

# ALICE<sup>®</sup>

ASSET LIMITED, INCOME CONSTRAINED, EMPLOYED



## IOWA

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



Spring 2016

## STUDY OF FINANCIAL HARDSHIP

GIVE. ADVOCATE. VOLUNTEER.

United Ways of Iowa

[UnitedWayALICE.org/Iowa](http://UnitedWayALICE.org/Iowa)

LIVE UNITED



# THE UNITED WAYS OF IOWA

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**Cedar Valley United Way**

Great River United Way

Grinnell United Way

Marion County United Way

**Marshalltown Area United Way**

Oelwein Area United Way

United Way of Boone County

United Way of Carroll

**United Way of Central Iowa**

**United Way of Clinton County**

United Way of Dubuque Area Tri-States

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United Way of Greater Fort Dodge

United Way of Jasper County

**United Way of Johnson &  
Washington Counties**

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United Way of North Central Iowa

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United Way of Spencer

**United Way of Story County**

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## NATIONAL ALICE ADVISORY COUNCIL

The following companies are major funders and supporters of the United Way *ALICE* Project.

**Aetna Foundation | AT&T | Atlantic Health System | Deloitte | Entergy | Johnson & Johnson  
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NOTE: In addition to the corporate sponsorships, this Report was made possible by the United Ways noted above.

# LETTER TO THE COMMUNITY

Dear Iowans,

Once upon a time is the opening line of so many of our favorite childhood books. But there is a real story told every day in Iowa that is not a fairy tale. It is the story of ALICE. She is working (often at more than one job), has income above the Federal Poverty Level, and yet still cannot make ends meet each month.

**ALICE** is an acronym to represent all those in our community who are **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed. She is not an individual, but a conceptual blending of all those in our community who bring home a paycheck that doesn't stretch to cover a household's needs.



If we look around, we can see ALICE everywhere we go. She is the heroine that holds the fabric of our communities together. She's in convenience stores, coffee shops and restaurants, the person taking care of our youngest children and our oldest citizens. ALICE is glad to have a job, proud of her work and happy to contribute to the community. She is also always afraid of the wolf at the door – the next car repair, doctor visit or unexpected bill.

This report, a joint project of the United Ways in Iowa, tells the real story of those in our communities who are below the ALICE Threshold. Businesses, public officials and community members are well aware that people are struggling in our state. However, they often don't understand the depths of the struggle, the real fears of these families and the consequences for all of us when we don't listen to their tale. This report is a first step in further opening the conversation with a common language to create a new ending for ALICE's story.

ALICE deserves to be remembered in our conversations. She represents more than 30% of Iowa's population. We find her in all areas of our state, from the cities of Des Moines and Cedar Rapids to my small hometown of Gladbrook. This report will shine a light on her opportunities and challenges so policymakers, community members and service providers will ask themselves, "How does my decision today affect ALICE tomorrow?"

You are reading this report because you have the opportunity to engage in work that will write new chapters for ALICE. Please review the executive summary and the county data to better understand the experiences and implications of Iowa's ALICE population. Connect with your local United Way and other organizations to raise awareness about ALICE and participate in efforts to maximize her opportunities.

United Ways of Iowa invested in this project to provide a tool for all those in our state who serve ALICE. We will continue to engage our communities to address these issues and allow ALICE to achieve and maintain financial stability. Her success strengthens our state, and our work together can create a happier ending for ALICE and future generations of Iowans.

Sincerely,

A handwritten signature in blue ink that reads "Deann Cook". The signature is fluid and cursive.

**Deann Cook**, Executive Director, United Ways of Iowa

# THE UNITED WAY *ALICE PROJECT*

The United Way *ALICE Project* provides a framework, language, and tools to measure and understand the struggles of the growing number of households in our communities who do not earn enough to afford basic necessities, a population called ALICE. This research initiative partners with state United Way organizations, such as United Ways of Iowa, to deliver research-based data that can stimulate meaningful discussion, attract new partners, and ultimately inform strategies that affect positive change.

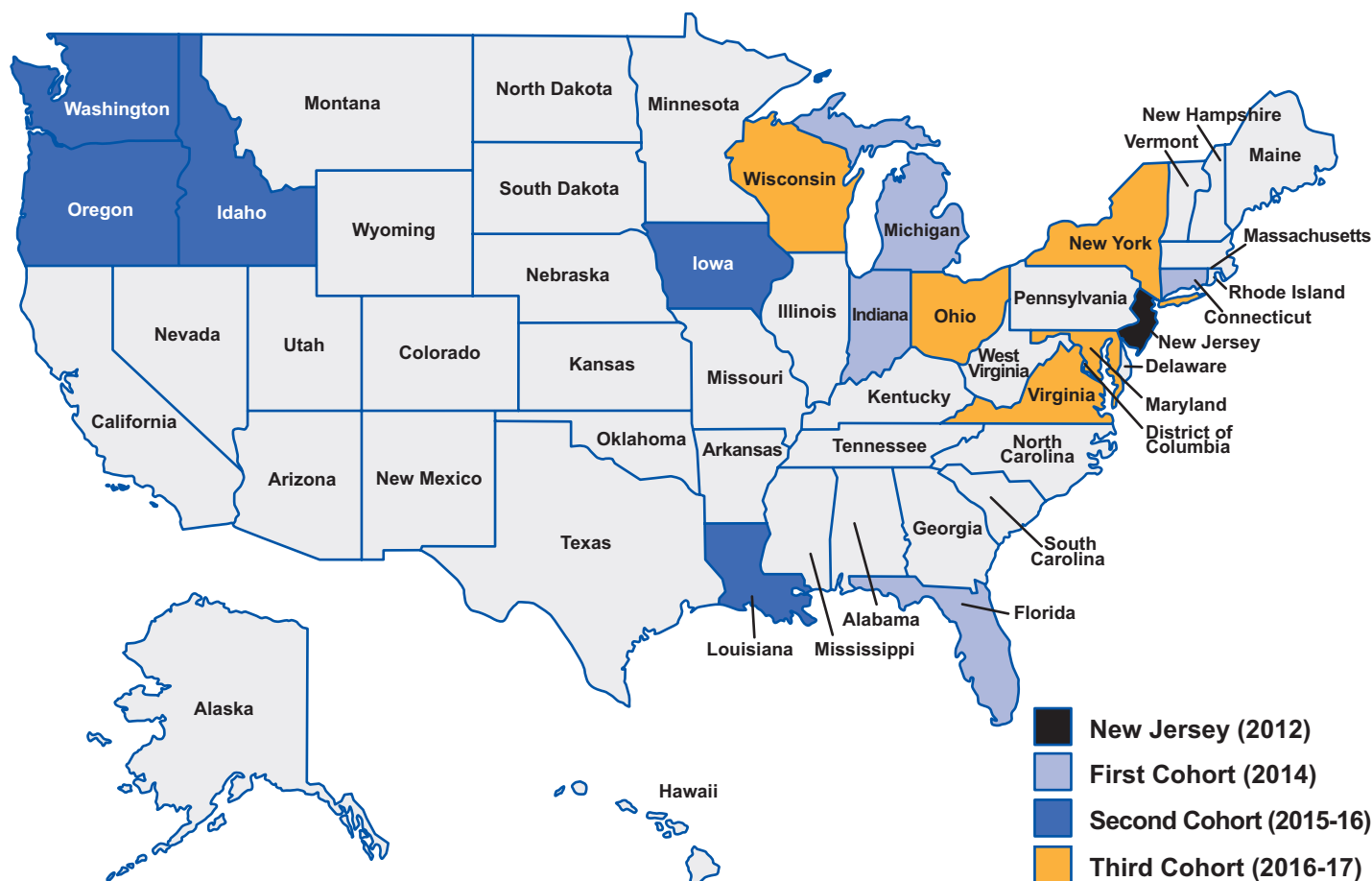
Based on the overwhelming success of this research in identifying and articulating the needs of this vulnerable population, the United Way *ALICE Project* has grown from a pilot in Morris County, New Jersey in 2009, to the entire state of New Jersey in 2012, and now to the national level with United Way ALICE Reports in ten states and more on the way.

As much as one-third of the population of the United States lives in an ALICE household. United Ways of Iowa are proud to join the some 250 United Ways from the participating states to better understand the struggles of ALICE. The result is that ALICE is rapidly becoming part of the common vernacular, appearing in grant applications, in the media, and in public forums discussing financial hardship in communities across the country.

Together, United Ways, government agencies, nonprofits, and corporations have the opportunity to evaluate the current solutions and discover innovative approaches to give ALICE a voice, and to create changes that improve life for ALICE and the wider community.

To access reports from all ten states, visit [UnitedWayALICE.org](http://UnitedWayALICE.org)

## States with United Way ALICE Reports



# THE ALICE RESEARCH TEAM

The United Way *ALICE Project* provides high quality, research-based information to foster a better understanding of who is struggling in our communities. To produce the United Way ALICE Report for Iowa, a team of researchers collaborated with a Research Advisory Committee, composed of 13 representatives from across the state, who advised and contributed to our United Way ALICE Report. This collaborative model, practiced in each state, ensures each United Way ALICE Report presents unbiased data that is replicable, easily updated on a regular basis, and sensitive to local context. Working closely with United Ways, the United Way *ALICE Project* seeks to equip communities with information to create innovative solutions.

## Lead Researcher

**Stephanie Hoopes, Ph.D.** is the lead researcher and director of the United Way *ALICE Project*. Dr. Hoopes' work focuses on the political economy of the United States and specifically on the circumstances of low-income households. Her research has garnered both state and national media attention. She began the United Way *ALICE Project* as a pilot study of the low-income community in affluent Morris County, New Jersey in 2009, and has overseen its expansion into a broad-based initiative to more accurately measure financial hardship in states across the country. In 2015, Dr. Hoopes joined the staff at United Way of Northern New Jersey in order to grow this work in new and innovative ways as more and more states become involved.

Dr. Hoopes was an assistant professor at the School of Public Affairs and Administration (SPAA), Rutgers University-Newark, from 2011 to 2015, and director of Rutgers-Newark's New Jersey DataBank, which makes data available to citizens and policymakers on current issues in 20 policy areas, from 2011 to 2012. SPAA continues to support the United Way *ALICE Project* with access to research resources.

Dr. Hoopes has a Ph.D. from the London School of Economics, a master's degree from the University of North Carolina at Chapel Hill, and a bachelor's degree from Wellesley College.

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# TABLE OF CONTENTS

|  |     |
|--|-----|
| EXECUTIVE SUMMARY .....  | 1   |
| INTRODUCTION .....   | 6   |
| I. WHO IS STRUGGLING IN IOWA? .....  | 10  |
| <i>Measure 1 – The ALICE Threshold</i>   |     |
| II. HOW COSTLY IS IT TO LIVE IN IOWA? .....                                      | 30  |
| <i>Measure 2 – The Household Budget: Survival vs. Stability</i>                  |     |
| III. WHERE DOES ALICE WORK? HOW MUCH DOES ALICE EARN AND SAVE? .....             | 40  |
| IV. HOW MUCH INCOME AND ASSISTANCE IS NEEDED TO REACH THE ALICE THRESHOLD? ..... | 53  |
| <i>Measure 3 – The ALICE Income Assessment</i>                                   |     |
| V. WHAT ARE THE ECONOMIC CONDITIONS FOR ALICE HOUSEHOLDS IN IOWA? .....          | 60  |
| <i>Measure 4 – The Economic Viability Dashboard</i>                              |     |
| VI. THE CONSEQUENCES OF INSUFFICIENT HOUSEHOLD INCOME .....                      | 71  |
| CONCLUSION .....   | 95  |
| APPENDIX A – INCOME INEQUALITY IN IOWA .....                                     | 112 |
| APPENDIX B – THE ALICE THRESHOLD: METHODOLOGY .....                              | 113 |
| APPENDIX C – THE HOUSEHOLD SURVIVAL BUDGET: METHODOLOGY AND SOURCES .....        | 117 |
| APPENDIX D – THE HOUSEHOLD STABILITY BUDGET: METHODOLOGY AND SOURCES .....       | 120 |
| APPENDIX E – THE ALICE INCOME ASSESSMENT: METHODOLOGY AND SOURCES .....          | 123 |
| APPENDIX F – THE ECONOMIC VIABILITY DASHBOARD: METHODOLOGY AND SOURCES .....     | 126 |
| APPENDIX G – HOUSING DATA BY COUNTY .....  | 130 |
| APPENDIX H – KEY FACTS AND ALICE STATISTICS FOR IOWA MUNICIPALITIES .....        | 133 |
| APPENDIX I – HOUSEHOLDS BY INCOME .....  | 152 |
| APPENDIX J – ALICE COUNTY PAGES .....  | 155 |
| BIBLIOGRAPHY .....   | 255 |



# INDEX OF FIGURES

|   |    |
|---|----|
| Figure 1. Household Income, Iowa, 2014 .....  | 12 |
| Figure 2. Households by Income, Iowa, 2007 to 2014.....   | 13 |
| Figure 3. Percent of Households below the ALICE Threshold by County, Iowa, 2014 .....                   | 14 |
| Figure 4. Percent of Households below the ALICE Threshold by County Subdivision, Iowa, 2014 .....       | 15 |
| Figure 5. Distribution of Households below the ALICE Threshold across County Subdivisions, Iowa, 2014.. | 16 |
| Figure 6. Households below the ALICE Threshold, Largest Cities and Towns in Iowa, 2014.....             | 16 |
| Figure 7. Household Income by Age, Iowa, 2014.....  | 18 |
| Figure 8. Households by Race/Ethnicity and Income, Iowa, 2014.....                                      | 19 |
| Figure 9. Hispanic, Black, and Asian Households by Income, Iowa, 2014 .....                             | 20 |
| Figure 10. Household Types by Income, Iowa, 2014 .....  | 21 |
| Figure 11. Families with Children by Income, Iowa, 2014 .....   | 22 |
| Figure 12. Education Attainment and Median Annual Earnings, Iowa, 2014.....                             | 25 |
| Figure 13. Median Annual Earnings by Education and Gender, Iowa, 2014 .....                             | 26 |
| Figure 14. Veterans by Age, Iowa, 2014.....   | 29 |
| Figure 15. Household Survival Budget, Iowa Average, 2014.....   | 31 |
| Figure 16. Average Household Stability Budget vs. Household Survival Budget, Iowa, 2014.....            | 36 |
| Figure 17. Household Budget Comparison, Family of Four, Polk County, Iowa, 2014 .....                   | 39 |
| Figure 18. Iowa Economy, Employment, and GDP by Industry, 2014.....                                     | 41 |
| Figure 19. Number of Jobs by Hourly Wage, Iowa, 2014.....   | 42 |
| Figure 20. Number of Jobs by Hourly Wage, Iowa, 2007 to 2014.....                                       | 43 |
| Figure 21. Occupations by Employment and Wage, Iowa, 2014.....  | 44 |

|   |     |
|---|-----|
| Figure 22. Full-Time and Part-Time Employment by Gender, Iowa, 2014 .....                                   | 45  |
| Figure 23. Percent Change in Household Sources of Income, Iowa, 2007 to 2014.....                           | 46  |
| Figure 24. Households by Wealth, Iowa, 2011 .....   | 47  |
| Figure 25. Household Assets, Iowa, 2014.....  | 49  |
| Figure 26. Use of Alternative Financial Products by Banking Status, Iowa, 2011.....                         | 51  |
| Figure 27. Categories of Income and Assistance for Households below the ALICE Threshold, Iowa, 2014 ...     | 54  |
| Figure 28. Sources of Public and Private Assistance to Households below the ALICE Threshold, Iowa, 2014 ... | 57  |
| Figure 29. Public and Private Assistance per Household below the ALICE Threshold, Iowa, 2014 .....          | 57  |
| Figure 30. Economic Viability Dashboard, Number of “Good” Scores, Iowa, 2014 .....                          | 62  |
| Figure 31. Economic Viability Dashboard, Iowa, 2014.....  | 62  |
| Figure 32. Economic Viability Dashboard, Iowa, 2007 to 2014.....  | 69  |
| Figure 33. Consequences of Households Living below the ALICE Threshold in Iowa .....                        | 71  |
| Figure 34. Renters below the ALICE Threshold vs. Rental Stock, Iowa, 2014 .....                             | 74  |
| Figure 35. Percent of Workers Commuting Outside Home County, Iowa, 2014 .....                               | 84  |
| Figure 36. Population Growth, Iowa, 2000 to 2030.....   | 96  |
| Figure 37. Population Inflows and Outflows, Iowa, 2014 .....  | 100 |
| Figure 38. Median Earnings by Race and Ethnicity, Iowa, 2014 .....  | 102 |
| Figure 39. Projected Occupational Demand by Wage, Education, and Work Experience, Iowa, 2012–2022 ...       | 106 |
| Figure 40. Occupations by Number of Jobs and Technology, Iowa, 2014.....                                    | 108 |
| Figure 41. Iowa Voters by Annual Income, 2014 U.S. Senate Election.....                                     | 109 |
| Figure 42. Short-, Medium-, and Long-Term Strategies to Assist ALICE Families.....                          | 110 |



# EXECUTIVE SUMMARY

In Iowa, 381,266 households – fully 31 percent—struggled to afford basic household necessities in 2014.

## WHO IS ALICE?

With the cost of living higher than what most wages pay, **ALICE** families – an acronym for **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed – work hard and earn above the Federal Poverty Level (FPL), but not enough to afford a basic household budget of housing, child care, food, transportation, and health care. ALICE households live in every county in Iowa – urban, suburban, and rural – and they include women and men, young and old, of all races and ethnicities.

## WHO IS STRUGGLING?

While the FPL reports that only 12 percent of Iowa households face financial hardship, an additional 19 percent (233,027 households) qualify as ALICE.

## WHY ARE THERE SO MANY ALICE HOUSEHOLDS IN IOWA?

**Low wage jobs dominate the local economy:** More than 68 percent of all jobs in Iowa pay less than \$20 per hour, with most paying between \$10 and \$15 per hour (\$15 per hour full time = \$30,000 per year). These jobs—especially service jobs that pay wages below \$20 per hour and require a high school education or less – will grow far faster than higher-wage jobs over the next decade.

**The basic cost of living outpaces wages:** The cost of basic household expenses in Iowa is more than most of the state's jobs can support. The average annual Household Survival Budget for an Iowa family of four (two adults with one infant and one preschooler) is \$46,680 — nearly double the U.S. family poverty level of \$23,850.

**Jobs are not located near housing that is affordable:** Though economic conditions were not as harsh in Iowa through the Great Recession as in many other states, it remains difficult for ALICE households to find both housing affordability and job opportunities in many Iowa counties. From 2007 to 2012, housing became more affordable while job opportunities remained flat. From 2012 to 2014 housing became more expensive but job opportunities increased.

**Public and private assistance helps, but doesn't achieve financial stability:** Iowa households earn 44 percent of what is needed to reach basic financial stability. Assistance provides essential support for households below the ALICE Threshold but cannot lift all households to economic stability. Government, nonprofit, and health care organizations spend \$6.7 billion on services for ALICE and poverty-level households in Iowa to supplement their income, but there is still a 5 percent Unfilled Gap for all households to meet the ALICE Threshold for economic survival. In addition, government spending is increasingly composed of health care spending, which consists of health care services and can't be transferred to meet other needs like housing or child care. As a result, the gap for households who do not use many health care services can be as much as 42 percent.

# WHAT ARE THE CONSEQUENCES, AND WHAT WOULD IMPROVE THE ECONOMIC SITUATION FOR ALICE HOUSEHOLDS?

**Consequences:** When ALICE households cannot make ends meet, they are forced to make difficult choices such as forgoing health care, accredited child care, healthy food, or car insurance. These “savings” threaten their health, safety, and future – and they reduce productivity and raise insurance premiums and taxes for everyone. The costs are high for both ALICE families and the wider community.

**Effective change:** While short-term strategies can make conditions less severe, only structural economic changes will significantly improve the prospects for ALICE and enable hardworking households to support themselves. Strengthening the Iowa economy and meeting ALICE’s challenges are linked: Improvement for one would directly benefit the other. The ALICE tools can help policymakers, community leaders, and business leaders to better understand the magnitude and variety of households facing financial hardship, and to create more effective change.

## GLOSSARY

**ALICE** is an acronym that stands for **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed, comprising households with income above the Federal Poverty Level but below the basic cost of living.

**The Household Survival Budget** calculates the actual costs of basic necessities (housing, child care, food, health care, and transportation) in Iowa, adjusted for different counties and household types.

**The ALICE Threshold** is the average level of income that a household needs to afford the basics defined by the Household Survival Budget for each county in Iowa. (Please note that unless otherwise noted in this Report, households earning less than the ALICE Threshold include both ALICE and poverty-level households.)

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

**The ALICE Income Assessment** is the calculation of all sources of income, resources, and assistance for ALICE and poverty-level households. Even with assistance, the Assessment reveals a shortfall, or Unfilled Gap, between what these households bring in and what is needed for them to reach the ALICE Threshold.

**The Economic Viability Dashboard** is comprised of three Indices that evaluate the economic conditions that matter most to ALICE households – Housing Affordability, Job Opportunities, and Community Resources. A Dashboard is provided for each county in the state.

## Consequences of Households Living Below the ALICE Threshold in Iowa

| Impact on ALICE                     |   | Impact on Community  |
|-------------------------------------|---|--|
| <b>HOUSING</b>                      |   |  |
| <b>Live in substandard housing</b>  | Inconvenience; health and safety risks; increased maintenance costs   | Worker stressed, late, and/or absent from job – less productive  |
| <b>Move farther away from job</b>   | Longer commute; costs increase; severe weather can affect commuter safety; less time for other activities   | More traffic on road; workers late to job; absenteeism due to severe weather can affect community access to local businesses and amenities |
| <b>Homeless</b>                     | Disruption to job, family, school, etc.   | Costs for homeless shelters, foster care system, health care   |
| <b>CHILD CARE AND EDUCATION</b>     |   |  |
| <b>Substandard child care</b>       | Safety and learning risks; health risks; children less likely to be school-ready, read at grade level, graduate from high school; limited future employment opportunity | Future need for education and social services; less productive worker  |
| <b>No child care</b>                | One parent cannot work; forgoing immediate income and future promotions   | Future need for education and other social services  |
| <b>Substandard public education</b> | Learning risks; limited earning potential/mobility; limited career opportunity  | Stressed parents; future need for social services  |
| <b>FOOD</b>                         |   |  |
| <b>Less healthy</b>                 | Poor health; obesity  | Less productive worker/student; increased future demand for health care  |
| <b>Not enough</b>                   | Poor daily functioning  | Even less productive; increased future need for social services and health care  |
| <b>TRANSPORTATION</b>               |   |  |
| <b>Old car</b>                      | Unreliable transportation; risk of accidents; increased maintenance costs   | Worker stressed, late, and/or absent from job – less productive  |
| <b>No insurance/registration</b>    | Risk of fine; accident liability; risk of license being revoked   | Higher insurance premiums; unsafe vehicles on the road   |
| <b>Long commute</b>                 | Less time for other activities; more costly   | More traffic on road; workers late to job; increased demand for road maintenance and services  |
| <b>No car</b>                       | Limited employment opportunities and access to health care/child care   | Reduced economic productivity; higher taxes for specialized public transportation; greater stress on emergency vehicles                    |
| <b>HEALTH CARE</b>                  |   |  |
| <b>Underinsured</b>                 | Forgo preventative health care; more out-of-pocket expenses; substandard or no mental health coverage   | Workers report to job sick; spread illness; less productive; absenteeism; increased workplace issues due to untreated mental illness       |
| <b>No insurance</b>                 | Forgo preventative health care; use emergency room for non-emergency care   | Higher premiums for all to fill the gap; more expensive health costs   |
| <b>INCOME</b>                       |   |  |
| <b>Low wages</b>                    | Longer work hours; pressure on other family members to work (drop out of school); no savings; use of high-interest payday loans   | Worker stressed, late, and/or absent from job – less productive; higher taxes to fill the gap  |
| <b>No wages</b>                     | Cost of looking for work and finding social services; risk of depression  | Less productive society; higher taxes to fill the gap  |
| <b>SAVINGS</b>                      |   |  |
| <b>Minimal savings</b>              | Mental stress; crises; risk taking; use costly alternative financial systems to bridge gaps   | More workers facing crisis; unstable workforce; community disruption   |
| <b>No savings</b>                   | Crises spiral quickly, leading to homelessness, hunger, illness   | Costs for homeless shelters, foster care system, emergency health care   |

Suggested reference: *United Way ALICE Report – Iowa, 2016*

# AT-A-GLANCE: IOWA

2014 Point-in-Time Data

Population: 3,107,126 | Number of Counties: 99 | Number of Households: 1,242,859

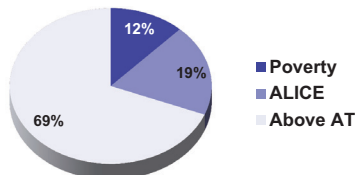
Median Household Income (state average): \$53,712

Unemployment Rate (state average): 4.4%

Gini Coefficient (zero = equality; one = inequality) (state average): 0.44

## How many households are struggling?

**ALICE**, an acronym for **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed, are households that earn more than the U.S. poverty level, but less than the basic cost of living for the state (the ALICE Threshold). Combined, the number of poverty and ALICE households (31 percent) equals the total Iowa population struggling to afford basic needs.



## Income Assessment for Iowa

The total annual income of poverty-level and ALICE households in Iowa is \$5.8 billion, which includes wages and Social Security. This is only 44 percent of the amount needed just to reach the ALICE Threshold of \$13.1 billion statewide. Government and nonprofit assistance makes up an additional 51 percent, or \$6.7 billion, but that still leaves an Unfilled Gap of 14 percent, or \$586 million.

|                 |   |                              |   |               |
|-----------------|---|------------------------------|---|---------------|
| ALICE Threshold | – | Earned Income and Assistance | = | Unfilled Gap  |
| \$13.1 billion  | – | \$12.5 billion               | = | \$586 million |

## What does it cost to afford the basic necessities?

This bare-minimum Household Survival Budget does not allow for any savings, leaving a household vulnerable to unexpected expenses. Affording only a very modest living in each community, this budget is still significantly more than the U.S. poverty level of \$11,670 for a single adult and \$23,850 for a family of four.

| Monthly Costs – Iowa Average – 2014 |              |                                      |                              |
|-------------------------------------|--------------|--------------------------------------|------------------------------|
|                                     | SINGLE ADULT | 2 ADULTS, 1 INFANT,<br>1 PRESCHOOLER | PERCENT CHANGE,<br>2007–2014 |
| Housing                             | \$422        | \$623                                | 12%                          |
| Child Care                          | \$-          | \$745                                | 10%                          |
| Food                                | \$176        | \$533                                | 20%                          |
| Transportation                      | \$351        | \$702                                | 8%                           |
| Health Care                         | \$147        | \$587                                | 43%                          |
| Miscellaneous                       | \$128        | \$354                                | 17%                          |
| Taxes                               | \$187        | \$346                                | 35%                          |
| Monthly Total                       | \$1,411      | \$3,890                              | 17%                          |
| ANNUAL TOTAL                        | \$16,932     | \$46,680                             | 17%                          |
| Hourly Wage                         | \$8.47       | \$23.34                              | 17%                          |

Source: See Appendix C

AT A GLANCE: IOWA

# AT-A-GLANCE: IOWA

2014 Point-in-Time Data

Population: 3,107,126 | Number of Counties: 99 | Number of Households: 1,242,859

Median Household Income (state average): \$53,712

Unemployment Rate (state average): 4.4%

Gini Coefficient (zero = equality; one = inequality) (state average): 0.44

| Iowa Counties, 2014 |          |                   |
|---------------------|----------|-------------------|
| County              | Total HH | % ALICE & Poverty |
| Adair               | 3,252    | 29%               |
| Adams               | 1,735    | 29%               |
| Allamakee           | 5,899    | 32%               |
| Appanoose           | 5,447    | 39%               |
| Audubon             | 2,703    | 29%               |
| Benton              | 10,137   | 26%               |
| Black Hawk          | 53,204   | 34%               |
| Boone               | 10,619   | 28%               |
| Bremer              | 9,296    | 27%               |
| Buchanan            | 8,298    | 22%               |
| Buena Vista         | 7,635    | 35%               |
| Butler              | 6,222    | 26%               |
| Calhoun             | 4,310    | 34%               |
| Carroll             | 8,557    | 34%               |
| Cass                | 6,074    | 31%               |
| Cedar               | 7,639    | 23%               |
| Cerro Gordo         | 19,864   | 30%               |
| Cherokee            | 5,384    | 28%               |
| Chickasaw           | 5,330    | 28%               |
| Clarke              | 3,686    | 36%               |
| Clay                | 7,269    | 28%               |
| Clayton             | 7,698    | 30%               |
| Clinton             | 19,977   | 33%               |
| Crawford            | 6,371    | 35%               |
| Dallas              | 27,718   | 21%               |
| Davis               | 3,085    | 41%               |
| Decatur             | 3,085    | 46%               |
| Delaware            | 7,115    | 28%               |
| Des Moines          | 16,881   | 38%               |
| Dickinson           | 7,831    | 25%               |
| Dubuque             | 38,824   | 28%               |
| Emmet               | 4,150    | 34%               |
| Fayette             | 8,470    | 31%               |
| Floyd               | 6,923    | 34%               |
| Franklin            | 4,321    | 31%               |
| Fremont             | 3,003    | 29%               |
| Greene              | 3,849    | 31%               |
| Grundy              | 5,112    | 28%               |

| Iowa Counties, 2014 |          |                   |
|---------------------|----------|-------------------|
| County              | Total HH | % ALICE & Poverty |
| Guthrie             | 4,559    | 33%               |
| Hamilton            | 6,354    | 35%               |
| Hancock             | 4,629    | 25%               |
| Hardin              | 6,997    | 29%               |
| Harrison            | 5,959    | 33%               |
| Henry               | 7,512    | 38%               |
| Howard              | 3,917    | 32%               |
| Humboldt            | 4,200    | 32%               |
| Ida                 | 3,124    | 27%               |
| Iowa                | 6,705    | 23%               |
| Jackson             | 8,494    | 32%               |
| Jasper              | 14,658   | 30%               |
| Jefferson           | 6,886    | 39%               |
| Johnson             | 55,574   | 35%               |
| Jones               | 8,235    | 25%               |
| Keokuk              | 4,386    | 32%               |
| Kossuth             | 6,628    | 28%               |
| Lee                 | 14,319   | 34%               |
| Linn                | 88,216   | 24%               |
| Louisa              | 4,386    | 31%               |
| Lucas               | 3,745    | 38%               |
| Lyon                | 4,495    | 28%               |
| Madison             | 6,103    | 31%               |
| Mahaska             | 9,084    | 31%               |
| Marion              | 12,843   | 30%               |
| Marshall            | 15,354   | 32%               |
| Mills               | 5,348    | 26%               |
| Mitchell            | 4,453    | 29%               |
| Monona              | 3,972    | 36%               |
| Monroe              | 3,280    | 34%               |
| Montgomery          | 4,590    | 39%               |
| Muscatine           | 16,301   | 33%               |
| O'Brien             | 6,018    | 31%               |
| Osceola             | 2,697    | 30%               |
| Page                | 6,379    | 32%               |
| Palo Alto           | 4,011    | 30%               |
| Plymouth            | 9,899    | 25%               |
| Pocahontas          | 3,222    | 32%               |

| Iowa Counties, 2014 |          |                   |
|---------------------|----------|-------------------|
| County              | Total HH | % ALICE & Poverty |
| Polk                | 179,188  | 29%               |
| Pottawattamie       | 37,321   | 32%               |
| Poweshiek           | 7,424    | 30%               |
| Ringgold            | 2,078    | 37%               |
| Sac                 | 4,413    | 29%               |
| Scott               | 67,822   | 27%               |
| Shelby              | 5,171    | 31%               |
| Sioux               | 11,782   | 27%               |
| Story               | 35,880   | 42%               |
| Tama                | 6,815    | 28%               |
| Taylor              | 2,752    | 31%               |
| Union               | 5,293    | 38%               |
| Van Buren           | 2,986    | 29%               |
| Wapello             | 14,608   | 39%               |
| Warren              | 17,584   | 25%               |
| Washington          | 9,056    | 24%               |
| Wayne               | 2,548    | 40%               |
| Webster             | 15,397   | 37%               |
| Winnebago           | 4,584    | 31%               |
| Winneshiek          | 8,141    | 28%               |
| Woodbury            | 38,898   | 42%               |
| Worth               | 3,194    | 30%               |
| Wright              | 5,419    | 35%               |

Sources: **2014 Point-in-Time Data:** American Community Survey, 2014. **ALICE Demographics:** American Community Survey, 2014, and the ALICE Threshold, 2014. **Income Assessment:** Office of Management and Budget, 2015; Department of Treasury, 2016; American Community Survey, 2014; National Association of State Budget Officers, 2015; NCCS Data Web Report Builder, 2012; see Appendix E. **Budget:** U.S. Department of Housing and Urban Development (HUD); U.S. Department of Agriculture (USDA); Bureau of Labor Statistics (BLS); Internal Revenue Service (IRS) and Iowa Department of Revenue; Iowa Department of Human Services, 2014.

# INTRODUCTION

Iowa is perhaps best known for being an agricultural-industry center – the site of some of the country’s largest farms and host to the Iowa State Fair—as well as for being the first presidential caucus state in the nation.

Yet the idea of bounty that often describes farmland states can be deceptive in Iowa. Despite its agriculture and the strength of its advanced manufacturing, financial services, biotechnology, and green energy production industries, the Hawkeye state also contains disparities in wealth and income. What is often overlooked is the growing number of households that earn above the Federal Poverty Level (FPL), but are unable to afford the state’s cost of living.

**Traditional measures hide the reality that 31 percent of households in Iowa struggle to support themselves.** Because income is distributed unequally in Iowa, there is both great wealth and significant economic hardship. That inequality increased by 13 percent from 1979 to 2014; now, the top 20 percent of Iowa’s population earns 48 percent of all income earned in the state, while the bottom quintile earns only 4 percent (see Appendix A).

In 2014, Iowa’s poverty rate of 12 percent was below the U.S. average of 15 percent and the median annual household income of \$53,712 was just slightly above the U.S. median of \$53,657. Yet, the state’s overall economic situation is more complex. Iowa has outpaced the national economic recovery from the Great Recession (2007 to 2010). In particular, the state’s Gross Domestic Product (GDP) fell by less than one percent through the Great Recession and unemployment has been lower than the national average; but labor force participation has fallen as well. Economic recovery has not benefited all of the state’s workers to the same degree.

None of the economic measures traditionally used to calculate the financial status of Iowa’s households, such as the FPL, consider the actual cost of living in each county in Iowa or the wage rate of jobs in the state. For that reason, those indices do not fully capture the number of households facing economic hardship across Iowa’s 99 counties.

**The term “ALICE” describes a household that is Asset Limited, Income Constrained, Employed.** ALICE is a household with income above the FPL but below a basic survival threshold, defined here as the ALICE Threshold. Defying many stereotypes, ALICE households are working households, composed of women and men; young and old; urban, suburban, and rural; of all races and ethnicities. They live in every county in Iowa.

This United Way ALICE Report for Iowa provides better measures and language to describe the sector of Iowa’s population that struggles to afford basic household necessities. It presents a more accurate picture of the economic reality in the state, especially regarding the number of households that are severely economically challenged.

The Report asks whether conditions have improved since the Great Recession, and whether families have been able to work their way above the ALICE Threshold. It includes a toolbox of ALICE measures that provide greater understanding of how and why so many families are still struggling financially. Some of the challenges Iowa faces are unique, while others are trends that have been unfolding nationally for at least three decades.

**This Report is about far more than poverty; it reveals profound changes in the structure of Iowa’s communities and jobs.** It documents the increase in the basic cost of living, the decrease in the availability of jobs that can support household necessities, and the shortage of housing that workers in the majority of the state’s jobs can afford.

*“None of the economic measures traditionally used to calculate the financial status of Iowa’s households, such as the FPL, consider the actual cost of living in each county in Iowa or the wage rate of jobs in the state.”*



*“The ALICE measures show how many households in the state are struggling, and they provide the new language needed to discuss this segment of our community and the economic challenges that so many residents face.”*

The findings are sobering: Though the impact of the Great Recession seemed relatively mild in Iowa, conditions were hard for ALICE households in the four years following the technical end of the Recession in 2010. In 2007, 28 percent of Iowa households had income below the ALICE Threshold, and that share increased to 29 percent in 2010. By 2014, 31 percent of Iowa households had income below the ALICE Threshold. In contrast, the official U.S. poverty rate in Iowa reports that in 2014, only 12 percent, or 148,239 households, were struggling. But the FPL was developed in 1965, its methodology has remained largely unchanged despite changes in the cost of living over time, and it is not adjusted to reflect cost of living differences across the country.

The ALICE measures show how many households in the state are struggling, and they provide the new language needed to discuss this segment of our community and the economic challenges that so many residents face. In Iowa, there are 233,027 ALICE households that have income above the FPL but below the ALICE Threshold. **When combined with households below the poverty level, in total, 381,266 households in Iowa – 31 percent – struggled to support themselves in 2014.**

ALICE households are working households; they hold jobs, pay taxes, and provide services that are vital to the Iowa economy, in a variety of positions such as retail salespeople, truck drivers, food preparers, and office clerks. The core issue is that these jobs do not pay enough to afford the basics of housing, child care, food, health care, and transportation. Moreover, the growth of low-skilled jobs is projected to outpace that of medium- and high-skilled jobs into the next decade. At the same time, the cost of basic household necessities continues to rise. Given these projections, ALICE households will continue to make up a significant percentage of households in the state.

## REPORT OVERVIEW

### Who is struggling in Iowa?

Section I presents the **ALICE Threshold**: a realistic measure for income inadequacy in Iowa that takes into account the current cost of basic necessities and geographic variation. In Iowa there are 381,266 households – 31 percent of the state’s total – with income below the realistic cost of basic necessities; 148,239 of those households are living below the FPL and another 233,027 are ALICE households. This section provides a statistical picture of ALICE household demographics, including geography, age, race/ethnicity, gender, family type, disability, education, military service, and immigrant status. Except for a few notable exceptions, ALICE households generally reflect the demographics of the overall state population.

### How costly is it to live in Iowa?

Section II details the average minimum costs for households in Iowa to simply survive – not to save or otherwise “get ahead.” It is well known that the cost of living in Iowa outpaces the state’s low average wages. The annual **Household Survival Budget** quantifies the costs of the five basic essentials of housing, child care, food, transportation, and health care. Using the thriftiest official standards, including those used by the U.S. Department of Agriculture (USDA) and the U.S. Department of Housing and Urban Development (HUD), the average annual Household Survival Budget for an Iowa family of four (two adults with one infant and one preschooler) is \$46,680 and for a single adult it is \$16,932. These numbers vary by county, but all highlight the inadequacy of the 2014 U.S. poverty designation of \$23,850 for a family and \$11,670 for a single adult as an economic survival standard in Iowa.

The Household Survival Budget is the basis for the ALICE Threshold, which redefines the basic economic survival standard for Iowa households. Section II also details a **Household Stability Budget**, which reaches beyond survival to budget for savings and stability at a modest level. Even at this level, it is more than double the Household Survival Budget for a family of four in Iowa.

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

Section III examines where members of ALICE households work, as well as the amount and types of assets these households have been able to accumulate. With more than 68 percent of jobs in Iowa paying less than \$20 per hour, it is not surprising that so many households fall below the ALICE Threshold. In addition, the housing and stock market crash associated with the Great Recession, as well as high unemployment, took a toll on household savings in the state. More than 22 percent of Iowa households are asset poor, and 26 percent do not have sufficient liquid net worth to subsist at the FPL for three months without income.

*“With more than 68 percent of jobs in Iowa paying less than \$20 per hour, it is not surprising that so many households fall below the ALICE Threshold.”*

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

Section IV examines how much income is needed to enable Iowa households to afford the Household Survival Budget. This section also compares that level of income to how much households actually earn as well as the amount of public and private assistance they receive. The **ALICE Income Assessment** estimates that ALICE and poverty-level households in Iowa earn 44 percent of what is required to reach the ALICE Threshold. Resources from nonprofits and federal, state, and local governments contribute 14 percent, and health care spending adds another 37 percent. What remains is an Unfilled Gap of 5 percent for families below the ALICE Threshold to reach the basic economic survival standard that the Threshold represents.

## What are the economic conditions for ALICE households in Iowa?

Section V presents the **Economic Viability Dashboard**, a measure of the conditions that Iowa’s ALICE households actually face. The Dashboard compares three indices—Housing Affordability, Job Opportunities, and Community Resources—across the state’s 99 counties. From 2007 to 2010, housing actually became more affordable and community resources increased. Job opportunities fell slightly from 2010 to 2012, but improved above 2007 levels by 2014. Housing affordability improved through 2012, but has fallen since. It remains difficult for ALICE households in Iowa to find both affordable housing and job opportunities in the same county.

## What are the consequences of insufficient household income?

Section VI focuses on how households survive without sufficient income and assets to meet the ALICE Threshold. It outlines the difficult choices ALICE households face, such as forgoing preventative health care, accredited child care, healthy food, or car insurance. These choices threaten their health, safety, and future, and have consequences for their wider communities as well.

## Conclusion

The Report concludes by outlining the structural issues that pose the greatest challenges to ALICE households going forward. These include changes in the age and diversity of Iowa's population, Iowa's prospects for both numbers and types of jobs in the coming decades, and ALICE's leverage at the ballot box. This section also identifies a range of general strategies that would reduce the number of Iowa households living below the ALICE Threshold.

## DATA PARAMETERS

The ALICE measures presented in this Report are calculated for each county. Because Iowa is economically diverse across the state, state averages mask significant differences between counties. For example, the percent of households below the ALICE Threshold ranges from 21 percent in Dallas County to 46 percent in Decatur County.

The ALICE measures are calculated for 2007, 2010, 2012, and 2014 in order to compare the beginning and the end of the economic downturn known as the Great Recession and any progress made in the four years since the technical end of the Recession. The 2014 results will also serve as an important baseline from which to measure both the continuing recovery and the impact of the Affordable Care Act in the years ahead.

This Report examines issues surrounding ALICE households from different angles, trying to draw the clearest picture with the range of data available. The Report uses data from a variety of sources, including the American Community Survey, the U.S. Department of Housing and Urban Development (HUD), the U.S. Department of Agriculture (USDA), the Bureau of Labor Statistics at the U.S. Department of Labor (BLS), the Internal Revenue Service (IRS), Child Care Aware (formerly NACCRRA), and these agencies' Iowa state counterparts. State, county, and municipal data is used to provide different lenses on ALICE households. The data are estimates; some are geographic averages, others are 1-, 3-, or 5-year averages depending on population size. Starting in 2014, 3-year averages are no longer produced by American Community Survey, so data for all communities with populations of less than 65,000 will be 5-year averages.

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

*“Because Iowa is economically diverse across the state, state averages mask significant differences between counties.”*