



Testimony to the Rules Committee, United States House of Representatives

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Good morning. I'm Stephanie Hoopes, National Director of United For ALICE, a driver of innovation, research, and action around individuals and families experiencing financial hardship. Thank you for inviting me to this House Rules Committee roundtable on food insecurity. I'd like to introduce you to someone very important to this conversation — someone you all know, but maybe not by name. At the center of the dual health and economic crises of the COVID19 pandemic is ALICE: households that are **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed, with little or no savings, struggle paycheck to paycheck to afford essentials in the communities where they live, but often make too much to qualify for public assistance. As such, is at the center of the dual health and economic crises of the COVID19 pandemic.

When ALICE doesn't make enough food is often the first to be cut from the family budget, thus, food insecurity is the canary in the coal mine for policy makers, indicating bigger problems beyond food. We have all seen food insecurity increase during the COVID-19 pandemic for those who did not have enough resources to meet basic needs. Food insecurity does not exist in isolation; job losses, reductions in wages, housing instability, health issues, and social isolation all contribute. As an indicator of the impact, the increase in food bank and food pantry usage during the Great Recession mirrored an increase in the number of ALICE households. We don't know the full impact of the pandemic yet.

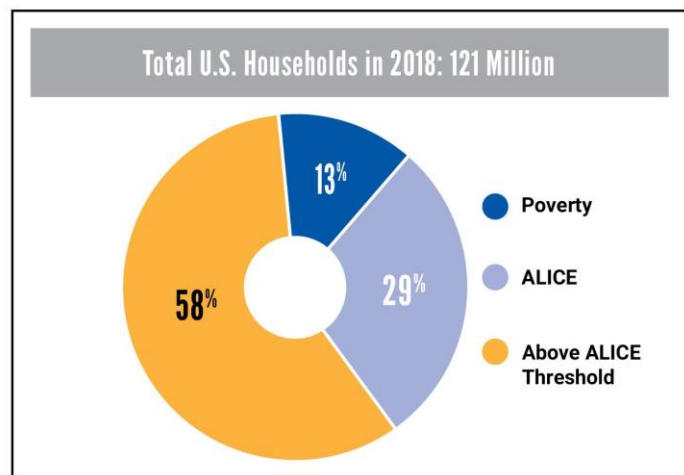
Who is ALICE?

We all know ALICE. You have probably already interacted with several ALICE workers today: the server at your coffee shop, your child's child care worker, the security guard in the parking lot. During the pandemic, ALICE was the essential worker who enabled many of us to work from home. ALICE is your neighbor, your grown child, your parents. Many of us have ourselves been ALICE. The ALICE data dispels many myths and stereotypes about who is struggling financially. ALICE households come in all ages, race/ethnicities, genders, and household combinations. They live in cities, suburbs, and rural areas. In fact, they live in every county in the U.S.

Two years before the pandemic, 51 million households in the U.S. struggled to get by (Figure 1). Technically, ALICE households earn above the FPL but below the ALICE Threshold (our measure based on the bare-minimum ALICE Household Survival Budget). In 2018:

- 16 million households (13%) earned below the FPL
- 35 million households (29%) — more than twice as many — were ALICE
- Combined, 42% of households in the U.S. were below the ALICE Threshold

Figure 1. Households by Income, United States, 2018



Sources: ALICE Threshold, 2018; American Community Survey, 2018

ALICE topline demographics

The ALICE data dispels many myths and stereotypes about who is struggling financially. For more details, visit our website, UnitedForALICE.org

- **Race/ethnicity:** The largest group in absolute terms are White households (29 million). Because some groups faced additional barriers to higher income, they also disproportionately faced financial hardship. Notably, 60% of Black households, 57% of American Indian/Alaska Native, and 56% of Hispanic households were below the ALICE Threshold, compared to 36% of White and Asian households.
- **Household type:** The largest group in absolute terms are single or cohabiting households with no seniors or children under the age of 18 (23 million). Families with children account for almost one-third of households below the ALICE Threshold. In percentage terms, single-female-headed families were more than three times as likely to be below the ALICE Threshold as married-parent families. Seniors are also disproportionately ALICE.

Why did we create the ALICE metrics?

Like you, we were trying to understand what was happening and how many families were struggling in our community and our economy. In 2008, I was on the grants committee of United Way of Morris County, excited to have a pool of resources that we could target on this relatively affluent county's small population in poverty (4-5% at the time). But the grant applications revealed much greater financial hardship, and we couldn't make sense of the mismatch. As a professor at Rutgers at the time, I undertook an investigation into why the official, traditional economic measures weren't painting an accurate picture of what was happening in our community.

The main problem was the Federal Poverty Level (FPL). The FPL is based on the same set of assumptions used when it was created 60 years ago to measure the impact of Lyndon Johnson's war on poverty. Interestingly for this committee, at the core of the FPL is food: The FPL is based on the assumption that food should account for one-third of your household budget, and its calculations are made on that basis. But food now accounts for closer to 10% of the budget; the levels were never adjusted, only increased by the rate of inflation, leaving the FPL at an impossibly low threshold for economic survival.

The criticisms of the FPL are well known — it fails to account for some of the biggest household expenses such as housing and child care, it has not adapted to a changing economy (such as the change in the cost of food), and it does not account for geographic variation within or between states (except Alaska and Hawai'i). The FPL is the same in Indianapolis as it is in New York City, even though the cost of living in Indianapolis is 30% less.

So we calculated what it actually cost to live and work in Morris County, NJ — the bare minimum for housing, child care, food, transportation, health care, and taxes — and found it was several times higher than the FPL. This is a no-frills budget that we call the ALICE Household Survival Budget; the full breakdowns of the Budget by county and household type are available on our website, [UnitedForALICE.org](https://www.unitedforalice.org). For insight, this Budget uses the USDA Thrifty Food Plan for the cost of food (which is also used for SNAP). How much is that? About \$260 for a single adult — for a month (in 2019). Not \$260 for a week (or one nice dinner out for your family). That's \$260 to last for 30 days (ALICE Report for Michigan, 2019). And this bare-bones budget does NOT include savings, a vacation, or even a child's birthday present. This is not a sustainable budget — just the minimum needed to get by.

We then calculated how many households in Morris County earned below the Survival Budget — and we found that instead of 5% of families struggling, the actual number was 25%. One-quarter of families in the county couldn't make ends meet.

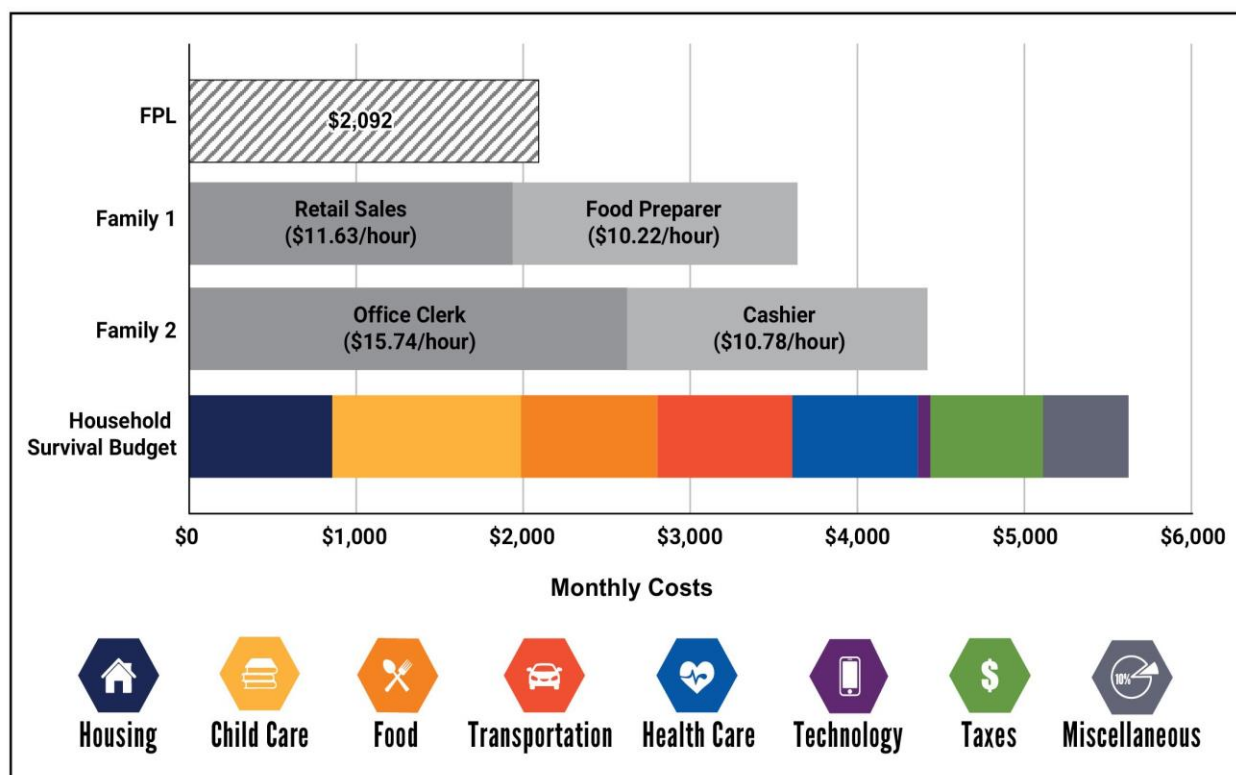
We named these households ALICE, shared the budgets and demographics in a report — and I thought my work was done. But then people started recognizing ALICE, and using the ALICE measures, and wanting to change policy to help ALICE families. A year later, I heard from a county official that she'd just left a meeting where in the middle of a policy debate, a colleague asked how the new policy initiatives would impact ALICE. At that point, I knew we had created something valuable.

Fast forward 12 years, 300 research advisory committee members, and hundreds of state and local partners later, and we have ALICE data for every state and every county in the country. We have 24 partner states, dozens of reports, and a robust interactive website. Our non-partisan research is non-partisan and our rigorous methodology is transparent and regularly reviewed by external experts. The ALICE measures and data have grown in response to demand from users, and they have become part of the national dialogue on financial hardship.

Why are there so many ALICE households?

The key is the match — or mismatch — between wages and the basic cost of living. The core of the problem is a simple fact: The cost of household basics is higher than the wages of many of the most common occupations. The Household Survival Budget reports the cost of the essentials (housing, child care, food, transportation, health care, and a smartphone plan, plus taxes) needed to live and work in the modern economy. In 2018, the national average annual budget for a family with two adults and two children in child care was \$67,476 — three times the FPL for that family (\$25,100) and more than the median wages of each of the four most common occupations nationwide. For example, a family with both parents working full-time — one in retail sales, earning the median hourly wage of \$11.63 (or an annual salary of \$23,260), and the other in food preparation, earning \$10.22 per hour (or an annual salary of \$20,440) — cannot afford this budget. A family with the next two most common occupations — office clerk (\$15.74 per hour) and cashier (\$10.78 per hour) — also falls short (Figure 2).

Figure 2. Family Household Survival Budget vs. Income and FPL, United States, 2018



Sources: ALICE Household Survival Budget, 2018; Bureau of Labor Statistics - Occupational Employment Statistics, 2018

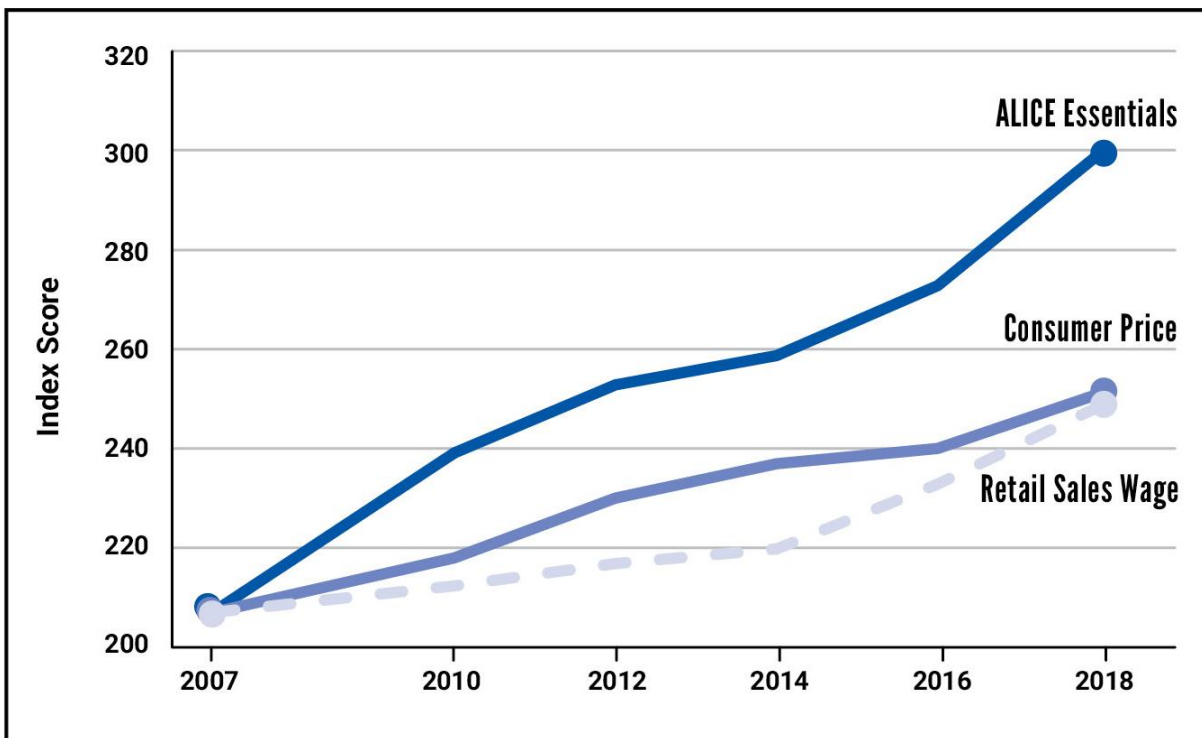
How are the costs of basics changing compared to the overall rate of inflation?

The ALICE Essentials Index is an ALICE tool that tracks the increase in cost of the household necessities included in the Household Survival Budget (dark blue line in Figure 3). The costs of these items are increasing 3–4% annually, almost twice as fast as the overall rate of inflation (1.8%) (light blue line) tracked by the Consumer Price Index (CPI), which looks at all goods and services that people in metropolitan areas buy. Both indices show that for many ALICE workers, costs are increasing faster than wages. In Figure 3, the average wage of a retail sales worker

(blue dotted line) is not keeping pace with either the increasing costs of essentials in the ALICE Essentials Index or with overall rate of inflation shown in the CPI.

The impact is even starker for those who also depend on public assistance. Families with children reliant on the Supplemental Nutrition Program for Women with Infants and Children (WIC), or those with a disability who rely on Supplemental Security Income (SSI), are seeing the value of their benefits erode over time as costs rise.

Figure 3. ALICE Essentials Index vs. CPI, United States, 2007–2018



Sources: ALICE Essentials Index, 2007–2018; Bureau of Labor Statistics—Consumer Price Index, 2007–2018. For more information, visit www.UnitedForALICE.org/Essentials-Index.

Does ALICE benefit from public assistance?

Despite their increasing struggles, most ALICE families do not meet the technical definition of being in poverty and therefore are not eligible for most public assistance programs.

With the focus of this roundtable being food insecurity, let's examine who is eligible for the primary food assistance programs — those earning at or near the FPL:

- Supplemental Nutrition Assistance Program (SNAP): 130% of FPL (\$33,475 for a family of four in 2019)
- Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) 185% of FPL (\$47,368 for a family of four in 2019)
- School meal programs: 130% of FPL for free meals and between 130% and 185% of FPL for reduced-price meals (between \$33,475 and \$47,368 in 2019).

Yet the cost of basics is almost double these eligibility limits in most places. For example, in Michigan, the Household Survival budget totaled \$64,116 in 2019 for a family with two adults and two children in 2019. Which means that the thousands of families earning between \$33,000 and \$64,000 were struggling, but were not eligible for SNAP benefits. As a result, food banks and food pantries that do not ask for income information are often inundated with ALICE families trying to get by.

How did the COVID-19 pandemic impact ALICE families?

Our new report, [*The Pandemic Divide: An ALICE Analysis of National COVID Surveys*](#), provides the first look at the impact of the pandemic on ALICE households. The report reveals that experiences and realities diverged during the pandemic: ALICE families struggled financially, physically, and emotionally, while households with higher incomes were more likely to report 'living comfortably.'

The report reveals that food insecurity in particular was a major concern for ALICE during the pandemic. Despite emergency SNAP, unemployment insurance, and stimulus payments, ALICE households struggled to afford food. According to one survey, 39% of respondents below the ALICE Threshold said they had difficulty meeting food needs, compared to only 8% of those above the Threshold.

Families with children especially struggled with access to and affordability of food throughout the pandemic. Among respondents below the ALICE Threshold with children:

- Four in ten (41%) reported that “sometimes” or “often” their children were not eating enough because the household couldn’t afford enough food. While this was less common in higher-income households, a substantial 17% of respondents above the ALICE Threshold also struggled to afford food for their children (U.S. Census Bureau’s Household Pulse Survey, January 20–February 1, 2021).
- More than half (56%) reported that they were concerned about having enough food for the household compared to 15% of respondents above the Threshold with children (United For ALICE COVID-19 Impact Surveys).
- Nearly half (49%) of both Black and Hispanic respondents reported difficulty affording food for their children during the pandemic, compared to 35% of White respondents (Household Pulse Survey, January 20–February 1, 2021).

“This pandemic has completely impacted my family. One [household member] completely lost a job, no unemployment [insurance], and can't find another job. Another [household member] is working less hours and cannot afford anything. I go hungry so my kids can eat. Food stamps got taken away because of what I make...”

*- United For ALICE Survey respondent,
Shenandoah Valley, Virginia*

- 21% reported facing food insecurity due to lack of meals provided at school, compared to 7% above the Threshold (University of Southern California's Understanding America Study's Understanding Coronavirus in America survey).

Will increasing ALICE workers' wages lead to families falling off the "benefits cliff"?

Increasing the take-home pay of the lowest-paid workers has enormous benefits for the health of all family members and for child development, as well as societal benefits in terms of lower levels of crime and higher rates of civic participation. Research also indicates that there is little or no effect on employment, hours, or benefits. See our [ALICE Wage Tool](#) fact sheet for more information.

Since the eligibility level for public assistance is far below the ALICE Household Survival Budget, most ALICE families do not receive benefits. The benefits cliff¹ is a serious issue for households in a small income band, close to the FPL.

To identify specific scenarios of the impact of wage growth on eligibility for benefits over time, the Federal Reserve Bank of Atlanta, in partnership with United For ALICE and United Ways, are offering a new Career Ladder Identifier and Financial Forecaster ([CLIFF Dashboard](#)). The CLIFF tool:

- Shows graphically the gap between eligibility for public assistance and the ALICE Household Survival Budget.
- Helps career coaches advise job seekers about which jobs can earn enough to support the Household Survival Budget and lead to financial stability.
- Helps policy makers understand how tax revenue is impacted by wage growth.

In the long term, ALICE families would benefit from more accessible benefits and those that support a career ladder where steps include work and training and allow for life changes. In the short term, families that receiving public assistance would benefit from coordination between the agencies that provide benefits (for example, HUD and USDA) and a gradual phase-out of those benefits as their earnings increase allowing for a smoother transition.

How do families move from poverty to financial stability?

Because there is no one type of ALICE family, there is no one solution. And because there are so many households that are in poverty or are ALICE, moving 51 million households to financial stability is a huge undertaking.

Our new report, *The Pandemic Divide*, provides some insights into the characteristics of those whose financial situation improves over time. While most respondents below the ALICE Threshold reported in November 2020 that their current financial standing was worse off or at least stayed the same compared to 12 months earlier, 19% reported being much better off or somewhat better off (Federal Reserve Board's Survey of Household Economics and

¹ The benefits cliff is a term used to describe the point at which a worker becomes ineligible for public or private assistance due to an increase in wages. In some cases, the higher wage is less than the value of the assistance; these workers experience a sharp drop in their net income (the cliff).

Decisionmaking (SHED), November 2020). Characteristics of this group provide some insight into what helps families to be more financially stable:

- Respondents below the ALICE Threshold who reported being somewhat or much better off were more likely to have worked full time, received a raise or promotion, started a new job, had insurance through an employer or union, maintained a savings or checking account, kept rainy day funds, had a retirement plan on track, and been very confident in approval for credit.
- Those below the ALICE Threshold who reported being somewhat or much worse off were more likely to have worked part time, been laid off or lost a job, had household income that varied quite often from month to month, rented rather than owned a home, had to pay an unexpected medical bill out of pocket, owed outstanding credit card debt, set aside no rainy day funds, had medical debt, and was not confident in approval for credit.

The results presented in *The Pandemic Divide* reveal that those who were struggling the most received public assistance, namely TANF, SNAP, Supplemental Security Income (SSI), free or reduced-price lunch, stimulus payments, unemployment insurance, Medicare/Medicaid, or free groceries or meals — an indicator that public assistance was reaching those most in need. The survey results also confirm that even as households received public assistance, they continued to struggle during the pandemic. More research needs to be done to understand the full impact of different assistance policies and vehicles over time. And more work needs to be done to create public assistance programs that can do more than serve as a stopgap measure during a crisis; ultimately, ALICE families need a path to long-term financial stability.

Conclusion

We urge you to take heed of the canary in the coal mine and persevere in your work to end food insecurity — and to address all the underlying causes. Security in food — and in housing, child care, transportation, and health care — will make a world of difference for ALICE families. It will also have a positive impact on our wider communities, and on the overall economy. If there's something we have learned from the pandemic it's that we can't live without ALICE, we need ALICE. The strength of the U.S. economy is inextricably tied to the financial stability of its residents. When more people participate in the economy, there is more consumer spending, greater tax revenue, and reduced demand for public services. The more people participate in the U.S. economy, the more it will grow.

With this testimony, I hope that you are persuaded of the value of the ALICE measures in assessing hardship county by county and across the U.S. And I encourage you to consider the essential ALICE workers in your life when making new policy — just as the official did in Morris County, NJ all those years ago.

There's much more in our reports and on our website. And the United For ALICE team would be happy to provide a briefing on our new pandemic report or a tour of our website for your staff or colleagues.

Thank you for inviting me to provide this testimony today.

Dig Deeper with United For ALICE Tools and Resources:

- **Meet ALICE in your community** with our [on our website](#), with topline ALICE data on every U.S. county and more detailed data for our 24 United For ALICE partner states
- **Read about the impact of the pandemic on ALICE households** in our new report, [The Pandemic Divide: An ALICE Analysis of National COVID Surveys](#)
- **Learn about change over time in the cost of household essentials** through a United For ALICE signature measure, the [ALICE Essentials Index](#)
- **See COVID-19 cases mapped with ALICE data** using our [ALICE & COVID-19 Tracker](#)
- **Explore how wage levels impact ALICE households** and what wages different occupations pay by location using the [ALICE Wage Tool](#)
- **Learn more about the difficult decisions that households face when they can't afford the basics** in our Report, [The Consequences of Insufficient Household Income](#).
- **Gain deeper understanding of the United For ALICE methodology** in our [Methodology Overview](#)
- **Try the Federal Reserve's Career Ladder Identifier and Financial Forecaster (CLIFF) Dashboard**. It is designed to help financial, career, and education coaches identify where benefits cliffs can occur, so that they can help their clients anticipate and navigate those barriers to achieve their career and financial goals.

About United For ALICE

United For ALICE is a driver of innovation, research and action to improve life for ALICE (Asset Limited, Income Constrained, Employed) households and all across the country. Through the development of the ALICE measurements, a comprehensive, unbiased picture of financial hardship has emerged across the U.S. Harnessing this data and research on the mismatch between low-paying jobs and the cost of survival, ALICE partners convene, advocate and collaborate on solutions that promote financial stability at local, state and national levels. This grassroots ALICE movement, led by United Way of Northern New Jersey, has spread to 24 states and includes 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, West Virginia and Wisconsin; we are United For ALICE. For more information, visit: UnitedForALICE.org.