleaning supplies, or work clothes.

Taxes: The tax budget includes both federal and state income taxes where applicable, as well as Social Security and Medicare taxes. These rates include standard federal and state deductions and exemptions, as well as the federal Child Tax Credit and the Child and Dependent Care Credit as defined in the Internal Revenue Service 1040: Individual Income Tax, Forms and Instructions. They also include state tax deductions and exemptions such as the Personal Tax Credit and renter's credit as defined in each state Department of Revenue's 1040: Individual Income Tax, Forms and Instructions. In most cases, ALICE households do not qualify for the Earned Income Tax Credit (EITC) eligibility limit.

In most states, the Household Survival Budget increased at or above the rate of inflation (14 percent) from 2007 to 2014. In four states, the budget increased at a slower rate, with Florida and Washington having the slowest increase of 11 percent. The largest increase was 26 percent in Maryland (Figure 12). Not surprisingly, the increases in the budget were directly reflected in the increases in the number of households below the ALICE Threshold, with the smallest increase in Washington, and the largest in Maryland. Florida also had a low increase in the cost of the household budget, but a larger increase in households below the ALICE Threshold, stemming from flat wages and a growing population.

Figure 12.

Cost of Household Survival Budget by State, Percent Increase, 2007 to 2014



Source: U.S. Department of Housing and Urban Development (HUD), 2007-2014; Child Care Aware, 2007-2014; U.S. Department of Agriculture (USDA), 2007-2014; Bureau of Labor Statistics (BLS), 2007-2014; Internal Revenue Service and state treasuries, 2007-2014

The biggest increases in the Household Survival Budget were driven by housing and health care. Housing increased by more than 9 percent in all states except Florida, which saw only a 1 percent increase. Housing costs increased by more than 20 percent in Louisiana and Maryland.

Health care increased even more, by more than 31 percent in all states and as much as 66 percent in New Jersey. This is mostly due to steady increases in out-of-pocket health care costs. In 2014, the increase came partly from the addition of the costs associated with the Affordable Care Act (ACA). Because most ALICE households do not qualify for Medicaid but in many cases cannot afford even the Bronze Marketplace premiums and deductibles, the least expensive option in 2014 was to incur the penalty for not having coverage (\$95 per adult and \$47.50 per child under 18, for a maximum of \$285 per family). But paying a penalty, even though the cheapest option, does not improve health care for ALICE families in any way, and is an example of the difficult choices households are forced to make.

WHERE DOES ALICE LIVE AND WORK?

Where one lives has a great influence on current wellbeing and future opportunities. This has been reinforced by recent groundbreaking research by the Harvard Equality of Opportunity Project, which found that where children grew up affected their economic mobility (Chetty and Hendren, April 2015). This is especially true for ALICE households.

To provide a better understanding of the major factors that impact the wellbeing of ALICE and poverty-level households in each county, the ALICE Reports in each state present an **Economic Viability Dashboard** (EVD) composed of three indices – the Housing Affordability Index, the Job Opportunities Index, and the Community Resources Index.

For this report, these rich data sets are combined to enable new comparisons of all counties in the 13 states. With 711 counties to compare, the Report provides the opportunity to learn more about which set of variables creates better conditions for ALICE and poverty-level households, and which bring the most change over time. This section presents the highlights; a more detailed discussion with index scores for each county over time, as well as the methodology, can be found in the *Economic Viability Dashboard for 13 States* at www.UnitedWayALICE.org/reports.

The Dashboard reports how each county performs on the three dimensions. Index scores range from 1 to 100 with higher scores reflecting better conditions. Each county's score is relative to scores of other counties in the 13 states and to prior years. A score near 100 does not necessarily mean that conditions are very good; it means that they are better than scores in other counties.

ECONOMIC VIABILITY DASHBOARD

The Housing Affordability Index

Key Indicators: Affordable Housing Gap + Housing Burden + Real Estate Taxes

The more affordable a county, the easier it is for a household to be financially stable. The three key indicators for the Housing Affordability Index are the affordable housing gap, the housing burden, and real estate taxes.

The Job Opportunities Index

Key Indicators: Income Distribution + Unemployment Rate + New Hire

The more job opportunities there are in a county, the more likely a household is to be financially stable. The three key indicators for the Job Opportunities Index are income distribution as measured by the share of income for the lowest two quintiles, the unemployment rate, and the average wage for new hires.

The Community Resources Index

Key Indicators: Education Resources + Health Resources + Social Capital

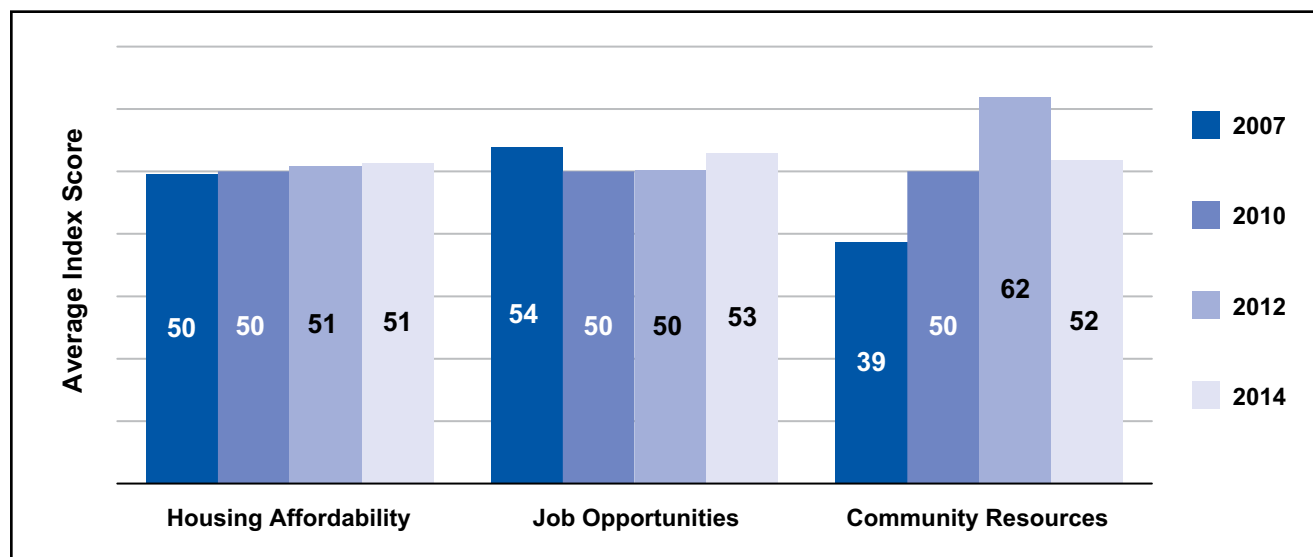
Collective resources in a location can also make a difference in the financial stability of ALICE households in both the short and long terms. The three key indicators for the Community Resources Index are the percent of 3- and 4-year-olds enrolled in preschool, health insurance coverage rate, and percent of the adult population who voted.

The ideal locations are those that offer affordable housing, job opportunities, and high levels of community resources. But that is rare. Across the country, it is challenging to find job opportunities in the same counties with housing that is affordable for ALICE households. In addition, many affordable counties do not offer key community resources, such as access to quality schools, high levels of health coverage, and the types of social networks that help a community function effectively.

The overall economic picture shows modest changes in economic conditions from 2007 to 2014 (Figure 13); however, these averages mask much bigger movements locally. Generally, job opportunities worsened through the Great Recession, 2007 to 2010, falling by 7 percent, and remained flat from 2010 to 2012 and then started to improve, increasing 5 percent from 2012 to 2014. Housing affordability improved slightly throughout, by 1 percent from 2007 to 2010 and then by 3 percent from 2012 to 2014. Community resources rose by 29 percent from 2007 to 2010, and then fluctuated, ending above 2007 but below the peak in 2012.

Figure 13.

Economic Viability Dashboard, Average of Counties in 13 States, 2007 to 2014



Source: American Community Survey, 2007-2014; Bureau of Labor Statistics (BLS), 2007-2014; U.S. Department of Housing and Urban Development (HUD), 2007-2014; U.S. Election Assistance Commission; 2014

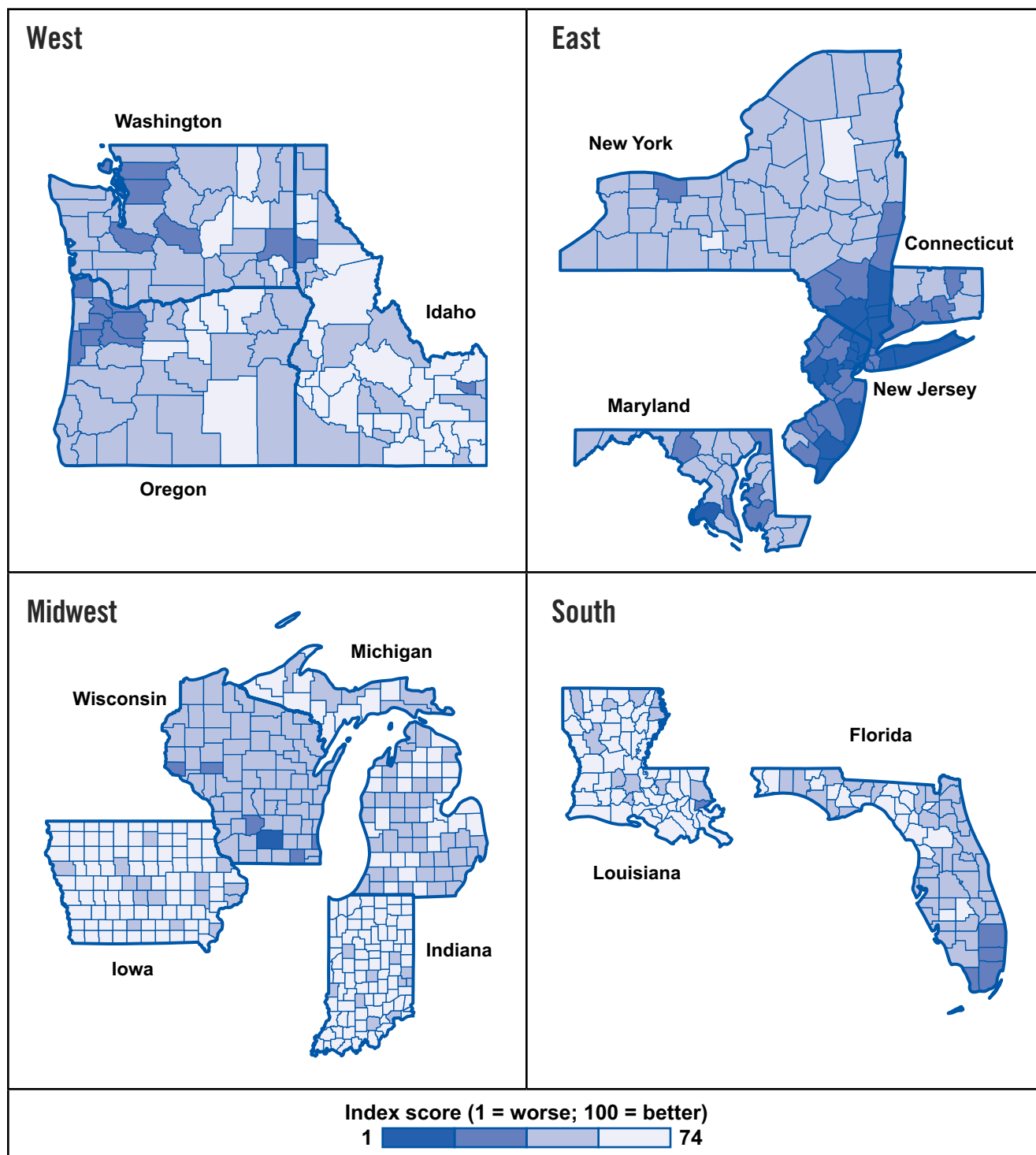
At the county level, there were much greater changes. Averages conceal large difference between states and even within states. A closer look at the three indices at the county level shows striking differences across the country and over time.

HOUSING AFFORDABILITY

The more affordable housing is in a county, the easier it is for a household to be financially stable. The three key indicators for the Housing Affordability Index are the number of units that are affordable for ALICE households, the percent of households that pay more than 30 percent of their income on housing (called housing-burdened), and the cost of real estate taxes (Figure 14). Regionally, housing is generally less affordable in the Northeast and around the major metropolitan areas of Seattle, Madison, and Miami. Housing is most affordable in rural parts of Idaho, Iowa, Indiana, and Louisiana.

Variations among counties show significant changes at the local level that are often masked by state and national averages. Several states had counties with some of the largest improvements in the Housing Affordability Index scores as well as some of the greatest declines in the Index, namely Connecticut, New Jersey, and Maryland.

Figure 14.
Housing Affordability Index by State, 2014



Source: American Community Survey, 2014; U.S. Bureau of Labor Statistic, 2014; U.S. Department of Housing and Urban Development (HUD), 2014

Measuring Affordable Rental Housing

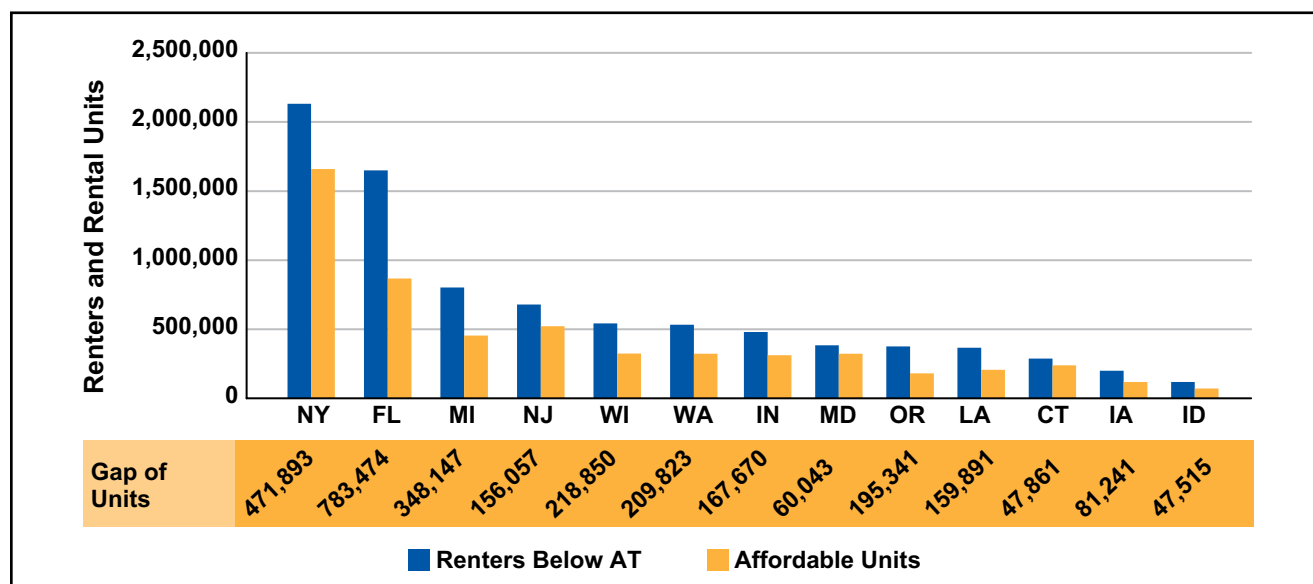
Across the country, there are more low-income renters that need housing than there are affordable rental units. One of the key factors that determine housing affordability is whether the current housing stock provides enough units, either subsidized or market rate, to house all low-income renters. According to American Community Survey housing data that roughly aligns with the ALICE dataset, there are almost 8.5 million renters with income

below the ALICE Threshold, yet there are fewer than 5.6 million rental units – subsidized and market-rate – that these households can afford without being housing burdened. That means that at least 2.9 million more affordable rental units are needed to meet the demand of renters below the ALICE Threshold in these 13 states. This is likely a low estimate because it assumes that all low-income households live in rental units they can afford. But data on housing-burdened households reveals that this is often not the case (American Community Survey, 2014; U.S. Department of Housing and Urban Development (HUD), 2014).

The need for additional affordable rental units varies by state (Figure 15). The gap between the number of renters with income below the ALICE Threshold (dark blue bar) and the number of affordable units (yellow bar) is substantial in every state. The states with smaller populations – Connecticut and Idaho – have the smallest shortages: 48,000 rental units. Florida, the most populous state, has the largest shortage, 783,000 units.

But it may be more important to look at percentages. In Maryland, only 8 percent of total rental units need to be affordable, a relatively small percent of a large rental market; whereas in Oregon, 32 percent of all rental units need to be affordable, which would require a major change in the market.

Figure 15.
Shortage of Affordable Rental Units by State, 2014



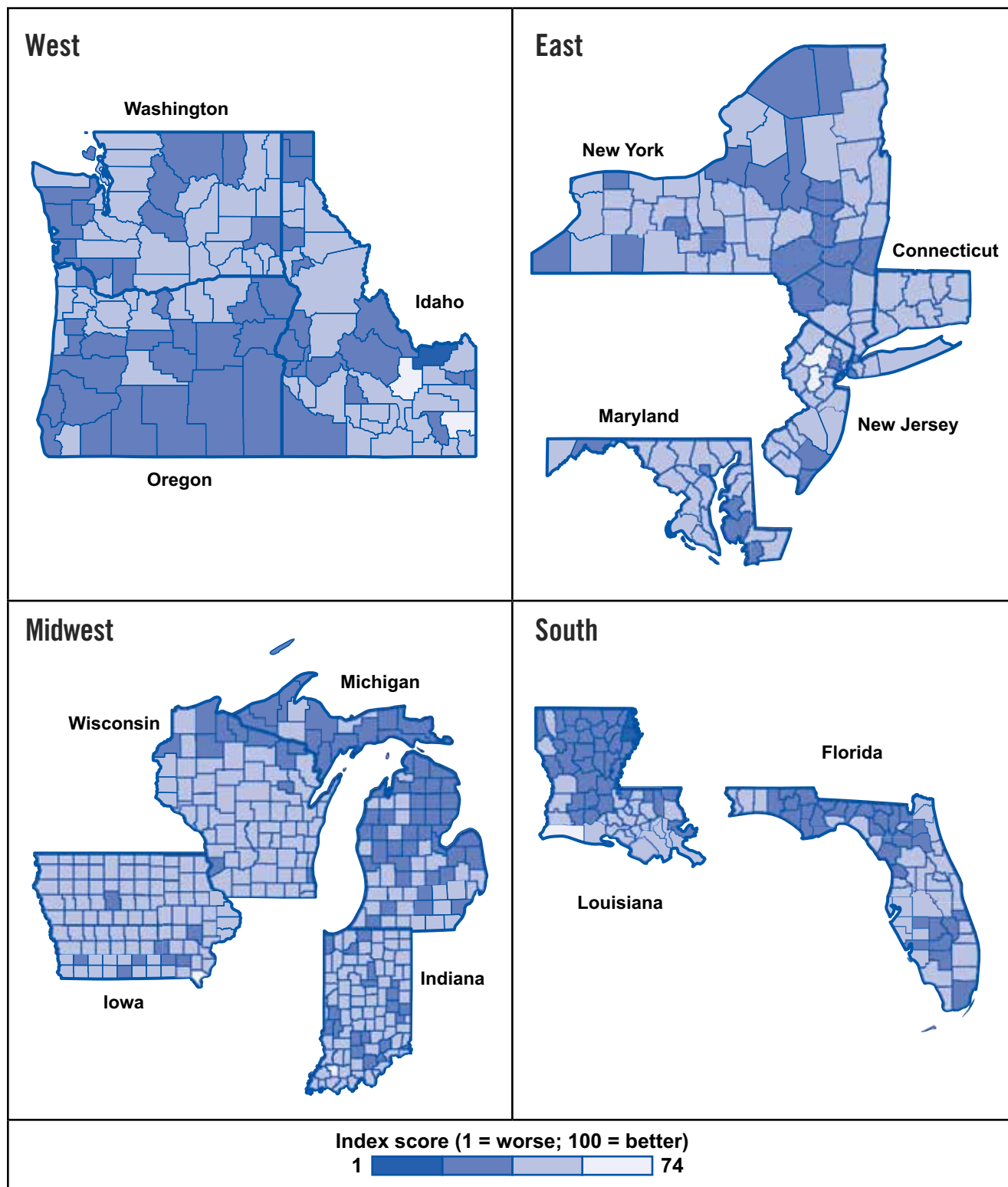
Source: American Community Survey, 2014; U.S. Housing and Urban Development (HUD), 2014; the ALICE Threshold; United Way 2014 ALICE Report

Subsidized housing units are an important source of affordable housing for ALICE families. Of the 5.6 million rental units that households below the ALICE Threshold can afford across the 13 states, approximately 31 percent are subsidized through the various U.S. Housing and Urban Development (HUD) rental housing programs (including Housing Choice Vouchers and Project Based Section 8). Still, the number of subsidized rental units does not meet the need in any state, and ranges from housing 11 percent of renters with income below the ALICE Threshold in Idaho to 29 percent of ALICE renters in Connecticut (U.S. Department of Housing and Urban Development (HUD), 2014).

JOB OPPORTUNITIES

The more job opportunities there are in a county, the more likely a household is to be financially stable. The key indicators for job opportunities are income distribution, the unemployment rate, and new hire wages. When comparing counties across the 13 states, many job opportunities are located in counties adjacent to large metro areas: Chicago (for counties in Indiana), New York City (counties in Connecticut, New York, and New Jersey), Seattle, and Washington, DC (counties in Maryland). These counties also weathered the recession better than other areas, and job opportunities remained strong in most of these metro areas (Figure 16).

Figure 16.
Job Opportunities Index by State, 2014



Source: American Community Survey, 2014; Bureau of Labor Statistics (BLS), 2014; U.S. Department of Housing and Urban Development, 2014

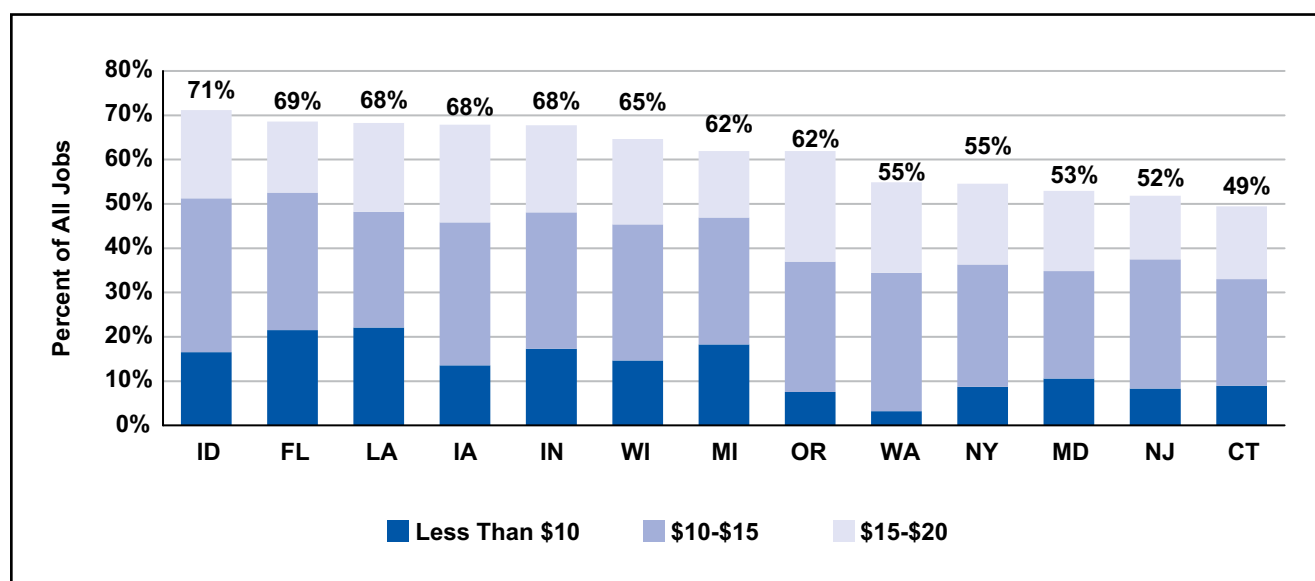
Job opportunities fell across the board during the Great Recession, with scores falling in most counties from 2007 to 2010. Since then, recovery has been very uneven across the country. In general, rural counties, which had the worst job opportunities in 2007, saw the most improvement in job opportunities by 2014.

Low-wage Jobs

Finding employment with high enough wages to afford the Household Survival Budget has become increasingly difficult for families. In 12 of the 13 states studied, more than half of jobs pay less than \$20 per hour, with the majority of those paying less than \$15 per hour. A full-time job that pays \$15 per hour grosses \$30,000 per year, not enough to support a family Household Survival Budget in any state (Bureau of Labor Statistics (BLS), 2007 and 2014).

The total number of jobs across the 13 states fell from 2007 to 2010, and though it started to recover, the number has not surpassed the level in 2007, except in New York (primarily New York City), Iowa, and Louisiana. While there has been growth in the number of higher-paying jobs, low-wage jobs still dominate, ranging from 49 percent in Connecticut to 71 percent in Idaho (Figure 17). In five states, more than two thirds of jobs pay \$20 or less per hour: Idaho, Florida, Louisiana, Iowa, and Indiana (Bureau of Labor Statistics (BLS), 2007 and 2014).

Figure 17.
Number of Jobs Paying Less Than \$20/Hour by State, 2014



Source: Bureau of Labor Statistics, 2014

Community Resources

The Community Resources Index measures the education, health, and social capital resources that are available in a community. These resources are fundamental to being able to work and raise a family. The scores for this Index improved more than the other indices from 2007 to 2014.

The Index saw steady improvement in education and health. As a proxy for the level of education resources in a county, the Index uses the percent of 3- and 4-year-olds enrolled in preschool. This percentage increased steadily through the period in most areas. The proxy for the level of health resources in a county is the percent of the population with health insurance. These rates have also increased steadily, before and after the introduction of the Affordable Care Act (ACA), though there is still wide variation across counties.

There was more variability over time with the social capital, as measured by one of the longest-standing indicators of community engagement – the percent of the adult population who voted in the statewide election. There were much higher rates of voting in the 2012 presidential election than the other years with only state offices on the ballot.

WHAT ARE THE CONSEQUENCES OF LIMITED SAVINGS?

With the majority of jobs being low wage and the cost of living continuing to rise, households across the country have difficulty accumulating assets. The cost of emergencies, ranging from personal health crises to natural disasters, can deplete savings. Job losses have forced people to tap into their retirement savings, or take out second mortgages or home equity lines of credit. Having minimal or no assets makes ALICE households more vulnerable to emergencies. It can also increase their overall costs when they have to use alternative financing with fees and high interest rates that make it difficult or impossible to save money or amass more assets (Federal Deposit Insurance Corporation (FDIC), 2014; Collins & Gjertson, 2013; Pew Charitable Trusts, 2016).

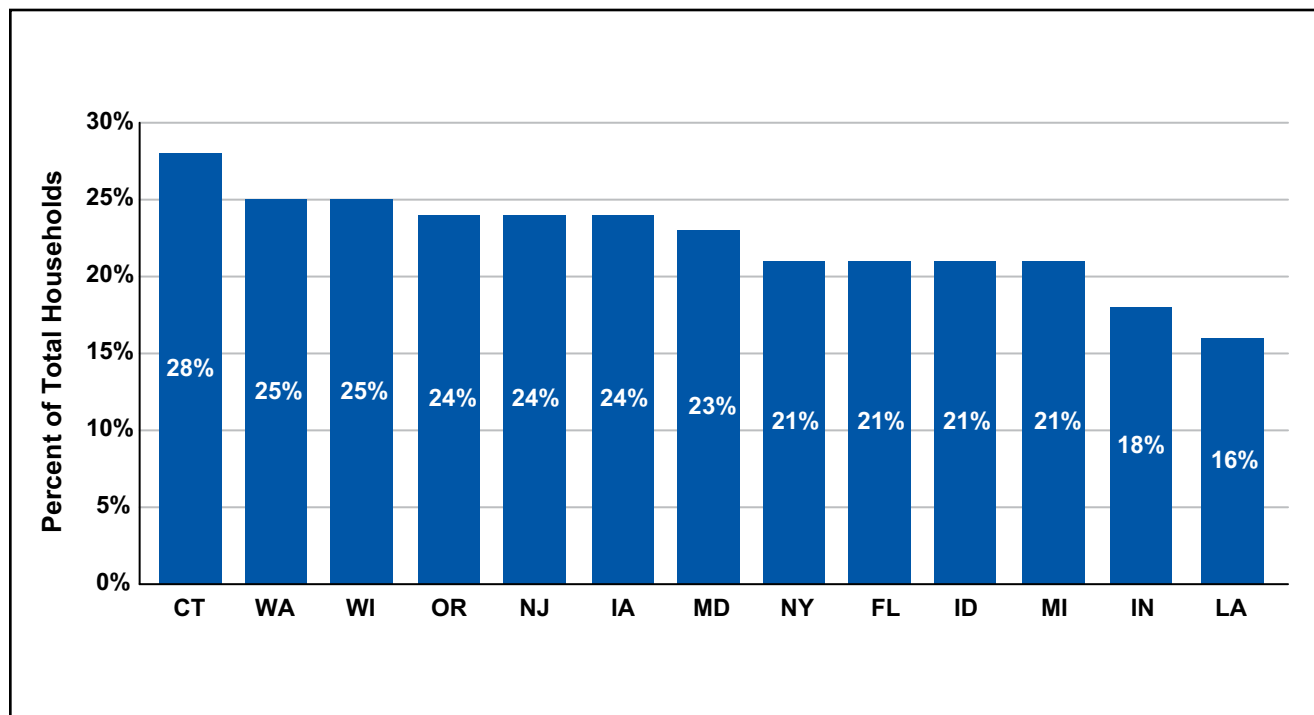
In fact, half of Americans did not have any money set aside to cover expenses for three months, in case of emergencies such as sickness, job loss, or economic downturn, according to the 2015 Financial Capability Survey (FINRA Investor Education Foundation, 2016).

While data on savings and investments is minimal, levels of ownership of three of the most common assets – vehicles, homes, and investments – provide insight into resources families have for emergencies and to accumulate wealth. Most households have at least one vehicle, a necessity for most workers. In 2014, 35 percent of all households had one vehicle, 36 percent had two, and 18 percent had three or more. While cars offer benefits beyond their cash value, they are not an effective means of accumulating wealth because the value of a car normally depreciates over time. In addition, many ALICE households need to borrow money in order to buy a vehicle (Jones, 2014; Center for Responsible Lending, 2014; Zabritski, 2015; Kiernan, 2016).

The second most common asset is a home, an asset that has traditionally provided financial stability and the primary means for low-income families to accumulate wealth. Since the subprime housing crisis in 2007, however, homeownership has become a less reliable way of building assets. In 2014, 63 percent of households owned a home, significantly lower than the peak of 70 percent in 2005. As homeownership is a primary asset for many families, they are significantly affected by changes in home prices. This is especially important for the two-thirds of homeowners who have a mortgage. According to the 2015 Financial Capability Survey, 14 percent of homeowners thought that they would owe more on their home than they would earn by selling it (Federal Reserve Bank of St. Louis, 2015; Herbert, McCue, & Sanchez-Moyano, September 2013; Federal Reserve, 2014; FINRA Investor Education Foundation, 2016; American Community Survey, 2014).

The most effective resource to weather an emergency is an investment that produces income, which can range from a checking account to a 401K retirement plan to a rental property. However, the percent of households with investment income ranges from 16 percent in Louisiana to 28 percent in Connecticut (Figure 18). The number of households with investment income dropped by 18 percent between 2007 and 2010, largely because of the stock market crash. The trend continued through 2012, because of low-interest rates or savings, increased banking fees, and the need for many families to dip into savings to cover expenses during periods of unemployment and lower income. Investment income only started to level off between 2012 and 2014 (Bricker, et al., 2014; Federal Reserve, 2014; American Community Survey, 2014).

Figure 18.
Households with Income Producing Asset by State, 2014



Source: American Community Survey, 2014

The lack of savings takes an immediate toll when there are no resources for an emergency, but it also has long-term consequences. Families without savings cannot invest in the future by buying a house, sending their child to college, or retiring when they are seniors. This lack of resources is one of the strongest drivers of financial inequality and lack of economic mobility in the U.S. According to The Pew Charitable Trusts' Economic Mobility Project, even for low-income families, the children of parents who save are more likely to experience upward mobility than the children of those who do not (Cramer, O'Brien, Cooper, & Luengo-Prado, 2009).

DOES PUBLIC ASSISTANCE BRING FINANCIAL STABILITY?

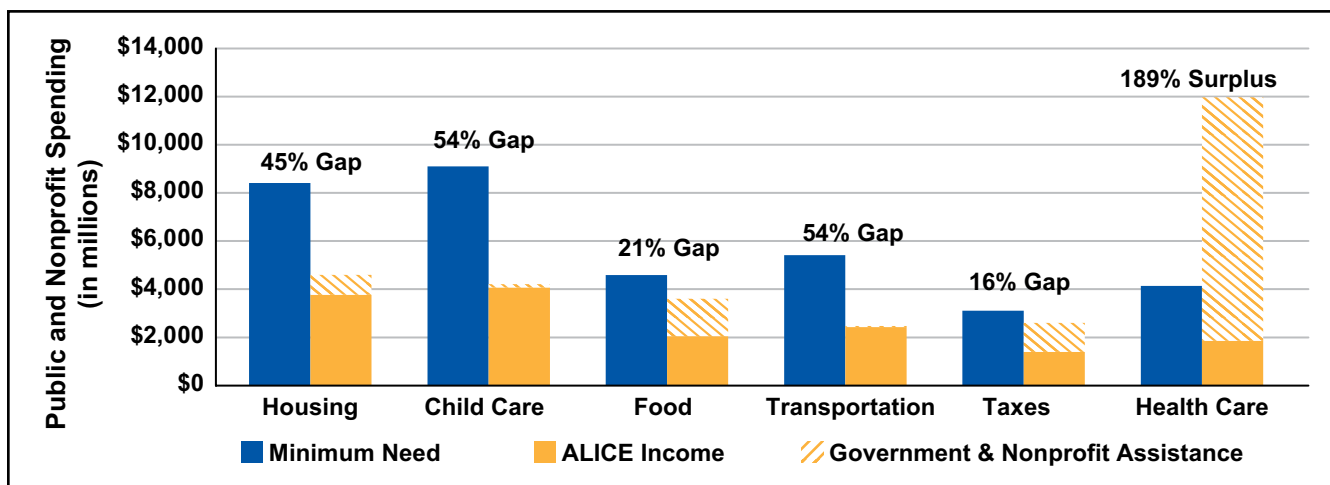
The persistence of low wages, underemployment, periods of unemployment, and loss of employer-sponsored benefits have led to financial insecurity for many ALICE households. As a result, many working ALICE households have turned to government supports and services, often for the first time, to feed their families, secure health insurance, or pay for rent and other basic needs. Prior to the United Way *ALICE Project*, there was no systematic way to assess whether there was enough public assistance for ALICE and poverty-level households. The **ALICE Income Assessment** quantifies the total income of households below the ALICE Threshold and how much public and nonprofit assistance is spent on these low-income households. This is a financial assessment of public and private assistance; additional analysis would be required to assess quality, safety, and efficiency of assistance (for more details, see the Methodology Overview and the analysis in each state report). In all states studied, public spending has not equaled need.

Over time, the results of the Assessment have changed. As the number of ALICE and poverty-level households has increased, the total financial need has also increased, yet spending in most government and nonprofit programs has remained flat. The major exception was a significant increase in spending on health care, which accounted for more than half of all assistance in the 13 states in 2014. Health care spending was so high that in some states, like New York and Louisiana, it nearly closed the gap between need and assistance. But this masked the fact that households were still struggling, because health care dollars can not be used to pay for the needs in other categories of the budget.

To address this false impression, the ALICE Income Assessment now includes a breakdown of public and nonprofit spending by each of the household budget categories: housing, child care, food, transportation, health care, and taxes. In all states, there are large gaps in these key areas, particularly housing, child care, and transportation.

The breakdown of need and assistance in Maryland provides an example of the states studied. Figure 19 compares the budget amounts for each category of the Household Survival Budget for a family of four (shown in dark blue) with ALICE income (shown in dark yellow), plus the public and nonprofit spending in each category (shown in yellow cross-hatch) for Maryland. The gap or surplus in each budget area is the difference between the blue column and the yellow cross-hatch column. The comparison assumes that the income households earn is allocated proportionately to each category.

Figure 19.
Comparing Basic Need with Public and Nonprofit Spending, Excluding Health Care, Maryland, 2014



Source: Office of Management and Budget, 2014; U.S. Department of Agriculture, 2014; Internal Revenue Service, 2014; American Community Survey, 2014; National Association of State Budget Officers, 2014; NCCS Data Web, 2012

HOUSING

To enable families to afford rent at HUD's 40th rent percentile, there are several housing programs. Federal programs that provide housing assistance including Section 8 Housing Vouchers, the Low Income Home Energy Assistance Program, the Public Housing Operating Fund, and Community Development Block Grant (CDBG). There are also state and local programs such as Home Energy Assistance Program (HEAP) and nonprofits efforts. However, even when combined with household income, housing assistance is far short of what is needed. **In New York, for example, there was still a 34 percent gap and in Maryland and Louisiana there was a 45 percent gap in resources for all households to meet the basic ALICE Threshold for housing in 2014.** Given that gap, it is not surprising that most families spend a significant proportion of their income on housing, which leaves less for other items.

CHILD CARE

To enable parents to afford family based child care, there are several education initiatives. The primary federal program is Head Start, which provides early childhood education, health, nutrition, and access services for low-income children and their families. There are also state and local government programs as well as nonprofit programs for child care assistance including vouchers and child care services. Yet when income and child care assistance are combined, **there is still a gap of roughly 50 percent in every state studied for all households to meet the basic ALICE Threshold for child care in 2014.**

FOOD

To enable families to afford the USDA Thrifty Food Plan, there are many programs. The primary federal program is the Supplemental Nutrition Assistance Program (SNAP, formerly food stamps), school breakfast and lunch programs, and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). There are also state and local and nonprofit programs, including food pantries, food banks, and soup kitchens. Yet when income and government and nonprofit food assistance are combined, there was still insufficient resources to meet the cost of the minimal food needs in all states. In Maryland, as noted in Figure 19, **there was a 21 percent gap in resources for all households to meet the basic ALICE Threshold for food in 2014.** The gap was at least 12 percent in states studied, except Louisiana, which was only 1 percent short of filling the food need.

TRANSPORTATION

There are few programs that specifically assist ALICE and poverty-level households with transportation costs. There are none at the federal level and a few at the state and local level for public transportation, while only a few nonprofits address transportation needs. **However, when income and nonprofit assistance are combined, there is still a gap of roughly 50 percent in every state studied to afford even the running costs of a car (let alone a repair or a lease).** In Maryland, there was a 54 percent gap in resources for all households to meet the basic ALICE Threshold for transportation in 2014.

TAXES

Assistance devoted to the reduction of taxes for households below the ALICE Threshold has primarily been through the federal Earned Income Tax Credit (EITC). In addition, state EITC programs (which range from 3.5 percent of the federal EITC in Louisiana to 30 percent in New York and Connecticut and 32 percent in Vermont) provide additional support. There are also some city programs, namely NYC EITC (worth 5 percent of the federal EITC). In addition, many nonprofits provide tax preparation assistance. With the eligibility limits so low, many ALICE households do not qualify for EITC and other credits (the median Adjusted Gross Income for EITC ranges across the 13 states from \$13,110 in Michigan to \$15,126 in Iowa)(Brookings Institution, 2014; Tax Policy Center, 2015). On average when income and government credits and refunds are combined, there is still not enough to pay household taxes. **In Maryland, there remained a 16 percent gap in resources for all households to meet the basic ALICE Threshold for taxes in 2014.**

THE SPECIAL CASE OF HEALTH CARE

Health care resources are separated from other government and nonprofit spending because they account for the largest single source of assistance to low-income households: approximately two-thirds of public and private spending on these households in all states studied. Health care spending includes federal grants for Medicaid, CHIP, and Hospital Charity Care; state matching grants for Medicaid, CHIP, and Medicare Part D Clawback Payments; and the cost of unreimbursed or unpaid services provided by New York hospitals (Office of Management and Budget, 2014; National Association of State Budget Officers, 2014; Urban Institute, 2012).

With the increasing cost of health care and the implementation of the Affordable Care Act (ACA), spending on health care is increasing more than any other category. For this reason, spending on health care in every state studied surpasses the amount needed for each household to afford basic out-of-pocket health care expenses. However, even this level of assistance does not necessarily guarantee good or improved health to low-income households.

There are special challenges for estimating health care needs and costs and delivering health care efficiently to low-income families. First, there is greater variation in the amount of money families need for health care than exists in any other single category. An uninsured (or even an insured) household with a severe and sudden illness could be burdened with hundreds of thousands of dollars in medical bills in a single year, while a healthy household would have few expenses. National research has shown that a small proportion of households facing severe illness or injury account for more than half of all health care expenses, and those expenses can vary greatly from year to year (U.S. Department of Housing and Urban Development (HUD), 2010; Silletti, 2005; Culhane, Park, & Metraux, 2011).

WHAT WILL IT TAKE TO MEET THE CHALLENGES AHEAD?

There is a basic belief in America that if you work hard, you can support your family. Yet, the findings from the state United Way ALICE Reports shows that this is not the case for the 40 percent of households across 13 states living below the ALICE Threshold in 2014. These findings also debunk the assumptions and stereotypes that those who cannot support their families are primarily people of color, live in urban areas, are unemployed, or in extreme cases are believed to be poor as the result of a personal or moral failing.

Why the mismatch between stereotypes and the facts? First, there has been a lack of awareness. Before the United Way ALICE Reports, this group of households unable to afford basic necessities had not been clearly named and documented. Second, the situation has developed over decades and barriers are embedded in many parts of our economy and communities.

The data compiled in this Report makes it clear that the details of financial stability are different across the country. There is no one scenario that increases the number of households below the ALICE Threshold.

- Connecticut has the highest Household Survival Budget (\$70,788 for a family), and fewest low-wage jobs (49 percent below \$20 per hour); but the percent of households below the ALICE Threshold still falls in the middle of the range (38 percent).
- Idaho and Florida have the highest percent of low-wage jobs (71 and 69 percent respectively), yet Idaho falls in the middle of the range of households below the ALICE Threshold. More predictably, Florida has one of the highest proportions of households below the ALICE Threshold of the 13 states (43 percent).
- New York has the highest percent of households below the ALICE Threshold, 44 percent, and has one of the highest Household Survival Budgets (\$62,472 for a family). Yet it has one of the lowest rates of low-wages jobs (55 percent below \$20 per hour).
- Iowa has the lowest percent of households below the ALICE Threshold, with 31 percent, and has one of the lowest Household Survival Budgets (\$46,680 for a family), yet it also has one of the highest percentage of low-wage jobs (68 percent).

Each state has unique variables that affect the percentage of ALICE households. New York has significant variation in the cost of living between New York City, the counties surrounding the city, and the rest of the state. In Louisiana, hurricanes Katrina and Rita and subsequent storms and flooding have added ongoing expense and disruption to ALICE families. Clearly, there is no one cause of financial hardship, and therefore there is no one solution.

OVERCOMING BARRIERS

Sustainable solutions require addressing the layers of barriers that prevent ALICE families from achieving financial stability. These barriers, which have been outlined in the United Way ALICE Reports and Updates, include an economy heavily dependent on low-wage jobs, the fast-changing job landscape, economic racial disparities, changing demographics, increasing cost of household basics, and even the increasing occurrence of natural disasters.

The most common approaches to overcoming these barriers are short-term efforts that help an ALICE family weather an emergency. Temporary housing, child care assistance, meals, rides to work, and caregiving for ill or elderly relatives help ALICE recover from the loss of housing, a lack of food, an accident, or illness. These approaches can be crucial to preventing an ALICE household from falling into poverty or becoming homeless. But, these short-term relief efforts are not designed to move households to long-term financial stability. More sustainable solutions need to be addressed including but not limited to the following approaches:

Decrease the cost of household basics: In most states, the cost of basic household goods has increased equal to or faster than the rate of inflation – while the majority of jobs are low-wage jobs. Large-scale economic and social changes that could significantly reduce basic household costs over time include a larger supply of affordable housing (market-rate or subsidized), public preschool, accessible and affordable health care, and more public transportation (Collins & Gjertson, 2013; Consumer and Community Development Research Section of the Federal Reserve Board’s Division of Consumer and Community Affairs (DCCA), 2015; Lusardi, Schneider, & Tufano, 2011; Allard, Danziger, & Wathe, 2012).

Improve job opportunities: The seemingly simple solution – to increase the wages of current low-paying jobs – has complex consequences. The increased cost of doing business is either passed on to the consumer, who in many cases is ALICE, or absorbed by the business, resulting in fewer resources to invest in growth, or in some cases may result in reduction of staff. However, if ALICE families have more income, they can spend more and utilize less assistance. Increased consumer activity provides benefits to businesses that can offset increased costs in production (Knowledge@Wharton, 2013; Congressional Budget Office, 2014; Wolfson, 2014).

Another option is to focus on restructuring the economy towards more medium- and high-skilled jobs in both the public and private sectors, an enormous undertaking involving a wide range of stakeholders. As technology increasingly replaces many low-wage jobs, this will be even more important for states across the country. Such a shift would require an influx of new businesses and new industries, increased education and training for workers, and policies for labor migration to ensure skill needs are met (Luis, 2009; Frey & Osborne, September 2013).

Adjust to fast-paced job change: New “gig” jobs help many ALICE households fill short-term gaps in standard employment and some provide more lucrative opportunities than exist in the traditional employment market. While part-time and contract work have been part of the economy for decades, these jobs are growing rapidly, pushing economists and policy makers into uncharted territory. With the shift to contract work, the burden of economic risk is increasingly shifted to workers, including retraining and securing benefits such as health insurance and disability insurance. Since any period of unemployment is a financial hardship for ALICE families, measures that keep workers from sliding into financial distress during periods of transition would make a difference for ALICE families (Friedman, 2016; Donovan, Bradley, & Shimabukuro, 2016; Watson, Frohlich, & Johnston, 2014).

Accommodate changing demographics: With the increasing number of seniors and immigrants, and projections for the rates to continue to increase, the need for smaller, lower cost housing will increase over the next two decades. In addition, these groups prefer housing that is close to transportation and community services. To meet this need would require significant changes to the current housing stock and transportation infrastructure (Hughes & Seneca, 2012; New Jersey Department of Human Services, 2013; Harvard Joint Center for Housing Studies, 2014; Stilwell, 2015).

Current zoning laws often limit the building of new, small, or low-cost housing units in most remaining open areas. To meet the needs of seniors, and preferences of millennials and immigrants, changes to the zoning laws would be required to allow for townhouses and multifamily units. However, such changes impact developers and existing homeowners, making this a complex undertaking (Joint Center for Housing Studies, 2013; The White House, 2016; Prevost, 2013; Hasse, Reiser, & Pichacz, 2011).

Address economic racial disparities: As discussed in the 2016 United Way ALICE Reports, there are many factors that make a household more likely to be ALICE, including being Black, Hispanic, Native American, an undocumented or unskilled recent immigrant, language-isolated, a young combat veteran, a female or transgender individual, someone with a low level of education, or having a disability. Groups with more than one of these factors – for example, younger combat veterans who may have both a disability and a low level of education – are even more likely to fall below the ALICE Threshold.

While attitudes about race and ethnicity have improved over the last few decades, the sharp economic disparities that remain indicate a deeper cause. Recent reports have found that the gaps in education, income, and wealth that now exist along racial lines in the U.S. have little to do with individual behaviors. Instead these gaps reflect policies and institutional practices that create different opportunities for Whites, Blacks, and Hispanics. To put ALICE families that are Black, Hispanic, or another disadvantaged group on equal footing would require changes to work places as well as to legal, health care, education, and financial institutions that impede equity (Mishel, Bivens, Gould, & Shierholz, 2012; Shapiro, Meschede, & Osoro, 2013; Oliver & Shapiro, 2006; Cramer, 2012; Leadership Conference on Civil Rights, 2000; Agency for Healthcare Research and Quality (AHRQ), 2015; Goldrick-Rab, Kelchen, & Houle, 2014; Sum & Khatiwada, 2010).

Prepare for natural disasters: The areas that have been vulnerable to disasters are well known and well documented. The coast lines, as well as shorelines along lakes and rivers, are vulnerable to regular flooding, and these flood zones are expanding into areas that have not been impacted previously. The impact is damage to property and infrastructure, declines in coastal bird and wildlife populations, and the contamination of groundwater supplies.

Natural disasters have a disproportionate impact on low-income families, who are more likely to live in these areas. Due to the vulnerability of the location, these areas tend to have lower-cost housing. With a tight budget, most ALICE households also cannot afford insurance or even preventative maintenance. As a result, they cannot repair even minor damage to homes and property or afford the cost of temporary dislocation. Not surprisingly, the added challenges of physical disruption and unexpected expenditures can cause mental health issues for members of a household already facing stress from lack of resources (Cooley, Moore, Heberger, & Allen, 2012; Deryugina, Kawano, & Levitt, 2013; Hoopes, 2013; New Jersey Climate Adaptation Alliance, 2014).

There are both benefits and risks to development in areas vulnerable to flooding. Development expands the local housing stock and helps bring down or ease the increase in the cost of housing. However, allowing development adds layers of risk for many homeowners and renters, who will incur costs from natural disasters. There are also additional community costs for emergency response and insurance (Hayat & Moore, 2015; Environmental Protection Agency, 2014; Polefka, Kaplan, Campo, & Herb, 2016).

The issues affecting ALICE are complex and solutions are difficult. But they are crucial: Having 40 percent of households in financial distress is not in the best interest of any county, any state, or the country as a whole. Real change starts by knowing the actual numbers of families that are struggling, and then requires identifying the barriers that keep families from becoming financially stable and understanding how they are maintained. Only then can communities begin to envision bold ideas and take the steps necessary to remove barriers so that ALICE families can thrive.

Ultimately, if ALICE households could rise above the ALICE Threshold, state economies would be stronger and communities would be more vibrant. It will not be easy to bring about positive change for ALICE and all families. To do so will require stakeholders – family, friends, nonprofits, and the government – working together with innovation and vision. It will require changing the structure of the local and national economy and even the fabric of their communities.

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