

ALICE[®] Update



Helping ALICE Families Access Good Jobs and Save for the Future

Do You Know ALICE?



Twenty-five percent of Connecticut households have earnings that exceed the Federal Poverty Level (FPL) but fall short of a basic cost of living threshold. This threshold is a measure of the amount of income required to pay for the essential costs of living included in a Household Survival Budget.

We call these households **ALICE**—an acronym for **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed. Together with the 10% of Connecticut households in poverty, more than one-third of Connecticut households (35%) struggle to get by. Households living below the ALICE threshold represent a cross-section of the population that includes all races, ethnicities, ages, and people from every city and town in Connecticut.

In this ALICE Update, we provide data from a variety of sources to understand better the challenges many ALICE families face accessing good jobs and building assets.

- 1. Many families continue to struggle with expenses, limiting their ability to save and build assets.** Survey data from the Pew Charitable Trusts indicates that 60% of families nationwide experienced a financial shock in 2014. According to the Corporation for Enterprise Development, roughly 39% of Connecticut residents would have less than three months of liquid savings to cover basic expenses if they faced a financial shock.
- 2. While unemployment has dropped statewide from 9.1% to 5.7% since the end of the Great Recession, more than half of the gains since 2010 have been in lower-wage industries.** Further, many Connecticut workers are underemployed and cannot access employer health and retirement benefits.
- 3. Connecticut's ALICE families can move up the ladder and help strengthen our state's economy.** The proportion of technical, professional, and managerial jobs in Connecticut is still higher than all but a few states. We need to protect good-paying jobs and train ALICE workers to move up the ladder and fill these positions which are so important to our economy.
- 4. Putting aside some savings helps to prepare for emergencies or to invest in homeownership, education, or retirement. But this can be a challenge for many ALICE families.** Most of us build wealth and assets through homeownership, but homeownership rates among ALICE families are low. Households below the ALICE threshold comprise 35% of all Connecticut households but only 23% of homeowners.

Many families continue to struggle with expenses, limiting their ability to save and build assets.

Many citizens across the country struggle to save money. According to the Corporation for Enterprise Development (CFED), nearly 44% of American households of four are liquid asset poor, meaning that they would have less than three months of savings to cover basic expenses if they faced a financial shock such as loss of a job or a medical emergency ("CFED Assets", 2016). Connecticut's rate is 39%, but varies widely among our cities and towns, from 61% in Hartford to 27% in Ridgefield ("CFED Family").

A recent survey from Pew Charitable Trusts indicated that 60% of households nationwide experienced a financial shock in 2014. And while families across income levels experienced shocks at similar rates, those earning less felt greater financial stress (Pew Charitable Trusts, 2015). The most expensive shock experienced by the median household making \$25,000 or less annually cost the equivalent of 31 days of their income, compared to 10 days of income for the median household making \$85,000 or more per year.



Can your family afford a \$400 emergency?

The May 2016 issue of *The Atlantic* magazine features an article named *The Secret Shame of Middle-Class Americans*. Citing recent studies from the Pew Charitable Trusts and the Federal Reserve Board, author Neal Gabler discusses how many American families today find themselves struggling financially. He shares his own story to illustrate the difficult, everyday choices that can prevent families from maintaining financial stability.

Gabler and his wife paid for child care and private school for their two children, to give them the best opportunities in life. Later, when they moved, they were unable to find a buyer for their home. They were forced to pay two mortgages for a year and then sell their home for a steep loss. Using credit, the Gablers were able to delay financial problems for a time, but eventually, their debt became unmanageable. They had become part of the 47% of Americans that can't afford a \$400 emergency without borrowing money or selling something of value.

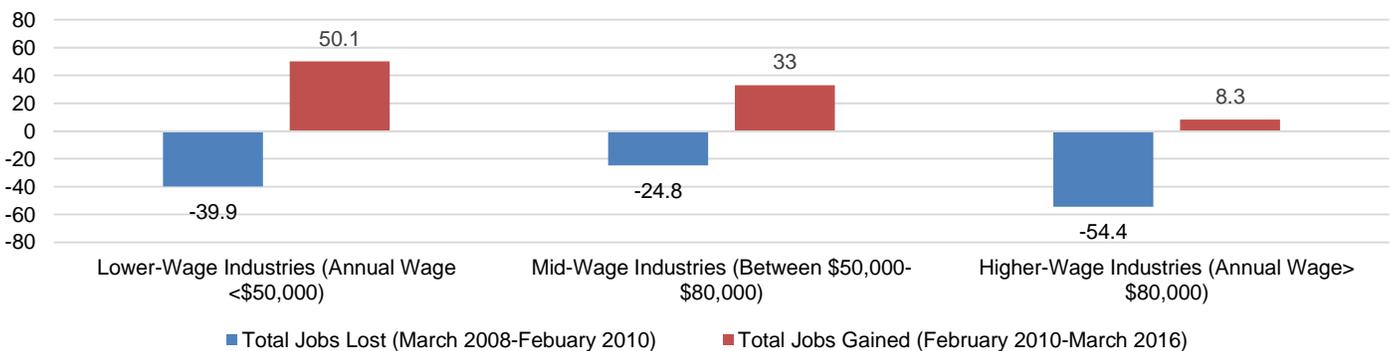
The Gablers worked hard, played by the rules, and made what they felt were reasonable decisions, but still struggled to make ends meet. This story can be retold with multiple variations by thousands of families across the country.

To learn more about Gabler's story, visit <http://theatlntc/1Wc4lhb>.

While unemployment has dropped statewide from 9.1% to 5.7% since the end of the Great Recession, more than half of the gains since 2010 have been in lower-wage jobs.

Connecticut's unemployment rate has dropped from a high of 9.1% in 2010 to 5.7% in March 2016. Despite declining unemployment, Bureau of Labor Statistics (BLS) data available from 2010 to 2014 indicates that more than half of the jobs created were in occupations with a median wage at or below the 25th percentile wage for all occupations (Kennedy, McMillen, and Simons, 2015). As shown in Figure 1, more recent analysis of BLS data from the Connecticut Office of Policy Management (CT OPM) found that over 54,000 jobs lost from March 2008 to February 2010 were in higher-wage industries with annual wages of \$80,000 or more. Gains from February 2010 to March 2016 consisted of 8,300 jobs in higher-wage industries while industries with an annual wage of \$50,000 or less gained about 50,100 jobs (Srivastava, 2016).

**Figure 1: Low versus High Wage Job Growth
Connecticut Net Employment Change
(in Thousands)**



BLS and IHS data via CT OPM

Another measure that can be used to examine ALICE households' financial security is the underemployment rate. Underemployment is a broader measure than unemployment that looks at labor force participants without a job, in addition to those that are employed only part-time due to economic reasons such as full-time job availability. The DataHaven Community Wellbeing Survey (2015) showed a statewide underemployment rate of 14% in 2015. Those with lower-paying occupations and with lower education levels were more likely to be underemployed. Further, the survey

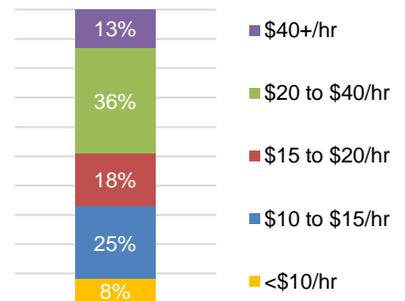
indicated that 29% of labor force members making between \$15,000-\$30,000 per year sought better opportunities (“DataHaven Connecticut statewide”, 2015). Part-time and lower-wage work often lacks health benefits and sick leave, leading to even higher out of pocket expenses for families.

Many ALICE families are eager to move up the ladder and earn more.

While many ALICE individuals work hard, they face barriers to career advancement due to a lack of necessary skills and/or credentials. As illustrated in Figure 2, the 2014 ALICE report revealed that 49% of jobs in Connecticut pay more than \$20 per hour, indicating that opportunities to earn more money do exist for ALICE workers. According to the State New Economy Index, many of these jobs are in managerial, technical, and professional occupations. Connecticut ranks fourth nationwide in the proportion of these jobs which includes scientists, health professionals, consultants, and engineers (Atkinson & Nager, 2014). An analysis from the Connecticut Department of Labor (CT DOL) of the Help Wanted Online (HWOL) database showed that in April 2016, the top three hiring advertisements online in the state were for computer science, healthcare, and management jobs across all industries. These fields made up 34% of all unique job postings for that month (HWOL via CT DOL, 2016).

49% of jobs in Connecticut pay more than \$20 per hour

Figure 2: Jobs in Connecticut By Hourly Wage (2012)



BLS data via the 2014 CT ALICE Report

So if good jobs are being offered by Connecticut employers, what obstacles may prevent ALICE workers from obtaining these positions? Saving enough money to pay for tuition and certifications can be challenging for many ALICE workers. In addition, many feel the pressure to work long or unusual hours just to cover their basic expenses. Some ALICE workers with children may not be able to afford child care, often staying home to care for their children. As a result, many lack the time and financial resources needed to fully commit to moving up the ladder.

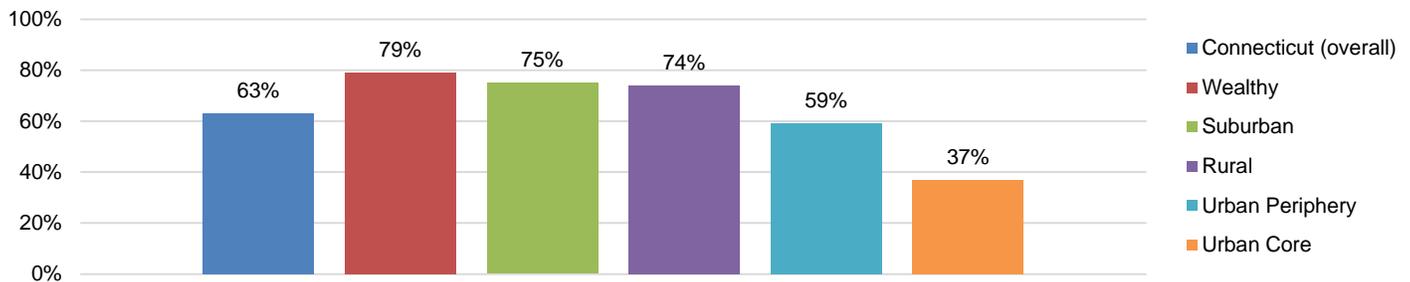
What can help ALICE workers overcome barriers to education and training? Stackable credentials (shorter term credentials with clear labor market value) and flexible curriculum design in education allows students easier paths to exit and entry, and/or to build marketable skills to help move their careers forward. Family supports such as 2-1-1 Child Care, help ALICE parents connect with programs such as Care 4 Kids (C4K) to obtain child care at affordable rates.

Putting aside some savings helps prepare for emergencies or invest in homeownership, education, or retirement. But this can be a challenge for ALICE families.

In our last ALICE update, we looked at housing affordability and its effect on ALICE families. Homeownership helps families build assets by enabling them to build equity through the payment of their principal. Building the savings, credit, and financial assets to make the transition from renter to homeowner is difficult, particularly when 50% of renters in the state spend more than 30% of their income on housing (Partnership for Strong Communities, 2015). Some ALICE households also have challenges with financial literacy or are financially literate but have difficulty accessing many financial products and services due to their income. About 14.4% of households in Connecticut are underbanked, meaning that they spend a significant amount of money on financial services for which most Americans pay little to nothing (i.e. non-bank money orders, pay day loans, check-cashing, and credit needs) (“CFED Assets”, 2016). These challenges inhibit the ALICE household’s ability to get needed financial assistance and save for the down payment for a home.

Current data shows that about 63% of Connecticut residents own a home. As shown in figure 3, nearly three quarters of individuals living in rural, wealthy, and suburban areas own their own homes. The homeownership rate for those in cities like Bridgeport, Hartford, Waterbury, New Haven, New London, and New Britain is considerably lower at 37% (“DataHaven Five Connecticut’s”, 2015). According to the 2014 ALICE report, more than 50% of the population in these cities are ALICE households or in poverty. More affordable options with access to good schools, jobs, and services are needed in more cities and towns to help ALICE families build assets and improve their quality of life.

Figure 3: Home Ownership in Connecticut by town grouping



DataHaven Community Wellbeing Survey, Five Connecticut's, 2015

How Connecticut United Ways are helping ALICE families achieve financial stability and access good jobs

Connecticut United Ways are working with many others in the community to help ALICE families access good jobs and achieve the financial stability needed to help them break the cycle of paycheck-to-paycheck living. Efforts that address financial literacy and capacity challenges for ALICE families include, but are not limited to:

- Working with the Connecticut Association for Human Services and others, United Ways support the Volunteer Income Tax Assistance (VITA) program, offering free tax preparation and filing services. It also promotes awareness of the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) which reward ALICE workers for hard work and help put money back into local businesses.
- Volunteer budget and financial coaching programs, which help ALICE families learn how to effectively manage household expenses with the assistance of volunteer financial advisors.

Connecticut United Ways also promote family supports and workforce investment for ALICE households in the community. Efforts in these areas include, but are not limited to:

- 2-1-1 Child Care, which connects parents to programs such as Care 4 Kids, helping ALICE families to secure child care.
- Partnerships to help ALICE workers reach economic self-sufficiency as measured by increased earnings and credential attainment.

Connecticut United Ways have developed the United Way Policy Agenda for ALICE which includes these policy recommendations aimed at helping ALICE families access good jobs and save for the future:

- Help for ALICE families in building long-term assets through additional investment in affordable housing.
- Further statewide investment in workforce training, such as non-degree and technical courses with stackable credentials, granting ALICE workers the flexibility to pursue additional advancement opportunities in key state industries.

How can you help? You can raise awareness about ALICE among business, community, and government leaders. You can share the stories of ALICE families and their asset and opportunity related challenges. You can become part of the solution through your local United Way. Give. Advocate. Volunteer.

About Connecticut United Ways

Connecticut United Ways identify and build upon strengths and assets in their local communities, helping individuals and groups with specific interests find ways to contribute their time and talents, support direct-service programs and community-change efforts, and advocate public policy changes toward advancing the common good by creating opportunities for all, with a particular focus on education, income, and health — the building blocks for a good quality of life. We engage people and organizations throughout our communities who bring passion, expertise and resources needed to get things done, and we invite everyone to be part of the change.