

ALICE

ASSET LIMITED, INCOME CONSTRAINED, EMPLOYED



FLORIDA

ALABAMA, ALASKA, ARIZONA, ARKANSAS, **CALIFORNIA**, COLORADO, **CONNECTICUT**, DELAWARE, **FLORIDA**, GEORGIA, HAWAII, IDAHO, ILLINOIS, **INDIANA**, IOWA, KANSAS, KENTUCKY, LOUISIANA, MAINE, MARYLAND, MASSACHUSETTS, **MICHIGAN**, MINNESOTA, MISSISSIPPI, MISSOURI, MONTANA, NEBRASKA, NEVADA, NEW HAMPSHIRE, **NEW JERSEY**, NEW MEXICO, NEW YORK, NORTH CAROLINA, NORTH DAKOTA, OHIO, OKLAHOMA, OREGON, PENNSYLVANIA, RHODE ISLAND, SOUTH CAROLINA, SOUTH DAKOTA, TENNESSEE, TEXAS, UTAH, VERMONT, VIRGINIA, WASHINGTON, WEST VIRGINIA, WISCONSIN, WYOMING



Fall 2014

STUDY OF FINANCIAL HARDSHIP

GIVE. ADVOCATE. VOLUNTEER.

United Way of Florida

UnitedWayALICE.org/Florida



EXECUTIVE SUMMARY

Across Florida, 45 percent of households struggle to afford the basic necessities of housing, child care, food, health care, and transportation.

“Florida faced difficult economic times during the Great Recession. Yet the official poverty rate of 15 percent obscures the true magnitude of financial instability in the state.”

It is well recognized that despite its growing economy, internationally renowned tourism, and wealthy retirees, Florida faced difficult economic times during the Great Recession. Yet the official poverty rate of 15 percent obscures the true magnitude of financial instability in the state. The official U.S. poverty rate, which was developed in 1965, has not been updated since 1974, and is not adjusted to reflect cost of living differences across the U.S. A lack of accurate measurements and even language to frame a discussion has made it difficult for states – including Florida – to identify the full extent of the economic challenges that so many of their residents face.

This Report presents four groundbreaking instruments that measure the size and condition of households struggling financially, and it introduces the term **ALICE** – **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed. The Report includes findings on households that earn below the ALICE Threshold, a level based on the actual cost of basic household necessities in each county in Florida. It outlines the role of ALICE households in the state economy, the public resources spent on households in crisis, and the implications of struggling households for the wider community.

Using the realistic measures of the financial survival threshold for each county in Florida, the Report reveals a far larger problem than previously identified. Florida has 1.1 million households with income below the Federal Poverty Level (FPL) but also has 2.1 million ALICE households, which have income above the FPL but below the ALICE Threshold. These numbers are staggering: **in total, 3.2 million households in Florida – fully 45 percent, triple the number previously thought – are struggling to support themselves.**

ALICE households are working households; they hold jobs, pay taxes, and provide services that are vital to the Florida economy in a variety of positions such as retail salespeople, customer service representatives, laborers and movers, and health care aides. The core issue is that these jobs do not pay enough to afford the basics of housing, child care, food, health care, and transportation. Moreover, the growth of low-skilled jobs is projected to outpace that of medium- and high-skilled jobs into the next decade. At the same time, the cost of basic household necessities continues to rise.

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 skipping preventative health care, accredited child care, healthy food, or car insurance. These “savings” threaten their health, safety, and future – and they reduce Florida’s economic productivity and raise insurance premiums and taxes for everyone. The costs are high for both ALICE families and the wider community.

MAJOR FINDINGS

Who is ALICE?

Forty-five percent of households in Florida struggle to afford basic household necessities. Based on the most recent data from 2012, 1.1 million households live in poverty and another 2.1 million are ALICE households. Between the two categories, 3.2 million households in Florida have income below the ALICE Threshold.

ALICE households exist in all age groups. ALICE exists even in households headed by someone in their prime earning years, 25 to 64 years old. In fact, this age group represents the largest segment of ALICE households, underscoring the fact that most jobs in Florida do not pay enough to allow families to afford the most basic household budget.

ALICE and poverty-level households are spread across all counties in Florida.

All counties in Florida have more than 20 percent of households living below the ALICE Threshold. In addition, most cities or towns (87 percent) have more than 30 percent of households living below the ALICE Threshold. Florida's 12 largest cities – including Jacksonville, Miami, and Tampa – each have more than 37 percent of households with income below the ALICE Threshold.

ALICE households represent a cross-section of Florida's population. Contrary to some stereotypes, ALICE households have a wide range of demographic compositions. As in Florida's overall population, more than 79 percent of the state's ALICE households are White (U.S. Census terminology). However, due to wage discrepancies that disproportionately affect certain groups, it is not surprising to find female-headed households, Blacks, Hispanics, people living with a disability, and unskilled recent immigrants over-represented in the population living below the ALICE Threshold.

“All counties in Florida have more than 20 percent of households living below the ALICE Threshold.”

What is the gap between ALICE's household income and the cost of basic expenses?

ALICE households are working or have worked. However, ALICE and poverty-level households earn only 40 percent of the income needed to reach the ALICE Threshold for basic economic survival.

Public and private assistance is not enough to lift ALICE households to economic stability. The income of ALICE and poverty-level households in Florida is supplemented with \$39.5 billion in government, nonprofit, and health care resources. Despite this assistance, ALICE and poverty-level households remain 30 percent short of the income needed to reach the ALICE Threshold.

What causes the prevalence of ALICE households?

The cost of basic household expenses in Florida is more than most jobs can support. Florida's cost of living is beyond what most jobs in the state can provide to working households. The annual Household Survival Budget for the average Florida family of four is \$47,484 and for a single adult is \$18,624. These numbers highlight the inadequacy of the U.S. poverty rate as a measure of economic viability, at \$23,050 for a family and \$11,170 for

“Across the state, there are more than twice as many ALICE and poverty renters as there are rental units that they can afford.”

a single adult. The annual Household Stability Budget – one that enables not just survival, but self-sufficiency in Florida – is almost double the Household Survival Budget for a family of four at \$81,972 per year, and \$24,764 for a single adult.

Florida became less affordable from 2007 to 2012. Despite the Great Recession and the low rate of inflation, the cost of basic housing, child care, transportation, food, and health care in Florida increased by 13 percent during this 5-year period.

Economic conditions worsened for ALICE households from 2007 to 2012. The slight improvement in housing affordability and community support through the Great Recession was not enough to offset the huge decline in job opportunities as measured by the Economic Viability Dashboard, a new index that tracks these three economic measures. Two years after the end of the Recession, conditions have improved slightly but job opportunities have not nearly returned to 2007 levels. Finding both housing affordability and job opportunities in the same location remains a challenge for ALICE households.

Florida’s housing stock does not match current needs. Across the state, there are not enough rental units that are affordable: there are more than twice as many ALICE and poverty renters as there are rental units that they can afford. In addition, while there may be housing units where ALICE households can afford the mortgage, these households often lack sufficient resources for a down payment or do not qualify for a mortgage.

What are the consequences of insufficient income for ALICE families and their communities?

To manage their day-to-day survival, ALICE households often utilize short-term strategies that are detrimental in the long run. When ALICE households do not have enough income, they have to make difficult choices to reduce their expenses. For example, if a family cannot afford child care in an accredited facility, they may substitute with an overworked neighbor or an inexperienced relative, jeopardizing their child’s safety and learning opportunities. Other short-term strategies such as skipping preventative health care, home maintenance, or a bill payment may have long-term consequences such as poor health, fines, and larger bills in the future.

There are fewer families with children in Florida. Higher income is especially important for families with children because of their greater budget costs. Without job opportunities in the state, some families have moved, and others have delayed having children altogether. From 2007 to 2012, the number of married-couple families with children in Florida fell by 10 percent.

ALICE households pay more for goods and services. ALICE households face higher expenses from both basic cost of living increases and the use of alternative financial products to finance routine and extraordinary expenses. Through the Great Recession, despite the low inflation and the decrease in cost of most goods and services, the cost of basic household necessities continued to rise. Without access to mainstream borrowing, many ALICE households in Florida resort to using riskier, more expensive financial options, such as “Buy Here Pay Here” car loans.

The whole community suffers when ALICE has insufficient income. When ALICE children are not ready for school, they add a burden to the educational system. When ALICE households cannot afford preventative health care, they are more likely to place future burdens on the health care system, increasing insurance premiums for all. When ALICE workers cannot afford an emergency, let alone invest in their neighborhood, communities may experience instability, higher taxes, or a decline in economic growth.

What challenges do ALICE households face in the future?

In line with the national trend, low-income jobs dominate the economy in Florida now and will continue to dominate in the future. As a result of changes in the job market over the last three decades, the Florida economy is now more dependent on low-paying service jobs than on higher-skilled and higher-paying jobs. Sixty-nine percent of all jobs in Florida pay less than \$20 per hour (\$40,000 per year if full time), and more than half (54 percent) pay less than \$15 per hour.

Occupations with projected job growth have low wages and require minimal education. The most projected new job openings are in service jobs with wages below \$20 per hour and requiring a high school education or less. These jobs – including retail salespeople, customer service representatives, food preparation workers, home care aides, laborers and movers, janitors, and groundskeepers – are projected to grow at double or triple the rate of medium- and high-skilled jobs over the next decade across Florida.

More seniors will become ALICE households. With an aging population that is ahead of the national curve, Florida already has a high percentage of seniors. And as more Floridians become seniors, many who used their savings and retirement to weather the economic downturn will also fall below the ALICE Threshold.

More ALICE households will become family caregivers. More than one-third of Florida's ALICE households currently include caregivers – family members caring for ill or elderly relatives. That number will increase as the population ages, adding additional burdens to their household budget in both direct costs and lost wages, and reducing future employment opportunities.

“Sixty-nine percent of all jobs in Florida pay less than \$20 per hour, and more than half (54 percent) pay less than \$15 per hour.”

What would improve the economic situation for ALICE households?

Public and private intervention can provide short-term financial stability.

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.

Increasing the amount of housing that ALICE can afford without being housing burdened would provide stability for many Florida families. The cost of housing is high in many parts of Florida, and the units that are affordable to ALICE households are often far from jobs or in disrepair. Structural changes that make quality affordable housing more available or locate it closer to job opportunities would ease the housing burden on many Florida families.

An improvement in income opportunities would enable ALICE households to afford basic necessities, build savings, and become financially independent. 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 in Florida. Structural economic changes would significantly improve the prospects for ALICE and enable hardworking households to support themselves.

“Improving Florida’s economy and meeting ALICE’s challenges are linked: improvement for one would directly benefit the other.”

Improving Florida’s economy and meeting ALICE’s challenges are linked: improvement for one would directly benefit the other. The tools presented in this Report provide the means for Florida stakeholders – policy makers, community leaders, and business leaders – to better understand the magnitude and variety of households facing financial hardship. These tools, and the enhanced understanding that they provide, can make more effective change possible.

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 Florida, 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 Florida. (Please note that unless otherwise noted in this Report, households earning less than the ALICE Threshold include both ALICE and poverty-level households.)

The **Household Stability Budget** is greater than the basic Household Survival Budget and reflects the cost for household necessities at a modest but sustainable level. It adds a savings category, and is adjusted for different counties and household types.

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 significant shortfall, or unfilled gap, between what these households bring in and what is needed for them to reach the ALICE Threshold.

Lastly, 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 support. A Dashboard is provided for each county.

INTRODUCTION

Florida is known as the number one tourist destination in the U.S., as well as the home of the Kennedy Space Center. With 40 percent of the nation's international trade passing through Florida, and as the destination for many of the country's wealthiest retirees and visitors from around the world, the Sunshine State isn't often associated with significant poverty.

Yet Florida's overall economic situation is more complex. The state poverty rate of 15 percent mirrors the U.S. average, and the median annual income of \$45,040 is 14 percent below the U.S. median of \$51,371. Florida ranks 40th in real growth in GDP, per capita earnings are still below 2007 levels, and the state is ranked number two in foreclosures nationwide. None of the economic measures traditionally used to calculate the financial status of Florida's households, such as the Federal Poverty Level (FPL), consider the actual cost of living in each county in Florida or the wage rate of jobs in the state. For that reason, those indices do not fully capture the number of households facing economic hardship across Florida's 67 counties.

Current measures hide the reality that 45 percent of households in Florida struggle to support themselves. Because income is distributed unequally in Florida, there is both great wealth and significant economic hardship. That inequality increased by 15 percent from 1979 to 2012; now, the top 20 percent of Florida's population earns 52 percent of all income earned in the state, while the bottom 20 percent earns only 3 percent (see Appendix A).

Until now, there have not been appropriate measures or even language to describe the sector of Florida's population that struggles to afford basic necessities. It has been difficult to obtain a true and accurate picture of the economic reality in the state, especially regarding the number of households that are severely economically challenged. This Report fills that gap with new language and four new measures.

This Report uses the term "ALICE" to describe a household that is Asset Limited, Income Constrained, Employed. As originally defined in the 2012 New Jersey ALICE Report, ALICE is a household with income above the FPL but below a basic survival threshold, defined here as the ALICE Threshold. ALICE households are composed of women and men, young and old, of all races and ethnicities.

The Report applies these ALICE measures to a state that is facing multiple economic challenges, in order to better understand how and why so many families are struggling financially. Some of these challenges are unique to Florida, while others are trends that have been unfolding nationally for at least three decades.

"The top 20 percent of Florida's population earns 52 percent of all income earned in the state, while the bottom 20 percent earns only 3 percent."

REPORT OVERVIEW

Who is struggling in Florida?

Section I introduces the **ALICE Threshold**: a realistic measure for income inadequacy in Florida that takes into account the current cost of basic necessities and geographic variation. In Florida there are 3.2 million households – 45 percent of the state's total – with income below the realistic cost of basic necessities; 1.1 million of those households are living below the FPL and another 2.1 million are ALICE households. This section provides a statistical picture of ALICE household demographics, including race/ethnicity, age, geography, gender, family type, disability, language, education, and immigrant status. Except for a few notable exceptions, ALICE households generally reflect the demographics of the overall state population.

“In Florida there are 3.2 million households – 45 percent of the state’s total – with income below the realistic cost of basic necessities.”

How costly is it to live in Florida?

Section II details the average minimum costs for households in Florida simply to survive – not to save or otherwise “get ahead”. It is well known that the cost of living in Florida easily outpaces Florida’s low average wages. The annual **Household Survival Budget** quantifies the costs of the five basic essentials of housing, child care, food, health care, and transportation. Using the thriftiest official standards, including those used by the U.S. Department of Agriculture (USDA) and the U.S. Department of Housing and Urban Development (HUD), the average annual Household Survival Budget for a Florida family of four (two adults with one infant and one preschooler) is \$47,484, and for a single adult it is \$18,624. These numbers vary by county, but all highlight the inadequacy of the 2012 U.S. poverty designation of \$23,050 for a family and \$11,170 for a single adult as an economic survival standard in Florida. The Household Survival Budget is the basis for the ALICE Threshold, which redefines the basic economic survival standard for Florida households. Section II also details a **Household Stability Budget**, which reaches beyond survival to budget for savings and stability at a modest level. It is almost double the Household Survival Budget for a family of four.

Where does ALICE work? How much does ALICE earn and save?

Section III examines where members of ALICE households work, as well as the amount and types of assets these households have been able to accumulate. With more than half of jobs in Florida paying less than \$15 per hour, it is not surprising that so many households fall below the ALICE Threshold. In addition, the housing and stock market crash associated with the Great Recession (2007–2010), as well as high unemployment, took a toll on household savings in Florida. Twenty-seven percent of Florida households are asset poor, and 48 percent do not have sufficient liquid net worth to subsist at the FPL for three months without income.

How much income and assistance are necessary to reach the ALICE Threshold?

Section IV examines how much income is needed to enable Florida families to afford the Household Survival Budget. This section also compares that level of income to how much families actually earn as well as the amount of public and private assistance they receive. The **ALICE Income Assessment** estimates that ALICE and poverty-level households in Florida earn 40 percent of what is required to reach the ALICE Threshold. Resources from hospitals, nonprofits, and federal, state, and local governments contribute another 30 percent. What remains is a gap of 30 percent for families below the ALICE Threshold to reach the basic economic survival standard that the Threshold represents.

What are the economic conditions for ALICE households in Florida?

Section V presents the **Economic Viability Dashboard**, a measure of the conditions that Florida’s ALICE households actually face. The Dashboard compares housing affordability, job opportunities, and community support across the state’s 67 counties. The slight improvement in housing affordability and community support through the Great Recession was not enough to offset the huge decline in job opportunities. It remains difficult for ALICE households to find both housing affordability and job opportunities in the same area.

What are the consequences of insufficient household income?

Section VI focuses on how households survive without sufficient income and assets to meet the ALICE Threshold. It outlines the strategies they employ and the risks and consequences that result both for themselves and for the rest of the community. The forecast for Florida's economy is for more low-wage jobs – those that pay less than the cost of basic necessities – which, in turn, means that ALICE households will continue to make up a significant percentage of households in the state.

Conclusion – Future prospects for ALICE households.

The Report concludes by considering the implications of current trends – Florida's growing but aging population, and the projected growth of low-wage and low-skilled jobs across the state – for ALICE households. This section also identifies a range of general strategies that would reduce the number of Florida households living below the ALICE Threshold.

DATA PARAMETERS

The ALICE measures presented in this Report are calculated for each county. Because Florida is economically, racially, ethnically, and geographically diverse, state averages mask significant differences between municipalities and counties. For example, the percent of households below the ALICE threshold ranges from 30 percent in Sumter County to 58 percent in Hardee County.

The ALICE measures are calculated for 2007, 2010, and 2012 in order to compare the beginning and the end of the economic downturn known as the Great Recession and any progress made in the two years since the technical end of the Recession. The 2012 results will also serve as an important baseline from which to measure both the continuing recovery and the impact of the Affordable Care Act in the years ahead.

This Report uses data from a variety of sources, including the American Community Survey, the U.S. Department of Housing and Urban Development (HUD), the U.S. Department of Agriculture (USDA), the Bureau of Labor Statistics at the U.S. Department of Labor (BLS), the Internal Revenue Service (IRS), Child Care Aware (formerly NACCRRRA), and their Florida state counterparts. State, county, and municipal data is used to provide different lenses on ALICE households. The data are estimates; some are geographic averages, others are 1-, 3- or 5-year averages depending on population size. The Report examines issues surrounding ALICE households from different angles, trying to draw the clearest picture with the range of data available.

For the purposes of this Report, percentages are rounded to whole numbers. In some cases, this may result in percentages totaling 99 or 101 percent instead of 100 percent.

Despite its shortcomings, the FPL has provided a standard measure over time to determine how many people in the U.S. are living in deep poverty. Where possible in this report, we distinguish between those living below the FPL and ALICE. But over time the FPL has blurred because policy makers and administrators use multiples of the FPL as a measure. This Report makes clear where we cannot separate out those with income below the traditional poverty level.

“The forecast for Florida’s economy is for more low-wage jobs – those that pay less than the cost of basic necessities – which, in turn, means that ALICE households will continue to make up a significant percentage of households in the state.”