ALICE IN THE TIME OF COVID-19

The release of this ALICE Report for Washington comes during an unprecedented crisis — the COVID-19 pandemic. While our world changed significantly in March 2020 with the impact of this global, dual health and economic crisis, ALICE remains central to the story in every U.S. county and state. The pandemic has exposed exactly the issues of economic fragility and widespread hardship that United For ALICE and the ALICE data work to reveal.

That exposure makes the ALICE data and analysis more important than ever. The ALICE Report for Washington presents the latest ALICE data available — a point-in-time snapshot of economic conditions across the state in 2018. By showing how many Washington households were struggling then, the ALICE Research provides the backstory for why the COVID-19 crisis is having such a devastating economic impact. The ALICE data is especially important now to help stakeholders identify the most vulnerable in their communities, and direct programming and resources to assist them throughout the pandemic and the recovery that follows. And as Washington moves forward, this data can be used to estimate the impact of the crisis over time, providing an important baseline for changes to come.

This crisis is fast-moving and quickly evolving. To stay abreast of the impact of COVID-19 on ALICE households and their communities, visit our website at UnitedForALICE.org/COVID19 for updates.
United Ways of the Pacific Northwest thank our sponsors, partners, and community stakeholders throughout the region for their support and commitment to this 2020 ALICE Report for Washington. It is our hope that this Report will help raise awareness of the 33% of households in the state who live in poverty or who are ALICE — Asset Limited, Income Constrained, Employed. Our goal is to inform and inspire policy and action to improve the lives of ALICE families.

To learn more about how you can get involved in advocating and creating change for ALICE in Washington, contact: Jim Cooper, jim@uwpnw.org

To access the ALICE data and resources for Washington, go to UnitedForALICE.org/Washington
ALICE REPORT

ALICE Reports provide high-quality, research-based information to foster a better understanding of who is struggling in our communities. To produce the ALICE Report for Washington, our team of researchers collaborated with a Research Advisory Committee composed of experts from across the state. Research Advisory Committee members from our partner states also periodically review the ALICE Methodology. This collaborative model ensures that the ALICE Reports present unbiased data that is replicable, easily updated on a regular basis, and sensitive to local context. Learn more about the ALICE Research Team on our website at UnitedForALICE.org/ALICE-Team

Director and Lead Researcher: Stephanie Hoopes, Ph.D.

Research Support Team:
Andrew Abrahamson; Ashley Anglin, Ph.D.; Catherine Connelly, D.M.H.; Max Holdsworth, M.A.; Dan Treglia, Ph.D.

ALICE Research Advisory Committee for the Pacific Northwest

Kasi Allen, Ph.D.
The Ford Family Foundation

LoAnn Ayers, Ph.D.
United Way of Benton & Franklin Counties

Joe Avalos, M.A.
Thurston County Public Health and Social Services

Margaret Bartholomew
Oregon Coast Community Action

Janet Bauer
Oregon Center for Public Policy

Patricia Boyce, M.S.
United Way of Whatcom County

Michael Doughty, M.S.
Oregon Employment Department

Mark Edwards, Ph.D.
Oregon State University

Drew Farmer
Bay Area Enterprises/Coos Bay City Council

Ian Galloway
Portland Branch, Federal Reserve Bank of San Francisco

Lisa Hardy
United Way North Idaho
AmeriCorps VISTA

Alivia Metts
Economist/Consultant

Ali Modarres, Ph.D.
University of Washington, Tacoma

Jennifer Moore
Oregon Cascades West Council of Governments

Lindsay Morgan Tracy
Washington State Department of Social and Health Services

Andrey Muzychenko, M.P.A.
Spokane County United Way

Kathryn Tacke, M.A.
Idaho Department of Labor

Aimee White, M.Ed.
American Evaluation Association

Sam Wolkenhauer
Idaho Department of Labor
ALICE: A GRASSROOTS MOVEMENT

This body of research provides a framework, language, and tools to measure and understand the struggles of a population called ALICE — an acronym for Asset Limited, Income Constrained, Employed. ALICE represents the growing number of households in our communities that do not earn enough to afford basic necessities. Partnering with United Ways, nonprofits, academic institutions, corporations, and other state organizations, this research initiative provides data to stimulate meaningful discussion, attract new partners, and ultimately inform strategies for positive change.

Based on the overwhelming success of this research in identifying and articulating the needs of this vulnerable population, this work has grown from a pilot in Morris County, New Jersey to 21 states and more than 648 United Ways. Together, United For ALICE partners can evaluate current initiatives and discover innovative approaches to improve life for ALICE and the wider community. To access Reports from all states, visit UnitedForALICE.org

NATIONAL ALICE ADVISORY COUNCIL

The following companies are major funders and supporters of this work:

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WHAT’S NEW IN ALICE RESEARCH

Every two years, United For ALICE undertakes a full review of the ALICE Methodology to ensure that the ALICE measures are transparent, replicable, and current in order to accurately reflect how much income families need to live and work in the modern economy. In 2019, more than 40 external experts — drawn from the Research Advisory Committees across our United For ALICE partner states — participated in the review process. A full description of the Methodology and sources is available at UnitedForALICE.org/Methodology

This Report includes the following improvements:

**More local variation:** The ALICE budgets for housing, food, transportation, health care, and taxes incorporate more local data. For housing, we differentiate counties within Metropolitan Statistical Areas using American Community Survey gross rent estimates. For food, the U.S. Department of Agriculture's Thrifty Food Plan is adjusted at the county level using Feeding America’s cost-of-meal data. For transportation, auto insurance is added to new miles-traveled data (discussed in the next paragraph) to reflect different driving costs by state. For health care, out-of-pocket costs are provided by census region. And taxes now systematically include local income tax, using data from the Tax Foundation.

**Better reflection of household composition:** Transportation and health care budgets now better reflect costs for different household members. The transportation budget for driving a car uses the Federal Highway Administration’s miles-traveled data, sorted by age and gender, and the American Automobile Association’s (AAA) cost-per-mile for a small or medium-sized car. The health care budget reflects employer-sponsored health insurance (the most common form in 2018, when it covered 49% of Americans), using the employee’s contribution, plus out-of-pocket expenditures by age and income, from the Agency for Healthcare Research and Quality Medical Expenditure Panel Survey.

**More variations by household size:** The median household size in the U.S. is three people for households headed by a person under age 65 and two people for households headed by seniors (65+). Reflecting this reality, the Household Survival Budgets are presented in new variations, including a Senior Survival Budget. The website provides data to create budgets for households with any combination of adults and children. The ALICE Threshold has also been adjusted to incorporate the most common modern household compositions. These new budget variations are included in the County Profile and Household Budget pages on UnitedForALICE.org/Washington

**New ALICE measures:**

- The **Senior Survival Budget** more accurately represents household costs for people age 65 and over. Housing and technology remain constant; however, some costs are lower — transportation, food, and health insurance premiums (due to Medicare) — while others are higher, especially out-of-pocket health costs. Because over 90% of seniors have at least one chronic condition, the Senior Survival Budget includes the additional cost of treating the average of the five most common chronic diseases.

- The **ALICE Essentials Index** is a standardized measure of the change over time in the costs of essential household goods and services, calculated for both urban and rural areas. It can be used as a companion to the Bureau of Labor Statistics’ (BLS) Consumer Price Index, which covers all goods and services that families at all income levels buy regularly.

**Data Notes:** The data are estimates; some are geographic averages, others are one- or five-year averages depending on population size. Change-over-time ranges start with 2007, before the Great Recession, then measure change every two years from 2010 to 2018. County-level data remains the primary focus, as state averages mask significant differences between counties. For example, the share of households below the ALICE Threshold in Washington ranges from 27% in Island and Kitsap counties to 52% in Whitman County. Many percentages are rounded to whole numbers, sometimes resulting in percentages totaling 99% or 101%. The methodological improvements included in this Report have been applied to previous years to allow for accurate year-over-year comparisons. This means that some numbers and percentages at the state and county level will not match those reported in previous ALICE Reports for Washington.
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From 2010 to 2018, Washington showed steady economic improvements according to traditional measures. Unemployment in the state and across the U.S. fell to historic lows, GDP grew, and wages rose slightly. Yet in 2018, eight years after the end of the Great Recession, 33% of Washington's 2,881,943 households still struggled to make ends meet. And while 10% of these households were living below the Federal Poverty Level (FPL), another 23% — more than twice as many — were ALICE households: Asset Limited, Income Constrained, Employed. These households earned above the FPL, but not enough to afford basic household necessities.

This Report provides new data and tools that explain the persistent level of hardship faced by ALICE households, revealing aspects of the Washington economy not tracked by traditional economic measures. The Report highlights three critical trends:

- **The cost of living is increasing for ALICE households.** From 2007 to 2018 the cost of household essentials (housing, child care, food, transportation, health care, and technology) increased faster than the cost of other goods and services. The ALICE Essentials Index, a new tool that measures change over time in the cost of essentials, increased at an average rate of 3.4% annually nationwide over the past decade, while the official rate of inflation was 1.8%.

- **Worker vulnerability is increasing while wages in ALICE jobs are not keeping up with growth in cost of living.** By 2018, a near record-low number of people were reported to be unemployed. However, that low unemployment concealed three trends that expose ALICE workers to greater risk: growth in the number of low-wage jobs, increases in wages that did not keep pace with growth in the cost of living, and more fluctuations in job hours, schedules, and benefits that make it harder to budget and plan. These trends were clear in 2018: A record number of Washington workers — 53% — were paid by the hour, and 44% of the state's jobs paid less than $20 per hour.

- **The number of ALICE households is increasing in Washington** as a result of rising costs and stagnant wages. There are more ALICE households than households in poverty, and the number of ALICE households is increasing while the number of households in poverty is decreasing. The FPL, with its minimal and uniform national estimate of the cost of living, far underestimates the number of households that cannot afford to live and work in the modern economy. In Washington, the percentage of households that were ALICE rose from 15% in 2007 to 23% in 2018. By contrast, those in poverty remained at around 11% throughout the period.

This Report provides critical measures that assess Washington's economy from four perspectives: They track financial hardship over time and across demographic groups; quantify the basic cost of living in Washington; assess job trends; and identify gaps in assistance and community resources. These measures also debunk assumptions and stereotypes about low-income workers and families. ALICE households are as diverse as the general population, composed of people of all ages, genders, races, and ethnicities, living in rural, urban, and suburban areas.

The Report concludes with an analysis of the economic benefits if all households had income above the ALICE Threshold. Not only would there be a significant positive impact on families and their communities, but the state economy would also benefit. In fact, the added value to the Washington GDP would be approximately $71.7 billion.

This Report and its measures are tools to help stakeholders ask the right questions, reduce vulnerabilities, remove obstacles to advancement, identify gaps in community resources, build a stronger workforce, and implement programs and policies that help put financial stability within reach for ALICE households. With the magnitude of financial hardship revealed, these actions can help move all households toward a more equitable economy and ensure that no one is left behind in harder times.
GLOSSARY

**ALICE** is an acronym that stands for *Asset Limited, Income Constrained, Employed* — households with income above the Federal Poverty Level but below the basic cost of living. A household consists of all the people who occupy a housing unit. In this Report, households do not include those living in group quarters such as a dorm, nursing home, or prison.

The **Household Survival Budget** estimates the actual bare-minimum costs of basic necessities (housing, child care, food, transportation, health care, and a basic smartphone plan) in Washington, adjusted for different counties and household types.

The **Senior Survival Budget** incorporates specific cost estimates for seniors for food, transportation, and health care, reflecting key differences in household expenses by age.

The **Household Stability Budget** calculates the costs of supporting and sustaining an economically viable household over time, including a contingency for savings.

The **ALICE Threshold** is the average income that a household needs to afford the basic necessities defined by the Household Survival Budget for each county in Washington. Households **Below the ALICE Threshold** include both ALICE and poverty-level households.

The **ALICE Essentials Index** is a measure of the average change over time in the costs of the essential goods and services that households need to live and work in the modern economy — housing, child care, food, transportation, health care, and a smartphone plan.

ALICE ONLINE

Visit [UnitedForALICE.org](http://UnitedForALICE.org) for more details about ALICE, including:

**Interactive Maps**
Data at the state, county, municipal, ZIP code, and congressional district levels

**Research Advisory Committee**
Learn about the members and role of this critical group

**Additional Reports**
Explore The ALICE Essentials Index and The Consequences of Insufficient Household Income

**Demographic Data**
Information about ALICE households by age, race/ethnicity, and household type

**Data Spreadsheet**
Download the ALICE data

**Jobs Graphs**
Details about where ALICE works

**County Profiles**
Detailed data about ALICE households in each county

**Methodology**
Overview of the sources and calculations used in the ALICE research

**More About United For ALICE**
See our partners, press coverage, learning communities, etc.
WHO IS ALICE?

With income above the Federal Poverty Level (FPL) but below a basic survival threshold — defined as the ALICE Threshold — ALICE households earn too much to qualify as “poor” but are still unable to make ends meet. They often work as cashiers, nursing assistants, office clerks, servers, laborers, and security guards. These types of jobs are vital to keeping Washington’s economy running smoothly, but they do not provide adequate wages to cover the basics of housing, child care, food, transportation, health care, and technology for these ALICE workers and their families.

Between 2007 and 2018, the total number of households in Washington rose from 2,501,509 to 2,881,943 (a 15% increase), making Washington one of the fastest-growing states in the nation. During this period, the number of households in poverty increased from 272,915 in 2007 to 325,859 in 2014, then steadily decreased to 285,207 by 2018 (fluctuating between 10% and 12% of all households).

While the number of Washington households in poverty returned to near pre-Recession levels by 2018, the number of ALICE households remained at a higher level. The number of ALICE households increased dramatically between 2007 and 2018 (from 381,306 to 670,048), with their share of all households rising from 15% to 23% during this time. Overall, the percentage of households living below the ALICE Threshold (ALICE and poverty-level households combined) increased from 26% in 2007 to 33% in 2018 (Figure 1).

Figure 1.
Households by Income, Washington, 2007–2018

ALICE households live in every county in Washington — urban, suburban, and rural — and they include people of all genders, ages, and races/ethnicities, across all household types. Figure 2 shows that in 2018, the largest numbers of households below the ALICE Threshold were in the largest demographic groups in Washington — namely, households headed by someone in their prime working years (ages 25–64), single or cohabiting households (without children or seniors), and White households. Among families with children — another of the state’s biggest groups — married-parent families were the largest subgroup and accounted for 40% of families with children living below the ALICE Threshold.
Another way to examine the data is to look at the proportion of each group that is below the ALICE Threshold. Overall, 33% of households in Washington had income below the ALICE Threshold in 2018. But many smaller groups had a disproportionately high percentage of households below the ALICE Threshold. Three of these groups are shown in Figure 2: Seniors, Hispanic households, and families headed by single females (with children), with 43%, 48% and 70%, respectively. Additional small groups also have a disproportionately high percentage of households below the ALICE Threshold, including households headed by someone of two or more races, households with children headed by single males, and Black households (Figure 3).

### Figure 3.
Select Household Groups by Income, Washington, 2018

<table>
<thead>
<tr>
<th>Household Type</th>
<th>Below ALICE Threshold</th>
<th>Above ALICE Threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two or More Races</td>
<td>41%</td>
<td>59%</td>
</tr>
<tr>
<td>Single-Male-Headed With Children</td>
<td>47%</td>
<td>53%</td>
</tr>
<tr>
<td>Black</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>All Households</td>
<td>33%</td>
<td>67%</td>
</tr>
</tbody>
</table>

| Total Households | 98,390 | 65,754 | 103,179 | 2,881,943 |

Sources: ALICE Threshold, 2018; American Community Survey, 2018
TRENDS: HOUSEHOLD DEMOGRAPHICS

A growing number of households live on the edge of the ALICE Threshold. For these households, even a small increase in the cost of housing or a decrease in work hours can mean the difference between being financially stable and being ALICE — or between being ALICE and falling into poverty. In Washington, 12% of households were on the cusp of the ALICE Threshold in 2018, with earnings just above or below it. This matters not only for families, but also for the Washington economy: Small increases in regular bills like rent, food, or gasoline, a decrease in wages or hours worked, or an unexpected emergency — such as a factory closing or a natural disaster — could destabilize a large number of households.

Washington is increasingly diverse. While all of the state’s four largest racial and ethnic groups grew between 2010 and 2018 (driven largely by growth in metropolitan areas, especially in King County), non-White groups grew at the fastest rate. The largest group, White households, increased by only 4%, with the greatest growth in households headed by someone 65 years and older (the size of all other White age groups remained flat or decreased during the same period). Black households — the smallest group — increased by 17%, Hispanic households by 29%, and Asian households by 42%. Financial hardship is also growing across all racial/ethnic groups, and at a much faster rate for non-White households. White households below the ALICE Threshold grew by 8%, while the number of Black households below the ALICE Threshold increased by 29%, Hispanic households by 34%, and Asian households by 44%.

Washington’s household structure continues to change. Married-parent families with children are no longer the most common household type. In 2018, single or cohabiting adults under age 65 with no children under age 18 made up the largest proportion of households in Washington (48%), as well as the largest share of households below the ALICE Threshold (44%). Nationally, the number of cohabiting adults more than doubled between 1996 and 2017, and these partners tend to have higher levels of education and be more racially diverse today than cohabiting adults 20 years ago.

Baby boomers are getting older. This natural aging of the population is increasing the number of seniors as more boomers pass age 65. Among seniors, there are three trends. First, the White population in Washington is older than other racial/ethnic groups and will continue to account for an increasing share of the senior population. Second, having lived through a decade of financial challenges since the Great Recession, more Washington seniors will become ALICE. (Though without the many policies and programs in place to help seniors financially — such as Social Security, property tax deductions or exemptions based on age, and senior discounts for both private and public purchases — many more seniors would fall below the ALICE Threshold.) And third, seniors make up a larger portion of households in rural areas, where they will continue to face additional challenges in access to transportation, health care, and caregiving. A 2020 report on the best and worst places for seniors to live ranked Washington 40th out of 50 states, with a high preventable hospitalization rate, traffic congestion, and high housing costs driving down the ranking.

Washington is home to a growing number of millennials. Over the past decade, there has been an increase in the number of millennials in the state, which saw the largest millennial net migration in the nation in 2018. Washington ranked third in the nation for the highest average earnings for millennials in 2018 and ranks third in WalletHub’s analysis of the best states for millennials. The Seattle area is driving the growth of this population in the state, and compared
to the other 49 largest metropolitan areas in the country, millennials in Seattle are unique in their living arrangements: In 2018, Seattle had the lowest percentage of millennials living at home with parents (10% compared to the national average of 33%), the highest percentage of millennials living with an unmarried partner, and the highest percentage of 18- to 34-year-olds living alone.8

Inequality in income and wealth will continue to rise as wage growth and job stability in high-wage jobs greatly outpaces growth and stability at the lower end. Nationwide, from the late 1940s to the early 1970s, incomes across the income distribution grew at nearly the same pace. Then, beginning in the 1970s, income disparities began to widen: The average income for the top 1% increased over five times more than that of the middle 60% and over three times more than that of the bottom fifth, from 1979 to 2016.9 By 2015, the average income of the top 1% in Washington was 24.2 times higher than the average income of the bottom 99% (Washington ranks 10th highest in the country for this measure). The Seattle-Tacoma-Bellevue metropolitan area had the worst gap in the state, with the top one percent earning 24.7 times more than all other earners. Washington also has the most regressive state and local tax system in the country, taxing the poorest Washingtonians at rates six times higher than the wealthiest (bottom 20% compared to top 1% of the income scale). Regressive tax systems like Washington’s contribute to and perpetuate income inequality.10

The gap in wealth (savings and assets) is even greater than the gap in income. Unable to save, ALICE families do not have the means to build assets, let alone catch up to those who already have assets (especially those who have been building assets for generations). ALICE families also face more barriers that, when compounded, create an even bigger wealth gap. These include issues like lower pay for women, racial/ethnic discrimination in homeownership, and student loan debt.11
THE COST OF LIVING IN WASHINGTON

Traditional economic measures systematically underestimate the actual cost of basic needs and their rate of increase over time, concealing important aspects of the local and national economy. To better capture the reality of how much income households need to live and work in the modern economy in each county in Washington, this Report includes the ALICE Household Budgets. In addition, the Report presents the ALICE Essentials Index, a standardized national measure that captures change over time in the cost of household essentials that ALICE households purchase. Together, these tools provide a more accurate estimate of the cost of living and a clearer way to track change over time.

THE ALICE HOUSEHOLD BUDGETS

United For ALICE provides three basic budgets for all counties in Washington. Each budget can be calculated for various household types.

- The ALICE Household Survival Budget is an estimate of the minimal total cost of household essentials — housing, child care, food, transportation, health care, and technology, plus taxes and a miscellaneous contingency fund equal to 10% of the budget. It does not include savings, auto repairs, cable service, travel, laundry costs, or amenities such as holiday gifts or dinner at a restaurant that many families take for granted.

- The Senior Survival Budget, new to this Report, adjusts the Household Survival Budget to reflect the fact that seniors have lower food costs than younger adults, travel fewer miles for work and family responsibilities, and have increasing health needs and out-of-pocket health care expenses.

- For comparison to a more sustainable budget, the ALICE Household Stability Budget estimates the higher costs of maintaining a viable household over time, and it is the only ALICE budget to include a savings category, equal to 10% of the budget.

The actual cost of household basics in every county in Washington is well above the Federal Poverty Level (FPL) for all household sizes and types (Figure 4). For a single adult, the FPL was $12,140 per year in 2018, but the average Household Survival Budget in Washington was $22,524 per year. The average Senior Survival Budget totaled $25,848 per year, primarily due to increased health costs. (Despite having Medicare, seniors have greater out-of-pocket health care costs, largely due to increased spending on chronic health issues like heart disease and diabetes.) And the FPL and Household Survival Budgets were significantly lower than the Household Stability Budget, which reached $45,324 per year for a single adult.

The gaps are even larger for families. The FPL for a four-person family was $25,100 in 2018, while the Household Survival Budget for a family with two adults, an infant, and a four-year-old was $72,600.

The hourly wages needed to support these budgets were $11.26 for the single adult Survival Budget; $12.92 for the Senior Survival Budget; and $36.30 for one worker or $18.15 each for two workers for the Survival Budget for a family of four. To put these budgets in perspective, the median hourly wage for the most common occupation in Washington, retail sales, was $13.96 in 2018, or $27,920 if full time, year-round — barely enough to support the single-adult Survival Budget and not enough to support the family Survival Budget, even with two workers.

Public assistance programs are based on the FPL, but the FPL is not enough for a household to cover even its most minimal costs, as shown by the comparison to the Household Survival Budget in Figure 4. This means that assistance programs serve far fewer households than need assistance, even in a strong economy.

To see the details of each ALICE budget for different household types, visit UnitedForALICE.org/Washington
Figure 4.
Budget Comparison, Washington, 2018

Note: The FPL is a total; there is no breakdown of how that amount is allocated by budget category.

THE ALICE ESSENTIALS INDEX

Based on items in the Household Survival Budget, the ALICE Essentials Index measures the change over time in the costs of household essentials — a much narrower definition than the more common rate of inflation based on the BLS Consumer Price Index (CPI). While the CPI covers a large group of goods and services that urban consumers buy regularly (housing, food and beverages, transportation, medical care, apparel, recreation, education, and communication services), the ALICE Essentials Index includes only essential household items (housing, child care, food, transportation, health care, and a smartphone plan). The ALICE Essentials Index is also calculated for both urban and rural areas, while the CPI only tracks inflation based on a select number of metropolitan (urban) counties.

Across the country, the ALICE Essentials Index has increased faster than the CPI over the last decade (Figure 5). From 2007 to 2018, the average annual rate of increase was 3.3% in urban areas and 3.4% in rural areas, while the CPI increased by 1.8%. This difference is primarily due to the fact that the costs of basics, especially housing and health care, have increased, while the costs of other items — notably manufactured goods, from apparel to cars — have remained relatively flat. And while basic household goods were 18% to 22% more expensive in urban areas than in rural areas, those costs increased at nearly the same rate in both areas during this period.

Figure 5.
Consumer Price Index and ALICE Essentials Index, United States, 2007–2018

The difference between these two cost-of-living measures is more than an academic question. The CPI is used to measure inflation and monitor monetary policy. It also determines the rate at which a wide range of government program levels and benefits are increased, including Social Security, veterans’ and Federal Civil Service retirees’ benefits, government assistance programs, the FPL, income tax brackets, and tax credits like the Earned Income Tax Credit (EITC). But the ALICE Essentials Index shows that from 2007 to 2018, the CPI considerably underestimated the increase in the cost of living for ALICE households across the country.
TRENDS: COST OF LIVING

The cost of living for ALICE is growing significantly in both urban and rural areas, often driven by the cost of housing. In Washington, rising costs in urban areas — notably the Seattle-Tacoma-Bellevue metropolitan area — are due to rapid population growth and increasing demand for low-cost, urban rental units (especially among millennials and seniors). Affordable housing will become harder to find in Seattle and across the state, pushing workers in urban areas into surrounding suburbs and further from higher-paying jobs. And while the overall cost of living in rural America is lower than in metro areas, expenses — especially housing — are rising at similar rates in both areas. Nationwide, households that are severely rent burdened (with rent accounting for more than 50% of their income) are projected to grow by at least 11%, to 13.1 million households, by 2025.19

Commuting times will continue to increase, as will demand for alternative transportation options. High housing costs and urban sprawl push workers farther from their jobs and increase commute times, which has a negative impact on health, job retention, and productivity. With these pressures, along with minimal public transportation infrastructure outside of major cities and the cost of owning and maintaining a car, there will be increased demand in Washington to expand existing public transportation services and explore new options (e.g., rideshares and self-driving vehicles).20

The child care industry will face new challenges, and so will parents. In Washington, the number of families with children increased only modestly (3%) between 2010 and 2018, as did the number of these households living below the ALICE Threshold (2%). However, the supply of child care providers is still not sufficient to meet demand. In 2018, Washington had the licensed child care capacity to serve only 17% of children under the age of 13. And a 2017 analysis found that 63 percent of Washington residents — the sixth highest rate in the nation — live in a “child care desert,” with a dearth of available licensed care. This percentage is even higher for families living in rural areas (64%), and for Hispanic/Latino families (66%).21 The cost of child care relative to family income also continues to increase, with higher rates for child care in urban areas (especially in the Puget Sound region and the Vancouver area), and a greater reliance on family child care homes in rural areas. In 2018, the average annual costs for home-based care ($11,208) and center-based care ($14,844) for an infant were higher than the average annual tuition at a public four-year university in Washington (at $9,760).22 Higher costs for child care may mean ALICE families have to make sacrifices in other areas of the budget, a trend that will have a particular impact on single-parent families, who are more likely to be below the ALICE Threshold.23 Compounding this issue is the fact that low-paid child care workers are ALICE as well (with a median hourly wage of $13.11 in Washington). These issues matter for families and workers, but they also have an impact on the state economy: A recent report found that child care issues — such as lack of affordable care or a shortage of available hours — resulted in an estimated $6.5 billion annual loss for Washington’s economy (including $2.08 billion in costs related to employee turnover and missed work alone).24

Food insecurity is increasing among young adults and seniors. In 2018, households headed by adults under the age of 25 were more likely to be below the ALICE Threshold compared to other age groups in Washington, and they often struggled to put food on the table. For example, reports consistently find higher rates of food insecurity among college students. Across the University of Washington’s three campuses (located in Seattle, Tacoma, and Bothell), over a quarter of students surveyed in 2018 said they were worried about having enough food in the month prior to the survey.

Higher costs for child care may mean ALICE families have to make sacrifices in other areas of the budget, a trend that will have a particular impact on single-parent families, who are more likely to be below the ALICE Threshold.”
and of these students, 18% said they cut the size of their meals or skipped meals.\textsuperscript{25} There is also growing food insecurity at the other end of the age spectrum, with a projected 8 million food-insecure seniors nationwide by 2050. Compared to other seniors, food-insecure seniors are more than twice as likely to have depression, 91% more likely to have asthma, 66% more likely to have had a heart attack, and 57% more likely to have congestive heart failure. Public benefits help but do not eliminate the need for emergency assistance measures, such as food pantries.\textsuperscript{26}

**College students across the country are facing greater challenges in meeting living expenses, despite the fact that increasing numbers of students are working full or part time.** Students often rely on multiple sources of financial support, including financial aid, student loans, and assistance from parents or other family members, to cover their living expenses. Yet even with these types of financial help, many students need to work while in school; in particular, more than two-thirds of students enrolled in community colleges work full or part time.\textsuperscript{27} In a recent financial wellness survey, 56% of students report paying for college using money from their current employment, and 31% of students pay for college with credit cards, leading to accumulation of increased debt.\textsuperscript{28} Working long hours to earn more income comes at a price, as it can interfere with academic performance and ultimately the likelihood of obtaining a degree.\textsuperscript{29} Students report that two of the major obstacles to academic success are juggling work with school and other responsibilities and difficulty meeting expenses.\textsuperscript{30} For more information, see the 2019 United For ALICE Report, *The Consequences of Insufficient Household Income*.

**Gaps in health based on demographic, environmental, and socioeconomic factors will continue to grow.** Washington has some of the best health care in the country, ranking 7\textsuperscript{th} overall in the Commonwealth Fund’s 2018 survey of state health systems (and 3\textsuperscript{rd} for avoidable hospital use and cost). However, volatility in health insurance availability and coverage, increasing out-of-pocket costs — even for those with employer-sponsored programs — and shortages of health care providers (especially in rural areas) make it harder for many families to get the health care they need.\textsuperscript{31} It is likely that health disparities will grow given new but expensive advances in medicine, compounded exposure to environmental hazards and public health crises for many low-income households, and a persistent context of discrimination and institutionalized racism in Washington and across the country.\textsuperscript{32}

**Natural and human-made disasters will continue to impact ALICE households disproportionately.** Across Washington, the increasing impact of these incidents, whether natural or human-made — from floods and wildfires to pandemics — is felt most acutely by ALICE households and their surrounding communities. With minimal job security and little or no savings, ALICE families feel the impact of an economic disruption almost immediately, as hourly paid workers suffer lost wages right away. ALICE households are more vulnerable during natural disasters as they often live in communities with fewer resources, and their housing is more susceptible to flooding, fire, and other hazards. With no financial cushion, ALICE workers struggle to repair damage, recover from illness, and pay ongoing bills. At the same time, ALICE workers are essential to disaster recovery efforts in both infrastructure repair and health care, and they are often forced to choose between caring for their families and ensuring community recovery. All of these costs are added to the increased risk of physical harm ALICE families face if they cannot afford to flee an oncoming natural disaster or take necessary precautions during a public health crisis.\textsuperscript{33}

**Financial instability will mean additional costs for ALICE households.** The costs of financial instability are cumulative and intensify over time. Skimping on essentials, from food to health care, leads to greater long-term problems (see United For ALICE’s 2019 report *The Consequences of Insufficient Household Income*). Failure to pay bills on time leads to fees, penalties, and low credit scores, which in turn increase interest rates, insurance rates, and costs for other financial transactions (from check-cashing fees to payday cards).\textsuperscript{34} Unexpected expenses can intensify these impacts. In 2017, only 66% of Washington households had set aside any money in the prior 12 months that could be used for unexpected expenses or emergencies such as illness or the loss of a job. Though this was above the national rate of 42%, it still left a third of Washington residents without any financial cushion. And without enough income to cover current and unexpected expenses, ALICE households cannot save for future expenses like education, retirement, or a down payment on a house.\textsuperscript{35}
THE CHANGING LANDSCAPE OF WORK IN WASHINGTON

ALICE workers play an essential role in Washington’s economy but have not benefited from many of the state’s recent economic gains — a reality that is not captured by traditional economic measures. This section breaks down labor force data in new ways, and in so doing highlights the challenges ALICE workers face: the declining power of wages to keep up with the cost of living, greater dependence on hourly wages, a high number of adults out of the labor force, and increased economic risk for workers.

With a record-high per capita GDP and a record-low unemployment rate, Washington appeared to have a robust economic profile in 2018, with only 3% of adults actively looking but unable to find work.36 In 2016, the state approved Initiative Measure Number 1433, raising the minimum wage yearly and bringing the minimum wage up to $11.50 per hour by 2018.37 The Seattle-Tacoma-Bellevue metropolitan area, in particular, saw unprecedented growth, especially in the technology sector, which in 2018 contributed $94.5 billion to the state economy, with $87.7 billion coming from the Seattle-Tacoma-Bellevue area. However, employment growth in Washington over the last 10 years was largely driven by a rise in low-wage jobs that could not keep up with the increased cost of the basic household budget (Figure 6). This is due in part to the fact that tech support, e-commerce, and modern manufacturing rely on low-wage jobs, such as those at call centers and distribution warehouses, which could not keep up with the fast increasing costs of essential budget items (especially the cost of housing, which has been growing rapidly in the Seattle metropolitan area). Although there was notable growth in high-wage jobs in the state between 2014 and 2018 — driven by the technology sector and often highlighted in the media — this gain in high-wage jobs represented a relatively small percentage of overall employment. Less in the spotlight, but more relevant in the rest of the state, are jobs in Washington’s large government sector (comprised of state and local government positions), and the health care and social assistance sector (which includes social service providers and workers at hospitals, nursing facilities, and ambulatory care centers). Both sectors grew between 2010 and 2018, but this growth has been concentrated at the low end, especially within the health care and social assistance sector.38

Figure 6 illustrates the following trends in wages compared to the cost of living in Washington from 2007 to 2018:

- Low-wage jobs (dark-blue line) are defined as those paying less than the wage needed for two workers to afford the family Household Survival Budget (which includes costs for two adults, an infant, and a four-year-old). In 2007, this was less than $12.50 per hour; by 2018, the wage required had increased to $18.15 per hour. The number of low-wage jobs increased by a staggering 149% during that period. This shows that, even with two earners working full time, it is not only possible but common for households to fall below the ALICE Threshold.

> Although there was notable growth in high-wage jobs in the state between 2014 and 2018 — driven by the technology sector and often highlighted in the media — this gain in high-wage jobs represented a relatively small percentage of overall employment.”
• Medium-wage jobs (light-blue line) allow two workers to afford a family Household Survival Budget. In 2007, these were jobs that paid between $12.50 and $25.00 per hour, per worker; by 2018, wages needed for these jobs were between $18.15 and $36.30 per hour, per worker. The number of medium-wage jobs decreased by 7% during that period, yet they still represent the largest number of jobs by wage in the state.

• High-wage jobs (gold line) allow one worker to afford a family Household Survival Budget. In 2007, the wage required was $25.00 per hour or more; by 2018, the wage required had increased to $36.30 per hour. The number of high-wage jobs decreased by 6% during that period.39

Figure 6.
Number of Jobs by Wage Level, Washington, 2007–2018

![Graph showing number of jobs by wage level from 2007 to 2018.]

Note: Wage levels are defined by their relation to the Household Survival Budget. Dark-blue = Job cannot support family Household Survival Budget with two earners. Light-blue = Job supports family Household Survival Budget with two earners. Gold = Job supports family Household Survival Budget with one earner.

THE NEW LABOR FORCE

A 2018 overview of the labor status of Washington’s 6,003,218 working-age adults (people age 16 and over) shows that 65% of adults were in the labor force (blue bars in Figure 7), yet more than half of them were workers who were paid hourly. In addition, 35% of adults were outside the labor force (gold bars).40

Figure 7.
Labor Status, Population Age 16 and Over, Washington, 2018

Note: Data for full- and part-time jobs is only available at the national level; these national rates (51% of full-time workers and 75% of part-time workers paid hourly) have been applied to the total Washington workforce to calculate the breakdown shown in this figure. Full-time represents a minimum of 35 hours per week at one or more jobs for 48 weeks per year.

Sources: American Community Survey, 2018; Federal Reserve Bank of St. Louis, 2018

Though most adults in Washington were working in 2018 and most households had at least one worker, only 25% of working-age adults had the security of a full-time job with a salary. The rest were paid hourly and/or worked part time.41

Hourly Work and the Gig Economy

Employers’ increasing reliance on hourly workers is typically associated with freelance “gig economy” jobs (like rideshare driving or on-demand delivery), but many traditional jobs are now more likely to be paid by the hour, particularly in retail, health care, food service, and construction.42 These workers are more likely to have fluctuations in income, with frequent schedule changes and variation in the number of hours available for work each week/month. In Washington, 68% of independent contractors surveyed in 2019 said they use contract work as a primary source of income and 56% said this work was essential to meeting their basic needs, yet only 29% said their work was steady from week to week. They are also less likely to receive benefits, such as health insurance, paid time off, family leave, or retirement benefits, especially if they work fewer than 30 hours per week at a single job.43
Hourly workers are more likely to have multiple sources of income. Traditional measures of employment have focused on the number of jobs held by a worker; for example, BLS estimates that only 5% of workers held two or more jobs in 2018.\textsuperscript{44} However, in the current economy, where many have their own small business, are consultants, or are contingent, temporary, freelance, or contract workers, a worker may have many sources of income that are not necessarily considered a “job.” In 2019, nearly half (45%) of working adults reported having a side gig outside of their primary job. When these workers are classified as independent contractors instead of employees, they are not eligible for unemployment insurance. And the consistency of wages from week to week also varies based on the number of jobs workers have. In Washington, 57% of independent contractors with one job said their work was “steady” or “somewhat steady” from week to week, compared to 39% of independent contractors with more than one job.\textsuperscript{45}

In comparison with hourly workers, salaried workers are paid an annual amount at regular pay periods, and usually receive benefits. Nationally, employers spent an average of 31% of compensation on benefits in 2018; not providing these represents significant savings to the employer. As a result, even traditional jobs are morphing as employers shift the financial risk of changes in supply and demand to employees.\textsuperscript{46} While this is true throughout the economy, it is especially concentrated in lower-wage positions — the jobs most accessible to ALICE.

**Who is Out of the Labor Force?**

Of adults 16 years and older in Washington, 15% were out of the labor force in 2018 because they were retired and another 20% were out of the labor force for other reasons (gold bars in Figure 7). This totals 35% of adults outside the labor force.\textsuperscript{47}

Retirees (age 65 and over and not working) are traditionally one of the largest groups of adults out of the labor force. In Washington in 2018, they accounted for 15% of the population age 16 years or older — a percentage higher than the national average, in part due to the baby boomer generation aging into retirement. However, this number did not include the increasing number of seniors who were still working; in 2018, 21% of seniors in Washington were still in the labor force.\textsuperscript{48}

Those under 65 and not working were out of the labor force for a variety of reasons, the two most common being:

- **School:** Nationally, 77% of high school students and 52% of college students did not work in 2018. At these rates, non-working students in Washington would account for one-third (33%) of the state’s working-age adults out of the workforce.\textsuperscript{49}

- **Health:** Adults with one or more health issues — an illness or disability that makes it difficult to get to work, perform some job functions, or work long hours — accounted for almost one-quarter (21%) of those out of the labor force in Washington in 2018.\textsuperscript{50}

The remainder of adults were out of the labor force for other reasons, including scheduling conflicts, family caregiving responsibilities, or limited access to transportation or child care.\textsuperscript{51} For women 25 to 54 years old, the most common reason for not working in 2018 was in-home responsibilities — caring for children, but also, as the population of Washington ages, caring for an aging parent or a family member with a disability or chronic health issue.\textsuperscript{52}

These adults who were out of the workforce were not included in the state’s low unemployment rate, which only counts adults actively looking for work. In previous periods of low unemployment, employers have had to offer much higher wages to attract workers back into the labor force or away from other businesses. However, in the 2018 economy, those out of the labor force had proven to be a large reserve of potential workers able to be drawn back into the labor force with only slightly higher wages — in effect, keeping wages low.\textsuperscript{53}
ALICE JOBS: MAINTAINING THE ECONOMY

While national conversations about work often focus on the economic importance of “innovation” and its associated high-paying jobs, the reality is that the smooth functioning of the national and Washington economies relies on a much larger number of occupations that build and repair the infrastructure and educate and care for the past, current and future workforce. The workers in these jobs are described as “Maintainers” by technology scholars Lee Vinsel and Andrew Russell, and they are primarily ALICE.54 To better understand where ALICE works, we elaborate on Vinsel and Russell’s concept by breaking down all occupations in Washington into two occupational categories, each with two job types: the lower-paying Maintainer occupations, composed of Infrastructor and Nurturer jobs; and the higher-paying Innovator occupations, composed of Adaptor and Inventor jobs.

DEFINITIONS

Maintainer Occupations:

Infrastructors build and maintain the physical economy (construction, maintenance, management, administration, manufacturing, agriculture, mining, transportation, retail).

Nurturers care for and educate the workforce (health and education, food service, arts, tourism, hospitality).

Innovator Occupations:

Adaptors implement existing tools or processes in new ways, responding to opportunities and changing circumstances (managers, industrial and organizational psychologists, analysts, designers, technicians, and even policymakers).

Inventors devise new processes, appliances, machines, or ideas. Before World War II, most inventors were independent entrepreneurs. Today, they are most likely engineers and scientists working in research & development, and, in some cases, higher education.

The largest employment sectors in Washington are comprised of Maintainer occupations. The largest industry group in 2018, with 637,600 employees, was trade, transportation, and utilities, which consists largely of Infrastructor jobs. The second-largest, with 586,800 employees, was government. These jobs — including federal, state, and county government positions — are largely Nurturers (such as teachers, janitors, and health care workers) and Infrastructors (such as police officers and administrative workers). Both industries have large shares of ALICE workers.55 There are far fewer jobs in Innovator occupations (Adaptors and Inventors).

When stacked together, Washington’s occupations form a pyramid that reveals the critical role of Maintainer jobs — the jobs most accessible to ALICE — in the state economy (Figure 8). The majority of Maintainer jobs (45% of Infrastructor jobs and 55% of Nurturer jobs) pay less than $20 per hour — a wage that, if full time, year-round, provides a maximum annual salary of $40,000, or $32,600 less than the family Household Survival Budget of $72,600. By comparison, almost all Adaptor and Inventor occupations pay more than $20 per hour.
The precarious nature of ALICE workers’ jobs is reinforced by the powerful relationship between low wages and the high risk of jobs becoming automated (defined as having a greater than 50% chance of being replaced by technology in the next decade). Jobs that pay less than $20 per hour are more likely to be replaced by technology compared to higher-paying jobs. This is especially true for Maintainer occupations, where most jobs pay less than $20 per hour and 87% of these low-paying jobs are at a high risk of automation. By comparison, only 47% of Maintainer jobs that pay more than $20 per hour are at that level of risk (Figure 9). There are also differences in salary and risk of automation based on the type of Maintainer job.
Among Infrastructor jobs, 96% of jobs that pay less than $20 per hour are at risk of automation, compared to 62% of those that pay more than $20 per hour. Among Nurturer jobs, the discrepancy is even greater: 72% of jobs that pay less than $20 per hour are at risk of automation, compared with 10% of those that pay more than $20 per hour. Education level also impacts risk of automation; nationally, the risk for jobs that require only a high school diploma (55%) is more than double the risk for jobs that require a bachelor’s degree (24%).

TRENDS: THE LANDSCAPE OF WORK

Economic growth will be led by the non-traditional work and small businesses of the gig economy. As much as 94% of U.S. net employment growth in the last decade has come from alternative or contingent labor, according to a National Bureau of Economic Research report. With an increasing number of workers who are contractors, work in small businesses, or rely on a combination of side gigs, the number of people experiencing gaps in income and going without benefits will also rise. Millennials are leading the way in this trend, with 48% nationally saying they earn income on the side (i.e., in addition to what they consider their primary employment), compared to 28% of baby boomers. These arrangements are more volatile than traditional jobs, and workers bear the brunt of changes in demand, the price of materials, and transportation costs, as well as impacts related to cyberattacks, natural and human-made disasters, and economic downturns.
The rise of automation will require a workforce with more digital skills. Rather than being replaced outright, many jobs across all job types will require an increasing ability to incorporate new technologies, work with data, and make data-based decisions. ALICE workers will need to gain new skills rapidly, and that will require more on-the-job training, more flexibility to change career paths, and different kinds of education providers. The benefits of increased technology will include improved accuracy in areas like pharmaceutical pill dispensing, and reduced risk of injury for workers such as warehouse packers and long-distance drivers.

The number of low-wage jobs will continue to increase, despite automation. Even though most jobs will change and evolve with demand as well as technology, it may not be economical or effective to automate certain jobs. For example, low-wage Maintainer jobs in areas like education and health care require employees to be on-site and often involve relational skills that are difficult or impossible to automate (although these workers will still have to learn to work with technology). Of the state’s top-20 growth occupations from 2017 to 2027, 53% will pay less than $20 per hour, 44% will not require any formal educational credential at all, and 18% will require only a high school diploma. However, software developers — the occupation with the largest predicted number of new jobs in Washington — has a 2018 median wage that was much higher than the other fastest-growing jobs, at $61.63 per hour.

Students will continue to be a significant part of the labor force. As more families face financial hardship and the cost of college continues to rise, more students will have to work while in school. Nationally, 20% of high school students, 41% of full-time college students, and 82% of part-time college students had a job in 2017. Yet, despite many students being employed, 45% of college students who completed the largest annual survey of basic college needs reported having experienced food insecurity in the previous month, and 56% had experienced housing insecurity in the prior year. And even with more students working, student debt will continue to increase as more students from lower-income families attend college and costs continue to rise. In Washington, 48% of college students who graduated in 2018 were in debt with an average loan of $23,524, a 6% increase from 2010.
NEXT STEPS: DATA FOR ACTION

The ALICE data highlights significant problems in the Washington economy in 2018: stagnant wages, a rising cost of living, and 33% of the state’s households unable to afford even the most basic budget. However, this data can also be used to generate solutions to these problems that help ALICE households and create equity across communities. The measures of cost of living, financial hardship, and changes in the labor force presented in this Report can help stakeholders ask the right questions and make data-driven decisions. This data can help policymakers and community organizations identify gaps in community resources, and it can guide businesses in finding additional ways to assist their workforce and increase productivity — both in times of economic growth and in periods of economic recovery.

This section of the Report maps the 2018 ALICE data, showing gaps in resources to help direct assistance and fill immediate needs. When analyzed in relation to broader data on health, education, and social factors, these maps help focus solutions on underlying causes of hardship, and they also highlight areas of success.

IDENTIFYING GAPS

ALICE households often live in areas with limited community resources, making it even more difficult to make ends meet. The lack of some resources has immediate and direct costs. For example, without public transportation or nearby publicly funded preschools, ALICE families pay more for transportation and child care. Other costs, such as the consequences of limited access to health care providers, open space, or libraries, accumulate over time.

With the ALICE data tools, stakeholders can map where ALICE lives along with the location of community resources — such as public libraries or disaster-relief services — to identify gaps by town, ZIP code, or county (Figure 10). This data can help stakeholders answer targeted questions, including the following:

Do ALICE households have access to libraries?

Access to public libraries is especially important for ALICE families because libraries provide information on social services and job opportunities, free internet and computer access, and a range of free programs, community meetings, and even 3-D printers. After a natural disaster, libraries serve as second responders, providing electricity, internet access, charging stations, heat or air conditioning, and current information on recovery efforts. In lower-income communities, the library can provide a safe and inclusive place for individuals and families. A 2019 Gallup Poll found that lower-income households (earning less than $40,000 per year) visit the library more frequently than average- and higher-income households.

There are 347 libraries across Washington’s 39 counties, shown in gold dots in Figure 10 (and in an interactive feature on UnitedForALICE.org/Washington where users can view library locations by county). This data can help stakeholders identify where there are gaps in needed services (such as in areas with a high percentage of ALICE households but few or no libraries) and what type of intervention might be most helpful. For example, areas with a small population but a high percentage of ALICE households may benefit more from mobile library services than a new brick-and-mortar building, or library services (like free computers) could be offered in other public buildings.
Are the needs of ALICE households met after a natural disaster?

Mapping where ALICE households live in relation to the impact of natural disasters such as floods, hurricanes, or wildfires can help first and second responders meet critical needs. Disasters directly threaten the homes of ALICE families since more affordable housing is often located in vulnerable areas. The jobs where ALICE works are also more at risk, since low-wage and hourly paid jobs are more likely to be interrupted or lost. In addition, ALICE households have few or no savings for an emergency to begin with, and their communities often have fewer resources to assist households.\textsuperscript{71}

Knowing where ALICE households live can help federal, state, and local governments target preparation, response, and assistance for natural disasters, and help companies plan where to deploy their workforce and support. Because ALICE households and communities do not have the same resources as their wealthier counterparts, namely insurance or savings, they will need more assistance over a longer period of time to recover. Strategies will vary by rural or urban context, the quality of the housing stock, and the age composition of the community (with the young and the elderly more dependent on care).\textsuperscript{72}
UNDERSTANDING ALICE: HEALTH, EDUCATION, AND SOCIAL FACTORS

In most contexts, having a low income is associated with lower levels of education, higher rates of unemployment, and poorer health. Communities that have been able to disrupt that association can provide important insights on how to change environments or policy to support ALICE households. By tracking where ALICE lives with other indicators, it is possible to identify counties that have overcome a challenge or bucked a trend. Stakeholders can then learn from these examples and adapt those solutions to their own areas.

Tracking relationships between ALICE households and other variables at the county level — in areas such as technology or health — can also help stakeholders ask important questions and target resources where they can have the greatest impact. To see interactive maps of socioeconomic indicators in Washington, visit our website: UnitedForALICE.org/Washington

Here is one possible question:

Is internet access related to income?

Access to digital technology has exploded over the last three decades: By 2017, 91% of U.S. adults owned a computing device and 81% had a broadband internet subscription. In Washington, 87% of households had access to the internet at home in 2018. Technology has also become more important for work, community participation, and crucially, disaster response and recovery.

But access to technology still varies by income and geography. For many families, that lack of access translates directly to reduced job opportunities, educational opportunities, health care access, and financial tools. For example, low-income adults are more likely to use their phones to search and apply for jobs; nationally, 32% of smartphone users with income below $30,000 have applied for a job on their phone, compared with 7% of smartphone users with income above $75,000. Although smartphone technology is constantly improving, many tasks are still more difficult to complete on the small screen of a smartphone as opposed to a computer (e.g., word processing, filling out applications, editing spreadsheets), and many websites still do not have a mobile version, making navigation time-consuming and difficult, or sometimes impossible. Households without internet access are also at greater risk of being undercounted in the 2020 Census, when they may need government programs and services the most.

This high usage of smartphones for a critical task indicates that many low-income households have limited access to the internet at home. In Washington, 23% of households with income below the ALICE Threshold do not have an internet subscription, compared with only 6% for households above the ALICE Threshold. Rates also vary widely by location: The counties with the lowest access rates and lowest income are in rural areas, where almost one in three households below the ALICE Threshold do not have an internet subscription. Identifying these gaps can help businesses and government provide more resources to libraries, establish training centers, or target low-cost internet plans.

THE BENEFITS OF MOVING TOWARD EQUITY IN WASHINGTON

The strength of the Washington economy is inextricably tied to the financial stability of its residents. The more people participate in a state’s economy, the stronger it will be. In 2018, when the national economy was often described as “strong,” the reality was that 955,255 Washington households — more than one-third of all households in the state — struggled to support themselves. If all households earned enough to meet their basic needs, not only would each family’s hardship be eased, but the Washington economy would also benefit substantially. This is true in times of economic growth, and it becomes even more important during a period of crisis and recovery.
To better understand the extent to which financial hardship is a drain on a state's economy, this section provides an estimate of the benefits of raising the income of all households to the ALICE Threshold. While lifting family income would be an enormous undertaking, the statewide benefits of doing so make a compelling case for pointing both policy and investment toward that goal.

**Based on 2018 data, the economic benefit to Washington of bringing all households to the ALICE Threshold would be approximately $71.7 billion, meaning that the state GDP would grow by 13%** (Figure 11). This is based on three categories of economic enhancement:

**Earnings:** Washington's 2018 GDP reflects earnings of $21.5 billion by Washington's households below the ALICE Threshold. Bringing all households to the ALICE Threshold would have a two-fold impact:

- **Additional earnings:** $26.2 billion statewide.
- **Multiplier effect:** Studies show that almost all additional wages earned by low-wage workers are put back into the economy through increased consumer spending, which in turn spurs business growth. Building on economic calculations used by Moody's Analytics, this estimate assumes an economic multiplier of 1.2, meaning that a $1 increase in compensation to low-wage workers leads to a $1.20 increase in economic activity. In Washington, this increased economic activity would be valued at $31.4 billion.

**Community spending:** Washington's 2018 GDP reflects community spending of $15.9 billion on assistance to the state's households below the ALICE Threshold. When all households can meet their basic needs, this spending can be reallocated to projects and programs that help families and communities thrive, not just survive.

- **Indirect benefits:** Added value to the state GDP would come in the form of indirect benefits associated with increased financial stability. These benefits include improved health (and reduced health care expenditures), reduced crime and homelessness, and greater community engagement. Figure 11 uses the very conservative estimate of an added $14.1 billion (or 2.5% of the state GDP, which is the estimated cost of childhood poverty alone). This is still far short of the total indirect benefits of bringing all households to the ALICE Threshold, as it does not include benefits for adults or factor in the impact of redeploying private and nonprofit spending currently used to alleviate poverty.
Figure 11.
Economic Benefits of Raising All Households to the ALICE Threshold, Washington, 2018

<table>
<thead>
<tr>
<th>2018 Situation</th>
<th>Earnings</th>
<th>Community Spending</th>
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<tr>
<td>33% of Households Below ALICE Threshold</td>
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<td>$15.9 Billion Spending on Poverty Alleviation</td>
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<table>
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<tr>
<th>Financial Stability</th>
<th>Multiplier Effect</th>
<th>Total</th>
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<td>$26.2 Billion Additional Earnings</td>
<td>$31.4 Billion Increased Consumer Spending Spurs Economic Growth</td>
<td>$57.6 Billion</td>
</tr>
<tr>
<td>$14.1 Billion Indirect Benefits Such as Improved Health and Reduced Crime</td>
<td></td>
<td>$14.1 Billion</td>
</tr>
</tbody>
</table>

Add to WA GDP $71.7 Billion Per Year

Note: In states with income tax, additional tax revenues are included in this analysis. Washington does not have a state income tax and the items in the ALICE Household Survival Budget are not subject to sales tax.

Sources: ALICE Threshold, 2018; American Community Survey, 2018; McKeever, 2018; National Association of State Budget Officers, 2019; Office of Management and Budget, 2019; U.S. Department of Agriculture—SNAP, 2019; Urban Institute, 2012

Benefits for Households and Local Communities

In addition to the economic benefits to the state if all households had income above the ALICE Threshold, there would be a significant number of positive changes for families and their communities. Our 2019 companion report, *The Consequences of Insufficient Household Income*, outlines the tough choices ALICE and poverty-level families make when they do not have enough income to afford basic necessities, and how those decisions affect their broader communities. By contrast, Figure 12 outlines the improvements that all Washington families and their communities would experience if policies were implemented that moved all households above the ALICE Threshold.84
## Figure 12.
**The Benefits of Sufficient Income**

<table>
<thead>
<tr>
<th>If households have sufficient income for...</th>
<th>Impact on ALICE</th>
<th>Impact on the Community</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safe, Affordable Housing</td>
<td>Improved health through safer environments and decreased stress, improved educational performance and outcomes for children, greater stability for household members, a means to build wealth for homeowners</td>
<td>Less traffic, lower health care costs, better maintained housing stock, lower crime rates, less spending on homelessness/social services</td>
</tr>
<tr>
<td>Quality Child Care and Education</td>
<td>Improved academic performance, higher lifetime earnings, higher graduation rates, improved job stability/access for parents, better health</td>
<td>Decreased racial/ethnic and socioeconomic performance gaps, decreased income disparities, high return on investment (especially for early childhood education)</td>
</tr>
<tr>
<td>Adequate Food</td>
<td>Decreased food insecurity, improved health (especially for children and seniors), decreased likelihood of developmental delays and behavioral problems in school</td>
<td>Lower health care costs, improved workplace productivity, less spending on emergency food services</td>
</tr>
<tr>
<td>Reliable Transportation</td>
<td>Improved access to job opportunities, school and child care, health care, retail markets, social services, and support systems (friends, family, faith communities)</td>
<td>Fewer high-emissions vehicles on the road, more diverse labor market, decreased income disparities</td>
</tr>
<tr>
<td>Quality Health Care</td>
<td>Better mental and physical health (including increased life expectancy), improved access to preventative care, fewer missed days of work/school, decreased need for emergency services</td>
<td>Decreased health care spending, fewer communicable diseases, improved workplace productivity, decreased wealth-health gap</td>
</tr>
<tr>
<td>Reliable Technology</td>
<td>Improved access to job opportunities, expanded access to health information and tele-health services, increased job and academic performance</td>
<td>Decreased “digital divide” in access to technology by income, increased opportunities for civic participation</td>
</tr>
<tr>
<td>Savings</td>
<td>Ability to withstand emergencies without impacting long-term financial stability and greater asset accumulation over time (e.g., interest on savings; ability to invest in education, property, or finance a secure retirement)</td>
<td>Greater charitable contributions; less spending on emergency health, food, and senior services</td>
</tr>
</tbody>
</table>

*Note: For sources, see Figure 12: Sources, following the Endnotes for this Report*
In addition to the benefits listed above, greater financial stability and having basic needs met can reduce the anxiety that comes from struggling to survive, or not having a cushion for emergencies. It also leaves more time to spend with loved ones and give back to the community — all of which contribute to happiness and improved life satisfaction.85

Having money saves money: Having enough income means that households can build their credit scores and avoid late fees, predatory lending, and higher interest rates.86 That, in turn, means that ALICE families have more resources to use to reduce risks (e.g., by purchasing insurance), stay healthy (e.g., by getting preventative health care), or save and invest in education or assets that could grow over time (e.g., buying a home or opening a small business). Instead of a downward cycle of accumulating fees, debt, and stress, families can have an upward cycle of savings and health that makes them even better able to be engaged in their communities and, in turn, enjoy a reasonable quality of life.

For communities, this leads to greater economic activity, greater tax revenue, lower levels of crime, and fewer demands on the social safety net, allowing more investment in vital infrastructure, schools, and health care.87 Strengthening communities by strengthening ALICE families means a higher quality of life for all.
ENDNOTES


3 Change in the state population over time is reported at the household-level (not the individual level) to correspond with the ALICE data, which is based on household income.


4 Households on the cusp are defined as those with income in the Census income bracket above and below the ALICE Threshold. Income brackets begin with less than $10,000/year; they increase in $5,000 intervals from $10,000–$50,000/year; then they extend to $50,000–$60,000/year, $60,000–$75,000/year, $75,000–$100,000/year, $100,000–$125,000/year, and $125,000–$150,000/year.


Note: 2007 data not available; average of 2006 and 2008 used instead


Note: Data are only available up to 2017, therefore there is a lag of one year; for example, 2018 ALICE data uses the 2017 data


Note: Data are only available up to 2017, therefore there is a lag of one year; for example, 2018 ALICE data uses the 2017 data


54 Vinsel, L., & Russell, A. (2016, April 7). Hail the maintainers: Capitalism excels at innovation but is failing at maintenance, and for most lives it is maintenance that matters more. Aeon. Retrieved from https://aeon.co/essays/innovation-is-overvalued-maintenance-often-matters-more
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Vinsel, L., & Russell, A. (2016). Hail the maintainers: Capitalism excels at innovation but is failing at maintenance, and for most lives it is maintenance that matters more. Aeon. Retrieved from https://aeon.co/essays/innovation-is-overvalued-maintenance-often-matters-more


76 Data calculated by applying the ALICE Threshold income levels to internet data from the American Community Survey. (2018). 5-year estimates [Table S2801: Types of computers and internet subscriptions], U.S. Census Bureau. Retrieved from https://data.census.gov/cedsci/


78 Congressional Budget Office. (2019, July 8). The effects on employment and family income of increasing the federal minimum wage. Retrieved from https://www.cbo.gov/publication/55410


79 Note: While there are increased costs to employers for paying higher wages — which may be passed on to consumers — these impacts primarily occur when wages are increased for jobs with wages well above the Household Survival Budget (See Congressional Budget Office, 2019).


Congressional Budget Office. (2019, July 8). The effects on employment and family income of increasing the federal minimum wage. Retrieved from https://www.cbo.gov/publication/55410


81 The National Academies of Sciences, Engineering, and Medicine analyzes the cost of childhood poverty and estimates that reversing it would add 5.4 percent to the state GDP. To be conservative, this analysis uses Holzer’s estimate that childhood poverty costs 2.5 percent of GDP in related health and criminal justice expenses.


FIGURE 12

HOUSING


CHILD CARE


**FOOD**


**TRANSPORTATION**


**HEALTH CARE**


TECHNOLOGY


SAVINGS


