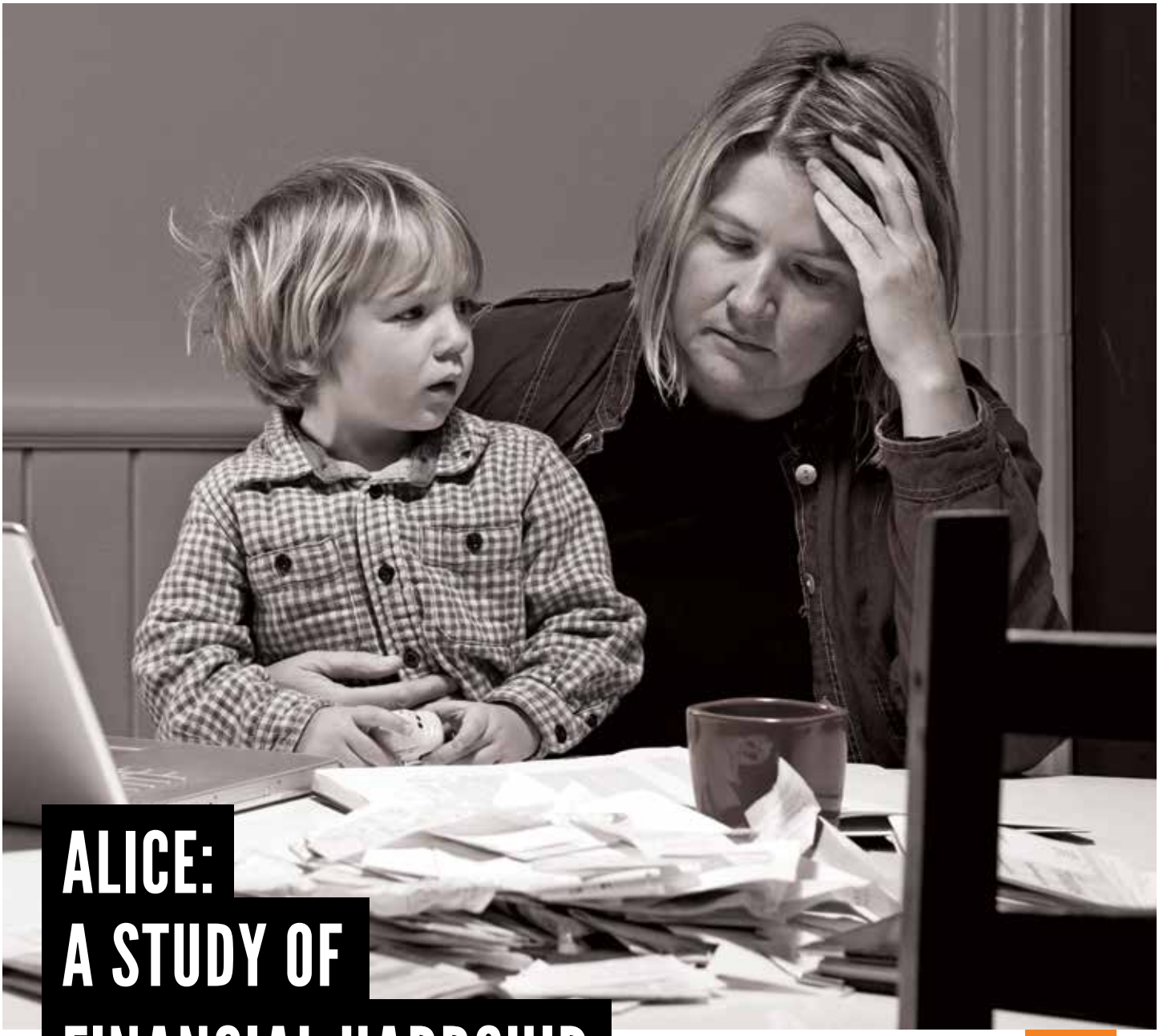

ALICE: A STUDY OF FINANCIAL HARDSHIP IN IOWA

LIVE UNITED

2018 REPORT

ALICE® is an acronym for Asset Limited, Income Constrained, Employed.

The United Way *ALICE Project* is a collaboration of United Ways in Connecticut, Florida, Hawai'i, Idaho, Indiana, Iowa, Louisiana, Maryland, Michigan, New Jersey, New York, Ohio, Oregon, Texas, Virginia, Washington, and Wisconsin.

United Way

THE UNITED WAYS OF IOWA

Appanoose County United Way
Belmond Area United Way
Burlington/West Burlington Area United Way
Cedar Valley United Way
Great Rivers United Way
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United Way of Jasper County
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United Way of Muscatine
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United Way of Siouxland
United Way of Spencer
United Way of Story County
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United Way of Wilton
United Way of Winneshiek County
Waverly-Shell Rock Area United Way

Additional Funding Partner

Mid-Iowa Health Foundation

Learn more here: www.uwiowa.org

NATIONAL ALICE ADVISORY COUNCIL

The United Way *ALICE Project* is partially funded and supported by the National ALICE Advisory Council, a body of corporate and national organizations convened to elevate ALICE's voice to a national level. The Council is a forum for sharing experiences, developing best practices, and building innovative impact strategies to stabilize ALICE households and our broader economy. Current members include:

Aetna Foundation ■ Alliant Energy ■ AT&T ■ Atlantic Health System ■ Deloitte ■ Entergy Johnson & Johnson ■ KeyBank ■ Novartis Pharmaceuticals Corporation ■ OneMain Financial RWJBarnabas Health ■ Thrivent Financial Foundation ■ Union Bank & Trust ■ UPS ■ U.S. Venture

LETTER TO THE COMMUNITY

Dear Iowans,

Over the last two years, it has been my great privilege to share the 2016 United Way ALICE Report for Iowa with thousands of people across the state. The report challenges the assumption that to be working means your household is able to meet all its basic expenses. We learned in 2016 that over 30 percent of Iowa households were unable to meet a basic needs budget on a weekly, monthly or annual basis. Many of these households belonged to working families. These workers are doing the jobs we rely on to make our communities run smoothly – they are cashiers, health care workers, child care providers, custodial staff, and customer service employees, and hold countless other vital jobs that make our days easier.

Sharing the report has helped to change some of the myths about this population that tends to be hidden in plain sight. ALICE does live in Iowa. Despite our reputation for feeding the world, we have Iowans who struggle to feed their families. ALICE often doesn't qualify for the types of safety net programs that assist with food, housing and child care due to earning just above the eligibility levels. United Ways have worked since the release of our first state report to shine a light on the struggle of these households and help to reframe the way in which we view all Iowans who are working and contributing to our state's economy.

In this year's report, we learn that conditions have not improved over the two years since we first introduced ALICE to Iowans. In fact, our ALICE population in Iowa has climbed to 37 percent - meaning nearly 40 percent of Iowa households are facing a continual struggle to meet basic expenses despite working, earning and paying taxes.

United Ways throughout Iowa take very seriously our responsibility to provide the data behind these stories and to serve Iowans who are working so hard to do everything "right," yet still face challenges. We are so grateful for the partnership of Alliant Energy and the Iowa Credit Union Foundation in this work. Together, we believe we can start to change the conversations we have in Iowa about working, earning and living.

Sincerely,

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

FUNDERS AND PARTNERS

A Welcome From Alliant Energy

Dear Iowans,

The 2018 United Way ALICE Report gives us a better understanding of who our neighbors are and provides a glimpse into their daily lives. It reveals some of the challenges they face: unreliable transportation, high costs for child care, difficulty finding affordable housing, and minimal savings to use in a crisis.

Together, we can help. Here are some ideas that have guided us at Alliant Energy, and may be helpful to your organization too.

- **Use the *ALICE Project* data to spur conversations.** ALICE families are your customers. What can your organization do to help them move from survival to stability?

- **Look for local non-profits that support ALICE families.** If you're already giving financial support, how can you make it easier for your employees to give as well? Consider in-kind donations and company volunteer days, which build morale while giving back.

- **Share the *ALICE Project* data with employees who work with your customers.** They will benefit from understanding the people they interact with every day. Encourage them to consider how the ALICE information can help them build empathy.

For Alliant Energy, the ALICE Report has helped focus our giving. Along with our employees, retirees and the Alliant Energy Foundation, we've provided over $25 million in charitable giving in Iowa since 2010. It feels good to stand alongside United Way and other organizations that support Iowa families. Together, we can support ALICE families — ultimately building a healthier community.

Sincerely,

D.R. Kopp

Doug Kopp, *President, Alliant Energy's Iowa utility*

Alliant Energy

Iowa Friends of ALICE

The United Ways of Iowa are grateful for the support of corporate partners who are committed to the success of this project and helping bring the message of ALICE to the state of Iowa. Current Iowa Friends of ALICE include:

IOWA CREDIT UNION FOUNDATION

THE UNITED WAY ALICE PROJECT

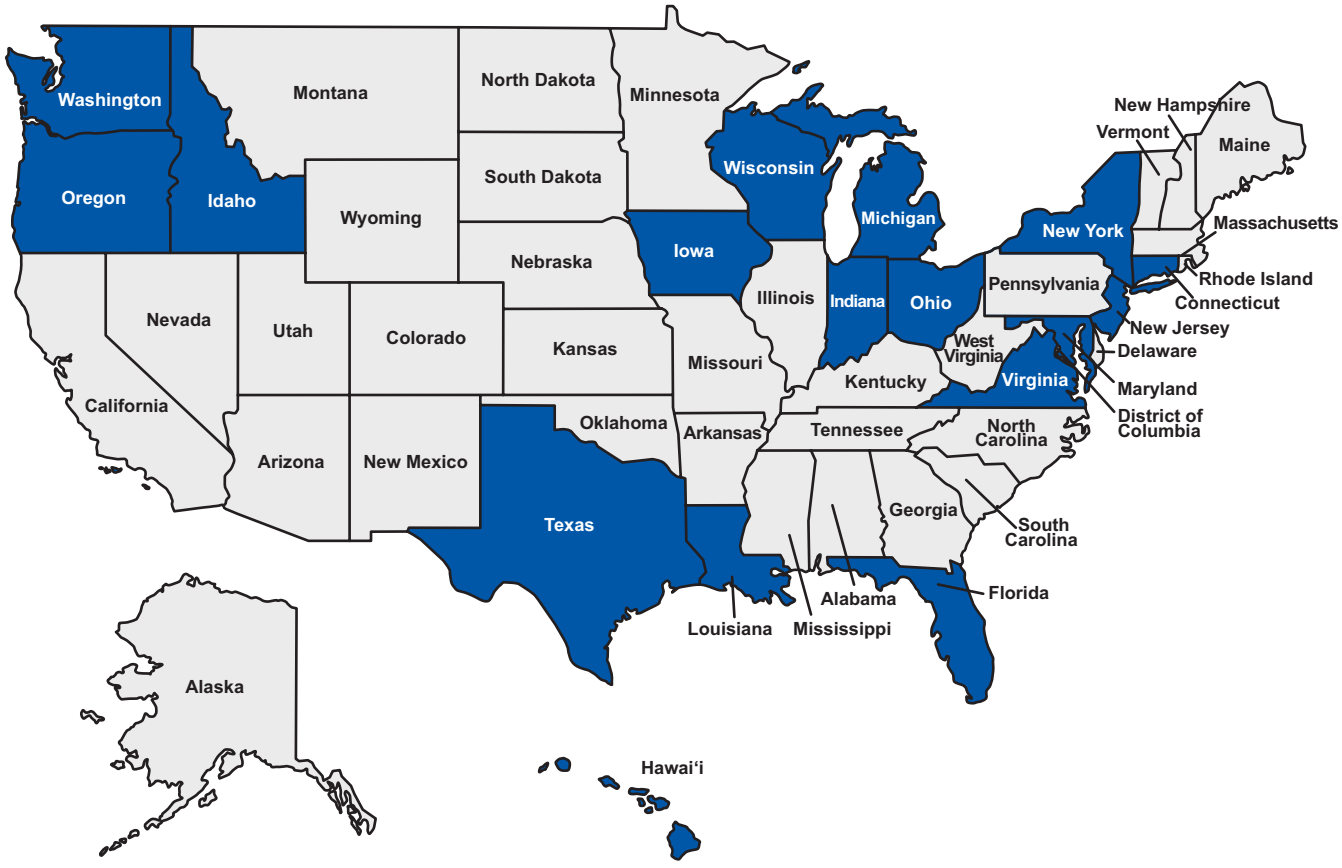
The United Way *ALICE Project* provides a framework, language, and tools to measure and understand the struggles of a population called **ALICE** – an acronym for **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed. ALICE is the growing number of households in our communities that do not earn enough to afford basic necessities. This research initiative partners with state United Way organizations to present data that can 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, 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 18 states participating. The United Ways of Iowa are proud to join the more than 540 United Ways in these states that are working to better understand ALICE's struggles. Organizations across the country are also using this data to address the challenges and needs of their employees, customers, and communities. The result is that ALICE is rapidly becoming part of the common vernacular, appearing in the media and in public forums discussing financial hardship in communities nationwide.

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

To access reports from all states, visit 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 10 representatives from across Iowa, who advised and contributed to the report. This collaborative model, practiced in each state, ensures each 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 began this effort with a pilot study of a more accurate way to measure financial hardship in Morris County, New Jersey in 2009. Since then, she has overseen its expansion into a broad-based, state-by-state research initiative now spanning 18 states across the country. Her research on the ALICE population has garnered both state and national media attention.

Before joining United Way full time in 2015, Dr. Hoopes taught at Rutgers University and Columbia University. Dr. Hoopes has a doctorate 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.

Dr. Hoopes is on the board of directors of the McGraw-Hill Federal Credit Union, and she received a resolution from the New Jersey Assembly for her work on ALICE in 2016.

Research Support Team

Andrew Abrahamson **Madeline Leonard** **Dan Treglia, Ph.D.**

ALICE Research Advisory Committee for Iowa

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Helene Fein, Ph.D.
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Xiaoping Wang, Ph.D.
Iowa Department of Education

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EXECUTIVE SUMMARY

In 2016, 457,223 households in Iowa — 37 percent — could not afford basic needs such as housing, child care, food, transportation, health care, and a smartphone.

This United Way ALICE Report for Iowa provides the most comprehensive look at the population called **ALICE** — an acronym for **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed. ALICE households have incomes above the Federal Poverty Level (FPL) but struggle to afford basic household necessities. Since it is well established that economic conditions worsened during the Great Recession, this report focuses on the period of recovery that began in 2010, and looks at how households have fared since.

Despite recent reports of overall improvement in employment and gains in median incomes, the economic recovery in Iowa has been uneven. Many families continue to face challenges from low wages, depleted savings, and the increasing cost of basic household goods. In fact, the total number of Iowa households that cannot afford basic needs increased 27 percent between 2010 and 2016.

This report focuses on what has changed in Iowa since the first United Way ALICE Report for Iowa was published two years ago. It updates the cost of basic needs in the **Household Survival Budget** for each county in Iowa, as well as the number of households earning below the amount needed to afford that budget **(the ALICE Threshold)**. The report delves deeper into county and municipal data and looks at the demographics of ALICE and poverty-level households by race/ethnicity, age, and household type to reveal variations in hardship that are often masked by state averages. Finally, the report highlights emerging trends that will affect ALICE households in the future.

For the period of 2010 to 2016, the data reveals an ongoing struggle for ALICE households and a range of obstacles to achieving financial stability:

- **The extent of hardship:** Of Iowa's 1,250,638 households, 12 percent lived in poverty in 2016 and another 25 percent were ALICE households. Combined, 37 percent (457,223 households) had income below the ALICE Threshold — an increase of 27 percent since 2010.

- **The basic cost of living:** The cost of basic household expenses in Iowa increased steadily to $56,772 for a family of four (two adults with one infant and one preschooler) and $19,560 for a single adult — significantly higher than the FPL of $24,300 for a family of four and $11,880 for a single adult. The cost of the family budget increased by 41 percent from 2010 to 2016 — more than four times the national rate of inflation of 9 percent during those years.

- **Jobs:** Low-wage jobs continued to dominate the employment landscape in Iowa, with 66 percent of all jobs paying less than $20 per hour. Although unemployment rates fell, wages remained low for many occupations. With more contract work and on-demand jobs, job instability also increased, making it difficult for ALICE workers to meet regular monthly expenses or to save.

- **The role of public assistance:** Public and private assistance continued to provide support to many families living in poverty or earning slightly above the FPL, but it provided less support to ALICE families whose income is above eligibility levels. Spending on health care and health insurance outpaced spending in other budget areas; there remained large gaps in assistance, especially in housing and child care.

- **Emerging trends:** Going forward, several trends could change the economic landscape for ALICE families:

- *The Changing American Household* — Shifting demographics, including the rise of millennials, the aging of the baby boomers, and domestic and foreign migration patterns, are having an impact on who is living together in households and where and how people work. These changes, in turn, influence the demand for goods and services, ranging from the location of housing to the provision of caregiving.

- *Market Instability* — Within a global economy, economic disruptions, natural disasters, and technological advances in other parts of the world trigger rapid change across U.S. industries and cause shifts in supply and demand. This will increasingly destabilize employment opportunities for ALICE workers.

- *Growing Health Inequality* — With technological advances in health care outpacing the ability of many households to afford them, there will be increasing disparities in health according to income. The societal costs of having large numbers of U.S. residents in poor health will also grow.

Using the best available information about how many families are struggling, this report offers an enhanced set of tools for stakeholders to measure the real challenges ALICE households face in trying to make ends meet. The FPL is an outdated calculation, and inaccurate information about the number of people struggling distorts the identification of problems related to poverty, misguides policy solutions, and raises questions of equity, transparency, and fairness in the allocation of resources. The United Way *ALICE Project* develops these resources in order to move beyond stereotypes and judgments of "the poor," and instead encourages the use of unbiased data to inform programmatic and policy solutions for these households and their communities.

GLOSSARY

ALICE is an acronym that stands for **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed — 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 calculates the actual costs of basic necessities (housing, child care, food, transportation, health care, and a smartphone) in Iowa, adjusted for different counties and household types.

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 Iowa. (Unless otherwise noted in this report, households earning below 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 an expanded personal technology category (smartphone and basic home internet) 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.

DATA & METHODOLOGY

WHAT'S NEW

Every two years, the United Way *ALICE Project* engages a national Research Advisory Committee of external experts to scrutinize the ALICE methodology and sources and ensure that the best local data is presented. The focus remains on the county level because state averages mask significant differences between counties. For example, the percent of households below the ALICE Threshold in Iowa ranges from 26 percent in Plymouth County to 52 percent in Decatur County.

For a more detailed description of the methodology and sources, see the Methodology Overview on our website, UnitedWayALICE.org**.**

For this report, the following improvements have been incorporated:

The cost of a smartphone has been added to the Household Survival and Stability Budgets. Technology is increasingly essential to live and work in the modern economy, and smartphone use in particular has become an expectation for employment in many contexts. Therefore, the cost of a basic smartphone plan for each adult in the household has been added to the Household Survival Budget. The Household Stability Budget includes the cost of a smartphone for each adult in the family as well as basic home internet service.

The source for state taxes has been updated. In order to provide greater consistency across states and reduce the complexity of calculations while maintaining accuracy, the Tax Foundation's individual income tax rates and deductions for each state are used instead of state-level tax sources. Each state treasury's *Form 1040: Individual Income Tax, Forms and Instructions* is still used to confirm state tax deductions and exemptions, such as the Personal Tax Credit and Renter's Credit.

Change-over-time focus has shifted. The first ALICE Reports measured change before and after the Great Recession, in 2007 and 2010. This updated report focuses on the recovery, measures change from the baseline of 2010 followed by the even years since — 2012, 2014, and 2016 — and highlights trends since the end of the Recession. The 2016 results will also serve as an important baseline from which to measure the effects of the rollout of the Affordable Care Act (ACA) in 2014, as well as new policies implemented under the Trump administration.

Additional detail is provided at the sub-county level. With the development of our website, there is more ALICE data available at the local level, including subcounty, place, zip code, Public Use Microdata Area (PUMA), and Congressional district.

What remains the same: This report examines issues surrounding ALICE households from different angles to draw the clearest picture with the range of data available. Sources include 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), the Tax Foundation, Child Care Aware of America (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 one- or five-year averages depending on population size.

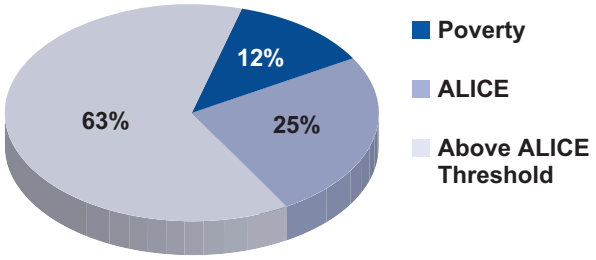
AT-A-GLANCE: IOWA

2016 Point-in-Time Data

Population: 3,134,693 | **Number of Counties:** 99 | **Number of Households:** 1,250,638

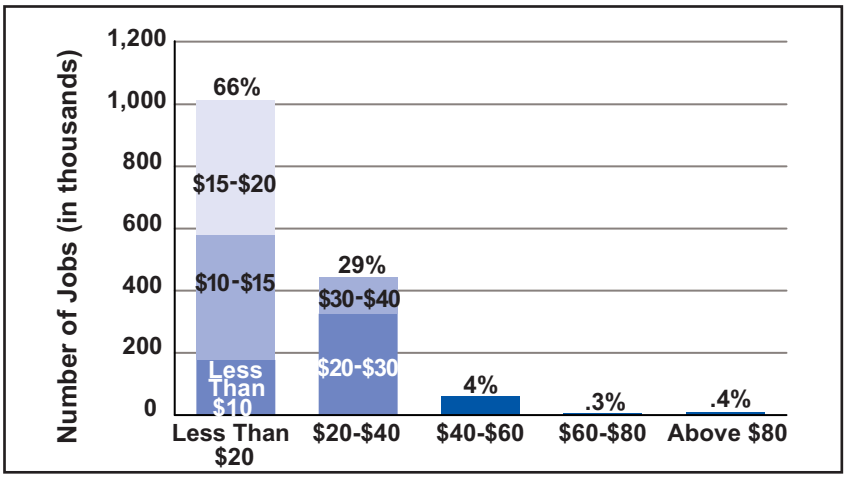
How many households are struggling?

ALICE, an acronym for **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed, are households that earn more than the Federal Poverty Level (FPL), but less than the basic cost of living for the state (the ALICE Threshold). Of Iowa's 1,250,638 households, 149,264 earn below the FPL (12 percent) and another 307,959 (25 percent) are ALICE households.



How much does ALICE earn?

In Iowa, 66 percent of jobs pay less than $20 per hour, with more than half of those paying less than $15 per hour. Another 29 percent of jobs pay between $20 and $40 per hour. Only 5 percent of jobs pay more than $40 per hour.



What does it cost to afford the basic necessities?

Despite low national inflation overall during the recovery (9 percent from 2010 to 2016), the bare-minimum Household Survival Budget increased by 41 percent for a family and 26 percent for a single adult. Affording only a very modest living, this budget is still significantly more than the FPL of $11,880 for a single adult and $24,300 for a family of four.

Household Survival Budget, Iowa Average, 2016

	SINGLE ADULT	2 ADULTS, 1 INFANT, 1 PRESCHOOLER
Monthly Costs		
Housing	$455	$659
Child Care	$-	$1,031
Food	$158	$525
Transportation	$349	$697
Health Care	$214	$800
Technology*	$55	$75
Miscellaneous	$148	$430
Taxes	$251	$514
Monthly Total	$1,630	$4,731
ANNUAL TOTAL	$19,560	$56,772
Hourly Wage*	*$9.78*	*$28.39*

**New to budget in 2016*
***Full-time wage required to support this budget*

AT-A-GLANCE: IOWA

Iowa Counties, 2016		
COUNTY	TOTAL HOUSEHOLDS	% ALICE & POVERTY
Adair	3,228	32%
Adams	1,681	33%
Allamakee	6,035	38%
Appanoose	5,430	45%
Audubon	2,667	37%
Benton	10,155	33%
Black Hawk	52,479	41%
Boone	10,943	34%
Bremer	9,343	31%
Buchanan	8,246	35%
Buena Vista	7,504	44%
Butler	6,282	33%
Calhoun	4,249	41%
Carroll	8,580	36%
Cass	6,076	39%
Cedar	7,599	30%
Cerro Gordo	19,250	38%
Cherokee	5,317	34%
Chickasaw	5,244	36%
Clarke	3,837	38%
Clay	7,281	37%
Clayton	7,622	38%
Clinton	19,871	37%
Crawford	6,430	42%
Dallas	33,180	29%
Davis	3,230	46%
Decatur	3,166	52%
Delaware	6,882	30%
Des Moines	16,659	45%
Dickinson	8,008	27%
Dubuque	37,710	33%
Emmet	4,127	39%
Fayette	8,333	41%
Floyd	6,891	37%
Franklin	4,227	43%
Fremont	2,969	32%
Greene	3,903	37%
Grundy	5,162	29%
Guthrie	4,490	38%
Hamilton	6,381	34%
Hancock	4,699	33%
Hardin	7,093	35%
Harrison	6,046	37%
Henry	7,619	41%
Howard	3,815	40%
Humboldt	4,236	38%
Ida	3,077	36%
Iowa	6,779	29%
Jackson	8,427	36%
Jasper	14,644	35%
Jefferson	6,896	45%
Johnson	57,217	38%
Jones	8,244	36%
Keokuk	4,414	41%
Kossuth	6,657	33%

Iowa Counties, 2016		
COUNTY	TOTAL HOUSEHOLDS	% ALICE & POVERTY
Lee	14,318	41%
Linn	89,173	30%
Louisa	4,366	40%
Lucas	3,678	36%
Lyon	4,492	31%
Madison	6,260	32%
Mahaska	8,983	40%
Marion	13,026	35%
Marshall	15,293	37%
Mills	5,444	35%
Mitchell	4,322	38%
Monona	4,064	43%
Monroe	3,349	37%
Montgomery	4,607	44%
Muscatine	16,390	37%
O'Brien	6,066	33%
Osceola	2,621	37%
Page	6,388	40%
Palo Alto	3,877	35%
Plymouth	10,008	26%
Pocahontas	3,222	36%
Polk	182,537	36%
Pottawattamie	36,094	41%
Poweshiek	7,365	36%
Ringgold	2,024	45%
Sac	4,363	35%
Scott	66,527	38%
Shelby	5,061	34%
Sioux	11,940	32%
Story	37,350	42%
Tama	6,734	34%
Taylor	2,715	38%
Union	5,382	39%
Van Buren	2,921	41%
Wapello	14,454	44%
Warren	18,231	31%
Washington	8,757	34%
Wayne	2,574	45%
Webster	15,073	44%
Winnebago	4,545	36%
Winneshiek	8,205	33%
Woodbury	38,637	38%
Worth	3,144	37%
Wright	5,528	41%

*Sources: **Point-in-Time Data:** American Community Survey, 2016. **ALICE Demographics:** American Community Survey and the ALICE Threshold, 2016. **Wages:** Bureau of Labor Statistics, 2016. **Budget:** U.S. Department of Housing and Urban Development; U.S. Department of Agriculture; Bureau of Labor Statistics; Internal Revenue Service; Tax Foundation; and Iowa Child Care Resource & Referral, 2016.*

I. ALICE BY THE NUMBERS

In 2016, six years after the end of the Great Recession, many households in Iowa were still struggling to find jobs with high enough wages and long enough hours to cover their basic monthly household expenses. In fact, more than one in three households in Iowa (37 percent) could not afford basic needs such as housing, child care, food, transportation, health care, and a smartphone. While many of Iowa's households were living below the Federal Poverty Level (FPL), an even greater number were households with incomes above the FPL, but not high enough to afford basic necessities. These households are **ALICE** — **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed.

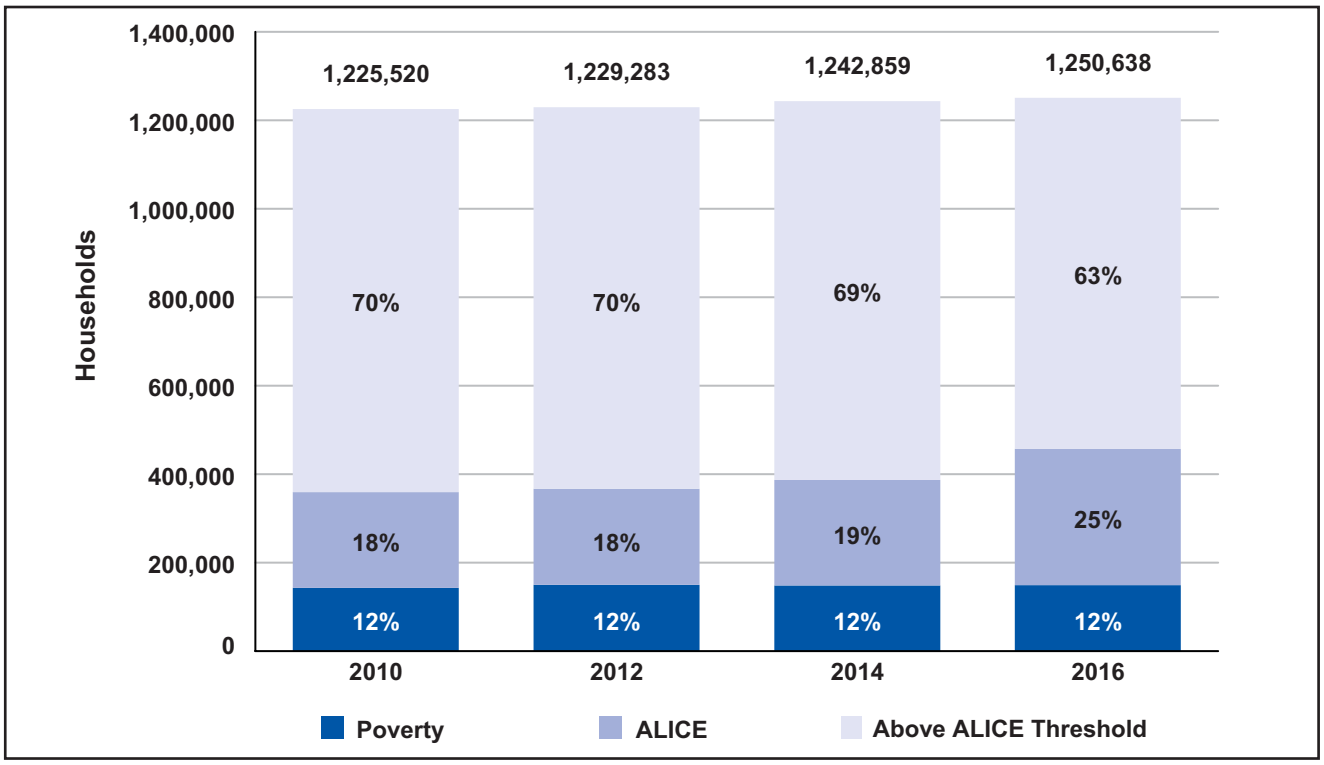
This section drills down further to reveal demographic differences of ALICE and poverty-level households by age, race and ethnicity, and household type over time. Also reported are important local variations that are often masked by state averages. The first United Way ALICE Report for Iowa, published in 2016 with 2014 data, showed that during the Recession there was an increase in the number of households with income below the ALICE Threshold, from 28 percent in 2007 to 29 percent in 2010. This report focuses on how Iowans fared post-Recession, from 2010 to 2016. While the overall economic climate has improved since 2010, the number of ALICE and poverty-level households rose to 37 percent of all Iowa households by 2016.

OVERVIEW

In Iowa, the total number of households increased by 2 percent between 2010 and 2016, to 1,250,638. But the number of ALICE and poverty-level households increased far more — by 27 percent (Figure 1):

- **Poverty:** The number of households in poverty — defined in 2016 as those earning $11,880 for a single adult and $24,300 for a family of four — rose from 142,699 in 2010 to 149,264 in 2016, a 5 percent increase. The proportion of poverty-level households stayed the same, at 12 percent.
- **ALICE:** The number of ALICE households rose from 216,654 in 2010 to 307,959 in 2016, a 42 percent increase. The proportion of ALICE households rose from 18 percent to 25 percent during that period.

Figure 1.
Household Income, Iowa, 2010 to 2016



Source: American Community Survey, 2007–2016, and the ALICE Threshold, 2007–2016. For the Methodology Overview and additional data, visit our website: UnitedWayALICE.org

ALICE DEMOGRAPHICS

The number of households living below the ALICE Threshold in Iowa increased in almost all age and racial/ethnic groups from 2010 to 2016. Yet two major age-related population bubbles are changing the state's overall demographics — the baby boomers, and the millennials.

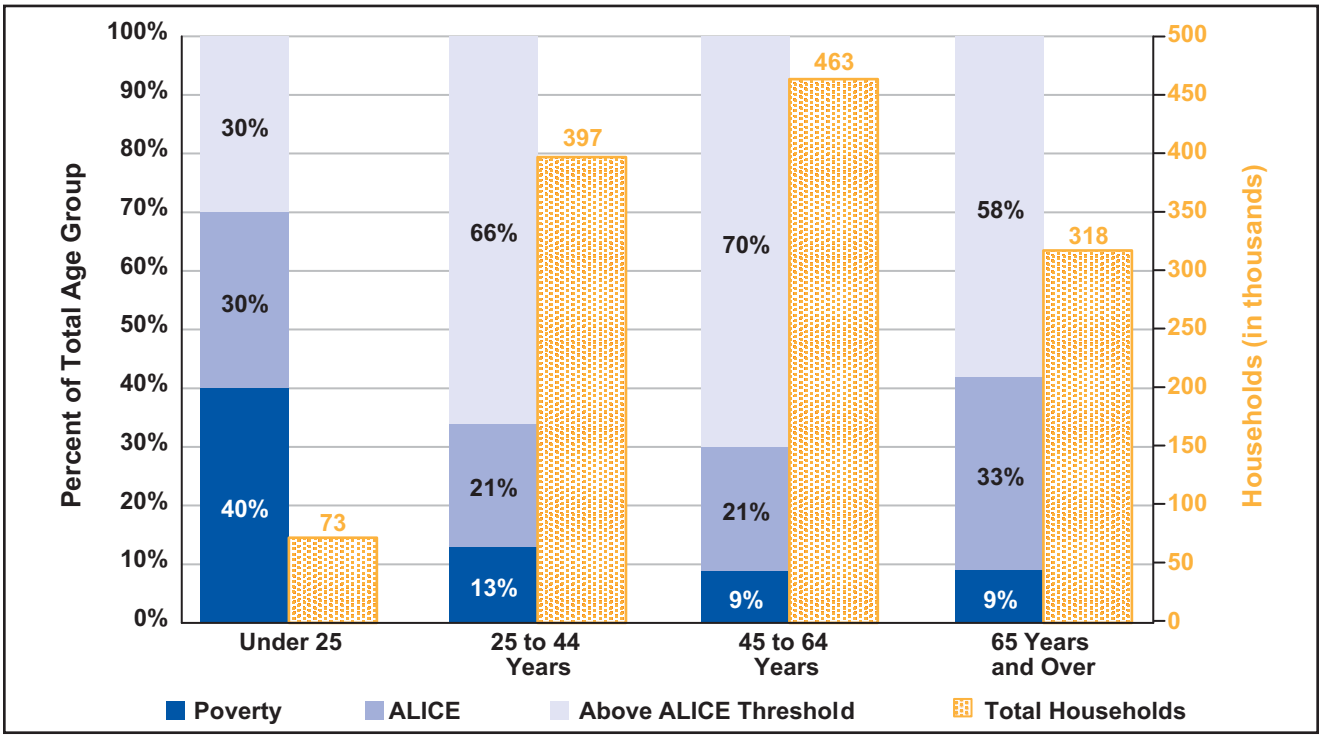
Households by Age

The baby boomers are the largest generation in the U.S., and as they age, their needs and preferences change. The second largest group is the millennials (adults born between 1981 and 1996), who are making different lifestyle and working choices than previous generations. Between the two population bubbles is the smaller Generation X, made up of adults born between 1964 and 1980. To analyze general trends, the ALICE data on age is presented by household in more precise Census breaks: under-25, 25–44, 45–64, and 65 and older. Millennials are covered by the youngest two brackets and baby boomers by the oldest two (Dimock, 2018).

Millennials: Even though the population of millennials is increasing, the number of households headed by them is decreasing in Iowa. The youngest segment of the millennials, households headed by under-25-year-olds, decreased 6 percent, from 77,622 households in 2010 to 72,707 in 2016, while the number of those households with income below the ALICE Threshold increased by 10 percent. The older segment of millennials, households headed by 25- to 44-year-olds, was flat overall, yet the number with income below the ALICE Threshold increased by 33 percent (American Community Survey, 2010 and 2016).

In many ways, millennials differ from previous generations. First, they are more racially and ethnically diverse: Nationally, 56 percent of millennials are white, and nearly 30 percent are either Hispanic, Asian, or people identifying as two or more races. In Iowa, they are less diverse than the national average. Second, on a national level, many millennials cannot afford to live on their own: they are more likely than previous generations to live with their parents or with roommates, and for the first time in more than a century, they are less likely to be living with a romantic partner. Of young householders in Iowa who live on their own, 70 percent have income below the ALICE Threshold (Cilluffo & Cohn, 2017; Cohn & Caumont, 2016; Frey W. H., 2018) (Figure 2).

Figure 2.
Household Income by Age of Head of Household, Iowa, 2016



Source: American Community Survey, 2016, and the ALICE Threshold, 2016

Aging Population: The increase in the number of ALICE households in Iowa is driven by older households, both seniors and those 45 to 64 years old. From 2010 to 2016, the number of senior households (65 years and older) increased by 11 percent, to 317,506 (Figure 3). Yet senior households with income below the ALICE Threshold grew even faster, increasing by 20 percent. Even with Social Security benefits, 41 percent of Iowa seniors have income below the ALICE Threshold (American Community Survey, 2010 and 2016).

The number of households headed by those aged 45 to 64 remained flat from 2010 to 2016 at 463,424 households, but the number of households in this age group with income below the ALICE Threshold jumped 36 percent. For a group in their prime earning years, it is surprising to see 30 percent with income below the ALICE Threshold (American Community Survey, 2010 and 2016).

Figure 3.
Household Income by Age of Head of Household, Iowa, 2010 to 2016

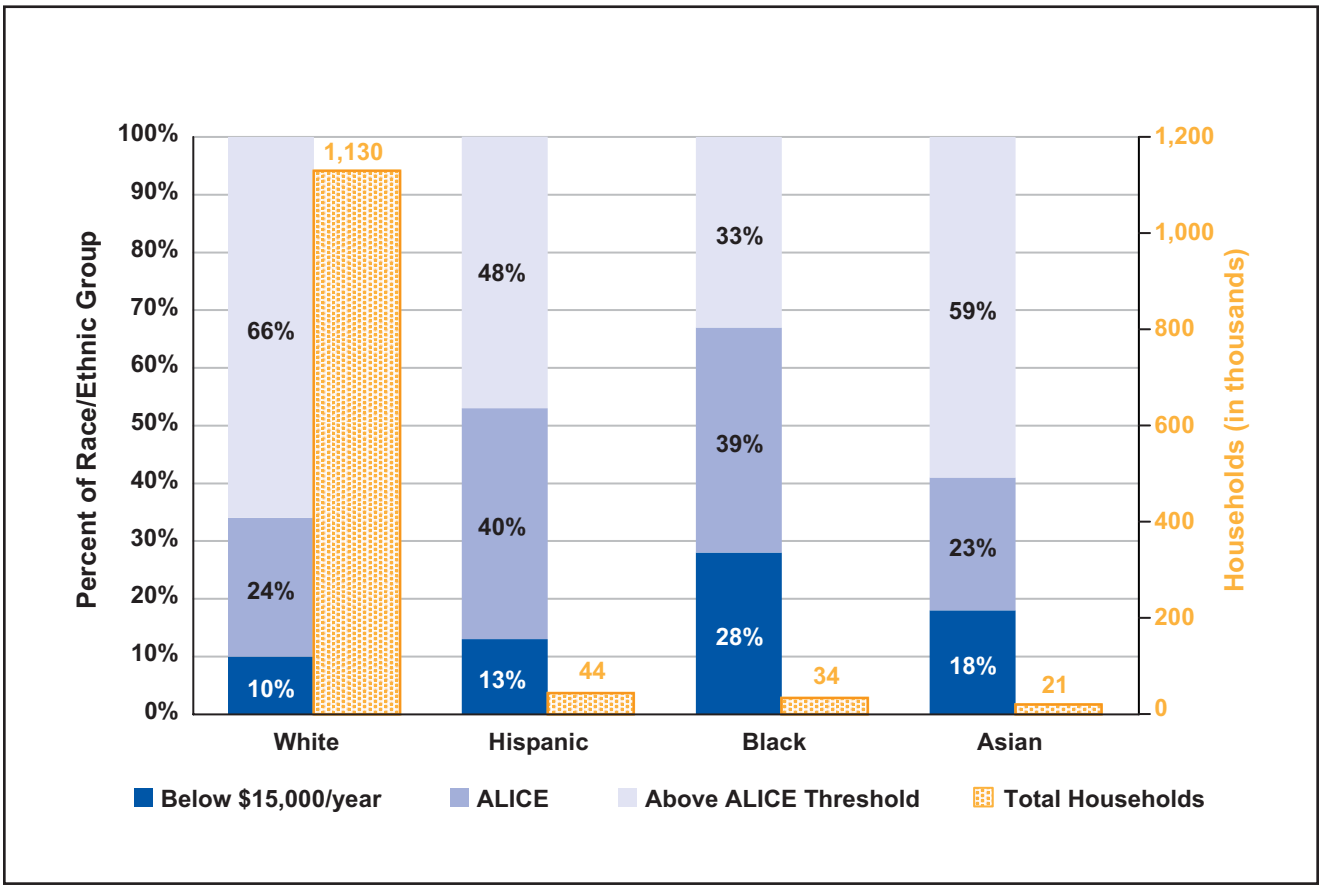
Source: American Community Survey, 2016, and the ALICE Threshold, 2016

Households by Race and Ethnicity

The United Way ALICE Reports follow U.S. Census classifications for the largest non-White populations: Black, Asian, Hispanic, and American Indian/Alaska Native, as well as people identifying as two or more races. Because people of any race, including Whites, can also be of Hispanic ethnicity, the ALICE data looks at White, Black, Asian, and American Indian/Alaska Native categories “alone” (i.e., not also Hispanic), as well as at Hispanic populations.

White households are the largest racial group in Iowa with 1,130,038 households in 2016, compared to 44,054 Hispanic households, 34,240 Black households, 20,607 Asian households, 11,402 households reporting two or more races, and 3,508 American Indian/Alaska Native households (Figure 4). There are ALICE and poverty-level households across every racial and ethnic group in Iowa.

Figure 4.
Households by Race/Ethnicity and Income, Iowa, 2016



Note: Because household poverty data is not available for the American Community Survey's race/ethnicity categories, annual income below $15,000 is used as a proxy for poverty. Due to rounding, percentages may add to slightly above or below 100 percent.

Source: American Community Survey, 2016, and the ALICE Threshold, 2016

Statewide numbers, however, often mask important changes in smaller racial and ethnic groups. For example, the number of Asian, Hispanic, and Black households grew faster from 2010 to 2016 than the state average of all households; the number of White households did not grow at all. Asian households increased by 27 percent, Hispanic households increased by 26 percent, and Black households increased by 19 percent.

White (non-Hispanic) households are the largest racial group in Iowa. They account for a majority of households, but their percentage of total households has been declining, falling from 92 percent in 2010 to 90 percent in 2016.

Hispanic households are the largest population of color in Iowa, and they are increasingly diverse due to waves of Hispanic immigration over the last seven decades. Nationally, Mexico has historically sent the largest numbers of migrants to the U.S., starting in the late 1800s. More recent waves include Puerto Rican immigrants in the 1940s and 1950s, Cuban immigrants in the 1960s and early 1970s, immigrants from the Central American nations of El Salvador, Guatemala, Honduras, and Nicaragua in the 1970s and 1980s, and

immigrants from Argentina, Chile, Colombia, Peru, and Ecuador between 2000 and 2010. However, since 2000, the primary source of growth of the Hispanic population in Iowa has been U.S. births (Flores A. , 2017; Gutiérrez, 2013).

In Iowa, Hispanic immigrants from Latin America accounted for 38 percent of foreign-born residents in 2016, with the largest numbers by country coming from Mexico. Household income varies, with Hispanic immigrants who have lived in the U.S. the longest earning higher incomes than those who immigrated more recently (American Community Survey, 2010 and 2016; Migration Policy Institute, 2016).

Black (non-Hispanic) households are the next largest population of color in Iowa and have become more diverse over time. In addition to African Americans, who have lived in Iowa for generations or who migrated from other parts of the U.S., there is an increasing number of African immigrants, who now account for 10 percent of Iowa's foreign-born residents — up from 4 percent in 2000. This population includes recent African refugees, many from the Democratic Republic of the Congo and Sudan. Nationally, African immigrants have settled in the U.S. relatively recently: Almost two-thirds (63 percent) arrived in the U.S. in 2000 or later. Nineteen percent of African immigrants have settled in the Midwest (Anderson, 2015; Iowa Department of Public Health, 2016; Migration Policy Institute, 2016).

Asian (non-Hispanic) households in Iowa almost doubled from 2000 to 2016, and this is the fastest-growing racial/ethnic group across the country, increasing 72 percent since 2000. Approximately one-quarter of the U.S. Asian population was born in the U.S., and 15 percent of Asian residents identify as two or more races — much higher than the comparable mixed-race share of Whites (3 percent), Hispanics (6 percent), or Blacks (7 percent) (Migration Policy Institute, 2016; Pew Research Center, 2017).

Unlike most immigrant groups, Asian households vary less in income status by year of entry to the U.S. and more by country of origin. For example, Indian Americans lead all other groups by a significant margin in their levels of income and education. Immigrants from India are more likely to have a college degree, followed by those from the Philippines, and then Japan. However, immigrants from Vietnam are more likely to have higher rates of poverty than the overall U.S. population. Interestingly, there is also a wide range of immigrants from Korea and China, including some of the best educated but also some with the lowest incomes (Pew Research Center, 2017).

Some racial and ethnic groups in Iowa are extremely small and do not report income, so ALICE data is not available for them. Less than 1 percent of households in Iowa identify themselves as American Indian/Alaska Native; another 1 percent identify as "Some Other Race"; and 1 percent identify as being of "Two or More Races" (American Community Survey, 2016).

Trends in Race and Ethnicity in Iowa

Refugees: Immigration to Iowa includes refugee resettlement. Iowa was the first state to welcome Southeast Asian refugees after the Vietnam War. Between 1975 and 1999, Iowa received nearly 22,000 refugees, primarily from Vietnam. More recent refugees have arrived from Bhutan, Burma/Myanmar, the Democratic Republic of the Congo, Somalia, and Syria, along with smaller populations from Afghanistan, Eritrea, Iraq, and Sudan. Refugees have been resettled primarily in Polk and Linn counties. Because refugees on average spend three years away from home before arriving in Iowa,

they have few resources beyond what is offered through federal grants and volunteer agencies. They also face barriers to employment common for immigrant groups, such as language and cultural barriers (American Community Survey, 2014; Iowa Department of Public Health, 2016; Grey, Woodrick, Yehieli, & Hoelscher, 2003; American Immigration Council, 2017; Ross, Kinker, & Wuertz, 2016).

Young households: The number of the youngest White and Black households is decreasing. The number of White under-25-year-old households fell by 8 percent from 2010 to 2016, driving a decrease in the overall number of young households in Iowa. Adding to the decline, the number of under-25-year-old Black households fell by 4 percent. In contrast, under-25-year-old Hispanic and Asian households saw an increase — 15 percent for Hispanic households and 26 percent for Asian households — but because their overall numbers are small, those increases did not offset the overall loss of households in this age group.

Among households headed by 25- to 44-year-olds, however, while White households declined by 3 percent, all other groups increased — Hispanic households by 17 percent, Black households by 28 percent, and Asian households by 25 percent.

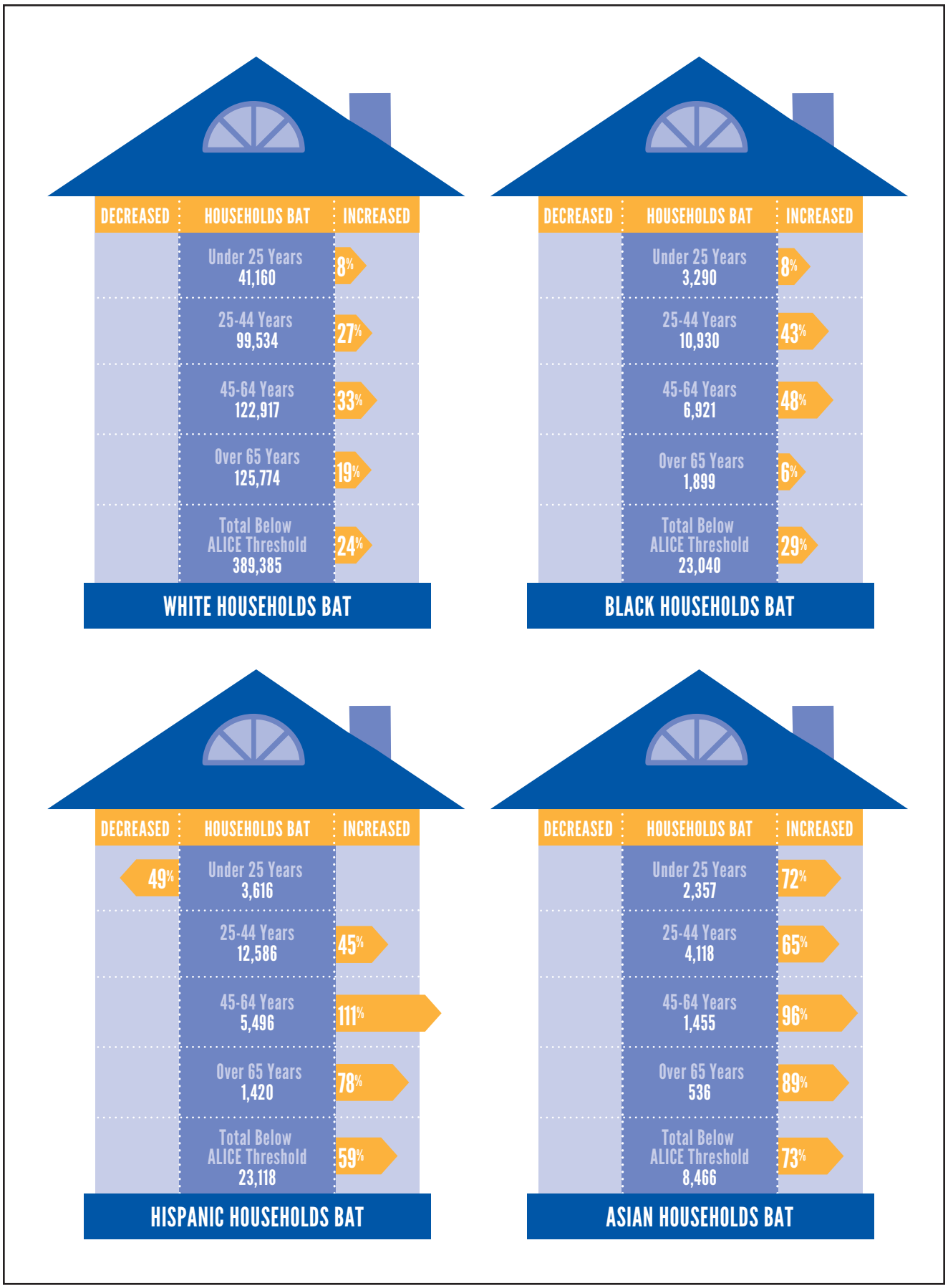
Senior households: The number of senior households of all races and ethnic groups is increasing. White senior households (aged 65+) are driving the overall growth in the senior population in Iowa, increasing by 10 percent from 2010 to 2016, but other senior groups are experiencing significant growth as well. Senior Hispanic households increased by 39 percent, Asian households by 24 percent, and Black households by 12 percent.

On a slightly different trajectory, White 45- to 64-year-old households actually fell by 2 percent, yet all other ethnicities increased in this age group: Hispanic households by 51 percent, Asian households by 33 percent, and Black households by 12 percent.

Households below the ALICE Threshold (Figure 5): Households earning below the ALICE Threshold increased across the board. While the number of households earning below the ALICE Threshold in Iowa increased across almost all age and racial/ethnic groups from 2010 to 2016, the largest increases were among older Hispanic and Asian households. Hispanic 45- to 64-year-old households with income below the ALICE Threshold increased by 111 percent and Hispanic 65+ households by 78 percent, while Asian 45- to 64-year-old households below the ALICE Threshold increased by 96 percent and Asian 65+ households by 89 percent.

The only group that saw a decrease in households earning below the ALICE Threshold was Hispanic under-25-year-old households — fewer than 3,700 households in total.

Figure 5.
Households Below ALICE Threshold (BAT), by Age and Race/Ethnicity, Iowa, 2010 to 2016

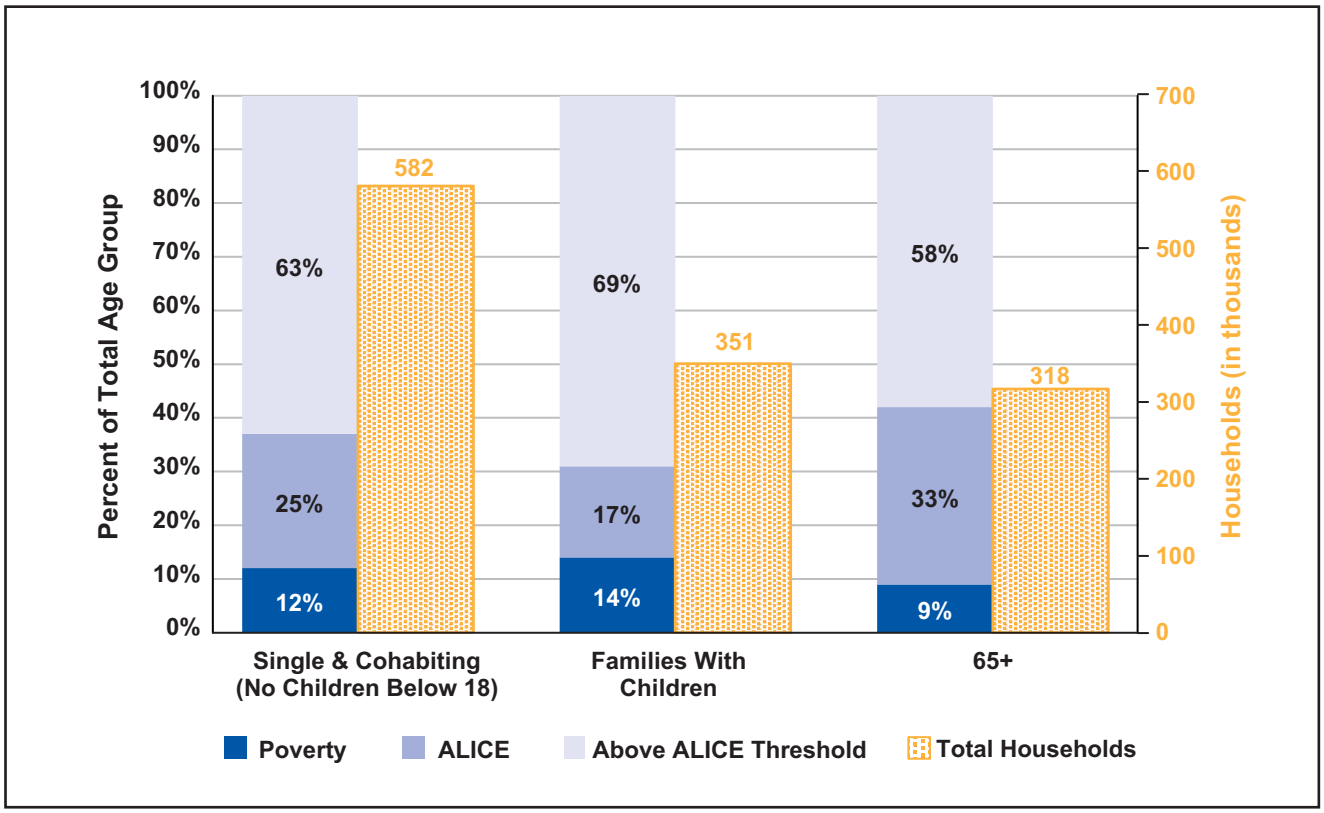


Source: American Community Survey, 2010-2016, and the ALICE Threshold, 2010-2016

THE AMERICAN HOUSEHOLD IS CHANGING

There have been significant changes in Americans' living arrangements, and these changes partly explain the increasing number of ALICE households. After decades of declining marriage rates and rising levels of divorce, remarriage, and cohabitation, the household made up of a married couple with two children is no longer typical. Since the 1970s, U.S. households have trended toward smaller households, fewer households with children, and fewer married-couple households. There are also more people living alone, especially at older ages. People are increasingly living in a wider variety of arrangements, including singles living alone or with roommates, and grown children living with parents. The share of American adults who have never been married is at a historic high. Single or cohabiting adults under age 65 with no children under 18 years old make up the largest household type in Iowa, accounting for 47 percent of households (Figure 6). Nationally, approximately 27 percent of all households are single-adult households younger than age 65 (Cohn & Caumont, 2016; Vespa, Lewis, & Kreider, 2013).

Figure 6.
Household Types by Income, Iowa, 2016



Source: American Community Survey, 2016, and the ALICE Threshold, 2016

These single or cohabiting households without children under age 18 are also the group with the largest number of households below the ALICE Threshold in Iowa. In 2016, 37 percent of these households (216,103) had income below the ALICE Threshold (Figure 6), up from 29 percent in 2010 (American Community Survey, 2010 and 2016).

Families With Children

Among families with children, the roles of heterosexual parents are changing, as fathers are doing more housework and child care, and mothers are doing more paid work outside the home. Nationally, 42 percent of mothers were sole or primary breadwinners, bringing in 50 percent or more of family earnings, and another 22 percent were co-breadwinners, bringing home 25 to 49 percent of earnings in 2015. Over the last 30 years, the number of stay-at-home fathers has doubled to 2.2 million, and the amount of housework fathers report doing has also doubled, to an average of nine hours a week (Cohn & Caumont, 2016; Glynn, 2016; Livingston, 2014; Parker & Livingston, 2017).

The composition of families with children is also changing. There is increasing variety in the structure of families, including those with several cohabiting generations and those with lesbian, gay, bisexual, and transgender (LGBT) parents. More than a quarter of married LGBT couples are now raising children, and the number of same-sex marriages more than doubled nationally from just before the Windsor v. United States Supreme Court ruling in 2013, which required the federal government to recognize state-sanctioned marriages of same-sex couples, to the 2015 *Obergefell* ruling that enabled same-sex marriage nationwide. Finally, the fluidity of the family has increased, with more children growing up amid changes including non-marital cohabitation, divorce, and remarriage. Households with combined children from parents' prior relationships are also on the rise (Cohn & Caumont, 2016; Gates & Brown, 2015; Pew Research Center, 2015).

From 2010 to 2016, the number of Iowa families with children remained flat, but the number below the ALICE Threshold increased by 30 percent. **By 2016, almost one-third (30 percent) of all Iowa families with children had income below the ALICE Threshold.** In particular:

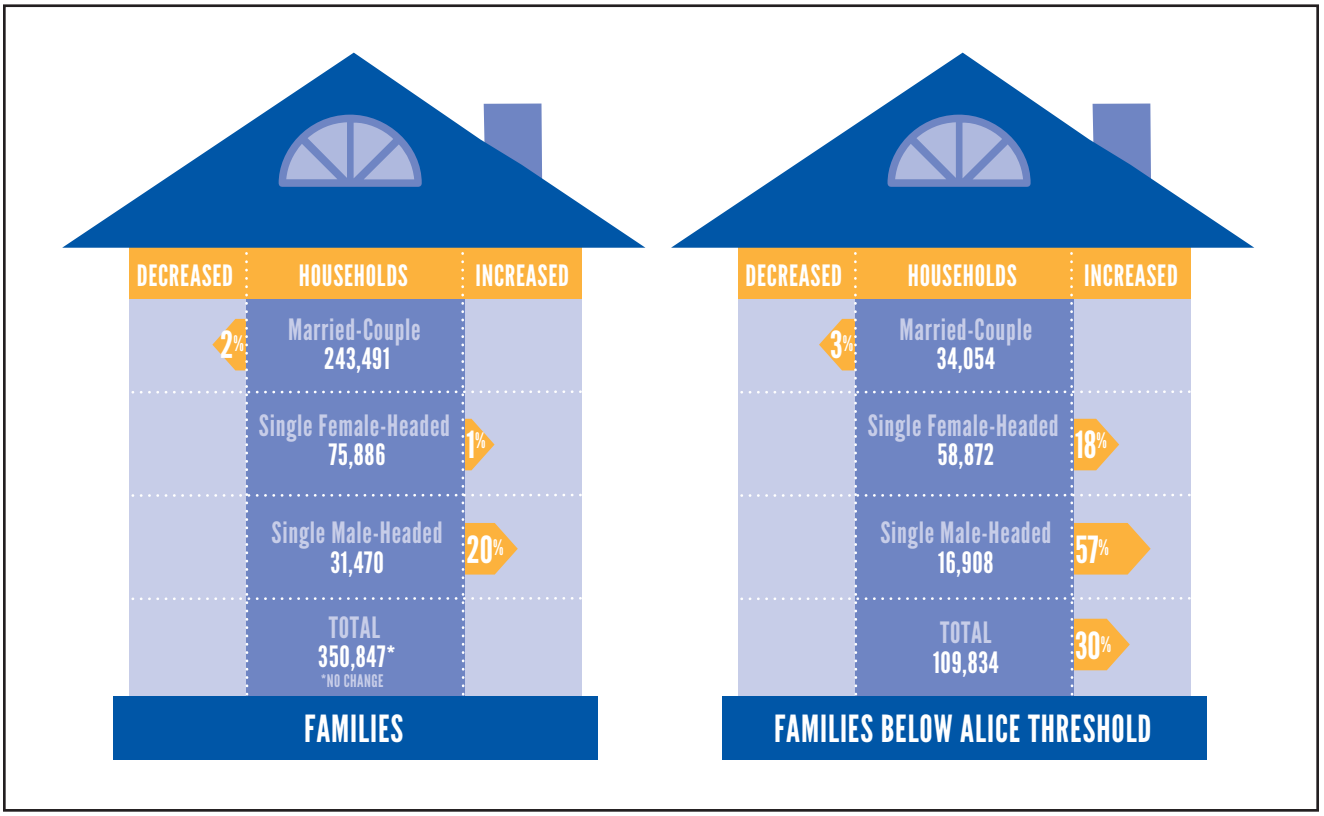
- **Married-parent families** decreased slightly, by 2 percent, as did the number below the ALICE Threshold (by 3 percent). This group made up nearly one-third of Iowa families with children below the ALICE Threshold in 2016.

- **Single-female-headed families** increased by 1 percent, but the number below the ALICE Threshold increased by 18 percent. This group made up more than half of Iowa families with children below the ALICE Threshold in 2016.

- **Single-male-headed families,** the smallest group, increased by 20 percent, and the number below the ALICE Threshold increased far more, by 57 percent. This group made up 15 percent of Iowa families with children below the ALICE Threshold in 2016 (Figure 7).

The increase in the number of single-parent families may be, in part, due to how that arrangement is defined and to decreasing stigma, leading people to more readily self-identify as single parents. According to the U.S. Census, the category of "single-parent households" includes one parent as the sole adult (37 percent), a parent with a cohabiting partner (11 percent), or a parent with another adult age 18 or older who lives in the home, such as a grown child or grandparent (52 percent). In other words, in most single-parent families, there are nonetheless two adults in the home, and therefore potentially two income earners (Vespa, Lewis, & Kreider, 2013).

Figure 7.
Families With Children by Income, Iowa, 2010 to 2016



Source: American Community Survey, 2010-2016, and the ALICE Threshold, 2010-2016

CHANGES AT THE LOCAL LEVEL

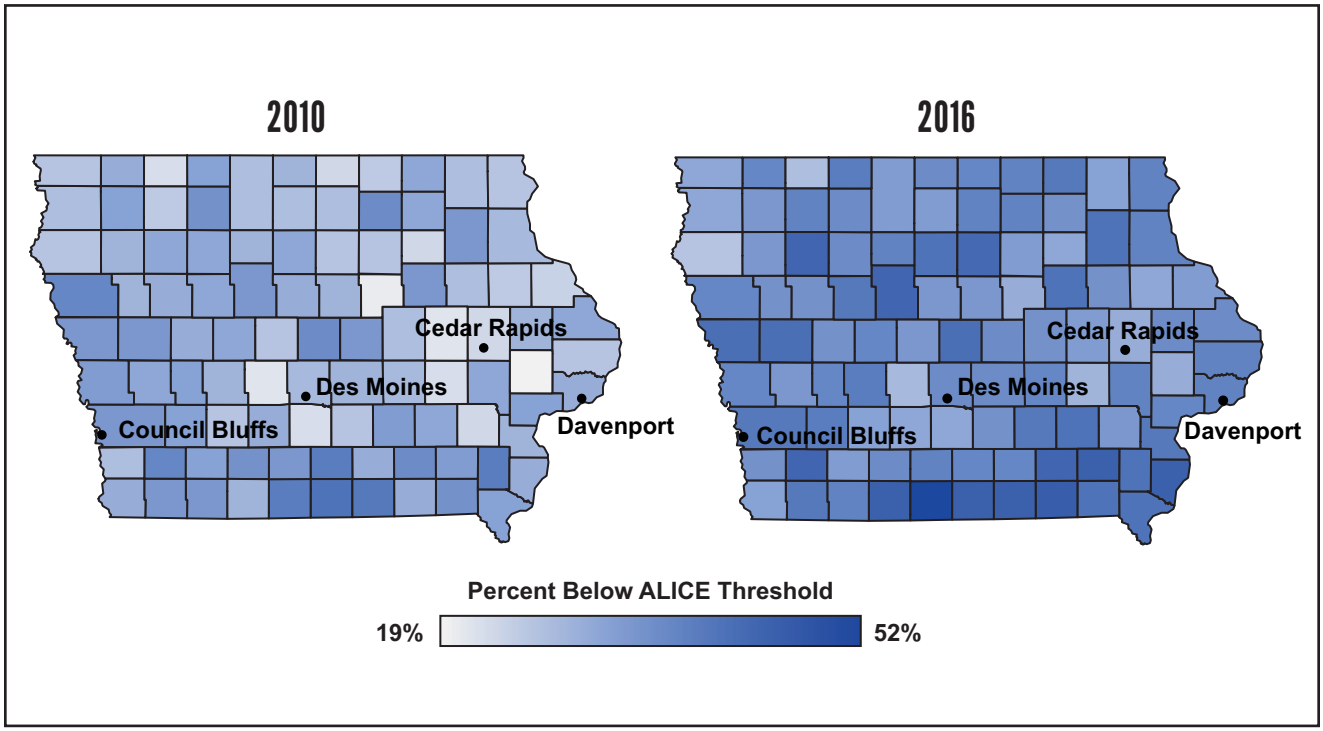
The importance of where we live — particularly where we grow up — in determining the directions that our lives take has been well demonstrated by the Harvard Equality of Opportunity Project (Chetty & Hendren, 2015). Local economic conditions largely determine the number of households that struggle financially in a given county or state. Examining these conditions gives a clearer, localized picture of the minimum income families need to afford basic household necessities.

ALICE by County

Counties are small enough to reveal regional variation and large enough to provide reliable, consistent data. Behind the Iowa state average, there is enormous variation among counties in the percentage of ALICE and poverty-level households, ranging from 26 percent of households with income below the ALICE Threshold in Plymouth County to 52 percent in Decatur County. Contrary to stereotypes that suggest financial hardship only exists in inner cities, ALICE families live in every county in Iowa, across rural, urban, and suburban areas (Figure 8).

County data provides another layer of insight on the increasing financial challenges for ALICE households from 2010 to 2016. Overall, more Iowa counties had a higher percentage of households with income below the ALICE Threshold in 2016 than in 2010.

Figure 8.
Percentage of Households With Income Below the ALICE Threshold by County, Iowa, 2010 and 2016



Source: American Community Survey, 2010 and 2016, and the ALICE Threshold, 2010 and 2016. Details on each county's household income and ALICE demographics, as well as further breakdown by municipality, are listed in the ALICE County Pages and Data File at UnitedWayALICE.org

ALICE by Towns and Cities

Looking at household income by towns and cities provides another view of financial hardship in Iowa. In 2016, ALICE and poverty-level households represented 41 percent of households in the Iowa towns and cities that report households with income, which includes most towns and cities in the state. Data from Iowa's smaller towns and cities is limited to 5-year estimates, making it more difficult to track. However, there is reliable data on change over time for the state's largest cities and towns.

Iowa's largest cities — those with more than 10,000 households — are leading many of the demographic changes in the state, and this is reflected in their changing numbers of households and the proportion of those households earning below the ALICE Threshold. From 2010 to 2016, several cities experienced significant growth, both in total population (by 10 percent or more in Ames, Ankeny, and West Des Moines) and in the percent of households below the ALICE Threshold (by 55 percent or more in Ankeny, Dubuque, Urbandale, and West Des Moines). The rest had much lower rates of growth, and six of these cities saw their number of households decrease, each by 5 percent or less; but all saw an increase in the percent of households below the ALICE Threshold, most by more than 25 percent (Figure 9).

Figure 9.
Households Below the ALICE Threshold, Largest Cities and Towns in Iowa, 2016

Largest Cities and Towns (Above 10,000 Households)	Number of Households 2016	Percentage of Households Below ALICE Threshold 2016	Percent Change 2010–2016	
			TOTAL HOUSEHOLDS	HOUSEHOLDS BELOW ALICE THRESHOLD
Des Moines	82,837	48%	1%	29%
Cedar Rapids	54,445	33%	0%	30%
Davenport	39,481	47%	-4%	22%
Sioux City	31,097	42%	-1%	7%
Iowa City	30,431	49%	7%	26%
Waterloo	28,113	48%	0%	25%
West Des Moines	26,790	29%	14%	69%
Ames	25,185	51%	10%	30%
Council Bluffs	24,814	49%	1%	28%
Dubuque	24,050	44%	2%	55%
Ankeny	19,876	25%	18%	81%
Urbandale	16,385	24%	4%	65%
Marion	14,803	29%	6%	43%
Cedar Falls	14,507	36%	2%	19%
Bettendorf	13,998	25%	6%	41%
Mason City	12,432	41%	-5%	26%
Clinton	11,093	43%	1%	42%
Burlington	10,735	49%	-2%	45%
Marshalltown	10,051	41%	-5%	2%
Ottumwa	10,011	49%	-4%	17%

Source: American Community Survey, 2010-2016, and the ALICE Threshold, 2010-2016; For additional data, visit our website: UnitedWayALICE.org

In two of Iowa's largest cities, age also factors into the size of the population earning below the ALICE Threshold. Ames and Iowa City are home to large universities where more than two-thirds of undergraduate students live off-campus and are included in American Community Survey totals, whereas their counterparts in dorms are not (U.S. News and World Report, 2018). While younger households account for only a small percentage of all households, they are more likely to have income below the ALICE Threshold. Removing all under-25-year-old households from the ALICE calculations reduces the percentage of households with income below the ALICE Threshold dramatically in these college towns, from 49 to 38 percent in Iowa City and from 51 to 35 percent in Ames. By comparison, removing them in Des Moines, which has far fewer students, reduces it only from 48 to 47 percent.

COMPOUNDING FACTORS

This report highlights the great variations among ALICE households by age, race and ethnicity, and location — variations that are often masked by state and national averages. As discussed in the 2016 United Way ALICE Report for Iowa, other factors can also make households more likely to be ALICE or to be in poverty. These include being a household headed by a recent immigrant, especially those who are undocumented or unskilled; by someone with low proficiency in English; by an LGBT individual (though gay men, particularly those in married couples, are less likely to be low-income than other LGBT groups); by someone with a low level of education; or by someone living with a disability. Groups with more than one of these factors — younger combat veterans, for example, who may have both a disability and a low level of education, or ex-offenders, many of whom are Black and may have a low level of education— are even more likely to fall below the ALICE Threshold. Awareness of these challenges has increased, and this report highlights some examples of structural change in the workplace designed to increase opportunity for these groups. However, these systemic trends persist in Iowa, as they do across the country (Bui, 2016).

II. WHAT DOES IT COST TO LIVE IN TODAY'S ECONOMY?

THE HOUSEHOLD SURVIVAL BUDGET

The Household Survival Budget reflects the bare minimum cost to live and work in the modern economy. In 2016, the average Household Survival Budget for Iowans was $56,772 for a four-person family and $19,560 for a single adult (Figure 10). These costs continue to outpace the rate of inflation. The hourly wage necessary to support a family budget is $28.39 for one parent working 40 hours per week, 50 weeks per year (or $14.20 per hour each, if two parents work), and $9.78 per hour, full time, for a single adult (Figure 10).

Figure 10.
Household Survival Budget, Iowa Average, 2016

Household Survival Budget, Iowa Average, 2016			Percent Change 2010-2016	
	SINGLE ADULT	2 ADULTS, 1 INFANT, 1 PRESCHOOLER	SINGLE ADULT	2 ADULTS, 1 INFANT, 1 PRESCHOOLER
Monthly Costs				
Housing	$455	$659	10%	13%
Child Care	$-	$1,031	N/A	46%
Food	$158	$525	0%	10%
Transportation	$349	$697	16%	15%
Health Care	$214	$800	89%	76%
Technology*	$55	$75	N/A	N/A
Miscellaneous	$148	$430	26%	41%
Taxes	$251	$514	34%	130%
Monthly Total	$1,630	$4,731	26%	41%
ANNUAL TOTAL	$19,560	$56,772	26%	41%
Hourly Wage*	*$9.78*	*$28.39*	*26%*	*41%*

**New to budget in 2016*

***Full-time wage required to support this budget*

Source: U.S. Department of Housing and Urban Development, 2016; U.S. Department of Agriculture, 2016; Bureau of Labor Statistics, 2016; Internal Revenue Service; Tax Foundation; and Iowa Child Care Resources & Referral, 2016. For the Methodology Overview and additional data, visit our website: UnitedWayALICE.org

The cost of household basics in the Household Survival Budget — housing, child care, food, transportation, health care, technology, and taxes — increased by 26 percent for a single adult and 41 percent for a family of four in Iowa from 2010 to 2016. In comparison, the national rate of inflation was 9 percent. At the same time, median earnings increased by only 17 percent in Iowa and 11 percent nationwide, putting greater strain on households. The rise in the Household Survival Budget in Iowa was driven primarily by the addition of a smartphone and substantial increases in the cost of both health care and child care (Bureau of Labor Statistics, 2018).

SURVIVAL BUDGET COMPONENTS

Housing: The housing budget uses the U.S. Department of Housing and Urban Development's (HUD) Fair Market Rent for an efficiency apartment for a single adult and a two-bedroom apartment for a family. The cost includes utilities but not telephone service, and it does not include a security deposit.

Child Care: The child care budget represents the cost of registered, home-based child care for an infant and a 4-year-old. Home-based child care sites may or may not be registered, based on state laws, so the quality of care that they provide is not fully regulated and may vary widely between locations. Licensed and accredited child care centers, which are fully regulated to meet standards of quality care, are significantly more expensive.

Food: The food budget is based on the U.S. Department of Agriculture's (USDA) Thrifty Food Plan, which is also the basis for Supplemental Nutrition Assistance Program (SNAP) and Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) benefits.

Like the original Economy Food Plan, the Thrifty Food Plan was designed to meet the nutritional requirements of a healthy diet, but it includes foods that need a lot of home preparation time with little waste, plus skill in both buying and preparing food. The cost of the Thrifty Food Plan takes into account broad regional variation across the country but not localized variation, which can be even greater, especially for fruits and vegetables (Hanson, 2008; Leibtag & Kumcu, 2011).

Transportation: The transportation budget is calculated using average annual expenditures for transportation by car and by public transportation from the Bureau of Labor Statistics' Consumer Expenditure Survey (CES). Since the CES is reported by metropolitan statistical areas and regions, counties are matched with the most local level possible.

Health Care: The health care budget includes nominal out-of-pocket health care spending, medical services, prescription drugs, and medical supplies using the average annual health expenditure reported in the CES, plus a penalty for not purchasing insurance as mandated by the Affordable Care Act. Because ALICE households do not qualify for Medicaid and yet cannot afford even the Bronze (lowest-cost) Marketplace premiums and deductibles, the budget uses the cost of the "shared responsibility payment" — the penalty for not having coverage, which was required in 2016. That year, the penalty was $695 annually for a single adult and $2,085 for a family of four.

Technology: Because cell phones have become essential to work in the U.S., the cost of a smartphone is added to the Household Survival Budget for each adult in the household. The cost is based on the cheapest available as reported by Consumer Reports. While there are government subsidies for low-income residents, the income eligibility threshold (135 percent of the FPL) is significantly less than the ALICE Threshold, so these subsidies are excluded.

Miscellaneous: The miscellaneous category includes 10 percent of the budget total (including taxes) to cover cost overruns. This can be used for additional essentials, such as toiletries, diapers, cleaning supplies, or work clothes.

Taxes: The tax budget includes both federal and state income taxes where applicable, as well as Social Security and Medicare taxes. These rates include standard federal and state deductions and exemptions, as well as the federal Child Tax Credit and the Child and Dependent Care Credit as defined in the Internal Revenue Service's *Form 1040: Individual Income Tax, Forms and Instructions*. They also include state tax deductions and exemptions such as the Personal Tax Credit and renter's credit as defined in each state Department of Revenue's *Form 1040*. In most cases, ALICE households do not qualify for the Earned Income Tax Credit.

Across the country, the cost of basic necessities has risen faster than the cost of the wider range of goods included in the Consumer Price Index over the last 30 years. While steady increases are difficult for ALICE families, volatility presents another set of challenges, especially for budgeting. Of all expenses, food and energy costs have been the most volatile (Bureau of Labor Statistics, 2014a; Church, 2015; Church & Stewart, 2013).

The Household Survival Budget varies across Iowa's counties. In 2016, the basic essentials were least expensive for a family of four in several rural counties at $45,708, and for a single adult in Audubon, Fremont, and Ringgold counties at $19,260. They were most expensive for a family of four in Mills County at $65,160, and for a single adult in Dallas, Guthrie, Madison, Polk, and Warren counties at $21,696. A Household Survival Budget for each county in Iowa is presented in the County Pages, available on our website: UnitedWayALICE.org.

COST OF LIVING FOR SENIORS

With the U.S. population aging, it is particularly important to understand the financial challenges that seniors face. As people age, health issues increase, along with associated costs of care. Even with Social Security and Medicare, many seniors struggle financially. As Figure 11 illustrates, Social Security provides, on average, sufficient funds for seniors to live above the FPL. In fact, according to a study by the Pew Charitable Trusts, without Social Security, the poverty rate among seniors in the U.S. would have been more than 50 percent in 2014 — more than triple the actual rate of 15 percent. Yet Social Security is not enough to cover a basic household budget, and the gap between benefits and expenses is getting wider. The purchasing power of Social Security payments dropped by 30 percent from 2000 to 2015, according to a study by the nonpartisan Senior Citizens League (Grovum, 2014; Johnson, 2017).

While Medicare provides crucial health care coverage and many seniors would be far worse off without it, the benefit does not cover all health care. It notably omits most dental and foot care, eye exams and glasses, home health aides, and most health care equipment. Nor does it cover short-term custodial care or long-term care (Centers for Medicare & Medicaid Services, 2016a; Centers for Medicare & Medicaid Services, 2018; Foster A. C., 2016).

The Household Survival Budget does not take into account different spending patterns for some seniors; its costs for housing, food, and transportation are on target for seniors who are healthy and working. However, many seniors face additional health-care-related expenses, including in-home health care, residential assisted living care, and residential nursing care. These are compared in Figure 11.

The Elder Economic Security Standard™ Index (the Elder Index), a budget tool from the Gerontology Institute at the University of Massachusetts Boston and the National Council on Aging, includes additional expenses that older people often incur, primarily in health care. The Elder Index is a measure of how much money seniors require in order to meet basic needs and age in place with dignity. As a basic budget, it does not include the cost of auto or home repairs, housekeeping services such as cooking or cleaning, home health-aide services for personal care such as bathing and dressing, or adult day health care. Yet even at this basic level, for a senior renter in 2016 in Iowa, the budget needed according to the Index is still 115 percent higher than the Household Survival Budget (Genworth, 2016; National Council on Aging, 2017).

As more health care is required, basic budget costs for seniors increase:

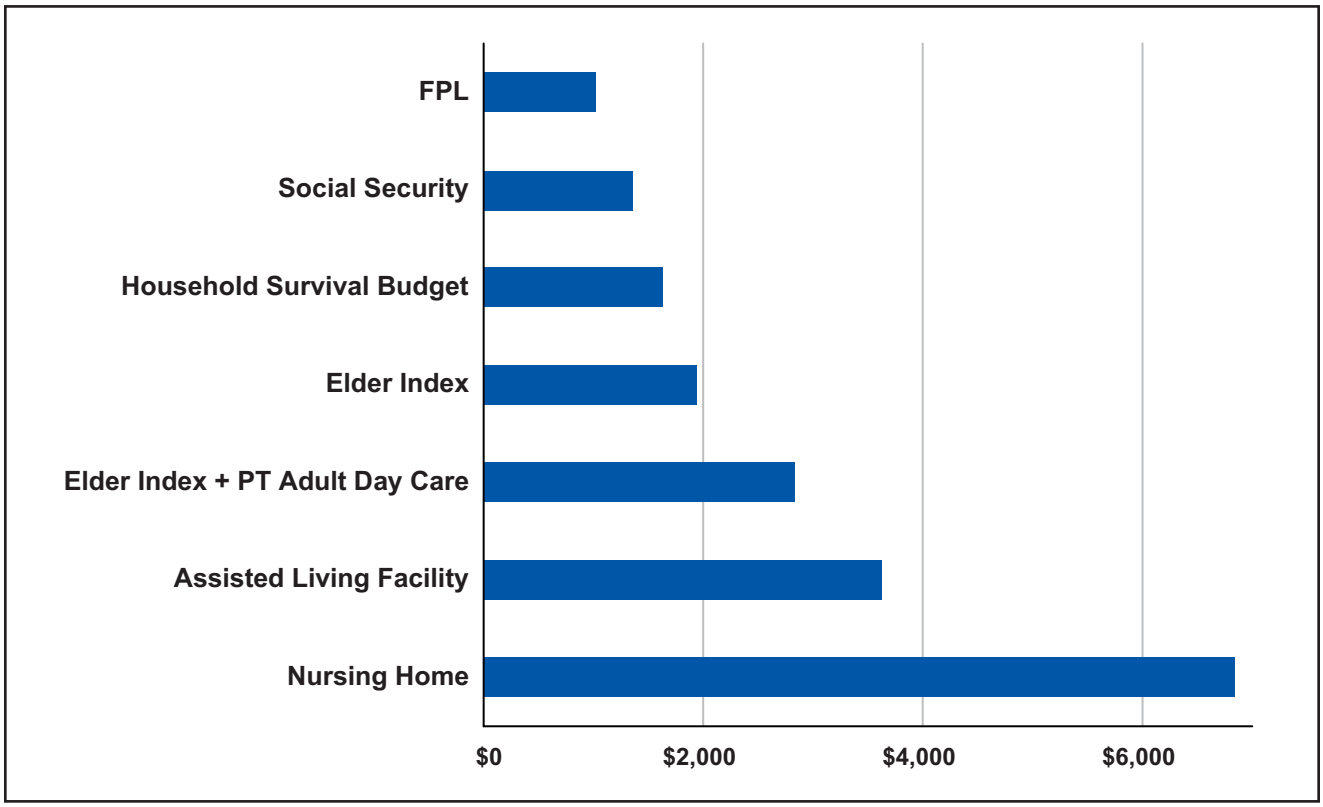
Adult day care: Adding three days per week of adult day care to the Elder Index budget increases the budget by 45 percent, an additional expense almost as large as a mortgage. If a senior is injured, Medicare covers skilled nursing care that is needed to recover — 100 percent of the cost for the first 20 days and 80 percent for up to the 100-day mark — but it does not cover care for a longer-term condition (Genworth, 2016).

Assisted living: The cost of assisted living arrangements adds even more expense — and the number of seniors needing these arrangements is increasing rapidly, in part due to higher rates of debilitating chronic conditions such as diabetes, cancer, high cholesterol, and high blood pressure. The national median monthly rate for an assisted living facility with personal care and health services was $3,628 ($43,536 annually) in 2016

— 123 percent higher than the Household Survival Budget and 86 percent higher than the Elder Index budget. A nursing home with 24-hour, on-site nursing care is even more expensive, at $6,844 ($82,128 annually) for a semi-private room — 320 percent higher than the Household Survival Budget and 250 percent higher than the Elder Index budget.

Nursing home care: Medicare covers the cost of medically necessary care during short-term stays in a nursing facility, but does not cover custodial care (such as help with bathing and dressing) or long-term care (Genworth, 2016). Medicaid pays for an estimated half of total nursing home costs in the U.S. annually and is the largest payer of nursing home care. Yet it has strict eligibility guidelines: 100 percent of costs are covered only for those who make less than $26,460 annually and have financial resources of less than $2,000, though requirements vary depending on age, marital status, veteran status, and state of residence (Bradley, 2017; Genworth, 2016).

Figure 11.
Comparison of Senior Budgets for a Single Adult, Iowa, 2016



Source: ALICE Household Survival Budget, 2016; Genworth, 2016; Mutchler, Li, & Xu, 2016; Social Security Administration, 2017; U.S. Department of Health and Human Services, 2016

HOW DOES THE SURVIVAL BUDGET COMPARE?

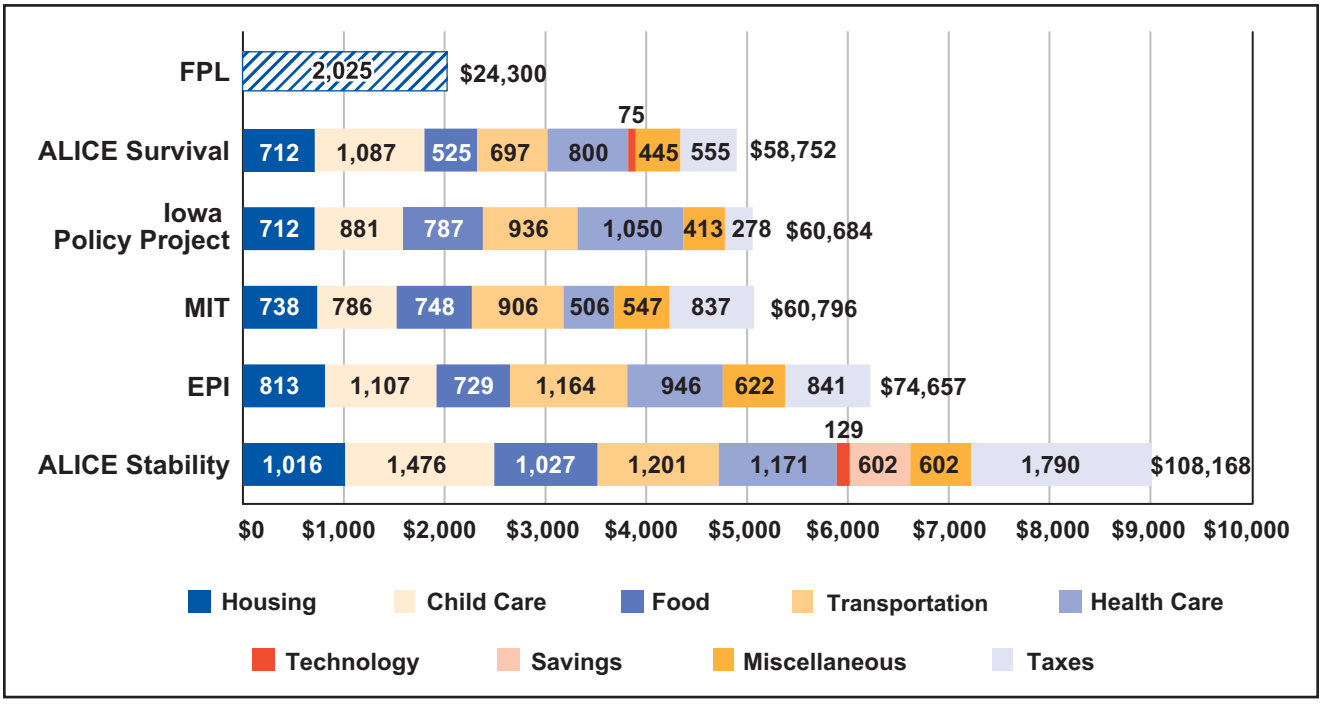
The Household Survival Budget measures the bare-minimum costs for a household to live and work in the modern economy, calculated for actual household expenditures. Here it is compared to less modest budgets created by other organizations, which use different sets of measures. The Iowa Policy Project (IPP) provides a very frugal living standard to survive rather than thrive. The Massachusetts Institute of Technology (MIT) Living Wage Calculator measures the minimum employment earnings necessary to meet a family's basic needs while also maintaining self-sufficiency. The Economic Policy Institute's (EPI) Family Budget Calculator measures the cost to provide a reasonably secure yet modest standard of living.

In addition, this report presents another budget, the Household Stability Budget, which provides for stability over time, a reasonable quality of life, and a measure of future financial security. It is the most expensive of the budgets because it estimates what it costs to support and sustain a secure and economically viable household — and it highlights how far short of that level an ALICE family's earnings fall. The average Iowa Household Stability Budget for a family of four is moderate in what it includes, yet it still totals $138,876 per year — more than double the Household Survival Budget of $56,772 and the Iowa median family income of $56,247 per year. To afford the Household Stability Budget for a two-parent family, each parent must earn $34.72 per hour or one parent must earn $69.44 per hour.

The Household Stability Budget for a single adult totals $43,572 per year, 123 percent higher than the single-adult Household Survival Budget, and higher than the Iowa median earnings for a single adult of $35,207. To afford the Household Stability Budget, a single adult must earn $21.79 per hour. The Stability Budget for various household types is available at UnitedWayALICE.org/Iowa.

Comparing these four budgets and the FPL for Scott County, Iowa helps put these different tools in perspective (Figure 12).

Figure 12.
Comparison of Household Budgets (Family of Four), Scott County, Iowa, 2016



Source: American Community Survey, 2016; ALICE Household Survival Budget, 2016; MIT, 2016; Economic Policy Institute, 2018; Fisher, 2016

Using the example of Scott County, the FPL provides the lowest measure — $24,300 per year for a family of four (U.S. Government Accountability Office, 2015). After the FPL, the Household Survival Budget has the lowest costs. The IPP and MIT budgets are each 3 percent higher than the Household Survival Budget (both using 2015 prices); the EPI budget is 27 percent higher (in 2017 costs). The Household Stability Budget is the most expensive, at 84 percent higher than the Household Survival Budget. A detailed comparison of the budgets is outlined below (Economic Policy Institute, 2015; Fisher, 2016; Glasmeier A. K., 2018) (Figure 13).

The budgets all use similar calculations for taxes, but as each total budget increases, the income needed to cover the expenses also increases, and higher income results in a larger tax bill. IPP calculates their taxes separately; they have been added to the budget here for the sake of comparison (Fisher, 2016; Glasmeier & Nadeau, 2017; Gould, Cooke, Kimball, & Davis, 2015; U.S. Department of Health and Human Services, 2016a).

Figure 13.
Comparison of Household Budgets by Category, Iowa, 2016

	Household Survival Budget	IPP Cost of Living Budget	MIT Living Wage Calculator	EPI Family Budget Calculator	Household Stability Budget
Objective	Calculate the bare minimum needed to live and work in the modern economy	Provide a very frugal living standard to survive rather than thrive	Meet a family's basic needs while also maintaining self-sufficiency	Provide a reasonably secure yet modest standard of living	Support and sustain a secure and economically viable household
Housing	HUD's 40th rent percentile for a two-bedroom apartment (which includes all utilities whether paid by landlord/owner or by renter)	HUD's 40th rent percentile for a two-bedroom apartment	HUD's 40th rent percentile for a two-bedroom apartment, plus additional utilities above HUD's estimate	HUD's 40th rent percentile for a two-bedroom apartment, plus additional utilities above HUD's estimate	Median rent for single adults and single parents, and a moderate house with a mortgage for a two-parent family
Child Care	Home-based child care for an infant and a preschooler	Home-based care for a 2-year-old and a 4-year-old, whose care is generally less costly than infant care	Lowest-cost child care option available (usually home-based care) for a 4-year-old and a school-age child, whose care is generally less costly than infant care	Lowest-cost child care option available (center care in metro area or family care in non-metro area) for a 4-year-old; after-school and summer care for an 8-year-old; all generally less costly than infant care	Licensed and accredited center for an infant and a preschooler
Food	USDA's Thrifty Food Plan for a family of four	USDA's Low-Cost Food Plan for a family of four	USDA's Low-Cost Food Plan for a family of four	USDA's Low-Cost Food Plan national average for a family of four, adjusted for county-level variation	USDA's Moderate Food Plan plus one meal out per month
Transportation	Operating costs for a car, or public transportation where available	Operating costs for a car	Operating costs for a car, vehicle expenses and financing, and public transportation	Operating costs for a car based on county-level data	Operating costs for a car, plus cost for leasing one car
Health Care	Out-of-pocket health care expenses plus the ACA penalty	Lowest of average employee share of premiums for employer-sponsored insurance in Iowa, or the premium for the lowest-cost Silver plan available on the Exchange plus out-of-pocket health care expenses	Employer-sponsored health insurance, medical services and supplies, and prescription drugs	ACA's least expensive plan, plus out-of-pocket health care costs	Employer-sponsored health insurance, plus out-of-pocket health care costs
Technology	Lowest-cost plan for smartphone for each adult in household	None	None	Included in Miscellaneous	Cost of smartphone for each adult in family and basic home internet service
Miscellaneous	Cost overruns, estimated at 10 percent of budget	Clothing, telephone service, and basic household maintenance items	Includes essential clothing and household expenses	"Other Necessities" includes apparel, entertainment, personal care expenses, household supplies, telephone services, and school supplies	Cost overruns contingency as well as savings; each is 10 percent of budget
Savings	None	None	None	None	To ensure stability over time, monthly savings set at 10 percent of budget
Latest year data available	2016	2015	2015	2017	2016

Source: Economic Policy Institute, March 2018; Glasmeier & Nadeau, 2017; Fisher, 2016); and the ALICE Methodology Overview, 2018, available at UnitedWayALICE.org

III. ALICE IN THE WORKFORCE

Today, ALICE workers primarily hold jobs in occupations that build and repair our infrastructure and educate and care for the workforce. This range of jobs is broader than the service sector, and it ensures that the economy runs smoothly. These workers were aptly described as "maintainers" by technology scholars Lee Vinsel and Andrew Russel in 2016. Yet despite ALICE workers' importance to the economy, improvements in employment and productivity still have not enabled many of them to earn enough to afford a basic household budget (Frey & Osborne, September 2013; Vinsel & Russell, 2016).

ALICE workers across the U.S. are still struggling for several reasons:

- **The structure of the new economy** has shifted more risk and fewer gains to workers and added more technological disruption.
- **The persistence of low wages** and increasingly unstable work schedules make it harder to earn a viable annual income.
- **Barriers to finding stable employment** can be rooted in discrimination, such as by sex, sexual orientation, gender identity, and race/ethnicity, and job opportunities can also be limited by education level, immigration status, and the location and size of businesses.

THE NEW ECONOMY: NATIONAL TRENDS

While discussion of the economy today often focuses on novel jobs (such as Uber drivers) and automation, there are some larger, underlying national trends that are reshaping the financial landscape for families as well as businesses. These include the shift of risk from employers to workers, technological disruption of processes and services, and the increasing importance of short-term productivity gains.

Workers at Risk

In 2016, as the economy approached full employment (defined as less than 5 percent unemployment) in many Iowa counties, ALICE workers were more likely to be employed, but their income still lagged behind the cost of living in most areas. In some cases, the problem is simply low wages. But there is also the challenge of finding full-time, continuous work.

Over the last decade there has been a shift away from traditional full-time, full-benefit jobs. In 2017, up to one-third of the workforce nationally was working as a consultant or contingent worker, temp, freelancer, or contractor within the so-called gig economy. As a result, more and more workers are experiencing gaps in employment and less regular schedules, and going without retirement plans, health insurance, and worker safety protections. Many gig-economy workers struggle to pay ongoing monthly expenses or to qualify for loans or other financial products that require regular income. In addition, they are significantly more likely to report economic anxiety than regular full-time workers (Abraham, Haltiwanger, Sandusky, & Spletzer, 2016; Edison Research, 2018; Freelancers Union & Elance-oDesk, 2016; Gaggl & Eden, 2015; U.S. Government Accountability Office, 2015).

Declining unemployment rates also do not reflect the larger number of people outside the traditional labor force (defined as people aged 16 to 64). There are significant numbers of potential workers who are currently not participating in the workforce: After rising for more than three decades, the overall U.S. labor-force participation rate peaked in early 2000 at 67 percent, and subsequently trended down to 63 percent in 2016. There are

workers who are underemployed (working fewer hours than they want, either in the traditional or gig economy), and those who have accepted a lower income than they had in the past (Hipple, 2015; Bureau of Labor Statistics, 2016; Bureau of Labor Statistics, 2016).

In addition, workers older than 65 years are a huge labor reserve, as many want — or need — to work beyond the traditional retirement age of 65. The average retirement age rose from 62 in the mid-1990s to 64 in 2015 for men, and from 60 to 62 for women. The proportion of the population 65 years old and over in the labor force increased from 12 percent in 1990 to 18 percent in 2016. The increase in working senior women was one of the main drivers of this trend (Desliver, 2016; Kromer & Howard, 2013; Munnell, 2011; Munnell, 2015).

Automation

The automation of many jobs has improved safety, reducing the risk of injury for workers such as coal miners, and increasing quality control in services such as pharmaceutical dispensing. The regularity of these processes reduces room for human error and will continue to improve public safety through real-time monitoring and reaction in occupations such as long-distance driving and emergency response (FERSI.org, 2018; McKinsey Global Institute, 2017).

Many are predicting the demise of ALICE workers' maintainer jobs due to automation; recent research and media coverage often focus on innovations that automate jobs, such as self-checkout lines at the grocery store. Yet jobs that repair the physical infrastructure and care for the workforce are actually predicted to grow faster than all other types of occupations in the coming decades. And many innovations, like online customer service, have created new maintainer jobs rather than replacing them with automation. It is more realistic to acknowledge that ALICE workers' maintainer jobs, in one form or another, are here to stay (Frey & Osborne, September 2013; Vinsel & Russell, 2016).

Productivity

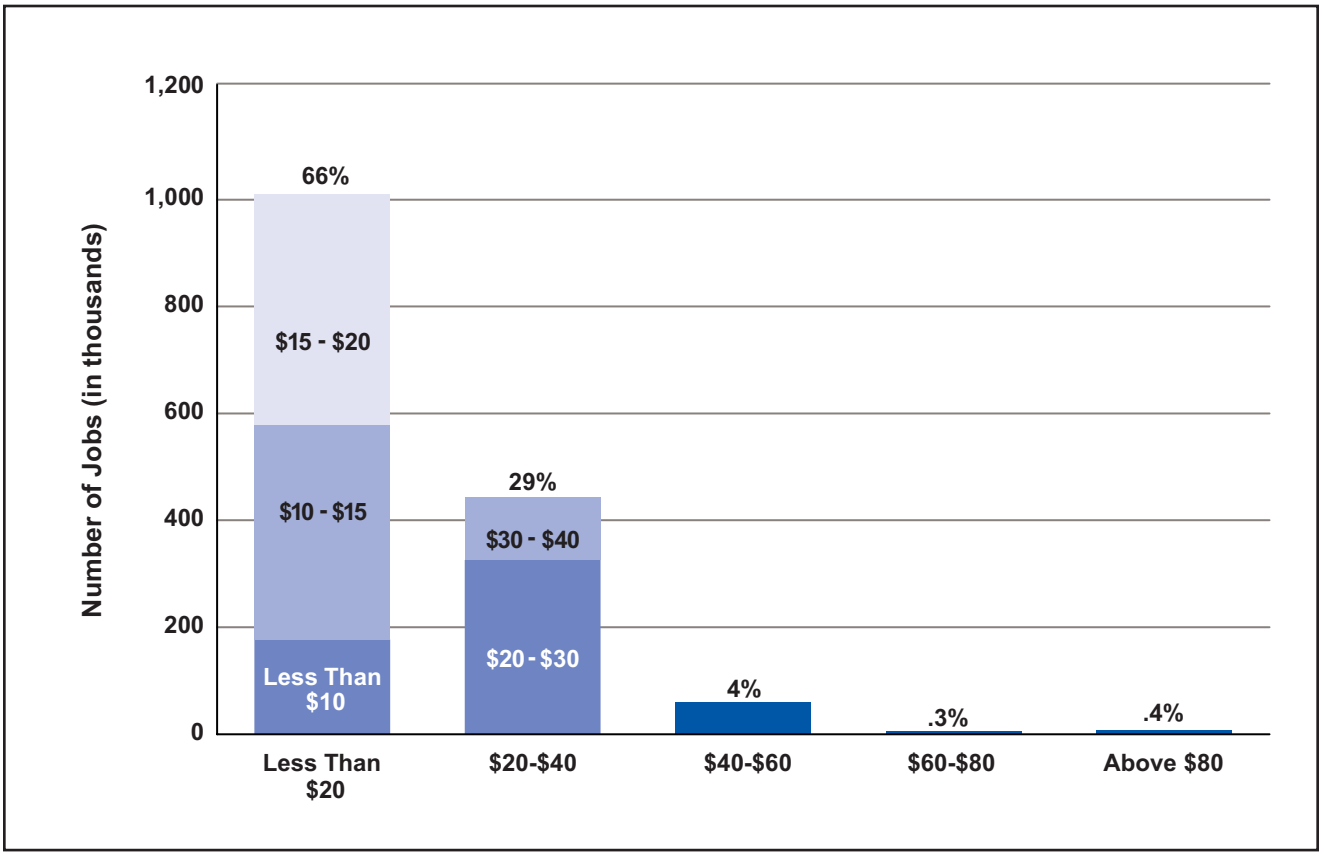
Gains in productivity have traditionally been shared across the economy with workers, management, and even communities. In the last few decades, there has been a shift away from this shared prosperity. Compensation for most workers, especially in maintainer jobs, has not increased with the cost of living, even in cases where there have been significant gains in productivity. Instead of sharing gains in productivity with employees, companies have chosen to spend more on capital, and more recently on profits and dividends to increase stock prices. Since most corporate leaders' compensation is directly linked to stock prices, they have benefited hugely from this practice; the compensation of top U.S. executives has doubled or tripled since the first half of the 1990s, while workers' wages have remained flat. Investment in capital can have long-term benefits, but the shift in strategy to focus on short-term stock prices reduces prosperity — for wages and stock prices alike — in the long term (Economic Policy Institute, 2017; Lazonick, 2014; Sprague & Giandrea, 2017).

THE IOWA ECONOMY: LOW WAGES

Low-wage jobs continue to dominate the Iowa economy. The continued decline in the share of income going to workers, and the fact that medium-wage jobs have not returned, make it more challenging for workers to find jobs with wages that can support even a basic household budget.

With 1.5 million total jobs in Iowa recorded by the Bureau of Labor Statistics in 2016, the job market has shown improvement since 2010, increasing by approximately 7 percent. Yet **66 percent of Iowa's jobs pay less than $20 per hour, with 57 percent of those paying less than $15 per hour** (Figure 14). A full-time job that pays $15 per hour grosses $30,000 per year, which is just over half of the Household Survival Budget for a family of four in Iowa (Bureau of Labor Statistics, 2010 and 2016).

Figure 14.
Number of Jobs by Hourly Wage, Iowa, 2016



Source: Bureau of Labor Statistics, Occupational Employment Statistics (OES) Wage Survey – All Industries Combined, 2016

The top 20 occupations in Iowa in terms of total employment are predominantly maintainer jobs, which are more likely to pay low wages. Of these top 20 occupations, only one — general and operations manager — paid enough in 2016 to support the family Household Survival Budget, a minimum of $28.39 per hour (Figure 15).

The most common occupation in Iowa, retail sales, pays a wage that is well below what is needed to make ends meet. The state's more than 44,500 retail salespeople make an average of $10.46 per hour, or $20,920 if working full time, year-round. These jobs fall short of meeting the family Household Survival Budget by more than $35,000 per year. Even if both parents in a two-parent family worked full time at this wage, they would fall short of the Household Survival Budget by more than $15,000 per year.

The changing economic landscape is also apparent in the decrease in the number of many traditional jobs such as cashiers, bookkeepers, and administrative assistants. Though new jobs have not replaced them in the same numbers, growth is coming from a wide range of jobs, from medical technicians to wind energy installation. There has also been growth in median hourly wages, with wages in most occupations growing faster than the rate of inflation, but none growing nearly as fast as the increase in the cost of the Household Survival Budget (Bureau of Labor Statistics, 2010 and 2016; Iowa Workforce Development, 2017).

Figure 15.
Top 20 Occupations by Employment and Wage, Iowa, 2016

	2016		Percent Change 2010-2016	
OCCUPATION	NUMBER OF JOBS	MEDIAN HOURLY WAGE	NUMBER OF JOBS	MEDIAN HOURLY WAGE
Retail Salespersons	44,500	$10.46	-3%	10%
Cashiers	42,200	$9.22	-2%	8%
Food Prep, Including Fast Food	40,890	$8.91	15%	6%
Heavy and Tractor-Trailer Truck Drivers	37,620	$19.11	13%	15%
Registered Nurses	32,370	$26.59	1%	10%
Office Clerks	29,880	$15.23	-4%	17%
Customer Service Representatives	29,170	$15.61	15%	18%
Laborers and Movers, Hand	29,100	$13.46	28%	14%
General and Operations Managers	25,900	$36.46	110%	-9%
Waiters and Waitresses	24,180	$8.99	-1%	7%
Janitors and Cleaners	23,870	$11.79	0%	12%
Nursing Assistants	21,460	$12.70	0%	13%
Secretaries and Administrative Assistants	20,130	$15.34	-2%	16%
Bookkeeping and Auditing Clerks	19,630	$16.47	-7%	14%
Team Assemblers	19,480	$15.29	2%	7%
Stock Clerks and Order Fillers	19,140	$11.84	0%	19%
Teacher Assistants	19,030	$12.22	10%	19%
Elementary School Teachers	17,190	$26.29	-11%	22%
Personal Care Aides	16,230	$11.11	299%	13%
Sales Representatives, Wholesale and Manufacturing	15,830	$26.96	-2%	18%

Source: Bureau of Labor Statistics, Occupational Employment Statistics (OES) Wage Survey — All Industries Combined, 2010 and 2016

THE IOWA ECONOMY: JOB OPPORTUNITIES

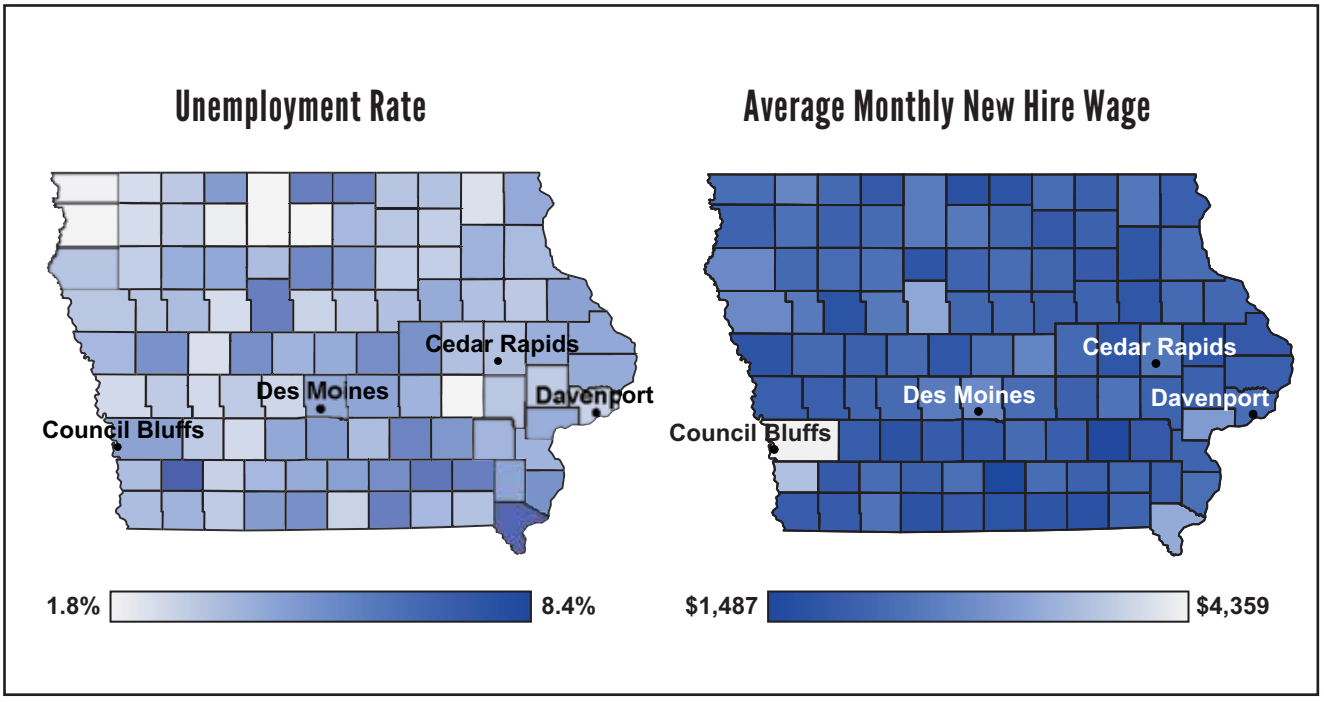
Technology is often said to be at the root of the split between "high-skill, high-wage" and "low-skill, low-wage" jobs. Yet there are other factors that better explain job inequality in Iowa, including job location, company size, and barriers to opportunity by education, sex, sexual orientation, gender identity, or race/ethnicity (Schmitt, Shierholz, & Mishel, 2013).

Job Location

Location often determines the availability of jobs and wages. Across Iowa, there is wide variation in both wages and unemployment rates.

In 2016, the unemployment rate in Iowa was 3.9 percent, compared to the U.S. rate of 5.8 percent. But within Iowa there is wide variation by county, with unemployment ranging from 1.8 percent in Hancock, Iowa, and Sioux counties to 8.4 percent in Montgomery County. Rates also vary by region across the state (Figure 16).

Figure 16.
Unemployment Rate and Average New Hire Wage by County, Iowa, 2016



Source: American Community Survey, 2016; Bureau of Labor Statistics, Occupational Employment Survey, 2016

Location also impacts wages, with the average monthly wage for a newly-hired employee ranging from $1,487 in Lucas County to $4,359 in Pottawattamie County (Council Bluffs) (Figure 16). Wages and employment rates are often inversely correlated: Workers in the areas around Council Bluffs, Des Moines, and Davenport, where unemployment rates are low, tend to earn more, while those in rural areas with higher rates of unemployment have lower wages. In addition, wages are affected by an employer's firm size, as discussed below.

Barriers to Opportunity by Education, Sex, Sexual Orientation, Gender Identity, and Race/Ethnicity

Beginning in the 1970s, income disparities began to widen across the country. The average income for the top 0.01 percent of households grew 322 percent, to $6.7 million, between 1980 and 2015, whereas the average income of the bottom 90 percent increased only 0.03 percent. By 2015, half of all U.S. income went to the top 10 percent of earners. Though there have been some recent improvements in median wages, the most striking trend is that disparities continue to grow not only between income groups, but also within them, divided by knowledge and education, sex, sexual orientation, gender identity, and race/ethnicity. This is true both nationally and in Iowa (Gilson & Rios, 2016; Gould, 2016; Saez, 2017; Stone, Trisi, Sherman, & Horton, 2017).

Education: As the complexity of a job (and the knowledge required) rises, average hourly pay also rises. Nationally, the average hourly wage for workers in lower-skilled jobs such as cashiers or stock clerks is $9.16 ($9.22 in Iowa). Wages steadily rise with each skill level, reaching $20.14 for bookkeeping clerks and customer service representatives ($15.61 in Iowa), $37.44 for registered nurses ($26.59 in Iowa), and $74.80 per hour for architects and engineers ($35.25 in Iowa). Access to medical and retirement benefits, paid sick leave, paid vacation, and holidays also rises significantly in jobs with higher wages (Monaco, 2017). These differences have increased over time: Real wages for those without a college degree dropped from 2007 to 2013, started to improve in 2014, but have not yet rebounded to their pre-2007 levels (Gould, 2016; U.S. Census Bureau, 2016).

In terms of K–12 education, the evidence is clear on the importance of needing, at a minimum, a solid high school education to achieve economic success. Iowans with more education earn more: Those with a high school diploma earned an average of $35,000 annually between 2013 and 2015, while those with an associate's degree earned $42,000, and those with a bachelor's degree earned $60,015. Nationally, the difference in lifetime earnings between high school graduates and those who hold a bachelor's degree is estimated to be $830,800. The difference in earnings between high school graduates and those with an associate's degree is estimated at $259,000. And estimates of the difference in the net earnings of a high school graduate versus a high school dropout range from $260,000 to $400,000 (when including income from tax payments, minus the cost of government assistance, institutionalization, and incarceration) (Center for Labor Market Studies, 2009; Daly & Benagli, 2014; Klor de Alva & Schneider, 2013; Tyler & Lofstrom, 2009; Carnevale, Rose, & Cheah, 2011; Future Ready Iowa, 2017).

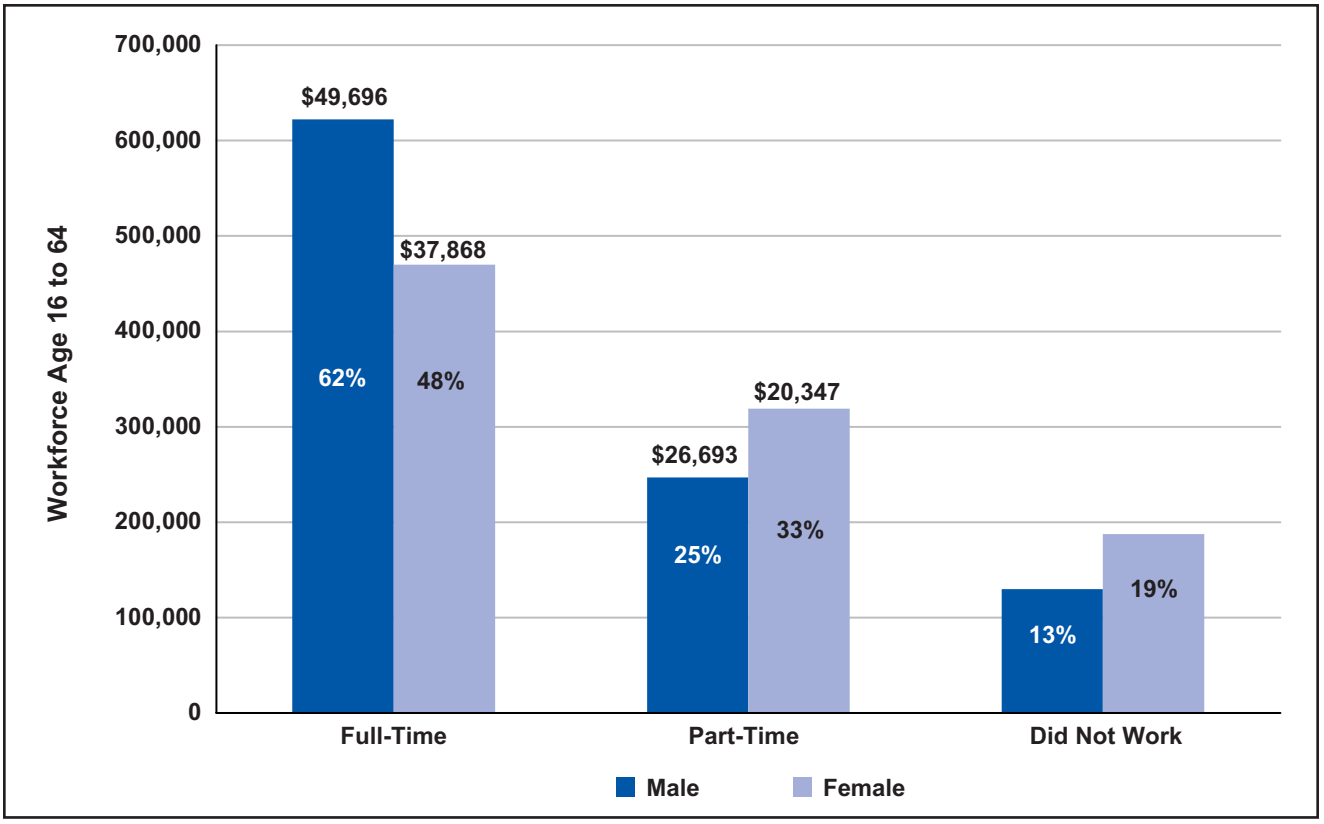
Sex, sexual orientation, and gender identity: In general, women's wages are lower than men's in Iowa (Figure 17); men earn 31 percent more in both full-time and part-time jobs. However, there appears to be some slow but consistent closing of the gender wage gap for all but the highest earners. Nationally from 2000 to 2015, the gender wage gap at the median fell, with median women's wages rising from 78 percent to 83 percent of median male wages. Unfortunately, the primary reason for this narrowing has been falling men's wages. For the bottom 70 percent of male workers, wages have stagnated or declined since 2007 (Gould, 2016; Gould & Davis, 2015).

In contrast, among the college-educated, nationally, men's wages grew more than twice as fast as women's wages between 2000 and 2015. While gender wage gaps narrowed during those years for people without a college degree, they grew among people with an advanced degree (Gould, 2016).

Lack of opportunity can be an even more stubborn barrier than lack of equal pay for equal work. According to PayScale, men and women tend to work at similar job levels, most starting in similar entry-level positions. Over the course of their careers, both men and women move into manager- or supervisor-level roles, and eventually to director- and executive-level roles. But men tend to move into these roles more often and more quickly than women (PayScale.com, 2016).

Since 2010, unemployment rates in Iowa have improved, but underemployment or inconsistent hours remain an issue for many workers. Women are more likely to work part time, at 33 percent, compared to 25 percent of men. Perhaps more important is the percent of those by gender who are out of the workforce — 19 percent of women and 13 percent of men in 2016 (American Community Survey, 2016). Nationally, for women 25 to 54 years old, the most common reason for not working was in-home responsibilities. According to a 2016 survey by the Brookings Institution and The Hamilton Project, the primary reason for women not working was caregiving for a relative or friend (36 percent of respondents); men were far less likely to be caregivers (only 3 percent of respondents) (Hipple, 2015; McCarthy, 2017).

Figure 17.
Full- and Part-Time Employment and Wages for Men and Women, Iowa, 2016

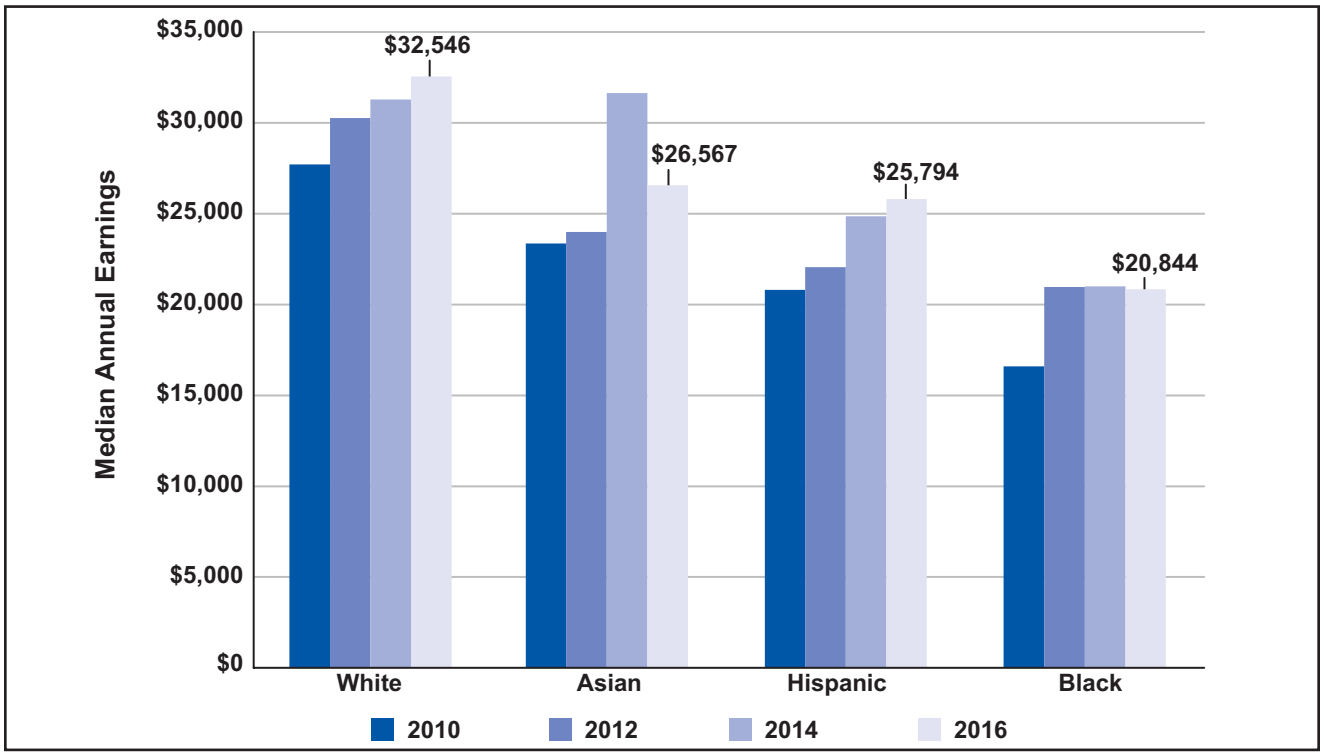


Source: American Community Survey, 2016

Differences in employment and wages are even greater for the more than 4 percent of the U.S. workforce who identify as lesbian, gay, bisexual, or transgender (LGBT). Despite having more education than the general population, these workers are more likely to earn less than their non-LGBT counterparts, and more likely to experience financial hardship as a result, such as poverty and food insecurity (Badgett, Durso, & Schneebaum, 2013; Brown, Romero, & Gates, 2016; Flores, Herman, Gates, & Brown, 2016; The Williams Institute, 2015).

Race and ethnicity: In both earnings and employment, the differences between racial and ethnic groups in Iowa are stark. Since 2010, White workers have had the highest median earnings and they have increased steadily, to $32,546 in 2016. Asian workers have the next-highest earnings, which almost equaled White workers in 2014 but fell slightly below to $26,567 in 2016. Hispanic workers have seen similar increases in median earnings, but since they started from a lower wage, they still lag behind White and Asian workers, reaching $25,794 in 2016. Black workers have the lowest median earnings, and though they increased from 2010 to 2012, they have remained flat since at $20,844 (American Community Survey, 2007, 2010, 2012, 2014 and 2016) (Figure 18).

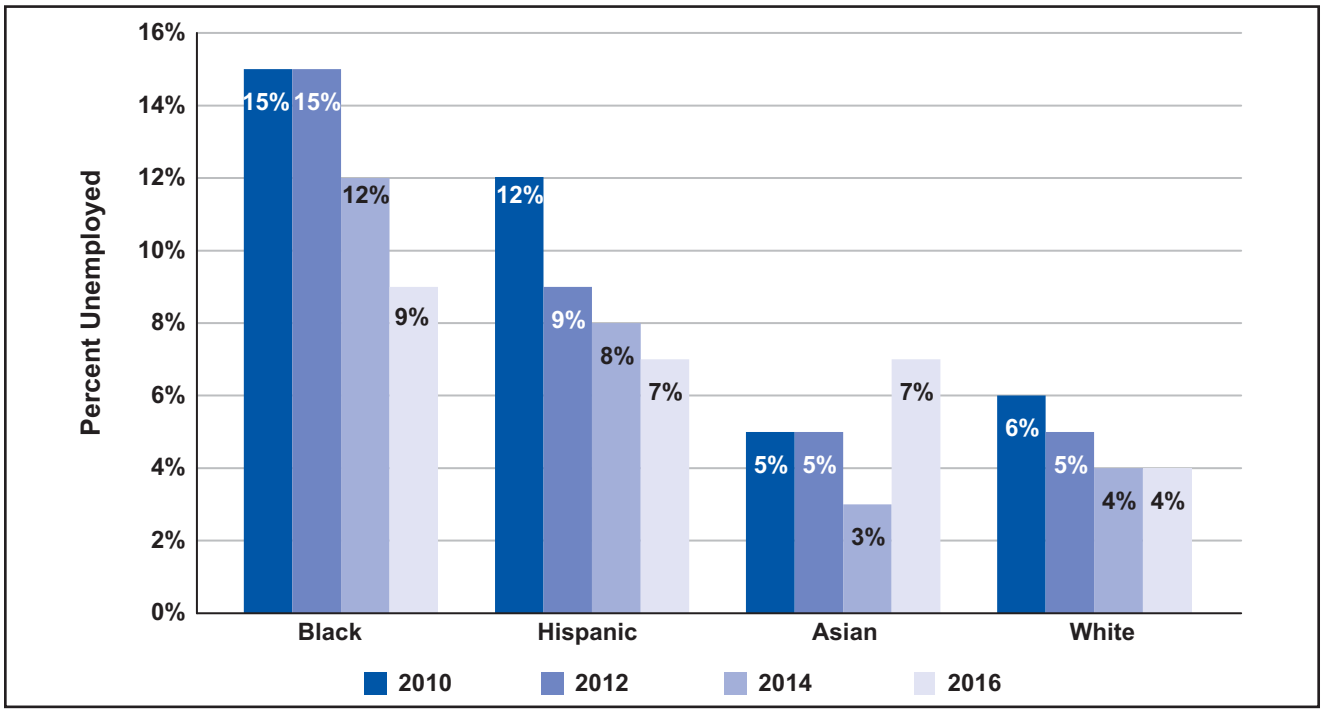
Figure 18.
Median Earnings for White, Asian, Hispanic, and Black Workers, Iowa, 2010 to 2016



Source: American Community Survey, 2010-2016

Black and Hispanic workers in Iowa — both men and women — are also more likely to be unemployed than Asian and White workers (Figure 19). Unemployment has steadily improved for White workers, reaching a low of 4 percent in 2016. Unemployment for Hispanics and Asians was 7 percent in 2016, while Blacks had the highest rate at 9 percent.

Figure 19.
Unemployment Rates for Black, Hispanic, Asian, and White Workers, Iowa, 2010 to 2016



Source: American Community Survey, 2010-2016

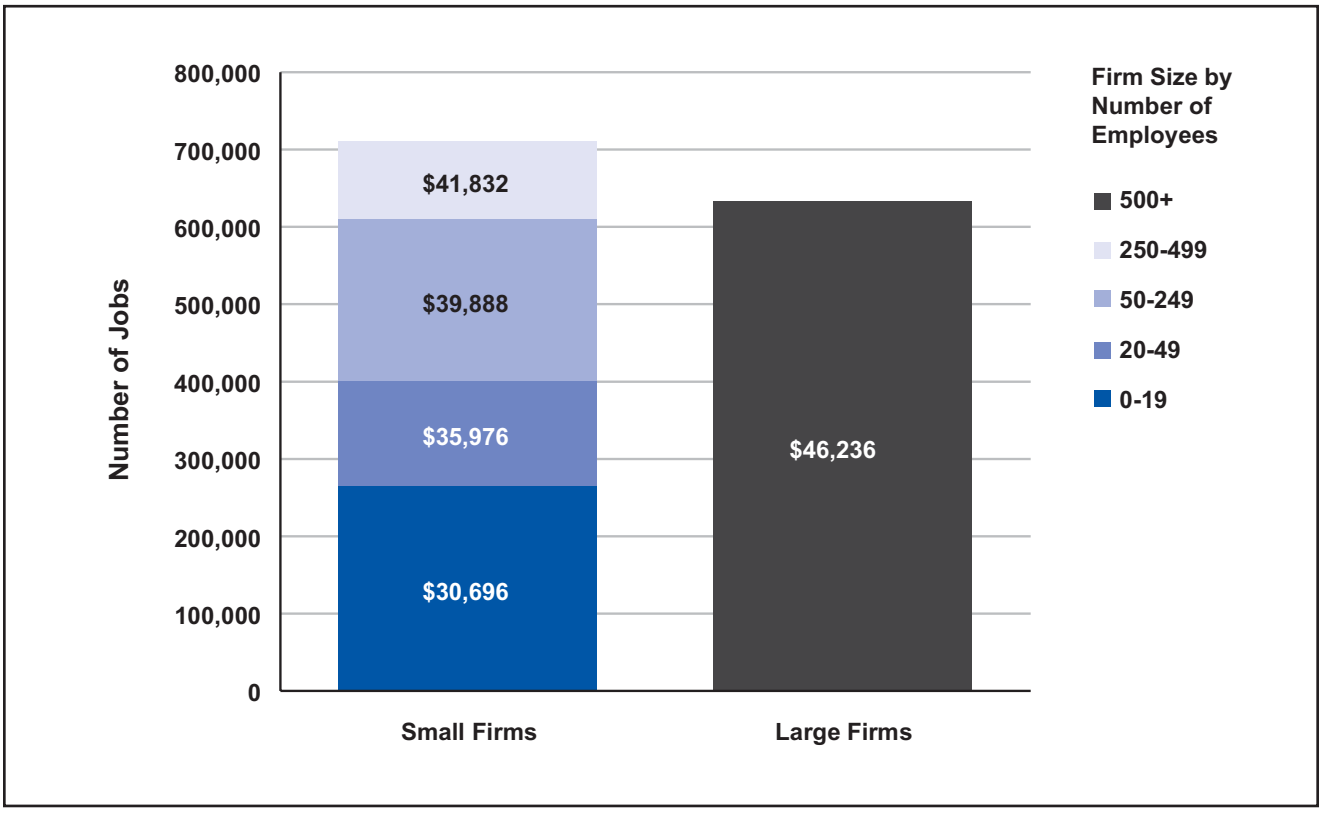
In addition to differences between racial and ethnic groups, there is significant and growing variation within these groups. Most notably, wages for the lowest earning 60 percent of Black workers in the U.S. were still lower in 2015 than in 2000, while wages for Blacks as a whole have increased slightly. For both Asians and Whites, there has been increased variation within each group, primarily due to stronger growth at the top of the income distribution than at the bottom. For Hispanics, wages have increased slightly across all earners, so the gap between higher and lower earners has not widened (Gould, 2016).

Firm Size

One of the key determinants of ALICE workers' wages, benefits, and job stability is the size of their employer. Large companies have greater resources to offer career growth opportunities, continuous employment, and better benefits. Small businesses — defined by the Bureau of Labor Statistics as firms with fewer than 500 workers nationally — have been an important engine for growth in the U.S. economy, driving job creation, innovation, and wealth, and traditionally have grown to become medium or large employers. However, small businesses are more vulnerable to changes in demand, price of materials, and transportation costs, as well as to cyberattacks and natural disasters. As a result, their employees face more instability, reduced wages, and a greater risk of job loss. The past two decades have been particularly tough for small businesses, with entrepreneurial growth in the U.S. largely down from the levels experienced in the 1980s and 1990s (Ewing Marion Kauffman Foundation, 2017; Haltiwanger, Jarmin, Kulick, & Miranda, 2017).

Small firms employed more than half of the private-sector workforce in Iowa in 2016 (Figure 20). The very smallest firms — those with fewer than 20 people — account for the largest share of small-business employment.

Figure 20.
Private-Sector Employment by Firm Size With Average Annual Wage, Iowa, 2016

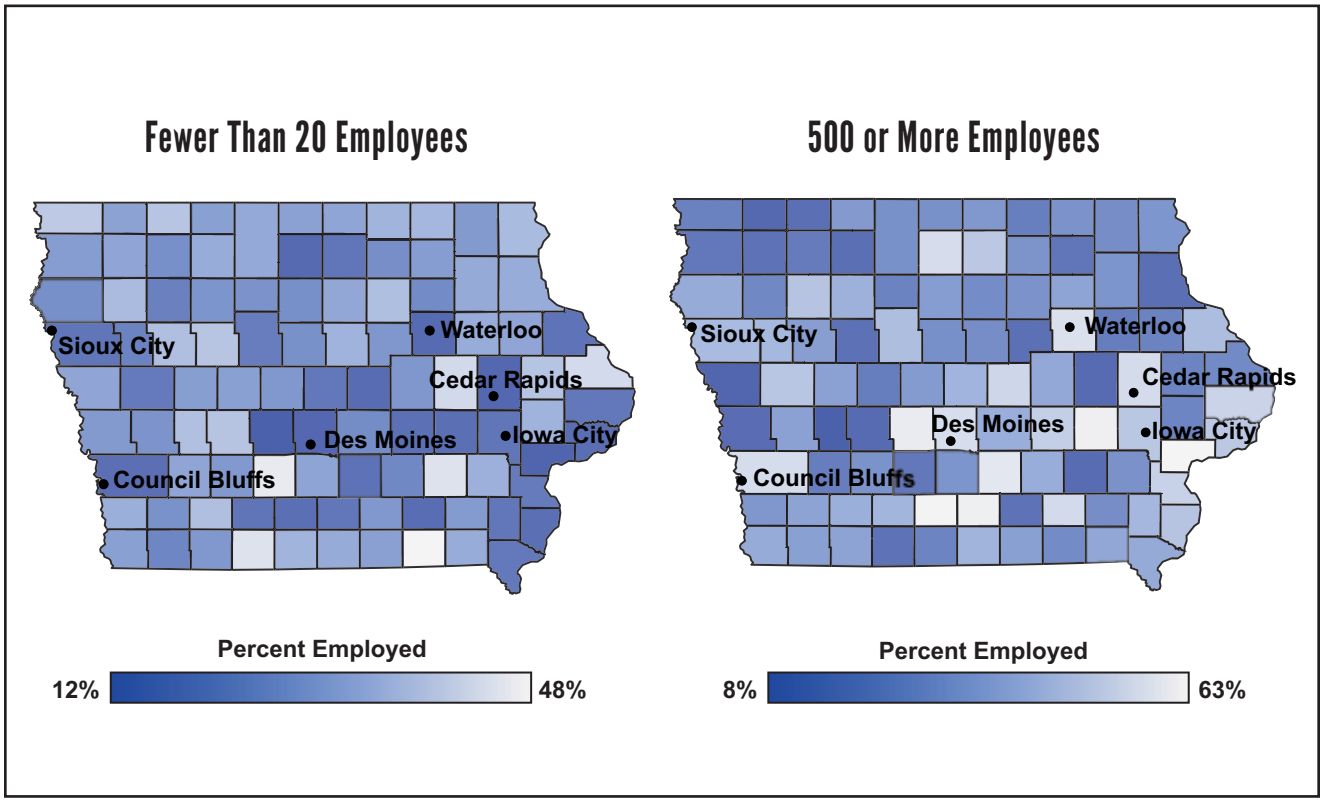


Source: U.S. Census Bureau, Quarterly Workforce Indicators, 2016

The wages of employees in the smallest firms increased from 2010 to 2016: by 19 percent for employees in firms with fewer than 20 employees, 16 percent in firms with 20 to 49 employees, and 21 percent for those in firms with 50 to 249 employees. Those in larger firms started with higher wages, and those wages increased even more over that time period. While higher than the 9 percent national inflation rate, these increases were well below the 41 percent increase in the cost of the family Household Survival Budget. Workers in firms with 250 to 499 employees saw their wages increase by 28 percent, and wages for those in companies with 500 or more employees increased by 27 percent.

Firm size in Iowa varies widely by location and by sector. Small businesses operate across the state, and areas dominated by small firms tend to have lower wages and less job stability. This is particularly the case in many rural counties, where more than half of employment is in firms with fewer than 20 employees (Figure 21). Large companies — those with 500 or more employees — are more concentrated around Iowa's largest cities.

Figure 21.
Percent Employment by Firm Size and Location, Iowa, 2016

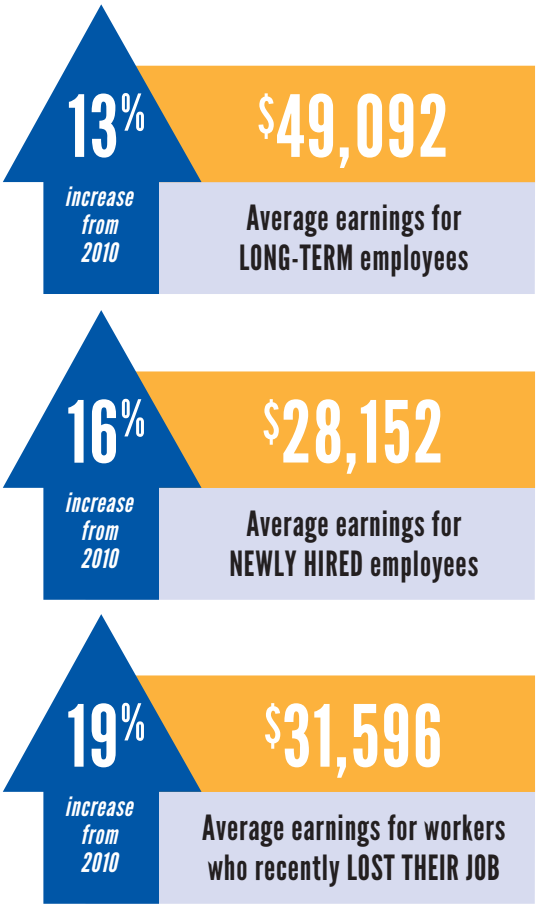


Source: U.S. Census Bureau, Quarterly Workforce Indicators, 2016. Further breakdown by county is included on the ALICE County Pages at UnitedWayALICE.org

Small businesses and their employees experienced the largest shifts during the Great Recession, a trend that continued through 2016. In the second quarter of 2014, for example, 1,847 small businesses started up in Iowa and 1,801 exited (i.e., closed, moved to another state, or merged with another company). Small-business startups generated 7,054 new jobs while exits caused 7,178 job losses (U.S. Bureau of Labor Statistics, 2016a; U.S. Small Business Administration, 2016).

These changes affect the wages of workers moving in and out of employment. Workers who are newly hired or who have recently lost their jobs tend to have lower wages than long-term, stable employees. Because new-hire wages are slightly higher than the wages of those losing their jobs, some losing jobs may be workers leaving a low-paying job for a higher-wage job. New employees and those losing jobs typically have the least seniority or occupy the lowest-level positions — and they are the least likely to have resources to weather a period of unemployment (Figure 22).

Figure 22.
Earnings by Duration of Employment, Iowa, 2016



In a few areas of Iowa that have near-full employment or expanding industries, employers have had to increase wages of new hires to attract employees with certain skills, such as nurse practitioners, information security analysts, or operations research analysts. This is particularly true in the case where the housing market is picking up in urban areas and construction workers are needed (Iowa Workforce Development, 2016; Iowa Workforce Development, 2017a; Iowa Workforce Development, 2018).

In terms of sectors, small businesses in Iowa are most concentrated in services industries (where 92 percent of employees work in small businesses) and construction (90 percent) (Figure 23). These sectors tend to have less stability in daily and weekly schedules and in job security. They also tend to have lower wages. Health care and social assistance is the largest sector in Iowa's economy and is expected to grow with an expanding aging population. Long-term projections for health care occupations show the greatest increases for registered nurses, nursing assistants, and home health aide workers. With 52 percent of the health care sector in small businesses, however, there will be some instability in this sector even as it expands (Iowa Workforce Development, 2017a; U.S. Small Business Administration, 2016).

For many small businesses, there is a dual challenge when ALICE workers are both the employee and the customer. This is true in child care centers, where more than 90 percent of operators are sole proprietors. On the one hand, child care workers are ALICE; there are 7,850 child care workers in Iowa, earning an average wage of $9.23 per hour ($18,460 annually if working full time). On the other hand, ALICE families use child care so that parents can work, and it is often the most expensive item in an ALICE family budget, even more expensive than housing. The conundrum is that if these small businesses increase the wages of their employees (who are ALICE workers), those expenses are passed on to customers (who are also ALICE workers). Certain ALICE workers will earn more money, but child care will become more expensive for ALICE families overall (SBDCNet, 2014; U.S. Census Bureau, 2016; U.S. Small Business Administration, 2016).

Figure 23.
Small Business Employment by Sector, Iowa, 2013

	Small-Business Employment Share of Sector	Total Employment (excluding government positions)
Other Services (except Public Administration)	92%	49,910
Construction	90%	56,983
Real Estate and Rental and Leasing	74%	12,298
Agriculture, Forestry, Fishing and Hunting	74%	2,526
Accommodation and Food Services	69%	115,365
Mining, Quarrying, and Oil and Gas Extraction	69%	1,904
Arts, Entertainment, and Recreation	68%	20,346
Professional, Scientific, and Technical Services	67%	49,897
Wholesale Trade	67%	66,659
Health Care and Social Assistance	52%	215,820
Total for All Sectors	***49%***	***1,286,215***

Source: U.S. Small Business Administration, 2016

IV. BEYOND INCOME: ASSETS, CREDIT, AND ASSISTANCE

When families do not have enough income to cover current expenses, they cannot save, and without savings, they cannot generate returns that improve a household's well-being over time. The lack of savings limits an ALICE family's ability to make a down payment on a house, for example, even if the monthly mortgage payments would be cheaper than renting. It limits their ability to invest in the future, such as in higher education or retirement savings. The lack of savings also leaves ALICE households vulnerable to unexpected economic events and emergencies. In fact, savings and other assets are at least as powerful as income in reducing material hardship after an involuntary job loss or other negative event. Without them, families with income below the ALICE Threshold often find themselves in a vicious cycle of financial instability (Hendey, McKernan, & Woo, 2012; Lerman & McKernan, 2008; McKernan, Ratcliffe, & Vinopal, 2009).

While savings and assets are a crucial aspect of an ALICE family's financial status, little information on household savings, assets, income, and wealth is collected at the state or local level. For this reason, we rely on national data for overall trends and cross-check it with the few state-level data points available.

Overall, American household wealth has not fully recovered from the Great Recession. In 2016, the median wealth of all U.S. households was $97,300, well below median wealth levels from before the Recession began in late 2007 ($139,700 in 2016 dollars). Wealth is much more concentrated than income, and as a result, disparities in wealth are even greater than those in income. The recovery has been uneven for different income groups, and despite gains in wealth in recent years for lower- and middle-income families, differences in wealth have actually grown. The median household net worth for lower-income families was $10,800 in 2016, 33 percent lower than in 2007; for middle-income families it was $110,000, also 33 percent lower than in 2007; and for upper-income families it was $810,800, *10 percent higher* than in 2007. As a result, wealth inequality between upper-income families and lower- and middle-income families is currently at the highest levels ever recorded (Kochhar & Cilluffo, 2017).

This inequality is exacerbated by race and ethnicity, explaining why some groups are more likely to be part of the ALICE population. Black and Hispanic households have substantially less wealth than White households, a gap that has been widening in recent years. Nationally (wealth data is not available at the state level), the median wealth of White households was 13 times the median wealth of Black households in 2013, compared with eight times the wealth in 2010, according to the Pew Research Center (Kochhar & Fry, 2014).

Disparities by race and ethnicity also exist within income groups. Among lower- and middle-income households, White families have four times as much wealth as Black families and three times as much as Hispanic families. These gaps have narrowed since 2007, primarily because lower-income White families lost roughly half of their wealth during the Great Recession, while losses for lower-income Black and Hispanic households were less than 5 percent. The larger losses for lower-income White families predominately stem from their greater exposure to the housing market crash. In 2007, the homeownership rate for lower-income Whites was 56 percent, compared to 32 percent for lower-income Blacks and Hispanics. The homeownership rate among lower-income Whites fell to 49 percent in 2016, while the rate for Blacks and Hispanics remained the same (Kochhar & Cilluffo, 2017).

Finally, there is a common misconception that working families do not need public or charitable assistance, but many ALICE families do in fact turn to government and private sources for assistance with income and basic household necessities. This section looks at how much assistance is available, how close it brings families to the ALICE Threshold, and what gaps remain in specific budget areas.

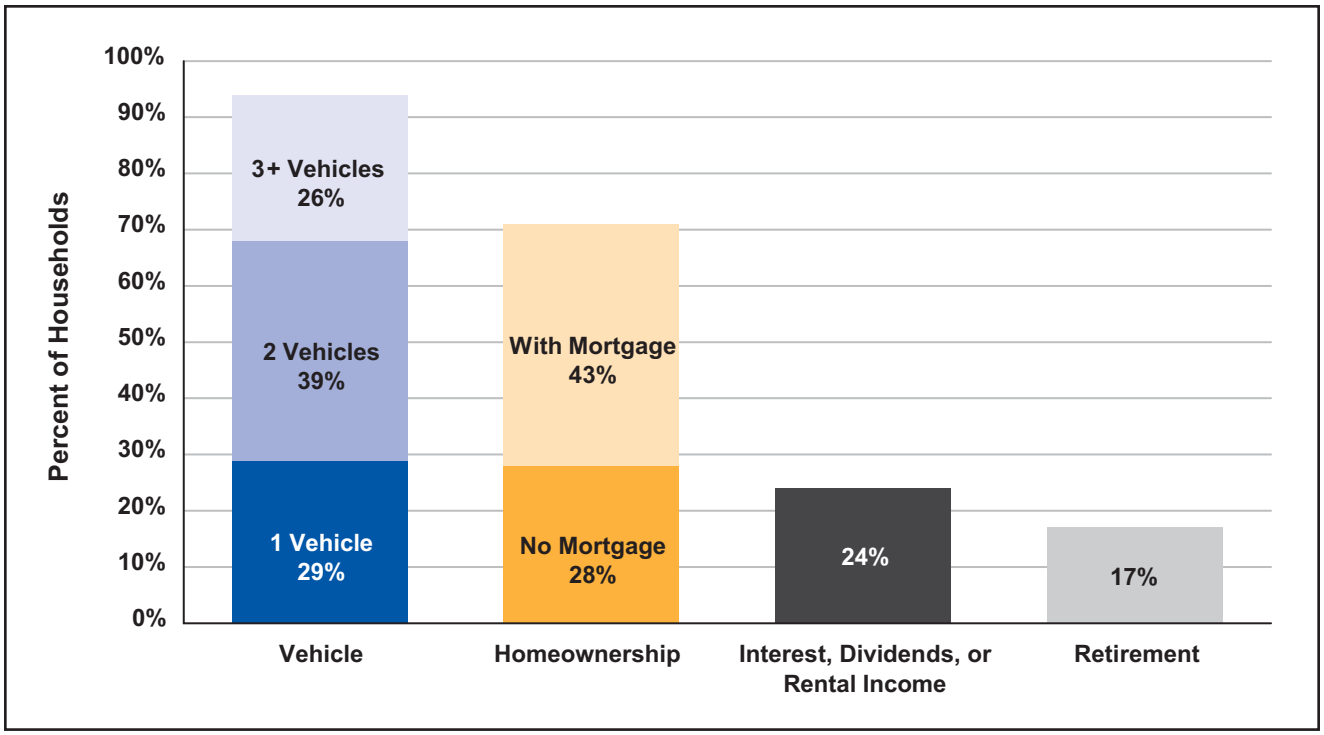
ASSETS

With so many ALICE families not able to keep up with the cost of living, accumulating assets is difficult in Iowa. The cost of unexpected emergencies, ranging from natural disasters to personal health crises, can deplete savings. Job losses have forced people to tap into their retirement savings, or to take out second mortgages or home equity lines of credit. Having few or no assets can also increase overall costs for ALICE households when they have to use alternative financing, with fees and high interest rates that make it difficult or impossible to save money or amass more assets.

Having savings can help families navigate job loss, pay unexpected bills, buy a home, start a business, or work toward a secure retirement. Yet in 2015, 47 percent of Iowa residents did not have money set aside to cover expenses for three months, as protection against an emergency such as illness or the loss of a job (FINRA Investor Education Foundation, 2016; Prosperity Now, 2018).

While data on savings and investments is minimal, levels of ownership of three of the most common assets in Iowa — vehicles, homes, and investments — show what resources families have to cope with emergencies and to accumulate wealth (Figure 24).

Figure 24.
Households With Assets, Iowa, 2016



Source: American Community Survey, 2016

Car Ownership

Most Iowa households have at least one vehicle, often a necessity to get to work. In 2016, 29 percent of all households had one vehicle, 39 percent had two, and 26 percent had three or more. Car ownership has been found to be linked to positive employment outcomes. Yet while cars offer benefits beyond their cash value, they are not an effective means of accumulating wealth, because the value of a car normally depreciates over time. In addition, many ALICE households need to borrow money in order to buy a vehicle (Center for Responsible Lending, 2014; Jones, 2014; Kiernan, 2016; McKernan, Ratcliffe, & Shanks, 2011; Zabritski, 2016).

Homeownership

The second most common asset is a home, an asset that has traditionally provided financial stability and the primary means for low-income families to accumulate wealth. Homeownership can increase both financial and social stability for families: Children whose parents own their home tend to have higher educational attainment and lower rates of teen pregnancy. But not all families can ride out housing market downturns. Since the subprime housing crisis in 2007 and a slower rate of increase in housing prices, homeownership has become a less reliable way of building assets. Iowa has one of the highest rates of homeownership in the country; in 2016, 71 percent of Iowa households owned a home, down from the peak of 77 percent in 2001 (Federal Reserve Bank of St. Louis, 2016; McKernan, Ratcliffe, & Shanks, 2011).

In many locations, it would be more economical for ALICE households to buy a home than rent, but they often cannot save enough for a down payment and cannot qualify for a traditional low-rate mortgage. Many ALICE families have chosen non-traditional mortgage products as the use and outreach of such products have expanded. But the higher borrowing costs of these products reduce the borrower's overall investment opportunity (Acolin, Bostic, An, & Wachter, 2016; Federal Reserve Bank of St. Louis, 2016; Federal Reserve, 2014; FINRA Investor Education Foundation, 2016; Herbert, McCue, & Sanchez-Moyano, September 2013; McKernan, Ratcliffe, & Shanks, 2011).

Investment and Retirement Assets

Income from an investment provides an effective resource to weather an emergency. In 2016, 24 percent of households in Iowa (above the national average of 21 percent) received income from an investment, which can range from a checking account to a rental property to a stock or bond. In addition, there is likely large overlap between households receiving investment income and those receiving retirement income. In 2016, 17 percent of Iowa households received retirement, survivor, or disability income from a former employer, a labor union, the government, or the U.S. military, or regular income from IRA and Keogh plans (above the national average of 19 percent; FINRA Investor Education Foundation, 2016; American Community Survey, 2016).

Investment assets also provide the means to accumulate more assets. With money to invest in starting a small business or owning a home, for example, families can increase their resources over time. Assets also enable families to develop socially and economically through education and new technology, and allow them to finance a secure retirement (McKernan, Ratcliffe, & Shanks, 2011).

The number of households with investment income dropped during the Great Recession, as the assets lost value in the stock market crash or were used to cover emergencies and periods of unemployment and underemployment. These events led many households to become part of the ALICE population and made things harder for those who were already struggling. The recovery of investment has been slow: The number of households with interest or dividend income decreased from 34 percent in 2010 to 24 percent in 2016. Interestingly, the number of households with retirement, survivor, or disability income increased from 2010 to 2016, but as a percent of total households, they fell from 21 percent in 2010 to 17 percent in 2016 (though a recent Census report suggests that retirement income is underreported) (American Community Survey, 2016; Bee & Mitchell, 2017; Bricker, et al., 2014; Federal Reserve, 2014).

In terms of retirement assets, several indicators show that Americans are not financially prepared to maintain their standard of living in retirement:

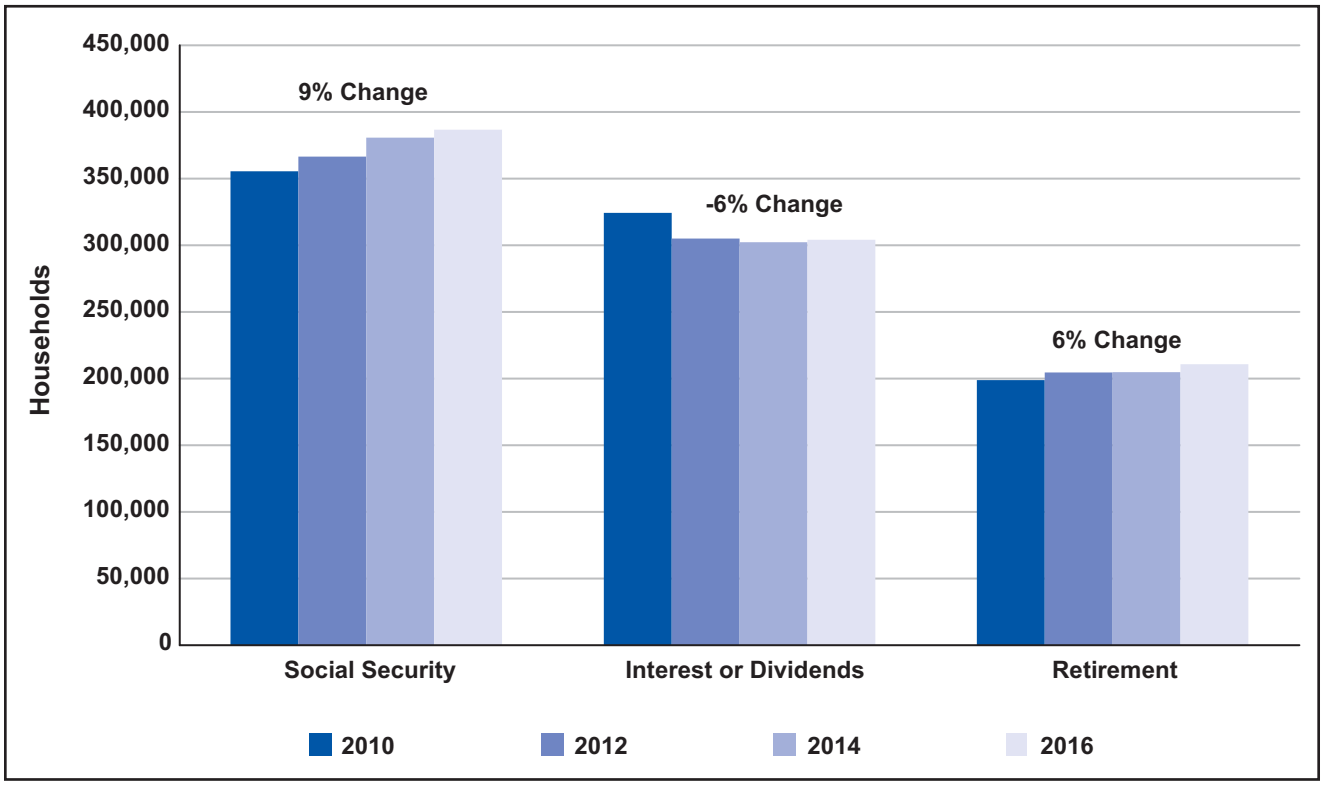
- According to the National Retirement Risk Index, 52 percent of Americans are at risk of being unable to maintain their standard of living in retirement, even if households work to age 65 and annuitize all their financial assets, including the receipts from reverse mortgages on their homes (Board of Governors of the Federal Reserve System, 2017; Munnell, Hou, & Sanzenbacher, 2017).

- The National Institute on Retirement Security has found that the median retirement account balance is $3,000 for all working-age households and $12,000 for near-retirement households (Oakley & Kenneally, 2017).

The makeup of retirement plans has shifted since the 1970s, from defined benefit plans (traditional pensions that provide benefits for the lifespan of the participant) to defined contribution plans, such as a 401(k). By 2000, defined contribution plans accounted for more than 90 percent of retirement plans nationally. In 2016, 34 percent of private- sector workers had no employer-sponsored plan, 44 percent had employee-managed, defined contribution plans, and 15 percent had employer-funded, defined benefit plans (U.S. Government Accountability Office, 2017).

The most common source of income for retirement, however, is Social Security. The aging of the U.S. population is evident in the 9 percent increase in the number of Iowa households receiving Social Security between 2010 and 2016 — larger than the 6 percent increase in the number of Iowa households receiving retirement income. In contrast, the number receiving investment income fell by 6 percent (American Community Survey, 2010 and 2016) (Figure 25).

Figure 25.
Retirement and Investment Income, Iowa, 2010 to 2016



Source: American Community Survey, 2010-2016

ACCESS TO CREDIT

An additional tool for weathering a financial emergency or investing in the future is borrowing. The ability to borrow varies greatly by income and assets: The higher the income and greater the assets, the more borrowing options a family has, at better rates. Families with low incomes and no assets are often unable to borrow, and as a result, in the face of an emergency, they buy less, and household hardship increases (McKernan, Ratcliffe, & Shanks, 2011).

When these families do borrow, it is often in high-risk markets, at high interest rates and at an increased risk of predatory lending practices. The continued use of high-risk lending, despite these higher costs, underlines the degree of hardship that these families are experiencing (McKernan, Ratcliffe, & Shanks, 2011; McKernan, Ratcliffe, & Vinopal, 2009; Mills & Amick, 2011).

The most common way to access credit is borrowing from a bank. But not all adults have access to traditional banking, due to low income, location, immigration status, or, in some cases, community norms. In Iowa, 7 percent of adults did not have access to credit because they did not have a credit file or even a credit score (below the national average of 11 percent), and 25 percent of adults had a subprime credit score (below the national average of 32 percent) in 2016. This sharply increases costs for borrowers: In some rural Iowa counties, the rate to borrow without credit is above 11 percent, and the subprime rate is more than 50 percent. Nationally, 7 percent of the overall adult population is unbanked, meaning they do not have a checking, savings, or money market account, and 19 percent are underbanked, defined as having a depository account but also having used at least one alternative financial service in the prior year (Federal Reserve of New York, 2017).

Another common way to access credit, especially in the short term, is with a credit card. Nationally, there is wide variation in credit card usage by income level; for example, the share of families with at least one credit card was 65 percent for families with income below $40,000 in 2016, but more than 90 percent for families with income above that level. In addition, location matters: Families living in low-income neighborhoods often find only high-cost lending options are available to them. In these neighborhoods, there is less saving and borrowing (Hendey, McKernan, & Woo, 2012; Board of Governors of the Federal Reserve System, 2018).

Without access to quality financial products, lower-income families (including many Black and Hispanic families, who are disproportionately lower-income) are more likely to use alternative financial services, which charge higher interest rates. The impact is cumulative, with high rates leading to greater need and a vicious cycle of high-risk borrowing. Conversely, lower rates lead to greater savings and a better chance to pay off a loan. Such savings make an enormous difference in a family's budget and can also help them build equity and wealth (Board of Governors of the Federal Reserve System, 2017; Hendey, McKernan, & Woo, 2012; Lerman & McKernan, 2008; Lerman & Hendey 2011).

PUBLIC AND PRIVATE ASSISTANCE

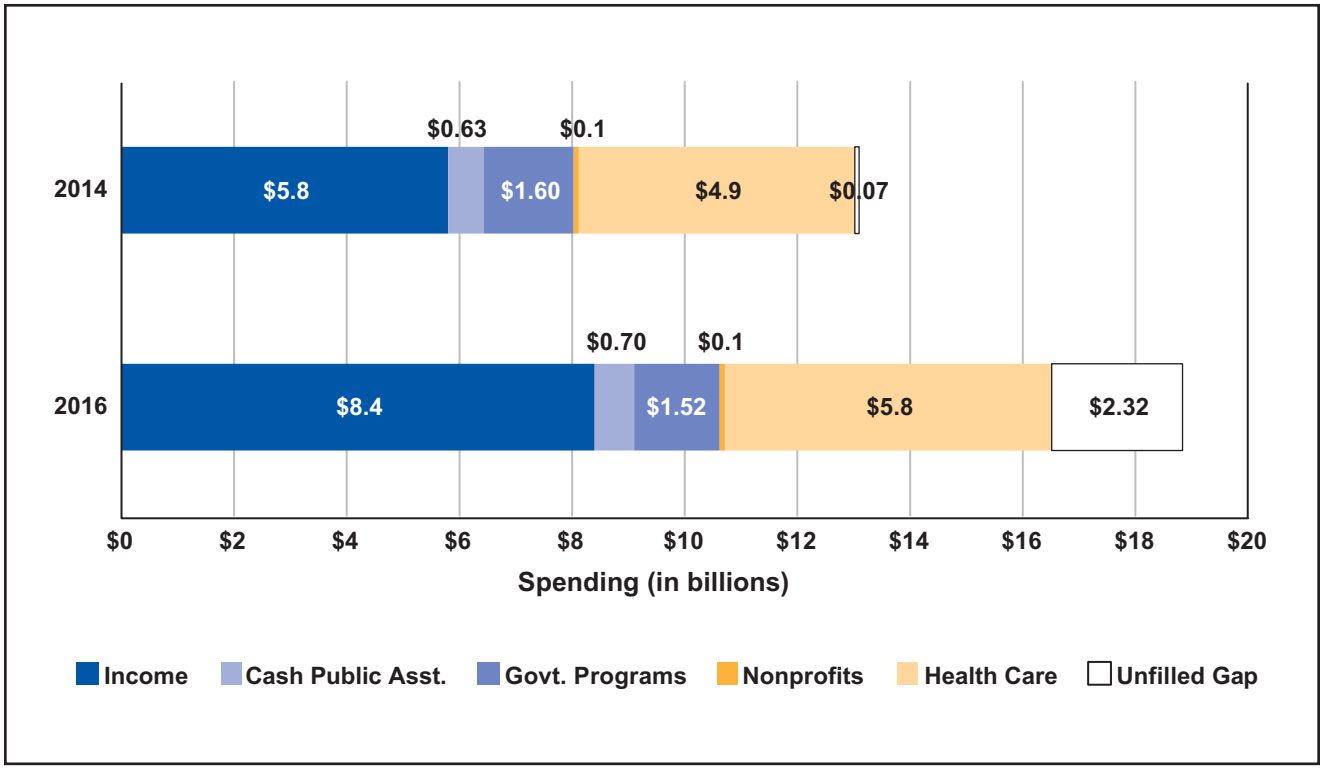
There is a common misconception that working families do not need public or charitable assistance. In addition to the wage and budget data presented here, national studies and surveys show that in fact, working families make up a majority of households facing the greatest need. As a result, many ALICE families have turned to government and charitable supports and services for assistance with income, food, health care, education and training, housing and utility assistance, and counseling. More than half of government spending on public assistance goes to working families (Allegretto et al., 2013; Dube and Jacobs, 2004; Wider Opportunities for Women, 2011; Jacobs, Perry, and MacGillvary, 2016; The Pew Charitable Trusts, 2013; Feeding America, August 2014; U.S. Department of Agriculture, 2016). But even with this assistance added to their income, many working families cannot cobble enough together to make ends meet.

The ALICE Income Assessment quantifies the total need of all households below the ALICE Threshold and then compares it to their income and to the amount of public and nonprofit assistance directed toward low-income households. Despite the fact that assistance makes a significant contribution to financial stability for many families, there has not been enough assistance to bring all families above the ALICE Threshold in any state where the Income Assessment has been applied.

The picture in Iowa has not improved since the 2016 United Way ALICE Report. The average amount of assistance each Iowa household received in 2016 was $17,782 in federal, state, and local government and nonprofit assistance, a 14 percent increase from 2014. From 2014 to 2016, the number of households below the ALICE Threshold increased, and the earnings of these households increased from $5.8 billion to $8.4. Even so, the cost of basic necessities grew at a much higher rate, as did the amount of need, which reached $10.4 billion in 2016 (up from $7.3 billion in 2014).

Federal and state government spending on cash public assistance (excluding health care) increased by 12 percent, to $703 million in 2016. Other government programs (also excluding health care) decreased by 5 percent, to $1.52 billion. Health care spending increased by 18 percent, to $1.8 billion. As a result, the size of the Unfilled Gap — the amount still needed, after income and assistance, to bring all households up to the ALICE Threshold — increased exorbitantly (Office of Management and Budget, 2017; Urban Institute 2012; U.S. Department of Agriculture, 2017; National Association of State Budget Officers, 2017; American Community Survey, 2017) (Figure 26).

Figure 26.
Public and Private Assistance, Iowa, 2014 to 2016

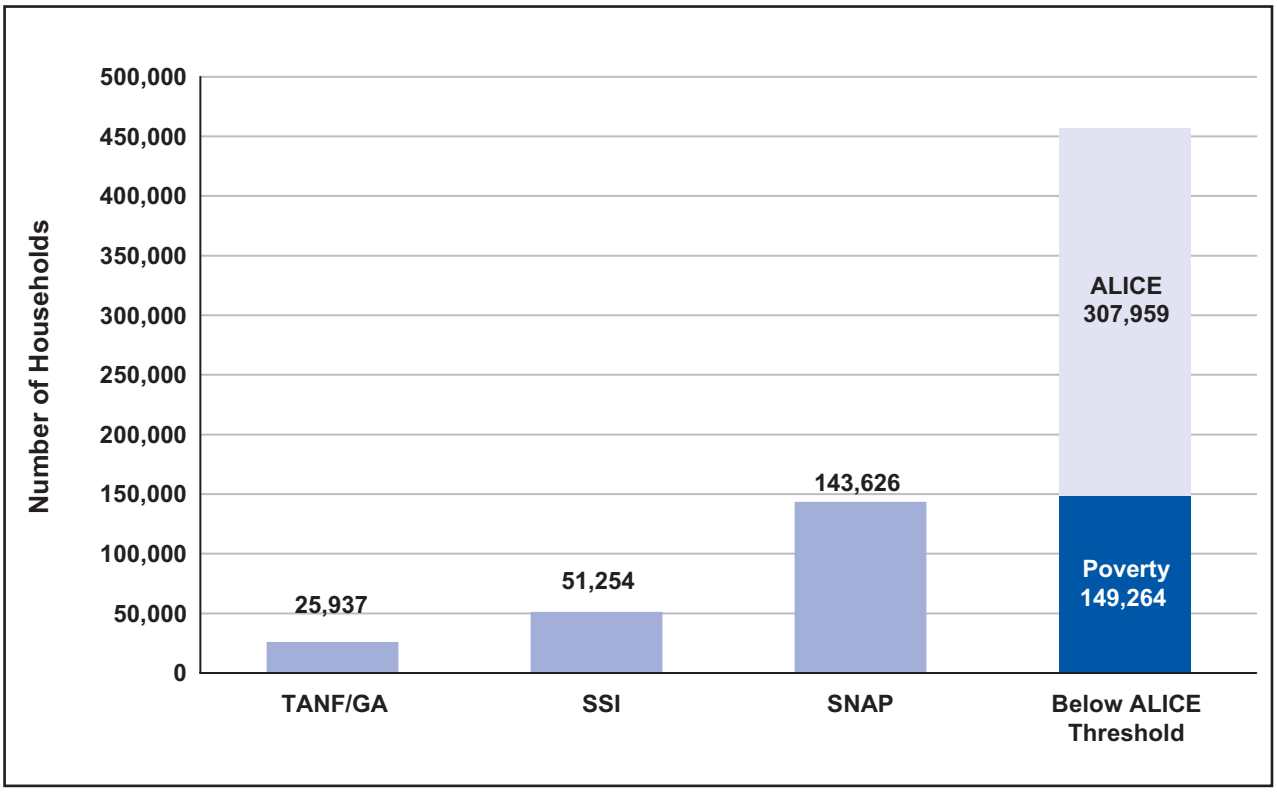


Source: Office of Management and Budget, 2017; American Community Survey, 2017; National Association of State Budget Officers, 2017; Urban Institute, 2010 and 2012; U.S. Department of Agriculture, 2017; for more details, see the Methodology Overview on our website: UnitedWayALICE.org

Programs like the Supplemental Nutrition Assistance Program (SNAP), formerly known as the Food Stamp Program, the Earned Income Tax Credit (EITC) and Child Tax Credit, Medicaid, and food banks provide a critical safety net for basic household well-being, and enable many households to work (Sherman, Trisi, & Parrott, 2013; Dowd & Horowitz, 2011; Grogger, 2003; Coleman-Jensen, Rabbitt, Gregory, & Singh, September 2015; Rosenbaum, 2013; Feeding America, 2014). While this assistance is critical in keeping ALICE households functioning, there are four significant barriers to this assistance meeting basic needs:

1. **Duration of benefits:** The majority of government programs are intended to fill short-term needs, such as basic housing, food, clothing, health care, and child care. By design, their goal is not to help households achieve long-term financial stability but to fill short-term gaps and alleviate immediate poverty. Benefits are often structured to end before a family reaches stability, known as the "cliff effect." In Iowa in 2016, SNAP benefits decreased once income reached 150 percent of the Federal Poverty Level (FPL), or just $37,650 for a family of four — about $19,122 below the Household Survival Budget (Ben-Shalom, Moffitt, & Scholz, 2012; Kaiser Family Foundation, 2015; O'Dea, 2016; Shaefer & Edin, 2013) (Figure 27).

Figure 27.
Households (Under 65) by Benefits and Income Status, Iowa, 2016



Source: American Community Survey, 2016; ALICE Threshold, 2016

2. **Eligibility thresholds:** Crucial resources are often targeted to households near or below the FPL, meaning that many struggling ALICE households are not eligible for assistance (Figure 27). Federal public assistance programs do not have enough resources to reach all those in need. SNAP, the government's largest program, reached 143,626 households in Iowa in 2016, falling short of meeting the needs of many requiring assistance in covering the cost of food. Other programs cover even fewer households: Temporary Assistance for Needy Families (TANF) or General Assistance (GA) — which provide payments from state or local welfare offices — reached about 25,937 families in 2016, or only 6 percent of those below the ALICE Threshold. And Supplemental Security Income (SSI), which includes welfare payments to low-income people who are 65 and older and to people of any age who are blind or disabled, supported 51,254 households — only 11 percent of those below the ALICE Threshold (Kaiser Family Foundation, 2015; U.S. Department of Health and Human Services, 2009, 2014).

3. **Uneven funding or distribution of assistance:** Resources may not be available where they are needed, either because there are geographic disparities in distribution across Iowa — such as food pantries in some locations but not all — or because there is not enough funding for a program. For example, recent budget cuts lowered the average household SNAP benefit in Iowa by 16 percent, from $280.10 per month in 2010 to $236.48 per month in 2016 (Kaiser Family Foundation, 2015).

4. **Targeted assistance and services:** Because public and nonprofit assistance is allocated for specific purposes and often delivered as services, it can only be used for specific parts of the household budget. Only 9 percent of the assistance provided in Iowa is done through cash transfers, which households can use toward any of their most pressing needs. The remainder is earmarked for specific items, like food assistance or health care. This means that not all households benefit equally from assistance. For example, a household that only visits a doctor for an annual checkup does not receive its share of the spending put toward health care assistance in Iowa, while a household that experiences a medical emergency receives far more than the average.

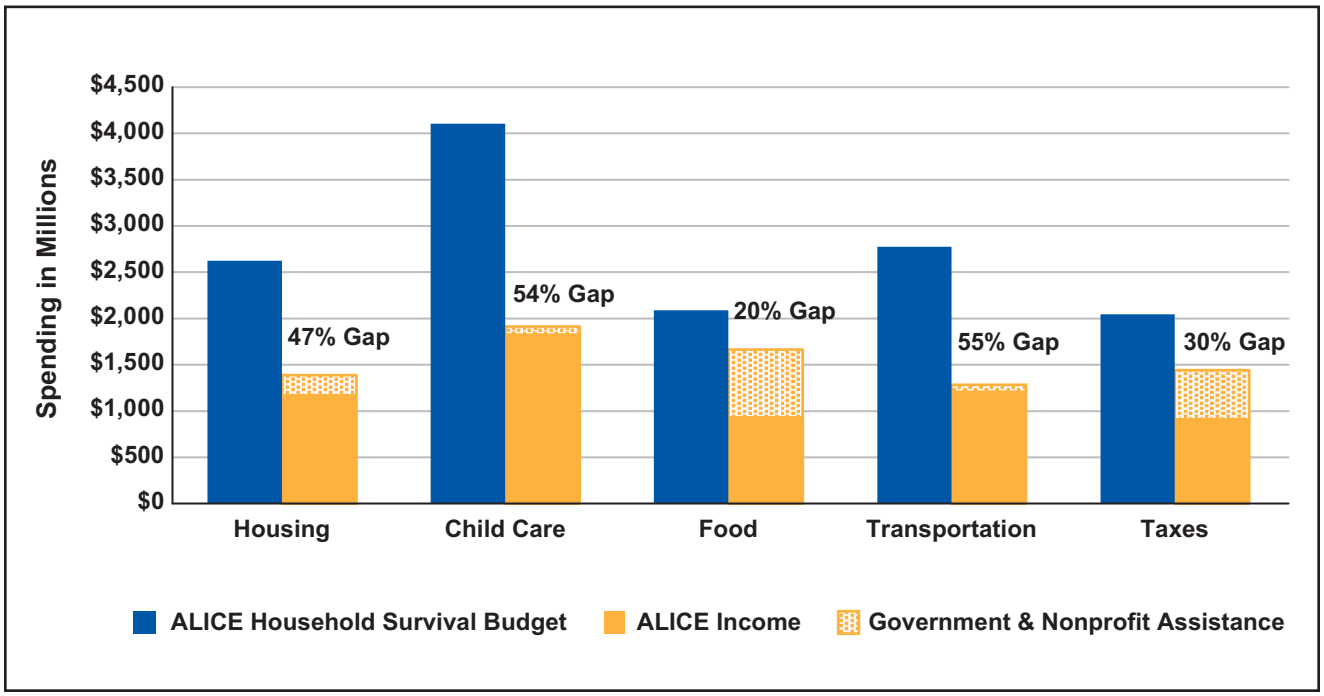
Spending by Category

As outlined above, public and nonprofit assistance is often distributed to households in specific forms and for intended purposes, as opposed to cash assistance that can be used by households to cover needs as appropriate. Therefore, we analyze public and nonprofit assistance for families with children by spending category, to assess a household's ability to meet each necessity.

This analysis reveals large gaps in key areas, particularly housing, child care, and transportation. Figure 28 compares the budget amounts for each category of the Household Survival Budget for a family of four (shown in dark blue) with income from households below the ALICE Threshold, plus the public and nonprofit spending in each category. Program funding sources are assigned to their respective categories, earned income is appropriated based on its proportion of the Household Survival Budget, and nonprofit and cash assistance are evenly distributed across spending needs.

Figure 28.

Comparing Basic Need with Assistance by Category for Households Below the ALICE Threshold, Iowa, 2016



Note: Excludes health care and miscellaneous expense categories.

Source: Office of Management and Budget, 2017; U.S. Department of Agriculture, 2016; Internal Revenue Service, 2016; American Community Survey, 2016; National Association of State Budget Officers, 2017; Urban Institute, 2012; ALICE Household Survival Budget, 2016; and the ALICE Threshold, 2016

Housing

In the Household Survival Budget for an Iowa family of four, housing accounts for 14 percent of the family budget. Yet if ALICE households spend 14 percent of their income on housing, they are left far short of what is needed to afford rent at the U.S. Department of Housing and Urban Development's 40th percentile. To make up the gap, federal housing programs, including Section 8 Housing Choice Vouchers, the Low Income Home Energy Assistance Program, the Public Housing Operating Fund, and the Community Development Block Grant Program, provide $194 million in assistance. In addition, nonprofits in Iowa spend an estimated $18 million on housing assistance. Despite this assistance, the state's ALICE households still fell $1.2 billion — 47 percent — shy of their total need in 2016.

Child Care

In the Household Survival Budget, child care accounts for 22 percent of the Iowa family budget. Yet for many ALICE households, 22 percent of earned income is not enough to pay for even home-based child care, the least expensive organized care option. There are some additional child care resources available to Iowa families, including $62 million from the U.S. Department of Health and Human Services' Head Start program, and vouchers and child care services estimated at $18 million from nonprofits. Yet even with these resources combined with income, Iowa's ALICE households still had less than half of what they needed to afford basic child care in 2016. This gap was 54 percent of what was required to meet their needs.

Food

In the Household Survival Budget, food accounts for 11 percent of the Iowa family budget, yet for many ALICE households, 11 percent of what they actually earn is insufficient to afford even the U.S. Department of Agriculture's Thrifty Food Plan. Food assistance for Iowa households includes $715 million of federal spending on food programs — primarily SNAP, school breakfast and lunch programs, and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). Nonprofits also provide approximately $18 million in food assistance, including food pantries, food banks, and soup kitchens. Yet even with this assistance combined with income, Iowa's ALICE households still fell 20 percent short of what they required to meet their most basic food needs in 2016.

Transportation

In the Household Survival Budget, transportation accounts for 15 percent of the Iowa family budget. Yet for many ALICE households, 15 percent of what they actually earn is not enough to afford even the running costs of a car. While Iowa's public transportation systems are state-funded, there is no government spending on transportation specifically for ALICE and poverty-level families. Nonprofits provide some assistance, spending an estimated $18 million on programming. Yet even with income and nonprofit assistance combined, there was still a 55 percent gap in resources for all of Iowa's ALICE households to meet the basic ALICE Threshold for transportation in 2016.

Taxes

In the Household Survival Budget, taxes account for 11 percent of the Iowa family budget. Though earning enough to afford the Household Survival Budget would put some ALICE households above the eligibility level for the EITC, many households below the ALICE Threshold benefit from the EITC; the average income for households receiving EITC in Iowa in 2016 was $14,018. The federal EITC provided $462 million in tax credits and refunds for Iowa's working families in 2015 (latest data year available). Eligible households collected an

average federal tax refund of $2,182, which helped 212,000 ALICE and poverty-level households in Iowa that year. Iowa's EITC provided an additional $70 million in 2015 (National Conference of State Legislatures, 2016; Brookings, 2016). The per-household tax burden depends on a recipient's income; for every additional dollar families with children earned above $17,830 ($23,260 for married-couple families), the amount of credit they received decreased. Yet with income, government credits, and refunds combined, there remained a 30 percent gap in resources for all of Iowa's ALICE households to meet the basic ALICE Threshold for taxes in 2016.

The Special Case of Health Care

Health care resources are separated from other government and nonprofit spending because they account for the largest single source of assistance to low-income households: $5.8 billion, or 72 percent of all spending in Iowa. Health care spending includes federal grants for Medicaid, the Children's Health Insurance Program (CHIP), and hospital Charity Care programs; state-matching grants for Medicaid, CHIP, and Medicare Part D "clawback" payments; and the cost of unreimbursed or unpaid services provided by Iowa hospitals (Office of Management and Budget, 2017; Internal Revenue Service, 2007, 2010 and 2012; National Association of State Budget Officers, 2017). Between 2014 and 2016, this spending increased by 18 percent.

With the increasing cost of health care and the implementation of the Affordable Care Act, spending on health care has increased in Iowa, but the percentage of residents who are insured has also increased for all income groups. In 2016, spending on health care in Iowa surpassed the amount needed for each ALICE household to afford basic out-of-pocket health care expenses.

However, even this level of assistance does not necessarily guarantee good or improved health to low-income Iowa households. Because there is greater variation in the amount of money families need for health care than there is in any other single category, it is difficult to estimate health care needs and costs, and even more difficult to deliver health care efficiently to ALICE families or those living in poverty. An uninsured (or even an insured) household with a severe and sudden illness could be burdened with hundreds of thousands of dollars in medical bills in a single year, while a healthy household would have few expenses. National research has shown that a small proportion of households facing severe illness or injury account for more than half of all health care expenses, and those expenses can vary greatly from year to year (Kaiser Family Foundation, 2012; Stanton, 2006; U.S. Department of Housing and Urban Development, 2010).

V. LOCAL CONDITIONS: HOUSING AND COMMUNITY RESOURCES

According to the Harvard Equality of Opportunity Project, our lives are profoundly influenced by where we live, and especially where we grow up (Chetty & Hendren, 2015). This is particularly true for ALICE households; local economic conditions largely determine how many households in a county or state struggle financially.

To understand the challenges that the ALICE population faces in Iowa, it is important to recognize that local conditions do not impact all socioeconomic and geographic groups in the same way. For example, focusing only on Iowa's cost of living obscures the problem of the lack of middle- and high-skilled jobs in many counties. Likewise, while county unemployment statistics clearly reveal where there are not enough jobs, having a job is only part of the economic picture for ALICE households.

The full picture requires an understanding of the local conditions that matter most to ALICE households, in addition to the job opportunities, local wages, and public and private assistance discussed in Sections III and IV. The most important local conditions are housing affordability and the level of community resources in the areas of education, health, and social capital (represented here by preschool enrollment, health insurance coverage, and voter turnout) in each county. While the ideal is to do well in each of these areas, the reality is that these conditions vary across Iowa's counties. This section reviews several indicators that help explain why so many households struggle to achieve basic economic stability throughout Iowa, and why that struggle is harder in some parts of the state than in others.

HOUSING AFFORDABILITY

The more affordable housing there is in a county, the easier it is for a household in that county to be financially stable. In Iowa, housing is generally less expensive than in most other states. Yet there is variation between counties, and a common challenge is to find job opportunities in the same counties that are affordable places for ALICE households to live.

The three key indicators of housing affordability for ALICE households in a given county are the affordable housing gap, the housing burden, and real estate taxes. These indicators, described below, show which counties offer an adequate supply of units that ALICE households can afford, a relatively low percentage of households that are "housing burdened," and low real estate taxes.

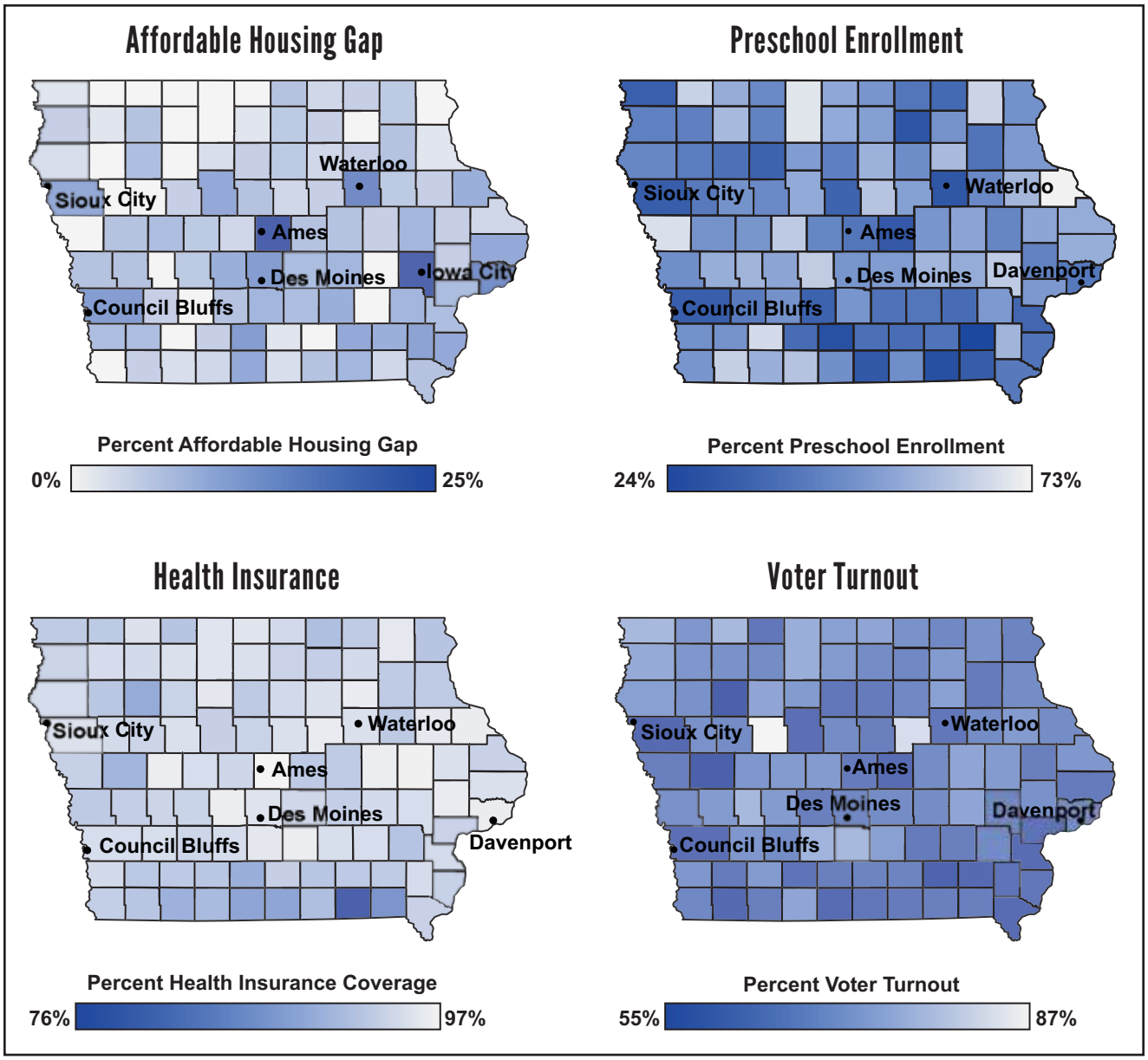
The Affordable Housing Gap

In Iowa, housing is generally affordable for owners. For those who can afford a down payment and real estate taxes and who qualify for a mortgage, homeownership is typically affordable in all counties across the state.

While rental housing is more of a challenge, it became more affordable across Iowa from 2010 to 2016. This is apparent from the affordable housing gap measure — an estimate of the difference between the total number of ALICE households (renters and owners) in a county and the number of available housing units that those households can afford while spending no more than one-third of their income on rent. This measure assesses the total housing stock in a county and includes subsidized as well as market-rate units that are affordable to ALICE and poverty-level households. The larger the gap, the harder it is for households below the ALICE Threshold to find affordable housing (Figure 29). For Iowa renters, the statewide average gap in affordable units has improved, falling from 35 percent in 2010 to 8 percent in 2016. But from county to county, Iowa's affordable

housing gap varies. The largest gap in 2016 was in Story County at 25 percent; by contrast, there was no housing gap in Audubon, Cherokee, Ida, Osceola, and Pocahontas counties. The largest gaps are in urban areas, especially around Ames and Iowa City.

Figure 29.
Affordable Housing Gap, Preschool Enrollment, Health Insurance, and Voter Turnout by County, Iowa, 2016



Source: American Community Survey, 2016, and the ALICE Threshold, 2016

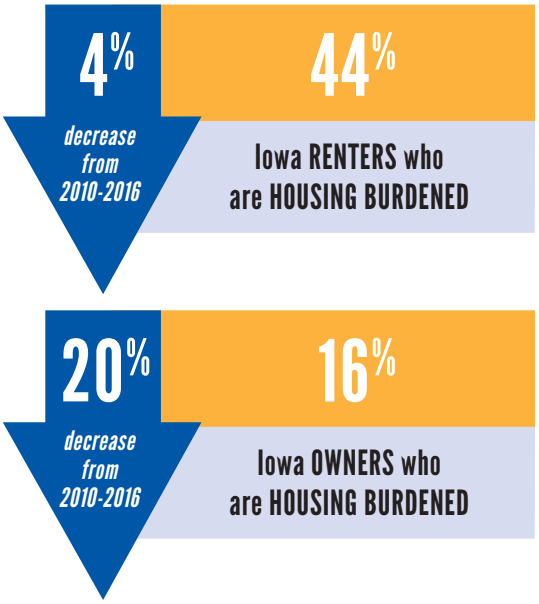
Housing Burden

The second key indicator of housing affordability in a county is housing burden — housing costs that exceed 30 percent of household income, as defined by the Department of Housing and Urban Development (HUD). That standard evolved from the United States Housing Act of 1937; while rent thresholds shifted over the ensuing decades, since 1981 the standard has been that 30 percent of income is the most a family can spend on housing and still afford other household necessities (Schwartz & Wilson, 2008).

The rate of housing burden in Iowa is generally low for owners but remains much higher for renters, despite the fact that rates for both groups fell slightly from 2010 to 2016. On average, 44 percent of Iowa renters paid more than 30 percent of their household income on rent in 2016, down from 46 percent in 2010. Among owners, 16 percent paid more than 30 percent of their income on monthly owner costs (which included their mortgage) in 2016, down from 20 percent in 2010 (American Community Survey, 2010 and 2016) (Figure 30).

Rates vary across the state. In 2016, the highest rates of housing burden across both renters and owners were in Story County (36 percent) and Johnson and Scott counties (31 percent). Cherokee, Ida, and Pocahontas counties had the lowest rates of housing burden at 14 percent (American Community Survey, 2016).

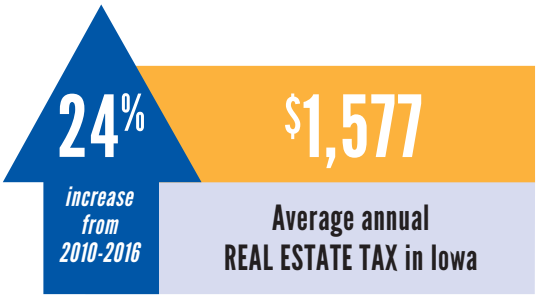
Figure 30.
Housing Burden, Renters and Owners, Iowa, 2016



Real Estate Taxes

While related to housing cost, real estate taxes also reflect a county's standard of living. Even for renters, real estate taxes raise the cost of housing. The average annual real estate tax in Iowa was $1,577 in 2016 (a 24 percent increase from $1,267 in 2010) (Figure 31). There is wide variation across counties, ranging from $761 in Pocahontas County to almost five times that in Johnson County, at $3,691. From 2010 to 2016, taxes increased by more than 20 percent in two-thirds of Iowa's counties. The largest increase was in Wayne County, where taxes rose by more than 50 percent (American Community Survey, 2010 and 2016).

Figure 31.
Real Estate Taxes, Iowa, 2016



COMMUNITY RESOURCES

Community resources — education resources, health resources, and social capital — provide a fundamental support structure for working families. In both the short and long term, these resources can make a difference in the financial stability of ALICE households. Yet it is a challenge across all Iowa counties to find adequate key community resources, such as access to quality schools, high rates of health insurance coverage, and the types of community engagement that create social capital.

Overall, Iowa is slightly ahead of the rest of the country in providing education resources (represented by preschool enrollment rates), health resources (represented by rates of health-insurance coverage), and social capital (represented by rates of voter participation). On the other hand, there are significant educational achievement gaps by race and ethnicity. While some community resources are fairly evenly spread across Iowa, others vary widely by county, suggesting that availability of these resources is determined by a combination of state-level factors and local policies.

Education Resources

The importance of public education has long been a fundamental American value, and education is widely regarded as a means to achieve economic success. Quality learning experiences have social and economic benefits for children, parents, employers, and society as a whole.

Education is also important for the health of communities: People with lower levels of education are often less engaged in their communities and less able to improve conditions for their families. Over half of all people without a high school diploma report not understanding political issues, while 89 percent of those with a bachelor's degree have at least some understanding of political issues. Similarly, having a college degree significantly increases the likelihood of volunteering, even controlling for other demographic characteristics (Baum, Ma, & Payea, 2013; Campbell, 2006; Mitra, 2011).

Early learning in particular enables young children to gain skills necessary for success in kindergarten and beyond. In addition, it enables parents to work, which enhances the family's current and future earning potential. For these reasons, the quality of education available to low-income children could be one of the most important determinants of their future; in our analysis, the percentage of 3- and 4-year-olds enrolled in preschool is a proxy for the level of education resources in a county. The average share of 3- and 4-year-olds enrolled in preschool in Iowa was 49 percent in 2016 (Figure 32). Iowa has made great progress in preschool education; in 2002, just 4 percent of 4-year-olds were enrolled in state preschools, and those programs met only three out of ten benchmarks for quality standards. By 2016, 64 percent of 4-year-olds were served through two state programs that met at least six out of the ten benchmarks (American Community Survey, 2016; National Institute for Early Education Research, 2016).

Figure 32.
Preschool Enrollment, Iowa, 2016

Within Iowa, preschool enrollment varies widely between counties. In 2016, less than 30 percent of 3- and 4-year-olds were enrolled in preschool in Clarke, Davis, and Jefferson counties, while more than 70 percent were enrolled in Dubuque and Kossuth counties. This indicates that there are very different policies and resources devoted to early childhood education across the state (Figure 29).

From early learning through post-secondary studies, ALICE households are challenged to find quality, affordable education at all levels in Iowa. The Education Equality Index reports that Iowa has a "massive" K-12 achievement gap, meaning that students from low-income families reach proficiency at a lower rate than not only their more advantaged peers or all students, but even compared to low-income students in other states. While the gap narrowed slightly between 2011 and 2014, it remains larger than the national average, with Iowa ranked 32nd out of 34 states for which data is available. Des Moines ranked last out of the nation's 100 largest cities on this measure (Education Equality Index, 2016).

Secondary and higher education resources, including high school, two- and four-year colleges, and skills training, are important to the functioning of the state economy. Ultimately, basic secondary education remains essential for any job. According to the Alliance for Excellent Education, if only 5 percent more male students graduated from high school in Iowa, annual earnings for that graduating class would increase by $9.4 million, and annual crime-related savings across the state would be $75 million (Alliance for Excellent Education, 2013).

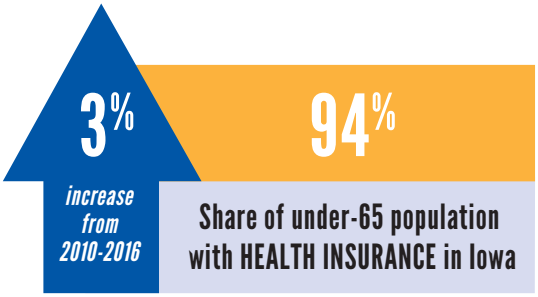
Although Iowa's Black, Hispanic, and Asian populations are small, the state's education system still does not produce equal results for all residents, as demonstrated by the educational achievement gap affecting students from low-income families and families of color. These systemic differences affect both high school graduation rates and college performance. Among teenagers in Iowa, 79 percent of Blacks, 82 percent of Hispanics, and 84 percent of economically disadvantaged students (qualifying for free or reduced-price lunch) go on to college after high school, compared to 92 percent of White students. Once in college, students who are Black or Hispanic are more likely to need remediation and have lower grade point averages than students who are White (Iowa Department of Education, 2014; Iowa Department of Education, 2017; National Center for Education Statistics, 2015).

Health Resources

For people living below the ALICE Threshold, poor health is both a cause and a consequence of being low-income. Access to quality, affordable health care is essential, and a strong predictor of receiving good care is having health insurance. ALICE families fall into a critical gap in health-insurance coverage because they often earn more than Medicaid eligibility levels, but not enough to afford the high deductibles of the lowest-cost Affordable Care Act (ACA) plans.

The overall level of health insurance coverage in Iowa increased over two decades, from 1994 (90 percent) to 2016 (96 percent) (Barnett & Berchick, 2017; U.S. Census Bureau, 1995). With the introduction of the ACA in 2014, low-income households have had more access to health insurance, though they are still slightly less likely to have coverage than higher-income households. Of Iowa residents under age 65 with annual income below 200 percent of the FPL, 90 percent had health insurance in 2016, compared to 94 percent of residents under age 65 at all income levels (Kaiser Family Foundation, 2016) (Figure 33).

Figure 33.
Health Insurance Coverage, Iowa, 2016



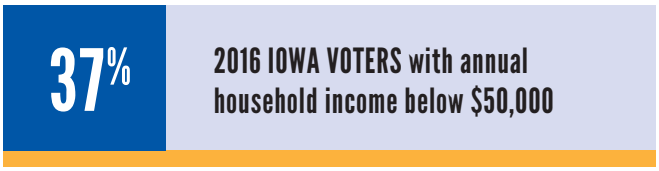
Coverage rates vary across Iowa, but as rates have improved, differences across counties have decreased. The lowest rate is 76 percent in Davis County; the highest is 97 percent in Benton, Bremer, Carroll, Dallas, Dubuque, Linn, Marion, Scott, and Story counties (American Community Survey, 2016) (Figure 29).

Iowa was one of the top-20 healthiest states in the country in 2016, as measured by America's Health Rankings. Rankings are based on measures of behaviors, community and environment, policy, clinical care, and health outcomes. Iowa's primary strengths were high rates of high school graduation and health insurance coverage, and a low prevalence of low birth weight babies. The state still struggles, however, with a high prevalence of obesity and excessive drinking, as well as a large disparity in health status by educational attainment (United Health Foundation, 2016).

Social Capital

In our analysis, voter turnout rates are a proxy for the level of social capital in a county. The share of voting-age Iowa residents who voted in the 2016 Presidential election (when turnout is traditionally highest) was 69 percent, above the national average of 60 percent. According to Iowa exit polls for the 2016 Presidential election, ALICE accounted for roughly one-third of the voting electorate: 37 percent of voters had household income below $50,000, 36 percent had income between $50,000 and $100,000, and 27 percent had income above $100,000 (CNN Politics, 2016; United States Elections Project, 2016) (Figure 34).

Figure 34.
Voter Turnout, 2016 Presidential Election, Iowa, 2016



There was also great variation in voter turnout across the state: In Buena Vista and Crawford counties, only 55 percent of voting-age residents voted in 2016, while over 80 percent voted in Calhoun and Grundy counties. Variation in turnout is due not only to candidates and issues on the ballot for local elections, but to the percentage of residents who are citizens and therefore eligible to vote. As a rough indicator, voter turnout shows that citizens are more active in some areas of the state than in others (American Community Survey, 2016; U.S. Election Assistance Commission, 2016) (Figure 29).

VI. EMERGING TRENDS

While ALICE households differ in their composition, challenges, and level of need, there are three broad trends that will impact the conditions they will face, and the opportunities they will have to change their financial status, over the next decade: the changing American household; increasing market instability, both in the U.S. and globally; and growing inequality of health. These trends will have significant implications for both local communities and Iowa as a whole.

THE CHANGING AMERICAN HOUSEHOLD

Decades of shifting demographic trends have created new household configurations, many of them in ALICE families. Baby boomers are aging, millennials are driving social change with lifestyles that differ from their parents and grandparents, and immigration trends are changing the racial and ethnic composition of communities. These changes impact the demand for housing, health care, transportation, and community services. This demand, in turn, shapes larger communities, with many implications for who ALICE is and where ALICE families live and work.

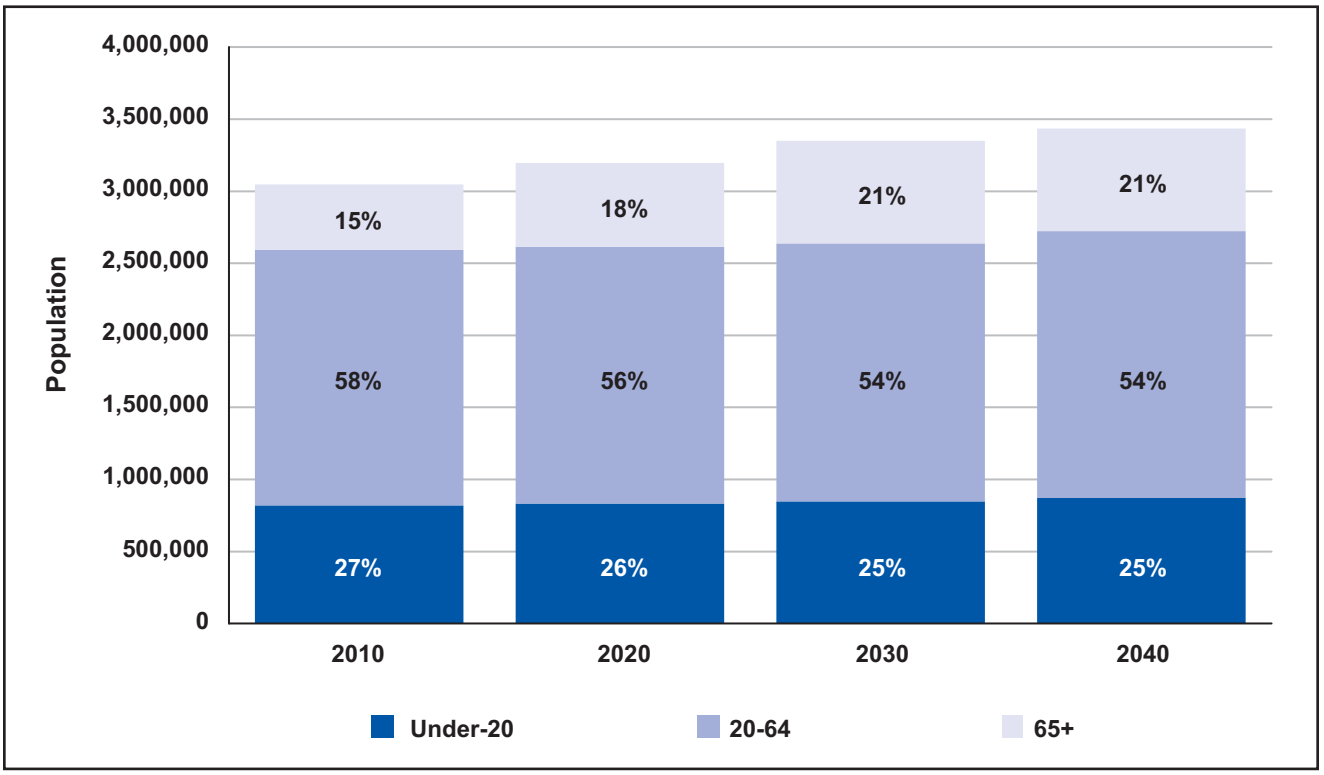
Growing Populations: Millennials and Baby Boomers

The growth of certain age groups is changing the landscape in Iowa and across the U.S. Both millennials and baby boomers are powerful demographic forces. Millennials have different lifestyle preferences than past generations, including choosing to live in urban areas, and delaying both marriage and having children. The large boomer cohort encompasses a group that is working longer, remains involved in a wide array of activities, and is generally healthier than previous generations.

Seniors (65 years and over) are currently Iowa's smallest population cohort by age, but the elderly population is projected to grow from 452,888 (15 percent) in 2010 to 712,286 (21 percent) by 2040, a 57 percent increase (Figure 35). In contrast, demographers predict that by 2040, the under-65 population will increase in numbers, but their percentage of the overall population will actually decline. The number of 0- to 19-year-olds will grow from 820,510 to 870,437, but their share of the state population will decline from 27 percent to 25 percent. And the number of 20- to 64-year-olds will grow from 1.7 million to 1.9 million, but their share will decline from 58 to 54 percent (Iowa Department of Transportation, 2012; Weldon Cooper Center for Public Service, 2016).

Another change in American households by age group is the record number of Americans (nearly 61 million in 2014) living in multigenerational households — those that include two or more adult generations, or those with grandparents and grandchildren. Growing racial and ethnic diversity in the U.S. helps explain some of the rise in multigenerational living. The Asian and Hispanic populations overall are growing more rapidly than the White population, and these groups are more likely than Whites to live in multigenerational households (Cilluffo & Cohn, 2017).

Figure 35.
Population Projection, Iowa, 2010 to 2040



Source: Weldon Cooper Center for Public Service, 2016

Iowa's overall growth in population also masks differences across the state. Most growth is expected to continue within or near metropolitan areas, while many rural areas are experiencing population decline (Iowa Department of Transportation, 2012).

Millennials: Millennials are the most racially diverse generation in American history: 43 percent of millennials are non-White, the highest share of any generation. They are also on track to be the most educated generation. Yet at the same time, they are more likely than previous generations to be in debt and living in their parents' homes (Cilluffo & Cohn, 2017; Cohn & Caumont, 2016).

Young workers are a state's future economic growth, but college debt, low wages, and underemployment limit their economic contribution and may cause them to become part of the ALICE population. Iowa's college loan default rate was 13 percent in 2014, slightly higher than the national rate of 12 percent. As a result, many recent graduates and young workers have delayed living on their own, getting married, and having children. This is reflected in the decline in the number of Iowa households headed by a younger millennial (someone under 25 years old), in the high rate of poverty-level and ALICE households among young people living alone, and in millennials having the lowest geographic mobility among young adults in 50 years. The financial constraints of the under-25 population have a ripple effect on the wider economy as well, across industries: Housing construction slows, as do furniture and appliance manufacturing, and there are indirect effects on retail and utilities, which all dampen economic growth (Cilluffo & Cohn, 2017; Keely, van Ark, Levanon, & Burbank, May 2012; U.S. Department of Education, 2017).

Baby Boomers: On the other end of the population spectrum, the senior population (older baby boomers) is growing even faster than the millennials. This senior generation faces additional financial challenges: the added expenses of living longer, the increasing cost of health care, and minimal retirement savings. Because of these age-specific issues and the difficulties of working and saving as we age, the situation of the baby boomers raises well-founded concerns that extend beyond individual seniors to the potential slowing of the entire economy (Bloom, Canning, & Fink, 2011).

Workforce challenges have been especially severe for baby boomers. Because the demands of the labor market have changed — job loss, lower-wage jobs, and less available work overall — many seniors do not have the retirement savings they need. In 2014, 18 percent of those over age 55 had no savings for retirement and 35 percent had less than $10,000 (though this did not include the value of a primary residence or defined benefit plan) (Employee Benefit Research Institute and Greenwald & Associates, 2014).

As a result, those on the brink of retirement are finding that they often cannot afford to fully leave the workforce. Even younger baby boomers feel these pressures: Nationally, those aged 55 and over are expected to make up a larger share of the labor force in the next decade. The over-55 age group steadily increased its share of the U.S. labor force from 12 percent in 1992 to 14 percent in 2002 and 21 percent in 2012; it is projected to increase to 26 percent by 2022. In Iowa, 19 percent of the over-65 population was still in the workforce in 2016 (Bricker, et al., 2014; Bureau of Labor Statistics, 2014; State Data Center of Iowa , 2017).

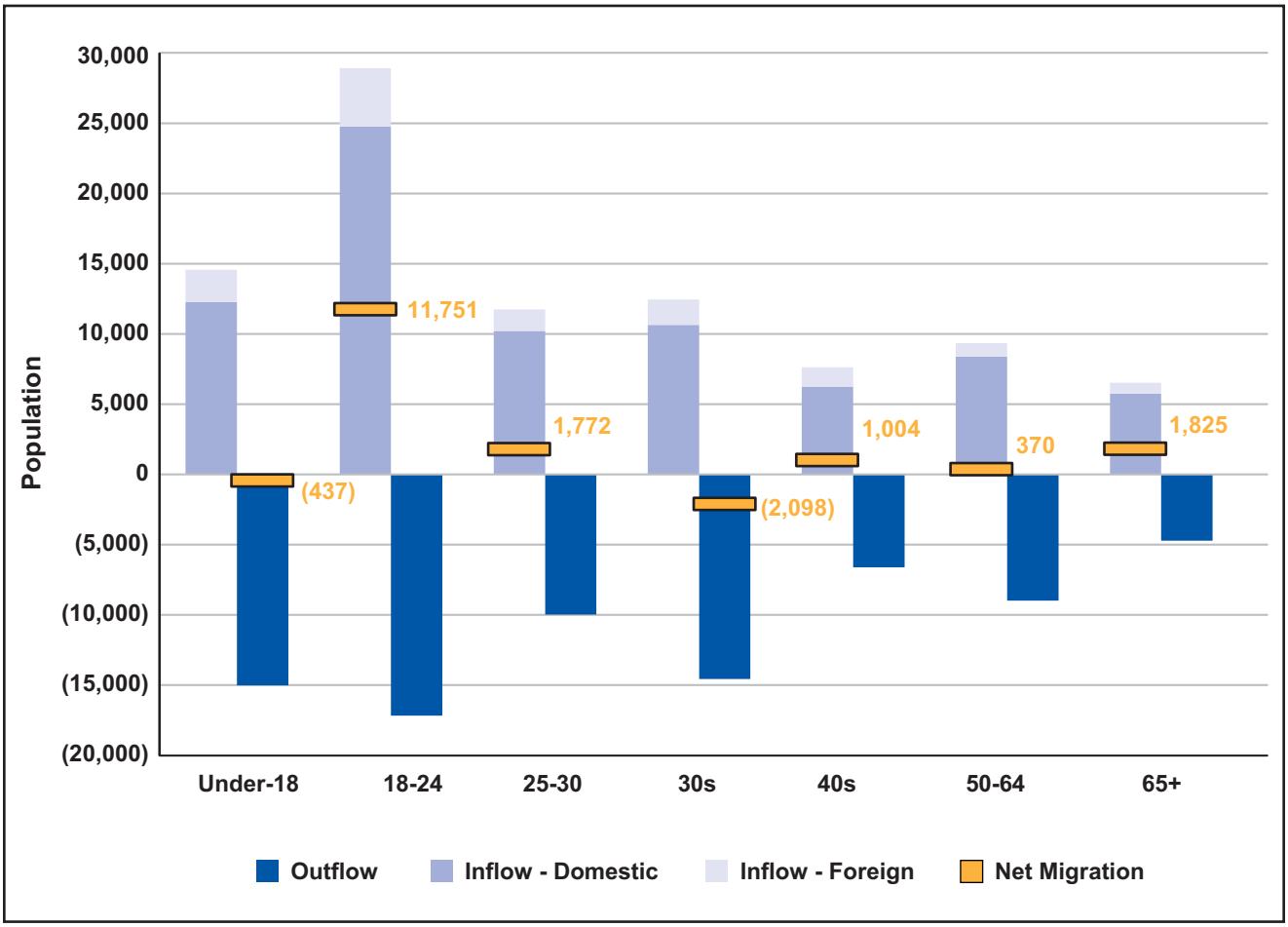
Many ALICE seniors are healthy and continue to work. But for those whose health has declined, the costs of managing health conditions associated with aging are often prohibitive. Costs rise sharply for seniors who need residential health care, which can be essential for those with debilitating illnesses such as diabetes, cancer, or heart disease. The most expensive conditions, however, are Alzheimer's disease and other dementias, costing more than cancer and heart disease combined. The average Medicare spending for seniors with Alzheimer's is almost three times higher than average per-person spending for all other seniors. Today, there are about 5.2 million individuals treated for this disease in the U.S., and by 2050, that number is expected to triple (Alzheimer's Association, 2017; Bradley, 2017).

As U.S. seniors age and need more care, that demand will take a toll on younger ALICE workers who will struggle to continue working while providing caregiving to family members. Because the number of seniors is projected to increase faster than the workforce, there will be more pressure on current workers to provide caregiving services. There will also be pressure on the government for additional revenue both to sustain Medicare and to accommodate the new infrastructure demands that seniors will make, which are discussed later in this section.

Growing Populations: Immigrants

In addition to internal growth and aging, Iowa's population is changing through migration, both domestic (primarily from Illinois and other Midwestern states) and foreign. In Iowa in 2016, there was significant migration by age group, with the largest movement being a net gain of more than 11,700 college-age students. The only age groups with net migration out of the state were a very small number of people under the age of 18 and just over 2,000 residents in their 30s. Blacks, Hispanics, Asians, and foreign-born migrants are more common in the younger age groups, making those groups more diverse than the older cohort (Aisch, Gebeloff, & Quealy, 2014; Iowa Department of Transportation, 2012) (Figure 36).

Figure 36.
Population Inflows and Outflows, Iowa, 2016

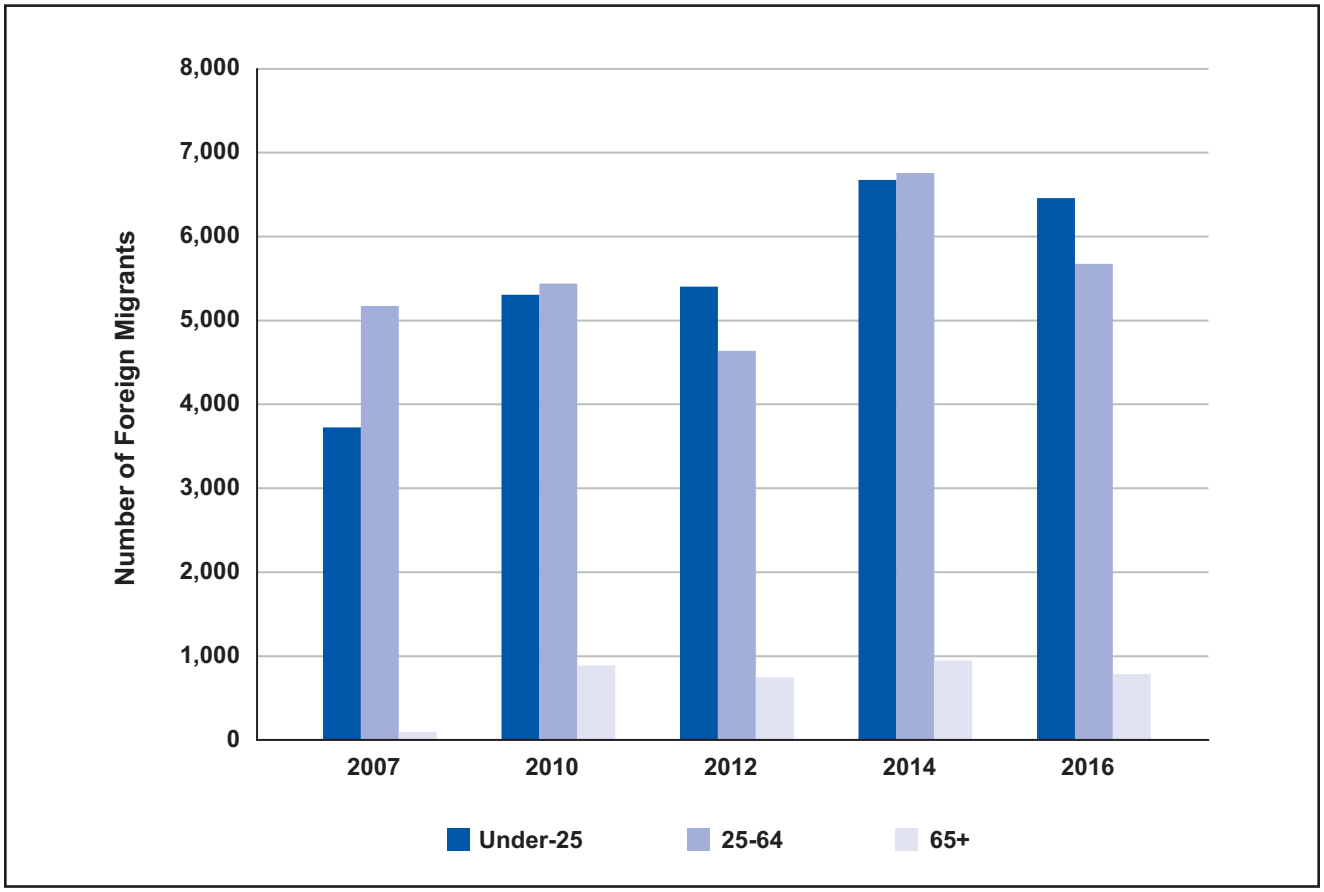


Source: American Community Survey, 2016

International Immigration: International immigration plays an increasing role in Iowa's racial and ethnic composition. The number of immigrants from abroad has risen over time, from 8,995 in 2007 to 12,923 in 2016 (Figure 37). In 2016, the largest group was college-age young adults (18-24 years old), followed by children and teens under 18 years old, and then by their parents — working-age people (25-64 years old) — and a smaller number of seniors (American Community Survey, 2007, 2010, 2012, 2014 and 2016; U.S. Census Bureau, 2010, 2015).

Because of this increase, the foreign-born population rose to 5 percent of Iowa's total population in 2016, up from 3 percent in 2000. More than a third (39 percent) have become citizens, 39 percent are legal permanent residents, and 22 percent are undocumented. Immigrants in Iowa have come from Mexico and Central American countries (35 percent), followed by Asia (36 percent), Africa (10 percent), and Eastern Europe (7.5 percent) (Aisch, Gebeloff, & Quealy, 2014; American Community Survey, 2016; Migration Policy Institute, 2014; Migration Policy Institute, 2016).

Figure 37.
Immigration from Abroad by Age, Iowa, 2007 to 2016



Source: American Community Survey, 2016

Immigrants in Iowa vary widely in language, education, age, and skills, as well as in their financial stability. They make up a majority of workers in two occupational groups: private household workers (45 percent) and farming, fishing, and forestry occupations (46 percent). Within Iowa's foreign-born population aged 25 and older, 32 percent have less than a high school education, compared to only 6 percent of the native-born population. However, 16 percent of the foreign-born population has a graduate or professional degree, compared to 7 percent of the native-born population (American Community Survey, 2016; Cilluffo & Cohn, 2017).

There are many well-educated and financially successful immigrants in Iowa. Yet there are also immigrant families with distinct challenges that make them more likely to be unemployed or in a struggling ALICE household. These challenges can include lower levels of education, minimal English proficiency, and lack of access to support services if their citizenship status is undocumented (American Community Survey, 2016; Aspen Institute, 2013).

Overall, immigrants have a positive impact on long-term U.S. economic growth. Immigrant workers run businesses and pay taxes, contribute to a range of fields from engineering and science to the service sector, and in 2012 were 30 percent more likely to start their own businesses than native-born residents. One-quarter of public U.S. companies backed by venture capital have been founded by immigrants — companies including Google, Intel, and eBay. At the other end of the occupational spectrum, in service jobs, lower-skilled immigrant workers such as child care providers or caregivers help enable higher-income parents to pursue full-time careers while having children. All of these disparate factors contribute to economic growth and the tax base (Furman & Gray, 2012; National Academies of Sciences, Engineering, and Medicine, 2017).

As both workers and entrepreneurs, immigrants are an important source of economic growth in Iowa, making up 6 percent of the state's workforce (96,089 workers) in 2015, according to the U.S. Census. Across the state, there were 4,435 immigrant-owned businesses that employed more than 14,500 people and had combined sales receipts totaling $55 million in 2015, according to the U.S. Census Survey of Business Owners. As consumers, the state's immigrants had a combined purchasing power of about $3 billion in 2014 (American Immigration Council, 2015; New American Economy, 2017; New American Economy, 2017a).

Undocumented workers are also important to Iowa's economy and tax base; in 2014 they paid $37 million in taxes in Iowa, according to the Institute for Taxation and Economic Policy. The state's undocumented workers make up a small part of the overall immigrant population — about 22 percent of the foreign-born population — and come primarily from Mexico and Guatemala. Nationally, the estimated number of unauthorized immigrants in the U.S. roughly doubled from about 5.7 million in 1995 to about 11.1 million in 2014. In Iowa, the unauthorized immigrant population has remained stable since 2009, with about the same number of new unauthorized immigrants arriving and leaving each year. In terms of race and ethnicity, Hispanic immigrants make up the largest share of the U.S. unauthorized population — almost three-quarters — and Asian immigrants account for about 10 to 11 percent (Gee, Gardner, Hill, & Wiehe, 2017; National Academies of Sciences, Engineering, and Medicine, 2017; Pew Research Center, 2012).

Though undocumented residents make up a small subgroup of Iowa's immigrants, their fiscal impact is widely debated. On one hand, undocumented workers contribute to the state's economy and tax base; in 2014 they paid about three-quarters as much as Iowa citizens paid in state and local taxes. In addition, they are responsible for both economic activity and jobs: The Perryman Group estimates that if all undocumented immigrants were removed from Iowa, the state would lose $1.6 billion in economic activity and approximately 8,819 jobs. According to the U.S. Chamber of Commerce, removing undocumented workers nationwide would not lead to the same number of job openings for unemployed Americans for two reasons: first, because it would remove millions of entrepreneurs, consumers, and taxpayers from the U.S. economy; and second, because immigrants and native-born workers typically do not compete for the same jobs (Perryman Group, 2008; U.S. Chamber of Commerce, 2013).

On the other hand, undocumented workers use community resources. However, these are primarily local government services such as K-12 education, parks, and highways — services available to all Iowa residents. Iowa provides cash assistance for undocumented immigrant families (TANF) but not food assistance, health coverage, or assistance for seniors or those with disabilities (Pew Charitable Trusts, 2014; Pereira, et al., 2012; Gibney & Fisher, 2014).

The fiscal impact of undocumented residents also shifts as the children of immigrants become adults. They are among the strongest economic and fiscal contributors within the U.S. population, contributing more in taxes than either their parents or the native-born population (National Academies of Sciences, Engineering, and Medicine, 2017).

Immigrants and their children will account for the vast majority of current and future U.S. workforce growth. Nationally, the portion of the labor force that is foreign-born has risen from about 11 percent to just over 16 percent in the last 20 years. Without immigrants, there would be an estimated 18 million fewer working-age adults in the country in 2035, and U.S. population growth would be less than 1 percent annually, slow by historical standards (National Academies of Sciences, Engineering, and Medicine, 2017). The full size of the next wave of immigrant workers and their children is not yet clear and could impact the growth trajectories of all age groups in Iowa.

Implications of Demographic Trends

The growth of Iowa's millennial, baby boomer, and immigrant populations will have an impact both on the wider economy and on the communities where ALICE lives and works. As these changes unfold, there will be opportunities to improve financial stability for ALICE families in Iowa. But there will also be additional pressures, particularly in two areas: infrastructure and elder care.

Infrastructure

There will be greater pressure on the state's infrastructure, especially within the housing market for smaller, affordable rental units. Millennials prefer units near urban centers with amenities and public transportation; seniors want to be near family, health care, and other services; and immigrants want to live near good schools, public transportation, and jobs. However, unless changes are made to Iowa's infrastructure or housing stock, the current shortage of affordable housing units will increase, pushing up prices for low-cost units and making it harder for ALICE households to find and afford basic housing.

Changes in modes of transportation may offer Iowans more options in the future. With the rise of new forms of transportation, from ride-sharing companies like Uber to the prospect of self-driving cars, there are more ways to be mobile than owning a car or using public transportation. With many millennials preferring not to own cars and many older adults no longer driving, these services will be desirable. For example, self-driving cars could help seniors in rural areas who are no longer able to drive to get to doctor's appointments, family, and grocery stores. While we have yet to see the definitive shift toward automation predicted to happen in the next decade, self-driving technology is already being used in the long-haul trucking industry, enabling more goods to be transferred to and from rural areas. Ride-sharing companies have already altered the urban transportation landscape, providing new options for passengers but also impinging on the traditional taxi and livery industries, where many drivers are ALICE workers (Schmidt, 2017).

The changing transportation dynamic could also impact the delivery of social services and health care. For example, Uber is currently working with Meals on Wheels to provide rides to volunteers doing food deliveries. In the future, fleets of publicly owned self-driving cars could provide transportation for seniors and those with disabilities to doctor's visits and social services at a fraction of the cost of building a new and easily accessible public transportation system (Cakebread, 2017; Arcadis, HR&A Advisors, and Sam Schwartz, 2017; Zimmer, 2016).

Housing could also be impacted by the evolution of self-driving cars. If this technology can offer lower-cost transportation and more productive commuting time, the proximity of housing to work and amenities might become less important, thereby increasing the range of locations for affordable housing. In addition, a reduced need for car ownership will lower demand for houses with garages and for on-street parking (Jiao, Miró, & McGrath, 2017).

Elder Care

The aging population will increase demand for geriatric health services, including assisted living and nursing facilities, and home health care. Seniors will face a number of challenges in getting the care they need, including a lack of savings and fewer available caregivers.

Numbers of available caregivers: The caregiver support ratio — the number of potential caregivers aged 45 to 64 for each person aged 80 and older — was 5.6 to 1 in Iowa in 2010; this number is projected to fall to 3.3 to 1 by 2030, and to 2.3 to 1 in 2050. Out of the 50 states, the Long-Term Services and Supports State Scorecard ranked Iowa 20th in 2014 in its support for family caregivers and

13th overall in its long-term support and services for older adults on a scale that measures affordability, access, and quality of life (AARP Public Policy Institute, 2015; Redfoot, Feinberg, & Houser, 2013; Reinhard, et al., 2014).

With the increased demand for caregivers, there is a growing need for more paid direct-care workers (home health aides, personal care aides, and nursing assistants), who are themselves likely to be ALICE workers. Personal care aides, one of the fastest-growing jobs in Iowa, are paid $11.22 per hour and require reliable transportation, which can consume a significant portion of the worker's wage. These jobs do not require extensive training and are not well regulated, yet they involve substantial responsibility for the health of vulnerable clients. Together, these factors may lead to poor-quality caregiving and the risk of physical, mental, and financial abuse and neglect, an issue that is on the rise in Iowa and across the country (Iowa Workforce Development, 2017; MetLife Mature Market Institute, June 2011; U.S. Bureau of Justice Statistics, 2015).

Immigrants in the caregiving workforce: Immigrants make up a large share of employees at the nation's nursing homes, assisted living facilities, and home care agencies. A recent study found that one in four direct-care workers is foreign-born, and that share is probably much higher among "gray market" workers — home care workers hired directly by families and often paid under the table (Espinoza, 2017).

The immigrant direct-care workforce is economically and politically vulnerable. These workers are largely women who work mostly part-time or seasonal jobs with a median annual income of $19,000. This is despite the fact that immigrant direct-care workers are more likely to have higher-education degrees than U.S.-born direct-care workers. Fewer immigrant direct-care workers are nursing assistants, who earn a higher income and more often have employer-sponsored health insurance. A large majority of immigrant direct-care workers come from Central American, Caribbean, and Southeast Asian countries, all regions targeted by recent immigration restrictions. Losing direct-care workers from these populations at a time when the U.S. senior population is growing would both increase the cost and reduce the quality of care, adding pressure to families to provide their own care. (Espinoza, 2017).

Unpaid family caregivers: While families of all income levels may choose to care for family members themselves, many ALICE caregivers are forced into the role because they cannot afford to hire outside care. Half of all family caregivers report that they had no choice in taking on their caregiving responsibilities, and almost half (47 percent) report household income of less than $50,000 per year (AARP Public Policy Institute, 2015).

Family caregiving has significant value; the presence of an informal caregiver can improve well-being and recovery and defray medical care and institutionalization costs. Yet caregiving is also costly for families in several ways: direct costs, such as those for supplies; lost income due to decreased hours or job loss, which also impact future earnings; and mental and physical strain on the caregiver (Rainville, Skufca, & Mehegan; Dixon, 2017; MetLife Mature Market Institute, June 2011; AARP Public Policy Institute, 2015; Ramchand, et al., 2014; Tanielian, et al., 2013).

MARKET INSTABILITY

There are a few trends converging to destabilize markets and reshape the American — if not global — workforce: the ripple effects of natural and human-made disasters through a connected global economy; the shifting of risk from companies to workers and from high- to low-wage jobs; and the often disruptive effects of technology on jobs and workplaces.

Each of these trends is likely to become more prevalent going forward, and these changes will impact ALICE workers disproportionately because they have the fewest resources to weather instability and risk. According to a recent workforce survey, more than three-quarters of U.S. workers live paycheck-to-paycheck at least some of the time, and nearly that many are in debt. What makes market instability especially difficult for ALICE families is their lack of financial resilience: They do not have savings or other resources that might sustain them through a low period of income or an unexpected disaster. Instead, an emergency can quickly spiral into a crisis, with devastating consequences for households (CareerBuilder, 2017).

Disasters Felt Globally

While some Americans may not think much about the global economy, our new economic reality is a complex, integrated system that features both technological advances and disruptions. Technology has expanded international connections and increased the speed of these interactions, but that connectedness can function both for better and for worse. When an earthquake and tsunami pummeled Japan in 2011, the global supply chain of semiconductor equipment and materials was disrupted. With Japan responsible for 20 percent of the global semiconductor market, the cost of the world's semiconductor products increased, including those made for Apple's iPad. And there is no global governing body to help moderate the effects of cycles of disaster, inflation, or industry bubbles, as the U.S. has, for example, with the Federal Reserve (Amadeo, 2011; Morgenstern, 2011; van Paasschen, 2017; World Economic Forum, 2017).

Workers at Risk

The changing economy has put pressure on businesses to seek new ways to improve productivity and reduce costs. A common practice has been to shift the risk of market fluctuations in supply and demand from the business to the worker. For example, when crops are reduced after a drought, there are lower wages for field hands due to less work even if farm owners can charge more for limited output; and when demand for vacations falls after a hurricane in a tourist destination, hotels and restaurants can cut their losses by sending workers home. Risks from environmental hazards, natural and human-made, are also often pushed onto workers and low-income communities. Lower-income workers are particularly likely to be exposed to hazards such as pollutants in factory work, chemicals and pesticides in farming and manufacturing, and injuries in nursing and construction.

Since these costs are often cumulative, intensifying as the volume of risk increases, years of such practices are being more harshly felt today, such as with the global effects of pollution and climate change. ALICE families are especially vulnerable to events that directly threaten their homes and their jobs: droughts, floods, crop failures, violent weather, rising sea levels, and ocean acidification (NASA, 2018; van Paasschen, 2017).

The growing use of a contingent workforce — another recent structural shift among U.S. businesses — enables companies to scale up or down more nimbly, but it subjects workers to unexpected gains or losses in work hours, making it difficult for ALICE households to pay bills regularly or to make long-term financial plans. Contingent work also reduces the responsibility of employers to provide benefits, such as health insurance and retirement plans. This passes on costs to ALICE families and leaves them more vulnerable should they have a health crisis or have to retire early. And because some employer or government benefits — including paid and unpaid time off, health insurance, unemployment insurance, public assistance, and work supports — are tied to number of hours worked, unpredictable scheduling can put those benefits in jeopardy. For example, low-wage workers are two and a half times more likely to be out of work than other workers, but half as likely to receive unemployment insurance (Garfield, Damico, Stephens, & Rouhani, 2015; U.S. Government Accountability Office, 2007; Watson, Frohlich, & Johnston, 2014).

Disruptive Technologies and Job Turnover

The cost of disruption is often borne disproportionately by ALICE workers. For example, a technological innovation increases productivity, eliminates some jobs, and creates new ones. The business that invested in the innovation increases profits and the economy benefits from greater productivity. The employee with the new job benefits only if wages are sufficient to cover the cost of training to gain the skills needed for the job, as well as the transaction costs of getting a new job (e.g., job search, relocation, new clothes). The employee in the old job, who may have been excellent in that role, may not have the skills for the new job and/or may be unable to relocate and therefore loses her job, which has huge and immediate costs for herself and her family.

One of the clearest examples of the impact job turnover has on workers and the economy comes from the North American Free Trade Agreement. Included in the agreement are funds to help workers whose manufacturing jobs move abroad as a result of foreign trade. In 2014 this involved over 62,000 workers, and the cost to help them search for reemployment was just above $300 million, including funds for job training, job search and relocation allowances, income support, and assistance with health care premium costs. That is more than $4,800 per worker to secure new employment — savings that most ALICE workers who lose their jobs do not have (U.S. Department of Labor, 2014).

Turnover is also costly for businesses. From a human resource perspective, experts estimate that turnover costs account for 20 to 30 percent of the annual salary of workers who make less than $50,000, a cost that includes recruiting, interviewing, hiring, orientation and training, lost productivity, potential customer dissatisfaction, reduced or lost business, administrative costs, and lost expertise (Bersin, 2013; Bolden-Barrett, 2017; Boushey & Glynn, 2012; Merhar, 2016).

Finally, there are the costs of disruptive technologies to consumers, including the time it takes to learn about a new product or process, the actual cost of the item, cancellation fees, and the time and effort to implement and incorporate it into their lives. ALICE families especially do not have the time or funds to adapt, and the ongoing stress of insufficient income is exacerbated by their inability to upgrade to new technologies that ostensibly make everyday life easier (Klemperer, 1987; Zhang, Chen, Zhao, & Yao, 2014).

Future Jobs

Iowa's workforce faces a future dominated by low-paying jobs requiring few advanced educational credentials. From 2018 to 2025, most of the fastest-growing jobs in Iowa will pay less than $20 per hour. In terms of education, only 11 percent of new jobs will require a bachelor's degree, while 53 percent will require some college or post-secondary non-degree award. More than a quarter (28 percent) of these jobs will require only a high school diploma, and 8 percent will not require any formal educational credential (Bureau of Labor Statistics, 2016; Iowa Workforce Development, 2017; Projections Central, 2016) (Figure 38).

Furthermore, many of these jobs are also at the greatest risk of being replaced by technology. In fact, 80 percent of jobs in the top-20 fastest-growing occupations could be replaced by technology in the next two decades. In addition to automating existing jobs, technology is also creating new on-demand jobs and services, with the most attention going to gig-economy jobs such as TaskRabbit work and Uber and Lyft driving (Frey & Osborne, September 2013).

Predicting new occupations: Moving beyond TaskRabbit and Uber, there are a wide array of new jobs predicted to arise in the next 20 to 30 years, including augmented reality architects, alternative currency bankers, waste data managers, 3-D printing engineers, privacy managers, wind-turbine repair techs, nano-medics, drone dispatchers, robotic earthworm drivers, body part and limb makers, memory augmentation therapists, mass energy storage developers, and self-driving car mechanics (Frey T. , 2011; Hagan, 2017; Mejia, 2017; World Economic Forum, 2016).

While these jobs seem a long way from today's mechanics and personal care providers, most are still maintainer jobs — largely filled by ALICE workers who care for the infrastructure and the workforce, in occupations that ensure the economy runs smoothly. In other words, our physical infrastructure may change, but it will still need maintenance, and the maintainer workforce will still need to be educated and cared for (Vinsel & Russell, 2016).

The new jobs, however, will not necessarily be filled by the same workers who held the jobs that these new titles replace. For example, a cashier does not necessarily have the skills to repair digital checkout kiosks. Jobs that remain, especially those that require lower levels of education, will be service jobs that cannot be automated and will continue to be the lowest paid, such as health aides, janitors, sales representatives, and movers. Yet even these jobs will increasingly require digital skills (Brynjolfsson & McAfee, 2014; Frey & Osborne, September 2013).

Ability to work with technology: In the face of rapidly rising computing power, an ability to work with data and make data-based decisions will become an increasingly vital skill even within maintainer jobs, so ALICE workers will need new skill sets. The ability to work with technology will be increasingly important for jobs at all levels, from retail assistants to more senior positions. With the increasing amount of digital information being generated and stored, there will be more value placed on utilizing data to improve business productivity. And with increased mechanization, many jobs will require working alongside machines as well as building and repairing them. In Iowa, this dynamic is already a big part of agriculture and manufacturing.

The McKinsey Global Institute estimates that in 60 percent of all occupations, an average of 30 percent of work activities are automatable, and therefore more workers will be required to work alongside machines (Manyika J. , 2017). For example, at Ford's Chicago Assembly Plant, operators used to spend 70 percent of their time scanning and 30 percent repairing defects. Now they spend 10 percent of their time scanning and 90 percent of their time finessing the final assembly of a vehicle (Hagan, 2017; Pete, 2013).

In addition, the pace of these changes may have to be faster than anticipated. By one estimate, 50 percent of subject knowledge acquired during the first year of a four-year technical degree in 2016 will be outdated by the time students graduate (Carnevale, Smith, Gullish, & Hanson, 2015; Organisation for Economic Co-operation and Development, 2016; World Economic Forum, 2016).

More consultants, more risk: Initially, the gig economy was seen as a way for many ALICE households to fill short-term gaps in standard employment, with work that might be more lucrative than jobs in the traditional employment market. However, the size of the contingent workforce has increased to up to one-third of the overall workforce, with estimates that it could reach 40 to 50 percent by 2020. With more and more workers solely reliant on contract work, the number of people experiencing gaps in income and going without benefits is also rising, and this trend is expected to increase (Gaggl & Eden, 2015; Abraham, Haltiwanger, Sandusky, & Spletzer, 2016; Edison Research, 2018; Freelancers Union & Elance-oDesk, 2016; Intuit, 2017; Katz & Krueger, 2016; Manyika, et al., 2016; Smith, 2016; U.S. Government Accountability Office, 2015).

Figure 38.
New Job Growth by Occupation, Iowa, 2017 to 2025

Occupation	2017 Employment	Annual New Growth	Hourly Wage	Education or Training	Likelihood of Being Replaced by Tech
Cashiers	41,839	8,494	$9.68	None	97%
Food Prep, Including Fast Food	40,617	7,860	$9.25	None	92%
Retail Salespersons	44,408	6,644	$12.80	None	92%
Waiters and Waitresses	24,039	4,612	$9.99	None	94%
Heavy and Tractor-Trailer Truck Drivers	40,013	4,554	$19.88	Post-secondary non-degree award	79%
Laborers and Movers, Hand	29,070	4,317	$14.17	None	85%
Customer Service Representatives	28,714	3,915	$16.37	High school diploma or equivalent	55%
Personal Care Aides	20,915	3,760	$11.22	None	74%
Office Clerks	29,464	3,728	$16.10	High school diploma or equivalent	96%
Janitors and Cleaners	24,904	3,636	$12.60	None	66%
Childcare Workers	20,005	3,195	$9.26	High school diploma or equivalent	8%
Nursing Assistants	21,718	2,799	$13.11	Post-secondary non-degree award	1%
Stock Clerks and Order Fillers	19,027	2,696	$13.02	None	64%
General and Operations Managers	25,673	2,404	$44.84	Bachelor's degree	16%
Team Assemblers	19,013	2,399	$15.38	High school diploma or equivalent	97%
Secretaries and Administrative Assistants	20,250	2,386	$15.78	High school diploma or equivalent	96%
Farmers and Ranchers	27,429	2,222	$14.72	High school diploma or equivalent	5%
Bookkeeping and Auditing Clerks	19,825	2,182	$17.14	Some college	98%
Teacher Assistants	18,109	2,065	$11.71	Some college	56%
Registered Nurses	32,710	2,046	$27.04	Bachelor's degree	1%

Source: Frey & Osborne, September 2013; Iowa Workforce Development, 2017

GROWING INEQUALITY OF HEALTH

The third trend that will affect ALICE households throughout Iowa is an increasing level of inequality in health. The cost of health care is increasing for all but the healthiest Iowa residents. That cost is also increasing for government and businesses — a trend that is not sustainable, and that will most likely result in less access to quality health care for ALICE families, more costly health emergencies, and poorer health overall.

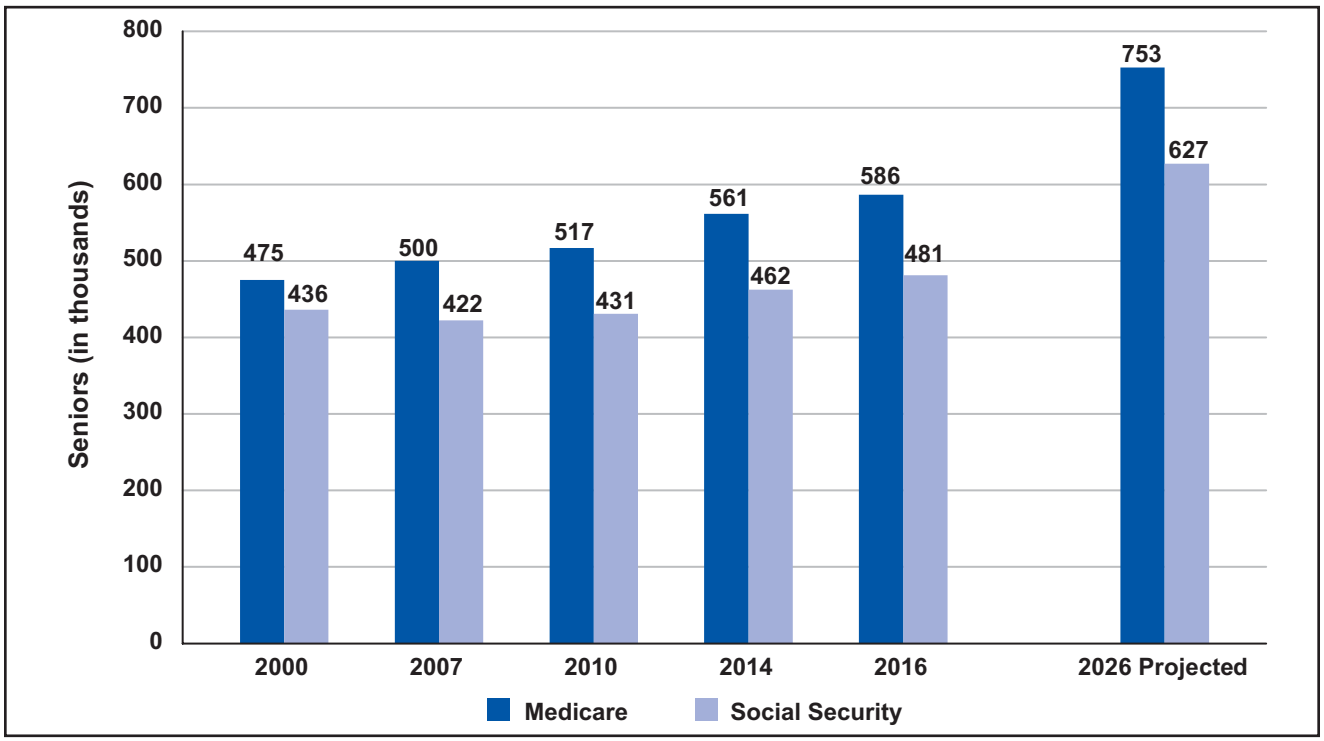
Cost of and Access to Health Insurance

The dwindling power of Medicare and Medicaid: The recent uptick in the percentage of Iowans with health insurance is in large part due to the expansion of Medicaid. With more people covered and a decreasing ratio of workers to Medicaid recipients and seniors, there will be rising demand and falling sources of revenue.

Aging in particular adds significant costs to health care. While many seniors are active and healthy, as they live longer they require more health care than their younger counterparts. Chronic conditions such as cancer, dementia, and diabetes increase with age, and older bodies are more prone to injury. As a result, health care costs for seniors are higher than for other age groups. For example, in 2010, health care spending amounted to $18,424 per person for people aged 65 and older, tripling the $6,125 that was spent on working-age individuals. And that spending gap only widens as seniors reach 80 and 90 years old (Leatherby, 2016; Nardi, French, Jones, & McCauley, 2015; Neuman, Cubanski, Huang, & Damico, 2015).

An aging population and increasing health care costs will impact the effectiveness of Medicare and Medicaid and the demands on health care providers, beneficiaries, and taxpayers. As the Iowa population ages, the number of Iowans enrolled in Medicare and receiving Social Security payouts has increased steadily and is projected to increase even more. Medicare enrollment increased from 475,000 Iowans in 2000 to 586,000 in 2016 and is projected to rise to 753,000 in 2026 (a 28 percent increase from 2016 to 2026). The number of Iowans collecting Social Security increased from 431,000 in 2010 to 481,000 in 2016 and is projected to reach 627,000 in 2026 (a 30 percent increase from 2016 to 2026) (Figure 39).

Figure 39.
Enrollment in Medicare and Social Security, Iowa, 2000 to 2026



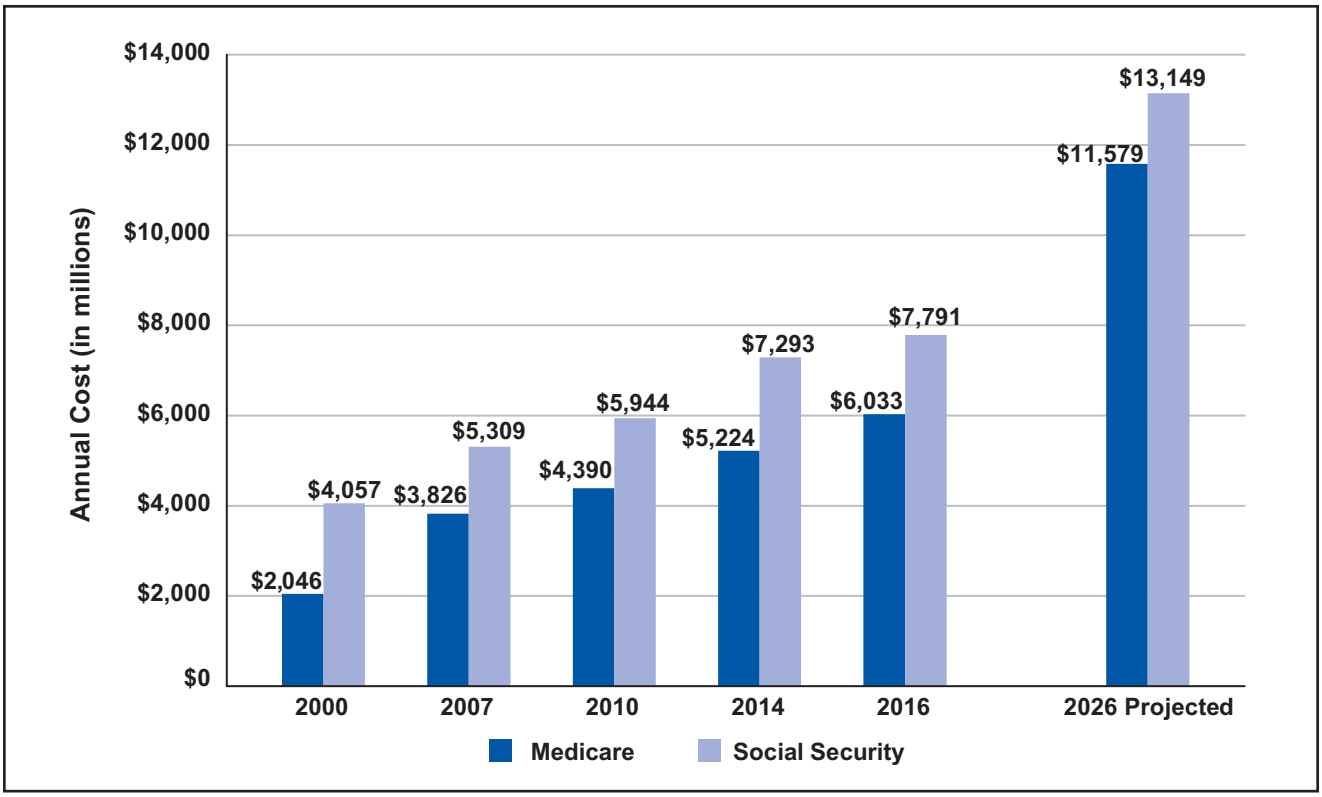
Source: Centers for Medicare & Medicaid Services, 2000, 2007, 2010, 2014; Centers for Medicare & Medicaid Services, 2017a; Social Security Administration, 2000, 2007, 2010, 2014, 2016

Medicare provides health care coverage primarily to adults aged 65 and over, but also to younger adults with permanent disabilities. It has different sources of funding for different services, such as hospital care, physician care, and prescription drugs. Medicaid, which provides health coverage for low-income Americans, is often used by seniors to cover the long-term cost of nursing home facilities (Centers for Medicare & Medicaid Services, 2017).

Nationally, Medicare spending is growing at a faster rate than the growth in the senior population, Social Security, or the overall economy. In Iowa, both Medicare and Social Security spending are growing faster than either their rates of enrollment or the state economy. From 2000 to 2016, Medicare spending increased by 58 percent, while Social Security increased by 47 percent. Spending is expected to rise at an even faster rate from 2016 to 2026 — a 92 percent increase in Medicare spending and a 69 percent increase for Social Security (Figure 40).

Going forward, the pace of health care spending will continue to accelerate: Nationally, Medicare expenditures are expected to grow at an average rate of 7.1 percent from 2016 to 2025, higher than the 5.4 percent rate of economic growth overall. As a percentage of GDP, Medicare costs will increase from 3.6 percent in 2016 to 5.9 percent by 2091. Medicaid spending, which slowed in its growth from 2016 to 2017, is expected to quicken and to grow an average of nearly 6 percent each year through 2025 — a direct result of the increasing elderly and disabled U.S. population (Centers for Medicare & Medicaid Services, 2017; Cubanski & Neuman, 2017; Van de Water, 2017).

Figure 40.
Cost of Medicare and Social Security, Iowa, 2000 to 2026



Source: Centers for Medicare & Medicaid Services, 2000, 2007, 2010, 2014; Centers for Medicare & Medicaid Services, 2017a; Social Security Administration, 2000, 2007, 2010, 2014, 2016; Congressional Budget Office, 2018; Cubanski & Neuman, 2017

Seniors will bear additional costs because Medicare does not cover all of their health care. Excluded are long-term services and supports and dental care, as well as premiums, deductibles, and cost-sharing for Medicare-covered services. In fact, these costs are increasing to the point at which out-of-pocket health care costs are likely to use up half of a Medicare beneficiary's average Social-Security income by 2030 (Cubanski, Neuman, Damico, & Smith, 2018).

Decreased availability of employer-sponsored health insurance: ALICE households also face the challenge of declining rates of employer-sponsored health insurance. Insurance through large employers has remained steady or even grown in some places, but some small employers have dropped insurance benefits. Nationally, while 96 percent of employers with 50+ employees offered health benefits in 2016 (up from 95 percent in 2014), the share of businesses with fewer than 50 employees offering coverage dropped from 32 percent in 2014 to 29 percent in 2016 (Stearns, 2017). Furthermore, there is an increasing proportion of workers who rely on contingent work, which typically offers no insurance coverage (Noguchi, 2017). And the repeal of the ACA's individual mandate in the 2017 tax bill means that younger, healthier people will be more likely to forgo health insurance going forward, making insurance more expensive for those remaining in the market (Pear, 2017).

THE WEALTH-HEALTH GAP

Socioeconomic status has long been a powerful determinant of health. The National Academies of Sciences, Engineering, and Medicine projects that, of people born in 1960, those in the lowest-income quintile have a shorter life expectancy than those in the highest-income quintile: 13 years shorter for men (76 years compared to 89 years) and 14 years shorter for women (78 years compared to 92 years).

The health-wealth divide is exacerbated by differences in the safety of both living and working environments depending on income. Those with the fewest resources often live and work in areas with unhealthy living conditions, such as contaminated water and polluted air, because those areas are less expensive. The impact of pollution, toxic exposure, and disease compounds over time, and without resources, these families cannot afford to move to safer areas, mitigate these hazards, or avoid risky workplaces.

Race and ethnicity are also tied to the level of adverse environmental exposure people face in their neighborhoods and at their jobs. A variety of large studies have revealed an association between low socioeconomic status and greater harm from air pollution. A comprehensive review from Harvard University researchers revealed that Black, Asian, Hispanic, and Medicaid-eligible individuals (across all races and ethnicities) had a higher likelihood of death from any pollution-related cause compared to the rest of the population, with Black people almost three times as likely to die from exposure to air pollutants than other groups (Di, Wang, Zanobetti, & Wang, 2017). Moreover, a 30-year analysis of 319 commercial hazardous waste treatment and storage sites in the U.S. found a consistent pattern of placing hazardous waste facilities in low-income and primarily Black and Hispanic neighborhoods (Mohai & Saha, 2015).

These differences are projected to grow wider as the compound impact of unsafe living and working environments produces even poorer health outcomes for those with the fewest resources, and advances in medical care offer even better health outcomes to those with the most (Chetty, et al., 2016; Komlos & Kelly, 2016; National Academies of Science, 2015).

The health care gap could increase in two ways. First, precision medicine — the ability to personalize medical treatments, products, and interventions — is increasingly effective, but costly and therefore out of reach for many patients. This is especially the case when it comes to treatments for cancer and rare diseases. Second, biotechnology and genetic engineering has made it possible to go beyond treatment of a specific injury and disease and upgrade to preventative health treatments. Researchers are, for example, experimenting with procedures that could enable families to correct genes that cause illnesses like cystic fibrosis, or add genes that protect against infection or dementia, and pass those improvements on to future generations. Yet these types of innovations would all be extremely expensive if and when they hit the marketplace (Harari, 2014; Komlos & Kelly, 2016; Regalado, 2015).

THE DENTAL HEALTH DIVIDE

Nowhere are wealth-health disparities starker than in the divide in dental care. Higher-income Americans have dental insurance (most often separate from medical insurance) and access to care that provides resistance to tooth decay and breakage, jaw comfort, clear speech, and easier maintenance — all of which lead to better overall health. The wealthiest families spend thousands of dollars on supplemental dental care to achieve whiter, straighter, stronger smiles, which leads to more social and job opportunities.

Those with the lowest incomes rarely have dental insurance, and Medicaid's dental coverage varies from state to state, so these families often forgo preventative care. They are far more likely to suffer from tooth decay and gum infection, which can increase the risk of cancer and cardiovascular diseases and can affect speech, nutrition, sleeping, learning, playing, and overall quality of life. In addition, crooked or yellow teeth can stigmatize people in social settings and reduce job prospects, as they are associated with low educational achievement and social mobility. In fact, 29 percent of low-income respondents to a 2015 American Dental Association survey reported that the appearance of their mouth and teeth affected their ability to interview for a job.

In 2014, dental coverage for those covered by Medicaid and CHIP in Iowa (with income below 133 percent of the FPL) became available through the new Iowa Dental Wellness Plan for adults aged 19 and over and through the Healthy and Well Kids in Iowa (hawk-i) dental program for children 18 and under. Dental Wellness Plan enrollees are eligible for comprehensive dental services in the first year and can then continue that coverage without premiums by completing an oral health self-assessment and coming in for preventative care. Annual dental visits initially increased from 19 to 33 percent for those covered, yet this percentage remains lower than for Iowans with paid dental plans (55 percent). Because the plan is new, there has not been time to assess its broader impact.

For adults 65 years and older in Iowa and across the country, Medicare does not cover routine oral health and dental care. If they don't qualify for the Iowa Dental Wellness Plan, those with dental needs that increase with age must purchase an insurance plan or pay out of pocket. Many seniors with severe needs such as root canals and crowns who are unable to afford additional expenses simply have their teeth pulled. As a result, nearly one in five Americans older than 65 do not have a single real tooth.

Even Iowans with dental coverage have difficulty accessing care because of the limited number of dentists in the state and a shortage of those who accept the Dental Wellness Plan. In fact, Iowa has 125 dental Health Professional Shortage Areas (HPSAs), and only 42 percent of general-practice dentists report accepting Dental Wellness Plan patients. As a result, only half of plan enrollees report having a regular dentist.

In addition, with the eligibility cutoff for the Dental Wellness Plan at 133 percent of the FPL, there are many ALICE households that do not qualify for dental assistance and cannot afford marketplace premiums. As a result, the U.S. Department of Health and Human Services estimates that only 42 percent of dental needs in Iowa were met in 2016. Nationally, even though states are required to provide dental benefits to children covered by Medicaid and the Children's Health Insurance Program (CHIP), one-third of White children and one-half of Black and Hispanic children still go without dental care.

Sources: Frakt, 2018; Jordan & Sullivan, 2017; Otto, 2017; Health Policy Institute, 2015; Iowa Department of Human Services, 2018; Iowa Department of Human Services, 2018a; University of Iowa Public Policy Center, 2016; Center for Health Care Strategies, 2018; Senior Health Insurance Information Program, 2018; Kaiser Family Foundation, 2016a; Paradise, 2014

LOOKING AHEAD

There is a basic belief in America that if you work hard, you can support your family. Yet the data presented in this report shows that for nearly 460,000 households in Iowa, this is not the case: Working families are still struggling due to the mismatch between the basic cost of living and the wages of many jobs across the state, exacerbated by systemic inequities in opportunity and wealth. The ALICE data challenges persistent assumptions and stereotypes about people who can't afford to pay their bills or are forced to visit a food bank — that they are primarily people of color, live only in cities, are unemployed, or are struggling as the result of some moral failing. The data on ALICE households clearly shows that hardship in Iowa exists across boundaries of race, age, and geography.

With projected demographic changes and persistent barriers to stability, many ALICE and poverty-level families will continue to face hardship. In particular:

- At least 47 percent of Iowa households do not have enough money set aside to cover expenses for three months, let alone enough to be able to save for emergencies or for the future.
- The majority of adults under 25 across the country are unable to afford to live on their own, and for both economic and cultural reasons are delaying getting married, having children, or moving for new job opportunities.
- More seniors are aging without saving for retirement.
- There are fewer workers to meet the growing demand for senior caregiving.
- Income and wealth disparities persist by race and ethnicity, sex, sexual orientation, and gender identity.

Economic change will continue, bringing both opportunities and costs; yet the distribution of opportunity and cost is not even or equitable. For change to have a positive impact on ALICE households, communities need to consider a range of system changes that would help these households both weather downturns in the short term and become more financially secure in the long term. While some of these are broad ideas that need to happen on a statewide or national front, others can be considered in a local context.

For solutions to be effective, they must be as comprehensive and as interconnected as the problems are. Siloed solutions do not work. Because conditions vary across counties and states, the solutions to the challenges that ALICE and poverty-level households face will vary as well. Stakeholders — family, friends, nonprofits, policymakers, academics, and the government — will need to work together with innovation and vision to bring structural change, beginning at the highest levels of economic policy and extending deep into the fabric of our communities.

Ultimately, if ALICE households can become financially stable, Iowa's economy will be stronger and its communities more vibrant — improving life not just for ALICE, but for everyone. The data detailed in this report can be a jumping-off point for new and better ideas that can help working families move toward this goal. And there is no one solution: A range of strategies will be needed to ensure that working people and their families aren't left behind.