

THE 2014 UNITED WAY ALICE REPORTS



CALIFORNIA
CONNECTICUT
FLORIDA
INDIANA
MICHIGAN
NEW JERSEY

THE NEW FACE OF HARDSHIP: MEET ALICE

Half a century after the War on Poverty was first waged, United Ways in several states have joined together to ignite a fresh, nonpartisan national dialogue around the number and scope of working Americans who are unable to afford basic needs today.

Called the United Way *ALICE Project*, this data-driven, grassroots movement is working to mobilize individuals, communities, and corporations by redefining the struggle for social and financial stability in terms that fit the needs of our day. **ALICE** stands for **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed – residents who earn more than the U.S. poverty level, but less than the basic cost of living.

This effort revealed that in each of the six states studied (California, Connecticut, Florida, Indiana, Michigan and New Jersey) **at least 35 percent of households – more than one-third, a total of 13 million households – struggle to afford the basic cost of living.**

Far more than studies of poverty, this effort has uncovered profound changes in the structure of communities and jobs nationwide. What emerges is a deeper picture of financial instability – one often obscured by outdated federal poverty measurements. ALICE reveals that financial hardship is not confined to the inner cities, racial and ethnic minorities, and the unemployed. ALICE is a part of all our communities, and often our families. ALICE lives in every county in the six states, pays taxes, and is working in jobs essential to the economy.

ALICE is our preschool teachers, home health aides, and mechanics – essential workers who are needed to keep our communities and economies humming, yet who struggle to make ends meet and pay basic bills, such as housing, food, and transportation.

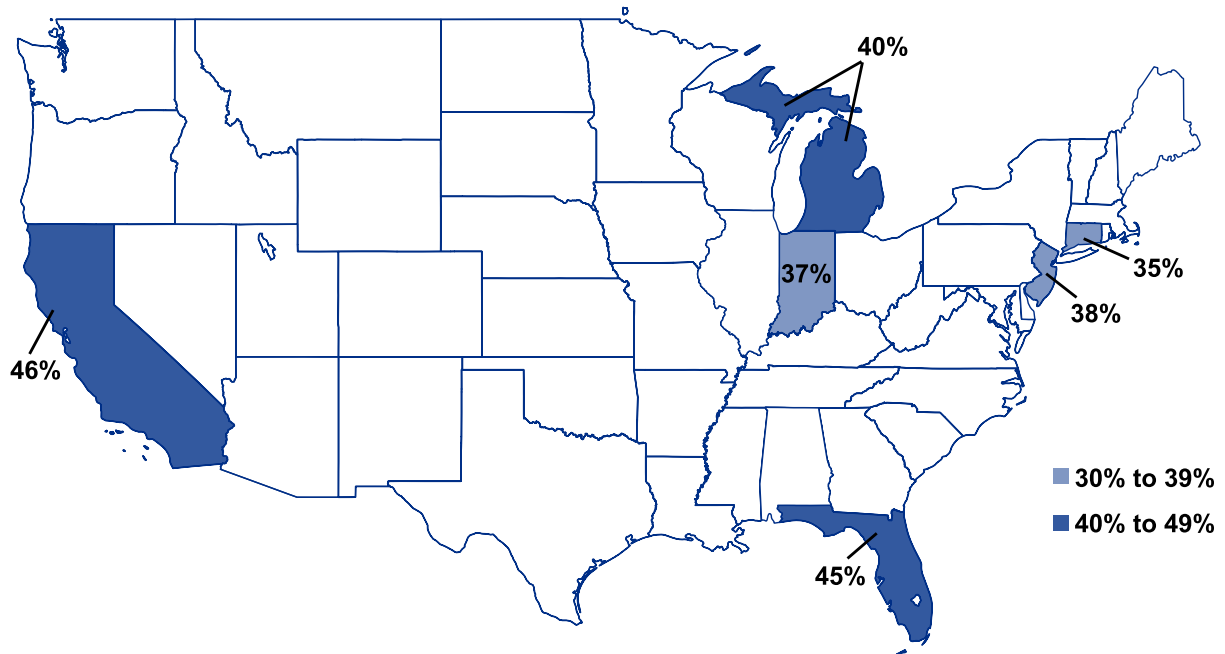
RETHINKING HARDSHIP: WHAT THE ALICE RESEARCH SAYS

When Americans think about financial hardship, they often assume that poverty affects a few isolated groups, worsened during the Great Recession, and has improved since. Three stereotypes often come to mind: that people who struggle financially are primarily Black or Hispanic, that they live primarily in urban areas, and that they are unemployed.

The findings of the United Way ALICE Reports debunk these assumptions and stereotypes, creating a broad, accurate, data-driven picture of how many households are struggling financially in each state. In each of the states covered by the 2014 Reports, five facts stand out:

1. **Thirty-five percent or more of households in each state – more than one-third – struggle to afford basic necessities.** These households are part of every community and include workers in jobs essential to the functioning of every local economy.

Percent of Households with Income below the ALICE Threshold for States with 2014 United Way ALICE Report



Source: American Community Survey, 2012, and the ALICE Threshold; 2014 United Way ALICE Reports

2. **The number of ALICE households increased from 2007 to 2012.** The percent of households with income below the ALICE Threshold increased in each of the six states through the Great Recession and in the two years following – ranging from a 5 percent increase in Michigan from 2007 to 2012 to a 25 percent increase in Florida. As of 2012, there were 8.7 million ALICE households in total across the six states. Combined with those in poverty, a total of 13 million households in these states struggle to afford the basic cost of living.

3. **ALICE households exist in all age groups.** Households headed by someone in their prime wage-earning years of 25 to 64 represent the largest segment of ALICE households in each state. Seniors are also disproportionately likely to be ALICE, even with Social Security benefits.
4. **ALICE and poverty-level households are not confined to urban areas.** In every county in each of the six states – including rural, urban, and some of the wealthiest suburban counties in the country – more than 20 percent of households live below the ALICE Threshold.
5. **ALICE households closely mirror the racial/ethnic demographics of each state’s overall population.** In each of the six states, more than two-thirds of ALICE households are White.

MEASURING FINANCIAL HARDSHIP

The six 2014 United Way ALICE Reports reveal profound changes in the structure of jobs and communities. The Reports document the increase in the basic cost of living, the decrease in the availability of jobs that pay enough to support household necessities, and the shortage of housing that the wages of the majority of each state’s jobs can afford.

To understand the extent of financial hardship in a given state, each Report looks at economic conditions across the state as a collection of detailed, local economic landscapes. **Financial hardship is in many ways local:** what do the basic necessities cost, what jobs are available, and what do they pay in Morris County, New Jersey? In Broward County, Florida? In Tolland County, Connecticut? When data is compiled county by county, how do the six states ultimately differ in the dimensions of financial hardship, and how are they alike?

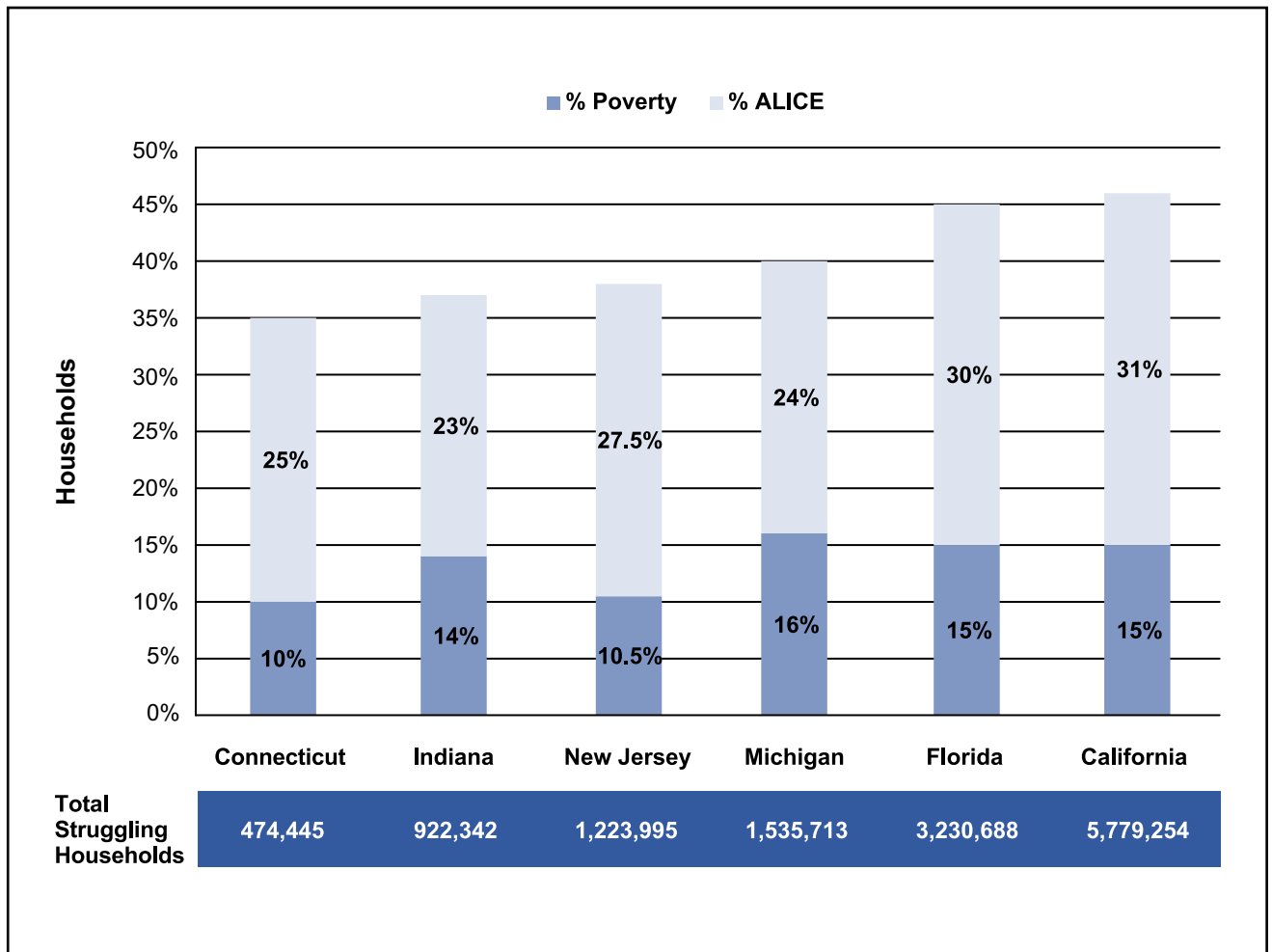
To explore these local landscapes, the Reports introduce four new measures of economic conditions based on the interplay of local wages, job opportunities, and cost of living:

- **The Household Survival Budget** calculates the actual costs of basic necessities (housing, child care, food, health care, and transportation) in a state, adjusted for different counties and household types.
- **The ALICE Threshold** is the average level of income that a household needs to afford the basics defined by the Household Survival Budget for each county in a state. The Threshold provides a realistic measure for income inadequacy based on the actual local cost of basic household necessities. Unlike the Federal Poverty Level and other measures, the ALICE Threshold is adjusted to reflect cost of living differences on a county-by-county basis. Households with income below the ALICE Threshold include both ALICE and poverty-level families.
- **The ALICE Income Assessment** is the calculation of all sources of income, resources, and assistance for ALICE and poverty-level households in a state. Even with assistance, in every state the Assessment reveals a significant shortfall – the Unfilled Gap – between what these households bring in and what is needed for them to reach the ALICE Threshold.
- **The Economic Viability Dashboard** uses three indices to evaluate the economic conditions that matter most to ALICE households – housing affordability, job opportunities, and community support – in each county in a state.

A SIX-STATE COMPARISON

Across the six states, there are striking similarities in the magnitude of financial hardship, but there are also interesting regional differences in economic conditions and public assistance. For example, the percentage of households earning less than the Household Survival Budget is highest in California (46 percent) and Florida (45 percent), and lowest in Connecticut (35 percent), with 40 percent in Michigan, 38 percent in New Jersey, and 37 percent in Indiana (Figure 1). The differences in these percentages can be attributed mainly to regional differences in the cost of living and certain key economic conditions, including the availability of affordable housing, the number of jobs available, and the average hourly wage found in each of the six states.

Figure 1.
Percent of Households below the ALICE Threshold, 2012



Source: American Community Survey, 2012, and the ALICE Threshold; 2014 United Way ALICE Reports

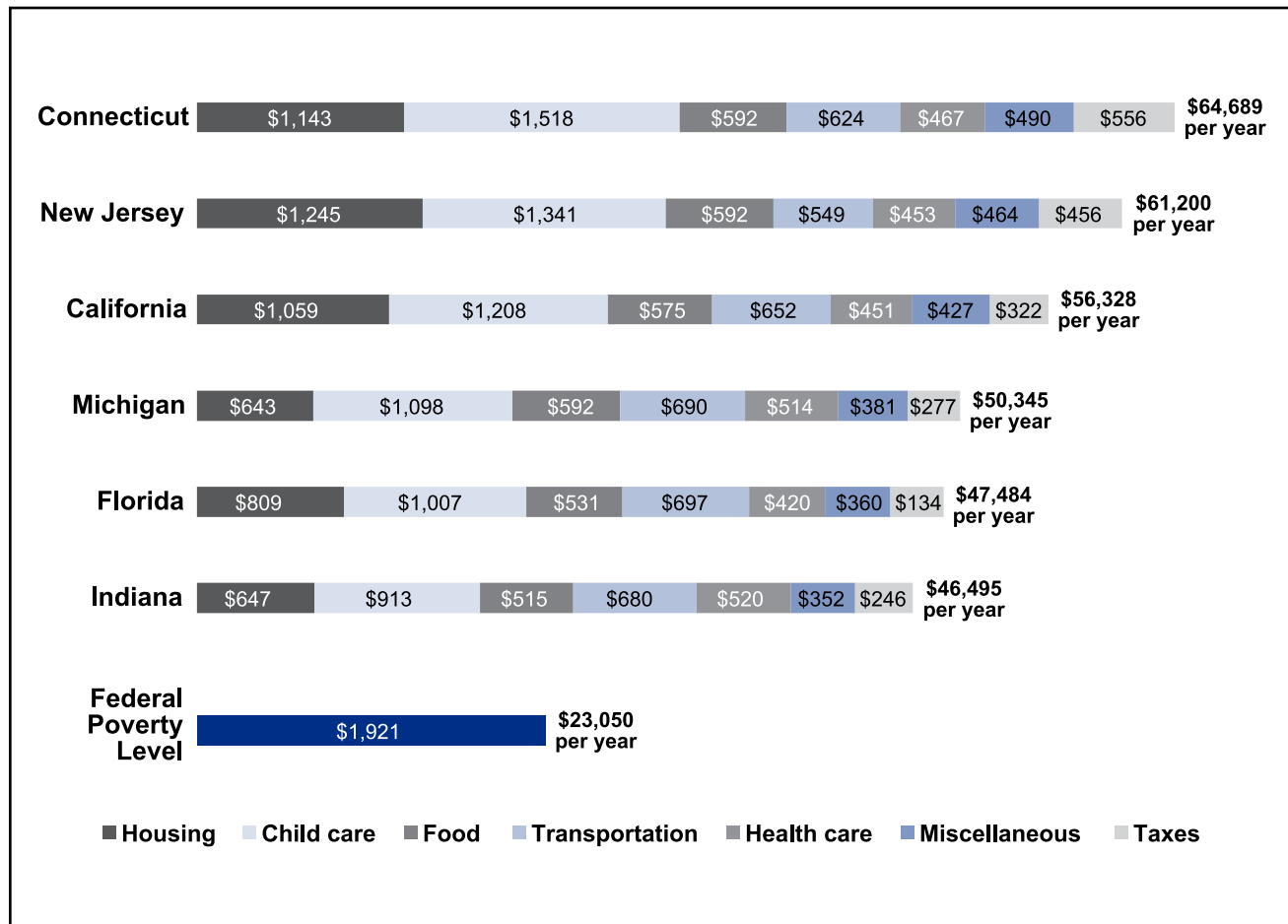
The impact of the Great Recession was severe for low-income households. The percentage of households with income below the ALICE Threshold increased in all states through the Great Recession and the two years following. However, the range varied. The largest percent increase was in Florida (25 percent from 2007 to 2012); the smallest was in Michigan (5 percent from 2007 to 2012). Percentage increases for the other states were 19 percent in New Jersey, 16 percent in Indiana, 13 percent in Connecticut, and 12 percent in California (American Community Survey, 2007–2012).

THE COST OF LIVING

The cost of the five basic household necessities of housing, child care, food, health care, and transportation, plus taxes and a 10 percent contingency, varies across the six states. The average cost of living for a family of four ranges from \$46,495 per year in Indiana to \$64,689 per year in Connecticut (Figure 2).

One of the key strengths of the ALICE methodology is the ability to incorporate differences in costs at the county level. Across the six states, the least expensive household budget for a family of four (two adults, one infant, and one preschooler) is in DeSoto County, Florida at \$36,886 per year, and the most expensive is in Santa Clara County, California at \$77,222 per year.

Figure 2.
Household Survival Budget, 2012, Monthly Expenses for a Family of Four



Source: U.S. Department of Housing and Urban Development, Child Care Aware, U.S. Department of Agriculture, Bureau of Labor Statistics, Internal Revenue Service and state treasuries; 2014 United Way ALICE Reports

ECONOMIC CONDITIONS

The Economic Viability Dashboard provides a window directly into the economic conditions that matter most to ALICE households. The Dashboard is made up of three indices: Housing Affordability, Job Opportunities, and Community Support. An analysis by county reveals that across the six states, a common challenge ALICE households face is finding job opportunities in the same counties where they can afford the basic cost of living. In addition, many affordable counties do not have much community support. The ideal locations are those that are affordable and offer high levels of both job opportunities and community support.

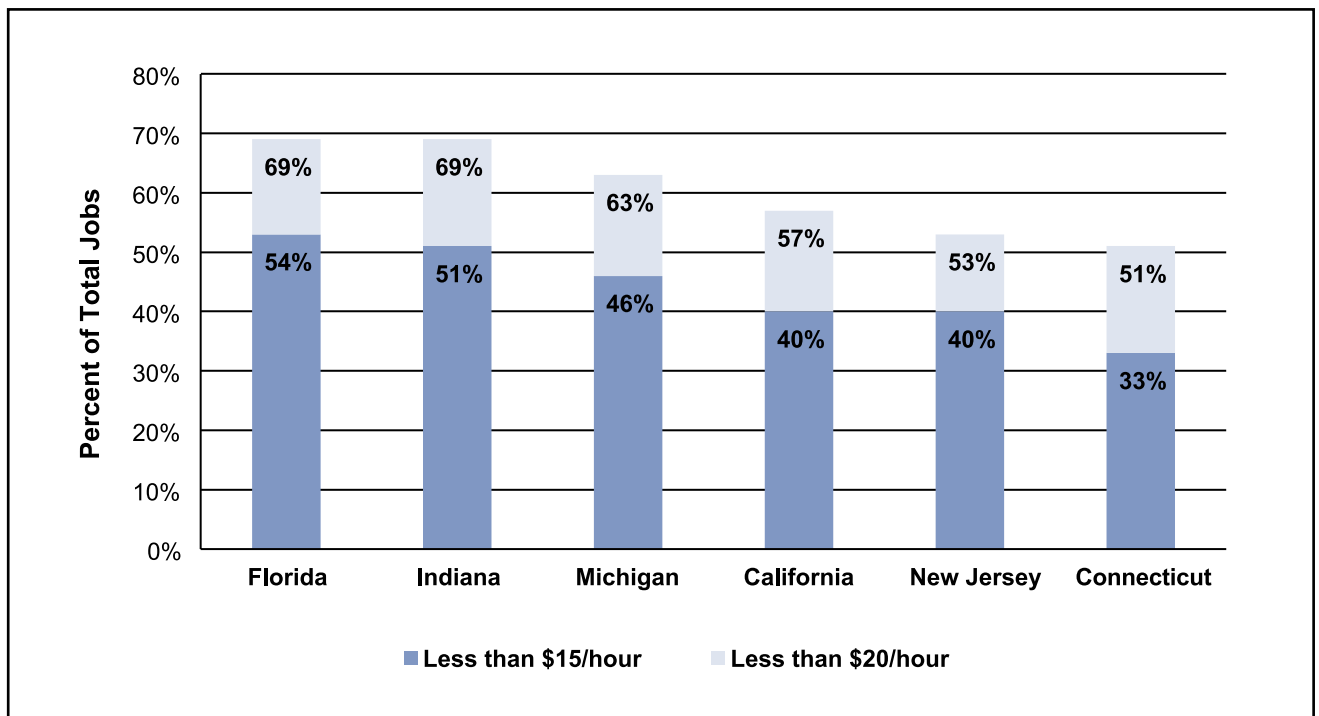
Comparing the three indices over time reveals a striking picture of conditions worsening in most counties in all six states over the course of the Great Recession (2007 to 2010). Conditions improved slightly in many counties from 2010 to 2012, but did not return to 2007 levels.

Two variables stand out in this analysis: the wages of available jobs, and the availability of housing that is affordable on the wages paid by the majority of jobs.

Due to structural economic changes over the past three decades that were amplified by the Great Recession, more than half of all jobs in each of the six states pay less than \$20 per hour (\$40,000 a year if full time year round) – not enough for a family of four to afford the basic cost of housing, child care, food, health care, and transportation.

The states with the highest percentage of low-wage jobs are Florida and Indiana, where 69 percent of jobs pay below \$20 per hour, and 54 percent and 51 percent, respectively, pay below \$15 per hour. But even in Connecticut, which has the lowest percentage, 51 percent of jobs pay below \$20 per hour and 33 percent pay below \$15 per hour (Figure 3) (Bureau of Labor Statistics (BLS), 2012).

Figure 3.
Jobs by Hourly Wage, 2012

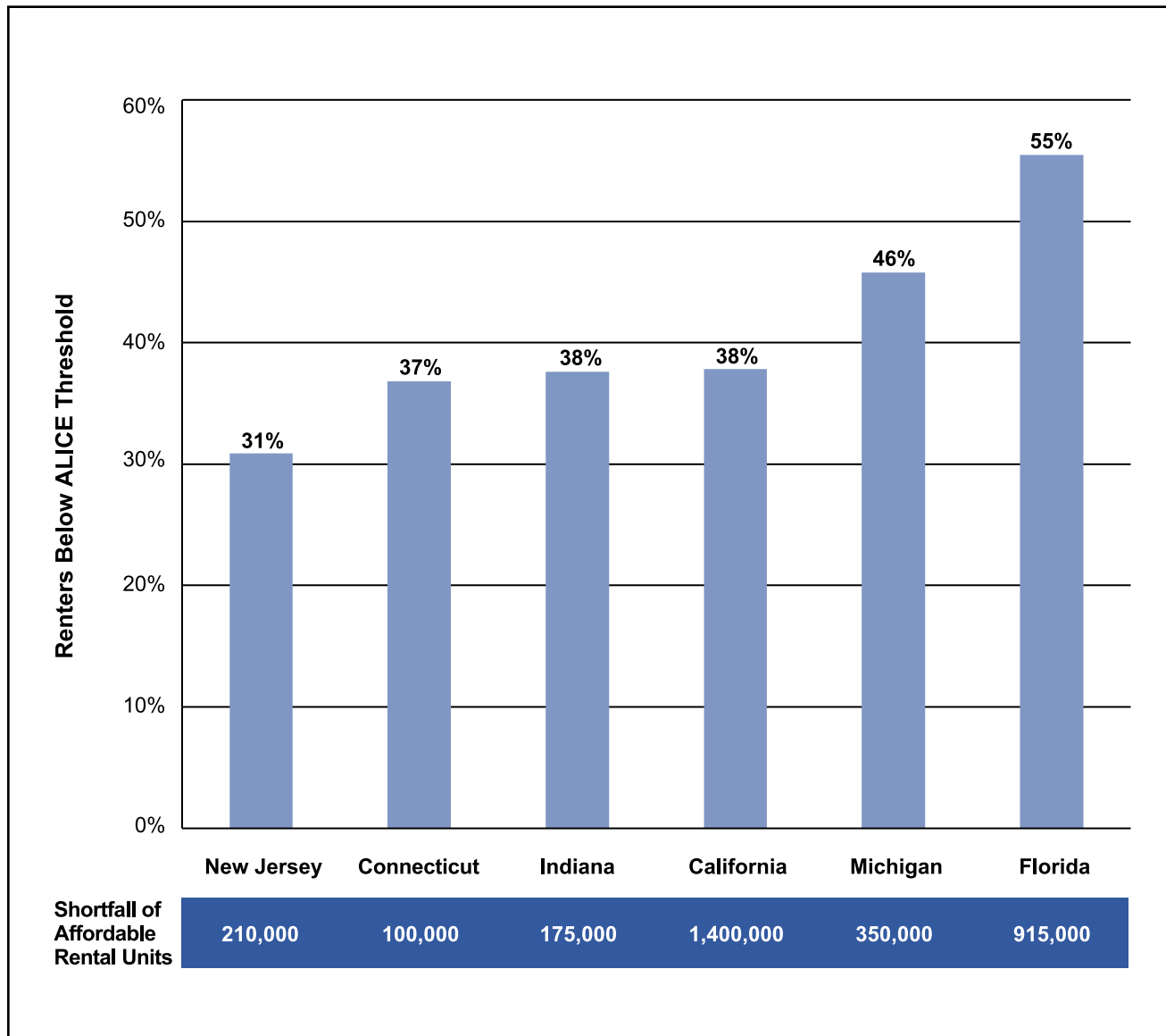


Source: BLS, 2012; 2014 United Way ALICE Reports

Moreover, the growth of low-skilled jobs is projected to outpace that of medium- and high-skilled jobs into the next decade in all six states. At the same time, the cost of basic household necessities continues to rise.

Housing – one of the most expensive items in the ALICE family budget – offers a clear example of the challenges that ALICE households face. The analysis of affordable rental units (including both market rate affordable and subsidized) reveals that in all six states, **there is a shortage of rental units that ALICE households can afford.** In order for all households below the ALICE Threshold not to have an extreme housing burden – that is, not to spend more than 35 percent of their income on housing – each of the six states would need hundreds of thousands of additional affordable units. Connecticut would need 100,000 additional units; California would need 1.4 million. The percentage of renters below the ALICE Threshold who do not have affordable housing options ranges from 31 percent in New Jersey to 55 percent in Florida (American Community Survey, 2012) (Figure 4).

Figure 4.
Percent of Renters Below ALICE Threshold Without Affordable Housing, 2012



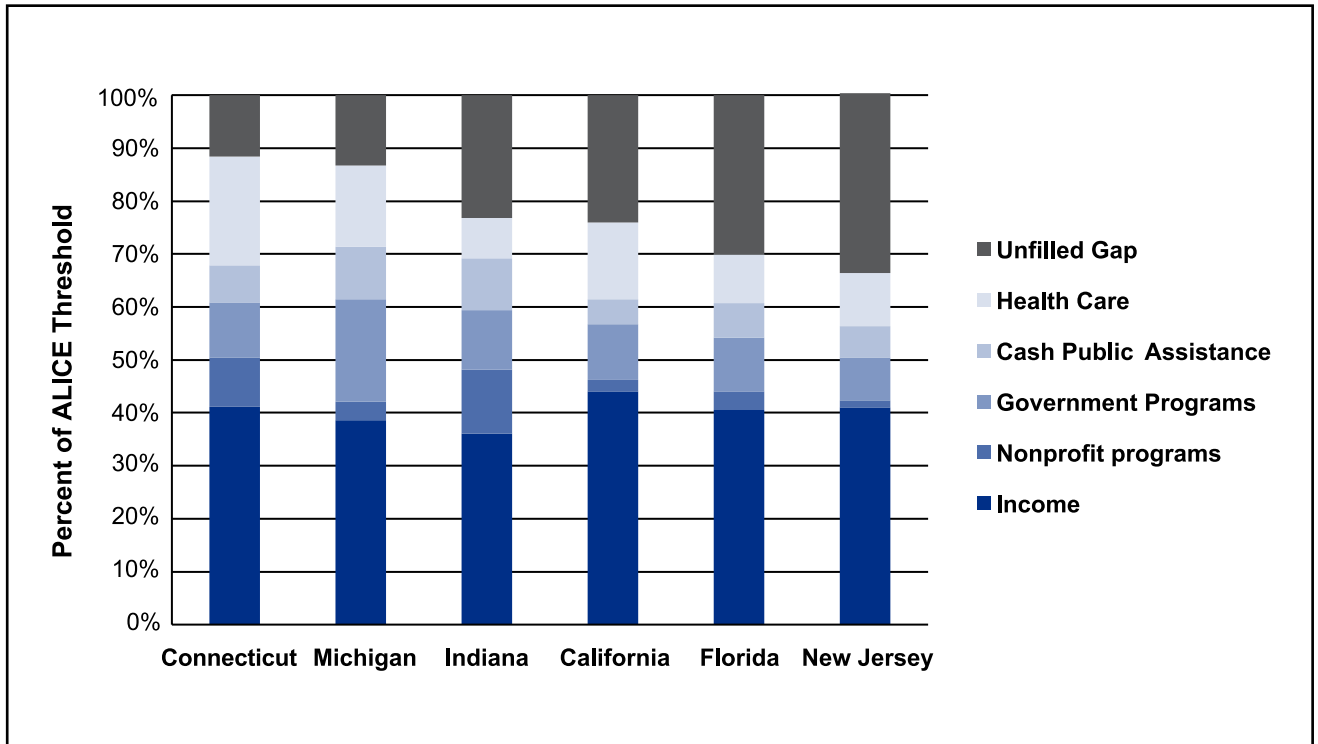
Source: American Community Survey, 2012, the ALICE Threshold; 2014 United Way ALICE Reports

INCOME, ASSISTANCE, AND THE UNFILLED GAP

To date, the total cost of public and nonprofit assistance for struggling households has not been tallied on a state-by-state basis. The ALICE Income Assessment provides this information for these six states. The Income Assessment is a tool to measure how much income a household needs to reach the ALICE Threshold compared to how much is actually earned. This is calculated by totaling the income needed to reach the ALICE Threshold, then subtracting earned income, as well as government and nonprofit assistance. The remainder is the Unfilled Gap, highlighted in Figure 5.

In each state, many households earn less than half of what is needed to be financially stable. ALICE and poverty-level households in Indiana earn the least – only 36 percent of the income needed to reach the ALICE Threshold for basic economic survival. The most these same households earn is in California, at 44 percent of what is needed; in Connecticut and New Jersey, households earn 41 percent; in Florida, 40 percent; and in Michigan, 39 percent.

Figure 5.
Income and Assistance for Households Below the ALICE Threshold, 2012



Source: National Priorities Project's Federal Priorities Database, USDA, U.S. Department of Education; 2014 United Way ALICE Reports

Public and nonprofit assistance makes a crucial difference for households with income below the ALICE Threshold, but in no state does it completely bridge the Unfilled Gap. Even after including assistance, the smallest gap between resources and the ALICE Threshold is found in Connecticut, at 12 percent, and the largest is in New Jersey, at 34 percent (National Priorities Project's Federal Priorities Database, U.S. Department of Education, 2012; USDA, 2012; 2014 United Way ALICE Reports). Also, most assistance is provided as goods or services in response to needs throughout the year, not cash in advance that can be used to plan ahead.

Assistance to households with income below the ALICE Threshold includes:

- **Health care benefits**, which the six Reports reveal to be the most variable form of public assistance nationally, ranging from 8 percent of the resources needed for families to reach the ALICE Threshold in Indiana to 21 percent in Connecticut. This may be due in part to differing methods of calculating and reporting charity care, community care, and unreimbursed expenses. But it also suggests large differences in the availability of health care for low-income households across the country.
- **Cash public assistance**, including Supplemental Security Income (SSI) and Temporary Assistance for Needy Families (TANF), ranging from 5 percent of the resources needed for families to reach the ALICE Threshold in California to 10 percent in Indiana and Michigan.
- **Government programs** (both federal and state), including Head Start, Supplemental Nutrition Assistance Program (SNAP, formerly food stamps), Special Supplemental Nutrition Program for Women, Infants and Children (WIC), housing, and human services. These benefits range from 8 percent of the resources needed for families to reach the ALICE Threshold in New Jersey to 19 percent in Michigan.
- **Contributions from human service nonprofits** (excluding government grants or user fees), ranging from 1 percent of the resources needed for families to reach the ALICE Threshold in New Jersey to 12 percent in Indiana.

ALICE DEMOGRAPHICS

ALICE households vary in size and makeup; there is no typical configuration. There are young and old ALICE households, those with children, and those with a family member who is a veteran, or who has a disability. They vary in educational level attained, race and ethnicity, immigrant status, and geographic location. These households also move in and out of being ALICE over time.

- **Workers in their prime earning years, 25 to 64 years old, make up the largest segment of ALICE households.** This is not surprising since this age group is the largest demographic in each state, but it underscores the fact that across the country, many jobs do not pay enough to allow families to afford the most basic household budget.
- **Seniors are more likely to qualify as ALICE households.** The percentage of seniors with income (including Social Security) below the ALICE Threshold ranges from 32 percent in Michigan to 46 percent in New Jersey. In California, 42 percent of seniors fall below the ALICE Threshold, as do 40 percent in Florida, 39 percent in Connecticut, and 34 percent in Indiana. With the aging of the U.S. population, these numbers are poised to increase.
- **Households with children are one of the most common ALICE household types.** In all states, the most expensive household budget is for a household with young children, due not only to the larger size of those households but also to the cost of child care, preschool, and after-school care.
- **As in the overall population, a majority of each state's ALICE households are White** (U.S. Census terminology). However, due to wage discrepancies that disproportionately affect certain groups, both Blacks and Hispanics are overrepresented in the population living below the ALICE Threshold.
- **Nationally, immigrants are only slightly more likely to be poverty-level or ALICE households than non-immigrants.** Yet for some subsets of immigrant groups, such as non-citizens, recent immigrants, and the language-isolated, the likelihood increases.

COMMON THEMES FOR ALICE FAMILIES

In addition to the data presented above, the Reports examine the setbacks that these households face and the coping strategies that they rely on when they do not have enough income to afford the basic household necessities. While the particular circumstances of the six states vary widely, some common themes have emerged:

- **The financial equation for college is changing.** With the cost of college and the changing job landscape, a bachelor's degree is no longer a guarantee of financial stability. The decision to go to college, incur debt, and choose a major has become more complicated over the last decade. (See Section VI and Conclusion in the ALICE Reports.)
- **Child care is often the most expensive item in a family's budget.** Without it, children may not gain pre-learning skills necessary for success in kindergarten and beyond, and one parent has to forgo work, limiting future earning potential. Yet because the cost of licensed and accredited child care facilities is out of reach for many households, ALICE families may instead turn to more informal options (such as less closely regulated facilities, family members, or friends) where the quality of care often varies widely. Inadequate child care impacts not only children but also parents and employers, resulting in absenteeism from work, tardiness, and low productivity. (See Sections II, VI, and Conclusion in the ALICE Reports.)
- **Caregiving for family members is expensive, in both the short term and the long term.** Many families face additional expenses when caring for a relative with a disability or an aging parent, including the cost of adult day care or extraordinary health services and the loss of the caregiver's own wages or earning potential. Already, one-third of households nationwide have a family member serving as a caregiver (AARP, 2011), and as our population ages, caregiving will become an increasingly large financial burden for many families. (See Sections I and VI in the ALICE Reports.)
- **Wage discrimination by gender continues to exist in every state.** Households with a single earner are already at an economic disadvantage, especially if the wage earner also has family care duties, and that disadvantage is compounded if the wage earner is female. (See Section I in the ALICE Reports.)
- **Immigrant groups vary widely in language, education, job skills, and age.** Many immigrants to the U.S. have income below the ALICE Threshold. With the aging of the American workforce, recent and younger immigrants will be an important source of workers and population growth; yet an educational achievement gap for many immigrant students persists in all six states, limiting the potential contribution of these new residents. (See Section I and Conclusion in the ALICE Reports.)
- **Young veterans are most at risk of being in poverty or ALICE households.** This group of veterans is more likely to be unemployed, to have a disability, and, in the aggregate, to have less formal education than their older counterparts. (See Section I in the ALICE Reports.)
- **ALICE votes.** Households with income roughly below the ALICE Threshold accounted for at least one-third of the electorate in the 2012 Presidential election in five of the six states (NBCNews.com, 2012). (See Section I in the ALICE Reports.)

IMPLICATIONS FOR WIDER COMMUNITIES

There are serious consequences for both ALICE households and their communities when these households cannot afford the basic necessities. ALICE households are forced to make difficult choices such as forgoing preventative health care, accredited child care, healthy food, or car insurance. These “savings” threaten their health, safety, and future – and they reduce economic productivity and raise insurance premiums and taxes for everyone. The costs are high for both ALICE families and the wider community.

Across the six states, when the current system does not work for ALICE households, these households turn to alternative services. While the services differ in different parts of the country, there is an increased use of alternatives in every state. For example, if a family does not qualify for a traditional loan, they may use payday lenders, “contract for deed” mortgages, and “Buy Here, Pay Here” auto loans. If they cannot afford accredited childcare, they may use unlicensed or untrained child care providers.

Some of these alternatives are helpful and fill a gap; some cause new problems. However, they all represent additional challenges in terms of regulation, oversight, and greater inequality in every state.

ALICE: THE FIRST STEP TOWARD CHANGE

In each of these six states, the condition of the economy and meeting ALICE’s challenges are linked: improvement for one would directly benefit the other. The tools presented in the six United Way ALICE Reports provide the means for stakeholders – policy makers, community leaders, and business leaders – to better understand the magnitude and variety of households facing financial hardship. That enhanced understanding is key to making more effective change possible.

For ALICE families, change is needed in the short term as well as the long term. Short-term intervention by family, employers, nonprofits, and government can mitigate crises for financially unstable households and possibly prevent an economic spiral downward. For example, providing a month’s worth of food for a family may enable a father to repair a car transmission and get to work. If a family’s primary earner cannot get to work, he might lose wages or even his job. Without regular income, the family cannot afford rent or mortgage payments and risks becoming homeless.

The longer-term solutions for ALICE households require broader structural economic changes, particularly improving income and housing opportunities. Reducing the number of ALICE households requires a significant increase in the wages of current jobs or in the number of medium- and high-skilled jobs in both the public and private sectors, as well as making quality, affordable housing more available or locating it closer to job opportunities. Structural economic changes would significantly improve the prospects for ALICE and enable hardworking households to support themselves.

UNITED WAY: IMPROVING LIVES AND COMMUNITIES

United Way is committed to using current research, community dialogue, and data-driven policy solutions to ensure that our communities are viable places to live and work. The United Way ALICE Reports offer a new set of tools to move us closer to that goal, and each United Way is using the ALICE data to craft specific strategies for the communities it serves. In the hope that these Reports can serve as a national model, we challenge stakeholders in every state to consider them as an opportunity for a new dialogue about how to improve the lives of working families across the country.

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BE AN ALICE AMBASSADOR

The value of the United Way ALICE Report has been quickly recognized in major news outlets, in academia, and in the community. We're hoping to continue to build on the tremendous momentum that the Report ignited, and keep this issue at the forefront for elected officials, decision makers, community leaders, candidates for higher office, and concerned citizens across the country.

United Way needs your help!

- Please join us in raising awareness about ALICE and stimulating a fresh dialogue among community leaders about how, together, we can provide ALICE an opportunity to succeed.
- Coordinate a meeting at your place of employment and invite someone from your local United Way to present ALICE
- Write a letter or submit an opinion piece to your local press
- Talk about ALICE with your neighbors, friends, family, and in your places of worship
- Encourage your peers to help ALICE – lend expertise on personal finance, or become a volunteer tax preparer
- Reach out to your state legislators, mayors, and other public officials
- Help us secure new venues where we may speak about ALICE or do a presentation



YOU CAN MAKE A DIFFERENCE

Each individual action you take will help increase public awareness about ALICE. And when combined with similar actions taken by others, our collective effort will help rebuild the ladder of opportunity for thousands of ALICE families living in New Jersey. **Thank you for helping spread the word about ALICE.**

QUESTIONS OR COMMENTS

The United Way *ALICE Project* offers many points of access for a variety of different constituencies; however core members include the following:

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