THE ALICE WAGE TOOL

United For ALICE, a driver of research and innovation on financial hardship in the U.S., shines a light on the challenges of households who are **ALICE: A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed. ALICE households are defined, in part, by their household income: above the Federal Poverty Level (FPL), but below the cost of basics in the counties where they live. These households struggle to make ends meet but often earn too much to qualify for assistance.

Understanding wage levels in local communities and across the nation is key to understanding ALICE.

HOW MUCH DO ALICE HOUSEHOLDS EARN?

ALICE households earn above the FPL, but too little to afford the **ALICE Household Survival Budget**. The Survival Budget includes the bare-minimum cost of household basics necessary to live and work in the modern economy: housing, child care, food, transportation, health care, and technology, plus taxes and a 10% contingency fund. The Budget is calculated for each county and for different household types, making it a useful way to estimate what wage a household needs to cover the essentials.

With the ALICE Wage Tool, you can:

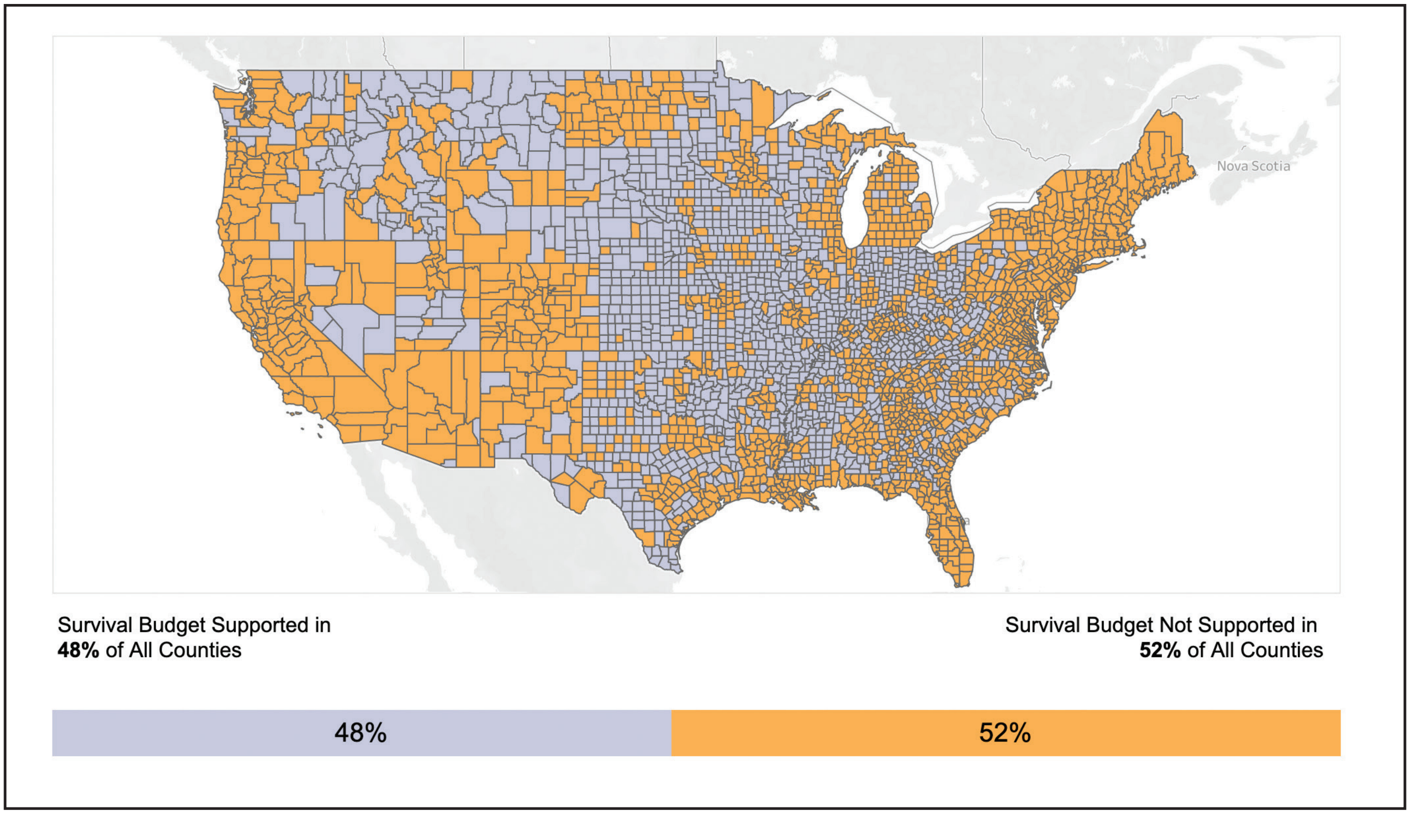
- See the counties where a given wage can afford the Household Survival Budget (Map 1)
- See how many people earn below a given wage, and where they live and work (Map 2)

ALICE Wage Tool Methodology
In the first map on the ALICE Wage Tool, the selected hourly wage is compared to the ALICE Household Survival Budget for a selected county and household type. The second map shows the number of workers employed at a selected wage, as well as the percentage of workers who make above and below that wage. Jobs data is based on data from the U.S. Bureau of Labor Statistics, using wage levels in five groups (10%, 25%, 50%, 75% and 90%, which we allocate as 100%) for each reported occupation in each Metropolitan Statistical Area. All data is for 2018.

MAP 1: WHERE IN THE U.S. CAN A GIVEN WAGE COVER THE HOUSEHOLD SURVIVAL BUDGET?

In Map 1 of the ALICE Wage Tool, you can select an hourly wage and a household type to see in which counties that wage can cover the Survival Budget. For example, with a wage of $11 per hour and a single adult household selected, that wage supports basic costs in 48% of U.S. counties.

Single Adult on an $11 per Hour Wage Compared to Household Survival Budget, 2018



Visit UnitedForALICE.org/Wage-Tool to view an interactive version of this map

What wage level supports a family?

Because the cost of living varies not only between states but also county by county, the wage needed to support the Household Survival Budget also varies:

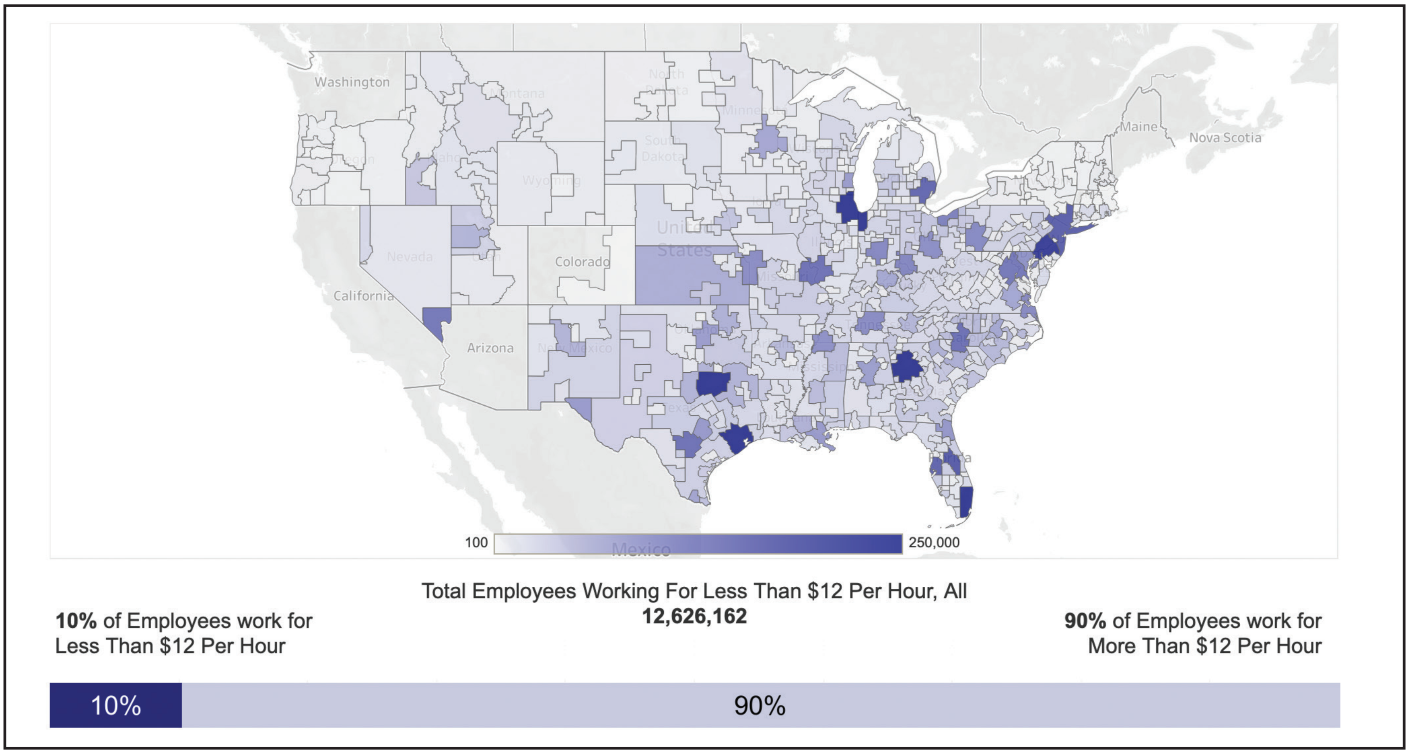
- The Household Survival Budget for a family with one adult and one child is affordable in almost all counties in the U.S. (91%) at a wage of $24 per hour.

- The Household Survival Budget for a family of three is affordable in almost every county in the U.S. (98%) at a wage of $19 per hour (with two adults working at this wage, for a household total of $38 per hour).

MAP 2: HOW MANY WORKERS EARN BELOW A GIVEN WAGE, AND WHERE DO THEY WORK?

In Map 2, the ALICE Wage Tool shows where in the country workers earn less than a given hourly wage. The map shows the total number of employees who currently work for less than that wage; the darker the color, the higher the number of workers. For example, currently almost 8.4 million workers earn less than $11 per hour across the U.S.

Wages by Occupation, 2018



Visit UnitedForALICE.org/Wage-Tool to view an interactive version of this map

IMPROVING LIFE FOR ALICE: WHAT IS THE IMPACT OF RAISING WAGES FOR WORKERS?

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.

How do wage increases impact businesses?

The simple answer is: It depends. There are many variables at play including the size of the wage increase, the sector, the capital-to-labor ratio, the unemployment rate in areas where wages are increased, and the local cost of living.

With higher wages, many businesses are able to better attract and retain talent, increase efficiency, and improve customer service. In addition, businesses — especially small local businesses — benefit from the increased spending by workers with more income. Yet while businesses face increased costs from higher wages, the impact on workers, consumers, and communities differs. Some companies, especially in the lowest-paying manufacturing industries such as apparel and wood furniture, may relocate. Other companies, such as fast food companies and child care providers, pass on higher costs by raising prices for their customers, many of whom are ALICE families.

Does a $15 minimum wage ensure financial stability for all families?

The Raise the Wage Act of 2021 proposes to gradually raise the federal minimum wage ($7.25 since 2009) to $15 per hour by 2025. The bill would cover most low-wage workers including tipped workers, employees under age 20, and some workers with disabilities, but not self-employed and many seasonal workers. The ALICE Wage Tool shows that a $15 wage does not ensure financial stability for all families today (and by 2025, budget costs will likely be even higher). Because there is wide variation in cost of living by household composition and geographic location, a $15 per hour wage supports:

- A family of three (with two working adults) in 90% of U.S. counties
- A single adult in 92% of counties — all but the most expensive metropolitan areas, primarily in coastal California, the northeast, Miami, Seattle, Denver, Austin, and Atlanta
- A family of four (with two working parents) in only 11% of U.S. counties, primarily rural, low-cost areas

Research on Minimum Wage
The actual research on this question is limited to a few geographies where changes have been made to the minimum wage, and to specific time periods. A thorough review of more than 200 empirical studies was conducted by the Upjohn Institute. The federal minimum wage was updated to $5.15 in 1997, $5.85 in 2007, $6.55 in 2008, and to its current level of $7.25 in 2009.

How does raising wages impact women and workers of color?

Low-wage workers are disproportionately workers of color, who make up 38% of the overall workforce and 50% of those in low-wage jobs. Women are also overrepresented in low-wage jobs, making up about 47% of the overall workforce, yet constituting 58% of the low-wage workforce (jobs paying less than $11 per hour) and 69% of the very low-wage workforce (jobs paying less than $10 per hour). Raising wages directly increases the pay of the lowest paid, narrowing the gender and racial pay gaps and reducing inequality.

How do higher wages impact child poverty?

Financial stability is directly related to better child outcomes in health, education, and future economic stability. Increases in wages can boost family income and reduce poverty immediately and build stability in the long term. If substantial, increased wages can improve children's development and promote upward intergenerational social mobility. Current official measures systematically undercount child poverty: At $26,500 for a family of four in 2021 — less than half the ALICE Household Survival Budget in every county in the U.S. — the FPL is set far too low to be able to accurately measure how many children are at risk. In 2018, even before the pandemic, of the 12.5 million families with children who had income below the ALICE Threshold, 5.5 million households were below the FPL, but an additional 7 million — not included in the FPL's definition of children in hardship — were ALICE households.

Will increased wages lead to families falling off the "benefits cliff"?

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). Since the eligibility level for public assistance is far below the ALICE Household Survival Budget, most ALICE families do not receive benefits. For working families that do receive public assistance, a gradual phase-out of their benefits as their earnings increase could provide a smoother transition.