ST. LOUIS POST-DISPATCH

Editorial: ALICE shows working poor aren't making it in America

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Since 1963, when an analyst at the Social Security Administration named Mollie Orshansky first developed the U.S. government's poverty guidelines, there's been general agreement that she seriously underestimated the problem.

And yet for more than 50 years, Ms. Orshansky's formula — take the minimum food budget necessary for healthy calorie intake for each member of a family and multiply by three — has been the standard that has guided safety net policies. For 2015 the poverty threshold for a family of four is $24,250, up about $1.10 a day from 2014.

Now from Rutgers University-Newark and United Way chapters in six states come a new set of numbers. The idea was to estimate the actual cost of "household survival budgets" for five basic necessities: housing, child care, food, health care and transportation. It measures employment income as well as help from government programs and charitable aid.

Each state's numbers would be different, as would county-by-county numbers within each state. What results is a measure of how many people aren't officially poor, but don't have enough to cover the basic cost of living.

United Way calls these people the ALICE population, for Asset-Limited, Income-Constrained, Employed. The acronym is awkward, but ALICE is an effective measurement of America's working poor. And it's not a bad metric for the effects of income inequality.

In the six states surveyed in 2012 — California, Indiana, Michigan, Florida, New Jersey and Connecticut — at least 35 percent of families were living under ALICE thresholds. They comprise 8.7 million working poor families on top of the 4.3 million families in those states officially living in poverty.

Connecticut, where the poverty-plus-ALICE number was 35 percent, was the best-off of the six states. California, with 46 percent, was the worst-off, with Florida just a tick behind at 45 percent.

In Connecticut, with its relatively high cost of living, the ALICE household survival budget was figured at $64,689 a year. In Indiana, with its lower Midwestern cost of living, a family could get by on $46,495.

Most ALICE households were white, though African-American and Hispanic households were disproportionately represented relative to their percentage of the population. Households with children were more likely to fall below ALICE thresholds because of the added costs children represent.

If there is a single culprit here, it is 40 years of wage stagnation. Despite the national economic recovery since the 2007-2009 recession, wages remain depressed. In every state, at least half of all jobs — and in Florida, as many as 69 percent — paid $20 an hour or less. Usually less.

Bottom line: You can't afford the basic necessities of life on the wages most people make, not unless there are two bread-winners.

This won't come as a surprise to any of the ALICE people. For them, a blown water pump or having their hours cut can mean financial catastrophe.

But if you're one of the 1,200 United Way chapters across the United States, charged with making your communities viable places to live and work, the ALICE data can drive policies. Julie Russell, senior vice president for planning and evaluation at the United Way of Greater St. Louis, said in an emailed statement that the local chapter is considering participating in the ALICE project.

"United Way of Greater St. Louis believes that ALICE is an important body of work that could inform how investments are made to help people live better lives," she wrote.

Here's the touchy point: United Way chapters depend heavily on support and cooperation from their corporate partners. Many of the executives and shareholders of these corporations have benefited from the same economic trends that have left so many people in the ALICE population. Some of these same employees find themselves asked by their employers to donate to the United Way.

The United Way can't afford to antagonize its corporate partners. Nor can it create structural changes needed in the United States' economy, but the corporations that support it can benefit from better understanding the need.

The example of Aetna Insurance Co., of Hartford, Conn., (ALICE threshold $64,689) can be instructive. Two weeks ago, Aetna's CEO, Mark Bertolini, announced that the minimum wage for company employees would be raised to $16 an hour. The move will benefit 12 percent of Aetna's employees and cost the company $14 million in the first year.

But it could also reduce the company's annual turnover cost of $120 million. Higher wages can yield better, more loyal employees.

A $16-an-hour job still is a sub-ALICE threshold job for the head of a family, and it's a far cry from the $30.7 million in total compensation paid to Mr. Bertolini himself in 2013. But it's a start.

The United Way project is valuable, if for no other reason that it proves that not everyone who's willing to sacrifice and work hard is making it in America. If you don't believe it, go ask ALICE.