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THE IMPACT OF COVID-19 STIMULUS PAYMENTS ON ALICE HOUSEHOLDS

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The dual health and economic crises of the COVID-19 pandemic have hit hard for **ALICE** – households that are **Asset Limited, Income Constrained, Employed**, with income above the Federal Poverty Level (FPL) but not high enough to afford essentials in the communities where they live. In 2018, 42% of U.S. households were **below the ALICE Threshold**. This means they could not afford the necessities in the **ALICE Household Survival Budget**, which include housing, child care, food, transportation, health care, technology, and taxes – even before the pandemic hit.¹

The ALICE measures provide a more accurate picture of hardship than the FPL, and the Household Survival Budgets provide a more realistic understanding of the cost of living across the country. According to the FPL, only 13% of U.S. households were struggling in 2018. But another 29% (35 million) – more than twice as many – were ALICE. Developed 50 years ago, the FPL fails to reflect the increasing cost of necessities and the wide variation in costs in different parts of the country.

There are at least three stimulus plans under review by Congress, with income eligibility for direct payments for individuals ranging from \$40,000 to \$75,000, and for families, from \$80,000 to \$150,000. We use the ALICE measures as a realistic yardstick to measure the impact of these stimulus plans.

DIRECT PAYMENTS TO INDIVIDUALS AND FAMILIES

All proposed plans would provide direct stimulus payments to all households below the FPL, but their reach to ALICE households and those whose income is just 20% above the Household Survival Budget (“on the edge”) differs (Figure 1). (Note: These numbers do not yet include the impact of phase-out levels for the three plans.)

- **Minimal proposal (Plan 1 - single \$40,000; family \$80,000)**² would provide full checks to almost half of U.S. households. The plan would cover 94% of households below the ALICE Threshold and 69% of households on the edge.
- **Senate proposal (Plan 2 - single \$50,000; family \$100,000)**³ would provide full checks to six in 10 U.S. households. The plan would cover 98% percent of households below the ALICE Threshold and 85% of households on the edge.

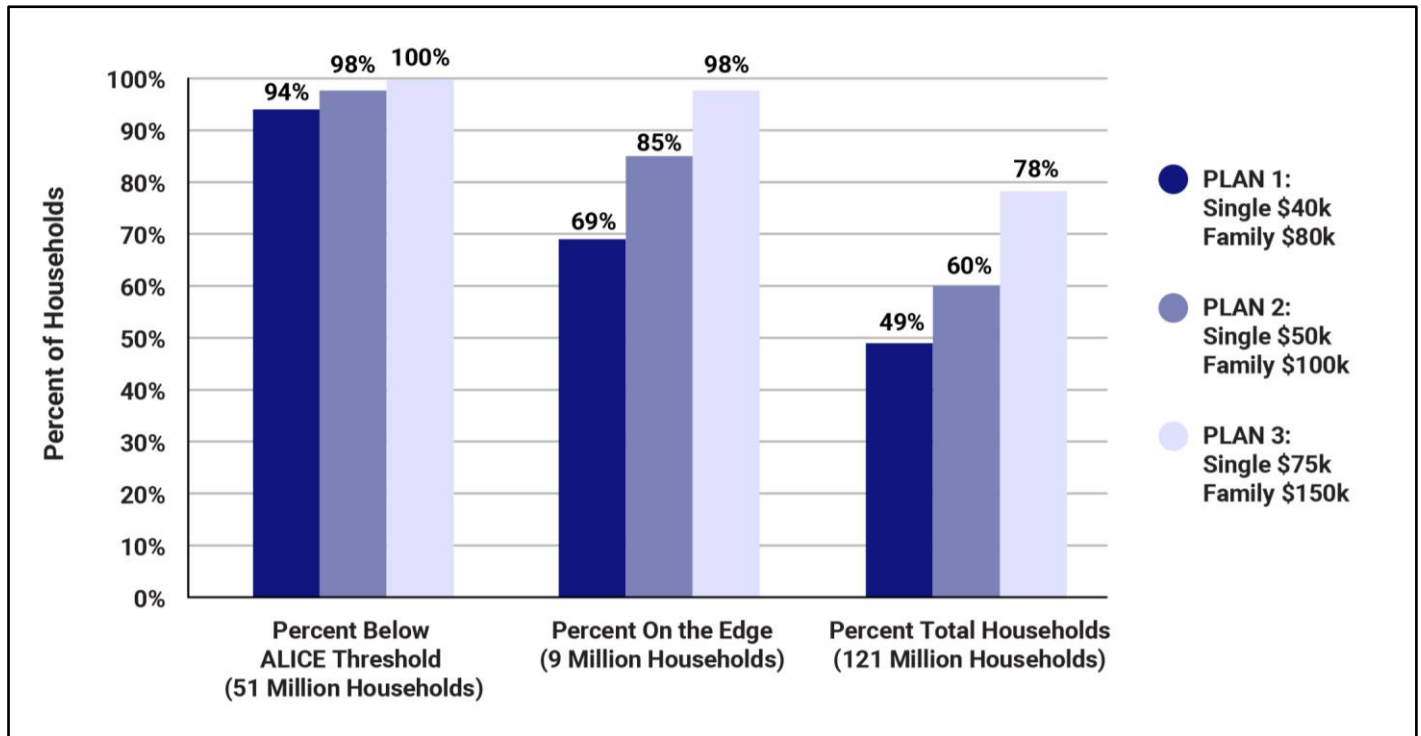
Asset Limited, Income Constrained, Employed



- **House proposal – (Plan 3 - single \$75,000; family \$150,000)**⁴ would provide full checks to nearly eight in 10 U.S. households. The plan would cover all households below the ALICE Threshold and 98% of households on the edge.

Figure 1.

Percent of Households Receiving Stimulus Payment



Sources: Kornish, 2021; Long & Stein, 2021; U.S. Census—HINC-01, 2019; U.S. Census—Public Use Microdata Sample (PUMS), 2018; U.S. Department of Health and Human Services, 2018; United For ALICE, 2018.

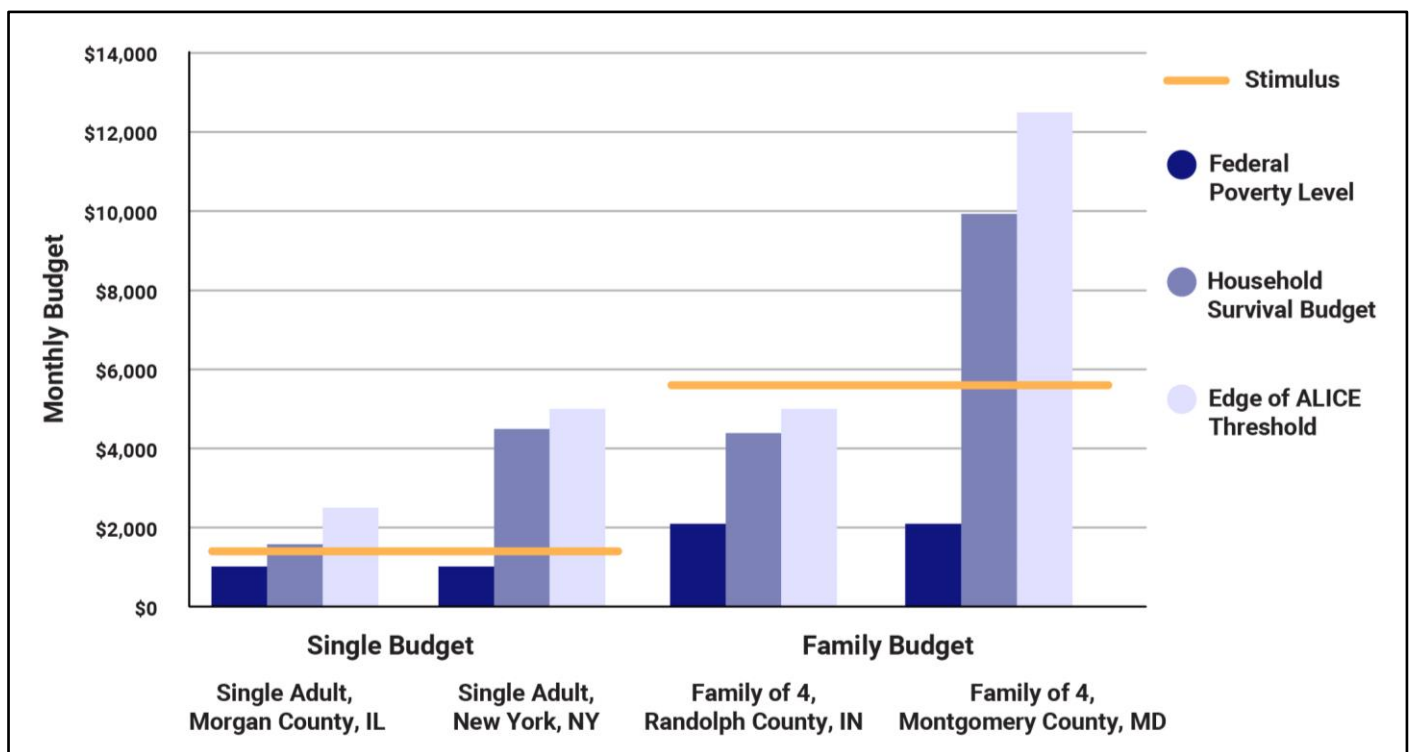
Payments will help fill gaps, but not provide financial stability. Since the pandemic began more than a year ago, many ALICE households (who had little or no savings to fall back on) have endured reduced wages and increased costs. One-time assistance will not solve the long-term structural economic problems that made these families vulnerable to the pandemic in the first place. For example, under Plan 2:

- **For single adults:** Low-wage workers have suffered significant loss of income. Job losses have been concentrated in low-paid industries and almost half of low-wage workers have suffered job losses or pay cuts.⁵
 - \$1,400 would cover only 3% of expenses for an individual whose annual cost of living is \$50,000.
 - Even when combined with the previous stimulus check of \$1,200, the stimulus payments would cover only 5% of annual expenses.
- **For families with children:** With the pandemic, many parents have had to stop or reduce work to care for children and assist with remote learning. This significant loss of income has made families with children more likely to experience food insecurity and to fall behind on rent.⁶
 - \$5,600 ($\$1,400 \times 4$) would cover only 6% of expenses for a family of four whose annual costs are \$100,000.
 - Even when combined with the previous stimulus check of \$3,400, the stimulus payments would cover only 9% of annual expenses.

Hardship differs by region. Because the cost of living varies across the country, the flat eligibility levels cover more ALICE households in some regions than others and the stimulus payments will go further in low-cost areas (Figure 2).

- **In low-cost areas of the U.S., all ALICE households will be eligible under all three plans, and stimulus payments will go further.** For example, all ALICE single adults in Morgan County, Illinois, where the bare-minimum cost of living of the ALICE Household Survival Budget is \$19,000 per year, will be eligible for the direct stimulus payment, and \$1,400 would almost cover their household necessities for a month. Similarly, all families in Randolph County, Indiana, where the Household Survival Budget for a family of four is \$53,000 per year, will be covered, and \$5,600 would cover their household necessities for a full month.
- **In high-cost, mostly urban areas, some ALICE households will not be eligible and payments will not be enough to cover even a month of household necessities.** These high-cost areas, such as metro D.C., New York, and L.A., have been among the hardest hit as well. For example, single adults in New York City face a much higher cost of living; they are still struggling paycheck to paycheck when earning \$55,000 per year but will not be eligible for the full stimulus payment under two of the plans. A stimulus check of \$1,400 would almost cover their household necessities for one-third of a month's expenses. Similarly, families in expensive counties like Montgomery County, Maryland, where the Survival Budget for a family of four is \$120,000, would only receive the full stimulus payment in Plan 3. A stimulus check of \$5,600 would cover their household necessities for only half a month.

Figure 2.
Monthly Household Survival Budget Compared to Stimulus Payment



Sources: Kornish, 2021; Long & Stein, 2021; U.S. Census—HINC-01, 2019; U.S. Department of Health and Human Services, 2018; United For ALICE, 2018. Detailed budgets are available for ALICE partner states at UnitedForALICE.org/national-overview

QUESTIONS ABOUT THE STIMULUS PACKAGE

Are too many people covered under the plan?

Only the plan with the highest eligibility limits (single \$75,000; family \$150,000) covers all households below the ALICE Threshold and 98% of households on the edge. Because the cost of living varies across the country while the eligibility limits are constant, covering all ALICE households means that some households just above the ALICE Threshold in low-cost areas will also benefit. **Support for households on the edge of the financial cliff benefits them, and it also**

protects our economy. Households on the edge of the ALICE Threshold are one small event – a rent increase, a car breakdown, or a decrease in work hours – away from being unable to meet their basic needs. Faced with reduced wages or unemployment during the COVID-19 pandemic, many are now at significant risk of becoming ALICE.⁷ During the Great Recession, all households one income bracket above the ALICE Threshold became ALICE and never fully recovered.⁸ It is vitally important for families, communities, and our national economy that we not repeat this history.

Does the timing of payments matter to ALICE households?

Yes, the sooner the better! With more ALICE households falling behind on rent and other bills over the duration of the pandemic, the sooner they are able to meet their financial obligations, the greater the benefit. Action before mid-March 2021, when unemployment benefits are set to expire, would help avoid additional hardship. Costs for borrowing are high for those forced to use credit cards, payday loans, or other high-interest financial products to cover regular bills and expenses. In addition, overdraft and other fees add up; for example, there are high fees for turning utilities back on after they have been discontinued. Timely payments may also keep families on the edge of financial hardship from falling below the ALICE Threshold.

Which measures in the stimulus package help families with children?

- **Direct payments:** The direct stimulus payments to families with children would benefit the 5.5 million families with children (below the age of 18) living below the FPL and almost all of the 7 million ALICE families with children (those in areas with a high cost of living may not be eligible).
- **Expanding eligibility for the Child Tax Credit (CTC):** Families with low incomes who were not receiving the full value of the tax deduction would now receive the full refund for each child (\$2,000 per child).⁹ This would primarily benefit the 5.5 million households with children in poverty.
- **Increasing the amount of the Child Tax Credit (CTC):** The Biden administration is also calling for the stimulus package to increase the amount of the CTC to \$3,000 per child (\$3,600 for a child under age 6) and to include 17-year-olds as qualifying children for the year. The credit would be for families with children with income up to \$75,000 for single parents and \$150,000 for couples.¹⁰ This policy change would benefit almost all of the 12.5 million families with children struggling below the ALICE Threshold. If permanent, it could substantially reduce financial hardship for families with children during the COVID-19 recovery and beyond.
- **Total impact:** With all these benefits, the percent of annual expenses covered by relief measures would be 15% for families with two children ages 6 to 17, and 16% for families with two children under the age of 6.

Will the stimulus package reduce child poverty?

By some estimates, the stimulus package could cut child poverty in half.¹¹ But the imprecision of the FPL means that bar has been set far too low. Not only would half the children in poverty remain in poverty, but the greater number who are ALICE will also continue to struggle. These families are struggling this year to feed their children, pay rent and heating bills, provide internet access so they can learn. And what about next year? One-time assistance will reduce child poverty this year, but solving this problem requires reassessing how many families with children are struggling, and what structural economic changes are needed for them to reach stability.

Will the stimulus package reduce racial inequity?

While the largest number of ALICE households are White due to the overall size of this population in the U.S., Black, Hispanic and Indigenous households disproportionately experience financial hardship.¹² The pandemic has widened disparities in both health outcomes (Black and Hispanic workers are contracting and dying from COVID-19 at higher rates than other racial/ethnic groups) and employment impacts (Black and Hispanic workers are more likely to report job losses and reduced work hours during the pandemic).¹³ Because Black and Hispanic households are more likely to be ALICE, direct individual stimulus payments to low-income households will provide some much-needed immediate relief. But because these disparities are the result of systemic injustices embedded in our economic and social systems, it will take much greater measures to permanently reduce racial inequity. For more information on Black ALICE households, visit UnitedForALICE.org/disparities.

How do unemployment benefits help ALICE workers?

Because job losses have been concentrated in low-paid industries that are still suffering – retail, hospitality, leisure, tourism – many ALICE workers have been struggling with little or no work since March 2020. At the start of the pandemic in February 2020, average weekly unemployment benefits were \$387 on average nationwide, but ranged from \$215 in Mississippi to \$550 in Massachusetts. Federal pandemic benefits have added to those levels for limited periods and at varying amounts over the last year. The most recent proposal to continue to add \$400 per week to state unemployment benefits through late August would increase the average to \$787 per week, which would cover a single adult Household Survival Budget in most places (\$442 per week) but would not be enough to support a family (\$1,288 per week).¹⁴

Will the stimulus help low-paid essential working adults who are not raising children?

The House version of the Stimulus Bill addresses a gap in Earned Income Tax Credit (EITC) coverage: The EITC excludes many “childless adults,” those without children under the age of 18. The bill proposes to raise the maximum EITC for childless adults from roughly \$530 to roughly \$1,500, and to raise the annual income cap for these adults to qualify from about \$16,000 to at least \$21,000. It also would expand the age range of eligible childless workers to include younger adults aged 19-24 who aren’t full-time students, as well as people aged 65 and over. This would provide timely income support to over 17 million people (including 4 million Hispanic, 3 million Black, and 746,00 Asian Americans) who do important work for low pay.¹⁵

ABOUT UNITED FOR ALICE

Who is ALICE?

ALICE (Asset Limited, Income Constrained, Employed) households have income above the FPL but below the ALICE Threshold – the income needed to afford the most basic household budget. ALICE households earn too much to qualify as “poor” but are still unable to make ends meet. They often work as cashiers, nursing assistants, office clerks, servers, laborers, and security guards. These types of jobs are vital to keeping our economy running smoothly, but they do not provide adequate wages to cover the basics of housing, child care, food, transportation, health care, and technology for these ALICE workers and their families. **Together with households in poverty, ALICE households represent just over 40% of all households in the U.S.**

What is the ALICE Threshold?

The ALICE Threshold is the minimum income that households need to afford all of their basic needs. It is calculated using actual costs of essential goods and services – housing, child care, food, transportation, health care, and basic technology – in every U.S. county and is adjusted for household composition. This creates a far more accurate picture of needs than the outdated FPL.

What is the ALICE Household Survival Budget?

The bare minimum cost of household necessities (housing, child care, food, transportation, health care, and a smartphone plan, plus taxes and a small contingency). These are calculated for every county in the country for various household types, including a **Senior Survival Budget**.

Where can I find the data and more information?

To learn more about United For ALICE and get ALICE state and local data, visit our website: UnitedForALICE.org. For an overview of Black ALICE households, visit UnitedForALICE.org/disparities. And for a detailed overview of the ALICE methodology, visit UnitedForALICE.org/Methodology.

What is the mission of United For ALICE?

United For ALICE is a center of innovation founded by United Way of Northern New Jersey that is shining a light on the challenges **ALICE** (Asset Limited, Income Constrained, Employed) households face. Through a standardized methodology that assesses the cost of living in every county, the project provides a comprehensive measure of financial hardship across the U.S. Equipped with this data, ALICE partners convene, advocate, and innovate in their local communities to highlight the issues faced by ALICE households and to generate solutions that promote financial stability. This grassroots movement represents United Ways, corporations, nonprofits, and foundations in Arkansas, Connecticut, Delaware, Florida, Hawai'i, Idaho, Illinois, Indiana, Iowa, Louisiana, Maryland, Michigan, Mississippi, New Jersey, New York, Ohio, Oregon, Pennsylvania, Tennessee, Texas, Virginia, Washington, and Wisconsin; we are United For ALICE.

ENDNOTES

¹ Note: A household consists of all the people who occupy a housing unit. In the ALICE data, households do not include those living in group quarters such as a dorm, nursing home, or prison. American Community Survey. (2018). *1-year and 5-year estimates*. U.S. Census Bureau. Retrieved from <https://data.census.gov/cedsci/>

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⁷ Note: Households on the cusp are defined as those with income in the Census income bracket above the ALICE Threshold. Income brackets begin with less than \$10,000/year; they increase in \$5,000 intervals from \$10,000 to \$50,000/year; then they extend to \$50,000-\$60,000/year, \$60,000-\$75,000/year, \$75,000-\$100,000/year, \$100,000-\$125,000/year, and \$125,000-\$150,000/year.

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