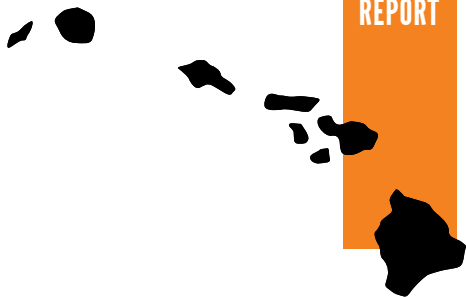


**ALICE:
A STUDY OF
FINANCIAL HARDSHIP
IN HAWAI'I**

LIVE UNITED

**2017
REPORT**



ALICE® is an acronym for **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed. This is a project of United Ways in Connecticut, Florida, Hawai'i, Idaho, Indiana, Iowa, Louisiana, Maryland, Michigan, New Jersey, New York, Ohio, Oregon, Virginia, Washington, and Wisconsin.



THE UNITED WAYS OF HAWAI‘I

Aloha United Way

Kaua‘i United Way

Hawai‘i Island United Way, Inc.

Maui United Way

To learn more about ALICE and Hawai‘i United Ways’ work to change conditions for this vulnerable population in our state, visit www.auw.org/alice

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Aloha United Way is grateful for the support of the following sponsors who are committed to the success of this project and to helping bring the ALICE message and solutions to Hawai‘i:



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LETTER TO THE COMMUNITY

I'm proud to live and work in Hawai'i, one of the most culturally diverse states in America. We have some of the wealthiest communities and residents in the country. We also have some of the poorest who struggle every day to make ends meet.

The cost of living in Hawai'i is one of the highest in the nation. This presents a particular challenge to all of us who choose to make Hawai'i our home. There are many in our communities who supplement their income by working at more than one job, have family members who help provide child care, or live in households with multiple generations to make ends meet.

Aloha United Way commissioned ALICE: A STUDY OF FINANCIAL HARDSHIP IN HAWAI'I to help identify those across our state who are struggling to make ends meet, and to understand the enormity of this issue and the obstacles these families and individuals in our communities face. **ALICE** is an acronym for **A**sset Limited, **I**ncome **C**onstrained, **E**mployed. In Hawai'i, there are 165,013 ALICE households (37 percent), while another 47,066 households (11 percent) live below the poverty level. In total, **48 percent** of Hawai'i households are ALICE and below.

Our ALICE population represents hardworking people we interact with every day, who have a job – or two or three – yet cannot afford basic necessities to remain stable and self-sufficient. ALICE lives in every town and city across Hawai'i. ALICE exists in every ethnicity. They include child care providers, retail salespersons, waitstaff, cashiers, administrative assistants, janitors, housekeepers, landscapers, teaching assistants, mechanics, restaurant cooks and more. They are our friends, family, and people we rely on every day. It takes just one crisis – loss of employment for a short period, an unexpected health emergency or car repair, an increase in monthly rent – to put these families and individuals at even greater risk of long-term problems like chronic health issues or loss of housing.

Hawai'i was hit hard during the Recession and much of our economy has rebounded. Yet the rising economic tide is not lifting all boats. Last year, Aloha United Way 2-1-1, which serves the entire state, handled over 37,000 inquiries for shelter, food, and utility assistance.

Every one of us was ALICE, is ALICE or *knows* ALICE. This report clearly shows us who ALICE is, where ALICE lives, and why ALICE struggles. With the appropriate focus, policy changes, investments, and collaboration, our community can help put our hardworking ALICE families and individuals on the path to financial stability and self-sufficiency.

This is a call to action for each of us to share this information – to innovate and collaborate as legislators, academics, and leaders from the community, business and philanthropic sectors. There are many across the state who care deeply about supporting and serving our families, neighbors, and friends who are struggling. Together, we can help create and provide opportunities for our ALICE families and individuals to achieve sustainability.

Finally, a word of deep gratitude. This Report would not be possible without the generous support of Bank of Hawai'i Foundation, Hawai'i Community Foundation, and Kamehameha Schools.

Me ke aloha pumehana,



Cindy Adams, *President & CEO, Aloha United Way*



THE UNITED WAY ALICE PROJECT

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

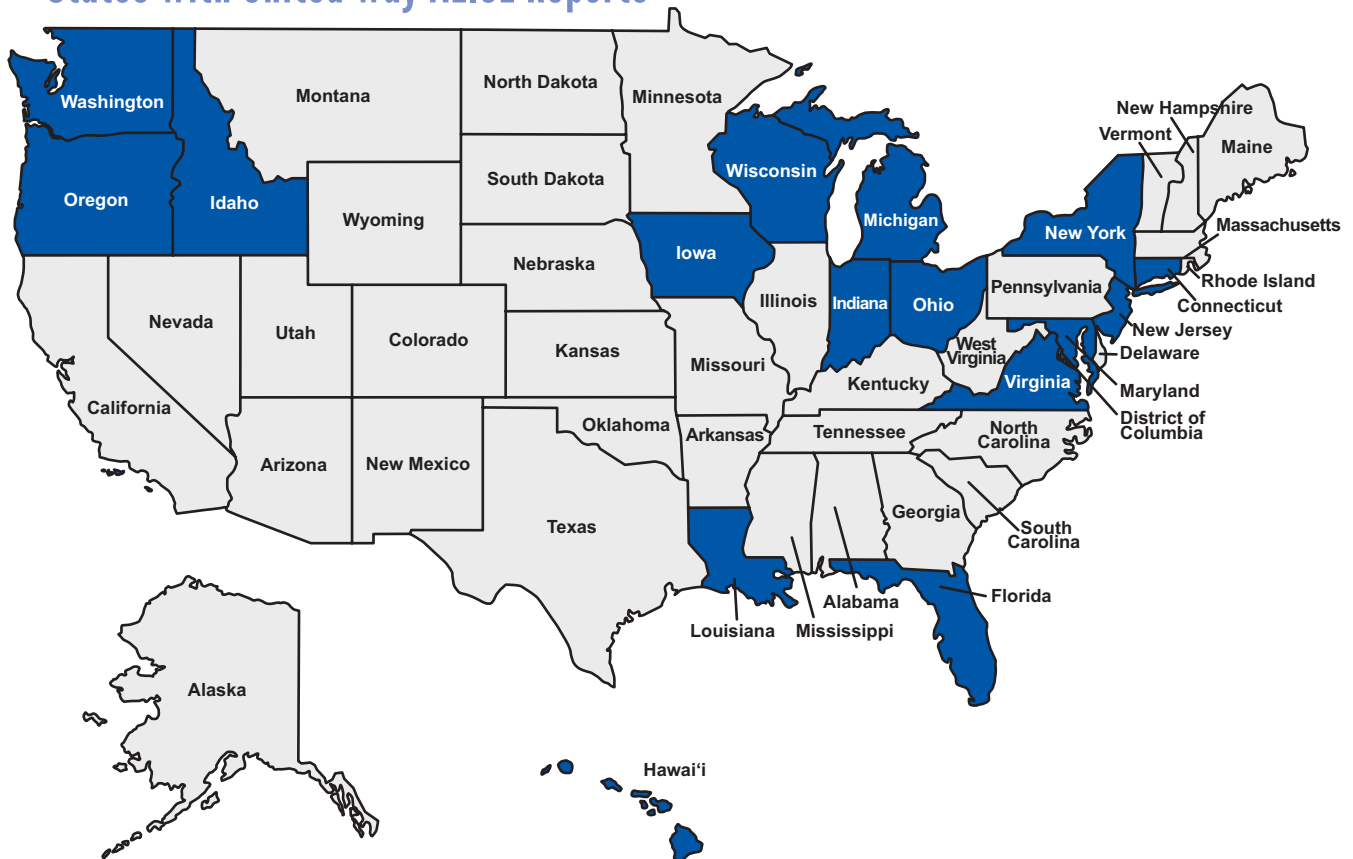
Based on the overwhelming success of this research in identifying and articulating the needs of this vulnerable population, the United Way *ALICE Project* has grown from a pilot in Morris County, New Jersey in 2009, to the entire state of New Jersey in 2012, and now to the national level with 16 states participating.

Hawai'i United Ways are proud to join the some 450 United Ways from these states to better understand the struggles of ALICE. Organizations across the country are also using this data to better understand the struggles 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 across the country.

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 Hawai'i, a team of researchers collaborated with a Research Advisory Committee, composed of 6 representatives from across the state, 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' work focuses on the political economy of the United States and specifically on the circumstances of low-income households. Her research has garnered both state and national media attention. She began the United Way *ALICE Project* as a pilot study of the low-income community in affluent Morris County, New Jersey in 2009, and has overseen its expansion into a broad-based initiative to more accurately measure financial hardship in states across the country. In 2015, Dr. Hoopes joined the staff at United Way of Northern New Jersey in order to expand this project as more and more states become involved.

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

Dr. Hoopes has a 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.

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EXECUTIVE SUMMARY

Across Hawai'i, 48 percent of households struggled to afford basic household necessities in 2015.

WHO IS ALICE?

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

WHO IS STRUGGLING?

While the FPL reports that 11 percent of Hawai'i households faced financial hardship in 2015, an additional 37 percent (165,013 households) qualified as ALICE.

WHY ARE THERE SO MANY ALICE HOUSEHOLDS IN HAWAI'I?

Low wage jobs dominate the local economy: Sixty-two percent of all jobs in Hawai'i pay less than \$20 per hour, with more than two-thirds of those paying less than \$15 per hour (\$15 per hour full time = \$30,000 per year). These jobs – especially service jobs that pay wages below \$20 per hour and require a high school education or less – will grow far faster than higher-wage jobs over the next decade.

The basic cost of living outpaces wages: The cost of basic household expenses in Hawai'i is more than what most of the state's jobs can support. The average annual Household Survival Budget for a Hawai'i family of four (two adults with one infant and one preschooler) is \$72,336 – significantly more than double the U.S. family poverty level of \$27,890.

Economic conditions vary by county: Analysis of the economic conditions across Hawai'i's counties shows that it is difficult for ALICE households in Hawai'i to find affordable housing, job opportunities, and community resources in the same place.

Public and private assistance helps, but doesn't provide financial stability: The income of ALICE and poverty-level households in Hawai'i is supplemented with \$1.4 billion in government and nonprofit assistance, as well as \$2.2 billion in health care resources. Because government expenditure is increasingly composed of health care spending, which consists of services and cannot be transferred to meet other needs, there remain gaps for families in Hawai'i to achieve the most basic financial need in many areas, including a 49 percent gap for housing and a 52 percent gap for child care.

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

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

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

GLOSSARY

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

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

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

The Household Stability Budget is greater than the basic Household Survival Budget and reflects the cost for household necessities at a modest but sustainable level. It adds savings and smartphone categories, and it 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.

Consequences of Households Living Below the ALICE Threshold in Hawai'i

| Impact on ALICE | | Impact on Community |
|--|---|--|
| HOUSING | | |
| Live in substandard housing or unsafe neighborhoods | Health and safety risks; increased maintenance costs; inconvenience; increased risk of crime | Increased health care costs; workers stressed, late, and/or absent from job – less productive |
| Move farther away from job | Longer commute; costs increase; late and/or absent from job; poorer job performance; less time for other activities | More traffic on road; workers stressed, late, and/or absent from job – less productive; increased cost of urban sprawl including infrastructure and services such as roads, public transit, sewage, etc. |
| Homeless | Disruption to job, family, school, etc. | Costs for homeless shelters, foster care system, health care |
| CHILD CARE AND EDUCATION | | |
| Substandard child care | Safety and learning risks; health risks; children less likely to be school-ready, read at grade level, graduate from high school; limited future employment opportunity | Future need for education and social services; less productive workers |
| No child care | One parent cannot work; forgo immediate income and future promotions | Future need for education and social services |
| Substandard public education | Learning risks; limited earning potential/ mobility; limited career opportunity | Stressed parents; lower-skilled workforce; future need for social services |
| FOOD | | |
| Less healthy | Poor health; obesity | Less productive workers/students; increased future demand for health care |
| Not enough | Poor daily functioning | Workers/students even less productive; increased future need for social services and health care |
| TRANSPORTATION | | |
| Old car | Unreliable transportation; risk of accidents; increased maintenance costs | Workers stressed, late, and/or absent from job – less productive |
| No insurance/ registration | Risk of fine; accident liability; risk of license being revoked | Higher insurance premiums; unsafe vehicles on the road |
| Long commute | Costs increase; late and/or absent from job; poorer job performance; less time for other activities | More traffic on road; workers late to job; increased demand for road maintenance and services |
| No car | Limited employment opportunities and access to health care/child care | Reduced economic productivity; higher taxes for specialized public transportation; greater stress on emergency vehicles |
| HEALTH CARE | | |
| Underinsured | Delaying or skipping preventative health and dental care; more out-of-pocket expense; substandard or no mental health coverage | Workers report to job sick, spreading illness; less productivity, more absenteeism; increased workplace issues due to untreated mental illness |
| No insurance | Forgoing preventative health care; use of emergency room for non-emergency care | Higher premiums for all to fill the gap; more expensive health costs; risk of health crises |
| INCOME | | |
| Low wages | Longer work hours; pressure on other family members to work (drop out of school); no savings; use of high-cost financial products | Workers stressed, late, and/or absent from job – less productive; higher taxes to fill the gap |
| No wages | Cost of looking for work and finding social services; risk of depression | Less productive society; higher taxes to fill the gap |
| SAVINGS | | |
| Minimal savings | Mental stress; crises; risk taking; use of costly alternative financial systems to bridge gaps | More workers facing crises; unstable workforce; community disruption |
| No savings | Crises spiral quickly, leading to homelessness, hunger, illness | Costs for homeless shelters, foster care system, emergency health care |

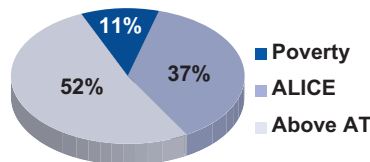
AT-A-GLANCE: HAWAII

2015 Point-in-Time Data

Population: 1,431,603 | **Number of Counties:** 5 | **Number of Households:** 445,900
Median Household Income (state average): \$73,486 (national average: \$55,775)
Unemployment Rate (state average): 4.9% (national average: 6.3%)
Gini Coefficient, a measure of income equality where 0 = perfect equality and 1 = perfect inequality: 0.44 (national average: 0.48)

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, but less than the basic cost of living for the state (the ALICE Threshold, or AT). Combined, the number of poverty-level and ALICE households (48 percent) equals the total Hawai'i population struggling to afford basic needs.



What does it cost to afford the basic necessities?

This bare-minimum Household Survival Budget does not allow for any savings, leaving a household vulnerable to unexpected expenses. Affording only a very modest living in each community, this budget is still significantly more than the adjusted 2015 Federal Poverty Level for Hawai'i of \$13,550 for a single adult and \$27,890 for a family of four.*

| Hawai'i Average - 2015 | | | |
|------------------------|-----------------|--------------------------------------|-------------------------------|
| | SINGLE ADULT | 2 ADULTS, 1 INFANT, 1 PRESCHOOLER | PERCENT CHANGE 2007 - 2015 |
| Monthly Costs | | | |
| Housing | \$944 | \$1,362 | 18% |
| Child Care | \$- | \$1,207 | 24% |
| Food | \$312 | \$1,032 | 35% |
| Transportation | \$276 | \$544 | -21% |
| Health Care | \$166 | \$635 | 77% |
| Miscellaneous | \$213 | \$548 | 20% |
| Taxes | \$433 | \$700 | 32% |
| Monthly Total | \$2,344 | \$6,028 | 20% |
| ANNUAL TOTAL | \$28,128 | \$72,336 | 20% |
| Hourly Wage | \$14.06 | \$36.17 | 20% |

*Since 1970, the FPL guidelines have been 15 percent higher in Alaska and 25 percent higher in Hawai'i as a simplified way to recognize the higher cost of living in these states than on the U.S. mainland.

Note: In each category, percent change is an average of the changes for a single-adult and a four-person family, to give a broad sense of changes over time across Hawai'i's households.

AT-A-GLANCE: HAWAII

2015 Point-in-Time Data

Population: 1,431,603 | **Number of Counties:** 5 | **Number of Households:** 445,900
Median Household Income (state average): \$73,486 (national average: \$55,775)
Unemployment Rate (state average): 4.9% (national average: 6.3%)
Gini Coefficient, a measure of income equality where 0 = perfect equality and 1 = perfect inequality: 0.44 (national average: 0.48)

| Hawai'i Counties, 2015 | | |
|------------------------|------------------|-------------------|
| COUNTY | TOTAL HOUSEHOLDS | % ALICE & POVERTY |
| Hawai'i | 64,201 | 55% |
| Honolulu | 307,703 | 46% |
| Kaua'i | 21,862 | 43% |
| Maui & Kalawao | 52,134 | 51% |

Sources: 2015 **Point-in-Time Data:** American Community Survey, 2015. **ALICE Demographics:** American Community Survey, 2015, and the ALICE Threshold, 2015. **Income Assessment:** Office of Management and Budget, 2016; U.S. Department of Agriculture (USDA); American Community Survey, 2015; National Association of State Budget Officers, 2015; NCCS Data Web Report Builder, Urban Institute, 2012; see Methodology Overview at unitedwayalice.org/hawaii. **Budget:** U.S. Department of Housing and Urban Development (HUD); USDA; Bureau of Labor Statistics (BLS); Internal Revenue Service (IRS); Tax Foundation of Hawai'i and Hawai'i Department of Taxation; and Hawai'i Department of Human Services, 2015.

KALAWAO COUNTY

Hawai'i's Kalawao County is the smallest and least populated county in the U.S., with only 12 square miles of land, 54 households, and no families with children. Located on the north coast of the island of Moloka'i, Kalawao was designated as a quarantined colony for people with leprosy in 1866. That quarantine continued until 1969; today a handful of elderly patients remain, as well as National Park Service staff and government workers.

Because Kalawao's population is so small, for this Report, it is combined with Maui County. Together, the two counties had 52,134 households in 2015, 51 percent of them with income below the ALICE Threshold.

INTRODUCTION

Hawai'i is perhaps best known as a world-renowned vacation destination with surfing beaches, verdant flora, cascading waterfalls, and striking volcanic mountains. The Aloha State is also home to Pearl Harbor and many military bases, and it produces an abundance of pineapples, sugar, macadamia nuts, and coffee. Geographically, as a string of islands, Hawai'i is the most isolated population center in the world, but it hosts one of the most diverse populations in the country.

Yet despite a booming tourist industry and a strong financial sector, Hawai'i also contains sharp disparities in wealth and income. What is often overlooked is the growing number of households that earn above the Federal Poverty Level (FPL), but are unable to afford the state's cost of living.

Traditional measures hide the reality that 48 percent of households in Hawai'i struggle to support themselves. Because income is distributed unequally in Hawai'i, there is both great wealth and significant economic hardship. That inequality increased by 12 percent from 1979 to 2015; now, the top 20 percent of Hawai'i's population earns 47 percent of all income earned in the state, while the bottom quintile earns only 3 percent (U.S. Census, 2000; Noss, 2014; American Community Survey, 2000 and 2015).

In 2015, Hawai'i's poverty rate was 11 percent, below the U.S. average, and the median annual household income was \$73,486, well above the U.S. median of \$55,775. Yet the state's overall economic situation is more complex. While unemployment is lower in Hawai'i than it is in many other states, workers increasingly face a changing jobs landscape where higher-paying jobs have been replaced with lower-paying jobs.

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

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

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

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

"Defying many stereotypes, ALICE households are working households, composed of women and men, young and old, of all races and ethnicities, and they live in every county in Hawai'i – urban, suburban, and rural."

“Though the Great Recession was not as severe in Hawai‘i as in other states, the number of households struggling financially is higher than in most states and showed only a slight reduction from 2012 to 2015.”

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

The findings are stark: Though the Great Recession was not as severe in Hawai‘i as in other states, the number of households struggling financially is higher than in most states and showed only a slight reduction from 2012 to 2015. In 2007, 41 percent of Hawai‘i households had income below the ALICE Threshold; that share increased to 45 percent in 2010, and continued to increase through 2012, when it reached 49 percent, and then improved slightly to 48 percent by 2015. In contrast, the official U.S. poverty rate in Hawai‘i reports that in 2015, only 11 percent, or 47,066 households, were struggling. But the FPL was developed in 1965, and its methodology has remained largely unchanged despite changes in the cost of living over time. The FPL amount was originally the same across the country; but in 1970, the Office of Economic Opportunity, recognizing that the cost of living was significantly higher in Alaska and Hawai‘i, adjusted FPL guidelines to be 15 percent higher in Alaska and 25 percent higher in Hawai‘i than on the mainland. Despite changes in budget composition and costs, the formula has not been changed since (U.S. Government Accountability Office, 2009).

The ALICE measures show how many households in the state are struggling, and they provide the new language needed to discuss this segment of our community and the economic challenges that so many residents face. In Hawai‘i there are 165,013 ALICE households that have income above the FPL but below the ALICE Threshold. **When combined with households below the poverty level, in total, 212,079 households in Hawai‘i – fully 48 percent – struggled to support themselves in 2015.**

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

REPORT OVERVIEW

Who is struggling in Hawai‘i?

Section I presents the **ALICE Threshold**: a realistic measure for income inadequacy in Hawai‘i that takes into account the current cost of basic necessities and geographic variation. In Hawai‘i there are 212,079 households – 48 percent of the state’s total – with income below the realistic cost of basic necessities; 47,066 of those households are living below the FPL and another 165,013 are ALICE households. This section provides a statistical picture of ALICE household demographics, including geography, age, race/ethnicity, gender, family type, disability, education, sexual orientation, military service, and immigrant status. Apart from a few notable exceptions, ALICE households generally reflect the demographics of the overall state population.

How costly is it to live in Hawai'i?

Section II details the average minimum costs for households in Hawai'i to simply survive – not to save or otherwise “get ahead.” The cost of living in Hawai'i varies greatly across the state, but in all counties, it outpaces the wages of most jobs. The annual Household Survival Budget quantifies the costs of the five basic essentials of housing, child care, food, transportation, and health care. Using the thriftiest official standards, including those used by the U.S. Department of Agriculture (USDA) and the U.S. Department of Housing and Urban Development (HUD), the average annual **Household Survival Budget** for a Hawai'i family of four (two adults with one infant and one preschooler) is \$72,336, and for a single adult it is \$28,128. These numbers vary by county, but all highlight the inadequacy of the 2015 adjusted U.S. poverty designation of \$27,890 for a family and \$13,550 for a single adult as an economic survival standard in Hawai'i.

The Household Survival Budget is the basis for the ALICE Threshold, which redefines the basic economic survival standard for Hawai'i households. Section II also details a **Household Stability Budget**, which reaches beyond survival to budget for savings and stability at a modest level. Even at this level, the Household Stability Budget is 92 percent higher than the Household Survival Budget for a family of four in Hawai'i.

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

Section III examines where members of ALICE households work, as well as the amount and types of assets these households have been able to accumulate. With 62 percent of jobs in Hawai'i paying less than \$20 per hour, it is not surprising that so many households fall below the ALICE Threshold. In addition, the housing crisis and stock market crash associated with the Great Recession, as well as the continued high cost of basic necessities, took a toll on household savings in Hawai'i. In 2013, 14 percent of Hawai'i households were asset poor, and 22 percent did not have sufficient liquid net worth to subsist at the FPL for three months without income.

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

Section IV examines how much households actually earn as well as the amount of public and private assistance they receive. The **ALICE Income Assessment** estimates that ALICE and poverty-level households in Hawai'i earn 46 percent of what is required to reach the ALICE Threshold. Resources from nonprofits and federal, state, and local governments provide \$1.4 billion in goods and services, with an additional \$2.2 billion in health care spending. However, there remains an Unfilled Gap of \$4.3 billion, or 29 percent of total need, in order for all households to reach the ALICE Threshold – and there are even larger gaps in specific budget areas, including a 49 percent gap for housing and a 52 percent gap for child care.

What are the economic conditions for ALICE households in Hawai'i?

Section V presents the conditions that Hawai'i's ALICE households actually face in terms of housing affordability, job opportunities, and community resources across the state's counties. The biggest challenge for ALICE households in Hawai'i is to find both affordable housing and job opportunities in the same county.

“With 62 percent of jobs in Hawai'i paying less than \$20 per hour, it is not surprising that so many households fall below the ALICE Threshold.”

“Because Hawai‘i is economically, racially, ethnically, and geographically diverse, state averages mask significant differences between counties and even within them, between municipalities.”

What are the consequences of insufficient household income?

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

Conclusion

The Report concludes by outlining the structural issues that pose the greatest challenges to ALICE households going forward. These include changes in the age of Hawai‘i’s population and migration into and out of the state; racial and ethnic diversity and economic disparities; and changes in the job market and future job prospects for ALICE workers. This section also identifies the barriers to improving life for Hawai‘i households living below the ALICE Threshold.

DATA PARAMETERS

The ALICE measures presented in this Report are calculated for each county. (Given Kalawao County’s tiny population – only 54 households, and no families with children – for this Report, Kalawao is combined with Maui County.) Because Hawai‘i is economically, racially, ethnically, and geographically diverse, state averages mask significant differences between counties and even within them, between municipalities. For example, the percent of households below the ALICE Threshold ranges from 43 percent in Kaua‘i County to 55 percent in Hawai‘i County.

The ALICE measures are calculated for 2007, 2010, 2012, and 2015 in order to compare the beginning and the end of the economic downturn known as the Great Recession and any progress made in the five years since the technical end of the Recession. The 2015 results will also serve as an important baseline from which to measure both the continuing recovery and the impact that changes in the health care laws will have in the years ahead, beginning with the rollout of the Affordable Care Act in 2014.

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

I. WHO IS STRUGGLING IN HAWAI‘I?

Measure 1 – The ALICE Threshold

AT-A-GLANCE: SECTION I

- **ALICE** – **A**sset **L**imited, **I**ncome **C**onstrained, **E**mloyed – defined: Despite being employed, many households earning more than the Federal Poverty Level (FPL) still cannot afford housing, child care, food, transportation and health care.
- In Hawai‘i, there are 165,013 ALICE households, while another 47,066 households live below the poverty level. In total, 48 percent of Hawai‘i households earn below the ALICE Threshold.
- Households with income below the ALICE Threshold make up between 43 percent and 55 percent of households in every county in Hawai‘i.
- The share of ALICE households in each of Hawai‘i’s six primary racial/ethnic groups is similar to that in the overall population: At least 46 percent of households in each group have income below the ALICE Threshold, as does 48 percent of the state population.
- More than one-third – 37 percent – of senior households in Hawai‘i qualify as ALICE, well more than the 9 percent of senior households in poverty.
- There are 116,205 families with children under the age of 18 in Hawai‘i, and 48 percent of them have income below the ALICE Threshold.
- Reflecting the changing household composition across the country, “other” households – single and cohabiting households younger than 65 with no children under 18 – account for 46 percent of the state’s households with income below the ALICE Threshold.
- Several demographic groups in Hawai‘i are more likely to fall into the ALICE population, including women; lesbian, gay, bisexual, and transgender (LGBT) people; those with lower levels of education; those with a disability; undocumented or unskilled immigrants; younger veterans; formerly incarcerated people; and immigrants facing language barriers.

“There are 116,205 families with children under the age of 18 in Hawai‘i, and 48 percent of them have income below the ALICE Threshold.”

How many households are struggling across Hawai‘i? The Federal Poverty Level (FPL) provides one view: According to the U.S. Census Bureau, the federal poverty rate in Hawai‘i increased through the Great Recession and beyond, from 9 percent in 2007 to 11 percent, or 47,066 of the state’s 445,900 households, in 2015. However, the continued demand for public and private assistance over the five years following the technical end of the Recession tells a very different story, suggesting that many times that number struggle to support themselves.

The FPL is no longer a realistic measure of financial hardship in households across each county in the U.S. Developed in 1965, the FPL no longer reflects the actual current cost of basic household necessities. Adjustments for Alaska and Hawai‘i were incorporated in 1970,

“The lack of accurate information about the number of people who are “poor” distorts the identification of problems related to poverty, misguides policy solutions, and raises questions of equality, transparency, and fairness.”

but the overall methodology has not been updated since 1974 to accommodate changes over time in the cost of living or budget composition (e.g., food now takes up less of the family budget, and housing takes up more).

There have been extensive critiques of the FPL and arguments for better poverty measures (O’Brien & Pedulla, 2010; Uchitelle, 2001). The official poverty level is so understated that many government and nonprofit agencies use multiples of the FPL to determine eligibility for assistance programs. For example, Hawai‘i’s Low-Income Home Energy Assistance Program (LIHEAP) uses 200 percent of the FPL and Maui Family Support Services uses 260 percent of the FPL to determine program eligibility for their Childcare Subsidy Program. Even Medicaid and the Children’s Health Insurance Program (CHIP) use multiples of the FPL to determine eligibility across the country (National Conference of State Legislatures, 2014; Roberts, Povich, & Mather, 2012; PATCH Hawai‘i, 2017).

Recognizing the shortcomings of the FPL, the U.S. Census Bureau developed an alternative metric, the Supplemental Poverty Measure (SPM), which is based on expenditures reported in the Bureau of Labor Statistics’ (BLS) Consumer Expenditure Survey (CES) and adjusted for geographic differences in the cost of housing. The SPM was meant to capture more struggling households, and in Hawai‘i it is higher than the official FPL: The Hawai‘i SPM 3-year average for 2013 was 18.4 percent, while the FPL 3-year poverty estimate for that year was 12.4 percent (U.S. Census Bureau, 2014; Renwick & Fox, 2016). Yet because the SPM is not based on the actual cost of basic goods, it still does not come close to capturing the percentage of households in Hawai‘i that are actually struggling.

Despite its shortcomings, the FPL has provided a standard measure over time to determine how many people in the U.S. are living in deep poverty. The needs and challenges that these people face are severe, and they require substantial community assistance. The definition of “poverty,” however, is vague, often has moral connotations, and can be inappropriately – and inaccurately – associated only with the unemployed. **To clarify the economic challenges that working households face, this Report measures what it actually costs to live in each county in Hawai‘i; calculates how many households have income below that level; and offers an enhanced set of tools to describe the impact of financial hardship on them and on their communities.**

This is not merely an academic issue, but a practical one. The lack of accurate information about the number of people who are “poor” distorts the identification of problems related to poverty, misguides policy solutions, and raises questions of equality, transparency, and fairness. Using the FPL may also over-report the number of households facing financial hardship in areas with a low cost of living and under-report the number in areas with a high cost of living. For example, the Geography of Poverty project at the U.S. Department of Agriculture (USDA) finds that nearly 84 percent of persistent-poverty counties are located in the South (U.S. Department of Agriculture (USDA), 2015), a region of the country with a lower cost of living. By the same token, there may be just as many households struggling in other regions where the cost of living is higher, but they are often not counted in the official numbers. The ALICE Threshold, which takes into account the relative cost of living at the local level, enables more meaningful comparisons across the country.

INTRODUCING ALICE

Many individuals and families in Hawai‘i do not earn enough to afford the five basic household necessities of housing, child care, food, transportation, and health care. Even though many are working, their income does not cover the cost of living in the state, and they often require assistance to survive.

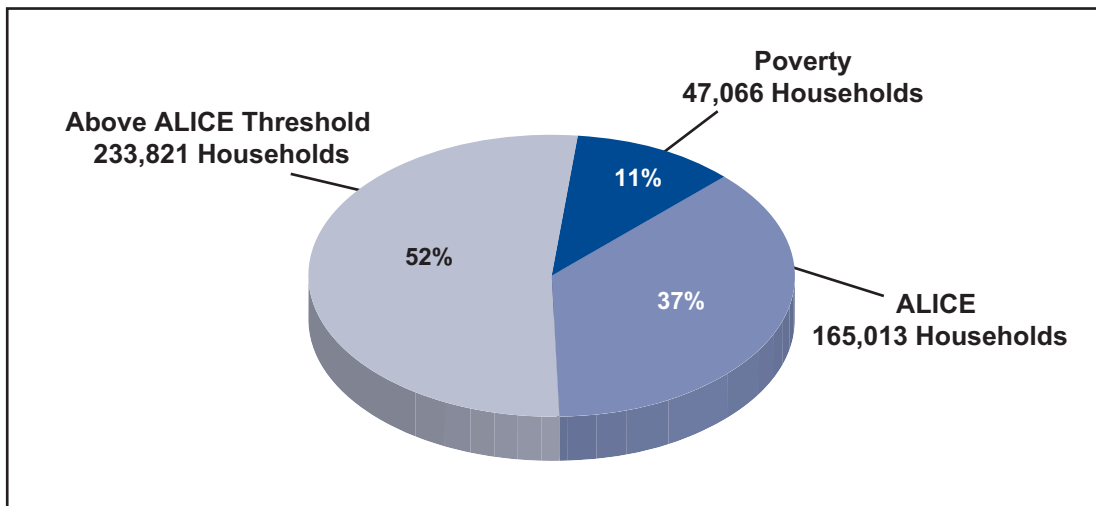
Until recently, this group of people was loosely referred to as the working poor, or technically defined as the population in the lowest two income quintiles. The term “**ALICE**” – **A**sset **L**imited, **I**ncome **C**onstrained, **E**mloyed – more clearly defines this population as households with income above the official FPL but below a newly defined basic survival income level. ALICE households are as diverse as the general population, composed of women and men; young and old; of all races and ethnicities; living in rural, urban, and suburban areas.

“In Hawai‘i, where the cost of living is high, it is especially important to have a current and realistic standard that reflects the true cost of economic survival and compares it to household incomes across each county.”

THE ALICE THRESHOLD

In Hawai‘i, where the cost of living is high, it is especially important to have a current and realistic standard that reflects the true cost of economic survival and compares it to household incomes across each county. The **ALICE Threshold** is a realistic standard developed from the **Household Survival Budget**, a measure that estimates the minimal cost of the five basic household necessities – housing, child care, food, transportation, and health care. **Based on calculations from the American Community Survey and the ALICE Threshold, 212,079 households in Hawai‘i – 48 percent – are either in poverty or qualify as ALICE (Figure 1).** Interestingly, this rate is the same as the percentage of people who self-reported as living paycheck-to-paycheck in a 2016 statewide poll (Hawai‘i Applesseed Center for Law and Economic Justice, 2017).

Figure 1.
Household Income, Hawai‘i, 2015



Source: American Community Survey, 2015, and the ALICE Threshold, 2015

Based on the Household Survival Budget and average household size, the ALICE Threshold is calculated in each county for two sets of households: those headed by someone younger than 65 years old and those headed by someone 65 years and older. Because the basic cost of living varies across the state, the ALICE Threshold for Hawai‘i households headed by someone under 65 years is \$75,000 per year in all counties except Kalawao, where it is only \$25,000 per year. (As described earlier, Kalawao County, with only 54 households and no families with children, is the smallest and least populated county in the United States. Kalawao was a quarantined colony for people with leprosy from 1866 to 1969; by 2015, only a handful of elderly patients remained. Because of its small population, for this Report, we have combined Kalawao with Maui County.) For older households, the ALICE Threshold

ranges from \$35,000 to \$60,000 per year. The methodology for the ALICE Threshold and the ALICE Threshold for each county (on the ALICE County Pages) are presented at unitedwayalice.org/hawaii.

ALICE OVER TIME

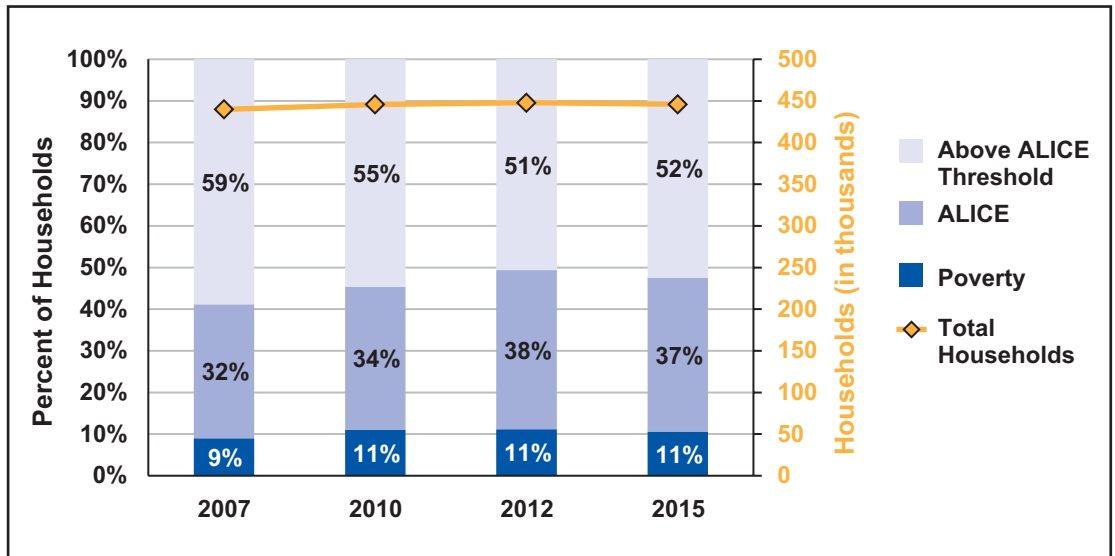
The impact of the Great Recession on Hawai'i's economy dramatically shaped household demographics, and that trend continued in the five years following the technical end of the downturn. Throughout the 2007-2015 period, the total number of households in Hawai'i grew from 440,168 in 2007 to 445,900 in 2015, a 1 percent increase (Figure 2).

However, the number of struggling households grew at a much faster pace:

- **Poverty:** The number of households in poverty increased from 39,592 households in 2007 to 47,066 in 2015 – a 19 percent increase.
- **ALICE:** The number of ALICE households increased from 141,776 households in 2007 to 165,013 in 2015 – a 16 percent increase.
- **Above ALICE Threshold:** The number of households above the ALICE Threshold moved in the opposite direction, falling from 258,800 households in 2007 to 233,821 households in 2015 – a 10 percent decrease.

“Household income is fluid, and ALICE households may be alternately in poverty or more financially secure at different points during the year.”

Figure 2.
Households by Income, Hawai'i, 2007 to 2015



Source: American Community Survey, 2015, and the ALICE Threshold, 2015

These statistics don't capture fluidity; beneath the static numbers, households are moving above and below the ALICE Threshold over time as economic and personal circumstances change. Nationally, the U.S. Census reports that from January 2009 to December 2011, 31.6 percent of the U.S. population was in poverty for at least two months. By comparison, the national poverty rate for 2010 was 15 percent (Edwards, 2014). Household income is fluid, and ALICE households may be alternately in poverty or more financially secure at different points during the year.

WHERE DOES ALICE LIVE?

ALICE lives across Hawai'i, in every county and every town. Contrary to some stereotypes, ALICE families live in rural, urban, and suburban areas.

“Contrary to some stereotypes, ALICE families live in rural, urban, and suburban areas.”

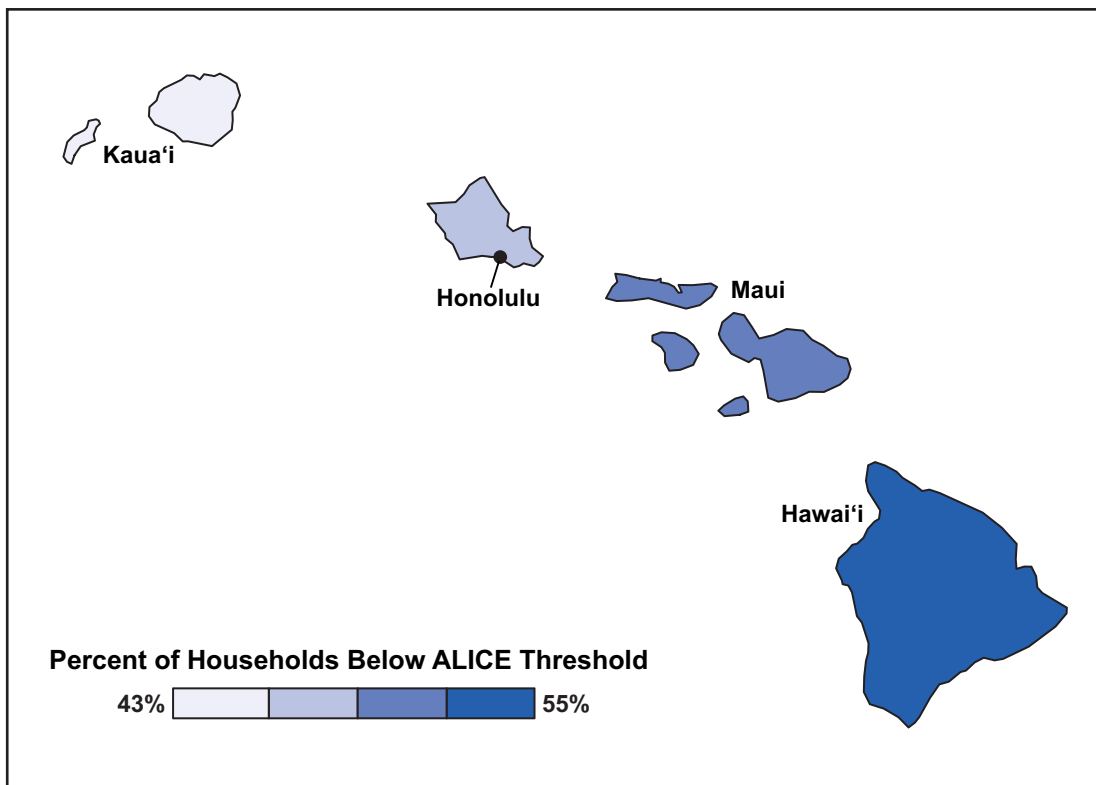
ALICE by County

The total number of households and the number of households living below the ALICE Threshold vary across Hawai'i's counties. While the smallest is Kalawao County, with only 54 households in 2015 and no families with children, it is an outlier. For this reason, we have combined Kalawao and Maui counties.

For purposes of this Report, Hawai'i's smallest county is Kaua'i, with 21,862 households in 2015, and the largest is Honolulu, with 307,703 households. Figure 3 shows that households living below the ALICE Threshold constitute a significant percentage of households in all Hawai'i counties. However, there is variation between counties in terms of both numbers and shares of poverty-level and ALICE households:

- **Below the ALICE Threshold (including households in poverty):** Percentages range from 43 percent in Kaua'i County to 55 percent in Hawai'i County.
- **Poverty:** Percentages range from 9 percent in Honolulu County to 19 percent in Hawai'i County.
- **ALICE:** Percentages range from 32 percent in Kaua'i County to 41 percent in Maui County.

Figure 3.
Percent of Households Below the ALICE Threshold by County, Hawai'i, 2015



Source: American Community Survey, 2015, and the ALICE Threshold, 2015

“ALICE and poverty-level households live in every area across the state.”

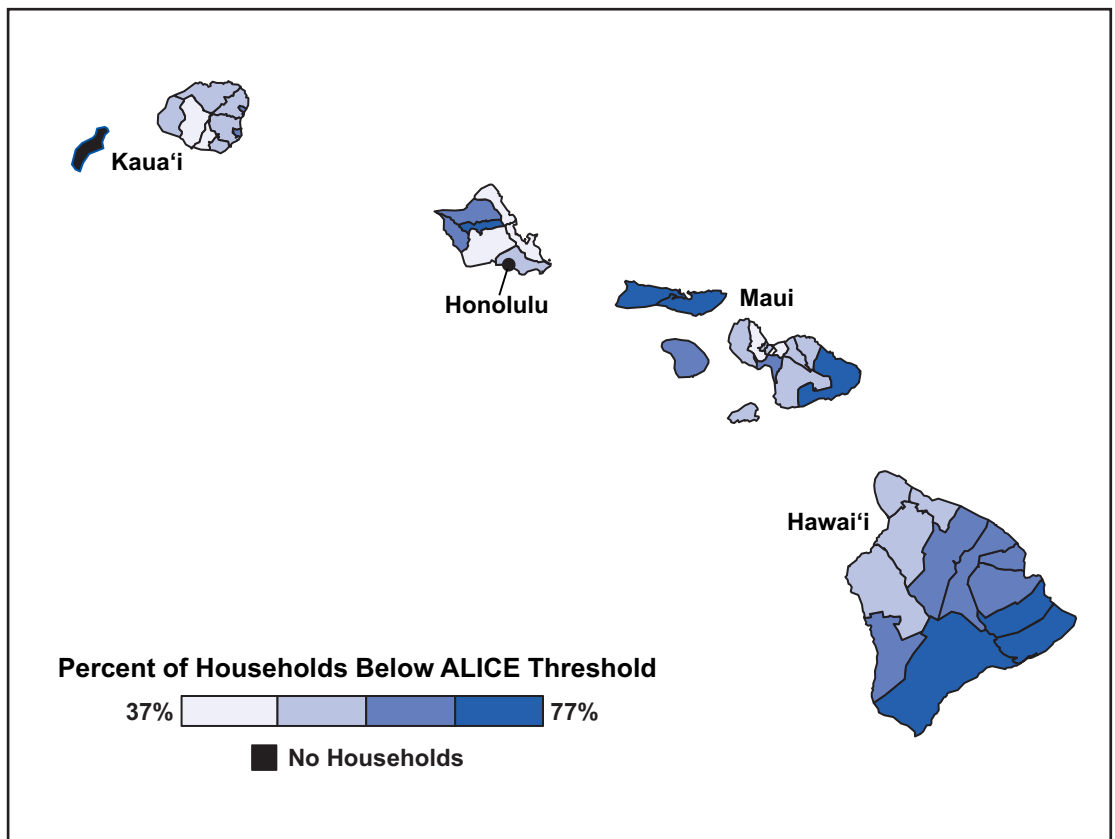
Another measure of economic conditions in a county is the persistence of economic hardship over time. According to the USDA, none of Hawai'i's counties are persistent-poverty counties, where 20 percent or more of the population has lived in poverty over the last 30 years (U.S. Department of Agriculture (USDA), 2015).

ALICE Breakdown Within Counties

ALICE and poverty-level households live in every area across the state. Because Hawai'i has many geographic areas with very sparsely populated towns and cities where it can be difficult to get accurate data, the distribution of ALICE and poverty-level households in the state's towns and cities is shown instead on a map of county subdivisions (Figure 4). County subdivisions include towns and cities as well as their surrounding areas, to provide a more complete view of local variation in household income.

County subdivisions with the lowest percentage of households below the ALICE Threshold are shaded lightest blue on the map in Figure 4; those with the highest percentage are shaded darkest blue. Waihee-Waikapu in Maui County and Ko'olaupoko in Honolulu County have the lowest percent of households with income below the ALICE Threshold with 37 percent, and Pahoa-Kalapana in Hawai'i County has the highest with 77 percent. Full data for cities and towns is available at unitedwayalice.org/hawaii, as is the percent of households below the ALICE Threshold in each municipality (included in the municipal list on each County Page).

Figure 4.
Percent of Households Below the ALICE Threshold by County Subdivision, Hawai'i, 2015



Source: American Community Survey, 2015, and the ALICE Threshold, 2015

Note: For areas with small populations, the American Community Survey estimates of household income are often based on 5-year averages, making these ALICE estimates less precise than the county-level estimates.

Ninety-seven percent of Hawai'i's 202 county subdivisions have more than 30 percent of households living on an income below the ALICE Threshold. Only seven county subdivisions have fewer than 30 percent of households with income below the ALICE Threshold, and most have more than 50 percent.

“Only seven county subdivisions have fewer than 30 percent of households with income below the ALICE Threshold, and most have more than 50 percent.”

Another way to break down the ALICE population is by looking at cities; 92 percent of Hawai'i's population lives in urban, densely-populated areas. Hawai'i's largest cities (defined as U.S. Census Places, which are incorporated areas with local governments) have large concentrations of households with income below the ALICE Threshold. Of the 16 cities with more than 5,000 households, all have 38 percent or more of households with income below the ALICE Threshold, and four have 70 percent or more: East Honolulu, Kailua, Makakilo, and Mililani Mauka (Figure 5) (Hawai'i State Data Center, 2013).

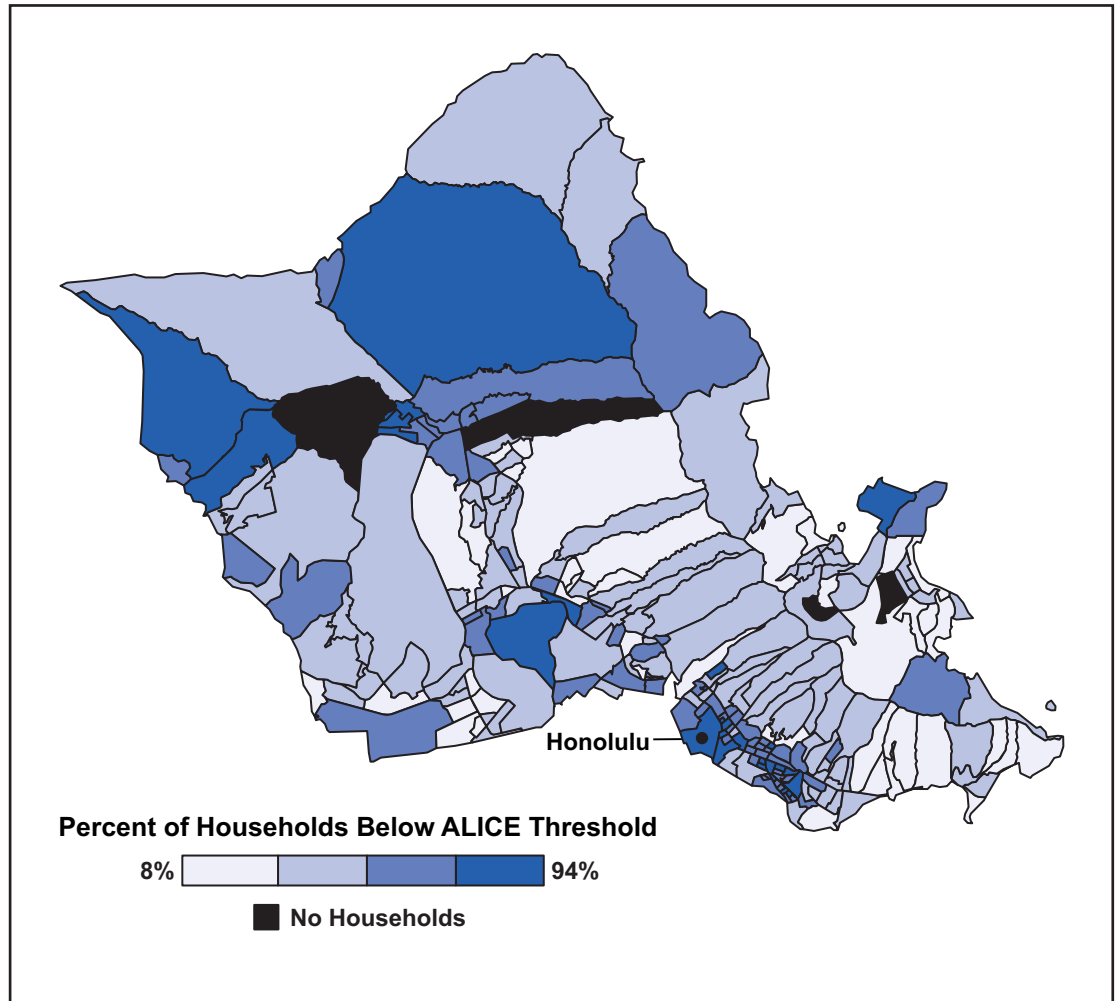
Figure 5.
Households Below the ALICE Threshold, Largest Cities and Towns in Hawai'i, 2015

| Largest Cities and Towns (Above 5,000 Households) | Number of Households | Percent of Households Below ALICE Threshold |
|---|----------------------|---|
| Urban Honolulu | 126,072 | 45% |
| East Honolulu | 16,737 | 73% |
| Hilo | 15,586 | 43% |
| Pearl City | 13,894 | 62% |
| Kailua | 12,792 | 70% |
| Kaneohe | 10,698 | 62% |
| Mililani Town | 8,963 | 64% |
| Kihei | 8,335 | 42% |
| Waipahu | 8,278 | 50% |
| Kahului | 7,109 | 47% |
| Mililani Mauka | 7,088 | 72% |
| Ewa Gentry | 6,876 | 64% |
| Wailuku | 5,754 | 47% |
| Wahiawa | 5,640 | 38% |
| Makakilo | 5,615 | 70% |
| Waimalu | 5,371 | 50% |

Source: American Community Survey, 2015, and the ALICE Threshold, 2015

On Oahu, Hawai'i's most densely populated island, which includes Honolulu City and Honolulu County, further detail shows how many households are struggling. In Figure 6, the percent of households with income below the ALICE Threshold is broken down into U.S. Census tracts. There is even greater variation at the local level, with percentages of households below the ALICE Threshold ranging from 8 percent to 94 percent across the island (Figure 6).

Figure 6.
Percent of Households Below the ALICE Threshold by Census Tract, Oahu, Hawai'i, 2015



Source: American Community Survey, 2015, and the ALICE Threshold, 2015

ALICE DEMOGRAPHICS

ALICE households vary in size and makeup; there is no typical configuration. In fact, contrary to some stereotypes, the composition of ALICE households mirrors that of the general population. There are young and old ALICE households, those with children, and those with a family member who has a disability. They vary in educational level attained, as well as in race and ethnicity. They live in cities, in suburbs, and in rural areas.

These households move above and below the ALICE threshold over time. For instance, a young ALICE household may capitalize on their education and move above the ALICE Threshold. An older ALICE household may experience a health emergency, lose a job, or suffer a disaster and slip into poverty.

While the demographic characteristics of households in poverty measured by the FPL are well known from U.S. Census reports, the demographic characteristics of ALICE households are not as well known. This section provides an overview of the demographics of ALICE households and compares them to households in poverty as well as to the total population.

“There are young and old ALICE households, those with children, and those with a family member who has a disability. They vary in educational level attained, as well as in race and ethnicity.”

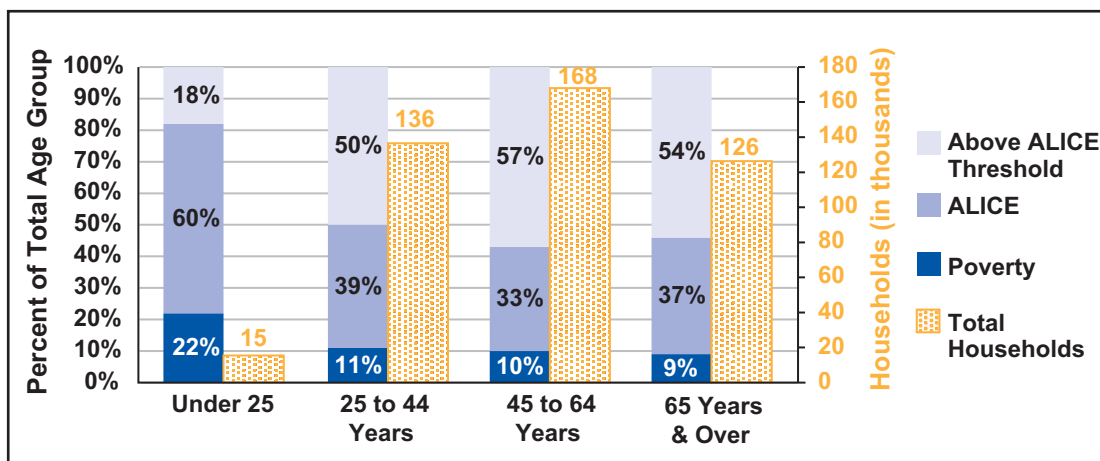
Apart from for a few notable exceptions, ALICE households generally reflect the demographics of the overall state population. Differences are most striking for those groups who traditionally have the lowest wages: women; lesbian, gay, bisexual, and transgender (LGBT) people; recent immigrants who are undocumented, unskilled, or in limited English-speaking households (all household members 14 years old and over have at least some difficulty with English); people with low levels of education; people with a disability; formerly incarcerated people; and younger veterans. County statistics for race/ethnicity and age are presented at unitedwayalice.org/hawaii.

“Apart from for a few notable exceptions, ALICE households generally reflect the demographics of the overall state population.”

Age

There are ALICE households in every age bracket in Hawai‘i (Figure 7). Within each age bracket, the number of ALICE households and households in poverty generally reflect their proportion of the overall population. Where they differ, the youngest are overrepresented in both poverty and the ALICE population.

Figure 7.
Household Income by Age, Hawai‘i, 2015



Source: American Community Survey, 2015, and the ALICE Threshold, 2015

Within the youngest Hawai‘i age group (under 25), 22 percent are in poverty, while an additional 60 percent are ALICE households. As households get older, a smaller percentage of them are in poverty and are ALICE. Middle-aged households (25 to 44 years) have the second highest percentage of ALICE households, and those aged 45 to 64 years have the lowest. Senior households (65 years and older) are less likely to be in poverty (9 percent) but still have a high share of ALICE households (37 percent).

The comparatively low rate of senior households in poverty (9 percent) provides evidence that government benefits, including Social Security, are effective at reducing poverty among seniors (Haskins, 2011). But the fact that 37 percent of senior households qualify as ALICE highlights the reality that these same benefits are often not at a level that enables financial stability. This is especially true in Hawai‘i, where the cost of living is high. This is reinforced by the fact that many senior households continue to work, some by choice and others because of low income. In Hawai‘i’s 65- to 74-year-old age group, 26 percent are in the labor force, as are 7 percent of those 75 years and over (American Community Survey, 2015).

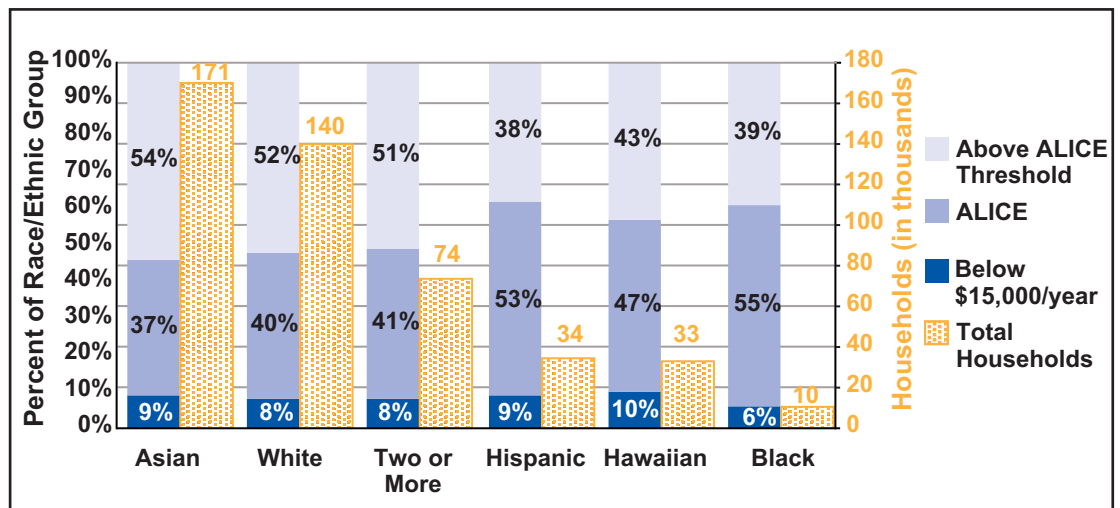
“Earning enough income to reach the ALICE Threshold is especially challenging for young households in Hawai‘i, as illustrated by the high numbers of younger households below the ALICE Threshold.”

Earning enough income to reach the ALICE Threshold is especially challenging for young households in Hawai‘i, as illustrated by the high numbers of younger households below the ALICE Threshold. The same is true in many parts of the country, and the response has typically been a decrease in the number of households headed by someone under the age of 25 as young workers move back in with their parents or find roommates to save money. From 2007 to 2015, the number of Hawai‘i’s households headed by someone under 25 decreased by 21 percent (Vespa, Lewis, & Kreider, 2013; American Community Survey, 2007, 2010, 2012, and 2015).

Race/Ethnicity

Of Hawai‘i’s 445,900 households, 37 percent are headed by someone who is Asian (Asian alone, not Hispanic or Latino, U.S. Census classification), 30 percent by someone who is White, 16 percent by someone reporting Two or More Races, 7 percent by someone who is Hispanic, 7 percent by someone who is Native Hawaiian and Other Pacific Islander, and 2 percent by someone who is Black. At least 46 percent of households in each racial/ethnic group have income below the ALICE Threshold. Rates for Asians, Whites, and people of Two or More Races (a large population in Hawai‘i) are between 46 and 49 percent, while rates for Hispanics, Native Hawaiians, and Blacks are 57 percent or higher (Figure 8).

Figure 8.
Households by Race/Ethnicity and Income, Hawai‘i, 2015



Source: American Community Survey, 2015, and the ALICE Threshold, 2015

Note: Data in all categories except Two or More Races is for one race alone. Because race and ethnicity are overlapping categories and Hawai‘i is a state with many races and ethnicities, the totals for each income category do not add to 100 percent exactly. This data is for households; because household size varies for different racial/ethnic groups, population percentages may differ from household percentages. 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.

In terms of race and ethnicity, Hawai‘i is one of the most diverse states in the country and one of the few “majority minority” states, with 70 percent of the population being non-White. Within racial/ethnic groups, there is additional diversity in national origin.

Before Captain James Cook’s ships reached Hawai‘i in 1778, the Native Hawaiian population was sizable, with estimates ranging from 110,000 to 1 million. Disease and war reduced that population to less than 40,000 by the turn of the 20th century. But the Native Hawaiian

population has climbed steadily since, reaching more than 125,000 by 2015, and more than 370,000 when counting Native Hawaiian and other Pacific Islanders alone or in combination with one or more other races. Households headed by a Native Hawaiian (alone) now account for 7 percent of all households in the state (Goo, 2015; La Croix, 2002; American Community Survey, 2015).

With the opening of foreign trade – first sandalwood, then whaling, followed by the largest industry, sugar, and later, pineapple production – came unification of the islands and the arrival of waves of immigrants. Missionaries came from New England, traders and plantation owners came from America and Europe, and plantation workers came first from China, then Japan, then Portugal. After Hawai'i was annexed by the United States in 1900, sugar planters and the Hawaiian government recruited workers from Japan, Korea, the Philippines, Spain, Portugal, Puerto Rico, England, Germany, and Russia. The ensuing flood of immigrants swelled the state population (Goo, 2015; La Croix, 2002; Nordyke and Matsumoto, 1977).

Today, the largest racial/ethnic group in Hawai'i is Asians (Asians alone, Census classification, 37 percent of households), and within that group there is a wide range of national origins. Filipinos recently became the largest subgroup, accounting for 47 percent of Asians. Filipinos are also the fastest-growing ethnic group in Hawai'i due to both immigration and high domestic birth rates (Migration Policy Institute, 2015; American Community Survey, 2015; Center for Philippine Studies, University of Hawai'i at Mānoa, 2011). Japanese are the next largest (35 percent), followed by Chinese (11 percent), Koreans (4 percent) and Vietnamese (2 percent). In addition, there is a sizable population from Oceania, primarily Samoa (7 percent).

Hawai'i's White population (White alone, not Hispanic or Latino, 30 percent of households) is descended from the original traders and plantation owners. While a higher proportion of migrants to Hawai'i from other U.S. states are typically White, domestic in-migration has slowed in recent years. At the same time, the share of residents born in other countries has nearly doubled, but only 5 percent of that population has come from Europe, keeping the state's share of White households under one-third (American Community Survey, 2015; Aisch, Gebeloff and Quealy, 2014).

Hawai'i has by far the largest percentage of households reporting Two or More Races (24 percent of the population and 16 percent of households) of any U.S. state, much higher than the national average of 3 percent or even the next highest states (Alaska and Oklahoma at 8 percent each). As a trend, this number is increasing both in Hawai'i and across the country (Jones and Bullock, 2012; American Community Survey, 2015).

Though small, the Hispanic population (an ethnicity, which can include people of any race) now accounts for 7 percent of Hawai'i's households. More than 38 percent of Hawai'i's Hispanic population entered the U.S. after 2000, and 41 percent were born in the U.S., the highest percentage in any state (American Immigration Council, 2015; Pew Research Center, 2014).

Blacks (Black or African-American alone) make up only 2 percent of Hawai'i's households. People of Some Other Race alone account for 0.7 percent of the state's households; and Native Americans (American Indians/Alaska Natives alone) make up 0.3 percent (American Community Survey, 2015).

“Hawai'i has by far the largest percentage of households reporting Two or More Races (24 percent of the population and 16 percent of households) of any U.S. state, much higher than the national average of 3 percent or even the next highest states (Alaska and Oklahoma at 8 percent each).”

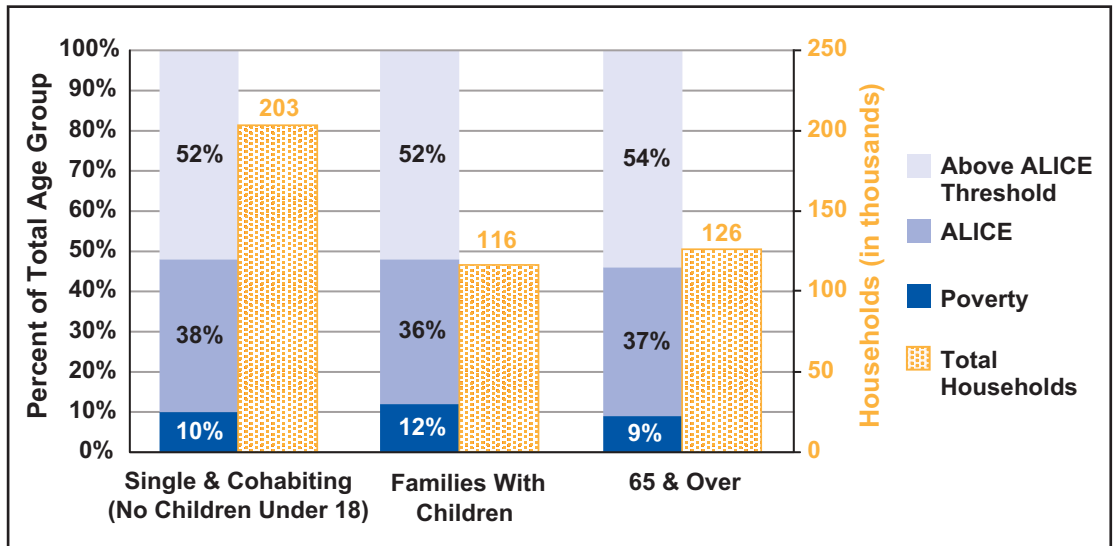
“While ALICE households come in all sizes and demographic configurations, two of the most common ALICE household types are seniors and households with children.”

Household Type

While ALICE households come in all sizes and demographic configurations, two of the most common ALICE household types are seniors and households with children. Yet in a reflection of changing family structures across the country, there are now many more types of households as well. In Hawai‘i, these “other” households now make up the largest proportion of households with income below the ALICE Threshold, at 46 percent. These households include families with at least two members related by birth, marriage, or adoption, but with no children under the age of 18; single-adults younger than 65; or people who share a housing unit with non-relatives – for example, boarders or roommates. Across the country, these households – single or cohabiting, without children under 18 – increased between 1970 and 2012: The share of households comprised of married couples with children under 18 decreased by half, from 40 percent to 20 percent, while the proportion of single-adult households increased from 17 percent to 27 percent (Vespa, Lewis, & Kreider, 2013).

Seniors (28 percent) and families with young children (26 percent) still make up a significant number of Hawai‘i households below the ALICE Threshold (Figure 9). This is not surprising as these demographics are associated with higher costs, especially in health care for seniors and child care for families with children. Senior ALICE households were discussed earlier in this section; ALICE households with children are examined further below.

Figure 9.
Household Types by Income, Hawai‘i, 2015



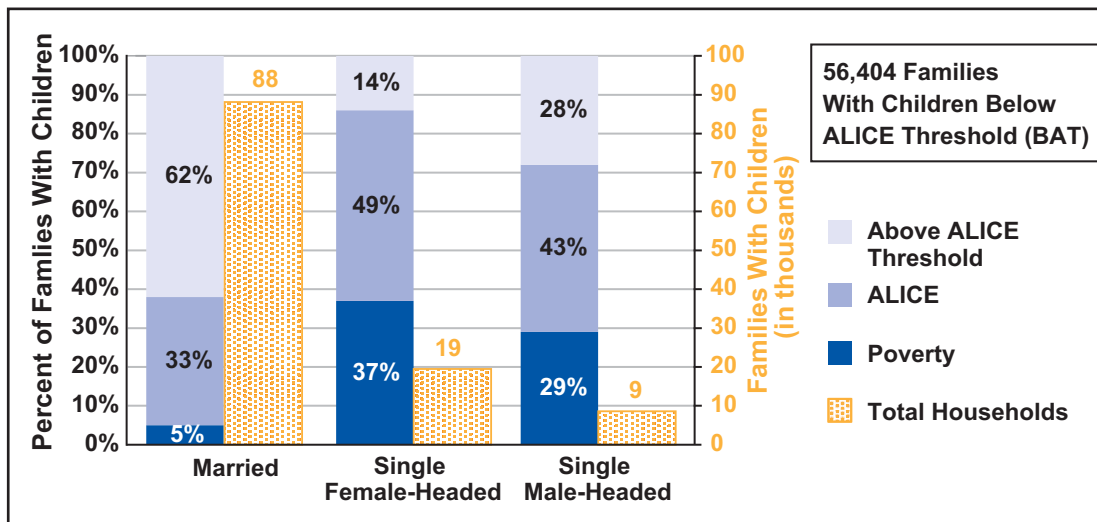
Source: American Community Survey, 2015, and the ALICE Threshold, 2015

Families With Children

The economic status of America’s families with children under the age of 18 has declined since 2007. Of Hawai‘i’s 116,205 families with children, 56,404 (48 percent) have income below the ALICE Threshold. Most families with children under 18 in Hawai‘i have married adults (76 percent); however, children in families with income below the ALICE Threshold are more likely to live in single-parent families (Figure 10). Because discussions of low-income families often focus on single parents, it is important to note that the lines between married-couple and single-parent households are often blurred. Nationally, only 37 percent of single-

parent homes have one parent as the sole adult in the household. In 11 percent of “single-parent” homes, the parent has a cohabiting partner; in 52 percent, another adult age 18 or older lives in the home (Vespa, Lewis, & Kreider, 2013).

Figure 10.
Families With Children by Income, Hawai‘i, 2015



Source: American Community Survey, 2015, and the ALICE Threshold, 2015

Not surprisingly, the most expensive household budget is for a household with young children, due not only to these households’ larger size but also to the cost of child care, preschool, and after-school care (discussed further in Section II). The biggest factors determining the economic stability of a household with children are the number of wage earners, the gender of the wage earners, the number of children, and the costs of child care for children of different ages.

Married-Couple Families With Children

With two income earners, married couples with children have greater means to provide a higher household income than households with one adult. For this reason, 62 percent of married-couple families with children in Hawai‘i have income above the ALICE Threshold. However, because they are such a large demographic group, married-couple families with children still account for 33 percent of families with children who live in poverty and 69 percent of ALICE families with children.

Nationally, married-couple families experienced a 33 percent increase in unemployment for at least one parent during the Great Recession. A subset of this group, families who owned their own homes, faced an even greater challenge: Between 2005 and 2011, the number of households with children (under 18) that owned a home fell by 15 percent (Vespa, Lewis, & Kreider, 2013).

Single Female-Headed Families With Children

Families headed by single women with children are much more likely to struggle financially. They account for 17 percent of all Hawai‘i families with children but 30 percent of households with children below the ALICE Threshold.

Single female-headed families are often highlighted as the most typical low-income household. With only one wage earner, it is not surprising that single-parent families are over-represented among ALICE households. For women, this is compounded by

“Not surprisingly, the most expensive household budget is for a household with young children, due not only to these households’ larger size but also to the cost of child care, preschool, and after-school care”

the fact that in Hawai'i, as in all states, they still earn significantly less than men, as detailed below in Figure 12. Yet it is important to note that in Hawai'i, single female-headed families with children account for only 8 percent of all households below the ALICE Threshold, and 12 percent of all working-age households below the ALICE Threshold. Many other types of households also struggle to afford basic necessities.

Using a different calculation, the Working Poor Families Project (WFPF) estimated that in 2012, 34 percent of low-income working families in Hawai'i were headed by women, as were 39 percent nationally. However, the WFPF population of low-income households is much smaller because it does not include households with unemployed workers or those with a disability, as the ALICE Threshold does, so its formula may overstate the prominence of single female-headed families (Povich, Roberts, & Mather, 2013-2014).

Single Male-Headed Families With Children

The number of households headed by single men with children is a growing group in Hawai'i and across the country. While most single-parent families are still headed by mothers, single-father families account for 7 percent of all Hawai'i families with children and 11 percent of families with income below the ALICE Threshold. Although they are less common than single female-headed families, single male-headed families face similar challenges, with only one wage earner responsible for child care. In fact, 72 percent of all single-male-headed families with children in Hawai'i have income below the ALICE Threshold.

ADDITIONAL RISK FACTORS FOR BEING ALICE

Demographic groups that are especially vulnerable to underemployment, unemployment, and lower earning power are more likely than other groups to be in poverty or to be ALICE. In addition to the challenges faced by people of color discussed earlier in this section, a number of other demographic factors make a household more likely to fall into the ALICE population: being female, being LGBT, having low levels of education, living with a disability, or being a veteran. Groups with more than one of these factors – such as younger combat veterans; formerly incarcerated people; or undocumented, unskilled, or limited English-speaking recent immigrants – are even more likely to fall below the ALICE Threshold.

Women

Although women make up nearly half of the U.S. workforce, receive more college and graduate degrees than men, and are the equal or primary breadwinner in four out of ten families, they continue to earn significantly less than men in comparable jobs.

According to the BLS Current Population Survey, women's median earnings are lower than men's in nearly all occupations. In 2015, female full-time workers still made only 78 cents on each dollar earned by men, a gap of 22 percent. In addition, male-dominated occupations tend to pay more than female-dominated occupations at similar skill levels. Despite many changes to the economy, these disparities remain persistent features of the U.S. labor market (Bureau of Labor Statistics (BLS), 2015; Hegewisch & Ellis, 2015). The persistence of the gender wage gap helps explain why female-headed households are disproportionately likely to live in poverty or to be ALICE.

“The persistence of the gender wage gap helps explain why female-headed households are disproportionately likely to live in poverty or to be ALICE.”

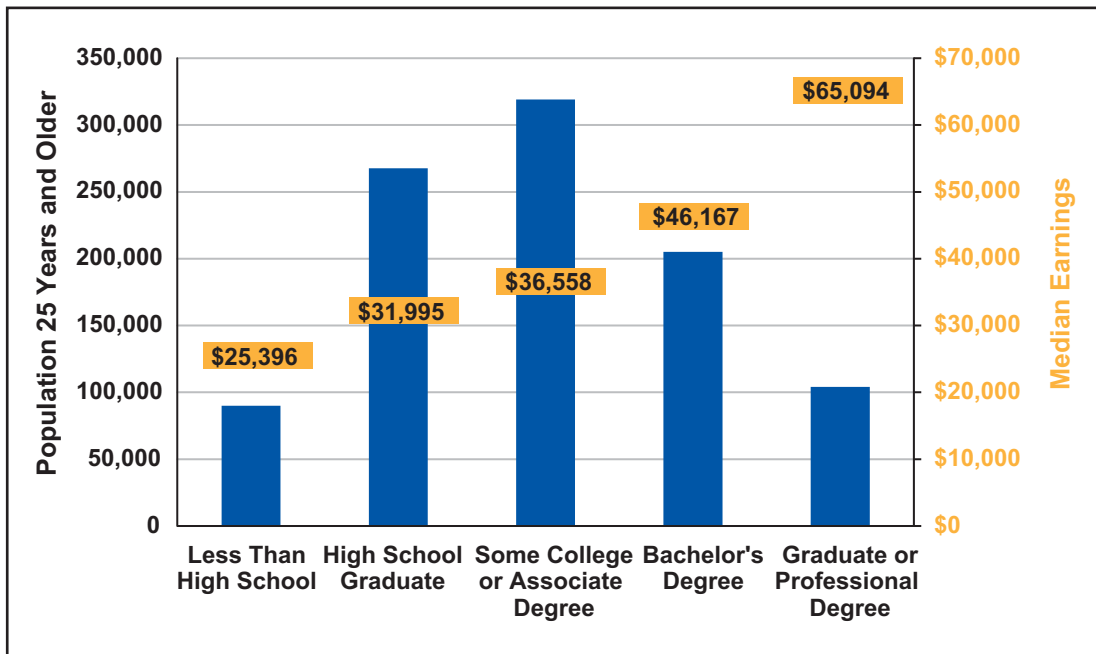
Older women are typically also more likely to be poor: recent data reveal that nationally, among people 65 and older, 64 percent more women than men are poor (Hess & Román, 2016). In Hawai'i, senior women are more likely to live longer; of those 65 years and older, there were 18 percent more women than men in 2015. A slightly higher percentage of these women were in poverty – 8 percent of women compared to 7 percent of men (American Community Survey, 2015).

“ALICE households are more likely to have less education than households above the ALICE Threshold, but higher education alone is no longer a reliable predictor of a self-sufficient income.”

People With Lower Levels of Education

Income continues to be highly correlated with education. In Hawai'i, 27 percent of the population 25 years and older have only a high school diploma, and 32 percent have some college education or an associate degree, but only 21 percent have a bachelor's degree and 11 percent have a graduate or professional degree, despite the fact that median earnings increase significantly for those with higher levels of education (Figure 11).

Figure 11.
Education Attainment and Median Annual Earnings, Hawai'i, 2015



Source: American Community Survey, 2015

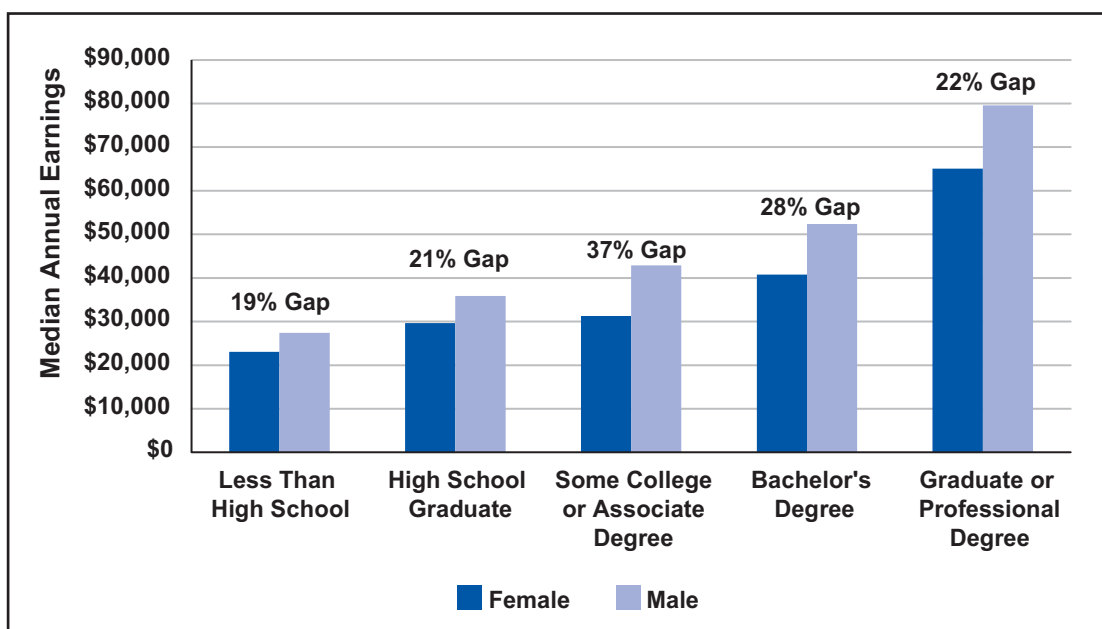
Those residents with the least education are more likely to have earnings below the ALICE Threshold. Yet with the increasing cost of education over the last decade, college has become unaffordable for many and a huge source of debt for others. In 2015, Hawai'i colleges and universities received more than \$76 million in federal Pell Grants, yet 47 percent of Hawai'i's Class of 2015 still graduated with an average of \$24,554 in student debt (Project on Student Debt, 2015; U.S. Department of Education, 2015).

ALICE households are more likely to have less education than households above the ALICE Threshold, but higher education alone is no longer a reliable predictor of a self-sufficient income. Many demographic factors impact a household's ability to meet the ALICE Threshold. For example, according to the National Center for Education Statistics, economically disadvantaged students, students with limited English proficiency, and students with disabilities all have graduation rates below the state and national averages for

all students. In Hawai'i in 2013, the public high school graduation rate was 82 percent for all students, but slightly lower for economically disadvantaged students (80 percent), and significantly lower for those with disabilities (74 percent) and, especially, those with limited English proficiency (56 percent) (Stetser & Stillwell, 2014). It is not surprising that these same groups also earn lower wages later in life.

Within Hawai'i and across all states, there is also a striking difference in earnings between men and women at all educational levels (Figure 12). **Men in Hawai'i earn at least 19 percent more than women across all educational levels and as much as 37 percent more for those with some college or an associate degree** (American Community Survey, 2007, 2010, 2012, and 2015). This, in part, helps explain why so many of Hawai'i's single female-headed households have incomes below the ALICE Threshold.

Figure 12.
Median Annual Earnings by Education and Gender, Hawai'i, 2015



Source: American Community Survey, 2015

People With a Disability

Households with a member who is living with a disability are more likely than other households to be in poverty or to be ALICE. These households often have both increased health care expenses and reduced earning power. The national median income for households where one adult is living with a disability is generally 60 percent less than for those without disabilities (American Community Survey, 2015; Brault, 2012).

The National Bureau of Economic Research estimates that 36 percent of Americans under age 50 have been disabled at least temporarily, and 9 percent have a chronic and severe disability. The economic consequences of disability are profound: 79 percent of Americans with a disability experience a decline in earnings, 35 percent have lower after-tax income, and 24 percent have a lower housing value. The economic hardship experienced by the chronically and severely disabled is often more than twice as great as that of the average

“The national median income for households where one adult is living with a disability is generally 60 percent less than for those without disabilities.”

household (Meyer & Mok, 2013). In addition, those with a disability are more likely to live in severely substandard conditions and pay more than one-half of their household income for rent (U.S. Department of Housing and Urban Development (HUD), 2011).

Hawai'i's numbers fit with these national findings. Notably, Hawai'i residents with a disability are far less likely to be employed: Only 23 percent of working-age residents (18–64 years old) with a disability are employed, compared to 62 percent of those with no disability. And for those who are working, they earn less. The median annual earnings for a Hawai'i resident with a disability are \$28,895, compared to \$34,151 for a worker without a disability (American Community Survey, 2015).

A total of 13 percent of adults in Hawai'i have a lasting physical, mental, or emotional disability that impedes them from being independent or able to work. Approximately 16 percent of Hawai'i residents aged 16 and over with a severe disability live in poverty, compared with 10 percent of all residents. Disability is generally disproportionately associated with age; in Hawai'i, 33 percent of residents 65 years or older are living with a disability, more than double the 13 percent average for all ages (American Community Survey, 2007, 2010, 2012, and 2015).

The LGBT Community

According to Gallup surveys conducted in 2012, the percentage of Hawai'i adults who identify as lesbian, gay, bisexual, or transgender (LGBT) is 5.1 percent, above the nationwide average of 3.5 percent (Gates and Newport, 2013). Though there is less data available about LGBT workers, they are also likely to be economically disadvantaged. Despite having more education than the general population, LGBT workers often earn less than their non-LGBT counterparts, experience greater unemployment, and are more likely to live in extreme poverty (earning \$10,000 annually or less) (Harrison, Grant and Herman, 2011-2012; Burns, 2012; Burns, 2013; Harris, 2015).

Most same-sex households live in cities in Hawai'i. According to the Human Rights Campaign's Municipal Equality Index on measures of inclusivity for LGBT residents and workers, scores for Hawai'i counties vary somewhat across the state on a scale of 1 (worst) to 100 (most inclusive), ranging from 44 in Kaua'i and Honolulu to 54 in Maui (Human Rights Campaign, 2015).

Undocumented, Unskilled, and Limited English-Speaking Recent Immigrants

Related to race and ethnicity is immigration, with Asians making up the majority of Hawai'i's 253,414 immigrants in 2015. In terms of place of birth, 80 percent of the state's immigrants were born in Asia, 7 percent in Oceania, 6 percent in Latin America, and 5 percent in Europe (Migration Policy Institute, 2015).

Immigrant groups vary widely in language, education, age, and skills. **Nationally, immigrants are only slightly more likely to be in poverty-level or ALICE households than non-immigrants.** However, for some subsets of immigrant groups – such as non-citizens; more recent, less-skilled, or unskilled immigrants; and those who are in limited English-speaking households (where no one in the household age 14 or older speaks English

“Hawai'i residents with a disability are far less likely to be employed: Only 23 percent of working-age residents (18–64 years old) with a disability are employed, compared to 62 percent of those with no disability. And for those who are working, they earn less.”

“Unemployed veterans are most at risk of being in poverty or living in ALICE households, especially when they have exhausted their temporary health benefits and when their unemployment benefits expire.”

only or speaks English “very well”) – the likelihood increases (Suro, Wilson, & Singer, 2011; American Community Survey, 2007, 2010, 2012, and 2015).

Recent immigrants in general earn less than longer-term residents; the median annual income for foreign-born Hawai'i residents who entered the state since 2010 is \$45,814, while the median income for foreign-born residents who came to Hawai'i before 2000 is \$73,420 (American Community Survey, 2015).

In terms of education attainment, foreign-born residents living in Hawai'i are more likely than residents born in Hawai'i not to graduate from high school (21 percent compared to 6 percent for residents born in-state). Yet those who go to college achieve the same graduation rate as residents born in-state (19 percent), and they receive a higher rate of graduate degrees (9 percent, compared to 7 percent for residents born in-state) (American Community Survey, 2015).

Research by the U.S. Census Bureau has found that English-speaking ability among immigrants influences their employment status, ability to find full-time employment, and earning levels, regardless of the particular language spoken at home. Those with the highest level of spoken English have the highest earnings, which approach the earnings of English-only speakers (Day & Shin, 2005). The American Community Survey reports more than 100 different foreign languages spoken in Hawai'i, with Tagalog being the most common at 18 percent. Of Hawai'i households, 11 percent are limited English-speaking households (American Community Survey, 2010 and 2015).

Veterans

As of 2015, there were 107,469 veterans living in Hawai'i. Unemployed veterans are most at risk of being in poverty or living in ALICE households, especially when they have exhausted their temporary health benefits and when their unemployment benefits expire. Three factors make younger veterans, in particular, more likely to be ALICE: They are dealing with the complex physical, social, and emotional consequences of military service; they are more likely to have less education and training than veterans of other service periods; and they are more likely to have a disability than older veterans (American Community Survey, 2015).

Unemployment is a major challenge for younger vets. Seventy-eight percent of Hawai'i's veterans are in the labor force (including those looking for work); of those, 5 percent were unemployed in 2015. But while 83 percent of Hawai'i veterans are 35 years or older (Figure 13), **the most recent and youngest – veterans aged 18 to 34 years – are most likely to be unemployed or in struggling ALICE households.** While state-level data is not available, at the national level veterans aged 18 to 34 years old are twice as likely as their older counterparts to be unemployed. Within the young age group, the very youngest – those aged 18 to 24 years old – are the most likely to be unemployed, with 16 percent unemployed in 2015 (American Community Survey, 2015; Bureau of Labor Statistics (BLS), 2016).

There were 692 homeless Hawai'i veterans in 2015, up 37 percent from 2011 (American Community Survey, 2015; U.S. Department of Housing and Urban Development (HUD), October 2016; U.S. Department of Housing and Urban Development (HUD), November 2015).

Figure 13.
Veterans by Age, Hawai'i, 2015

| Age | Number of Veterans (Hawai'i) | Percent of Total Veterans (Hawai'i) | Percent of Veterans Unemployed (U.S.) |
|-------------------|------------------------------|-------------------------------------|---------------------------------------|
| 18 to 34 years | 18,585 | 17% | 9% |
| 35 to 54 years | 24,383 | 23% | 5% |
| 55 to 64 years | 14,859 | 14% | 5% |
| 65 years and over | 49,642 | 46% | 4% |

Source: American Community Survey, 2015; Bureau of Labor Statistics, 2016

The root causes of higher unemployment of veterans from recent deployments are uncertain, but the Federal Reserve Bank of Chicago suggests a number of possibilities. First, wartime deployments often result in physical or psychological trauma that affects the ability of new veterans to find work. Second, deployed veterans receive combat-specific training that is often not transferable to the civilian labor market. Finally, new veterans are typically younger and less educated than average workers – two factors that predispose job-seekers to higher unemployment rates (Faberman & Foster, 2013; Bureau of Labor Statistics (BLS), 2016).

Ex-Offenders

According to the Bureau of Justice Statistics, Hawai'i's overall incarceration rate was 520 per 100,000 adults in 2015, significantly below the national average of 870 per 100,000 adults. However, the rate for Native Hawaiians is much higher. The latest data from the National Institute of Corrections shows that the incarceration rate for Native Hawaiians was 1,615 per 100,000, almost quadruple that for Whites (412 per 100,000). Though the Black population is very small in Hawai'i, the rate of incarceration for Black men is also much higher than for White men (National Institute of Corrections, 2015; Prison Policy Initiative, 2016; Carson & Anderson, 2016; Kaeble & Glaze, 2016).

People with past convictions in Hawai'i and across the country are more likely to be unemployed or to work in low-wage jobs. Research has documented that ex-offenders are confronted by an array of barriers that significantly impede their ability to find work and otherwise reintegrate into their communities, including low levels of education, lack of skills and experience due to time out of the labor force, employer reluctance to hire ex-offenders, questions about past convictions on initial job applications, problems obtaining subsidized housing, and substance abuse issues.

A range of studies has found that ex-offenders have employment rates between 9.7 and 23 percent lower than those of non-offenders; in 2008, those reductions lowered the total male employment rate in the U.S. by 1.5 to 1.7 percentage points. When ex-offenders do find employment, it tends to be in low-wage service jobs often held by ALICE workers, in industries including construction, food service, hotel/hospitality, landscaping/lawn care, manufacturing, telemarketing, temporary employment, and warehousing (Leshnick, Wiegand, Nicholson, & Foley, 2012; Schmitt & Warner, 2010).

“People with past convictions in Hawai'i and across the country are more likely to be unemployed or to work in low-wage jobs.”

II. HOW COSTLY IS IT TO LIVE IN HAWAII'?

Measure 2 – The Household Budget: Survival vs. Stability

AT-A-GLANCE: SECTION II

The Household Survival Budget

- The Household Survival Budget estimates what it costs to afford the five basic household necessities: housing, child care, food, transportation, and health care.
- The average annual Household Survival Budget for a four-person family living in Hawai'i is \$72,336 – more than double the adjusted U.S. poverty level for Hawai'i of \$27,890 per year for the same size family.
- The Household Survival Budget for a family translates to an hourly wage of \$36.17 for one parent (or \$18.09 per hour each, if two parents work).
- The average annual Household Survival Budget for a single-adult in Hawai'i is \$28,128, which translates to an hourly wage of \$14.06.
- Housing represents a Hawai'i family's greatest expense – an average of \$1,362 per month for a two-bedroom apartment for a family at the U.S. Department of Housing and Urban Development's (HUD) Fair Market Rent.

The Household Stability Budget

- The Household Stability Budget measures how much income is needed to support and sustain an economically viable household, including both a 10 percent savings plan and the cost of a smartphone.
- The average annual Household Stability Budget is \$138,876 for a family of four – 92 percent higher than the Household Survival Budget.
- 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 cost of basic household necessities increased in Hawai'i from 2007 to 2015 despite low inflation during the Great Recession.”

The cost of basic household necessities increased in Hawai'i from 2007 to 2015 despite low inflation during the Great Recession. As a result, 48 percent of households in Hawai'i are challenged to afford the basic necessities. This section presents the **Household Survival Budget**, a realistic measure estimating what it costs to afford the five basic household necessities: housing, child care, food, transportation, and health care.

THE HOUSEHOLD SURVIVAL BUDGET

The Household Survival Budget follows the original intent of the Federal Poverty Level (FPL) as a standard for temporary sustainability (Blank, 2008). This budget identifies the minimum cost option for each of the five basic household items needed to live and work in today's economy. Figure 14 shows a statewide average Household Survival Budget for Hawai'i in two

variations – one for a single adult, and the other for a family with two adults, a preschooler, and an infant. It also shows the average of the change in budgets between 2007 and 2015 for a single adult and for a four-person family. A Household Survival Budget for each county in Hawai'i is presented in the Hawai'i County Pages, and additional family variations are available at unitedwayalice.org/hawaii.

The average annual Household Survival Budget for a four-person family living in Hawai'i is \$72,336, an increase of 26 percent from the start of the Great Recession in 2007. That increase was driven primarily by a 77 percent increase in the cost of health care, a 35 percent increase in the cost of food, and a 24 percent increase in the cost of child care. The rate of inflation over the same period was 14 percent.

The Household Survival Budget for a family translates to an hourly wage of \$36.17, 40 hours per week for 50 weeks per year for one parent (or \$18.09 per hour each, if two parents work).

The annual Household Survival Budget for a single adult is \$28,128, an increase of 13 percent since 2007. The single-adult budget translates to an hourly wage of \$14.06.

The household budgets increased on average by 20 percent from 2007 (13 percent for a single adult and 26 percent for a family).

As a frame of reference, it is worth noting that the Household Survival Budget is lower than both the MIT Living Wage Budget and the Economic Policy Institute's Family Budget Calculator (Massachusetts Institute of Technology (MIT), 2015; Economic Policy Institute, 2015). These are compared with both the Survival and Stability budgets later in this section.

“The average annual Household Survival Budget for a four-person family living in Hawai'i is \$72,336, an increase of 26 percent from the start of the Great Recession in 2007.”

Figure 14.
Household Survival Budget, Hawai'i Average, 2015

| Hawai'i Average – 2015 | | | |
|------------------------|--------------|--------------------------------------|-------------------------------|
| | SINGLE ADULT | 2 ADULTS, 1 INFANT, 1 PRESCHOOLER | PERCENT CHANGE 2007 – 2015 |
| Monthly Costs | | | |
| Housing | \$944 | \$1,362 | 18% |
| Child Care | \$- | \$1,207 | 24% |
| Food | \$312 | \$1,032 | 35% |
| Transportation | \$276 | \$544 | -21% |
| Health Care | \$166 | \$635 | 77% |
| Miscellaneous | \$213 | \$548 | 20% |
| Taxes | \$433 | \$700 | 32% |
| Monthly Total | \$2,344 | \$6,028 | 20% |
| ANNUAL TOTAL | \$28,128 | \$72,336 | 20% |
| Hourly Wage | \$14.06 | \$36.17 | 20% |

Source: U.S. Department of Housing and Urban Development, 2015; U.S. Department of Agriculture, 2015; Bureau of Labor Statistics, 2015; Internal Revenue Service, 2015; Tax Foundation of Hawai'i, 2015, and Hawai'i Department of Taxation, 2015; and Hawai'i Department of Human Services, 2015. For full methodology, see Methodology Overview at unitedwayalice.org/hawaii.

In comparison to the annual Household Survival Budget, the U.S. poverty level adjusted for Hawai'i was \$27,890 per year for a family of four and \$13,550 per year for a single adult in 2015 (U.S. Government Accountability Office, 2009). (Hawai'i's and Alaska's FPL levels have been set 15 and 25 percent higher, respectively, than FPL levels on the mainland since 1970.) In 2015, the Hawai'i median family income was \$83,823 per year and the median household income was \$73,486.

The Household Survival Budget varies across Hawai'i counties. Household essentials are least expensive in Maui County for a family at \$69,792 per year, and in Hawai'i County for a single adult at \$25,764 per year. They are most expensive in Honolulu County at \$75,204 per year for a family and \$30,096 per year for a single adult. (Kalawao County, with 54 households and no families with children, is an outlier and is therefore combined with Maui County in this Report.) For each county's Survival Budget, see the Hawai'i County Pages and the Household Budgets on unitedwayalice.org/hawaii.

Housing

The cost of housing for the Household Survival Budget is based on the U.S. Department of Housing and Urban Development's (HUD) Fair Market Rent (FMR) 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.

Housing costs vary by county in Hawai'i. Rental housing is least expensive in Hawai'i County, at \$1,151 per month for a two-bedroom apartment and \$749 for an efficiency apartment. Rental housing is most expensive in Honolulu County, at \$1,810 per month for a two-bedroom apartment and \$1,260 for an efficiency apartment. To put these costs in national context, the National Low-Income Housing Coalition (NLIHC) reports that Hawai'i was the most expensive state in the country for housing in 2015 (National Low Income Housing Coalition, 2015).

In the Household Survival Budget, housing for a family accounts for 23 percent of the budget, which is below HUD's affordability guidelines of 30 percent. But for a single adult, an efficiency apartment accounts for 40 percent, well above the threshold at which the renter would be considered "housing burdened" (U.S. Department of Housing and Urban Development, 2013). The availability of affordable housing units is addressed in Section V.

The cost of housing increased by 28 percent from 2007 to 2010, but then decreased gradually through 2015, for a net increase of 18 percent. This is understandable when seen against the backdrop of the foreclosure crisis that occurred at the top and middle of the housing market during the Great Recession. As foreclosed homeowners moved into lower-end housing, there was increased demand for an already limited housing supply, and housing prices rose accordingly.

Child Care

In Hawai'i, income inadequacy rates are higher for households with children at least in part because of the cost of child care. The Household Survival Budget includes the cost of registered home-based child care at an average rate of \$1,207 per month (\$610 per month for an infant and \$597 for a 4-year-old).

"In Hawai'i, income inadequacy rates are higher for households with children at least in part because of the cost of child care."

While home-based child care sites in Hawai'i are required to be registered with the state and are regulated for safety, the quality of care that they provide may vary between locations. However, licensed and accredited child care centers, which are regulated by Hawai'i's Department of Human Services to meet standards of quality care, are significantly more expensive, with an average cost of \$1,528 per month (\$870 per month for an infant and \$658 for a 4-year-old). Child care costs in Hawai'i were compiled by Hawai'i's Child Care Resource and Referral Agency (Hawai'i's Child Care Resource and Referral Agency, 2017; Hawai'i Department of Human Services, 2015; Hawai'i Department of Human Services, 2017).

Costs vary across counties: The least expensive registered home-based child care for two children, an infant and a preschooler, is found in Maui County at \$1,014 per month, and the most expensive registered home-based child care is in Honolulu County at \$1,365 per month.

Child care for two children accounts for 20 percent of the family's budget, second only to housing. The cost of child care in Hawai'i increased by 24 percent from 2007 to 2015. These increases have made child care costs prohibitive for many ALICE families, not just in Hawai'i but nationwide. For example, a recent study from the Oregon Child Care Research Partnership found that it was 24 percent harder (measured by an increase in prices combined with a decrease in income) for a family to purchase child care in 2012 than in 2004, and 33 percent harder for single parents (Weber, 2015).

Food

The original U.S. poverty level was based in part on the 1962 Economy Food Plan, which recognized food as a most basic element of economic well-being. The food budget for the Household Survival Budget is based on the U.S. Department of Agriculture's (USDA) Thrifty Food Plan, in keeping with the purpose of the overall budget to show the minimal budget amount possible for each category. The Thrifty Food Plan is also the basis for the Supplemental Nutrition Assistance Program (SNAP), formerly food stamps, 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 regional variation across the country and has acknowledged higher prices in Hawai'i because most items are imported from the mainland. Prices increase even more when supply is disrupted, which can be caused by transportation problems, economic factors abroad, or even a natural disaster (Hanson, 2008; Leibtag & Kumcu, 2011).

Within the Household Survival Budget, the cost of food in Hawai'i is \$1,032 per month for a family of two adults and two young children and \$312 per month for a single adult (U.S. Department of Agriculture, 2015). The cost of food increased in Hawai'i by a surprisingly large 35 percent from 2007 to 2015, more than double the rate of inflation. The original FPL was based on the premise that food accounts for one-third of a household budget, so that a total household budget was the cost of food multiplied by three. Yet with the large increases in the cost of other parts of the household budget, food now accounts for only 17 percent of the Household Survival Budget for a family, or 13 percent for a single adult in Hawai'i. Because the methodology of the FPL has not evolved in tandem with changing lifestyles and work demands, the FPL significantly underestimates the cost of even the most minimal household budget today.

"The cost of food increased in Hawai'i by a surprisingly large 35 percent from 2007 to 2015, more than double the rate of inflation."

“Across all Hawai‘i counties, fewer than 8 percent of workers use public transportation, so most workers in the state must have a car to get to their jobs.”

Transportation

The fourth item in the Household Survival Budget is transportation, a prerequisite for most employment in Hawai‘i. The average cost of transportation by car is several times greater than by public transport. According to the Consumer Expenditure Survey, a Hawai‘i family pays an average of \$544 per month for gasoline, motor oil, and other vehicle expenses. By comparison, the average cost for public transportation is only \$64 per month, but public transportation is available only in Honolulu County. Across all Hawai‘i counties, fewer than 8 percent of workers use public transportation, so most workers in the state must have a car to get to their jobs. The Household Survival Budget in Figure 15 shows the state average cost of using a car adjusted for household size. Actual county costs are shown on the County Pages.

Transportation costs represent 9 percent of the average Household Survival Budget for a family and 12 percent for a single adult. These costs are lower than in other budgets for households with incomes similar to ALICE. The Housing and Transportation Affordability Index finds that for low-income Hawai‘i households, transportation costs take up more than 30 percent of the household budget in Hawai‘i and Maui counties (Center for Neighborhood Technology, 2003-2016).

Health Care

The fifth item in the Household Survival Budget is health care costs. The health care budget includes the nominal out-of-pocket health care spending indicated in the Consumer Expenditure Survey. In 2015, the average health care cost in Hawai‘i was \$166 per month for a single adult (7 percent of the budget) and \$635 per month for a family (10 percent of the budget), which represents an increase of 77 percent from 2007 to 2015. Since it does not include health insurance, such a low health care budget is not realistic in Hawai‘i, especially if any household member has a serious illness or a medical emergency.

In 2015, the budget item added compliance with the Affordable Care Act (ACA). ALICE families in Hawai‘i do not qualify for Medicaid but cannot afford the ACA’s Silver Plan (depending on eligibility for subsidies) or even the premiums for the high-deductible Bronze Marketplace Plan. For this reason, the Household Survival Budget includes the least expensive option, which is the cost of the “shared responsibility payment” – the penalty for not having coverage – added to the current out-of-pocket health care spending. The annual penalty was \$325 for a single adult and \$975 for a family of four in 2015. These costs may change in the future as insurance plans and federal health care legislation change over time in Hawai‘i and across the country (Internal Revenue Service (IRS), 2016; State of Hawai‘i, 2017).

Seniors have many additional health care costs beyond those covered by Medicare. The Household Survival Budget does not cover these additional necessities, many of which can be a prohibitive additional budget expense for ALICE families. For example, according to the John Hancock cost of care survey (John Hancock, 2013), poor health can add additional costs in Hawai‘i. In the city of Honolulu in 2013, costs for adult day care were \$2,040 per month, and costs for assisted living were \$4,314 per month (John Hancock, 2013).

Taxes

While not typically considered essential to survival, taxes are nonetheless a legal requirement of earning income in Hawai'i, even for low-income households. Taxes represent 18 percent of the average Household Survival Budget for a single adult, and with credits and exemptions, only 12 percent for a family. A single adult in Hawai'i earning \$28,000 per year pays on average \$430 per month in federal and state taxes, and a family earning around \$72,000 per year, benefitting from the federal Child Tax Credit and the Child and Dependent Care Credit, pays approximately \$700 per month. These rates include standard federal and state deductions and exemptions. Hawai'i income tax rates remained flat from 2007 to 2015, but the income brackets increased slightly. The largest portion of the tax bill is for payroll deduction taxes for Social Security and Medicare. However, as the basic household budget increased, the income needed to cover it increased, and higher income results in a larger income tax bill. Because of this, the average tax bill for a single adult increased 11 percent but for a family increased 52 percent from 2007 to 2015 (Internal Revenue Service, 2007, 2010, 2012, and 2015; Hawai'i Department of Taxation, 2015). For tax details, see unitedwayalice.org/hawaii.

The Earned Income Tax Credit (EITC), a benefit for working individuals with low to moderate incomes, is not included in the tax calculation because the gross income threshold for EITC is below the ALICE Threshold in Hawai'i, \$49,974 vs. \$72,336 for a family of four and \$14,820 vs. \$28,128 for a working adult. However, many ALICE households at the lower end of the income scale are eligible for EITC (Internal Revenue Service, 2015). The IRS estimates that the federal EITC helped more than 114,000 families in Hawai'i in 2014. In addition, between 2011 and 2013 the federal EITC and the Child Tax Credit lifted 48,000 Hawai'i taxpayers and their households out of poverty, including 24,000 children. Like nearly half of U.S. states, Hawai'i had no state EITC in 2015; but in 2017 the state approved an EITC worth 20 percent of the federal credit (Internal Revenue Service, 2015; Tax Policy Center, 2015; Center on Budget and Policy Priorities, 2016; Hawai'i Appleseed Center for Law and Economic Justice, 2017).

In every state in the U.S., at least some low- or middle-income groups pay more of their income in state and local taxes than wealthy families do. Although Hawai'i's income taxes have many progressive features, the state's sales and property taxes are regressive and impact middle- and low-income residents more than the wealthiest residents (Hawai'i Department of Taxation, 2015; Institute on Taxation and Economic Policy, 2013).

What is Missing From the Household Survival Budget?

The Household Survival Budget is a bare-minimum budget, not a "get-ahead" budget. The small Miscellaneous category, 10 percent of all costs, covers overflow from the five basic categories. It could be used for essentials such as toiletries, diapers, cleaning supplies, or work clothes. With changes in technology over the last decade, phone usage has shifted so dramatically that the Miscellaneous category could also have to cover the cost of a smartphone, which many people use in place of a home landline. According to the Pew Research Center, nearly two-thirds (64 percent) of U.S. adults owned a smartphone in 2014, up from 35 percent in 2011. Nearly half (46 percent) of smartphone owners say their smartphone is something "they couldn't live without." Yet at the same time, this added expense has presented new challenges. Almost one-quarter (23 percent) of Pew survey respondents report that they have canceled or suspended their smartphone service at some point because of cost (Anderson, 2015).

"Between 2011 and 2013 the federal EITC and the Child Tax Credit lifted 48,000 Hawai'i taxpayers and their households out of poverty, including 24,000 children."

“This budget also does not allow for any savings, leaving a family vulnerable to any unexpected expense, such as a costly car repair, natural disaster, or health issue.”

The Miscellaneous category is not enough to purchase cable service or cover automotive or appliance repairs. It does not allow for dinner at a restaurant, tickets to the movies, or travel. There is no room in the Household Survival Budget for a financial indulgence such as holiday gifts, or a new television – something that many households take for granted. This budget also does not allow for any savings, leaving a family vulnerable to any unexpected expense, such as a costly car repair, natural disaster, or health issue. For this reason, a household on a Household Survival Budget is described as just surviving. The consequences of this – for households and the wider community – are discussed in Section VI.

THE HOUSEHOLD STABILITY BUDGET

Reaching beyond the **Household Survival Budget**, the Household Stability Budget is a measure of how much income is needed to support and sustain an economically viable household. The Stability Budget represents the basic household items necessary for a household to participate in the modern economy in a sustainable manner over time. **In Hawai‘i, the Household Stability Budget is \$138,876 per year for a family of four – 92 percent higher than the Household Survival Budget** (Figure 15). That comparison highlights yet again how minimal the expenses are in the Household Survival Budget.

Figure 15.
Average Household Stability Budget vs. Household Survival Budget, Hawai‘i, 2015

| Hawai‘i, Average - 2015 | | | |
|-----------------------------------|----------|-----------|--------------------|
| 2 ADULTS, 1 INFANT, 1 PRESCHOOLER | | | |
| | Survival | Stability | Percent Difference |
| Monthly Costs | | | |
| Housing | \$1,362 | \$2,082 | 53% |
| Child Care | \$1,207 | \$1,528 | 27% |
| Food | \$1,032 | \$1,833 | 78% |
| Transportation | \$544 | \$1,027 | 89% |
| Health Care | \$635 | \$935 | 47% |
| Smartphone | N/A | \$99 | N/A |
| Savings | N/A | \$750 | N/A |
| Miscellaneous | \$548 | \$750 | 37% |
| Taxes | \$700 | \$2,569 | 267% |
| Monthly Total | \$6,028 | \$11,573 | 92% |
| ANNUAL TOTAL | \$72,336 | \$138,876 | 92% |
| Hourly Wage | \$36.17 | \$69.44 | 92% |

Source: See unitedwayalice.org/hawaii

The spending amounts in the Household Stability Budget are those that can be maintained over time. Better quality housing that is safer and needs fewer repairs is represented in the median rent for single adults and single parents, and in a moderate house with a mortgage for a family in Hawai'i. Child care has been upgraded to licensed and accredited care, where quality is fully regulated. Food is elevated to the USDA's Moderate Food Plan, which provides more variety than the Thrifty Food Plan and requires less skill and time for shopping and cooking, plus one meal out per month, which is realistic for a working family. For transportation, the Stability Budget includes leasing a car, which allows drivers to more easily maintain a basic level of safety and reliability. For health care, the budget adds in health insurance and is represented by the cost of an employer-sponsored health plan. The Miscellaneous category represents 10 percent of the five basic necessities; it does not include a contingency for taxes, as does the Household Survival Budget.

Because most jobs now require access to the internet and a smartphone, the Household Stability Budget includes the cost of a basic plan smartphone. These are necessary for work schedules, changes in start time or location, access to work support services, and customer follow-up. The least expensive option has been selected from the Consumer Reports plan comparison. Full details and sources are listed provided at unitedwayalice.org/hawaii, as are the Household Stability Budget figures for a single adult.

Because savings are a crucial component of self-sufficiency, the Household Stability Budget also includes a 10 percent savings category. Savings of \$750 per month for a family is probably enough to invest in education and retirement, while \$237 per month for a single adult might be enough to cover the monthly payments on a student loan or build toward the down payment on a house. However, in many cases, the reality is that savings are used for an emergency and never accumulated for further investment.

The Household Stability Budget for a Hawai'i family with two children is moderate in what it includes, yet it still totals \$138,876 per year. This is almost double the Household Survival Budget of \$72,336 and the Hawai'i median family income of \$83,823 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, 55 percent higher than the Household Survival Budget, and higher than the Hawai'i median earnings for a single adult of \$34,730. To afford the Household Stability Budget, a single adult must earn \$69.44 per hour. The Stability Budget for various household types is available at unitedwayalice.org/hawaii.

COMPARISON WITH OTHER BUDGETS

How do the Household Survival and Stability Budgets compare with other measures? The Household Survival Budget is the lowest of all family budget measures, except the Federal Poverty Level (FPL). It is designed to measure the bare minimum required to live and work in the modern economy, and it is not sustainable over time. Other measures, including the MIT Living Wage Calculator and the Economic Policy Institute's (EPI) Family Budget Calculator, provide for greater housing and child care quality, more nutritious food, and less risky transportation and health care (Massachusetts Institute of Technology, 2016; Economic Policy Institute, 2015). Though slightly more comfortable than the Household Survival Budget, these budgets, too, are limiting and would be difficult to sustain for long periods of

“The spending amounts in the Household Stability Budget are those that can be maintained over time.”

“To put all of these budgets in perspective, the Household Stability Budget estimates the cost for the range of household items at the level needed to support and sustain an economically viable household – and it is significantly higher than both the other measures and Hawai‘i’s median family income.”

time. Hawai‘i also produced a Self-Sufficiency Standard in 2014; because it is a different data year, it is not included in this comparison, but it is discussed briefly below (State of Hawai‘i Department of Business, Economic Development & Tourism, 2015).

To put all of these budgets in perspective, the Household Stability Budget estimates the cost for the range of household items at the level needed to support and sustain an economically viable household – and it is significantly higher than both the other measures and Hawai‘i’s median family income (Figure 16).

The lowest-cost budget, the FPL, is not based on the actual cost of basic household goods in a specific county. As discussed earlier, the FPL is based on three times the cost of a minimally adequate diet in the 1960s, with adjustments for inflation. In addition, since 1970 the FPL for Hawai‘i has been 25 percent higher than for states on the mainland in recognition of Hawai‘i’s higher cost of living. For a family of two adults and two children, the FPL for Hawai‘i totaled \$27,890 in 2015.

Comparing the Household Survival Budget and the MIT Living Wage Calculator for a family of four in Honolulu County, the Survival Budget assumes more basic costs in most categories:

- **Housing:** The Survival Budget reflects HUD’s 40th rent percentile for a two-bedroom apartment, which includes all utilities whether paid by the landlord/owner or by the renter. MIT also uses HUD’s parameters but adds additional utilities to HUD’s rent estimates.
- **Child Care:** The Survival Budget reflects the cost of home-based child care for an infant and a 4-year-old. MIT selects the lowest-cost child care option available (which is usually home-based care) for a 4-year-old and a school-age child, whose care is generally less costly than infant care.
- **Food:** The Survival Budget reflects the cost for the USDA’s Thrifty Food Plan for a family; MIT reports the USDA’s slightly more generous Low-Cost Food Plan.
- **Transportation:** The Survival Budget includes only the operating costs for a car (including car insurance) or public transportation where available. MIT includes the operating costs for a car (including car insurance) and the cost of vehicle financing and insurance.
- **Health Care:** The Survival Budget reflects the cost of out-of-pocket health care expenses and the ACA penalty; MIT instead reports the cost of employer-sponsored health insurance, medical services and supplies, and prescription drugs.
- **Miscellaneous:** Both plans have a modest additional category. In the Survival Budget, it is 10 percent of the budget for cost overruns, and in MIT’s budget, it is a category for essential clothing and household expenses.
- The methodology for **Taxes** is similar in the two budgets, but because taxes are based on a percent of the total, the amounts differ.

The result is that the MIT Living Wage Calculator allows slightly more cushion for households, and the total is 17 percent higher than the Survival Budget for a family of four in Honolulu County (Massachusetts Institute of Technology, 2015).

Comparing the Household Survival Budget and the EPI's Family Budget Calculator for a family of four in the Honolulu metro area, the Survival Budget uses more basic budget items in most categories:

- **Housing:** The Survival Budget reflects HUDs 40th rent percentile for a two-bedroom apartment. EPI also uses HUD's parameters but adds additional utilities to HUD's rent estimates.
- **Child Care:** The Survival Budget reflects the cost of home-based child care for an infant and 4-year-old: EPI uses the cost of licensed and accredited child care centers, which have significantly higher costs than home-based centers, for a "young child" and a "child" (no ages specified), whose care is generally less costly than infant care.
- **Food:** The Survival Budget reflects the cost for the USDA's Thrifty Food Plan for a family. EPI uses the USDA's Low-Cost Food Plan, estimating the cost of food for each person in the family and totaling those numbers.
- **Transportation:** The Survival Budget includes only the operating costs for a car (including car insurance) or public transportation where available, which it is in Honolulu County. EPI includes the operating costs for a car (including car insurance).
- **Health Care:** The Survival Budget reflects the cost of out-of-pocket health care expenses and the ACA penalty; EPI reports the cost based on the least expensive Bronze Plan.
- **Miscellaneous:** The Survival Budget allocates 10 percent for cost overruns, but EPI also includes costs for apparel, personal care, and household supplies.
- The methodology for **Taxes** is similar in the two budgets, but because taxes are based on a percent of the total, the amounts differ.

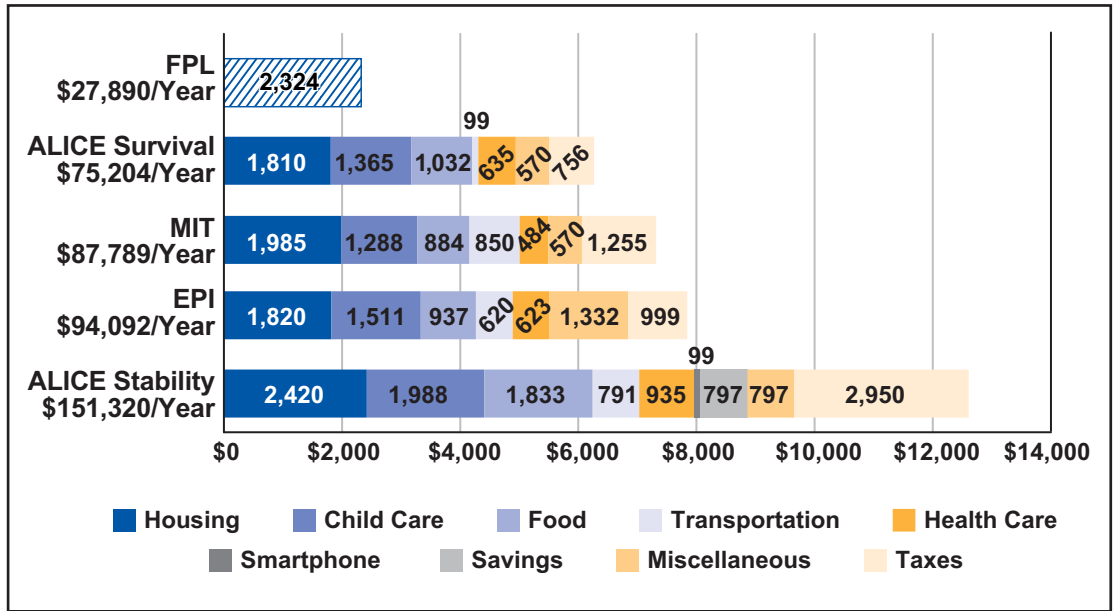
In Summary, the Family Budget Calculator allows more cushion for households, and the total is 25 percent higher than the Survival Budget for a family of four in Honolulu County, and 7 percent higher than the MIT budget (Economic Policy Institute, 2014).

While the Household Survival Budget provides the lowest estimate of a household's needs, the Stability Budget approximates a sustainable but still modest budget and is therefore higher than the other scales measured here. It includes a 30-year mortgage for a three-bedroom house, licensed and accredited child care, the USDA's Moderate Food Plan (and two meals out per month), leasing a car, employer-sponsored health care, the cost of a smartphone, and savings. At an annual budget of \$151,320 for a family with two working adults and two children in Honolulu County, the Stability Budget exceeds the EPI's Family Budget Calculator by 61 percent and the Living Wage Calculator by 72 percent.

"The Survival Budget reflects the cost for the USDA's Thrifty Food Plan for a family. EPI uses the USDA's Low-Cost Food Plan, estimating the cost of food for each person in the family and totaling those numbers."

“While the Household Survival Budget provides the lowest estimate of a household’s needs, the Stability Budget approximates a sustainable but still modest budget and is therefore higher than the other scales measured here.”

Figure 16.
Household Budget Comparison, Family of Four, Honolulu County, Hawai‘i, 2015



Source: ALICE Household Survival Budget, 2015; MIT Living Wage Calculator, 2015; Economic Policy Institute’s Family Budget Calculator, 2015

The State of Hawai‘i Department of Business, Economic Development & Tourism’s (DBEDT) also produced a family budget, the Self-Sufficiency Standard, for 2014. The Self-Sufficiency Standard for Hawai‘i for a family of four in Honolulu County differs from the Household Survival Budget in many of the same ways that the MIT and EPI budgets do – in terms of HUD’s Fair Market Rent, child care, the USDA’s Low-Cost Food Plan, and employer-sponsored health insurance. Based on these parameters, the DBEDT Self-Sufficiency Standard allows slightly more cushion for households. With different family combinations and only 2014 data available, we cannot calculate the exact difference between the Self-Sufficiency Standard and the other budgets for 2015 (State of Hawai‘i Department of Business, Economic Development & Tourism, 2015).

III. WHERE DOES ALICE WORK? HOW MUCH DOES ALICE EARN AND SAVE?

AT-A-GLANCE: SECTION III

- Both the Great Recession and the reshaping of the U.S. economy over the last 35 years have had an impact on the economy in Hawai'i, although that impact has not been as harsh as in many other states.
- In 2015, the unemployment rate in Hawai'i was 3.7 percent*, significantly lower than the national rate of 5.3 percent – and the underemployment rate was 9.7 percent, well below the national rate of 13.8 percent.
- In Hawai'i, 62 percent of jobs pay less than \$20 per hour, with more than two-thirds of those paying less than \$15 per hour.
- A full-time job that pays \$15 per hour grosses \$30,000 per year, which is only 41 percent of the Household Survival Budget for a family of four in Hawai'i (\$72,336).
- There are more than 24,770 retail salesperson jobs in Hawai'i, paying an average of \$11.46 per hour. This salary (\$22,920 per year if full time) falls short of meeting the family Household Survival Budget by almost \$50,000 per year.
- In 2013, 14 percent of Hawai'i's households had less than \$4,632 in savings or other assets.
- The mortgage foreclosure rate in Hawai'i was the third highest in the country at 2.4 percent in 2015 – well above the national average of 1.2 percent.
- Hawai'i had one of the lowest rates of unbanked households in the country in 2013 at 4 percent, while 20 percent were under-banked.

*Hawai'i state average unemployment rate for 2015 from the Bureau of Labor Statistics (BLS). Note that both the Hawai'i County Pages and the At-a-Glance page in the Executive Summary use the 2015 Hawai'i state average unemployment rate from the American Community Survey, which was 4.9 percent, and the national average of 6.3 percent.

There is no demographic feature that defines ALICE households more than their jobs and their savings accounts. The ability to afford household needs is a function of income, but ALICE workers have low-paying jobs. Similarly, the ability to be financially stable is a function of savings, but ALICE households have few or no assets and little opportunity to amass liquid assets. As a consequence, these households are more likely to use costly alternative financial services and to risk losing their housing in the event of an unforeseen emergency or health issue. This section examines the declining job opportunities and savings trends for ALICE households in Hawai'i.

Changes in the labor market over the past 35 years – including labor-saving technological advances, the decline of manufacturing, growth of the service sector, increased globalization, declining unionization, and the failure of the minimum wage to keep up with inflation – have

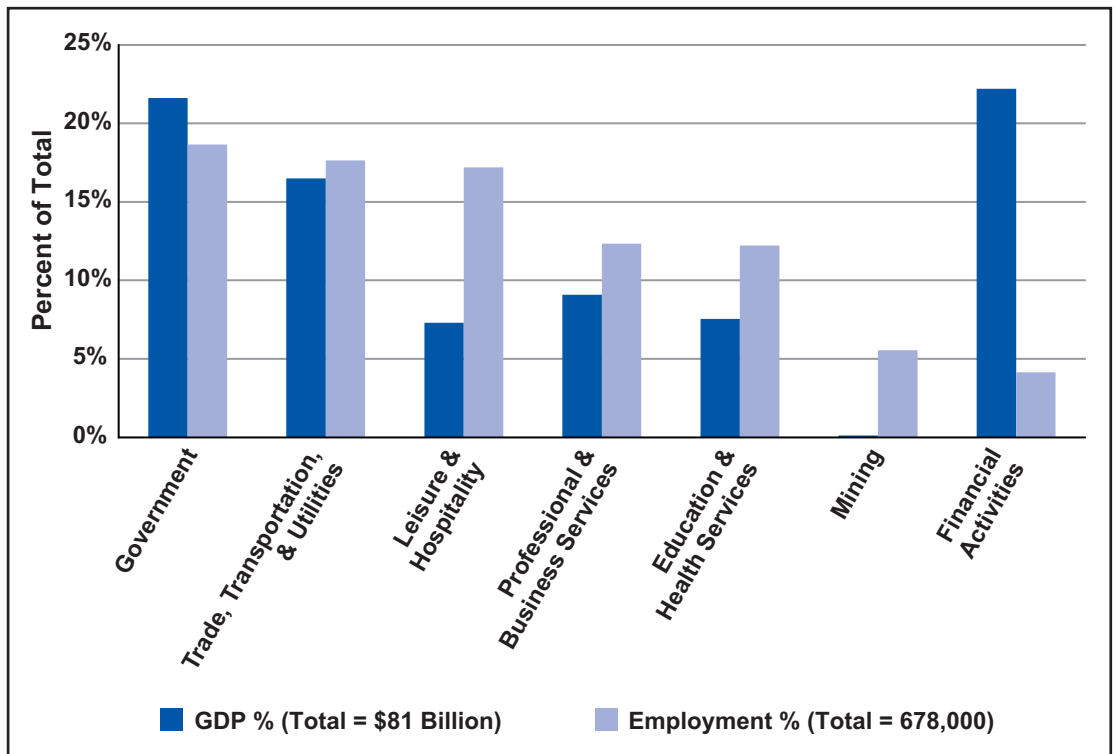
“There is no demographic feature that defines ALICE households more than their jobs and their savings accounts.”

“Middle-skill jobs have declined while lower-paying service occupation levels have grown.”

reshaped the U.S. economy. Most notably, middle-wage, middle-skill jobs have declined while lower-paying service occupation levels have grown (Autor, 2010; National Employment Law Project, 2014). These changes have greatly impacted the Hawai‘i economy.

Often, evaluation of a state economy focuses primarily on the amount of investment in given industries and their contribution to the state’s Gross Domestic Product (GDP). Yet these factors do not always match what an industry contributes to employment or wages (Figure 17). For example, in Hawai‘i, the financial activities sector is the largest industry in terms of contribution to GDP (22.2 percent), yet it contributes only 4 percent of jobs statewide. Government, the state’s largest employer, is more evenly matched, contributing 21.6 percent to GDP and 19 percent to employment. The trade, transportation, and utilities sector is also somewhat evenly matched. Leisure and hospitality, professional and business services, and education and health services each carry much more weight as employers than their financial contribution to GDP would indicate (Bureau of Labor Statistics (BLS), 2015 and 2015a).

Figure 17.
Employment and GDP by Industry, Hawai‘i, 2015



Source: Bureau of Labor Statistics, 2015

In many regards, Hawai‘i has recovered from the Great Recession. While the state lost 3 percent of its GDP between 2008 and 2009, it has improved steadily since then. The 2011 GDP surpassed the 2008 low, and in 2015, GDP reached \$81 billion (Federal Reserve Bank of St. Louis, 2016; U.S. Department of Commerce, 2015).

The number of people in the state’s labor force climbed steadily during the Great Recession and through 2015. But the proportion of the total population that was working or looking for work fell from a high of almost 70 percent in the early 1990s to 62 percent in 2015. As a result of the growing economy and a smaller labor force, the state’s employment trajectory has been much better than in the continental U.S. The recent historical low unemployment

rate was 2.6 percent in 2006. It only rose to 7.2 percent in 2009, near the end of the Recession, then dropped to 3.7 percent in 2015, well below the national rate of 5.3 percent (Bureau of Labor Statistics (BLS), 2015 and 2015a).

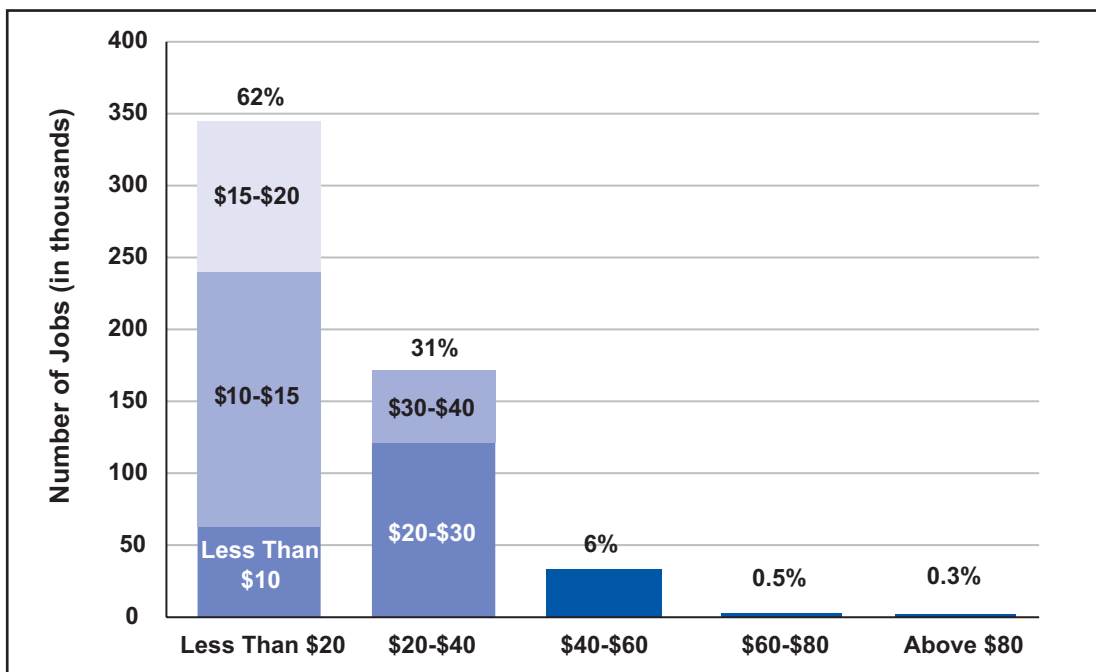
Hawai'i's economy was founded on trade and agriculture, with sugar and pineapple production comprising the primary industries. In the 1990s, the leisure and hospitality industry emerged as a robust economic engine, pulling the economy out of a period of stagnation. Manufacturing has always been a small component of the economy (unlike in the rest of the country), so Hawai'i has not undergone the structural shift that has been so hard on many other states, especially in the Midwest and Northeast. To diversify, the economy has also been expanding emerging industries including technology, creative fields, agribusiness, and health and wellness (State of Hawai'i Department of Business, Economic Development & Tourism, 2011, 2016, and 2106a; Hawai'i Tourism Authority, 2016).

INCOME CONSTRAINED

One of the defining characteristics of ALICE households is that they are "Income Constrained." Changes in Hawai'i's economy over the last several decades have reduced the job opportunities for ALICE households. The state now faces an economy dominated by low-paying jobs. **In Hawai'i, 62 percent of jobs pay less than \$20 per hour, with more than two-thirds of those paying less than \$15 per hour (Figure 18). A full-time job that pays \$15 per hour grosses \$30,000 per year, which is less than half of the Household Survival Budget for a family of four in Hawai'i.** Another 31 percent of jobs pay between \$20 and \$40 per hour, with 71 percent of those paying between \$20 and \$30 per hour. Only 6 percent of jobs pay between \$40 and \$60 per hour; 0.5 percent pay between \$60 and \$80 per hour, and another 0.3 percent pay above \$80 per hour (BLS, 2015).

"Changes in Hawai'i's economy over the last several decades have reduced the job opportunities for ALICE households. The state now faces an economy dominated by low-paying jobs."

Figure 18.
Number of Jobs by Hourly Wage, Hawai'i, 2015



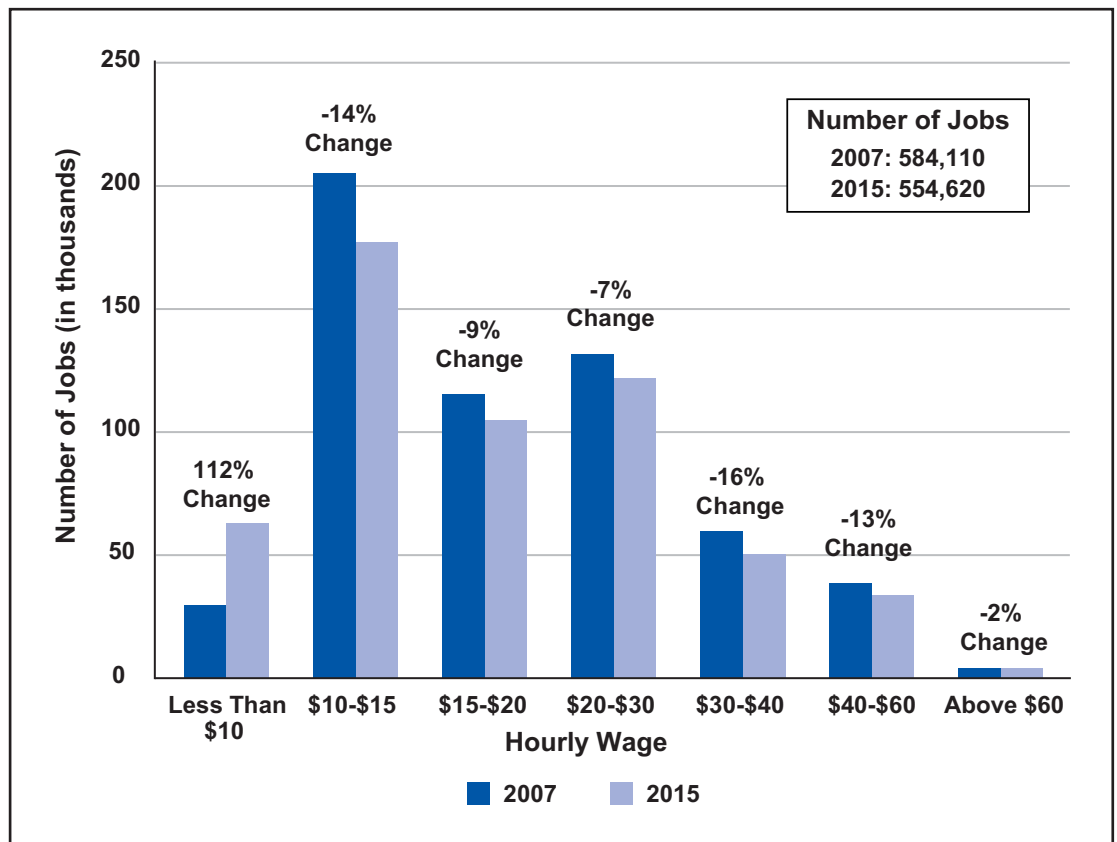
Source: Bureau of Labor Statistics, 2015

“Service sector jobs have become an essential and dominant component of Hawai‘i’s economy, with occupations employing the largest number of workers now concentrated in this sector.”

While the economy has been changing over time, the period from 2007 to 2015 shows a dramatic hollowing of middle-wage jobs, and the number of high-wage jobs has been falling at a slower rate (Figure 19). The total number of jobs in the state fell by 5 percent from 2007 to 2015. **The only wage bracket that saw growth was jobs paying less than \$10 per hour, which more than doubled.** The largest wage bracket, \$10 to \$15 per hour, fell by 14 percent. The largest losses were in the higher-wage bracket of \$30 to \$40 per hour (BLS, 2007 and 2015).

At the same time, the Center for Economic and Policy Research (CEPR) estimates that relative to 1979, the national economy has lost about one-third of its capacity to generate what CEPR had termed “good jobs” – those that pay at least \$37,000 per year and offer employer-provided health insurance and an employer-sponsored retirement plan (Schmitt & Jones, 2012).

Figure 19.
Number of Jobs by Hourly Wage, Hawai‘i, 2007 to 2015



Source: Bureau of Labor Statistics, 2015

Service sector jobs have become an essential and dominant component of Hawai‘i’s economy, with occupations employing the largest number of workers now concentrated in this sector. Two hallmarks of the service sector economy are that these jobs pay low wages and workers must be physically on-site; cashiers, nurses’ aides, and security guards cannot telecommute or be outsourced. Of the top 20 largest occupations in terms of number of jobs (Figure 20), all require the worker to be there in person, yet only 16 percent of the jobs – stemming from just three of the 20 occupations – pay enough to support the average Hawai‘i family Household Survival Budget at more than \$20 per hour. This means that Hawai‘i’s economy is dependent on jobs that pay wages so low that workers cannot afford to live near their jobs even though most are required to work on-site.

Low-paid, service-sector workers cannot afford the Household Survival Budget. For example, as in other states in the country, the most common occupation in Hawai'i is retail sales; there are more than 24,770 retail salesperson jobs in the state, paying on average \$11.46 per hour, or \$22,920 if full-time, year-round. **These jobs fall short of meeting the family Household Survival Budget by \$49,416 per year.**

Figure 20.
Occupations by Employment and Wage, Hawai'i, 2015

| Occupation | Number of Jobs | Median Hourly Wage |
|--|----------------|--------------------|
| Retail Salespersons | 24,770 | \$11.46 |
| Waiters and Waitresses | 15,200 | \$11.58 |
| Cashiers | 14,790 | \$10.31 |
| Office Clerks, General | 13,660 | \$15.22 |
| Janitors and Cleaners | 13,330 | \$12.02 |
| Maids and Housekeeping Cleaners | 12,040 | \$17.07 |
| Combined Food Preparation and Serving Workers, Including Fast Food | 11,740 | \$9.18 |
| General and Operations Managers | 11,080 | \$41.11 |
| Registered Nurses | 10,990 | \$44.37 |
| Security Guards | 9,920 | \$12.94 |
| Secretaries and Administrative Assistants | 9,840 | \$18.43 |
| Food Preparation Workers | 8,720 | \$10.65 |
| Landscaping and Groundskeeping Workers | 8,180 | \$14.93 |
| Cooks, Restaurant | 8,130 | \$13.47 |
| Stock Clerks and Order Fillers | 7,940 | \$13.08 |
| Customer Service Representatives | 7,600 | \$17.03 |
| Laborers and Movers, Hand | 7,420 | \$13.86 |
| Maintenance and Repair Workers, General | 7,240 | \$21.03 |
| Bookkeeping, Accounting, and Auditing Clerks | 7,060 | \$18.21 |
| Teacher Assistants | 6,970 | \$14.00 |

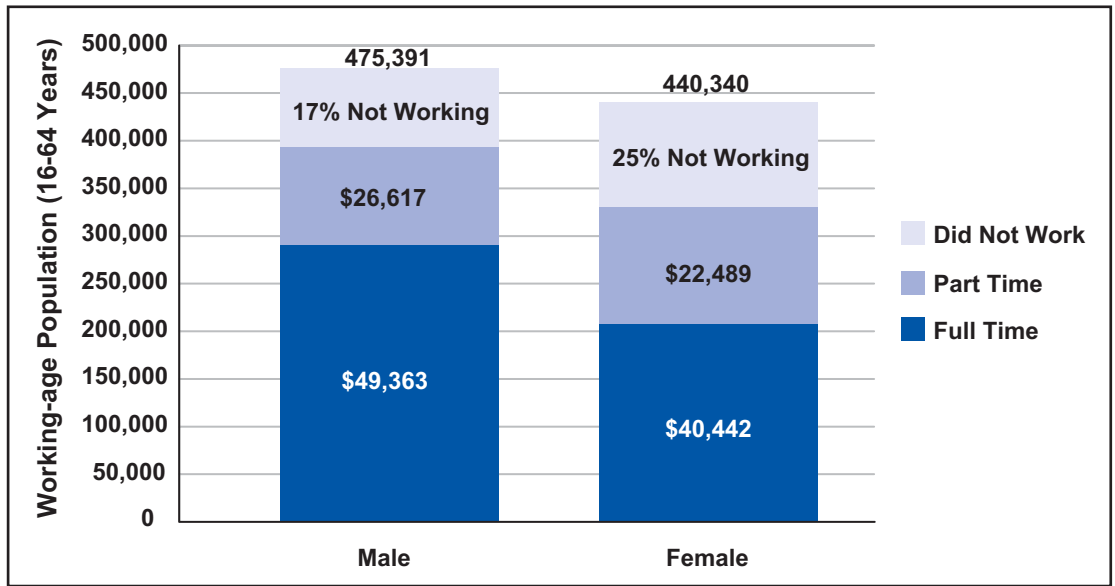
“Jobs paying less than \$20 per hour are more likely to be part time. With women working more part-time jobs, their income is correspondingly lower than that of their male counterparts.”

Source: Bureau of Labor Statistics, Occupational Employment Statistics (OES) Wage Survey – All Industries Combined, 2015

In addition to those who were unemployed in Hawai'i (3.7 percent) as defined by the BLS unemployment rate in 2015, there are many residents who are underemployed – people who are employed part time for economic reasons or who have stopped looking for work but would like to work (9.7 percent) (Bureau of Labor Statistics (BLS), 2015 and 2015a).

Of the working age population, 61 percent of men (290,846) and 47 percent of women (208,049) work full time (defined as more than 35 hours per week, 50 to 52 weeks per year). However, 22 percent of men and 28 percent of women work part time. In addition, 17 percent of men and 25 percent of women are not working (Figure 21). Jobs paying less than \$20 per hour are more likely to be part time. With women working more part-time jobs, their income is correspondingly lower than that of their male counterparts (American Community Survey, 2007, 2010, 2012, and 2015).

Figure 21.
Full-Time and Part-Time Employment by Gender and Median Earnings, Hawai'i, 2015



Source: American Community Survey, 2015

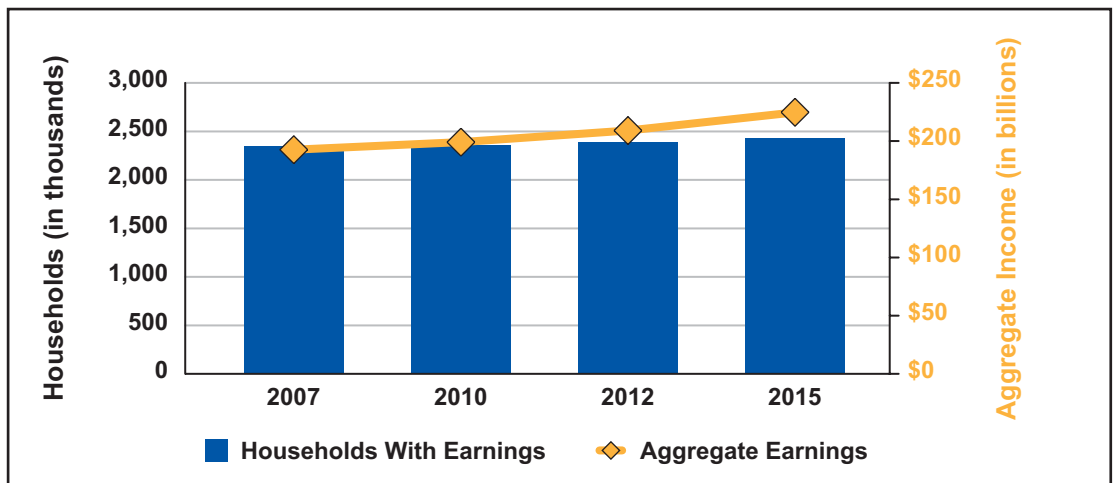
“Both the number of Hawai'i households with earnings and the amount of those earnings dipped slightly during the Recession. The amount of earnings has recovered better than has the number of households with earnings.”

Shifts in Sources of Income

The most important source of income for ALICE families is earnings. Both the number of Hawai'i households with earnings and the amount of those earnings dipped slightly during the Recession. The amount of earnings has recovered better than has the number of households with earnings; some households are still struggling, while others are better off.

The number of Hawai'i households earning a wage or salary income in 2007 was 346,077; that number remained virtually flat from 2007 to 2015, when it was 345,411 (Figure 22). On the other hand, the aggregate amount of earnings for all workers in Hawai'i grew during that period. It remained virtually flat at \$28 billion from 2007 to 2010, but then increased by 15 percent from 2010 to 2015 to reach \$32 billion, well above its pre-Recession level (American Community Survey, 2007, 2010, 2012, and 2015).

Figure 22.
Earnings by Number of Households and Aggregate Total, Hawai'i, 2015



Source: American Community Survey, 2015

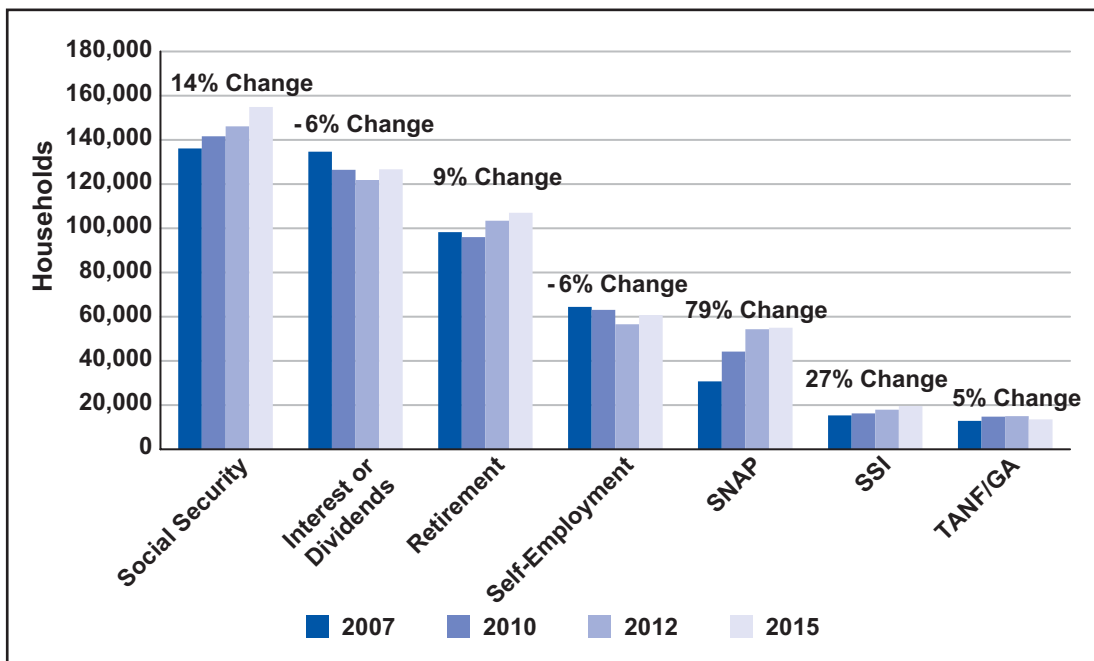
The sources of income for Hawai'i households shifted during the period from 2007 to 2015, which shows that the economy impacted different families in different ways. Unlike the dip in earnings most states experienced during the Great Recession, Hawai'i households did not experience much change from 2007 to 2015, but other sources of income, especially social security and SNAP, had large increases (Figure 23).

The number of households with self-employment income decreased steadily through 2012 and then began to rise, for a net decrease of 6 percent from 2007 to 2015. Similarly, interest, dividend, and rental income fell from 2007 to 2012 and then started to increase, for a net decrease of 6 percent from 2007 to 2015.

Over the entire time period, the impact of the aging population was evident, resulting in a 9 percent increase in the number of households receiving retirement income and a 14 percent increase in households receiving Social Security income. Hawai'i had 55 percent of workers participating in employment-based retirement plans in 2016, above the national rate of 49 percent (Prosperity Now, 2016).

“While not all ALICE households qualified for government support between 2007 and 2015, many that became unemployed during this period of job loss began receiving government assistance for the first time.”

Figure 23.
Percent Change in Household Sources of Income, Hawai'i, 2007 to 2015



Source: American Community Survey, 2015

The impact of the financial downturn on households was also evident in the striking increase in the number of Hawai'i households receiving income from government sources other than Social Security. While not all ALICE households qualified for government support between 2007 and 2015, many that became unemployed during this period of job loss began receiving government assistance for the first time. The number of households receiving Temporary Assistance for Needy Families (TANF) or General Assistance (GA) – programs that provide income support to adults without dependents – increased by 5 percent (though the amount each TANF user received fell by 13 percent). The number of households receiving Supplemental Security Income (SSI) increased by 27 percent; SSI includes welfare payments for low-income people who are 65 and older and for people of any age who are blind or disabled. At the same time, the number of households receiving SNAP (formerly food stamps) increased by 79 percent (American Community Survey, 2007 and 2015; Floyd, Updated 2017).

“Given the mismatch between the cost of living and the preponderance of low-wage jobs, accumulating assets is difficult in Hawai‘i.”

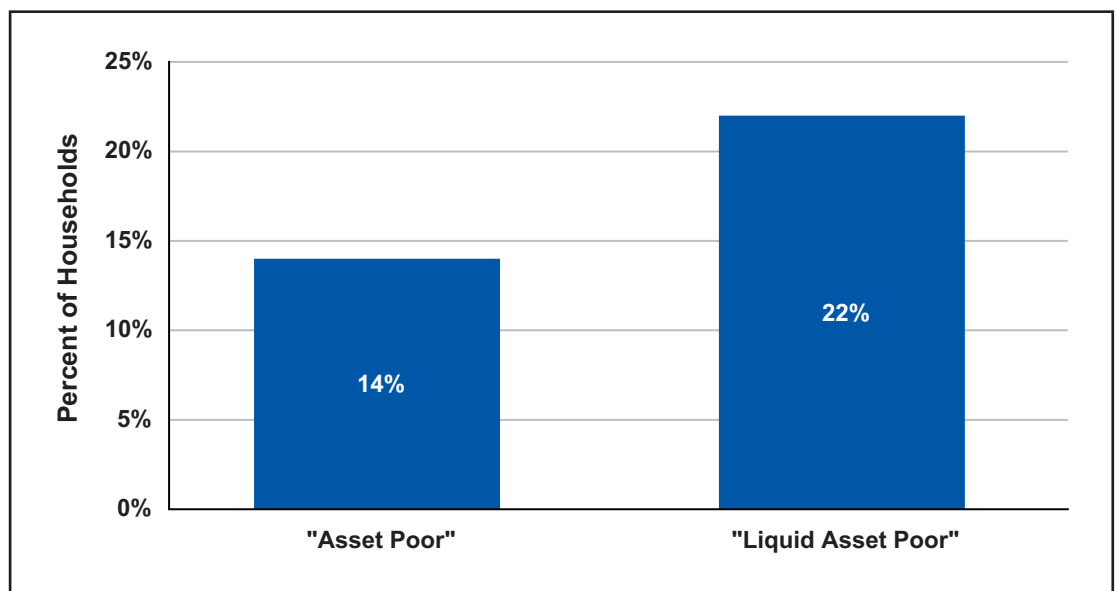
ASSET LIMITED

The second defining feature of ALICE households is their lack of assets. Without assets and with low incomes, ALICE households are especially vulnerable to unexpected emergencies or even small fluctuations in income, and they risk economic instability in the future because they lack the means to invest in education, home ownership, or a retirement account. Without savings, it is impossible for a household to become economically independent. The lack of assets also increases ALICE households’ costs, such as alternative financing fees and high interest rates, which limit efforts to build more assets (Barr & Blank, 2008; Rothwell & Goren, June 2011). **Nationally, the average wealth of the bottom half of American households by net worth was \$11,000 in 2013, 50 percent less than the average wealth of the bottom half in 1989.** In 2013, about a quarter of those families had zero or negative net worth (Yellen, October 17, 2014).

Given the mismatch between the cost of living and the preponderance of low-wage jobs, accumulating assets is difficult in Hawai‘i. In 2013, 14 percent of Hawai‘i households were considered to be “asset poor,” defined by Prosperity Now as not having enough net worth to subsist at the poverty level for three months without income. In other words, an asset poor family of three in Hawai‘i had less than \$4,632 in savings or other assets in that year. The percentage of households without sufficient “liquid assets” was even higher, at 22 percent. “Liquid assets” include cash or a savings account, but not a vehicle or home (Prosperity Now, 2013; Figure 24). A 2015 national survey by the Federal Reserve found that 47 percent of all respondents and two-thirds of respondents with a household income under \$40,000 either could not cover an emergency expense costing \$400, or would cover it by selling something or borrowing money (Federal Reserve, 2015).

Many more households would be considered “asset poor” if the criterion were an inability to subsist without income for three months at the ALICE Threshold instead of at the outdated Federal Poverty Level. The Pew Research Center reports that almost half of Americans – 48 percent of survey respondents – state that they often do not have enough money to make ends meet (Pew Research Center, 2012).

Figure 24.
Households by Wealth, Hawai‘i, 2013



Source: Prosperity Now, 2013

Types of Assets

Almost by definition, those with lower incomes have fewer assets, but they also have different types of assets. Households with income in the lowest quintile are less likely than households in the highest income quintile to have assets of any kind, to have a regular checking account, or to own a motor vehicle. They are only half as likely to have interest-earning assets at financial institutions or to own a business or a home; and they are far less likely to own stocks or mutual funds, or to have an IRA or a 401(k) savings plan (U.S. Census Bureau, 2011).

After a bank account, the most common assets are vehicles, homes, and investments. Data on wealth and assets at the state level is limited, but the American Community Survey provides some basic figures.

Vehicles

Ninety-one percent of households in Hawai'i own a vehicle; most own one to two (Figure 25). "Vehicle" is a very broad category in the American Community Survey that includes cars, vans, sport utility vehicles, and trucks below one-ton capacity that are kept at home and used for non-business purposes (motorcycles and dismantled or immobile vehicles are not included). Nationally, the most commonly held type of non-financial asset in 2013 was a vehicle. In that year, 31 percent of families had vehicle loans (Bricker, et al., 2014). While cars offer benefits beyond their cash value, they are not an effective means of accumulating wealth because the value of a car normally decreases over time.

Most households in Hawai'i own a vehicle because it is essential for work, but many ALICE households need to borrow money in order to buy a vehicle. From 1999 to 2012, the auto debt per capita in Hawai'i increased by 73 percent to \$2,510 (Jones, 2014).

Nationally, low-income families are twice as likely to have a vehicle loan as all families. Many workers cannot qualify for traditional loans and resort to costlier non-traditional financing such as car-title loans. Even though Hawai'i does not permit auto title lenders to operate, car-title loans are still offered at various storefront locations and through the internet (Center for Responsible Lending, 2014; Zabritski, 2015; Juarez, 2013).

However, there is a robust national market in other kinds of subprime vehicle loans. "Buy Here Pay Here" loans account for 14 percent of the used car loan market nationally, and banks, credit unions, and especially finance subsidiaries of car manufacturers are also making subprime loans to customers. In fact, in 2014, 28 percent of new car loans and 57 percent of used car loans were subprime. In the current low-interest banking market, the average rate for a prime loan in 2014 was 5 percent, while the average subprime rate was 20 percent. The difference means that customers with fair credit spend about six times more to finance a vehicle than those with excellent credit, which equates to \$6,176 in additional interest payments over the life of a \$20,000, five-year loan (Kiernan, 2016; Jones, 2014).

"Almost by definition, those with lower incomes have fewer assets, but they also have different types of assets."

Home Ownership

The next most common asset in Hawai'i is a home, an asset that has traditionally provided financial stability. In 2015, 56 percent of Hawai'i households owned their homes, and two-thirds of those had a mortgage, just above the national average of 63 percent (Figure 25). Interestingly, 43 percent of the state's households with income below the ALICE Threshold owned their homes.

With a large and growing tourism industry, Hawai'i has a housing market that is different from that in many other states. From 2009 to 2015, the number of visitors to Hawai'i increased by one-third to 8.5 million people, while the number of vacation rental units grew at a much slower pace, creating a gap in temporary vacation housing. To fill the void, the number of non-traditional private rentals (such as VRBO and Airbnb) almost doubled to 10,700, with two-thirds of them owned by out-of-state property owners. Vacation rental properties have a significant impact on the local real estate market, accounting for over 11 percent of all rental units. The opportunity to earn income by renting to tourists has increased demand for all rentals, especially in tourist areas. Greater demand, in turn, has put upward pressure on rents, which increased 22 percent in Hawai'i County and as much as 29 percent in Honolulu County from 2010 to 2015 (Hawai'i Tourism Authority, 2016).

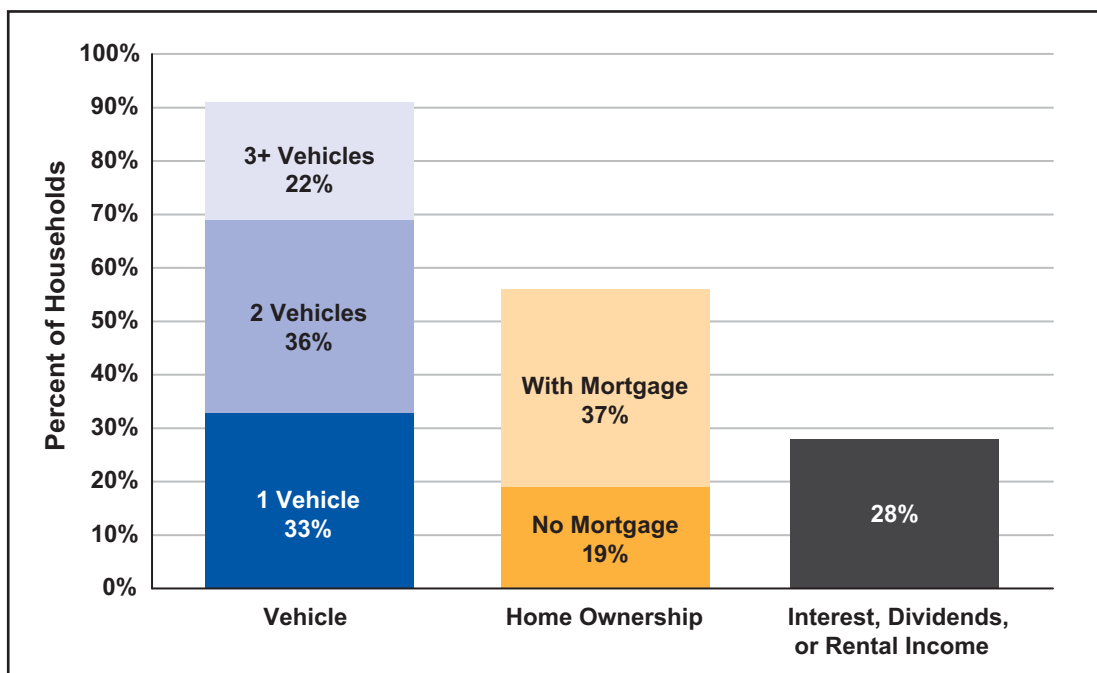
For those Hawai'i households that stretched to buy a home in the mid-2000s, the drop in the housing market in 2007 caused serious problems. Low incomes and declining home values made it financially difficult for many ALICE homeowners to maintain their homes; many who sold their homes lost money, with some owing more than the sale price. The overall rate of homeownership peaked in 2004 at 61 percent, then fell to 55 percent by 2011, rebounding somewhat by 2015 (Federal Reserve Bank of St. Louis, 2015). In addition, with a contracted housing stock and increased demand, some residents who wanted to buy a home but did not have funds for a down payment or could not qualify for a mortgage turned to risky and expensive lease or rent-to-own options. In fact, 5 percent of the total population in Hawai'i has used a rent-to-own financial product (FDIC, 2013).

Hawai'i was one of the hardest-hit states in the housing crisis. After a steep rise in housing prices from 2000 to 2007, property values dropped sharply in 2007 and 2008. The state slowly recovered through 2012, and housing prices surpassed their 2007 levels in 2015. Yet the crisis left many homeowners with mortgages greater than the value of their homes. This decline, combined with unemployment, underemployment, and reduced wages, meant that many households could not keep up their mortgage payments and lost their homes to foreclosure. The foreclosure rate remained high in Hawai'i in 2015 at 2.4 percent – the third highest rate in the country after New York and New Jersey, and much higher than the national average of 1.2 percent (Federal Reserve Bank of St. Louis, 2015; CoreLogic, 2016).

Housing wealth is the most important source of wealth for all but those at the very top, accounting nationally for 60 percent of assets for the lower-wealth half of all homeownership families in 2013. The overall wealth of these families is significantly affected by changes in home prices, and even more so for those who are highly leveraged. From 2007 to 2013, homeowners in the bottom half of households by wealth reported a drop of 61 percent in their home equity. However, on balance, homeownership remains an effective means of producing wealth, though slightly less so for lower-income households and households of color (Herbert, McCue, and Sanchez-Moyano, 2013; Yellen, October 17, 2014).

“Housing wealth is the most important source of wealth for all but those at the very top, accounting nationally for 60 percent of assets for the lower-wealth half of all homeownership families in 2013.”

Figure 25.
Household Assets, Hawai'i, 2015



Source: American Community Survey, 2015

Investments

Investments that produce income, such as stocks or rental properties, are a less common asset; in 2015, only 28 percent of Hawai'i households had this type of investment (see black bar in Figure 25). While the American Community Survey does not report the value of investments, nationally, the bottom half of households by wealth owned only 2 percent of the country's stocks in 2013. The number of Hawai'i households receiving interest, dividend income, or net rental income decreased by 9 percent from 2007 to 2012, a clear consequence of the stock market crash. This large reduction fits with the national trend of reduced assets for households of all income types. Recovery started in 2012, increasing by 4 percent from the low point, but the number of households in Hawai'i receiving interest, dividend income, or net rental income has not returned to 2007 levels. The loss of these assets forced many households below the ALICE Threshold (American Community Survey, 2007, 2012, and 2015; Yellen, October 17, 2014).

“Investments that produce income, such as stocks or rental properties, are a less common asset; in 2015, only 28 percent of Hawai'i households had this type of investment.”

Declining Assets

The assets of an ALICE household are especially vulnerable when workers lose their jobs. According to The Pew Charitable Trusts Economic Mobility Project, during unemployment, a common strategy is to draw down retirement accounts. Penalties are charged for early withdrawals, and retirement savings are diminished, putting future financial stability at risk (Boguslaw, Thomas, Sullivan, Meschede, Chaganti, & Shapiro, 2013). This will have an impact on those who retire before their assets can be replenished, as discussed in the Conclusion.

“From 1983 to 2010, middle-wealth families across the country experienced a 13 percent increase in wealth, compared to a 120 percent increase for the highest-wealth families.”

Data on wealth at the state level is limited, but the national information available suggests that Hawai‘i fits within national trends of a decline in wealth for low-income households. From 1983 to 2010, middle-wealth families across the country experienced a 13 percent increase in wealth, compared to a 120 percent increase for the highest-wealth families. At the other end of the spectrum, the lowest-wealth families – those in the bottom 20 percent – saw their wealth fall below zero, meaning that their average debts exceeded their assets (McKernan, Ratcliffe, Steuerle, & Zhang, 2013).

According to the Urban Institute, the racial wealth gap was even larger. The collapse of the labor, housing, and stock markets beginning in 2007 impacted the wealth holdings of all socioeconomic groups nationally, but in percentage terms, the declines were greater for disadvantaged groups as defined by race/ethnicity, education, pre-Recession income, and wealth (Pfeffer, Danziger, & Schoeni, 2013; McKernan, Ratcliffe, Steuerle, & Zhang, 2013). Between 1983 and 2013, the wealth of median Black and Latino households decreased by 75 percent (from \$6,800 to \$1,700) and 50 percent (from \$4,000 to \$2,000), respectively, while median White household wealth rose by 14 percent (from \$102,200 to \$116,800). At the same time, the wealth gap between White and Asian households is closing. Asian households are already surpassing Whites in median income, and will soon surpass them in median wealth. In Hawai‘i, however, the broad category of “Asian” masks large disparities within the race, with Pacific Islanders and Native Hawaiians reporting much lower levels of wealth than Asians of other national origin (Asante-Muhammad, Collins, Hoxie, and Nieves, 2017).

A drop in wealth is also the reason many households fall below the ALICE Threshold. Drawing on financial assets that can be liquidated or leveraged, such as savings accounts, retirement accounts, home equity, and stocks, is often the first step households take to cope with unemployment. When these reserves are used up, financial instability increases (Boguslaw, Thomas, Sullivan, Meschede, Chaganti, & Shapiro, 2013).

Alternative Financial Products

Once assets have been depleted, the cost of staying financially afloat increases for ALICE households. Generally, access to credit can provide a valuable source of financial stability, and in some cases, does as much to reduce hardship as tripling family income (Mayer & Jencks, 1989; Barr & Blank, 2008). Just having a bank account lowers financial delinquency and increases credit scores (Shtauber, 2013). But many Hawai‘i households below the ALICE Threshold do not use basic banking services. Because the banking needs of low- to moderate-income individuals and small businesses are often not filled by community banks and credit unions, they frequently use local networks and Alternative Financial Products (AFP) establishments, especially for small financial transactions (Flores, 2012); Servon and Castro-Cosio, 2015). **According to the Federal Deposit Insurance Corporation (FDIC), Hawai‘i has one of the lowest rates of unbanked households in the country at 4 percent, yet a relatively high 20 percent were under-banked in 2013** (i.e., households that have a mainstream account but use alternative and often costly financial services for basic transaction and credit needs) (Federal Deposit Insurance Corporation (FDIC), 2013; Jasthi and McMullen, 2016; Prosperity Now, 2016).

Informal lending groups include loans from friends and family, rotating savings and credit associations, and loan sharks. For the over-16-year-old population in the U.S., the World Bank estimates that in 2011, 6 percent of the population participated in an informal lending group and 17 percent borrowed from family and friends. Studies of low-income families show

that as many as 40 percent borrow or lend informally (Morduch, Ogden, and Schneider, 2014; Servon and Castro-Cosio, 2015). In Hawai'i in the early 20th century, there was widespread use of the Japanese money-pooling concept of “tanomoshi,” by plantation laborers from Japan, China, Korea, and the Philippines who were denied access to banks. This practice was later channeled into participation in credit unions, and membership has increased steadily, reaching nearly 878,000 in 2017. More than 61 percent of Hawai'i residents use credit unions, which controlled 18 percent of deposits in the state in 2016 (compared to 8.7 percent nationally) (Rosen, 2017).

Overall, few assets and a weak credit record mean that many ALICE families are vulnerable to predatory lending practices. This was especially true during the housing boom, which in part led to many of the foreclosures in Hawai'i (McKernan, Ratcliffe, & Shank, 2011). Hawai'i has one of the highest rates of credit users with prime credit (57 percent), ranking 11th nationally in 2014. In addition, 86 percent of local residents have access to credit from traditional financial lenders (though not necessarily at prime rates), slightly below the national average of 90 percent. But more than 14 percent of residents do not have any access to credit, and even among those with access, 43 percent are forced to use subprime rates (Federal Reserve Bank of New York, 2017; Prosperity Now, 2016c).

High-interest, unsecured debt from credit cards can be a useful short-term alternative to even higher-cost borrowing or the failure to pay mortgage, rent, and utility bills. For example, the cost of restoring discontinued utilities is often greater than the interest rate on a credit card. Another option is rent-to-own stores, which are lightly regulated in Hawai'i and which fill an important need by allowing families to access furniture, electronics, major appliances, computers, tires, and other products. Their use has proliferated over the internet, and there are 18 local rent-to-own businesses in Hawai'i with annual revenues of \$16 million. A survey of annual interest rates found that those businesses charged from 138 percent to 370 percent (Consumer Financial Protection Bureau, 2016; National Conference of State Legislatures, 2016; Association of Progressive Rental Organizations, 2017).

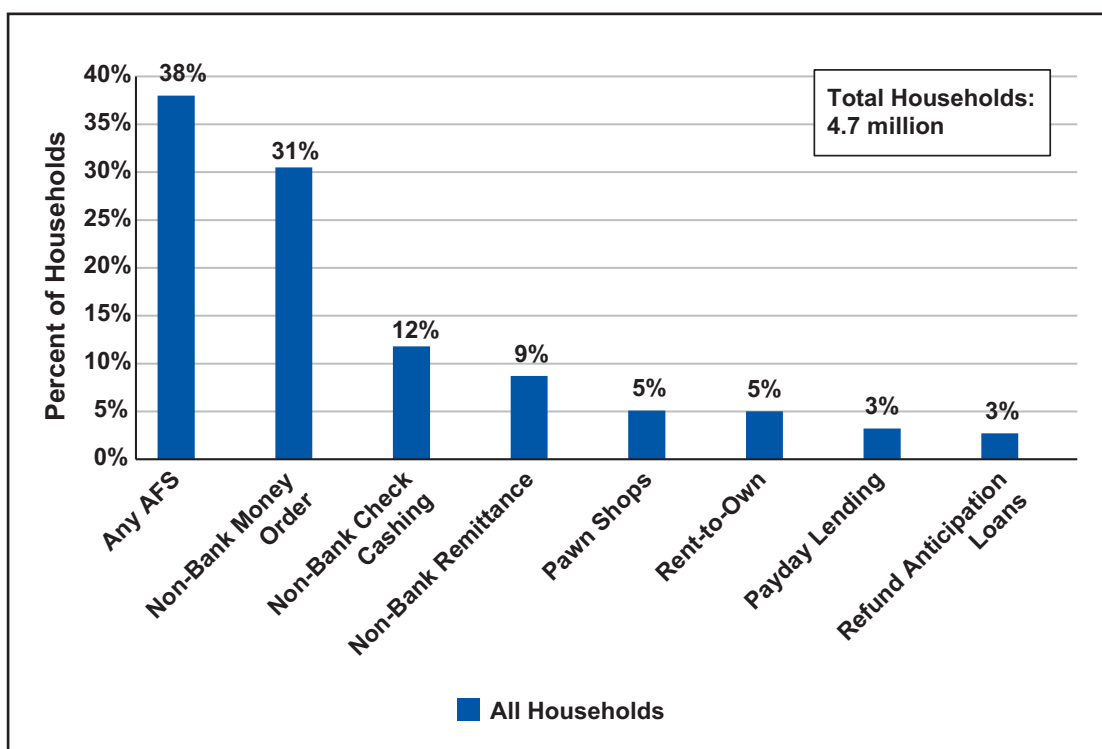
The main reasons for AFP borrowing, according to 2009 Current Population Survey (CPS) data, are to pay for living expenses, such as rent, groceries, and child care costs, and unexpected financial demands, such as income loss, home and car repairs, and medical expenses. Hawai'i residents also use short-term loans from AFP providers instead of banks and credit unions for practical reasons. AFP loans take less time to process and do not require multiple forms of documentation and proof of credit history. AFP providers are often more conveniently located than traditional banks for residents of low-income neighborhoods. Nearly one-third of Hawai'i households reported multiple reasons for AFP use, suggesting interrelated aspects of financial need (Federal Deposit Insurance Corporation (FDIC), 2013).

AFPs provide a range of services including non-bank money orders, non-bank check cashing, non-bank remittances, payday lending, pawnshops, rent-to-own agreements, and tax refund anticipation loans. **In 2011, 38 percent of Hawai'i households with an annual income below \$50,000 had used an AFP, and they accounted for almost half (45 percent) of the state's AFP users.** In contrast, only 34 percent of households with an annual income above \$75,000 used an AFP (Federal Deposit Insurance Corporation (FDIC), 2013). Groups with even lower income are disproportionately represented among AFP users, with use increasing as income declines.

“Overall, few assets and a weak credit record mean that many ALICE families are vulnerable to predatory lending practices.”

The most commonly used AFPs in Hawai'i are non-bank money orders, with 31 percent of all households using a non-bank money order in 2011. The next most commonly used AFPs were non-bank check cashing, used by 12 percent of all households, and non-bank remittances, used by 9 percent. The use of other AFPs – payday lending, pawnshops, rent-to-own agreements, and refund anticipation loans – by the total population was 5 percent or less (Federal Deposit Insurance Corporation (FDIC), 2013) (Figure 26).

Figure 26.
Use of Alternative Financial Products, Hawai'i, 2011



Source: Federal Deposit Insurance Corporation, 2013

Two tax-related AFPs are Refund Anticipation Loans (RALs) and Refund Anticipation Checks (RACs), which charge fees for advancing funds against tax returns and tax preparation, at rates estimated at more than 260 percent APR (annual percentage rate). According to IRS data, 94 percent of taxpayers who applied for a RAL and 84 percent who applied for a RAC in 2011 were low-income (Civil Justice, Inc., and Maryland CASH Campaign, 2013). RALs, which provide loans against anticipated income tax refunds, have declined since becoming federally regulated in 2012. But use of RACs – refunds directed to a financial institution, which charges fees and disburses the balance to the taxpayer – continues to rise.

A newly emerging AFP is the payroll card, a debit card used to pay wages to an estimated 6 million workers nationwide in 2014 and expected to double in use by 2019. Payroll cards deliver wages electronically with cost savings for employers and, in some cases, convenience and lower expenses for workers. However, virtually all payroll card programs charge fees. In many cases these have been excessive, reducing take-home pay for the lowest-paid workers and those without internet access, who, for example, can be charged

“The most commonly used AFPs in Hawai'i are non-bank money orders, with 31 percent of all households using a non-bank money order in 2011.”

a fee just to call to learn their account balance. Payroll cards are used in Hawai'i but their use is regulated by the state to limit excessive abuses (Hawai'i Department of Labor and Industrial Relations, 2013; New York State Attorney General Eric T. Schneiderman, 2014; Saunders, 2015; Young, 2016).

There are serious downsides to the repeated use of AFPs, including increased fees and interest rates; decreased chances that they can be repaid; and a higher rate of moving out of one's home, delaying medical care or prescription drug purchases, and even filing for Chapter 13 bankruptcy (Montezemolo, 2013; Campbell, Jackson, Madrian, & Tufano, 2011; Boguslaw, Thomas, Sullivan, Meschede, Chaganti, & Shapiro, 2013). For military personnel, payday loans are associated with declines in overall job performance and lower levels of retention. Indeed, to discourage payday loans to military personnel, the 2007 National Defense Authorization Act capped rates on payday loans to service members at 36 percent annually (Campbell, Jackson, Madrian, & Tufano, 2011).

Despite these drawbacks, there continues to be high demand for AFPs in Hawai'i, which underscores the importance of access to financial products by families of all incomes.

“There are serious downsides to the repeated use of AFPs, including increased fees and interest rates; decreased chances that they can be repaid; and a higher rate of moving out of one’s home, delaying medical care or prescription drug purchases, and even filing for Chapter 13 bankruptcy.”

IV. HOW MUCH INCOME AND ASSISTANCE IS NEEDED TO REACH THE ALICE THRESHOLD?

Measure 3 – The ALICE Income Assessment

AT-A-GLANCE: SECTION IV

- In Hawai'i in 2015, the total needed to ensure that all households had income at the ALICE Threshold was \$14.8 billion. The income of all Hawai'i households below the ALICE threshold totaled \$6.9 billion – just 46 percent of total need.
- The total annual public and private spending on Hawai'i households below the ALICE Threshold, which includes families in poverty, provided an additional \$3.6 billion, or 25 percent of total need.
- The total of income plus assistance still left an Unfilled Gap of \$4.3 billion, or 29 percent of total need. In other words, it would take approximately \$4.3 billion in additional wages or public resources for all Hawai'i households to have income at the ALICE Threshold.
- For households living below the ALICE Threshold in Hawai'i, the average benefit from federal, state, and local government and nonprofit sources in 2015 was \$6,672 per household, plus another \$10,557 in health care spending.
- ALICE and poverty-level households in Hawai'i received an aggregate \$234 million to reduce their taxes through the Earned Income Tax Credit (EITC) in 2014, for an average of \$2,155 per eligible household.
- Without public and nonprofit spending, ALICE households in Hawai'i would face great hardship, with many more qualified as living below the Federal Poverty Level (FPL).

“The persistence of low wages, underemployment, periods of unemployment, and loss of employer-sponsored benefits have led to financial insecurity for a large share of ALICE households.”

Forty-eight percent of Hawai'i households do not have enough income to reach the ALICE Threshold for financial security. But how far below the ALICE Threshold are their earnings? How much does the government spend in an attempt to help fill the gap? And is it enough to enable all households to meet their basic needs?

The persistence of low wages, underemployment, periods of unemployment, and loss of employer-sponsored benefits have led to financial insecurity for a large share of ALICE households. As a result, many working ALICE households have turned to government supports and services, often for the first time, to feed their families, secure health insurance, pay rent, or meet other basic needs (Boguslaw et al., 2013).

A wide range of families have used public and private assistance. The Pew Charitable Trusts Economic Mobility Project, a national survey of working-age families from 1999 to

2012, found that families facing unemployment and other financial hardship during the Great Recession turned to government, nonprofit, and private institutional resources as a safety net. More than two of every three families interviewed drew on one or more of these institutional resources, receiving help in categories as varied as income, food, health care, education and training, housing and utility assistance, and counseling. And according to the U.S. Department of Agriculture (USDA), from 1989 to 2015, the share of Supplemental Nutrition Assistance Program (SNAP) households working and earning income rose from 20 percent to 32 percent (Jacobs, Perry, and MacGillvary, 2015; U.S. Department of Agriculture, 2017; Boguslaw, et al., 2013).

Recent national studies have quantified the cost of public services that support low-wage workers, specifically at big box retail chain stores and fast food restaurants, finding that in 2011, more than half – 56 percent – of combined state and federal spending on public assistance went to working families (Allegretto et al., 2013; Dube and Jacobs, 2004; Wider Opportunities for Women (WOW), 2011; Jacobs, Perry, and MacGillvary, 2015). But the total cost of public and nonprofit assistance for struggling households had not been tallied for a state until the first ALICE Report for New Jersey was published in 2012 (Hoopes Halpin, 2012).

The ALICE Income Assessment provides a tool to measure these resources for poverty-level and ALICE households. This tool is critical to understanding the financial dynamics and needs of poverty-level and ALICE households, especially those who are working. Because funds are allocated differently for different programs (some based on the FPL or multiples of it, others using local cost budgets), it is not possible to separate spending on ALICE from spending on those in poverty. In fact, some programs that are focused on those in poverty, such as Medicaid, end up supporting other low-income individuals as well (Finkelstein, Hendren, and Luttmer, 2015).

THE ALICE INCOME ASSESSMENT

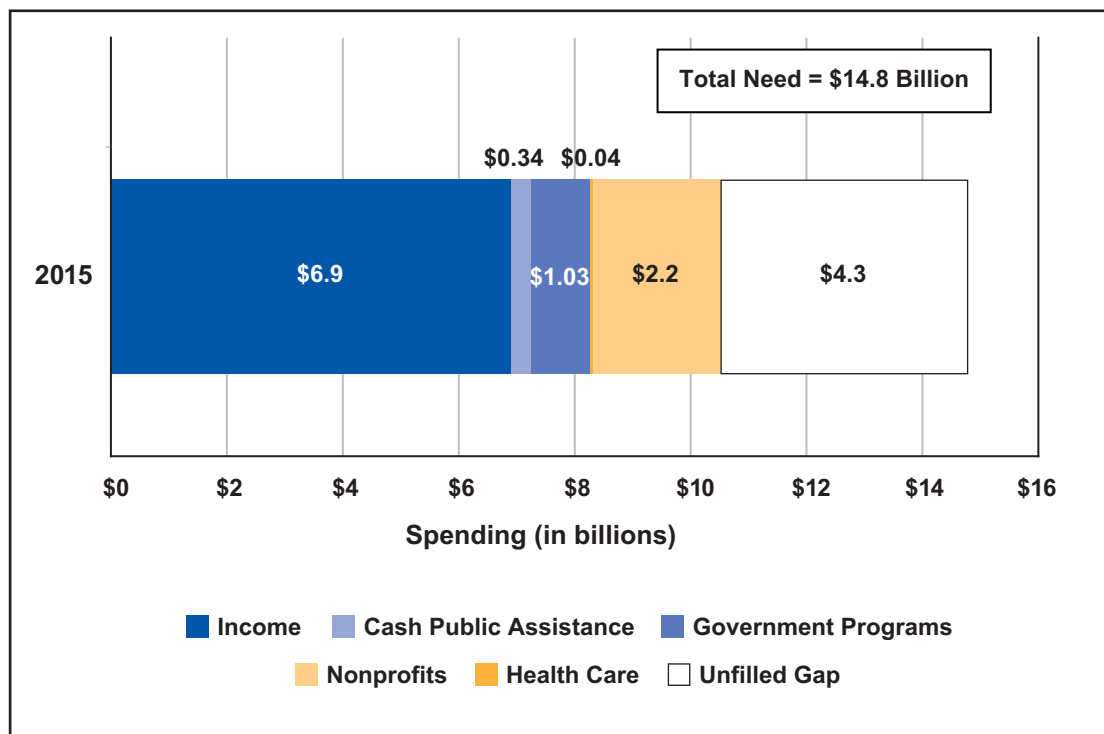
The ALICE Income Assessment measures how much income households need to reach the ALICE Threshold (the bare minimum needed to live and work in the modern economy, not necessarily an objectively healthy or safe level), based on the Household Survival Budget in Section II. The Income Assessment then compares the Threshold to how much households actually earn and how much public and nonprofit assistance is provided to help them meet their basic needs. (This is a financial assessment of public and private assistance; additional analysis would be required to assess quality, safety or efficiency.)

The total income of poverty-level and ALICE households in Hawai'i in 2015 was \$6.9 billion, which includes wages and Social Security. This is only 46 percent of the amount needed just to reach the ALICE Threshold of \$14.8 billion statewide. Government and nonprofit assistance to Hawai'i households below the ALICE Threshold, which includes households in poverty, provided \$3.6 billion, making up an additional 25 percent, but that still left an Unfilled Gap of 29 percent, or \$4.3 billion (additional details presented at unitedwayalice.org/hawaii) (Figure 27).

In other words, it would require approximately \$4.3 billion in additional wages or public resources for all Hawai'i households to have income at the ALICE Threshold. The consequences of the Unfilled Gap for ALICE households are discussed in Section VI.

“The total income of poverty-level and ALICE households in Hawai'i in 2015 was \$6.9 billion, which includes wages and Social Security. This is only 46 percent of the amount needed just to reach the ALICE Threshold of \$14.8 billion statewide.”

Figure 27.
Categories of Income and Assistance for Households Below the ALICE Threshold,
Hawai'i, 2015



Source: Office of Management and Budget, 2015; U.S. Department of Agriculture, 2015; American Community Survey, 2015; National Association of State Budget Officers, 2015; NCCS Data Web, Urban Institute, 2012; for methodology, see Methodology Overview on the ALICE website.

“In 2015, the total annual public and private spending on Hawai'i households below the ALICE Threshold was \$3.6 billion, or 5 percent of Hawai'i's \$81 billion Gross Domestic Product.”

In 2015, the total annual public and private spending on Hawai'i households below the ALICE Threshold was \$3.6 billion, or 5 percent of Hawai'i's \$81 billion Gross Domestic Product (Federal Reserve Bank of St. Louis, 2015). That spending included several types of assistance:

- Government Programs spent \$1.03 billion, or 7 percent.
- Cash Public Assistance delivered \$344 million, adding another 2 percent.
- Nonprofits in the human services area provided \$41.8 million, or 0.3 percent.
- Health Care assistance, the largest single category, provided \$2.2 billion, or 15 percent of the total required for ALICE families to reach the ALICE Threshold.

Public assistance used in this analysis includes only programs that are directed specifically at low-income families and individuals; it does not include programs such as neighborhood policing, which are provided to all households regardless of income. In addition, the Assessment includes only programs that directly help ALICE families meet the basic Household Survival Budget, such as TANF and Medicaid; it does not include programs that assist low-income families in broader ways, such as college subsidies. The analysis is only of funds spent, not an evaluation of the efficiency of the programs or their efficacy in meeting household needs.

DEFINITIONS

- **Earned Income** = Wages, dividends, Social Security
- **Health Care** = Medicaid, Children’s Health Insurance Program (CHIP), community health benefits
- **Cash Public Assistance** = Supplemental Security Income (SSI) and Temporary Assistance for Needy Families (TANF)
- **Government Programs** = Head Start, Supplemental Nutrition Assistance Program (SNAP, formerly food stamps), Special Supplemental Nutrition Program for Women, Infants and Children (WIC), the Earned Income Tax Credit (EITC), housing, and human services, federal and state
- **Nonprofits** = Human services revenue not from the government or user fees
- **Unfilled Gap** = Shortfall to ALICE Threshold

Challenges of Public and Private Assistance

Without public assistance, ALICE households would face even greater hardship and many more would be in poverty, especially in the wake of the Great Recession. Programs like SNAP, the EITC and CTC, Medicaid, and, increasingly, food banks provide a critical safety net for basic household well-being and enable many families to work (Sherman, Trisi, and Parrott, 2013; Grogger, 2003; Dowd and Horowitz, 2011; Rosenbaum, 2013; Feeding America, August 2014; Coleman-Jensen, Rabbitt, Gregory, & Singh, 2013). This analysis is not an evaluation of the efficiency of these programs in delivering good or services. However, research has shown that assistance is not always well-targeted, effective, and timely. There are several challenges to the ability of public and private assistance to meet basic needs.

First, the majority of government programs are intended to fill short-term needs, such as basic housing, food, clothing, health care, and education. By design, their goal is not to help households achieve long-term financial stability (Haskins, 2011; Shaefer & Edin, 2013; Ben-Shalom, Moffitt, and Scholz, 2012).

Second, crucial resources are often targeted to households near or below the FPL, so many struggling ALICE households are not eligible for assistance. Benefits are often structured to end before a family reaches stability, known as the “cliff effect.” In Hawai‘i, as earnings rise, Medicaid benefits are eliminated once income reaches just \$37,174 for a family of four – slightly more than half of the Household Survival Budget for a family (Benefits.gov, 2017; National Conference of State Legislatures, October 2011).

Third, resources may not be available where they are needed. This statewide analysis may mask geographic disparities in the various types of assistance. If funding is disproportionately going to one part of Hawai‘i, there could be unmet need, not reflected in the Income Assessment, in other parts of the state.

“Without public assistance, ALICE households would face even greater hardship and many more would be in poverty, especially in the wake of the Great Recession.”

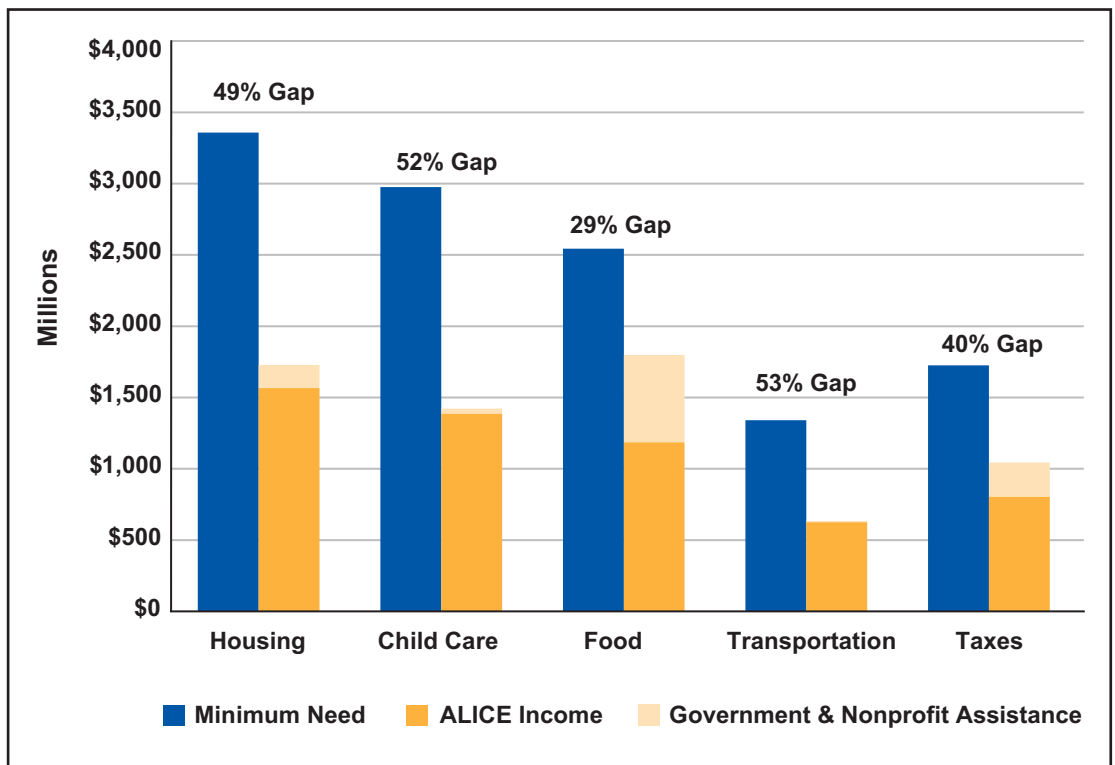
Finally, because public and nonprofit assistance is allocated for specific purposes and often delivered as services, it can only be used for specific parts of the household budget. Only 2 percent of the assistance provided in Hawai'i is done through cash transfers, which households can use toward any of their most pressing needs. The remainder is earmarked for specific items, like food assistance or health care, for which the need varies across households below the ALICE threshold. This means that not all households benefit equally from assistance. For example, a household that does not visit a doctor for more than a checkup does not receive the average household health care expenditure in Hawai'i, while a household that experiences a medical emergency uses far more than that just to meet its needs.

Spending by Category: Example for Families With Children

A breakdown of public and nonprofit spending in Hawai'i by category reveals that there are 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 (shown in dark yellow), plus the public and nonprofit spending in each category (shown in light yellow). The gap or surplus in each budget area is the difference between the blue column and the yellow column. The comparison assumes that the income households earn is allocated proportionately to each category.

“A breakdown of public and nonprofit spending in Hawai'i by category reveals that there are large gaps in key areas, particularly housing, child care, and transportation.”

Figure 28. Comparing Basic Need With Public and Nonprofit Spending by Category (excluding health care and miscellaneous expenses), Hawai'i, 2015



Source: Office of Management and Budget, 2015; U.S. Department of Agriculture, 2015; Internal Revenue Service, 2015; American Community Survey, 2015; National Association of State Budget Officers, 2015; NCCS Data Web, Urban Institute, 2012

Housing

In the Household Survival Budget for a family of four, housing accounts for 23 percent of the family budget. Following this allocation, this analysis assumes that all ALICE households then spend 23 percent of their income on housing, which still leaves them far short of what is needed to afford rent at HUD's 40th rent percentile. But does public assistance fill the gap? Federal housing programs provide \$154 million in assistance, including Section 8 Housing Vouchers, the Low Income Home Energy Assistance Program, the Public Housing Operating Fund, and Community Development Block Grant (CDBG). In addition, nonprofits in Hawai'i spend an estimated \$8.4 million on housing assistance statewide. (Because nonprofit spending is not available by category, the estimate for each category here is one-fifth of the total nonprofit budget.) Yet when income and government and nonprofit assistance for housing are combined, **there is still a 49 percent gap in resources for all households to meet the basic ALICE Threshold for housing.** Given that gap, it is not surprising that most families spend more of their income on housing, which leaves less for other items.

Child Care

In the Household Survival Budget for a family of four, child care accounts for 20 percent of the family budget. Yet for many ALICE households, 20 percent of what they actually earn is not enough to pay for even home-based child care, the least expensive organized care option. Additional child care resources available to Hawai'i families include \$25.9 million in federal education spending for Head Start, the program that helps children meet their basic needs or is necessary to enable their parents to work. Though advanced education is vital to future economic success, it is not a component of the basic Household Survival Budget, so programs such as Pell grants are not included in the education spending figure. Nonprofits provide additional child care assistance, including vouchers and child care services, estimated at \$8.4 million. Yet when income and government and nonprofit assistance are combined, **there is still a 52 percent gap in resources for all Hawai'i households to meet the basic ALICE Threshold for child care.**

Food

In the Household Survival Budget for a family of four, food accounts for 17 percent of the family budget, yet for many ALICE households, 17 percent of what they actually earn is insufficient to afford even the USDA Thrifty Food Plan. Food assistance for Hawai'i households includes \$600 million of federal spending on food programs – primarily the Supplemental Nutrition Assistance Program (SNAP, formerly food stamps), school breakfast and lunch programs, and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). Yet when income and government and nonprofit food assistance are combined, **there is still a 29 percent gap in resources for all Hawai'i households to meet the basic ALICE Threshold for food.**

“In the Household Survival Budget for a family of four, child care accounts for 20 percent of the family budget. Yet for many ALICE households, 20 percent of what they actually earn is not enough to pay for even home-based child care, the least expensive organized care option.”

Transportation

In the Household Survival Budget for a family of four, transportation accounts for 9 percent of the family budget. Yet for many ALICE households in Hawai'i, 9 percent of what they actually earn is not enough to afford even the running costs of a car. Nonprofits provide additional programs, spending an estimated \$8.4 million. However, when income and nonprofit assistance are combined, **there is still a 53 percent gap in resources for all households to meet the basic ALICE Threshold for transportation.**

Taxes

In the Household Survival Budget for a family of four, taxes account for 12 percent of the family budget, so this analysis assumes that 12 percent of income is allocated towards taxes. The federal Earned Income Tax Credit (EITC) provided \$243 million in tax credits and refunds to Hawai'i families, which were accessed by 83 percent of eligible working families in the state in 2014, the last year for which data were available. Eligible households collected an average refund of \$2,155 from their taxes in 2014, which helped 113,000 ALICE and poverty-level families (Internal Revenue Service, 2016; National Conference of State Legislatures, 2016). From 2011 to 2013, the federal and state EITC and the Child Tax Credit (CTC) lifted 48,000 Hawai'i residents out of poverty, including 24,000 children on average each year (Center on Budget and Policy Priorities, 2015). The per-household amount depends on a recipient's income and the number of children they have. Yet when income and government credits and refunds are combined, **there remains a 40 percent gap in resources for all Hawai'i households to meet the basic ALICE Threshold for taxes.**

EITC filing data provides another window into households with income below the ALICE Threshold. In 2015, 16 percent of tax filers in Hawai'i were eligible for federal EITC. Of those, 23 percent were married households, 53 percent were single heads of households, and 24 percent were single adults. Their median Adjusted Gross Income was \$18,023. The industry that employed the most EITC-eligible workers was retail trade, followed by accommodation and food services, and then construction (Brookings Institution, 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: \$2.2 billion, or 61 percent of all public and private spending on these households in Hawai'i. Health care spending includes federal grants for Medicaid, CHIP, and Hospital Charity Care; state matching grants for Medicaid, CHIP, and Medicare Part D Clawback Payments; and the cost of unreimbursed or unpaid services provided by Hawai'i hospitals (Office of Management and Budget, 2016; National Association of State Budget Officers (NASBO), 2015; Urban Institute, 2012).

There are special challenges for estimating health care needs and costs and delivering health care efficiently to struggling residents of Hawai'i. First, there is greater variation in the amount of money families need for health care than exists

“There are special challenges for estimating health care needs and costs and delivering health care efficiently to struggling residents of Hawai'i.”

in any other single category. 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 (U.S. Department of Housing and Urban Development, 2010; Stanton, 2006; Kaiser Family Foundation, 2012).

The difference between health care spending and other types of assistance is also obvious in the average amount of spending per household below the ALICE Threshold. In Hawai'i, on average, health care spending per household in 2015 was \$10,557, while the average spending per household through other types of assistance was \$6,672. Combining the two categories, the average spending on each Hawai'i household below the ALICE Threshold was \$17,229 in cash and services, shared by all members of the household and spread throughout the year (Figure 29).

“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.”

Figure 29.
Total Public and Nonprofit Assistance per Household Below the ALICE Threshold, Hawai'i, 2015

| Spending per Household Below the ALICE Threshold, Hawai'i | | |
|---|----------------------------------|------------------|
| HEALTH CARE ASSISTANCE ONLY | ASSISTANCE EXCLUDING HEALTH CARE | TOTAL ASSISTANCE |
| \$10,557 | \$6,672 | \$17,229 |

Source: Office of Management and Budget, 2015; U.S. Department of Agriculture, 2015; American Community Survey, 2015; National Association of State Budget Officers, 2015; NCCS Data Web, Urban Institute, 2012; American Community Survey, 2015; and the ALICE Threshold, 2015

V. WHAT ARE THE ECONOMIC CONDITIONS FOR ALICE HOUSEHOLDS IN HAWAI‘I?

AT A GLANCE: SECTION V

“In order to understand the challenges that the ALICE population faces in Hawai‘i, it is important to recognize that local conditions do not impact all socioeconomic and geographic groups in the same way.”

- Between 2010 and 2015, Hawai‘i saw improvement in three measures of economic conditions – housing affordability, job opportunities, and community resources – across the state, but with variation between counties.
- The average affordable housing gap in Hawai‘i reflects a 15 percent shortage in rental and owner housing stock.
- Housing burdened: On average in Hawai‘i, 57 percent of renters pay more than 30 percent of their household income on rent, and 30 percent of owners pay more than 30 percent of their household income on monthly owner costs.
- Hawai‘i’s statewide 2015 unemployment rate of 4.9 percent was below the national average of 6.3 percent, but rates by county ranged from a low of 3.7 percent to a high of 6.8 percent*.
- New hire wages increased across all counties from 2010 to 2015, and ranged from \$2,331 to \$2,757.
- Preschool enrollment, a marker of education resources in each county, varies widely across Hawai‘i: Only 31 percent of 3- and 4-year-olds are enrolled in Kaua‘i County, while 56 percent are enrolled in Maui County.
- The share of voting-eligible Hawai‘i residents who voted in the 2016 general election was 43 percent, far lower than the national average of 60 percent.

*Note: These rates are drawn from the American Community Survey. The Bureau of Labor Statistics (BLS) unemployment rate for Hawai‘i in 2015 was 3.7 percent, but BLS rates are not available at the county level.

Place matters. The Harvard Equality of Opportunity Project has brought to the fore the importance of where we live, and especially where we grow up, in determining the directions that our lives take (Chetty & Hendren, 2015). For ALICE in particular, local economic conditions largely determine how many households in a county or state struggle financially. These conditions also determine how difficult it is to survive without sufficient income and assets to afford basic household necessities.

In order to understand the challenges that the ALICE population faces in Hawai‘i, 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 Hawai‘i’s relatively high cost of living, especially in food and housing, obscures the problem of the lack of 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 landscape for ALICE households. The

full picture requires an understanding of the types of jobs available and their wages, as well as the cost of basic living expenses and the level of community resources in each county.

LOCAL ECONOMIC CONDITIONS

The economic conditions that ALICE households face in Hawai'i – housing affordability, job opportunities, and community resources – vary across counties. The ideal for a county is to have good conditions in all three areas. This section reviews a number of indicators that help explain why so many households struggle to achieve basic economic stability throughout Hawai'i, and why that struggle is harder in some parts of the state than in others.

A common challenge is to find job opportunities in the same counties that are affordable places for ALICE households to live. This is certainly a challenge in Honolulu and Maui counties, which have the highest wages, but also have the highest housing costs. In addition, it is a challenge across all Hawai'i counties to find adequate community resources such as access to quality schools, high rates of health coverage, and the types of community engagement that create social capital.

“A common challenge is to find job opportunities in the same counties that are affordable places for ALICE households to live.”

Housing Affordability

Key Indicators: Affordable Housing Gap + Housing Burden + Real Estate Taxes

The more affordable housing is in a county, the easier it is for a household in that county to be financially stable. In Hawai'i, housing is generally more expensive than in most other states, but affordability improved from 2010 to 2015.

There is variation between counties. 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 that Hawai'i County largely has better conditions for ALICE households than other counties. The county has a greater supply of units that ALICE households can afford, a relatively low percentage of households that are housing burdened, and the lowest real estate taxes in the state.

Affordable Housing Gap

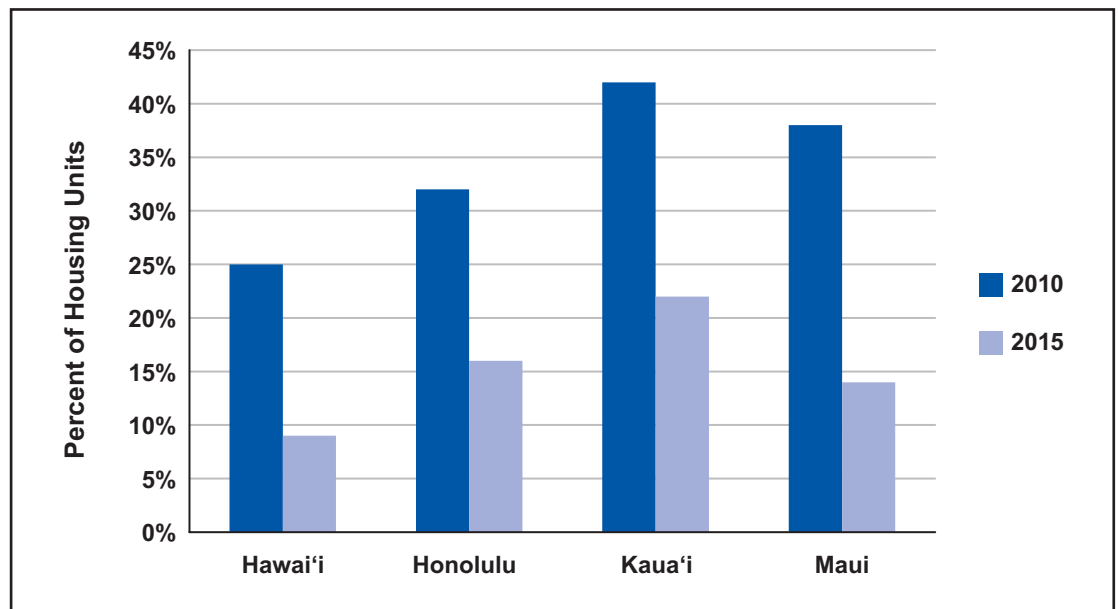
The affordable housing gap measures the difference between the total number of available renter and owner units and the number of those units that households below the ALICE Threshold can afford while spending no more than one-third of their income on housing. This measure assesses the total housing stock in a county and includes subsidized as well as market-rate units that are affordable to ALICE and poverty-level households. It is discussed further in Section VI.

The larger the gap, the harder it is for households below the ALICE Threshold to find affordable housing. The average affordable housing gap in Hawai'i fell from 34 percent in 2010 to 15 percent in 2015 (Figure 30).

This gap varies between counties, with the largest gap in Kaua'i County at 22 percent and the smallest in Hawai'i County at 9 percent in 2015.

“On average in 2015, 57 percent of Hawai‘i renters paid more than 30 percent of their household income on rent, and 30 percent of owners paid more than 30 percent of their income on monthly owner costs, which included their mortgage.”

Figure 30.
Affordable Housing Gap by County, Hawai‘i, 2010 to 2015



Source: American Community Survey, 2010 and 2015, and the ALICE Threshold, 2010 and 2015

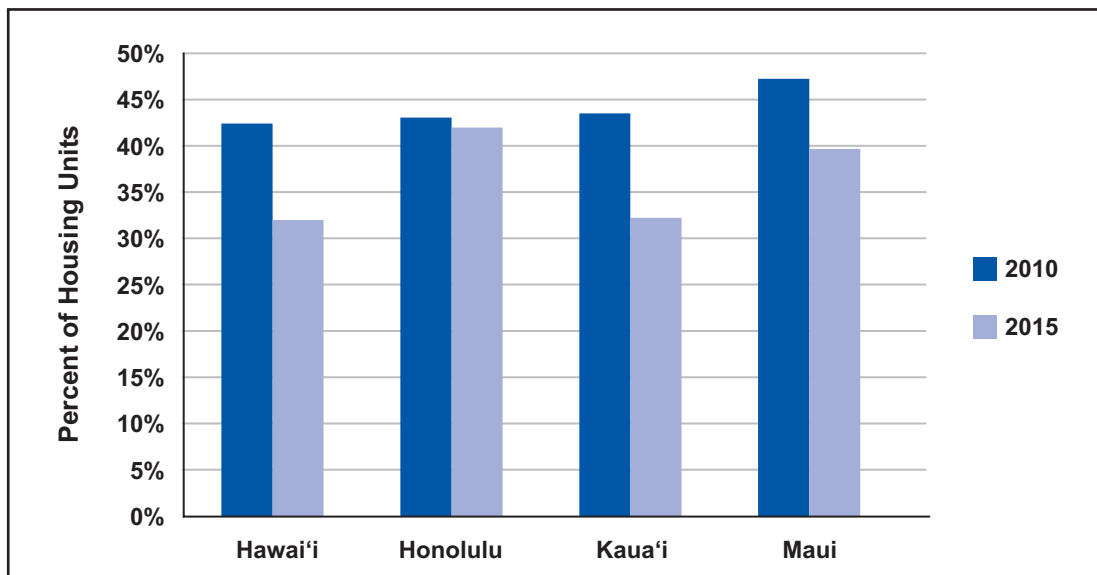
Housing Burden

The second key indicator is housing burden – housing costs that exceed 30 percent of income, as defined by the U.S. Department of Housing and Urban Development (HUD). That standard is based on the premise established in the United States Housing Act of 1937 that 30 percent of income was the most a family could spend on housing and still afford other household necessities (Schwartz & Wilson, 2008).

Housing burden is high in Hawai‘i, but the rates for homeowners improved from 2010 to 2015. On average in 2015, 57 percent of Hawai‘i renters paid more than 30 percent of their household income on rent, and 30 percent of owners paid more than 30 percent of their income on monthly owner costs, which included their mortgage. The rate for renters stayed nearly the same since 2010, when it was 56 percent, but the rate for owners improved, down from 38 percent in 2010.

Variation has emerged across the state since 2010. In 2015, the highest rates of housing burden across both renters and owners were in Honolulu County (42 percent) and Maui County (40 percent), which have remained close to their 2010 levels. Hawai‘i and Kaua‘i counties had the lowest rates of housing burden in 2015, with significant improvements over their 2010 levels (American Community Survey, 2007, 2010, 2012, and 2015) (Figure 31).

Figure 31.
Housing Burden by County, Hawai'i, 2010 to 2015



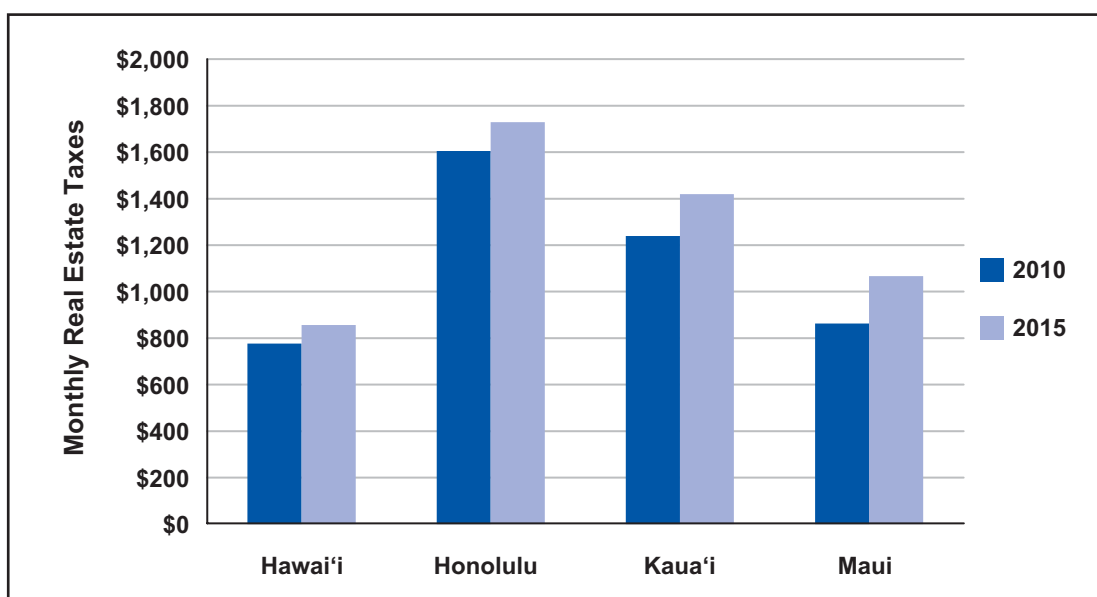
Source: American Community Survey, 2010 and 2015

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 Hawai'i was \$1,268 in 2015, but there is wide variation across counties, ranging from \$857 in Hawai'i County to more than double that in Honolulu County at \$1,729. The biggest increase in taxes from 2010 to 2015 occurred in Maui County, where taxes increased by 24 percent. Increases in other counties ranged from 8 to 15 percent (American Community Survey, 2007, 2010, 2012, and 2015) (Figure 32).

“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.”

Figure 32.
Real Estate Taxes by County, Hawai'i, 2010 to 2015



Source: American Community Survey, 2010 and 2015

Job Opportunities

Key Indicators: Income Distribution + Unemployment Rate + New Hire Wages

The more job opportunities there are in a county, the more likely a household is to be financially stable. This section focuses on job opportunities for the population in general and for households living below the ALICE Threshold in particular. The key indicators of job opportunities in a given county are income distribution, the unemployment rate, and new hire wages.

As economic conditions have improved across the state, variations between counties have decreased. The primary differences, as described below, are Hawai'i County's less equal income distribution and higher unemployment rate, and Honolulu's higher wages.

Income Distribution

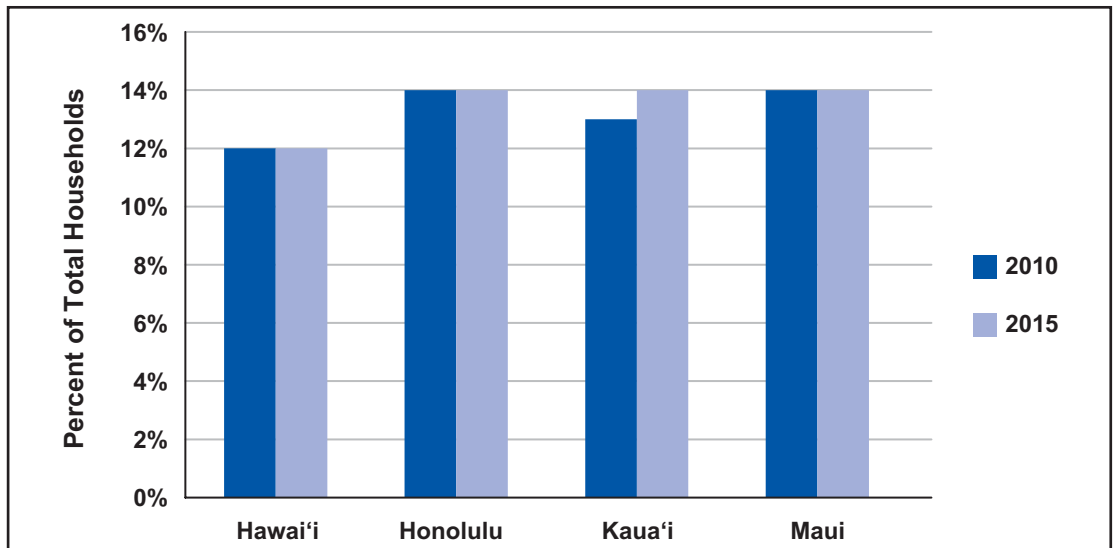
Income distribution is measured by the share of a population's total income that is earned by the bottom two quintiles – the 40 percent of the population with the lowest income. The more evenly income is distributed across a given region, the greater the possibility that ALICE households can achieve that region's median income.

Statewide, if the lowest two quintiles earned 20 percent of the state's total income, that would mean that income was distributed 100 percent evenly across the state. However, distribution in Hawai'i, as in most U.S. states, is unequal. The distribution of income in Hawai'i is slightly more equal than nationwide, with the bottom two quintiles accounting for 12.4 percent of all income compared to 11.5 in the U.S. overall.

Within Hawai'i, income is least equal in Hawai'i County, where the lowest two quintiles earn 12 percent of the income; in all other counties, the lowest two quintiles earn 14 percent of income. These rates have remained stable over time, with the only change occurring in Kaua'i County, where the lowest two quintiles increased their share from 13 to 14 percent between 2010 and 2015 (American Community Survey, 2007, 2010, 2012, and 2015) (Figure 33).

“The more job opportunities there are in a county, the more likely a household is to be financially stable.”

Figure 33.
Income Distribution by County, Hawai'i, 2010 to 2015



Source: American Community Survey, 2010 and 2015

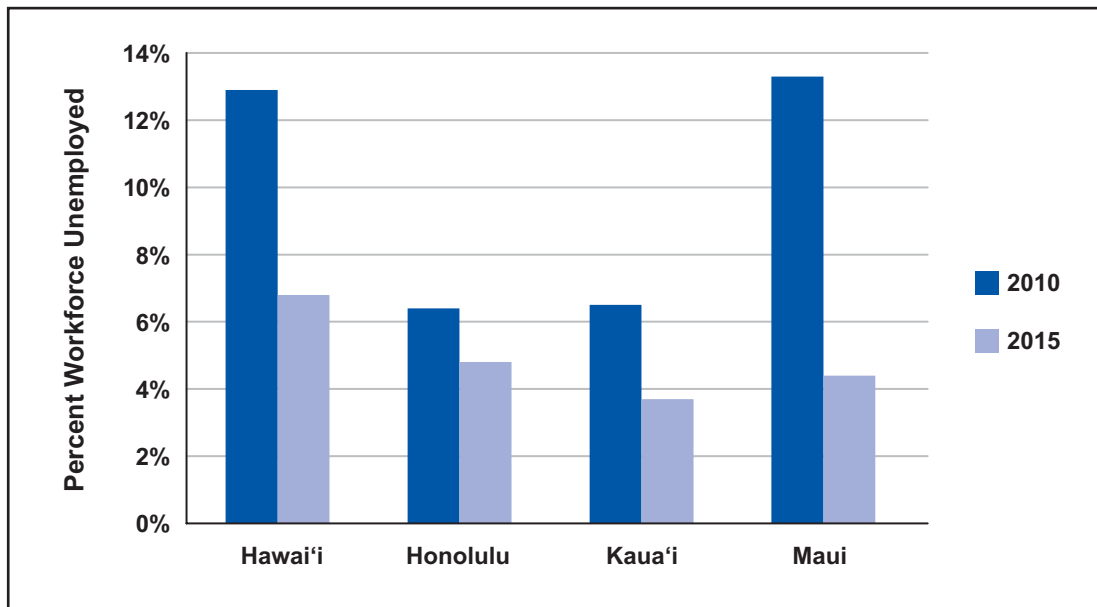
Unemployment Rate

The higher the unemployment level in a given area, the fewer opportunities there are for earning income and building financial stability. Since 2010, the unemployment rate has been better in Hawai'i than the U.S. average, and has improved steadily. In 2010, Hawai'i's unemployment rate was 8.1 percent versus the U.S. rate of 10.8 percent; in 2015, Hawai'i's rate was 4.9 percent compared to the U.S. rate of 6.3 percent.

But within Hawai'i, there has been wide variation. In 2010 the unemployment rates in Honolulu and Kaua'i counties (6.4 and 6.5 percent) were half the rates in Hawai'i and Maui counties (12.9 and 13.3 percent). Conditions improved and the gap between counties began to close by 2015, when unemployment was lowest in Kaua'i County at 3.7 percent and highest in Hawai'i County at 6.8 percent (American Community Survey, 2007, 2010, 2012, and 2015) (Figure 34).

“While having a job is essential, having a job with a salary high enough to afford the cost of living is also important.”

Figure 34.
Unemployment by County, Hawai'i, 2010 to 2015

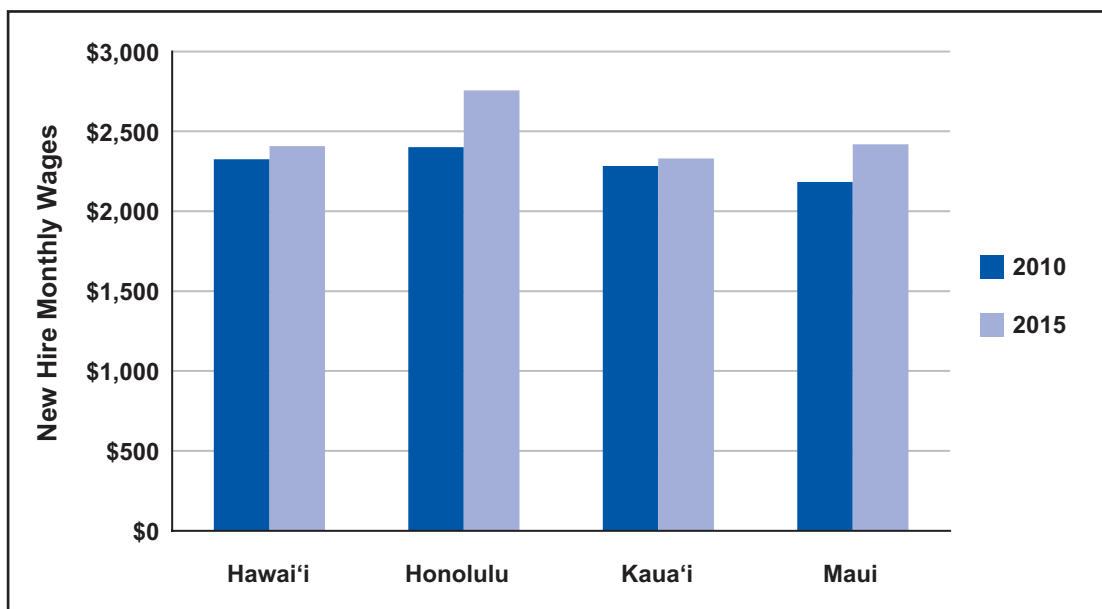


Source: American Community Survey, 2010 and 2015

New Hire Wages

While having a job is essential, having a job with a salary high enough to afford the cost of living is also important. The average wage for new hires is a way to gauge the current wage levels. The higher the wage for new hires, the greater the contribution employment can make to household income. The average wage for a new hire in Hawai'i is \$2,479 per month (or \$14.87 per hour) according to the U.S. Census' Quarterly Workforce Indicators, but there is some variation between counties. At the low end of the spectrum, new hires in Kaua'i County earn \$2,331 per month; at the high end of the spectrum, new hires in Honolulu County earn \$2,757 per month. This degree of variation reflects the very different economic activity across the state and the kinds of jobs and/or wage levels available (see further discussion in Sections III and VI; U.S. Census Bureau, 2015) (Figure 35).

Figure 35.
New Hire Wages by County, Hawai'i, 2010 to 2015



Source: Bureau of Labor Statistics, 2010 and 2015

Community Resources

Key Indicators: Education Resources + Health Resources + Social Capital

Community resources – measured by levels of education resources, health resources, and social capital resources in a given area – are fundamental prerequisites to being able to work and raise a family. These resources can make a difference in the financial stability of ALICE households in both the short and long terms.

Overall, Hawai'i is on par with the rest of the country in providing health resources (represented by rates of health insurance coverage), but well behind most states in education resources (represented by preschool enrollment rates) and in social capital (represented by voter participation). Resources are fairly evenly spread across Hawai'i except for early childhood education, which is more lacking in Kaua'i County. The minimal variation in health and social capital across counties suggests that availability of these resources is determined more by state-level factors than by local policies.

Education Resources

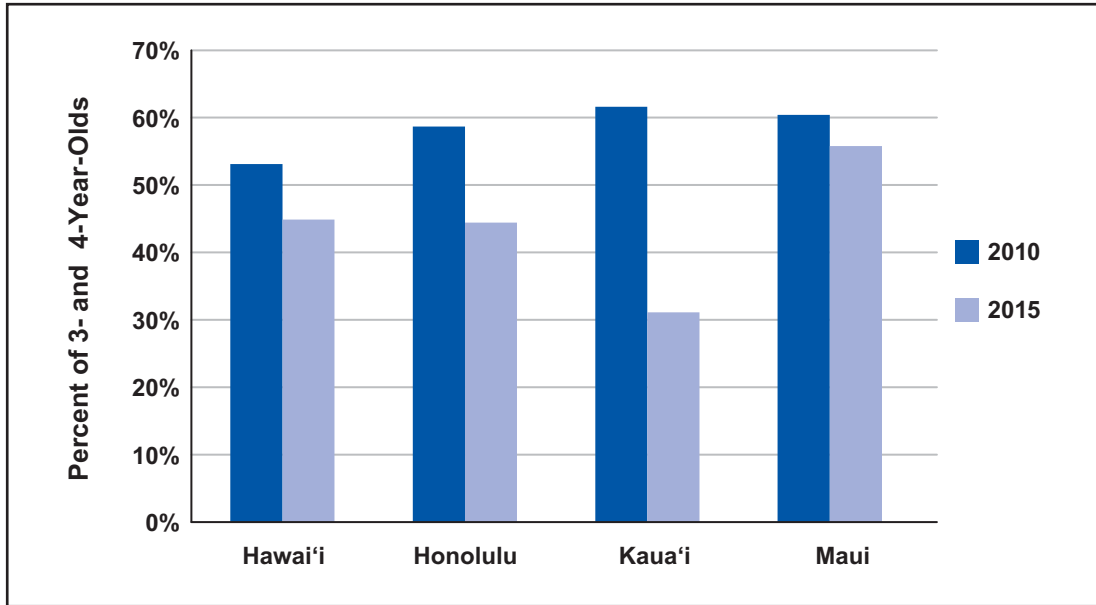
Providing public education is a fundamental American value, and education is widely regarded as a means to achieve economic success. Quality learning experiences have social and economic benefits for children, parents, employers, and society as a whole, now and in the future. Early learning in particular 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. The percent of 3- and 4-year-olds enrolled in preschool is used as a proxy for the level of education resources in a county (American Community Survey, 2007, 2010, 2012, and 2015).

“Providing public education is a fundamental American value, and education is widely regarded as a means to achieve economic success.”

The average share of 3- and 4-year-olds enrolled in preschool in Hawai'i was 44 percent in 2015. Hawai'i ranks near the bottom of states in providing access to public preschool (National Institute for Early Education Research, 2016).

Within Hawai'i, there is wide variation between counties, with different policies and resources devoted to early childhood education across the state. In 2015, only 31 percent of 3- and 4-year-olds were enrolled in preschool in Kaua'i County, while 56 percent were enrolled in Maui County (Figure 36).

Figure 36.
Preschool Enrollment by County, Hawai'i, 2010 to 2015



Source: American Community Survey, 2010 and 2015

Health Resources

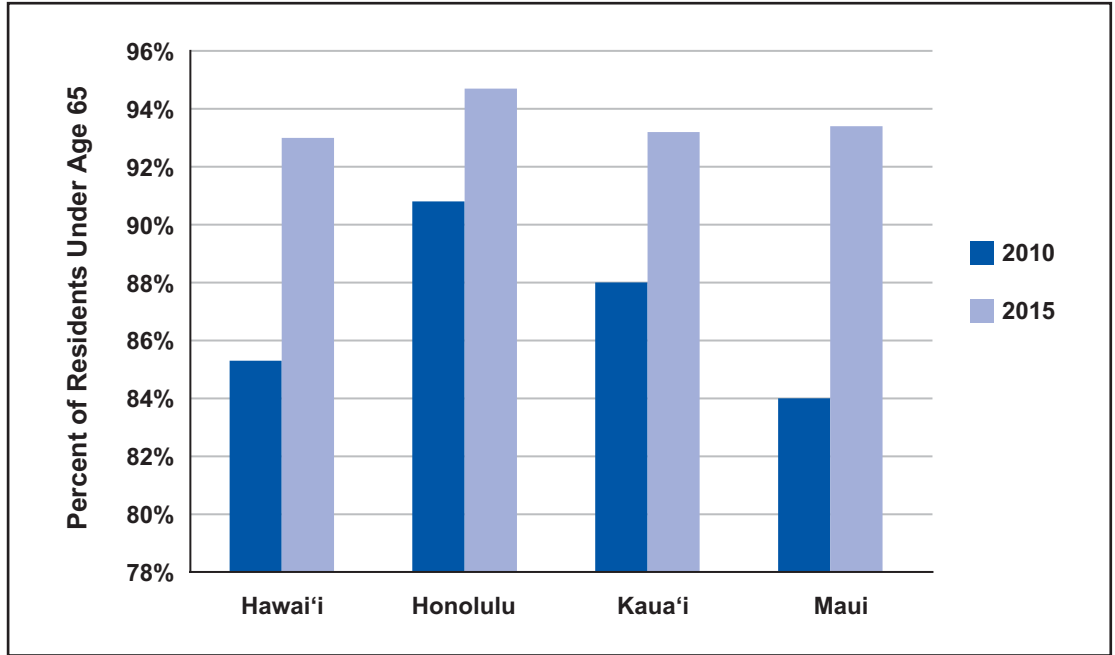
Health insurance is especially important for people living below the ALICE Threshold who earn more than the Medicaid eligibility level, but not enough to afford the high deductibles of the lowest-cost plans offered through the Affordable Care Act (ACA). Without health insurance, this group could not weather the cost of a health emergency. The percent of the population with health insurance is used as a proxy for the level of health resources in a county.

The overall level of health insurance coverage in Hawai'i decreased significantly over the two decades from 1994 (9.2 percent) to 2014 (5.3 percent) (U.S. Census Bureau, 1995; U.S. Census Bureau, 2016). With the introduction of the ACA in 2014, low-income households have had more access to health insurance, though they are still less likely to have coverage than higher-income households. Of Hawai'i residents under age 64 with annual income below 200 percent of the Federal Poverty Level (FPL), 10 percent still did not have health insurance in 2015, compared to 6 percent of residents under age 64 at all income levels (Kaiser Family Foundation, 2015).

“Health insurance is especially important for people living below the ALICE Threshold who earn more than the Medicaid eligibility level, but not enough to afford the high deductibles of the lowest-cost plans offered through the Affordable Care Act (ACA). Without health insurance, this group could not weather the cost of a health emergency.”

Coverage rates vary across Hawai'i, but as rates have improved, differences across counties have decreased. The lowest health insurance coverage rate is 93 percent in Hawai'i County, and the highest is 95 percent in Honolulu County. The biggest improvement occurred in Maui County, where the proportion with health insurance increased from 84 percent in 2010 to 93 percent in 2015; similarly, the rate increased in Hawai'i County from 85 percent to 93 percent (American Community Survey, 2007, 2010, 2012, and 2015) (Figure 37).

Figure 37.
Health Insurance by County, Hawai'i, 2010 to 2015



Source: American Community Survey, 2010 and 2015

“Communities with engaged citizens build the social capital necessary to mobilize resources, improve quality of life, and resolve conflict. The greater the community engagement, the more the community’s activities reflect the population’s values.”

Social Capital

Communities with engaged citizens build the social capital necessary to mobilize resources, improve quality of life, and resolve conflict. The greater the community engagement, the more the community’s activities reflect the population’s values (Putnam, 1995; National Task Force on Civic Learning and Democratic Engagement, 2012; Saguaro Seminar on Civic Engagement in America, 2000). Participating in electoral and political processes – such as voting, campaigning, attending rallies and protests, contacting officials, or serving on local boards – is one aspect of community engagement. Broader community engagement includes volunteering and contributing with religious, educational, neighborhood, and community organizations.

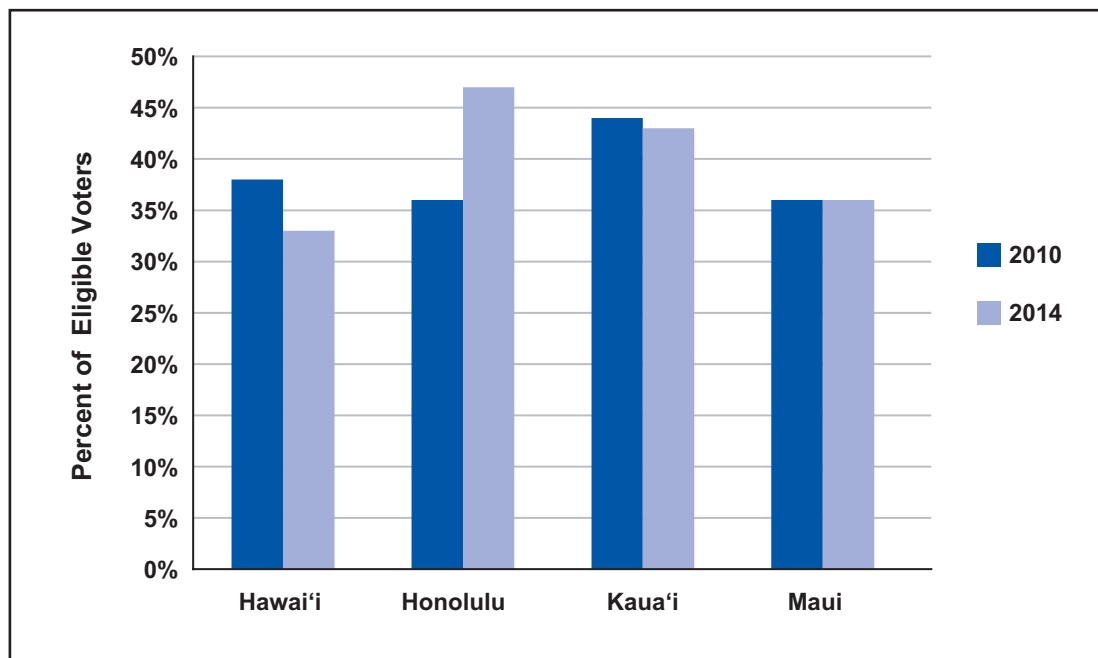
One of the longest-standing indicators of community engagement, the percent of the adult population who voted in the most recent national election, is used here as a proxy for the level of social capital in a county (U.S. Election Assistance Commission, 2015; Hoopes Halpin, Holzer, Jett, Piotrowski, & Van Ryzin, 2012). The higher the proportion of the total population (taking into account the impact of noncitizens) that voted, the greater the community engagement and ability to build social capital in the community.

The share of voting-eligible Hawai'i residents that voted in the 2016 presidential election was 43 percent, well below the national average of 60 percent. This is still higher than the 2014 mid-term election rate of 37 percent in Hawai'i; voter turnout is traditionally highest during presidential election years (United States Elections Project, 2014; United States Elections Project, 2016).

There is also great variation across the state: In Hawai'i County, only 33 percent of residents voted in 2014 (the latest year for which data is available at the county level), while 47 percent voted in Honolulu County. Variation is due not only to candidates and issues on the ballot for local elections, but the percent of residents who are citizens and eligible to vote. As a rough indicator, voter turnout shows citizens are more active in some areas of the state than in others (U.S. Election Assistance Commission, 2015; American Community Survey, 2007, 2010, 2012, and 2015) (Figure 38).

“This county-level analysis of three resource areas provides important insights into the conditions that matter most to ALICE households.”

Figure 38.
Voter Turnout by County, Hawai'i, 2010 to 2014



Source: American Community Survey, 2010 and 2015

This county-level analysis of three resource areas provides important insights into the conditions that matter most to ALICE households. A range of other indices, outlined below, study economic conditions at the state level. Because some of these indices focus on the median, they can conceal certain economic conditions that specifically face low-income households; but overall, each index provides a different and valuable perspective on levels of well-being, need, opportunity, and financial stability across Hawai'i.

“A range of other indices study economic conditions at the state level... each index provides a different and valuable perspective on levels of well-being, need, opportunity, and financial stability across Hawai‘i.”

| Indices of Conditions in Hawai‘i | |
|---|--|
| THE HUMAN DEVELOPMENT INDEX | A project of the Social Science Research Council, this Index measures health (life expectancy), education (school enrollment and the highest educational degree attained), and income (median personal earnings) for each state in the U.S. Of all the states, Hawai‘i ranks 10 th in social and economic development, driven primarily by the state’s high life expectancy and earnings (Lewis & Burd-Sharps, 2014). |
| BE THE CHANGE’S OPPORTUNITY INDEX | This Index measures the degree of opportunity – now and in the future – available to residents of each state based on measurements of that state’s economic, educational, and community health. Hawai‘i ranks 13 th overall and scores slightly above average on all of its measures – economy, education, and community. This Index also breaks down opportunity scores by county (Opportunity Nation, 2015). |
| THE GALLUP-SHARECARE WELL-BEING INDEX (FORMERLY GALLUP-HEALTHWAYS) | This Index provides a view of life in Hawai‘i at the state level in terms of overall well-being, life evaluation, emotional health, physical health, healthy behavior, work environment, and feeling safe, satisfied, and optimistic within a community. Overall, Hawai‘i at the very top nationally, owing to its high scores in financial stability, sense of community, and physical health (Gallup--Sharecare, 2016). |
| THE NATIONAL ASSOCIATION OF HOME BUILDERS (NAHB)/WELLS FARGO HOUSING OPPORTUNITY INDEX | This Index measures the share of homes sold in a given area that would be affordable to a family earning the local median income, based on standard mortgage underwriting criteria. Hawai‘i’s urban Honolulu metro area ranks a lowly 214 th out of 225 metro areas (NAHB/Wells Fargo, 2015). |
| THE HUMAN NEEDS INDEX | Developed by the Indiana University Lilly Family School of Philanthropy and the Salvation Army, this Index is based on the services that the Salvation Army provides (clothing, food, basic medical care, and shelter). In 2015, Hawai‘i scored .94 in the composite index of poverty-related need and the impact of Salvation Army services, below the national average of 1.25 (Indiana University Lilly Family School of Philanthropy, 2015). |

VI. THE CONSEQUENCES OF INSUFFICIENT HOUSEHOLD INCOME

When households face difficult economic conditions and cannot afford basic necessities, they are forced to make difficult choices and take costly risks. When the overall economic climate worsens, as it did from 2007 to 2010 during the Great Recession, many households have to make even harder trade-offs; the same is true when families are faced with emergencies and unexpected expenses. Many of Hawai'i's ALICE households have depleted their savings and are still having trouble finding higher-wage jobs five years after the end of the Great Recession. This section reviews the strategies that they use to survive and the consequences of those choices.

For ALICE households, difficult economic conditions create specific problems in the areas of housing, child care and education, food, transportation, and health care, as well as taxes, income, and savings. The choices that ALICE households are forced to make often include living in undesirable housing, skimping on health care and healthy food, or forgoing car insurance. Sometimes those choices mean choosing to pay more for one area, like housing, while sacrificing other areas, like quality child care.

These choices have direct impacts on the health, safety, and future of these households, but they also have consequences for their broader communities, such as reducing Hawai'i's economic productivity and raising insurance premiums and taxes for everyone (Figure 39).

“When households face difficult economic conditions and cannot afford basic necessities, they are forced to make difficult choices and take costly risks.”

Figure 39.
Consequences of Households Living Below the ALICE Threshold in Hawai'i

| Impact on ALICE | | Impact on Community |
|--|---|--|
| HOUSING | | |
| Live in substandard housing or unsafe neighborhoods | Health and safety risks; increased maintenance costs; inconvenience; increased risk of crime | Increased health care costs; workers stressed, late, and/or absent from job – less productive |
| Move farther away from job | Longer commute; costs increase; late and/or absent from job; poorer job performance; less time for other activities | More traffic on road; workers stressed, late, and/or absent from job – less productive; increased cost of urban sprawl including infrastructure and services such as roads, public transit, sewage, etc. |
| Homeless | Disruption to job, family, school, etc. | Costs for homeless shelters, foster care system, health care |
| CHILD CARE AND EDUCATION | | |
| Substandard child care | Safety and learning risks; health risks; children less likely to be school-ready, read at grade level, graduate from high school; limited future employment opportunity | Future need for education and social services; less productive workers |
| No child care | One parent cannot work; forgo immediate income and future promotions | Future need for education and social services |
| Substandard public education | Learning risks; limited earning potential/mobility; limited career opportunity | Stressed parents; lower-skilled workforce; future need for social services |

“Finding housing that is both affordable and convenient to jobs is challenging for low-wage workers in many parts of Hawai‘i.”

| Impact on ALICE | | Impact on Community |
|---------------------------|---|--|
| FOOD | | |
| Less healthy | Poor health; obesity | Less productive workers/students; increased future demand for health care |
| Not enough | Poor daily functioning | Workers/students even less productive; increased future need for social services and health care |
| TRANSPORTATION | | |
| Old car | Unreliable transportation; risk of accidents; increased maintenance costs | Workers stressed, late, and/or absent from job – less productive |
| No insurance/registration | Risk of fine; accident liability; risk of license being revoked | Higher insurance premiums; unsafe vehicles on the road |
| Long commute | Costs increase; late and/or absent from job; poorer job performance; less time for other activities | More traffic on road; workers late to job; increased demand for road maintenance and services |
| No car | Limited employment opportunities and access to health care/child care | Reduced economic productivity; higher taxes for specialized public transportation; greater stress on emergency vehicles |
| HEALTH CARE | | |
| Underinsured | Delaying or skipping preventative health and dental care; more out-of-pocket expense; substandard or no mental health coverage | Workers report to job sick, spreading illness; less productivity, more absenteeism; increased workplace issues due to untreated mental illness |
| No insurance | Forgoing preventative health care; use of emergency room for non-emergency care | Higher premiums for all to fill the gap; more expensive health costs; risk of health crises |
| INCOME | | |
| Low wages | Longer work hours; pressure on other family members to work (drop out of school); no savings; use of high-cost financial products | Workers stressed, late, and/or absent from job – less productive; higher taxes to fill the gap |
| No wages | Cost of looking for work and finding social services; risk of depression | Less productive society; higher taxes to fill the gap |
| SAVINGS | | |
| Minimal savings | Mental stress; crises; risk taking; use of costly alternative financial systems to bridge gaps | More workers facing crises; unstable workforce; community disruption |
| No savings | Crises spiral quickly, leading to homelessness, hunger, illness | Costs for homeless shelters, foster care system, emergency health care |

Suggested reference: United Way ALICE Report – Hawai‘i, 2017

HOUSING

Housing is the cornerstone of financial stability, yet its relatively high cost often forces ALICE households into difficult situations. Finding housing that is both affordable and convenient to jobs is challenging for low-wage workers in many parts of Hawai‘i. A growing population and changing demographics have increased the demand for an already tight supply of smaller, low-cost housing units, especially rental units. With statewide vacancy rates of only 2 percent, Hawai‘i residents not only have trouble finding low-cost housing, but they also

face problems of higher costs or poor housing conditions for lower-cost units (American Community Survey, 2015). In addition, the most recent economic challenges in Hawai'i have cost many homeowners the equity in their homes and even forced some into foreclosure.

ALICE households face limited choices when it comes to housing, and each strategy has its own set of consequences:

Pay More for Housing Than the Family Can Afford

Housing in Hawai'i is more expensive than in many parts of the country. In the National Association of Home Builders (NAHB)/Wells Fargo Housing Opportunity Index, which ranks homeownership affordability, the Honolulu metropolitan area ranks near the bottom, 214th nationally out of 233 most affordable metro areas, and 54th out of 71 regionally. The Kahului-Wailuku-Lahaina metro area ranks only slightly better, at 204th nationally and 45th regionally (National Association of Home Builders (NAHB)/Wells Fargo, 2015). In addition, Hawai'i ranks third out of the 50 states in affordability for homeownership based on the ratio of median housing value to median income, according to Prosperity Now (Prosperity Now, 2016a).

Yet within Hawai'i, housing is the most expensive budget item in all counties for all households. As a result, many families end up paying more than they can afford and become housing burdened (defined as paying more than 30 percent of income on housing costs). As discussed in Section V, 57 percent of Hawai'i renters paid more than 30 percent of their household income on rent in 2015, and 30 percent of owners paid more than 30 percent of their income on monthly owner costs, which include their mortgage. Owners and renters with lower incomes are more likely to be housing burdened than those with higher incomes (American Community Survey, 2007, 2010, 2012, and 2014; Fischer & Sard, 2016; Johnson, 2015).

The primary consequences of being housing burdened include:

- Being forced to forgo other basics, such as food, medicine, child care, or heat, all of which can increase the need for health care (National Low Income Housing Coalition (NLIHC), 2015).
- Having less money to save for an emergency or for making investments in the future, such as higher education or retirement.
- Being more vulnerable to evictions and foreclosures. Between 2014 and 2015, Hawai'i had 927 completed foreclosures. While this is a relatively low number, Hawai'i has the fourth-highest rate of late (delinquent) mortgage payments in the country, at 2.7 percent (CoreLogic, January 2015).

Find Low-Cost Housing in Less Desirable Locations

Many housing units cost less because they are located in undesirable locations – areas with high crime rates, poor infrastructure, less funding of education, lower air quality, no public transportation, or long distances to grocery stores, public services, and other necessities.

“Within Hawai'i, housing is the most expensive budget item in all counties for all households.”

“Living in unsafe neighborhoods affects physical and mental health, which can influence long-term health and well-being.”

There are consequences to living in less desirable locations:

- Low-income households are more likely than higher-income households to live in areas with higher crime rates and to be the victims of both property theft and violent crime.
- Living in unsafe neighborhoods affects physical and mental health, which can influence long-term health and well-being. The consequences are more severe for children growing up in these environments, who have higher rates of behavioral disorders and lower rates of school attendance and academic achievement (Hanson, Sawyer, Begle, & Hubel, April 2010; Galster, March 2014; Harrell, Langton, Berzofsky, & Couzens, 2014; Harris & Kearney, 2014).
- Low-cost housing tends to be further from jobs and services, meaning that ALICE families have longer commutes and spend more money on transportation. The Joint Center for Housing Studies estimates that low-income households that spend 30 percent or less of their income on housing spend on average \$100 more per month on transportation than those that allocate over half their income to housing. In addition, work hours may have to be curtailed to safely come and go from work (Harvard University Joint Center for Housing Studies, 2016; Annie E. Casey Foundation, 2015; Belsky, Goodman, & Drew, 2005). Long commutes also contribute to an increased risk of physical and behavioral health problems (Stutzer & Frey, 2004; Crabtree, 2010).

Live in Substandard Housing

Lower-cost housing can also be older and more run down, requiring more upkeep and repairs. Hawai‘i’s housing stock, however, is much younger than the rest of the country’s, with only 16 percent of housing units built before 1960 compared to the national average of 30 percent.

Of the state’s low-cost housing stock, 2,237 units lack complete plumbing facilities and 6,931 lack complete kitchen facilities. Hawai‘i has also seen an increase in improvised living arrangements, such as living on family property in tents and makeshift structures with no running water or utility access. These situations are especially prevalent in Hawai‘i County, particularly in the Hilo, Pahoa, Konawaena, and Kealahou regions (American Community Survey, 2015; Partners in Care and Bridging the Gap, 2016).

There are consequences to living in substandard units:

- Substandard units pose health risks including injuries, asthma, infections, and toxin exposures (Krieger & Higgins, 2002; World Health Organization, 2010).
- ALICE families face the additional cost of upkeep as well as the safety risks of do-it-yourself repairs, or possibly greater risks when repairs are not made. A leaky pipe, damage to the roof, or even a broken heater can threaten the safety or livelihood of an ALICE household.

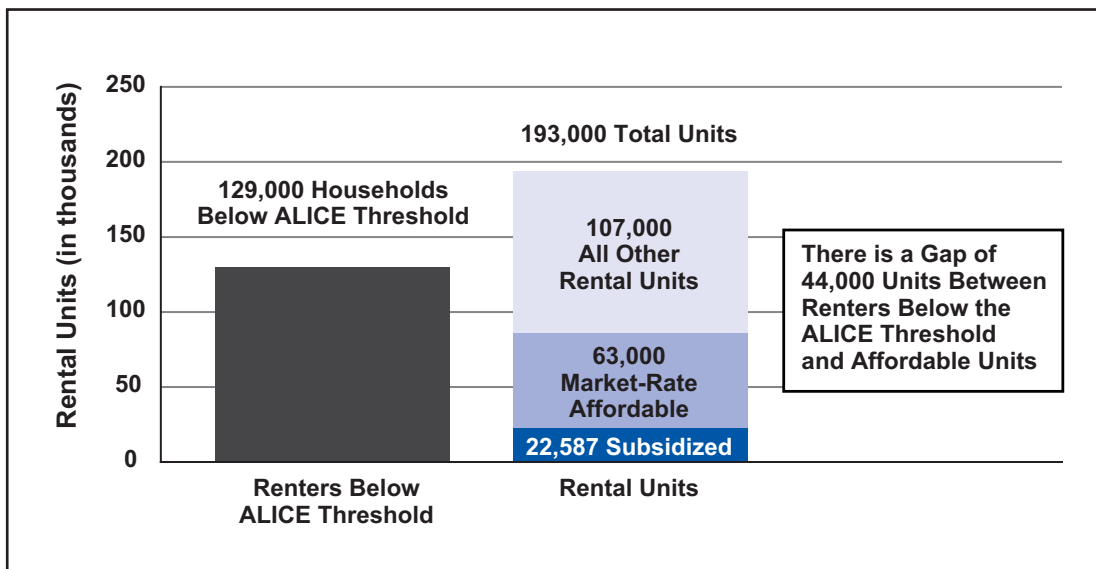
Rent Instead of Own

Hawai‘i has one of the lowest rates of homeownership in the country; residents are more likely to be renters than owners, and ALICE households are even more likely, occupying 67 percent of all rental units. The housing crisis, changes in housing preferences, a large second home stock and tourist industry, and more stringent requirements to obtain a mortgage have

contributed to the large number of renters in Hawai'i. The percentage of total households renting in Hawai'i has fluctuated only slightly through the last decade, staying near 45 percent (Federal Reserve Bank of St. Louis, 2015).

Analysis of the housing stock in each county in Hawai'i reveals that in a few areas, the existing units could match current need if all ALICE and poverty-level households were currently living in rental units they could afford. But many households pay more than they can afford; and overall, the statewide need far outweighs supply. According to housing and income data that roughly aligns with the ALICE dataset, across the state there are about 130,000 renters with income below the ALICE Threshold, and there are roughly 86,000 rental units (subsidized and market-rate) that these households can afford without being housing burdened (Figure 40). This leaves at least 44,000 renters paying more than they can afford.

Figure 40.
Renters Below the ALICE Threshold vs. Rental Stock, Hawai'i, 2015



Source: American Community Survey, 2015, and the ALICE Threshold, 2015

While low-cost housing is generally positive for ALICE families, the reasons why housing prices fall typically are not. In Hawai'i, the bursting of the housing bubble and the subsequent foreclosure crisis caused significant financial hardship for families across the state. The situation was made worse by job losses and reductions in wages during the same period (Solomon, 2016; Hawai'i Appleseed Center for Law and Economic Justice, 2014; U.S. Department of Housing and Urban Development, 2010).

The National Low Income Housing Coalition (NLIHC) reaches a similar estimate of housing affordability in Hawai'i using a different methodology, one based on affordable and available units. They calculate a shortage of 40,962 units for the state's low-income renters, based on affordability to residents earning less than 50 percent of the median income. This is the same as their national level of 35 affordable and available units per 100 extremely low-income households (National Low Income Housing Coalition, 2017).

Across the state, most renters continue to spend large portions of their income on housing. In Hawai'i, the estimated mean wage for a renter in 2015 was \$14.53 per hour. But in order to afford the Fair Market Rate (FMR) for a two-bedroom apartment without becoming housing

"In Hawai'i, the bursting of the housing bubble and the subsequent foreclosure crisis caused significant financial hardship for families across the state. The situation was made worse by job losses and reductions in wages during the same period."

burdened, a renter would have to earn \$34.22 an hour, working 40 hours per week, 52 weeks per year. This is the highest wage needed in the country for this level of housing (National Low Income Housing Coalition, 2016).

There are consequences to renting:

- Renters are more likely than owners to be housing burdened.
- Renters are more likely to move and to incur associated costs, which include financial transition costs and reduced wages due to time off from work, as well as social start-up costs for new schools and the process of becoming invested in a new community.
- Perhaps most importantly, renters are not able to build equity in a home.

Seek Rental Assistance

Subsidized housing units are an important source of affordable housing for ALICE families. Of the roughly 86,000 rental units that households with income below the ALICE Threshold can afford across Hawai'i, approximately 25 percent are subsidized. But with more than 44,000 households paying more rent than they can afford, these subsidies are clearly insufficient.

There are consequences to relying on rental assistance:

- Because of the shortage in subsidized housing, families become concerned about losing their eligibility. Some make the difficult choice to forgo work or higher-paying work for fear of losing housing assistance if they earn more than the eligibility cutoff.
- Subsidized housing is often subpar or located in distressed, under-resourced neighborhoods with higher crime rates, less public transportation, and lower-quality schools (Chetty, Hendren, & Katz, 2015; Chetty & Hendren, 2015; U.S. Department of Housing and Urban Development, 2016; Luna & Leopold, 2013; Turner, 2003).

Take out a High-Interest Mortgage to Buy a Home

While 43 percent of Hawai'i households with income below the ALICE Threshold own their homes, many struggle to afford them. There would be enough affordable homes for them (homes that do not consume more than one-third of their income) if all homeowners had a 30-year mortgage at 4 percent for 90 percent of the value of the house or better. But the fact that 30 percent of households with a mortgage are housing burdened suggests that many homeowners were not able to get competitive financing rates, or that they put less than 10 percent down, or were not able to find units that were affordable. The increase in the number of renters also reflects these challenges (American Community Survey, 2015).

ALICE homeowners are more likely than higher-income homeowners to have a high-interest sub-prime mortgage. Almost by definition, most sub-prime mortgages are sold to low-income households, and now these households make up the majority of foreclosures. An additional expense for homeowners is often property tax; when rates increase faster than wages or the value of the home, homeowners may be burdened with added expense that they

“While 43 percent of Hawai'i households with income below the ALICE Threshold own their homes, many struggle to afford them.”

cannot manage. Hawai'i was hit hard by the housing crisis; the swell of foreclosures started earlier there than in most states, and its effects continue to be felt. In 2015, there were 739 completed foreclosures – less than half the peak levels seen in 2012, but still more than double the levels prior to the onset of sub-prime lending in the mid-1990s (Core Logic, 2017).

In addition, with the tightening of mortgage regulations, those who do not qualify for traditional mortgages look for alternatives, leading to an increased use of “contract for deed” or “rent-to-own” mortgages that charge higher interest rates and have less favorable terms for borrowers. The need for such services is reflected in the growth of this industry nationally, although the problem appears smaller in Hawai'i than elsewhere: In Hawai'i, just 1.1 percent of all households in the state have used a rent-to-own financial product (Federal Deposit Insurance Corporation (FDIC), 2013; Anderson & Jaggia, 2008; Edelman, Zonta, & Gordon, 2015; Kusisto, 2015).

“Ultimately, if an ALICE household cannot afford their home or it becomes too unsafe and has to be vacated, they can become homeless.”

There are consequences to high-interest mortgages:

- The combination of a lower income and significantly worse financial terms puts borrowers at a far higher risk of foreclosure (Mayer & Pence, 2008). For an ALICE household, a foreclosure not only results in the loss of a stable place to live and an owner's primary asset but also reduces the owner's credit rating, creating barriers to future home purchases and rentals. With few or no other assets to cushion the impact, ALICE households recovering from foreclosure often have difficulty finding new housing (Yellen, October 17, 2014; Casas del Pueblo Community Land Trust, October 2013; Frame, 2010).

Become Homeless

Ultimately, if an ALICE household cannot afford their home or it becomes too unsafe and has to be vacated, they can become homeless. Low wages and soaring housing prices, as well as laws against camping, have exacerbated the homeless situation in Hawai'i. In 2015, there were 7,620 people counted as homeless on a single night, including 692 veterans. The state's rate of 53 homeless people per 10,000 residents is nearly triple the national rate of 18 per 10,000 (National Alliance to End Homelessness, 2015; Schmitz, 2015).

There are extreme consequences to being homeless:

- Homelessness poses extraordinary challenges for families, starting a downward spiral of bad credit and destabilized work, school, and family life.
- Some households move in with relatives, threatening the stability of another household.
- Homelessness has particular consequences for children, who may be delayed or prevented from enrolling in school because of residency requirements, guardianship requirements, or lack of school or medical records (National Coalition for the Homeless, 2007).

“When ALICE families cannot afford safe housing near where they work, there are consequences for the whole community.”

Broader Costs of Unaffordable Housing in Hawai‘i

When ALICE families cannot afford safe housing near where they work, there are consequences for the whole community. When workers pay more for housing, the local economy suffers because families have less to spend on other goods and services in the community. They may not have enough resources to maintain their homes, which impacts entire neighborhoods. The health problems caused by poor-quality housing, long commutes, or living in unsafe neighborhoods raise health care and coverage costs for all. Exposure to toxins like lead can cause neurobehavioral conditions that require extensive health care services, social services, and educational support, which are paid for by the wider community. Longer commutes create more traffic, raise infrastructure and maintenance expenses, and reduce worker productivity, which affects both co-workers and customers. If families are forced to move due to foreclosure, that adds instability to their neighborhoods, lowering property values and imposing additional direct costs on local government agencies (Ellen & Glied, Spring 2015; Maqbool, Viveiros, & Ault, April 2015; Attina, et al., December 2016; National Economic Council and the President’s Council of Economic Advisers, July 2014; van Ommeren & Gutierrez-i-Puigarnau, 2011; Sullivan, 2015).

Ultimately, if a family becomes homeless, there are additional costs that the wider community absorbs, from shelter systems to the criminal justice system and increased health care costs. The National Alliance to End Homelessness estimates that the cost of public services for the homeless ranges from \$19,000 per year for one person in Denver, Colorado to over \$40,000 per year in New York. The evidence is clear that keeping a family housed is significantly less expensive than caring for a homeless family or returning them to a home – one-sixth the cost, according to the Office of the Inspector General of the U.S. Department of Health and Human Services (National Alliance to End Homelessness, 2010).

Future Trends

The cost of housing in Hawai‘i will continue to be the most significant drain on the Household Survival Budget:

The tourism industry will drive higher housing costs, especially in areas near tourist destinations. Tourism will continue to be an important dimension of Hawai‘i’s economy, and with newer online rental platforms such as VRBO and Airbnb, the number of non-traditional private rentals and out-of-state property owners will continue to increase. Because of this increased demand, local markets – especially those near tourist destinations – will face higher housing costs (Hawai‘i Tourism Authority, 2016).

Millennials and seniors will drive demand for more lower-cost homes and rental units. Young workers are delaying buying their own homes, choosing to rent instead. At the same time, the senior population is growing, and many seniors choose to downsize their homes to smaller units, while others need to sell their homes to afford eldercare. Seniors prefer smaller, affordable rental units that are close to public transportation and community amenities such as restaurants, health care, and other services. Both of these trends increase demand for lower-cost homes and rental units, adding pressure to the cost of units that in most communities are in short supply (U.S. Department of Transportation, 2015; Garcia & Deitz, 2007).

The ability to drastically change the housing stock in Hawai‘i is constrained by geography, economics, and, in some places, zoning laws that limit the potential for new small or low-cost housing units to be built in economically prosperous areas. Given this

combination of factors, many ALICE households will continue to live farther away from their jobs or in unsafe units, resulting in the associated challenges and costs (Prevost, 2013).

Homelessness has declined nationally since counts were mandated in 2007, especially for veterans (U.S. Department of Veteran Affairs, 2016; U.S. Department of Housing and Urban Development, 2015). That said, with 7,620 people homeless in Hawai'i on a given night in 2015, it remains a pressing issue, and communities continue to invest in strategies that alleviate homelessness among all groups.

CHILD CARE AND EDUCATION

Education is one of the few ways ALICE families can get ahead in the long run. Yet it is a challenge for these families to find quality, affordable child care, strong public schools, and affordable higher education. As a result, ALICE families often forgo educational opportunities, with consequences both for their earning potential and for the development of human capital in their communities.

Quality, Affordable Child Care

Quality, affordable child care (early care for infants to 3-year-olds and preschool for 3- to 5-year-olds) is one of the most important – and most expensive – budget items for ALICE families. Child care is essential in order for parents to work; in Hawai'i, 78 percent of all low-income families with children had all available parents in the workforce in 2014, above the national average of 74 percent (Working Poor Families Project (WFPF), 2016). With the extensive involvement of parents in the workforce, child care is an issue for virtually all Hawai'i families, and the high cost makes it even more challenging for parents in low-wage jobs.

Quality early learning experiences are also critical to the cognitive and language development of young children, and allow them to gain pre-academic skills needed for success in kindergarten and beyond. Yet as discussed in Section II, child care in Hawai'i is the most expensive item in the Household Survival Budget after housing, and remains out of reach for many ALICE families. The average cost of family-based child care in Hawai'i is \$610 per month for an infant and \$597 per month for a 4-year-old – and the cost at a licensed, accredited child care center is 27 percent higher (Hawai'i Department of Human Services, 2015).

ALICE households use a range of strategies to provide care for their young children:

Choose Less Expensive Child Care

ALICE families may use unlicensed, family-based child care or rely on friends and neighbors in an attempt to save money or because they lack child care options. Some families live in child care deserts, where there are shortages of licensed providers, or they may lack transportation to a child care facility (Malik, Hamm, Adamu, & Morrissey, 2016). In Hawai'i, there is a range of child care oversight by the state's Department of Human Services. Family-based child care settings that provide care for fewer than four children are not required to be licensed by the state, although there are exceptions that allow even larger child care centers to be exempt from licensure. Regardless of licensure, all must be registered. Licensed centers must meet requirements for background checks, training/orientation, and health and

“Education is one of the few ways ALICE families can get ahead in the long run. Yet it is a challenge for these families to find quality, affordable child care, strong public schools, and affordable higher education.”

safety, and they are inspected regularly. The Hawai'i Department of Human Services licenses just over 1,000 child care centers. Unlicensed home-based child care, while often less expensive, is not fully regulated, so the safety, health, and learning quality can vary greatly and are not guaranteed (Child Care Aware of America, 2014; Hawai'i Department of Human Services, 2017).

Families use many different types of arrangements to care for their children. The U.S. Census reports that nationally in 2011, 42 percent of preschoolers were in a regular child care arrangement with a relative, 11 percent were in another non-relative care arrangement, 25 percent had no regular child care arrangement, and only 24 percent were in an organized care facility. Since the mid-1980s, fewer families have used non-relative care (down from 28 percent to 13 percent in 2011), while there was an increase in other care or no regular arrangements, from 1 percent to 13 percent. In Hawai'i, 45 percent of 3- and 4-year-olds are enrolled in some type of organized child care, the 26th highest rate in the country (Prosperity Now, 2016b).

Relying on relatives or unlicensed home-based care comes with certain risks and potential consequences:

- For a number of reasons, these settings can lead to delays in intellectual and social developmental. Center-based child care overall has been shown to consistently offer higher-quality academic preparation than informal settings. Higher-cost centers tend to have a higher staff-to-child ratio and better trained and compensated staff, who offer higher-quality activities, more responsiveness, and more stimulating, supportive care (U.S. Department of Education, 2015; U.S. Department of Health and Human Services, 2000; Bassok, Fitzpatrick, Greenberg, & Loeb, September/October 2016; Forry, et al., 2012).
- Unlicensed child care has a higher risk of accidents and illness. Because licensed child care centers must meet certain regulatory standards, they typically follow better health and safety practices than lower-cost options.

Rely on Subsidies for Child Care

With nearly one if every five children below the age of six living in poverty in the U.S., publicly subsidized child care and preschool can provide great savings to ALICE families (U.S. Department of Health and Human Services, 2016). Hawai'i has the smallest publicly funded preschool program in the country with fewer than 2 percent of all 4-year-olds enrolled, making it 42nd in the country for preschool access. While some states provide public funding to preschools operated by houses of worship or other third parties, all publicly funded preschools in Hawai'i operate within the public school system.

Yet while publicly funded preschools are scarce in Hawai'i, the programs that do exist score high marks for quality and per-pupil spending. The state ranks seventh nationally in terms of spending per enrolled preschool student, at \$7,600 per year (National Institute for Early Education Research, 2015). Publicly funded preschools in Hawai'i met 9 out of 10 of the state pre-K quality standards set by the National Institute for Early Education Research in 2015 (National Institute for Early Education Research, 2015; Gupta & Simonsen, 2010).

“Hawai'i has the smallest publicly funded preschool program in the country with fewer than 2 percent of all 4-year-olds enrolled, making it 42nd in the country for preschool access.”

There are potential drawbacks to publicly subsidized child care:

- With only 2 percent of 4-year-olds and no 3-year-olds enrolled in Hawai'i's publicly funded preschools, many low-income 3- and 4-year-olds still do not have preschool access.

Forgo Child Care

Some families faced with the high cost of child care or lack of access keep children at home. In Hawai'i on average between 2011 and 2015, 58 percent of 3- and 4-year-olds whose families earned less than 200 percent of the Federal Poverty Level (FPL) were not enrolled in school, including nursery school, preschool, or kindergarten. By comparison, 45 percent of 3- and 4-year-olds whose families earned more than 200 percent of the FPL were not enrolled. Although Hispanic and Asian/Native Hawaiian and Other Pacific Islander families in Hawai'i are disproportionately represented among lower-income households, preschool attendance rates for 3- and 4-year-olds in these groups were similar to rates of White 3- and 4-year-olds (49 percent for White children, 51 percent for Hispanic children, and 54 percent for Asian/Native Hawaiian and Other Pacific Islander children) (Annie E. Casey Foundation, 2016a; Annie E. Casey Foundation, May 2016).

There are consequences for children and families to going without child care:

- Not being exposed to quality early learning experiences could lead to delays in cognitive, language, and social development, creating an education gap that is more difficult to close as children get older.
- When one parent has to stay home to care for a child rather than work, their current income and future earning potential are limited.

“It is well-documented that disparities in educational outcomes often begin with levels of kindergarten readiness and can then persist through both elementary and secondary schooling.”

K-12 Education and the Achievement Gap

One area of concern for Hawai'i's ALICE families is an achievement gap between the state's public schools and the nation as a whole. It is well-documented that disparities in educational outcomes often begin with levels of kindergarten readiness and can then persist through both elementary and secondary schooling.

In terms of overall student achievement, Hawai'i ranks 26th in the U.S., according to Education Week's Quality Counts report. According to the most recent data, only 29 percent of fourth graders in Hawai'i were proficient in reading, below the national average of 35 percent; only 42 percent were proficient in math; and only 50 percent in language arts. And while standardized science grades have improved, still only 46 percent of students were proficient. Similarly, in eighth grade math, only 30 percent of students in Hawai'i were proficient, versus a national average of 32 percent, according to the 2015 National Assessment of Educational Progress (NAEP) assessment (Education Week Research Center, 2016).

The other concern for ALICE families is an achievement gap based not on race or ethnicity, as in many other states, but on student needs. There are marked disparities in Hawai'i's public schools by student characteristics: Only 36 percent of high-need students (English Language Learners, economically disadvantaged students, and students receiving special education services) are proficient in language arts, compared to 69 percent among non-high need students. In math, the gap is nearly as large, with 30 percent of high-need students proficient compared to 58 percent of non-high-need students (Hawai'i State Department of Education, 2017).

Lower performance can lead to students becoming discouraged and dropping out of school. Nationally, students from families facing financial hardship are the least likely to graduate high school, with a dropout rate of 11.6 percent among students in the lowest income quartile compared to 2.8 percent for students from families with the highest incomes. Hawai'i's public high school graduation rate in 2016 was 78 percent, just below the national average of 81 percent; yet the rate was exactly the same for economically disadvantaged students as for all students. It was those with limited English proficiency or with disabilities who had much lower rates (53 and 59 percent, respectively). There was almost no variation by race (Schott Foundation for Public Education, 2015; National Center for Education Statistics (NCES), 2015; National Center for Education Statistics (NCES), 2014; Rumberger, 2013).

Attend a Higher-Performing School

Parents in search of a better education for their kids may change schools if choice is available, or move to a different school district.

Consequences of switching schools include:

- Housing costs typically rise with school performance ratings. Most higher-performing schools are located in neighborhoods with more expensive housing.
- Students who attend charter schools located outside of their neighborhoods have longer commutes.

Broader Costs for Child Care and Education in Hawai'i

Quality learning experiences have social and economic benefits for children, parents, employers, and society as a whole, now and in the future. Early learning in particular enables young children to gain skills necessary for success throughout their schooling. **Alternatively, poor quality child care can slow intellectual and social development, and low standards of hygiene and safety can lead to injury and illness for children.** Research shows that children who attend quality preschools – particularly full-day programs – are more likely to graduate high school and attend college, yet nationwide, fewer than half of children from families making under \$50,000 a year are enrolled in preschool, and those who are enrolled are less likely to be in high-quality programs (Child Care Aware of America, 2013; Child Trends, 2015; U.S. Department of Education, 2015; Hart & Risley, 2003; Wasserman, 2016; Friedman-Krauss, Barnett, & Nores, 2016).

In addition, high-quality child care enables parents to work, which enhances the family's current and future earning potential. On the other hand, inadequate child care often results in worker absenteeism, tardiness, and low productivity. Businesses lose an estimated \$4.4 billion annually due to employee absenteeism caused by child care breakdowns (Haskins, 2011; Child Care Aware of America, 2015; Child Trends, 2011; Alliance for Excellent Education, 2013; Garcia, 2015).

“Quality learning experiences have social and economic benefits for children, parents, employers, and society as a whole, now and in the future.”

In terms of K–12 education, the evidence is clear on the importance of needing, at a minimum, a solid high school education in order to achieve economic success. Nationally, the difference in earnings over a lifetime 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).

Closing the education achievement gap would be economically beneficial not only for lower-income individuals and families but for all residents, both in Hawai‘i and across the country. According to the Alliance for Excellent Education, if all students nationwide graduated from high school, their aggregate increased income would be \$166 million, and increased federal tax revenues would be \$26 million (Alliance for Excellent Education, 2013). Aside from the economic boon, higher levels of education lead to greater knowledge about political issues, more community volunteerism, and lower crime rates (Baum, Ma, & Payea, 2013; Campbell, 2006; Mitra, 2011).

“In terms of K–12 education, the evidence is clear on the importance of needing, at a minimum, a solid high school education in order to achieve economic success.”

Future Trends

The importance of high-quality education remains a fundamental American value, but ALICE households are challenged to find quality, affordable education at all levels in Hawai‘i, from child care through college. There are several trends that will impact child care, K–12 education, and higher education in Hawai‘i in the future:

Child Care

Economic trends may make it harder to find and afford quality child care in Hawai‘i in the future. With minimal levels of funding for state preschool programs and not enough full-tuition children, it is becoming more difficult for smaller child care businesses to provide affordable care to low-income households, compared to corporate child care providers (chain and franchise facilities). If this remains true, there will be a decrease in the number of spaces or the geographic availability of spaces, increases in cost, more children who may not be fully school-ready, and more parents across the state who must forgo work or advancement to stay home with their children (U.S. Census Bureau, 2015; State of Hawai‘i Department of Business, Economic Development & Tourism, 2012).

K–12 Education

Hawai‘i’s current educational resources are not closing the achievement gap with the rest of the country, creating several important consequences for the state economy. Reworking education – from child care through high school – to address the achievement gap takes significant financial resources. But if the gap is not addressed, the state economy will lose local talent. In order for Hawai‘i’s economy to grow and sustain an aging population, the state must continue to attract workers from other states and abroad. An education system that works for all residents would be an important draw (Schulman & Blank, 2015).

The creation of Hawai'i's charter schools has been one response to the achievement gaps and the perception that public schools have not met the needs of many students. There were 34 charter schools operating in Hawai'i in 2015-2016, serving approximately 11,000 students (6 percent of total public school enrollment). As public schools, they cannot charge tuition, and enrollment is generally determined by a lottery.

Hawai'i's charter schools have been centers for innovation: During the 2011-2012 school year, 27 percent experimented with an extended day, 13 percent tried an extended school year, and 20 percent offered higher education courses (National Alliance for Public Charter Schools, 2014). That said, these charters may not be serving those who need help the most. Hawai'i's charter schools serve a lower percentage of non-White students, English Language Learners, and children receiving free or reduced-price lunch than do traditional public schools, and charters are often not accessible to students in remote locations (Charter School Tools, 2017).

The ability of charter schools to improve school performance and close achievement gaps is the subject of debate in Hawai'i and across the country. This is partly because the efficacy of charter schools varies greatly from school to school and state to state.

Education is important for communities. People with lower levels of education are often less engaged in their communities and less able to improve conditions for their families. More than half of those without a high school diploma report not understanding political issues, while 89 percent of those with a bachelor's degree report at least some understanding of those 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).

Higher Education

For students who attend college, there is a growing disparity in employment and earnings based on their major. Majors that provide technical training (such as engineering, math, or computer science) or are geared toward growing parts of the economy (such as education and health) have done relatively well. At the other end of the spectrum, those with majors that provide less technical and more general training, such as leisure and hospitality, communications, the liberal arts, and even the social sciences and business, have not tended to fare particularly well in recent years. For example, the median annual salaries of college-educated workers age 25 to 59 ranged from \$39,000 for an early childhood educator to \$136,000 for a petroleum engineer in 2015 (PayScale, 2014; Abel, Deitz, & Su, 2014; Carnevale, Cheah, & Hanson, 2015).

Tuition has increased beyond the means of many ALICE households and burdened many others. In Hawai'i's Class of 2014, 47 percent graduated with an average student debt of \$24,554 (Project on Student Debt, 2015). As national research by the Federal Reserve reveals, this debt burden jeopardizes the short-term financial health of younger households: The median net worth for households with no outstanding student loan debt is nearly three times higher than for households with outstanding student loan debt (Elliott & Nam, 2013).

“People with lower levels of education are often less engaged in their communities and less able to improve conditions for their families.”

Because college graduates have greater earning power, more Americans than ever before are attending college, but at the same time, more are dropping out and defaulting on their loans. More than 70 percent of Americans matriculate at a four-year college – the seventh-highest rate among 23 developed nations for which the Organisation for Economic Co-operation and Development (OECD) compiles such statistics. But less than two-thirds of matriculating Americans end up graduating; when including community colleges, the graduation rate drops to 53 percent (Organisation for Economic Co-operation and Development (OECD), 2015).

In Hawai'i, 30 percent of residents have some college or an associate's degree, but not a bachelor's degree. These residents are more likely to have debt that they cannot repay. Nationally, 58 percent of borrowers whose student loans came due in 2005 had not received a degree, according to the Institute for Higher Education Policy. Of those, 59 percent were delinquent on their loans or had already defaulted, compared with 38 percent of college graduates (Cunningham & Kienzl, 2011).

The proliferation of for-profit colleges and, to a lesser extent, two-year institutions during and after the Recession has hurt the economic prospects of many students. These schools include online universities, certificate-granting institutions, technical schools, and community colleges, with a wide range of credentials and tuition costs. Not all, but many, targeted low-income and non-traditional students – older, independent, and those already struggling in the labor market – who financed their educations largely through federal student loans. Cumulatively, these non-traditional students have grown to represent half of all borrowers. Many of these students dropped out of their programs and, as a result, faced poor job prospects and loan distress (Deming, Goldin, & Katz, 2012; Cellini, 2009).

Almost 20 percent of those who borrowed money to attend for-profit colleges and certificate programs nationally were unemployed, and those who did have jobs earned about 20 percent less than their peers. With poor labor market outcomes, few family resources, and high debt burdens relative to their earnings, default rates skyrocketed. By 2013, 70 percent of students who had fallen into default two years after leaving school were borrowers who attended non-traditional colleges. For-profits and two-year institutions have the highest default rate of any type of institution (Looney & Yannelis, 2015).

Though the number of students financing their educations at these institutions nationally has dropped – from 2010 to 2014, the rate of new borrowers fell by 44 percent at for-profits and 19 percent at two-year institutions – the debt burden of former students continues to cast a long shadow. Rising delinquency rates reflect excessive borrowing and overextended finances, which could impair students' abilities to finance first homes and to live independently of their families, or could constrain their occupational choices, reducing rates of homeownership and marriage or entrepreneurial risk-taking. Slow repayment rates suggest that the debt burden drags students down for years (Baum & Johnson, April 2015; Bleemer, Brown, Lee, & van der Klaauw, 2015; Gicheva & Thompson, 2015; Marx & Turner, January 2015; Mezza, Sommer, & Sherlund, October 15, 2014; Looney & Yannelis, 2015).

“Because college graduates have greater earning power, more Americans than ever before are attending college, but at the same time, more are dropping out and defaulting on their loans.”

There is a lack of medium- and high-paying jobs for recent graduates. Research by the National Bureau of Economic Research and the Federal Reserve has found that many jobs requiring highly skilled workers are offering wages that are too low for college-educated students to live on and still pay back their loans. When unemployment is high, employers have a broader choice of applicants and can seek more qualified candidates at lower wages. In pursuit of cost savings, employers may also leave positions open and falsely blame the unfilled positions on a lack of qualified candidates. As a result, qualified and experienced workers are passed over even though they could do the job, and it appears in some recent national surveys that a number of jobs are unfilled due to lack of qualified candidates when, in fact, qualifications are not the main obstacle (Rothstein, 2012; Altig & Robertson, 2012; ManpowerGroup, 2012).

Low wages, then, are the main problem, in tandem with strong competition for the fewer well-paying jobs. This situation will improve slightly as unemployment falls. But major change will not occur unless there is a structural shift in the kinds of jobs that make up our economy.

FOOD

Having enough food is a basic challenge for ALICE households. The U.S. Department of Agriculture (USDA) defines food insecurity as the lack of access, at times, to enough food for an active, healthy life for all household members and limited or uncertain availability of nutritionally adequate foods.

According to the latest Feeding America's Map the Meal Gap study, 182,600 of Hawai'i's residents (13 percent) experienced food insecurity in 2014. Estimates from the U.S. Department of Agriculture (USDA) are lower, showing that Hawai'i is doing better than much of the country. From 2014 to 2016, these estimates showed 8 percent of Hawai'i households experiencing food insecurity – either low security (lower quality, variety, and desirability of food) or very low security (multiple instances of disrupted eating patterns and reduced food intake) – compared to the national average of 13 percent. To break it down further, 3 percent of Hawai'i households experienced very low food security, compared to the national average of 5.2 percent (Feeding America, 2015; U.S. Department of Agriculture (USDA), 2015; Gundersen, Engelhard, Satoh, & Waxman, 2014). Food insecurity varies across the state, with between 4 and 14 percent of residents experiencing food insecurity in all counties (Feeding America, 2015).

Food insecurity is often a recurrent situation. USDA national data has found that for both food-insecure and very low food-insecure households, they were food insecure for an average of seven months per year (Coleman-Jensen, Rabbitt, Gregory, & Singh, September 2015).

Access to healthy food is also more difficult in some parts of Hawai'i. According to the USDA, there are food deserts (areas with limited access to affordable and nutritious food) or pockets of low access to healthy food in both rural and urban areas on most of the Hawaiian islands – including Maui and Oahu, the two most populous islands. Compounding the problem, individuals in food deserts have greater access to less healthy fast food restaurants and convenience stores than to grocery stores and supermarkets (U.S. Department of Agriculture, 2015).

“According to the USDA, there are food deserts (areas with limited access to affordable and nutritious food) or pockets of low access to healthy food in both rural and urban areas on most of the Hawaiian islands.”

When ALICE families do not have enough food, they use various strategies to avoid hunger. According to a survey by the Hawai'i Food Bank, many respondents employed two or more strategies, including eating less food or less healthy food, seeking food assistance, forgoing other essentials like medical care or utilities, or even selling or pawning personal property to get money for food (Feeding America, 2014; Hawai'i FoodBank, 2016).

Eat Less Food and Less Healthy Food

ALICE families often have difficulty accessing healthy food options. Many low-income households work long hours at low-paying jobs and do not have time to regularly shop for and prepare low-cost meals. In addition, they are faced with higher prices for and often minimal access to fresh food in low-income and rural neighborhoods, which often makes healthy cooking at home difficult and unaffordable. More convenient options like fast food, however, are usually far less healthy and higher in calories.

Despite the fact that Hawai'i is the largest pineapple-producing state in the country, 41 percent of adults and 51 percent of adolescents in the state report that they not eat fruit or vegetables daily, according to the 2015 Behavioral Risk Factor Surveillance System (BRFSS) Survey. This may be explained in part by the fact that 25 percent of Hawai'i residents do not have healthy food stores within a half-mile. While this is a relatively small proportion compared to other states, the geography of Hawai'i makes it immensely difficult for some residents to access fresh foods at all (Hawai'i FoodBank, 2016a; Centers for Disease Control and Prevention (CDC), 2013).

There are consequences to not having enough food or enough healthy food:

- Eating foods that are higher in fat, sodium, and sugar can contribute to obesity, heart disease, diabetes, low energy levels, and poor nutrition. Given the choices that low-income individuals have to make, it is not surprising that they are more likely to be obese than those with higher income. ALICE and poverty-level families are also exposed to more stress and have fewer opportunities to exercise, both of which can contribute to weight gain. In Hawai'i, 24 percent of adults were obese in 2016 – well below the national average of 36 percent, but still a concern (Food Research and Action Center (FRAC); Hartline-Grafton, 2011; Kim & Leigh, 2010; National Institute of Diabetes and Digestive and Kidney Disease (NIDDK), 2012; Centers for Disease Control and Prevention (CDC), 2015; United Health Foundation, 2015).
- For children, lack of sufficient food can cause developmental delays and lack of nutritious food can cause health problems, all of which can impact learning in the longer term (Commonwealth Fund, 2013; Ogden, Carroll, Fryar, & Flegal, November 2015; United Health Foundation, 2015).

Seek Food Assistance

The use of government food programs, as well as soup kitchens, food pantries, and food banks, has increased steadily through the Great Recession to the present. In Hawai'i, food banks serve 285,000 people per year – more than 1 in 5 people in the state. Federal Supplemental Nutrition Assistance Program (SNAP, formerly food stamps) benefits are also effective in combating hunger and poverty, and SNAP beneficiaries experience reduced food insecurity, fewer sick days, and fewer hospital and doctor visits (Hawai'i FoodBank, 2016; Executive Office of the President of the United States, 2015).

“The use of government food programs, as well as soup kitchens, food pantries, and food banks, has increased steadily through the Great Recession to the present.”

There are consequences and drawbacks to seeking food assistance:

- A recent Institute of Medicine (IOM) report found that most SNAP benefit levels (which are established by the USDA's Thrifty Food Plan) are based on unrealistic assumptions about the cost of food, preparation time, and access to grocery stores. In general, the vast majority of households using SNAP benefits find those benefits are so meager that they are used up by the end of the second or third week of every month, leaving households without enough food. Hawai'i food bank users with SNAP exhaust their benefits quickly. In addition, SNAP and WIC benefits do not provide enough money to afford higher-quality or quick-to-prepare foods (Institute of Medicine (IOM), 2013; Food Research and Action Center (FRAC), 2012). Even worse, 46 percent of those experiencing food insecurity earn above the federal SNAP eligibility threshold (Hawai'i FoodBank, 2016).

Broader Consequences for Food in Hawai'i

Not having enough income to afford healthy food has consequences not only for ALICE's health, but also for the strength of the local economy and the future health care costs of the wider community.

Numerous studies have shown associations between food insecurity and adverse health outcomes such as coronary heart disease, cancer, stroke, diabetes, hypertension, and osteoporosis, which lead to increased costs for all (Seligman, Laraia, & Kushel, 2010; Kendall, Olson, & Frongillo Jr., 1996). In 2014, the U.S. spent an estimated \$160 billion on health care costs related to hunger and food insecurity, as estimated by the Bread for the World Institute. The USDA argues that healthier diets would prevent excessive medical costs, lost productivity, and premature deaths associated with these conditions (U.S. Department of Agriculture (USDA), Frazão, 1999; Bread for the World Institute, 2015).

Future Trends

Government food programs have declined, while the use of nonprofit resources including soup kitchens, food pantries, and food banks has increased steadily. The one exception is SNAP: From 2007 to 2014, SNAP enrollment in Hawai'i more than doubled, to 194,264 residents. This increase was partly explained by the 2009 Recovery Act, which had boosted SNAP benefits, and which expired in 2013. In terms of nonprofit resources, the anti-hunger organization Feeding America reports that nationally, the number of unique clients served by their food distribution programs increased by roughly 25 percent from 2010 to 2014 (Dean & Rosenbaum, August 2013; Loveless, 2015).

The use of food pantries by young adults is rising. Food pantries have become a growing resource for people under the age of 25, the group most likely to be living below the ALICE Threshold (Feeding America, 2014).

At the other end of the age spectrum, the number of food insecure seniors is also increasing. The number of food insecure seniors more than doubled nationwide from 2001 to 2011, to 4.8 million people 65 or older, due to the aging population (Feeding America, 2013). The problem is particularly acute for non-White seniors, those with multiple generations in a household, and those with lower income. Seniors with grandchildren living with them are three times as likely to be food insecure as others (Sharkey, Xu, & Dean, 2013). This problem will worsen as seniors grow both in number and as a share of the population.

“Food pantries have become a growing resource for people under the age of 25, the group most likely to be living below the ALICE Threshold.”

The number of long-term food assistance users has increased. With changes in the economy, many low-wage workers – even those with public assistance benefits – are now forced to use food pantries on a regular basis. Many long-term users have serious health problems, some of which can be exacerbated by their use of food assistance, which can often only afford to provide less healthy food (Treuhaft & Karpyn, 2010; Bell, Mora, Hagan, Rubin, & Karpyn, 2013; County Health Rankings, 2016; Feeding America, 2014; Kaiser & Cafer, 2016; Kicinski, 2012; Feeding America, 2009).

TRANSPORTATION AND COMMUTING

In Hawai'i, there is no public transportation available to workers in most of the state. Given this lack of public transportation, 81 percent of Hawai'i workers use a car to get to their jobs, which poses particular challenges for ALICE workers. Because many ALICE households work in the service sector, they are required to be on the job in person, making vehicles essential for employment. In 2015, 67 percent of Hawai'i workers drove alone to work; some chose this for convenience, while others with variable work hours had no choice. The average commute time in Hawai'i is slightly longer than the national average (27 minutes vs. 25 minutes) (American Community Survey, 2015).

The average cost of owning and operating a car in the U.S. ranges from about \$6,000 to \$11,000 per year, according to AAA (AAA, 2016). Long commutes add costs (such as car maintenance, gas, and child care) that ALICE households cannot afford. Commutes also reduce time for other healthy activities. Since the vehicles that ALICE families can afford are usually older and of lesser value, the median car value for low-income families is \$4,000, or about one-third of the \$12,000 median value of cars owned by middle-income families. In addition, older vehicles are more likely to break down and incur ongoing maintenance costs as well as costs associated with delays (Bricker, Kennickell, Moore, & Sabelhaus, 2012).

Cars also impact the broader quality of life. Nationally, families with a car are more likely to have a job and live in neighborhoods with greater safety, environmental quality, and social quality than households without cars. Both cars and transit access also have a positive effect on earnings, though the effect of car ownership is considerably larger.

ALICE households use a range of strategies to lower their transportation costs, from forgoing car maintenance or insurance to trying to use often inadequate public transportation.

Skimp on Car Expenses

One way low-income households try to close the income gap is by skimping on vehicle expenses, such as putting off repairs, not registering their car (saving on fees and upkeep requirements to pass inspection), not paying traffic tickets, and forgoing car insurance. Despite the fact that driving without insurance is a violation in almost all states, including Hawai'i, 8.9 percent of Hawai'i motorists were uninsured in 2012 (Insurance Information Institute, 2012). Low-income drivers are often charged more for insurance coverage than drivers with higher incomes. Insurers charge low-income drivers 59 percent more, or an extra \$681 on average annually, due to "redlining," or raising quote prices based on characteristics related to socioeconomic status, including education level, occupation, homeownership status, insurance purchasing history, and marital status. These higher rates make it even harder for ALICE and poverty-level drivers to afford insurance (Ong & Stoll, 2007; Heller & Styczynski, 2016; Consumer Reports, 2015).

"Long commutes add costs (such as car maintenance, gas, and child care) that ALICE households cannot afford. Commutes also reduce time for other healthy activities."

“Long commutes reduce worker productivity and state economic competitiveness. They increase tardiness and absenteeism, and can also impact new hire retention and performance.”

Trying to lower car expenses may provide short-term savings, but it can have long-term consequences:

- Not registering a vehicle, not passing inspection, or driving with an unsafe car can lead to fines, towing and storage fees, points on a driver’s license that increase the cost of car insurance, and even impounding of the vehicle. And the fines can be more than ALICE families can pay.
- ALICE drivers face similar challenges paying traffic tickets. The system of sizable fixed fines for particular offenses in most municipalities hits low-income drivers harder than those who are more affluent. Preliminary reports across the country have found that in many states, when drivers can’t pay a ticket, their driver’s license can be suspended, harming credit ratings, raising public safety concerns, and making it harder for people to get and keep jobs and take care of their families (Urbana IDOT Traffic Stop Data Task Force, 2015; Lawyers Committee for Civil Rights, 2015).
- Buying an older car or not paying for regular maintenance can lead to breakdowns, which can disrupt work schedules, school attendance, and access to health and social services. Low-income families are also more likely to face higher and more frequent repair bills and therefore greater disruption in their transportation to work (Bricker, Kennickell, Moore, & Sabelhaus, 2012).

Take Public Transportation

Public transportation is a far less expensive means to commute to work than driving a car, but is not widely available in most parts of Hawai‘i. When public transportation is sparsely available, it is even more difficult to access reliably.

Relying on inadequate public transportation has consequences:

- Housing near public transportation is typically more expensive, so most lower-income families live further away from urban centers, increasing commute times significantly. Lack of availability adds to commute time and stress, as well as adding other costs to families such as additional child care and time away from work, exercise, shopping and cooking healthy food, and community and family involvement (U.S. Department of Housing and Urban Development (HUD), 2014; AAA, 2016).

Broader Consequences for Transportation in Hawai‘i

“Cost-cutting” transportation strategies have risks for ALICE households as well as for the wider community. Long commutes reduce worker productivity and state economic competitiveness. They increase tardiness and absenteeism, and can also impact new hire retention and performance (Belsky, Goodman, & Drew, 2005; Sullivan, 2015; National Economic Council and the President’s Council of Economic Advisers, July 2014; van Ommeren & Gutierrez-i-Puigarnau, 2011).

Urban sprawl costs the American economy more than \$1 trillion annually, according to a study by the New Climate Economy. These costs include greater spending on infrastructure, public service delivery, and transportation. Older cars that may need repairs make driving less safe and increase pollution for all, as does deferring car maintenance. Vehicles without insurance increase costs for all motorists; uninsured and under-insured motorist coverage adds roughly 8 percent to an average auto premium for the rest of the community (McQueen, 2008).

Lack of reliable transportation can also exacerbate an emergency, as families might be forced to forgo treatment of a sick or injured family member, rely on friends or neighbors for transportation, or resort to public specialty transit services or even an ambulance, increasing costs for all taxpayers.

Future Trends

For ALICE households in Hawai‘i, housing and transportation are tightly linked and can have a large impact on the household budget. People who live in location-efficient neighborhoods – compact, mixed-use, and with convenient access to jobs, services, transit, and amenities – have lower transportation costs than those who don’t. Commuting long distances will only increase in the coming years as lack of affordable housing persists and pushes people away from employment centers.

Jobs and transportation are also linked. The rising trend of nonstandard and part-time schedules can complicate transportation for low-wage workers, who may be relying on friends or family for rides or using public transportation. Irregular work schedules can make it difficult to get to work on time, or transportation can become cost prohibitive on less than a full-time work schedule (Watson, Frohlich, & Johnston, 2014).

Given the size and age of Hawai‘i’s transportation infrastructure and the state’s growing population, the state is spending \$14 billion on infrastructure improvements, the bulk of it going to roads and physical infrastructure. With tight state budgets, it has proven difficult to maintain aging assets, many over 50 years old. Yet without transportation investment, costs will increase for ALICE auto commuters; by one estimate it costs \$708 per Hawai‘i motorist per year to cover expenses caused by driving on roads in need of repair (Hollier, 2010; American Society of Civil Engineers (ASCE), 2017).

“Quality of health directly correlates to income: Low-income households in the U.S. are more likely than higher-income households to be obese and to have poorer health in general.”

HEALTH CARE

Quality of health directly correlates to income: Low-income households in the U.S. are more likely than higher-income households to be obese and to have poorer health in general. Hawai‘i has less health care disparity than other states, ranking second-best in the nation in health equality. The Commonwealth Fund reports that the health system in Hawai‘i performs best overall for low-income populations of all states. However, there is still a big gap in health. In Hawai‘i, 38 percent of people with household income below \$25,000 reported good health, compared to 52 percent of those with household income above \$50,000 in 2015 (Centers for Disease Control and Prevention (CDC), 2011; United Health Foundation, 2016; Commonwealth Fund, 2013).

This is a two-way connection: Having a health problem can reduce income and increase expenses, often causing a family to fall below the ALICE Threshold or even into poverty. And trying to maintain a household with a low income and few assets can also cause poor health and certainly mental stress (Choi, 2009; Currie, 2011; Federal Reserve, 2014; Zurlo, WonAh, & Kim, 2014). State and national research on “toxic stress” has found that living in chronically stressful situations, such as living in a dangerous neighborhood or in a family that struggles to afford daily food, damages neurological functioning, which in turn impedes a person’s – and especially a child’s – ability to function well (Shonkoff & Garner, 2012; Evans, Brooks-Gunn, & Klebanov, 2011).

“Though the high cost of health care is a leading cause of inadequate health care, low-income families and families of color may experience other barriers to care, including language and cultural barriers, transportation challenges, and difficulty making work and child care arrangements to accommodate health care appointments.”

Recent studies have found that access to medical care alone cannot help people achieve and maintain good health if they have unmet basic needs, such as not having enough to eat, living in a dilapidated apartment without heat, or being unemployed. Non-health factors account for as much as 50 percent of poor health outcomes in the U.S. (Berkowitz, et al., 2015; Robert Wood Johnson Foundation, 2011; Bachrach, Pfister, Wallis, & Lipson, 2014; Economist Intelligence Unit, 2012). In a 2011 survey by the Robert Wood Johnson Foundation, physicians reported that their patients frequently express health concerns caused by unmet social needs, including the conditions in which people are born, grow, live, work, and age. Four in five physicians surveyed say unmet social needs are directly leading to poor health. The top social needs include: fitness programs (75 percent), nutritious food (64 percent), employment assistance (52 percent), adult education (49 percent), transportation assistance (47 percent), and housing assistance (43 percent) (Robert Wood Johnson Foundation, 2011).

Though the high cost of health care is a leading cause of inadequate health care, low-income families and families of color may experience other barriers to care, including language and cultural barriers, transportation challenges, and difficulty making work and child care arrangements to accommodate health care appointments (U.S. Senate Committee on Health, Education, Labor & Pensions, 2012).

Hawai'i ranks among the best states in the country for health care access and health care equity (Radley, McCarthy, & Hayes, 2017). Residents of Hawai'i are, in general, less likely to use a hospital in either an emergency or inpatient capacity, are more likely to have a source of usual care, and are more likely to have been to a dentist than residents of other states.

That said, this success is not universal across all indicators of health care success, as measured by the Commonwealth Fund's Scorecard Report. Children's vaccination rates and access to mental health care are lower in Hawai'i than in many states. Particularly with regard to access to mental health care, research suggests that this is often a result of choices that families must make to make ends meet.

Families in Hawai'i use a range of strategies to cope with the cost of their health care:

Forgo Preventative Health and Dental Care

A common way to try to save on health care costs is to forgo preventative health care. With basic preventative care now covered through the Affordable Care Act (ACA), even in high-deductible plans, cost is less of a barrier to seeing a primary care doctor. However, there are still cost barriers to filling prescriptions for maintenance medications, getting to doctors' offices, and maintaining a healthy lifestyle (Commonwealth Fund, 2013; Cohen, Kirzinger, & Gindi, 2013). Forgoing preventative dental care is even more common, especially as Medicaid coverage for dental care is minimal and there are relatively few dentists who participate in Medicaid. In Hawai'i, 28 percent of residents did not visit the dentist in 2014 – a high number, but still better than the national rate. Nationally, only 48 percent of Medicaid-enrolled children and adolescents received preventative dental treatment in 2011 (Centers for Medicare and Medicaid Services (CMS), 2016; U.S. Government Accountability Office (U.S. GAO), 2013; Bureau of Dental Health, December 2006; Kaiser Family Foundation, 2014; Pew Charitable Trusts, 2013).

There are many consequences to forgoing preventative health and dental care:

- Children and adults who do not seek preventative health care are less likely to receive required and recommended vaccinations and health care screenings. Adults with low incomes are 14 to 26 percent less likely to receive cervical, breast, and prostate cancer screenings, cholesterol screening, and flu vaccinations than adults with higher incomes (Ross, Bernheim, Bradley, Teng, & Gallo, 2007).
- When health issues go untreated, they become more serious and lead to other poor outcomes, including reduced school and work attendance and decreased quality of life (Economist Intelligence Unit, 2012).
- Forgoing routine health care often results in increases in cardiovascular events, hospitalizations, and use of emergency rooms (ERs) (Heisler, et al., 2004; Piette, Rosland, Silveira, Hayward, & McHorney, 2011). When health care is expensive, many ALICE families only seek care when an illness is advanced and pain is unbearable. It is at that point that many people go to the ER for help because their condition has reached a crisis point and they have no other option. Notably, low income is the most important cause of avoidable hospital use and costs, according to a recent Rutgers study (DeLia & Lloyd, 2014). While Hawai'i does well in keeping ER and hospital use down compared to other states, it is still a significant issue. In 2013, the number of ER visits in Hawai'i was 342 per 1,000 people, still well below the national rate of 440. Nationally, Hawai'i was ranked third in the nation in deterring avoidable hospital use (Radley, McCarthy, & Hayes, 2017; Kaiser Family Foundation, 2015).
- Hawai'i is in the top quartile in ensuring that residents have access to appropriate dental care, but one-quarter of adults and children still fail to visit a dentist. Without preventative dental care, which includes sealants and fluoride treatments to prevent cavities, children are at greater risk of tooth decay. Poor oral health causes pain, often leads to poor nutrition, and increases the risk for diabetes, heart disease, and poor birth outcomes. Oral health problems have even more implications for children, including eating difficulties, altered speech, pain, and infection (McCarthy, Radley, & Hayes, 2015; U.S. Senate Committee on Health, Education, Labor & Pensions, 2012).
- The Health Policy Institute reports that the number of ER visits for dental conditions in the U.S. doubled from 2000 to 2012 and continues to rise as the number of dental office visits declines. In 2012, ER dental visits cost the U.S. health care system \$1.6 billion, with an average cost of \$749 per visit. Up to 79 percent of ER dental visits could be diverted to more cost-efficient community settings. Cost savings through these types of diversion programs range from a \$4 million per year estimate for Maryland to a \$1.7 billion American Dental Association estimate nationally (Centers for Medicare & Medicaid Services (CMS), 2014; Wall & Vujcic, 2015; Wall, Nasseh, & Vujcic, 2014).

“Veterans are an important subset of those suffering a mental illness; 24 percent of Hawai'i veterans used Veterans Administration medical services in 2015, and many of these visits were for mental health services, especially by those veterans most recently on active duty.”

Skip Mental Health Services

In Hawai'i, about 3.7 percent of all adults (38,000 adults) had serious mental illness within the year prior to taking a 2013 survey given by the Substance Abuse and Mental Health Services Administration (SAMHSA); the national rate was 4.2 percent. Veterans are an important subset of those suffering a mental illness; 24 percent of Hawai'i veterans used Veterans Administration medical services in 2015, and many of these visits were for mental health services, especially by those veterans most recently on active duty (U.S. Department of Veterans Affairs, 2015 and 2014a; Substance Abuse and Mental Health Services Administration (SAMHSA), 2015).

“Nationally, 44 percent of youth with mental health problems drop out of school; 50 percent of children in the child welfare system have mental health problems; and 67 to 70 percent of youth in the juvenile justice system have a diagnosable mental health disorder.”

In Hawai‘i, the capacity to serve adults with serious mental illness has improved over the last decade and is better than many states, but is still limited; only 32 percent of those with mental illness report receiving treatment or counseling. The Kaiser Family Foundation estimates that just over half (54 percent) of mental health care need is met in the state, slightly higher than the national average of 48 percent (Aron, Honberg, & Duckworth, 2009; Kaiser Family Foundation, 2016; Substance Abuse and Mental Health Services Administration (SAMHSA), 2015).

Nationally in 2010, nearly 1 in 5 adults aged 18 or older (18.5 percent) had a mental illness, and of those, fewer than 40 percent received treatment. Across the U.S., funding has been cut for mental health services while demand has increased. The result has been longer waiting lists for care, and more people visiting ERs for psychiatric care (Glover, Miller, & Sadowski, 2012; Substance Abuse and Mental Health Services Administration (SAMHSA), 2012; Substance Abuse and Mental Health Services Administration (SAMHSA), 2014).

National research also shows that children in low-income households and children of color who have special health care needs have higher rates of mental health problems than their White or higher-income counterparts, yet are less likely to receive mental health services (VanLandeghem & Brach, 2009).

Cost is one of the primary reasons that people do not seek mental health treatment. In recent national surveys, over 65 percent of respondents cited money-related issues as the primary reason for not pursuing treatment. Even among people with private insurance, over half said that the number one reason they do not seek mental health treatment is because they are worried about the cost. For those without comprehensive mental health coverage, treatment is often prohibitively expensive (Center for Behavioral Health Statistics and Quality, 2012; NAMI-New York City Metro, The Parity Project, 2003).

The consequences of untreated mental illness are serious:

- Untreated or improperly treated mental illness can negatively affect all aspects of an adult’s life, compromising educational attainment, costing employees lost wages for absenteeism, and increasing rates of homelessness, job loss, substance abuse, and incarceration.
- Nationally, 44 percent of youth with mental health problems drop out of school; 50 percent of children in the child welfare system have mental health problems; and 67 to 70 percent of youth in the juvenile justice system have a diagnosable mental health disorder (Stagman & Cooper, 2010; National Alliance on Mental Illness (NAMI), 2010).

Seek Subsidized Health Insurance

The most preferable option for families is to get health insurance coverage through an employer, but employer-sponsored health insurance is less available for low-income workers. Nationally in 2014, 38 percent of individuals in households earning 100 to 250 percent of the FPL had employer-sponsored health insurance, compared to 83 percent in households earning over 400 percent of the FPL (Long, Rae, Claxton, & Damico, 2016). Medicaid provides free health care coverage for many households in poverty, but many ALICE households earn too much to qualify for Medicaid coverage. Hawai‘i expanded Medicaid under the ACA, but the income eligibility cutoff is 133 percent of the FPL, meaning that many ALICE households in the state earn too much to be eligible.

Subsidies for health care can help families, but they also have consequences:

- Having health insurance or Medicaid coverage can make a difference in increasing health care usage and improving health outcomes, as well as reducing threats to a household's financial stability. Studies such as the Oregon Health Insurance Experiment have found that having Medicaid coverage increased use of health care services, improved rates of depression and financial strain, and “virtually eliminated catastrophic out-of-pocket medical expenditures” (Baicker & Finkelstein, 2014).
- Accessing insurance coverage can skew employment decisions. The availability of health insurance benefits may weigh heavily in decisions about employment, including career advancement and working conditions. Workers on Medicaid, especially those close to the eligibility limit, often do not seek additional work so as to retain their Medicaid coverage (Dague, DeLeire, & Leininger, 2014; Sloan & Hsieh, 2017).

“Another way to save on health care costs is to go without health insurance; nationally, cost is the primary reason adults do not have insurance.”

Go Without Insurance Coverage

Another way to save on health care costs is to go without health insurance; nationally, cost is the primary reason adults do not have insurance. The rate of health insurance coverage for low-wage workers has fallen steadily over the last three decades across the country. In Hawai'i, 6 percent of the adult population below age 65 did not have health insurance in 2015, while a slightly higher proportion (10 percent) of those with income below 200 percent of the FPL (roughly below the ALICE Threshold) lacked coverage (Federal Reserve, 2014; Schmitt, January 2012; Kaiser Family Foundation, 2015 and 2015a).

Initial reports on the impact of the ACA and the Health Insurance Marketplace in Hawai'i show that they reduced the number of uninsured. The Health Insurance Marketplace enrolled more than 18,000 residents of Hawai'i in 2016. More than half (58 percent) received cost sharing reductions and 80 percent received premium tax credits (Kaiser Family Foundation, 2017).

For ALICE households, the ACA health plans may not be economical, especially when incorporating the high deductibles of the most affordable plans. The ADP Research Institute estimates the income threshold for choosing to participate in health care coverage is \$45,000, even when incorporating government subsidies. Those earning below that level have a higher rate of opting to pay the penalty for remaining uninsured (\$325 per adult and \$162.50 per child in 2015). Others may opt to buy the lowest-cost health insurance plan, which typically has very high out-of-pocket costs when health care services are needed.

These high-deductible plans have increased the number of people who are *underinsured*. The Commonwealth Fund found that 30 percent of low-income individuals were uninsured and another 28 percent were underinsured in 2013, a number that is expected to increase with the least expensive plans in the ACA marketplace being high-deductible plans (Schoen, et al., 2013; Cohen & Martinez, 2015; Kaiser Family Foundation, 2014; Witters, 2015). In addition, specialty care, such as mental health care and dental care, remains particularly difficult to obtain in part due to the lack of providers accepting Medicaid (Kaiser Family Foundation, 2015; Kaiser Commission on Medicaid and the Uninsured, 2012; U.S. Government Accountability Office (U.S. GAO), November 2012; U.S. Government Accountability Office (U.S. GAO), July 2015; Schoen, et al., 2013).

Many of the consequences of not having health insurance are similar to those of not seeking preventative care, and they are often interrelated:

- Without health insurance, families are less likely to seek preventative care services, like vaccinations and health screenings, and more likely to see a doctor only when a problem has reached a more serious level.
- Those without health insurance are also more likely to use the ER for everyday illnesses.
- Without health insurance, households can easily accumulate medical bills if there is a medical emergency or chronic illness. Insurance status is highly correlated with medical bill difficulties, with over half (53 percent) of the uninsured struggling to pay household medical bills in the past year, according to a 2015 Kaiser Family Foundation survey (The Commonwealth Fund, 2015; Pollitz, 2014; McElwee, 2016; Hamel, Politz, Levitt, Claxton, & Brodie, 2016).

Provide Caregiving to Relatives

Another dimension of health care which can add significant cost is that of caring for a sick or elderly family member or someone living with a disability. A 2015 AARP Survey found that 154,000 adults in Hawai'i have provided unpaid care to an adult loved one who is ill, frail, elderly, or has a physical or mental disability – caregiving hours that are worth an estimated \$2.1 billion (AARP Public Policy Institute, 2015).

National estimates of the number of family caregivers vary, ranging from 18 percent (in a 2015 AARP survey) to 23 percent of workers and 16 percent of retirees (in the Employee Benefit Research Institute's 2015 Retirement Confidence Survey) to 9 percent of the adult population (in a 2014 RAND Corporation survey) (AARP Public Policy Institute, 2015; Helman, Copeland, & VanDerhei, 2015; Ramchand, et al., 2014).

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

While family caregiving has significant value – such as improving care recipients' well-being and recovery, and defraying medical care and institutionalization costs – it also has consequences for caregivers and families:

- Caregiving can lead to lost income. Six in 10 caregivers report having experienced at least one impact or change to their employment situation as a result of caregiving, such as cutting back on their working hours, taking a leave of absence, or receiving a warning about performance or attendance (AARP Public Policy Institute, 2015). A 2010 MetLife Mature Market Institute study quantifies the opportunity cost for adult children caring for their elderly parents. For women, who are more likely to provide basic care, the total per-person amount of lost wages due to leaving the labor force early and/or reducing hours of work because of caregiving responsibilities was on average \$142,693 over the care period. The estimated impact of caregiving in lost Social Security benefits was

“While families of all income levels may choose to care for family members themselves, many caregivers are forced into the role because they cannot afford to hire outside care.”

\$131,351, and a very conservative estimate for reduced pensions was approximately \$50,000. In total, nationally, the cost impact of caregiving on an individual female caregiver in terms of lost wages and retirement benefits was \$324,044 (MetLife Mature Market Institute, 2010).

- Caregiving can lead to direct financial strain. A recent AARP report found that family caregivers of all ages spent an average of \$6,954 each in out-of-pocket caregiving costs in 2016. Nationally, 18 percent of caregivers report experiencing extreme financial strain as a result of providing care (4 or 5 on a 5-point scale), and another 20 percent report moderate financial strain (Rainville, Skufca, & Mehegan, 2016).
- Caregiving also puts a mental and physical strain on the caregiver. About 19 percent of caregivers report a high level of physical strain resulting from caregiving, and 38 percent consider their caregiving situation to be emotionally stressful (AARP Public Policy Institute, 2015).

Broader Consequences for Unaffordable Health Care in Hawai‘i

Some families in Hawai‘i are ALICE because they have extensive health care needs; others face deteriorating health because they lack the time and money for adequate care. In both cases, there are increased costs to society due to increased public health care use, lost productivity, and higher rates of poverty. When regular in-office care is hard to access, families often turn to the ER, where the cost of treatment increases significantly for them or, if they cannot pay, for the state. The wider community feels the consequences of increased ER use in increases in health insurance premiums, charity care, Medicare, and hospital community assistance (Bureau of Labor Statistics (BLS), 2010; Kaiser Family Foundation, 2014).

Without regular preventative care and coverage, people are more likely to develop chronic health conditions. Preventable chronic diseases now account for 86 percent of U.S. health care costs and affect 50 percent of Americans (Centers for Disease Control and Prevention, 2015; Ward, Schiller, & Goodman, 2014).

Untreated mental health and substance abuse issues shift problems to other areas: They increase ER costs, increase acute care costs, and add to caseloads in the criminal justice, juvenile justice, and corrections systems, as well as increasing costs to assist the homeless and the unemployed. It should be noted that nationally, each \$1 spent on substance abuse treatment saves \$7 in future health care spending (Glover, Miller, & Sadowski, 2012; National Coalition of the Homeless, 2017). When employees have untreated or improperly treated mental illness, their companies feel the cost in decreased productivity. A NAMI study estimated that the annual cost to employers for mental-health absenteeism ranged from \$10,000 for small organizations to over \$3 million for large organizations (NAMI-New York City Metro, The Parity Project, 2003; Harvard Medical School, 2010).

The implications of the lack of dental health care are often overlooked, but a growing body of scientific evidence has linked poor oral health to missed workdays and increasing public and private expenditures for dental care. There are even wider consequences for children because poor oral health impacts their ability to learn, school attendance, and longer-term health outcomes (Bureau of Dental Health, 2006; Pew Charitable Trusts, 2013).

“Without regular preventative care and coverage, people are more likely to develop chronic health conditions. Preventable chronic diseases now account for 86 percent of U.S. health care costs and affect 50 percent of Americans.”

“Poor health is a common reason why many households face a reduction in income and become ALICE households in the first place, and without sufficient income, it is even harder to stay healthy or improve health.”

While family caregiving offers substantial health care cost savings to families and public and private insurers, since it is much less expensive than hospital care or a nursing home, there are significant costs for U.S. employers. Family caregiving for the elderly costs employers approximately \$13.4 billion in excess health care spending each year for employees who are also caregivers, due to the toll that caregiving takes on their own health (MetLife Mature Market Institute, 2010). In addition, an analysis of the Gallup Well-Being survey found that the lost productivity due to absenteeism among full- and part-time caregivers cost the U.S. economy more than \$28 billion in 2010 (Witters, 2011).

Future Trends

The trend for low-income households to have poorer overall health than higher-income households will increase as health care and healthy food costs rise and the Hawai'i population ages. Poor health is a common reason why many households face a reduction in income and become ALICE households in the first place, and without sufficient income, it is even harder to stay healthy or improve health. Low-income households are more likely to be obese and have poor health status, both long-term drivers that will increase health care needs and costs in the future.

The situation may be reversed, or at least slowed, by the ACA, though its impact is not yet clear. Even before the rollout of the ACA, research from the Harvard School of Public Health showed that health insurance coverage not only makes a difference in health outcomes but also decreases financial strain (Baicker & Finkelstein, 2011). Expanded health insurance coverage and more efficient health care delivery would improve conditions for all households below the ALICE Threshold.

Affording Health Care

While Hawai'i's Medicaid Expansion has provided health insurance to more low-income families, there is still a group for whom health insurance is unaffordable. These households fall into the “Coverage Gap” that exists between the Medicaid eligibility threshold and the minimum income required to receive an ACA premium subsidy.

For workers earning above the FPL but not earning enough to meet all of their basic needs, the ACA plans may not be economical, especially when incorporating the plans' high deductibles. Initial research on the first wave of ACA enrollment shows that there is a lower rate of participation by low- and moderate-income families (those with income between 138 percent and 400 percent of the FPL), and a higher rate of taxpayers opting to pay the penalty for remaining uninsured instead – 5 percent of taxpayers instead of the 2 to 4 percent estimated (ADP Research Institute, 2014; Viebeck, 2015; Koskinen, 2015).

A Hawai'i example is illuminating. According to the Kaiser Family Foundation Subsidy Calculator, a married couple with two children living in Honolulu with an annual income of approximately \$72,000 (the cost of the Household Survival Budget) would pay a monthly premium of \$549 for the Silver Plan (after taking into account \$338 in monthly subsidies). This looks much better than the \$635 budgeted in the Household Survival Budget for the family's health care costs without health insurance. However, the out-of-pocket expenses for the Silver Plan, including co-pays and deductible, could total at least \$14,300 per year, increasing the monthly cost of the Silver Plan to

\$1,299. The cost of the ACA Bronze Plan with subsidies would be \$114, but the co-pays and deductible would still apply and fewer items are covered, so out-of-pocket costs would be higher (Kaiser Family Foundation, 2015). These families will need to make difficult decisions about their health care.

The future of the ACA is not clear; many alternatives to the legislation are being considered. If subsidies are eliminated, low-income families will be forced to pay a larger percentage of their income towards health insurance, or forgo it altogether. Hawai'i would be hit particularly hard: Eighty percent of those in the Marketplace receive subsidies or tax credits. And because low-income families already have trouble accumulating savings for an emergency, health savings accounts will be beyond their reach. If future health insurance is encouraged through consumer tax credits, cuts to Medicaid coverage, and incentives to put money into health savings accounts, low-income families will have more trouble meeting their health care needs (Kodjak, 2017; Kaiser Family Foundation, 2013; Health Insurance Resource Center, 2016; Benefits.gov, 2017).

The Physician Shortage

Finding doctors to treat low-income families may be even more difficult in the coming years. According to the Kaiser Family Foundation, there are 26 Primary Care Health Professional Shortage Areas (HPSA) in Hawai'i, with 52 percent of need being met. This is worse than the national rate of 57 percent of need being met for HPSAs across the country in 2016. In addition, there are approximately 19 Dental Care HPSAs in Hawai'i with only 34 percent of need being met, and 27 Mental Health HPSAs, with 54 percent of need being met (Kaiser Family Foundation, 2016; Kaiser Family Foundation, 2016).

The availability of primary care is especially important for prevention and cost-effective treatment. People without a usual source of care, particularly the uninsured and Medicaid enrollees, are more likely to rely on ERs for care (Liaw, Petterson, Rabin, & Bazemore, 2014). The lack of primary care not only reduces the quality of health in the short term, but it contributes to more complicated health issues and increased costs over the long term.

Going forward, there will be increased demand for health care from a population that is aging. Just to maintain current rates of utilization, Hawai'i will need an additional 318 primary care physicians (PCPs) by 2030, a 27 percent increase compared to the state's 1,136-PCP workforce as of 2010 (Petterson, Cai, Moore, & Bazemore, 2013).

Access to Care

Insurance coverage does not guarantee access to health care in Hawai'i.

Over time, more doctors are likely to stop accepting Medicaid patients because reimbursement rates are expected to decline and payment rates are slow. A regional health system survey found that the most frequently cited reason for not seeking medical care was a lack of providers accepting new Medicaid and Medicare patients (Olove, 2015; Decker, 2013).

"If future health insurance is encouraged through consumer tax credits, cuts to Medicaid coverage, and incentives to put money into health savings accounts, low-income families will have more trouble meeting their health care needs."

Lack of transportation is also a barrier to health care. In addition to affording care, ALICE and poverty-level households in Hawai'i have difficulty accessing health care because of problems securing reliable transportation to medical care visits. This problem is likely to persist without better transportation options for seniors and those who need medical treatment (National Patient Advocate Foundation, 2016).

The lack of access to mental health services will also impact ALICE families into the future. Poor mental health outcomes are associated with an array of poor physical health outcomes, including increased occurrence of diabetes, asthma, and cardiovascular disease. In addition, growing up in a household with someone with depression or other mental health problems is considered an adverse childhood experience (ACE). For this reason, unaddressed mental illness can perpetuate a cyclical pattern of dysfunction in families, often for generations (Substance Abuse and Mental Health Services Administration (SAMHSA), 2015).

Accessing and affording health care in Hawai'i is most difficult for undocumented immigrants, who are not covered by the ACA. This group is likely to remain uninsured and will continue to struggle to find and afford health care (Lloyd, Cantor, Gaboda, & Guarnaccia, 2011; DeNavas-Walt, Proctor, & Smith, 2013).

Caregiving

Demand for caregivers is increasing, as seniors age and as the U.S. health care system increasingly relies on family members or other caregivers to perform medical and nursing tasks that were once provided only in hospitals. At the same time, the number of caregivers available is decreasing due to a variety of trends including more women in the workforce, fewer children and delayed childbearing, and an increase in divorce rates. Traditional caregivers – spouses and children – have competing demands that make it harder for them to provide care. Without caregivers, many seniors in poor health will not receive adequate care, which will lead to deterioration of their health status and a reduction in their quality of life (AARP Public Policy Institute, 2015; Scommegna, 2016; Reinhard, Levine, & Samis, 2012).

“While headlines often feature low-income households receiving government assistance, the analysis of the Household Survival Budget makes clear that ALICE households contribute to the economy by working, buying goods and services, and paying taxes.”

TAXES

While headlines often feature low-income households receiving government assistance, the analysis of the Household Survival Budget makes clear that ALICE households contribute to the economy by working, buying goods and services, and paying taxes. There is some tax relief for seniors and the lowest-income earners, but most ALICE households pay about 15 percent of their income in federal taxes. Only very low-income households – those earning less than \$20,000 per year for a couple or \$10,000 per year for a single individual (below the FPL) – are not required to file a tax return (Internal Revenue Service, 2015). However, when households cannot afford to pay their taxes, they increase the cost to those who do. They also incur the risk of being audited and paying fines and interest in addition to the original amount due.

ALICE households pay income, property, and wage taxes. While federal tax credits have made a difference for many ALICE households, they do not match the size of those received by higher-income households, such as the mortgage tax deduction. Taxes paid after federal deductions result in the lowest income quintile paying almost 12 percent in income tax while the highest income quintile pays less than 8 percent, according to the

Institute on Taxation and Economic Policy. In terms of payroll taxes, on average, the lowest income group pays more than 8 percent of their income while those in the highest income quintile pay less than 6 percent of theirs. The lowest income group on average also pays almost 8 percent of their income in state sales and excise taxes, while those in the highest income quintile pay less than 3 percent (Marr & Huang, 2012; Institute on Taxation and Economic Policy (ITEP), 2015).

Seek Tax Credits

The Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC) are important ways to reduce poverty, primarily for families with children. The credits encourage work, with little or no effect on the number of hours worked, and they supplement the wages of low-paid workers. For taxpayers eligible for the EITC who have no qualifying children, the credit does little to offset income and payroll taxes. However, among taxpayers (married or single) with qualifying children, there is often a reduction in poverty rates due to the EITC and CTC. For taxpayers with the lowest income, the two credits together more than offset income and payroll taxes to raise living standards (Marr, Huang, Sherman, & Debot, 2015; Hungerford & Thiess, 2013). Overall, the median adjusted gross income of EITC filers in Hawai'i is below the FPL, so the tax credits for which they are eligible are helpful, but are not enough to move them to financial stability (Brookings, 2015). Some households miss out on tax savings completely because of the logistics of filling out tax forms and submitting the required documentation.

Broader Consequences for Taxes in Hawai'i

When ALICE workers cannot pay their taxes, not only do they face penalties, fees, and the hassle of collection agencies and more paperwork, but the wider community must cover that gap. According to the Government Accountability Office (GAO), at the end of fiscal year 2011, individuals owed a total of \$258 billion in federal unpaid tax debts (U.S. Government Accountability Office (U.S. GAO), 2012). When this happens, the rest of the community must pay more to cover the shortfall and the cost of collection efforts.

Future Trends

Besides the cost of household basics and the level of current wages, the tax code is another factor in questions of economic inequality. According to the Federal Reserve, federal taxes compress income distribution and reduce income inequality while state taxes widen the after-tax income distribution. According to the Institute on Taxation and Economic Policy's Tax Inequality Index, Hawai'i has the 15th most unfair state and local tax system in the country (Institute on Taxation and Economic Policy (ITEP), 2015). Reductions in tax rates – for income tax, sales tax, and payroll taxes – could increase the income families have to afford the basic Household Survival Budget. In addition, changes in the tax structure could reduce inequality between income groups.

With the rise of the “gig” economy, there are more opportunities than ever before to earn income “off the books,” sometimes without paying income taxes. More than 2.5 million U.S. taxpayers are participating in the on-demand platform economy every year (with apps such as Uber, Etsy, and Airbnb), and that number is set to more than double in the next few years. As family budgets get tighter, there will also be pressure to cut corners where possible. A tax code and enforcement system not designed to capture these tax liabilities will make it easier for workers to avoid taxes in the future (Bruckner, 2016).

“More than 2.5 million U.S. taxpayers are participating in the on-demand platform economy every year (with apps such as Uber, Etsy, and Airbnb), and that number is set to more than double in the next few years.”

INCOME AND SAVINGS

As discussed throughout this Report, there are many consequences when ALICE families do not have enough income to afford basic household necessities. A common but often overlooked consequence – both for these households and for their wider communities – can be extreme levels of stress.

Concerns about money have been the number-one source of stress for Americans for the last six years, according to an annual survey by the American Psychological Association (APA). While stress in general is felt by Americans across the income spectrum, stress about money follows a different pattern; adults in lower-income households are twice as likely as those in higher-income households to say they feel stress about money all or most of the time (36 percent vs. 18 percent). The difference in overall stress levels based on income also increased during and after the Great Recession: In 2007, average reported stress levels were the same regardless of income, but by 2014, those living in lower-income households reported higher overall stress levels than those living in higher-income households (5.2 vs. 4.7 on a 10-point scale) (American Psychological Association, 2015).

There are several sources of stress for low-income households. The most common sources in the APA survey were paying for unexpected expenses (54 percent said very or somewhat significant), paying for essentials (44 percent), and saving for retirement (44 percent) (American Psychological Association, 2015). Others are more subtle – such as forms of bias that flow from the everyday social experience of being poor in America – but they nevertheless function as a constant and potent source of stress. Whether discrimination is driven by income, gender, skin color, or other factors, the health impacts and cognitive consequences of persistent bias can be devastating (Daminger, Hayes, Barrows, & Wright, 2015).

An extensive body of research confirms that the multiple stresses that accompany poverty can overload the brain systems involved in decision-making, with severe consequences (Center on the Developing Child at Harvard University, March 2016; Mani, Mullainathan, Shafir, & Zhao, 2013; Mullainathan & Shafir, 2009; McEwen & Gianaros, 2011; Daminger, Hayes, Barrows, & Wright, 2015). Working in low-wage, high stress jobs (such as demanding service positions), especially those with low levels of autonomy and high emotional demands, can lead to decreased functioning on and off the job, reducing parents' ability to provide for their children or plan for their own future. These workers are more likely to have poorer performance, higher turnover, and a greater likelihood of negative or aggressive responses while on the job.

Some people experiencing stress attempt to self-medicate with drugs or alcohol. Addiction can be the cause of a family becoming ALICE, but it can also be a consequence (Center on the Developing Child, 2016). The stresses that accompany poverty are most often overlapping and compounding, so ALICE individuals and families are likely to experience more intractable stress levels than individuals and families with higher incomes.

“While stress in general is felt by Americans across the income spectrum, stress about money follows a different pattern; adults in lower-income households are twice as likely as those in higher-income households to say they feel stress about money all or most of the time.”

Broader Consequences for Income and Savings in Hawai'i

When Hawai'i's ALICE workers and their families struggle to afford a basic household budget, there are consequences for the whole community, as outlined above. From another perspective, ALICE individuals who are struggling to make ends meet are often less productive workers. They are more likely to be tired or stressed on the job, late to work, or absent. With fewer dollars in savings to weather an emergency, they are disproportionately impacted by crises and less able to return to work quickly. Together, these factors put a strain on fellow workers and drain company resources. In addition, unemployed workers add costs to government programs, from unemployment benefits to all the social services necessary to support a family, as outlined in the ALICE Income Assessment in Section IV. These expenses increase taxes for all.

Without asset-building stakeholders, Hawai'i's communities may experience instability and a decline in economic growth. When ALICE families do not have savings, they do not have the resources to resolve an emergency and are often forced to seek public assistance, which puts them in a more vulnerable position than if they had had the means to address the issue immediately. The community as a whole not only shares the cost of emergency services, but also feels the broader social and economic disruption that such emergencies cause.

Future Trends

While prospects for jobs and income in Hawai'i (discussed further in the Conclusion) are crucial to knowing what the future will hold for ALICE families, the long-term effects of a lack of savings may have just as great an effect on the state in the coming years.

Prospects for public assistance for ALICE families are moderate. With many government benefits now linked to work and many jobs increasingly subject to changes in hours due to seasonal or economic activity, ALICE workers are often in a precarious position. An unexpected reduction in hours means a loss of pay, and it can mean the loss of employer or government benefits that are tied to work hours, including paid and unpaid time off, health insurance, unemployment insurance, public assistance, and work supports. In fact, low-wage workers are 2.5 times more likely to be out of work than other workers, but only half as likely to receive unemployment insurance (Garfield, Damico, Stephens, & Rouhani, 2015; Watson, Frohlich, & Johnston, 2014; U.S. Government Accountability Office (U.S. GAO), 2007).

In Hawai'i and nationally, benefits programs have retrenched since the phasing out of the American Recovery and Reinvestment Act. Extended federal unemployment benefits were shut off in April 2012, and emergency unemployment compensation shut off at the end of 2013. The notable exception is the expansion of health insurance coverage with the rollout of the ACA, though its future is still uncertain. In some cases, nonprofits have worked to fill these benefit gaps, most notably with food pantries expanding as SNAP benefits have fallen.

“When ALICE families do not have savings, they do not have the resources to resolve an emergency and are often forced to seek public assistance, which puts them in a more vulnerable position than if they had had the means to address the issue immediately.”

“Those who lost their jobs or moved into lower-paying jobs during the Great Recession have used their savings to get by, and with lower wages, many have not been able to replenish those savings.”

The lack of savings may not be noticed from day to day, but it takes its toll over time – when there are no resources for an emergency and a family can spiral into homelessness, when a family cannot send their child to college, or when seniors cannot retire. Those who lost their jobs or moved into lower-paying jobs during the Great Recession have used their savings to get by, and with lower wages, many have not been able to replenish those savings. This lack of resources to invest is one of the strongest drivers of financial inequality in the U.S. Because low-income households have few assets to begin with – and the assets they have are more likely to be either liquid assets, which are consumed by emergencies, or cars, which do not gain in value over time – it is extremely difficult for ALICE families to improve their asset base.

Lack of savings has consequences both for short-term financial stability and for longer-term economic mobility. According to The Pew Charitable Trusts Economic Mobility Project, even for low-income families, the children of parents who save are more likely to experience upward mobility than the children of those who do not (Cramer, O’Brien, Cooper, & Luengo-Prado, 2009).

CONCLUSION

This Report on **Asset Limited, Income Constrained, Employed (ALICE)** households across Hawai'i offers a new set of tools that policymakers and stakeholders at both the state and county levels can use to understand financial hardship. The Report explains how much it costs to live at the most basic level in the local economy, using the **Household Survival Budget**. In addition, the Report reveals that a full 48 percent of households in Hawai'i cannot function at that most basic level because they earn below the **ALICE Threshold** for economic survival.

In order to address the state's economic challenges, it is important to recognize that ALICE families are forced to take risks in order to get by, such as forgoing health insurance, car repairs, or a meal – risks that affect not only the families involved, but also the wider community.

ALICE households range from young families with children to senior citizens. They face a range of challenges: low-wage jobs located far from their homes (with the attendant rise in commuting costs); financial barriers that limit access to low-cost community banking services; and having few or no assets to cushion the cost of an unexpected health emergency or caregiving need. Some households become ALICE after an emergency, while others have been struggling near the poverty line since the Great Recession. Effective policy solutions will need to reflect this reality.

While ALICE families differ in their composition, obstacles, and magnitude of need, there are three broad trends that will influence who becomes ALICE in Hawai'i and what the implications will be for the wider community:

- 1. Population changes** – aging and migration
- 2. Racial/ethnic diversity** – economic disparities
- 3. Jobs** – unemployment and underemployment, employment practices, technology, and trends and changes in the number and types of jobs that are available

What will it take to make a difference for ALICE families and expand the options they have? With analysis at the county level, Hawai'i stakeholders can better identify where housing is affordable relative to local wages, where there are job opportunities, where there are strong community resources for ALICE households – and where there are gaps.

As the **ALICE Income Assessment** documents, despite aggregate ALICE household earnings of more than \$6.9 billion and another \$3.6 billion in spending by government, nonprofits, and health care, there are still 212,079 households in Hawai'i that struggle financially.

Without public assistance, ALICE households would face even greater hardship, and many more would slide into poverty. Because they struggle to satisfy their basic needs, it is almost impossible for them to gain enough traction to improve their overall circumstances. And so far, government assistance does little to address this predicament. Most programs aim to alleviate poverty and help the poor obtain basic housing, food, clothing, health care, and education—not to enable long-term economic stability. This is clearest in Social Security spending: Most senior households have incomes that are above the Federal Poverty Level

“In order to address the state’s economic challenges, it is important to recognize that ALICE families are forced to take risks in order to get by, such as forgoing health insurance, car repairs, or a meal – risks that affect not only the families involved, but also the wider community.”

“Hawai‘i is the 19th fastest-growing state in the U.S.; the population is expected to grow overall by 16 percent from 2000 to 2030.”

(FPL) but often still below the ALICE Threshold for economic survival (Haskins, 2011; Shaefer & Edin, 2013).

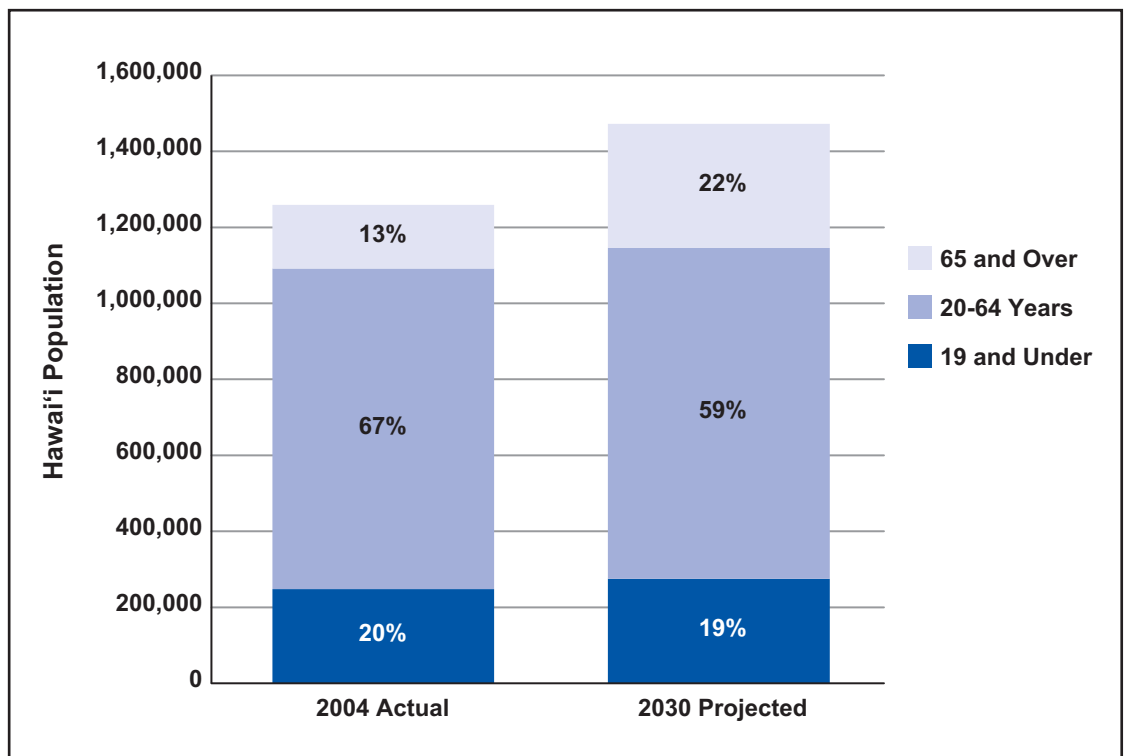
Economic insecurity is defining for ALICE households. Quantifying the problem can help stakeholders best decide whether to fill that gap by working to increase income for ALICE households, decrease expenses for basic household necessities, or both.

This section also reviews the short-term interventions that can help sustain Hawai‘i’s ALICE households through an emergency, as well as medium-term strategies that can ease the consequences and hardship of those struggling to achieve economic stability. Finally, this section considers the long-term, large-scale economic and social changes that would significantly reduce the number of households with income below the ALICE Threshold.

POPULATION CHANGES

Hawai‘i is the 19th fastest-growing state in the U.S.; the population is expected to grow overall by 16 percent from 2000 to 2030 (Figure 41). While there will be increases in all age groups, the number of seniors will grow far faster than the number of younger and middle-aged residents of Hawai‘i. The number of those 19 and under will increase by 11 percent and those 20 to 64 years old will increase by only 3 percent, while the number of people 65 and older will grow by 95 percent. As a result, as a share of the population, those 19 and under will fall from 20 percent of the population in 2004 to 19 percent in 2030, and those 20 to 64 years old will fall from 67 percent to 59 percent. At the same time, the percent of population who are seniors will increase from 13 percent to 22 percent (Centers for Disease Control and Prevention (CDC), 2017).

Figure 41.
Population Growth, Hawai‘i, 2004 to 2030



Source: U.S. Census, 2005

Population growth in Hawai'i will vary across counties with the slowest rate of 0.5 percent annually in the City and County of Honolulu, while Hawai'i County is projected to grow at about 1.7 percent annually, Maui County at 1.2 percent, and Kaua'i County at 1.0 percent (State of Hawai'i Executive Office on Aging, 2011; Yahirun and Zan, 2016).

Hawai'i's population will continue to become both older and more diverse. The aging of the Baby Boomers has wide implications, including a smaller proportion of younger families and a decrease in the working-age population.

Hawai'i's low unemployment rate and growing economy will provide ongoing opportunities for both interstate migration and international immigration to Hawai'i, but because there are still obstacles to economic stability for immigrants, they may be harder to attract. There is more domestic migration than international immigration to the state, though the foreign-born population increased from 15 percent of the overall population in 1990 to 18 percent in 2015 (Migration Policy Institute, 2015).

An Aging Population

The composition of Hawai'i's aging population is as diverse as the overall state population but with a slightly different composition, and it varies by county. Across the state, the percentage of seniors who are Asian is 14 times the national average – 54 percent compared to 3 percent – with Japanese and Filipino ethnicities being the most common. The share of older adults who are Native Hawaiian or Other Pacific Islander is also higher than the national average, as is the share who identify as being of Two or More Races. A large percentage of Hawai'i seniors are foreign-born – 24 percent, nearly twice the national average of 13 percent. In Hawai'i, 28 percent of seniors speak a language other than English at home, and among those, 16 percent report that they do not speak English at all or do not speak English well. Breakdown by county shows that the city and county of Honolulu contain the lowest share of White seniors (20 percent); Hawai'i County has the highest, at 47 percent (Yahirun and Zan, 2016).

Overall, in 2015 Hawai'i ranked first in the U.S. on the well-being of its 55-and-older population, particularly with regard to a sense of purpose (liking what you do each day and being motivated to achieve your goals), community (liking where you live, feeling safe and having pride in your community), and physical well-being (having good health and enough energy to get things done daily), according to the Gallup-Healthways Well-Being Index. In addition, Baby Boomers in Hawai'i represent the healthiest and best-educated generation to retire (Gallup-Healthways Well-Being Index, 2015; State of Hawai'i Executive Office On Aging, 2011; Yahirun and Zan, 2016).

Even with these good conditions, there is concern for the financial stability of aging Baby Boomers as well as for the health of the wider economy as the population ages. Recent studies have shown that U.S. workers are woefully unprepared for retirement:

- 39 percent of non-retirees nationally give little or no thought to financial planning for retirement
- 31 percent have no retirement savings or pension
- 75 percent of Americans nearing retirement have less than \$30,000 in savings

“There is concern for the financial stability of aging Baby Boomers as well as for the health of the wider economy as the population ages. Recent studies have shown that U.S. workers are woefully unprepared for retirement.”

“The second consequence of Hawai‘i’s aging population will be increased demand for geriatric health services, including assisted living and nursing facilities and home health care. But without sufficient savings, many families will not be able to afford these services.”

In this landscape, the number of senior ALICE households will likely increase. During unemployment, many people draw down their retirement accounts to augment their household’s cash flow. However, this strategy comes with both short- and long-term costs. Penalties are charged for early withdrawals and retirement savings are diminished, putting future financial stability at risk. In addition, retirement plan participation has continued to decrease since the Great Recession for families in the bottom half of the income distribution. Participation rebounded slightly only for upper-middle-income families from 2010 to 2013, but it did not return to the levels seen in 2007 (Bricker, et al., 2014; Barnes, 2014; Saad-Lessler and Ghilarducci, 2012).

This shift in demographics, as well as the impact of the stock market crash, falling house prices, and periods of unemployment will likely produce more senior ALICE households and increase their economic challenges. Many aging Hawai‘i residents have seen the value of their homes decline and their retirement assets dwindle at the same time that their wages – and ability to save – have also decreased. The rate of homeownership for seniors is 78 percent, lower than the national average of 81 percent. A recent AARP report on working-age adults (18 to 64 years old) found that half of Hawai‘i’s private sector employees work for an employer that does not offer a retirement plan; more than 80 percent of these employees earn less than \$40,000 per year (Federal Reserve, 2015; Yahirun and Zan, 2016).

More of the ALICE seniors will be women. Generally, women have worked less and earned less than men, and therefore have smaller or no pensions and lower Social Security retirement benefits. And since women generally outlive their male counterparts, they are more likely to be single and depend on one income as they get older. In Hawai‘i, 48 percent of senior women were married compared to 71 percent of senior men – close to the national rate of 46 percent of women and 73 percent of men (Waid, 2013; Bureau of Labor Statistics (BLS), 2015; Hounsell, 2008; U.S. Census Bureau, 2012; Yahirun and Zan, 2016).

Infrastructure

The aging population, combined with other trends, will have significant consequences for ALICE households and the wider community. First, there will be increased pressure on the state’s infrastructure, especially the housing market for smaller, affordable rental units. These units will need to be close to family, health care, and other services, or transportation options will need to be expanded for older adults who cannot drive, especially those in rural areas. Unless changes are made to Hawai‘i’s housing stock, the current shortage will increase, pushing up prices for low-cost units and making it harder for ALICE households of all ages to find and afford basic housing. In addition, homeowners trying to downsize may have difficulty realizing home values they had estimated in better times, which they had thought would support their retirement plans (U.S. Department of Transportation, 2015; State of Hawai‘i Executive Office On Aging, 2011; Kupuna Education Center, 2013).

Senior Living and Eldercare

The second consequence of Hawai‘i’s aging population will be increased demand for geriatric health services, including assisted living and nursing facilities and home health care. But without sufficient savings, many families will not be able to afford these services. The median annual cost of a private room in a nursing home in Hawai‘i is \$145,270, representing 263 percent of the median household income for seniors in the state, according to the AARP Scorecard on Long-Term Services and Supports. In terms of other aspects of access to long-term care, Hawai‘i compares

well to the rest of the country, ranking sixth on a national index that includes information, awareness, counseling, and quality (Reinhard, et al., 2014).

The need for quality elder caregiving is already apparent. In 2014, Hawai'i's Adult Protective and Community Services Branch reported more than 800 cases of elder abuse – a term that applies to people over 60 years of age and includes treatment without consent, physical and sexual abuse, emotional abuse, neglect, and financial exploitation. Given the extent of suspected underreporting, estimates of total incidents in the state range between 10,000 and 24,000 per year, and an increasing volume of research suggests that about 10 percent of elders experience abuse over the course of their lives. Nationally, the reported incidence of abuse is increasing, even though seniors are often reluctant or unable to come forward (Quinn & Benson, Fall 2012; Anetzberger, October 2012; Lifespan of Greater Rochester et al., 2011; Galiher DeRobertis & Waxman LLP, 2014).

In terms of health services, older adults frequently don't receive recommended preventative care. In 2015, 15 percent of Hawai'i's at-risk adults (who are age 50 or older, in fair or poor health, or have ever been told they have diabetes or pre-diabetes, acute myocardial infarction, heart disease, stroke, or asthma) had not visited a doctor for a routine checkup in the past two years, slightly better than the national average of 13 percent (McCarthy, Radley, & Hayes, 2015).

Aside from the predictable decline in physical health, seniors in Hawai'i can be susceptible to mental health issues, but less so than many other areas of the country. According to the 2011 Behavioral Risk Factor Surveillance System (BRFSS) survey, in Hawai'i, 11 percent of 50- to 64-year-olds and only 4 percent of those 65 and older report mental distress, lower than the national averages of 13 percent of 50- to 64-year-olds and 7 percent of those 65 and older. These seniors are also more likely to report poor or fair physical health (Substance Abuse and Mental Health Services Administration in partnership with the U.S. Administration on Aging, 2012).

Caregiving

The third trend as Hawai'i's population ages will be an increasing need for caregivers, both paid home health aides and unpaid family members, and both are more likely to be ALICE. Nursing assistants are in the top 25 growth jobs in Hawai'i, followed by personal care aides and home health aides. These jobs involve substantial responsibility for the health of vulnerable clients, yet they pay only about \$13 to \$14 per hour and are not well regulated. They also require the worker to be there in person, which can mean travelling great distances even in bad weather and with variable hours (O'Keefe and Wiener, 2011; Bercovitz, Moss, Park-Lee, Jones, & Harris-Kojetin, 2011; Redfoot, Feinberg, & Houser, 2013; Hardway, et al., 2011).

Hawai'i has one of the lowest rates of professional caregivers per senior. From 2010 to 2012, there were only 19 personal care, psychiatric, and home health aide direct care workers per 1,000 seniors – the second lowest rate in the country, and well below the national average of 40 per 1,000. Except for Honolulu, most of the Hawai'i is considered to be medically underserved and is designated a Health Professions Shortage Area by the U.S. Department of Health and Human Services (Reinhard, et al., 2014; Hardway, et al., 2011).

“The third trend as Hawai'i's population ages will be an increasing need for caregivers, both paid home health aides and unpaid family members, and both are more likely to be ALICE.”

“Hawai‘i is actually attracting large numbers of college students; some return home with their degrees, but many stay, work, and have children.”

ALICE families in Hawai‘i will likely take on more caregiving responsibilities for their own relatives, often because they cannot afford other care options. Currently, approximately 20 percent of U.S. households have a family caregiver, with half of those reporting income less than \$50,000, or close to the ALICE Threshold. The demand for caregivers is projected to rise across the country. At the same time, fewer family members are likely to be available to provide care because of the financial burdens that caregiving imposes. The Caregiver Support Ratio, which measures the number of people in Hawai‘i aged 45 to 64 for each person aged 80 and older, was 6.1 in 2010 and is projected to fall to 2.0 by 2030 and 2.3 in 2050. This means that the overall pool of middle-aged people who could potentially serve as caregivers to Hawai‘i’s seniors is shrinking significantly (AARP Public Policy Institute, 2015; Redfoot, Feinberg, & Houser, 2013).

There are serious health and financial consequences for caregivers. In addition to the toll that caregiving takes on mental and physical health, caregivers also risk future financial instability because of both reduced work opportunities and lost Social Security benefits and reduced pensions. This reality is reflected in the high percentage of caregivers who report stress: A recent study found that in Hawai‘i, more than a quarter of caregivers (27 percent) reported high levels of stress, or were not well-rested – and this large percentage is actually the lowest rate in the country (Reinhard, et al., 2014).

The 5.5 million military caregivers in the United States are especially vulnerable. Military caregivers helping veterans from earlier eras tend to resemble civilian caregivers in many ways; by contrast, post-9/11 military caregivers (accounting for 20 percent of military caregivers) differ systematically, according to a RAND Corporation survey. These caregivers are more likely to be overseeing a younger individual with a mental health or substance use condition. The caregivers themselves tend to be younger (more than 40 percent are aged 18 to 30), non-White, also a veteran of military service, employed, and perhaps most significantly, not connected to a support network (Ramchand, et al., 2014).

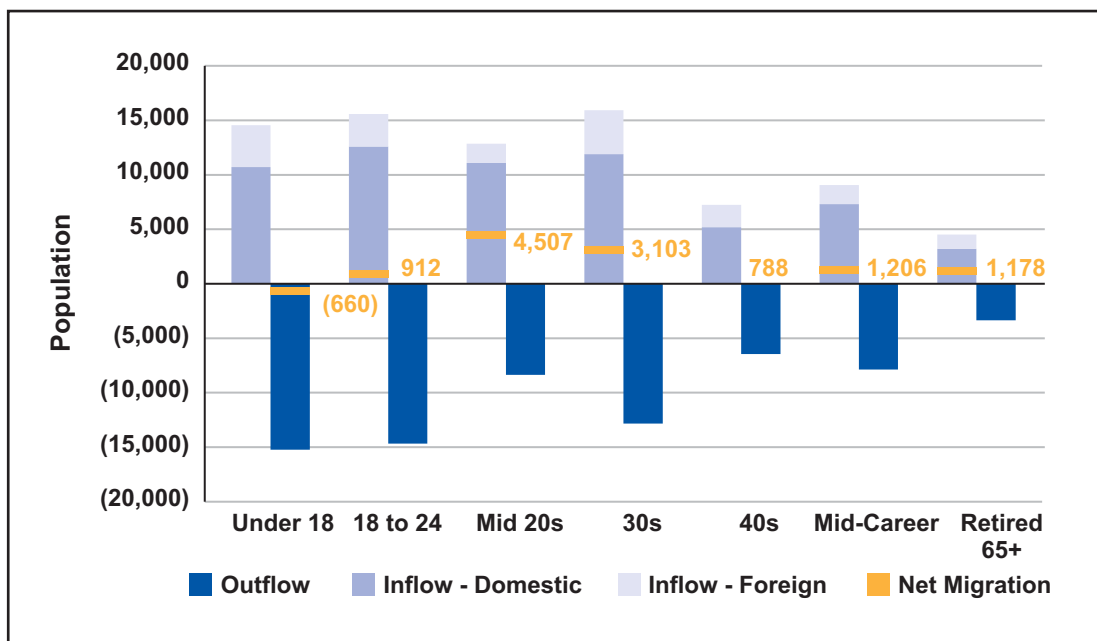
Migration

The perception of Hawai‘i is often as a state with a low immigration rate and small population growth, facing a brain drain and an outflow of income. However, the large flows of people coming into and out of the state, broken down by age group, tell a different story (Figure 42). Hawai‘i is actually attracting large numbers of college students; some return home with their degrees, but many stay, work, and have children. Some older residents of Hawai‘i leave their high-paying jobs there for jobs in other states, but most stay in Hawai‘i and retire. These population flows present both opportunities and challenges for ALICE families.

In 2015, the largest movement of people in Hawai‘i was among those aged 18 to 24 years old. That year, 15,583 people aged 18 to 24 moved to Hawai‘i, 19 percent of them from outside the U.S. (light blue portion of the inflow bar in Figure 42). Another 14,671 people in this age group left the state. Only 13 percent of Hawai‘i’s migrants were college students, while almost a quarter of those leaving (24 percent) were high-school graduates going to college in other states (National Center for Education Statistics, 2014; American Community Survey, 2014; Stone, 2015).

When unemployment rates are low, a large college-age population is a potential engine for a state's future economic growth. The challenge for Hawai'i is to provide its young residents with ample job opportunities and affordable places to live. Students who take out loans, especially those who do not graduate or find gainful employment, are at risk of becoming ALICE. In Hawai'i, the average loan default rate was 10.8 percent for student borrowers who entered repayment in 2012 and defaulted between 2012 and 2014. This is slightly below the national default rate of 11.8 percent (Project on Student Debt, 2015 and 2015a).

Figure 42.
Population Inflows and Outflows, Hawai'i, 2015



Source: American Community Survey, 2015

The next largest movement of people was among those aged 1 to 17 years. In 2015, more than 14,567 children and teens moved to Hawai'i, one-quarter of them from outside the U.S. Most of these minors came with their families, reflecting inflows of people in their 20s, 30s, and 40s. At the same time, almost the same number of youth left Hawai'i, reflecting the outflow of those in their 20s and especially their 30s as well (American Community Survey, 2015).

International migration is playing an increasing role in Hawai'i's racial and ethnic composition. The light blue portions of the inflow bars in Figure 42 represent the number of people moving to Hawai'i from outside the U.S. The share of foreign-born people coming into the state varies with age, ranging from 14 percent of those in their 20s to more than a quarter of 30- and 40-year-olds and seniors (American Community Survey, 2007, 2010, 2012, and 2015).

Of the foreign-born population in Hawai'i, most come from Asia. The country where by far the largest number were born is the Philippines (47 percent), followed by China (11 percent), Japan (9 percent), and Korea (7 percent). In addition, there is a sizable population from Oceania, primarily Samoa (7 percent) (Migration Policy Institute, 2014).

“When unemployment rates are low, a large college-age population is a potential engine for a state’s future economic growth. The challenge for Hawai’i is to provide its young residents with ample job opportunities and affordable places to live.”

“As both employees and entrepreneurs, immigrants have been an important source of economic growth in Hawai‘i, making up 21 percent of the state’s workforce (150,209 workers) in 2013, according to the U.S. Census Bureau.”

Immigrants vary widely in language, education, age, and skills. Many are well educated and financially successful in the U.S. However, many other immigrant families have distinct challenges that make them more likely to be unemployed or in struggling ALICE households, including low levels of education, minimal English proficiency, and lack of access to support services if they have unauthorized citizenship status (Gonzalez-Barrera, Lopez, Passel, & Taylor, 2013).

As both employees and entrepreneurs, immigrants have been an important source of economic growth in Hawai‘i, making up 21 percent of the state’s workforce (150,209 workers) in 2013, according to the U.S. Census Bureau. The state’s 56,872 Asian-owned businesses had sales and receipts of \$18 billion and employed 111,924 people in 2007 (the latest data available), according to the U.S. Census Bureau’s Survey of Business Owners (American Immigration Council, 2015).

Undocumented workers are also important to Hawai‘i’s communities, economy, and tax base. In 2012, undocumented immigrants paid \$31 million in sales, income, and property taxes in Hawai‘i, according to the Institute for Taxation and Economic Policy. Moreover, if all unauthorized immigrants were removed from the state, Hawai‘i would lose \$6 billion in economic activity, \$2 billion in gross state product, and more than 24,000 jobs. Unauthorized workers are often underpaid and are among the most vulnerable to living in ALICE and poverty-level households. According to the U.S. Chamber of Commerce, removing undocumented workers would not lead to the same number of job openings for unemployed Americans for two reasons: First, it would remove millions of entrepreneurs, consumers, and taxpayers from the U.S. economy; and second, undocumented immigrants and native-born workers typically do not compete for the same jobs (Gardner, Johnson, & Wiehe, April 2015; Perryman Group, 2008; U.S. Chamber of Commerce, 2013).

While undocumented workers use community resources, they use far fewer resources than other residents because they are often not eligible for assistance. Because they often lack access to any government safety net, they can be more likely to need emergency services in a crisis. Job opportunities and wages need to be sufficient in order to continue to attract foreign-born workers to Hawai‘i and ensure that they remain financially stable (Pew Charitable Trusts, 2014; Pereira, et al., 2012).

RACIAL/ETHNIC DIVERSITY AND ECONOMIC DISPARITIES

Because Hawai‘i’s residents are of many races and ethnicities and are majority non-White, economic disparities occur slightly differently in Hawai‘i than in other states. This diversity is projected to increase with immigration and the state’s aging population. While attitudes about race in Hawai‘i are different than in many other states, disparities are still found in education, income, and wealth due to institutional practices that create different opportunities for Whites, Asians, Native Hawaiians, Hispanics, and even subgroups within these categories, with individual behavior playing only a minimal role. Structural impediments to equity exist in the legal system, health care, housing, education, and jobs. For these reasons, it is not surprising

that some demographic groups are disproportionately likely to have lower income and to be among households below the ALICE Threshold (Mishel, Bivens, Gould, & Shierholz, 2012; Shapiro, Meschede, and Osoro, 2013; Oliver and Shapiro, 2006; Cramer, 2012; Leadership Conference on Civil Rights, 2000; Agency for Healthcare Research and Quality, 2015; Goldrick-Rab, Kelchen, and Houle, 2014; Sum and Khatiwada, 2010).

Economic Disparities

While ALICE households consist of all races and ethnicities, Hawai'i's Black, Native Hawaiian, and Hispanic communities continue to face marked economic disparities. Many of these families will continue to struggle on a day-to-day basis to secure adequate food and access to quality health care (Lee, 2016; Agency for Healthcare Research and Quality, 2014). Over the longer term, these families will face ongoing obstacles to getting decent educations and good jobs, which in turn will undercut their ability to accumulate wealth (Povich, Roberts, & Mather, 2013-2014).

Education

As Section VI explained, one area of concern for some of Hawai'i's ALICE households is the achievement gap for high-need and lower-income students in Hawai'i's public schools. Across the state, those with limited English proficiency and those with disabilities perform lower on math and reading test scores throughout K-12 and have lower high school graduation rates, all of which makes them more likely to live in poverty or ALICE households as adults. In addition to structural issues of school funding and residential segregation that feed achievement gaps, current research shows that academic success is deeply tied to family resources, especially access to books, high-quality child care, and other goods and services that foster the stimulating environment necessary for cognitive development (Bradbury, Corak, Waldfogel, & Washbrook, 2015).

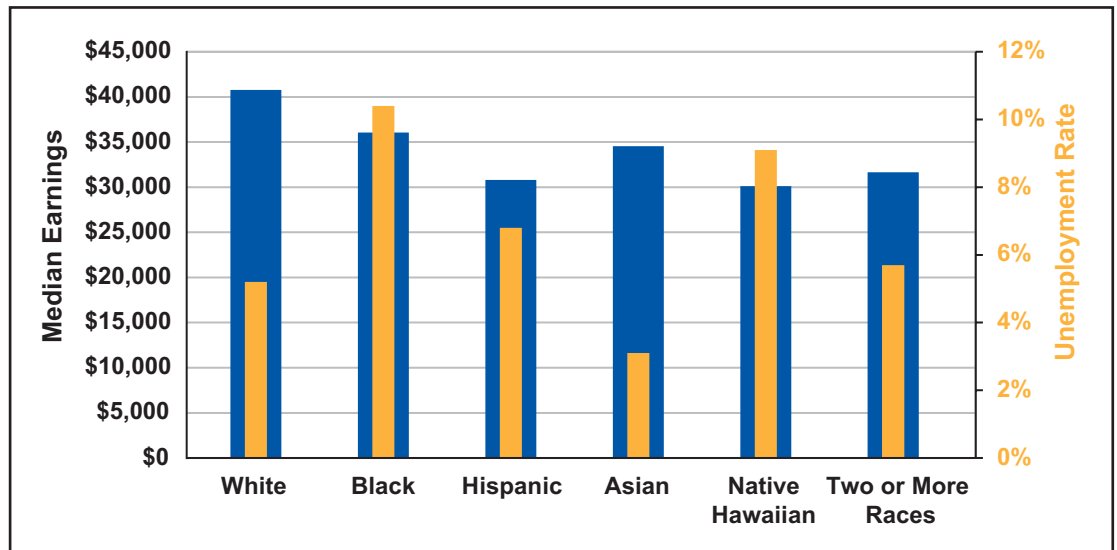
Employment and Earnings

Employment and wage differences among racial and ethnic groups are less pronounced in Hawai'i than in many other states. White workers have the highest median earnings and the second-lowest unemployment rate. Black workers, a small population in Hawai'i, have the second-highest median earnings but the highest unemployment rate. Asian workers, the largest population, have the third-highest median earnings and the lowest unemployment rate. Native Hawaiians have the lowest median earnings and the second highest unemployment rate. Hispanics and people of Two or More Races are also small populations and face lower median earnings and close to average unemployment (American Community Survey, 2007, 2010, 2012, and 2015) (Figure 43).

“While ALICE households consist of all races and ethnicities, Hawai'i's Black, Native Hawaiian, and Hispanic communities continue to face marked economic disparities.”

“Home ownership is the most common means of accumulating wealth, but in Hawai‘i, there is wide variation in homeownership by race and ethnicity.”

Figure 43.
Median Earnings and Unemployment by Race and Ethnicity, Hawai‘i, 2015



Source: American Community Survey, 2015

Assets

With less income, it follows that it is harder to save and build assets. Blacks, Native Hawaiians, and Hispanics face economic and racial barriers to wealth accumulation in Hawai‘i, including difficulty buying a home in a popular neighborhood, accessing quality financial services including a mortgage, and earning a college degree.

Home ownership is the most common means of accumulating wealth, but in Hawai‘i, there is wide variation in homeownership by race and ethnicity. Historically, Asians have had the highest rate of homeownership in Hawai‘i with 69 percent of Asian households owning a home in 2000, a much higher rate than that for Whites (49 percent), Native Hawaiians (47 percent), Hispanics (37 percent), or Blacks (16 percent). Within racial groups there are also variations by country of origin, particularly among Asians. Japanese residents of Hawai‘i had the highest home ownership rate during the 2006-2010 period at 75 percent, followed by Chinese (62 percent) and Filipino residents (61 percent); Samoans had the lowest home ownership at only 26 percent (American Community Survey, 2007, 2010, 2012, and 2015; U.S. Census Bureau, 2015; U.S. Census Bureau, 2011; State of Hawai‘i Department of Business, Economic Development and Tourism, 2012).

While state-level data is not available, national data provides a window into the way income disparities lead to greater wealth disparities. For example, nationally, less than half of all households have investment assets, but even among these types of assets, there are large differences by race and ethnicity. More than 44 percent of White and Asian families have a 401(k) savings plan, while 32 percent of Black families, 26 percent of Hispanic families, and 33 percent of all other races do. Similarly, one-third of White and Asian families have an individual retirement account (IRA), while less than 17 percent of Black, Hispanic, and families of other races do; and more than 22 percent of White and Asian families have stocks or mutual funds, while less than 9 percent of Black and Hispanic families of other races do (U.S. Census Bureau, 2013). With such a different base, Blacks and Hispanics nationwide (as well as Native Hawaiians and people of more than one race in Hawai‘i) are much less able to build assets for the future.

Ultimately, these issues of race, ethnicity, and financial stability are interrelated and will continue to be in the decades to come. According to the National Center for Children in Poverty, children under 18 years are more likely to live in poverty or in low-income families than the general population, and that fact is directly related to parental education and employment levels, racial and ethnic disparities, housing instability, and family structure (Jiang, Ekono, & Skinner, 2015). For this reason, trends including the predominance of low-wage jobs, a continuing lack of affordable housing, and the persistence of race-based economic disparities have serious implications for the next generation.

JOBS

Hawai'i's economy is primarily dependent upon four sectors for its Gross Domestic Product (GDP): trade, transportation and utilities; government; the leisure and hospitality industry; and financial activities. The primary structural changes in Hawai'i's economy came from a shift away from agriculture as an economic driver, rather than the manufacturing downsizing that occurred in many other states. Emerging industries include technology, creative fields, agribusiness, and health and wellness. But the Hawai'i Department of Labor and Industrial Relations projects that the largest short-term growth in jobs will be in the education and health services sector and in trade, transportation and utilities, followed by the leisure and hospitality and professional and business services sectors. Long-term growth is predicted to be in the construction industry (State of Hawai'i Department of Business, Economic Development & Tourism, 2011, 2016, and 2016a; Hawai'i Tourism Authority, 2016; Hawai'i Department of Labor and Industrial Relations, 2016).

For many small businesses in Hawai'i, there is a dual challenge when ALICE is both the employee and the customer. One example is child care. Hawai'i has 1,334 child care establishments – 1,102 sole proprietors (family child care home operators) and 232 child care centers. Child care workers are ALICE; there were 2,510 child care workers in Hawai'i in 2015, earning an average wage of \$9.07 per hour (\$18,140 annually if full-time). Increasing wages would help ALICE workers in these jobs. However, ALICE parents use child care so that they can work, but it is one of the most expensive items in ALICE's budget in Hawai'i, second only to housing. The conundrum is that if the wages of child care employees (who are ALICE) increase, those expenses are passed on to customers (who are also ALICE). These ALICE workers will earn more money, but child care will also become more expensive for them (Bureau of Labor Statistics, 2014; Committee for Economic Development, 2015).

Still, regardless of where they live or in what sector they work, ALICE households face many of the same hurdles. The most immediate challenge to financial stability for Hawai'i's ALICE households is employment – finding jobs with wages and numbers of hours that can support a basic household budget, as well as basic work protections such as employment security, paid sick days, and access to health care. Other important sources of income for some ALICE families are government benefit programs and, less commonly, income from investments.

“The most immediate challenge to financial stability for Hawai'i's ALICE households is employment – finding jobs with wages and numbers of hours that can support a basic household budget, as well as basic work protections such as employment security, paid sick days, and access to health care.”

“In the current economy, pressure for additional family income often spurs teens to drop out of school in order to work.”

Unemployment and Underemployment

Mirroring the national recovery from the Great Recession, Hawai‘i has seen an improvement in its unemployment rate over the last five years, down from 7.4 percent in 2009 to 3.7 percent in 2015. However, that does not include workers who are underemployed, such as those working less than a 40-hour week who want to be working more. While this number is also falling – from 16.9 percent in 2009 to 9.7 percent in 2015 – it reflects a larger gap in employment opportunities than is acknowledged in frequently-circulated statistics (Bureau of Labor Statistics (BLS), 2010; Bureau of Labor Statistics (BLS), 2014; Bureau of Labor Statistics (BLS), 2015). According to national statistics from the Federal Reserve, half of part-time workers and one-third of underemployed workers would prefer to work more hours (Federal Reserve, 2015).

For a small but significant number of people, long-term unemployment continues to be a problem. As former Federal Reserve Chairman Ben Bernanke explained, “Because of its negative effects on workers’ skills and attachment to the labor force, long-term unemployment may ultimately reduce the productive capacity of our economy” (Bernanke, 2012). Obviously, long spells of unemployment can also have disastrous financial consequences for low-income families.

In the current economy, pressure for additional family income often spurs teens to drop out of school in order to work. Hawai‘i has relatively strong high school graduation rates, but 19 percent of students still did not graduate on time in 2013. Graduation rates are lower for youth in households where insufficient income drives family members to drop out of school and find jobs. Unfortunately, there are also fewer job opportunities for young people in today’s economy as many part-time hourly jobs are now being taken by older workers who have lost their full-time jobs, especially in poorer areas. Across the U.S. in 2013, 16 percent of residents aged 18 to 24 were not enrolled in school, were not working, and had no degree beyond a high school diploma or GED; in Hawai‘i, that rate was 13 percent. Low graduation rates and high unemployment both contribute to higher rates of crime, teen pregnancy, and substance abuse (Annie E. Casey Foundation, 2013; Annie E. Casey Foundation, 2007 to 2012).

Employment Practices

In Hawai‘i, ALICE is most likely to work in industries and occupations that not only pay low wages but also have low levels of job security, no paid sick days or parental leave, and no access to health care (Schmitt, 2012; Schwartz, Wasser, Gillard, & Paarlberg, 2015; Watson & Swanberg, 2013). These industries in Hawai‘i include tourism, education and health services, and transportation. The much-noted technology, creative fields, agribusiness, and financial services industries provide higher-wage jobs, which contribute strongly to the state’s GDP, but offer fewer jobs overall, as discussed in Section III. Yet even within seemingly high-skilled industries, there is a substantial portion of workers who provide critical support services but do not receive high wages. For example, in the professional and business services industry nationally, 26 percent of jobs are administrative and support services (Bureau of Labor Statistics, 2013).

The employment practices in many of these low-wage jobs, especially part-time jobs, make it harder for workers to earn a minimal income or plan for the future. According to the BLS, nationally, only 19 percent of part-time workers in the private sector have medical benefits available, compared to 88 percent of full-time employees. Similarly, only 31 percent of part-time workers have access to paid sick leave, vacation, or holidays, compared to 80 percent

of full-time workers. This holds true regardless of the industry (Bureau of Labor Statistics (BLS), March, 2016).

Even within industries, employment practices can vary by employer. Within occupations, there is wide variation in wage level, job security, predictability of schedule, opportunities for advancement, and benefits. Employers who provide appropriately structured jobs make a difference for Hawai'i's ALICE households. Research shows that these employers make a particular difference for workers with a disability, who are often disadvantaged economically and thus more likely to be ALICE (Ton, 2012; Schur, L.; Kruse, D.; Blasi, J.; Blanck, P., 2009).

One of the greatest economic shifts over the last 50 years has been the increase in working mothers. In 1967, 27.5 percent of mothers were primary or co-breadwinners for their families. By 2012, nearly two-thirds (63.3 percent) brought home at least 25 percent of their families' incomes (Glynn, 2014). This shift has had a number of different repercussions for families. On the one hand, families have greater income or more diversified sources of income when there is more than one income earner. On the other, women still earn less than men and are more likely to work in low-wage jobs. These jobs typically have work scheduling policies and other practices that pose particular challenges for workers with significant responsibilities outside of their job, including caregiving, pursuing education and workforce training, or holding down a second job (Watson, Frohlich, & Johnston, 2014).

Ultimately, low wages also mean that ALICE households cannot afford to save, and the loss of a job means that any savings accumulated in better times are used to cover basic living expenses. ALICE families have both the greatest risk of job loss and the least access to resources to soften the blow. The Pew Charitable Trusts Economic Mobility Project found that families who experienced unemployment suffered not only lost income during their period of not working, but also longer-term wealth losses, compromising their economic security and mobility (Boguslaw, et al., 2013).

Ultimately, low wages also mean that ALICE households cannot afford to save, and the loss of a job means that any savings accumulated in better times are used to cover basic living expenses.”

Future Job Prospects in Hawai'i

Hawai'i's employment trajectory will depend on the growth of the state economy and the kinds of jobs it produces. The impact of technology replacing jobs will also be an important factor in the future; both low-wage and high-wage jobs will be replaced.

Total jobs in Hawai'i are projected to grow slowly over the ten years from 2014 to 2024, but there is wide variation across industries and geographies. Looking ahead, it is low-skilled jobs that will have the most projected job openings from 2014 to 2024 (Figure 44). More than half of the 1,480 new jobs in the top 20 projected occupations in Hawai'i pay less than \$15 per hour (equivalent to an annual full-time salary of less than \$30,000).

What stands out in this table is how few occupations require education beyond high school (16 percent) and offer wages over \$20 per hour (20 percent). While they account for a small percentage of new job growth, these jobs offer much more financial stability for workers and their families. These occupations include 90 projected openings for general and operations managers with an hourly wage of \$39.41, and 150 openings for registered nurses with an hourly wage of \$43.38 (Hawai'i Workforce Infonet, 2017).

These projections support national findings that the U.S. economy is less able to generate middle-wage jobs than in years past. According to the Center for Economic and Policy Research, workers of all ages with four years or more of college are actually less likely to

have a job that pays at least \$37,000 per year and has employer-provided health insurance and an employer-sponsored retirement plan now than three decades ago (Schmitt & Jones, 2012). Similarly, the education and training levels necessary for the labor force of 2020 will not require a significantly greater level of education than workers currently possess (Thiess, 2012). The experience of recent college graduates shows that they are less likely to be gainfully employed than previous generations (Stone, Van Horn, & Zukin, 2012). With this employment outlook, the number of ALICE households will increase, as will demand for resources to fill the gap to financial stability.

Figure 44.
Projected Occupational Demand by Wage, Education, and Work Experience, Hawai'i, 2014–2024

| Occupational Title | 2012 Number of Jobs | Annual New Growth | Hourly Wage | Education or Training | Work Experience |
|---|---------------------|-------------------|-------------|----------------------------------|-----------------|
| Retail Salespersons | 26,060 | 240 | \$11.05 | No formal educational credential | None |
| Maids and Housekeeping Cleaners | 14,720 | 100 | \$15.96 | No formal educational credential | None |
| Waiters and Waitresses | 14,520 | 30 | \$13.08 | No formal educational credential | None |
| Farmers, Ranchers | 14,470 | 30 | \$13.86 | HS diploma or equivalent | 5 years or more |
| Cashiers | 14,430 | 40 | \$10.29 | No formal educational credential | None |
| Office Clerks, General | 14,180 | 40 | \$14.88 | HS diploma or equivalent | None |
| Janitors and Cleaners | 13,800 | 80 | \$11.75 | No formal educational credential | None |
| Combined Food Prep, including Fast Food | 12,750 | 130 | \$8.94 | No formal educational credential | None |
| Landscaping Workers | 12,130 | 80 | \$15.12 | No formal educational credential | None |
| General and Operations Managers | 10,910 | 90 | \$39.41 | Bachelor's degree | 5 years or more |
| Registered Nurses | 10,900 | 150 | \$43.38 | Bachelor's degree | None |
| Security Guards | 9,940 | 50 | \$12.17 | HS diploma or equivalent | None |
| Secretaries and Administrative Assistants | 9,620 | 20 | \$17.74 | HS diploma or equivalent | None |

“The experience of recent college graduates shows that they are less likely to be gainfully employed than previous generations. With this employment outlook, the number of ALICE households will increase, as will demand for resources to fill the gap to financial stability.”

| Occupational Title | 2012 Number of Jobs | Annual New Growth | Hourly Wage | Education or Training | Work Experience |
|--|---------------------|-------------------|-------------|----------------------------------|-------------------|
| First-Line Supervisors of Retail Sales Workers | 9,100 | 50 | \$19.52 | HS diploma or equivalent | Less than 5 years |
| Cooks, Restaurant | 8,940 | 110 | \$12.80 | No formal educational credential | Less than 5 years |
| Bookkeeping and Auditing Clerks | 7,950 | 0 | \$17.53 | Some college, no degree | None |
| Stock Clerks and Order Fillers | 7,880 | 50 | \$12.68 | No formal educational credential | None |
| Laborers and Material Movers, Hand | 7,590 | 60 | \$13.41 | No formal educational credential | None |
| Maintenance and Repair Workers, General | 7,350 | 50 | \$20.23 | HS diploma or equivalent | None |
| Customer Service Representatives | 7,250 | 80 | \$16.23 | HS diploma or equivalent | None |

Source: Hawai'i Workforce Infonet, 2017; Bureau of Labor Statistics, Occupational Employment Survey, 2014

Jobs and Technology

Technology's influence extends to both ends of the employment spectrum, generating jobs and eliminating them in equal measure. Improved automation may put some workers out of jobs and change the activities of others (Figure 45). For ALICE workers, the impact will be mixed:

New opportunities to earn income: Technology has enabled new job opportunities, especially in the “gig” economy; these range from freelance writers to Uber drivers. Freelance and contingent (on-call) labor has more than doubled its share of the national labor force over the last 20 years, from 7 percent in 1993 to 15 percent in 2014, and is expected to grow to nearly 20 percent by 2020. These positions may help ALICE households that need to fill short-term gaps in standard employment, and may provide more lucrative opportunities than exist in the traditional employment market. Companies have also come to value the new hiring model since it provides flexibility to scale up or down on demand, and often can be cheaper than hiring a part-time or full-time employee on staff when considering health insurance and other benefits (Wald, 2014).

Less job security: While sometimes beneficial in the short term, the type of flexibility offered by contingent or on-call work does not help ALICE households make long-term financial plans. For one, there is no job security: a lucrative job today can be gone tomorrow. In addition, independent contractor positions provide no benefits, such as health insurance and retirement plans, for ALICE families. They also lack

“Technology’s influence extends to both ends of the employment spectrum, generating jobs and eliminating them in equal measure. Improved automation may put some workers out of jobs and change the activities of others.”

“Job schedules are increasingly variable for low-wage workers. It is difficult to maintain a household budget when the number of hours fluctuates and workers can’t predict their income from month to month.”

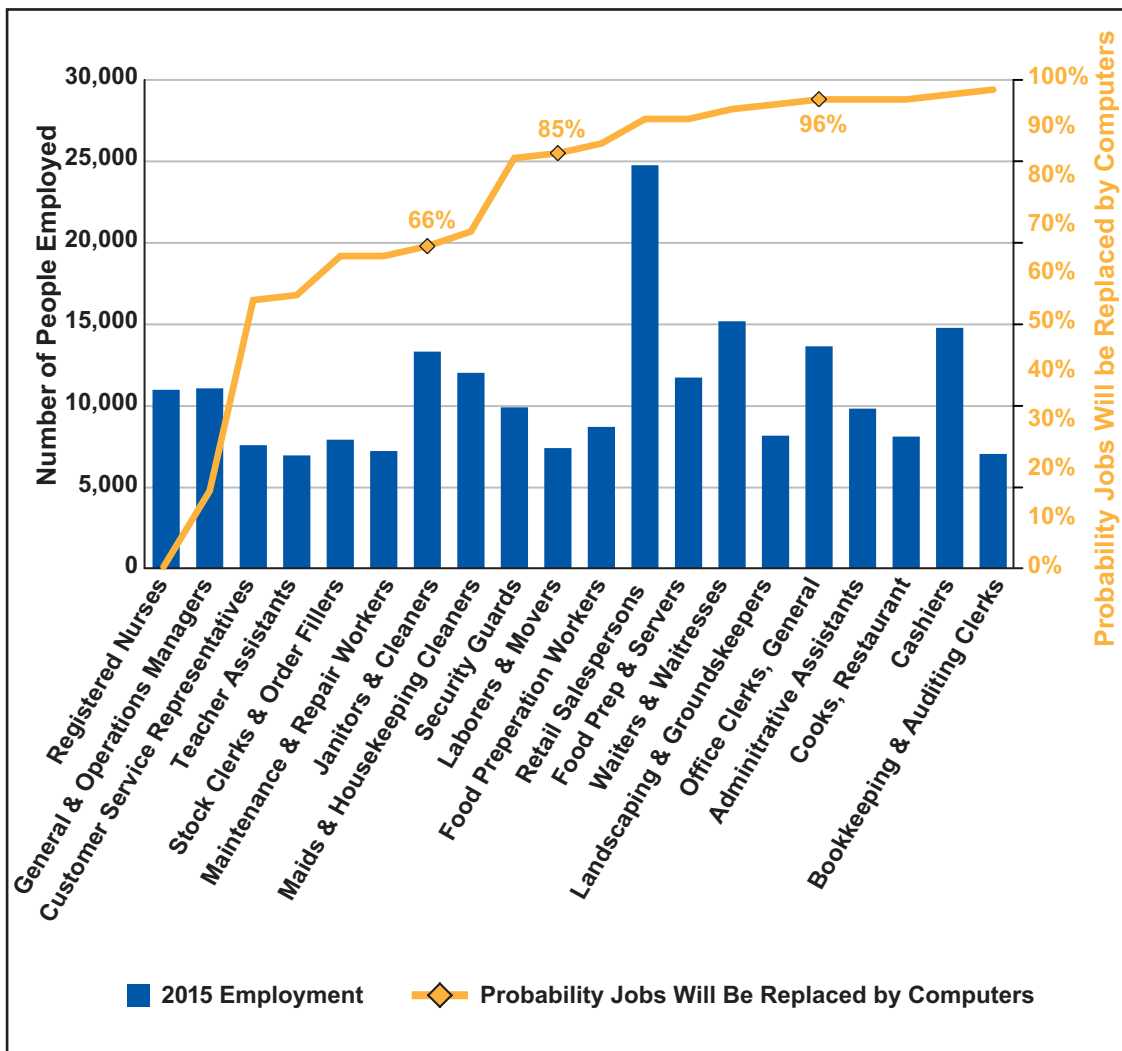
other standard workplace protections. For example, independent contractors have no recourse under the Fair Labor Standards Act (FLSA), which mandates that eligible workers be compensated for hours worked in excess of 40 per workweek, or the Family and Medical Leave Act (FMLA), which entitles eligible workers to unpaid, job-protected leave depending on their work history with a company (Donovan, Bradley, & Shimabukuro, 2016).

Loss of low-wage jobs: Low-wage workers, especially those in jobs that involve repetitive tasks and that require little education, are the most likely to lose their jobs due to technological advances. The more a job utilizes a worker’s judgment and analysis (usually associated with higher levels of education), the less likely it is to be replaced by technology. Among the 20 occupations with more than a 50 percent chance of being replaced by technology in Hawai’i, none require a bachelor’s degree. Many of the jobs likely to be replaced (such as janitors) are not highly coveted and are often difficult to fill (Brynjolfsson & McAfee, 2014; Frey & Osborne, September 2013).

Unstable schedules: Job schedules are increasingly variable for low-wage workers. It is difficult to maintain a household budget when the number of hours fluctuates and workers can’t predict their income from month to month. In some cases, low-wage jobs can affect a person’s eligibility for government benefits as well. Having irregular hours also makes it difficult to arrange transportation and child care (Watson, Frohlich, & Johnston, 2014; Center for Law and Social Policy, 2014).

Economic change: The effects of new technology will ripple across the economic and educational spectrum. Even some high-paid jobs have significant components that can be replaced: Accountants and auditors making an average of \$62,000 per year, highly-educated mathematical technicians making \$45,000 per year, and nuclear reactor power operators, who make an average of \$76,000 per year, have a greater than 90 percent chance of being replaced by technology. More people-oriented professions, such as teachers, nurses, and home health aides, are less likely to be replaced by new technology (Figure 45). However, technological advances will almost certainly – with more than a 97 percent probability – render the jobs of cashiers, bookkeepers, and accountants obsolete. But many employees who use computers, have accounting skills, or perform administrative functions have skills that can be transferred to other jobs. Most vulnerable are people in jobs that require minimal education and provide few transferrable skills; these displaced workers will have the most difficulty finding new jobs (Frey & Osborne, September 2013).

Figure 45.
Occupations by Number of Jobs and Technology, Hawai'i, 2015



Source: Hawai'i Workforce Infonet, 2017; Bureau of Labor Statistics, OES wages, 2014; and Frey and Osborne, 2013

The impact of technology on education: Technology – and increasingly affordable technology – will enable more online educational options, which in turn could make education more cost-efficient and worthwhile. Colleges are enrolling more matriculated students into online courses and offering the wider community Massive Open Online Courses (MOOCs) as high-profit ventures (West, 2015). At the same time, however, technology makes it easier to create false educational organizations and to cheat unsuspecting students. Veterans, in particular, are routinely preyed on by for-profit colleges, with subsidies to pursue higher education and, on aggregate, with difficulty reintegrating into the civilian workforce (Davidson, 2016; Cohen P., 2015).

Technological innovation has the potential to change the jobs landscape in Hawai'i and across the U.S. Without technological change, national projections show that the U.S. economy will be less able to generate middle-wage jobs than in years past. But the timing and the extent of that change will depend on a host of economic factors, and the implications for ALICE families are not yet clear. There are two distinct challenges for community stakeholders: first, to make sure that current low-wage

“Technology – and increasingly affordable technology – will enable more online educational options, which in turn could make education more cost-efficient and worthwhile.”

workers have the opportunity to improve both skills and wages as technology creates new jobs, so they are not left behind; and second, to ensure that the value of service jobs that cannot be replaced by technology – from teachers to health care workers – is recognized and rewarded economically.

What Will It Take to Meet the Challenges 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 this is not the case for hundreds of thousands of hard-working families in Hawai'i. The report also debunks the assumptions and stereotypes that those who cannot support their families are primarily people of color, live in urban areas, are unemployed, or in extreme cases are thought to be simply lazy or have some sort of moral failing.

Why is there a mismatch between stereotypes and the facts? First, there has been a lack of awareness. Before the United Way ALICE Reports, 165,013 struggling households in Hawai'i had not been clearly named and documented. Second, the situation has developed over decades, and barriers to financial stability are embedded in many parts of our economy and communities.

Solutions require addressing the layers of obstacles outlined in this Report that prevent ALICE families from achieving financial stability: an economy heavily dependent on low-wage jobs; a fast-changing job landscape; institutional bias against populations of color; changing demographics; increasing cost of household basics; and even the increasing occurrence of natural disasters.

What Will It Take to Overcome These Barriers?

The most common approaches to overcoming these barriers are short-term efforts that help an ALICE family weather an emergency. Temporary housing, child care assistance, meals, rides to work, and caregiving for ill or elderly relatives help ALICE recover from the loss of housing, a lack of food, an accident, or an illness. These approaches can be crucial to preventing an ALICE household from falling into poverty or becoming homeless. But these short-term relief efforts are not designed to move households to long-term financial stability.

The issues affecting ALICE are complex and solutions are difficult. Real change requires identifying where barriers exist and understanding how they are connected. Only then can stakeholders begin to envision bold ideas and take the steps necessary to remove barriers so that ALICE families can thrive. The following solutions need to be a part of the dialogue when addressing the financial stability of Hawai'i residents:

Decrease the cost of household basics: The cost of basic household necessities in Hawai'i has increased faster than the national rate of inflation – and the wages of most jobs – leaving ALICE households further behind than a decade ago. Large-scale economic and social changes that could significantly reduce basic household costs over time include a larger supply of affordable housing (market-rate or subsidized), public preschool, accessible and affordable health care, and more public transportation (Collins & Gjertson, 2013; Consumer and Community Development Research Section of the Federal Reserve Board's Division of Consumer and Community Affairs (DCCA), 2015; Lusardi, Schneider, & Tufano, 2011; Allard, Danziger, & Wathe, 2012).

“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 this is not the case for hundreds of thousands of hard-working families in Hawai'i.”

Improve job opportunities: The seemingly simple solution – to increase the wages of current low-paying jobs – has complex consequences. The increased cost of doing business is either passed on to the consumer, who in many cases is ALICE, or absorbed by the business, resulting in fewer resources to invest in growth – or, in some cases, causing a reduction in staff. However, if ALICE families have more income, they can spend more and utilize less assistance. Increased consumer activity provides benefits to businesses that can offset increased costs in production (Knowledge@Wharton, 2013; Congressional Budget Office, 2014; Wolfson, 2014).

Another option is to focus on restructuring the Hawai'i economy towards more medium- and high-skilled jobs in both the public and private sectors, an enormous undertaking involving a wide range of stakeholders. But as technology increasingly replaces many low-wage jobs, this will be even more important for Hawai'i. Such a shift would require an influx of new businesses and new industries, increased education and training for workers, and policies for labor migration to ensure skill needs are met (Luis, 2009; Frey & Osborne, September 2013).

Adjust to fast-paced job change: New gig-focused job opportunities help many ALICE households fill short-term gaps in standard employment and some provide more lucrative opportunities than exist in the traditional employment market. While part-time and contract work has been part of the Hawai'i economy for decades, these jobs are growing rapidly, pushing economists and policymakers into uncharted territory. With the shift to contract work, the burden of economic risk is increasingly shifted to workers, including retraining and securing benefits such as health insurance and disability insurance. Since any period of unemployment is a financial hardship for ALICE families, new safety measures that keep workers from sliding into financial distress during periods of transition will be needed (Friedman, 2016; Donovan, Bradley, & Shimabukuro, 2016; Watson, Frohlich, & Johnston, 2014).

Accommodate changing demographics: Based on projected economic and demographic changes, particularly the increasing number of seniors and immigrants, it is foreseeable that significantly more Hawai'i households will need smaller, lower-cost housing over the next two decades. In addition, these groups prefer housing that is close to transportation and community services. The changing structure of households, including the decline in the number of married parents with children (who tend to live in more affluent neighborhoods) and the increase in single male-headed families (who need child care and after-school options), will impact child care and schools as well as neighborhood infrastructure (e.g., changing needs for sidewalks playgrounds) (Hughes & Seneca, 2012; United Health Foundation, 2016; Stilwell, 2015).

“Another option is to focus on restructuring the Hawai'i economy towards more medium- and high-skilled jobs in both the public and private sectors, an enormous undertaking involving a wide range of stakeholders. But as technology increasingly replaces many low-wage jobs, this will be even more important for Hawai'i.”

Address institutional bias: Multiple factors make a household more likely to be ALICE, including being an undocumented or unskilled recent immigrant, language-isolated, female or LGBT, someone with a low level of education, or someone 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 – are even more likely to fall below the ALICE Threshold. In addition, many low-income households are geographically isolated from other income groups, which compounds their risk of facing issues of inadequate services, poor infrastructure, and lower-quality schools.

Prepare for natural disasters: Hawai'i has over 750 miles of coastline that is exposed to hazards including high wave events, storm surge, tropical cyclones and subtropical Kona storms, hurricanes, tsunamis, and extreme tides. In addition, there are many inland areas that are in volcanic hazard zones. For the most part, the areas and populations in the state that are vulnerable to disasters are well known and well documented. In the last 50 years, sea level rise has caused shoreline erosion at an average of one foot per year, cliff collapse, and episodic flooding in low-lying areas, which is expanding into areas that had not previously been affected (U.S. Environmental Protection Agency, 2016; U.S. Global Change Research Program, 2014; University of Hawai'i at Mānoa, 2014; U.S. Geological Survey, 2017).

Natural disasters cause damage to property and infrastructure, declines in coastal bird and wildlife populations, reduction of freshwater availability on some islands, and the contamination of groundwater supplies. In many locations, they have a disproportionate impact on low-income families who are more likely to live in environmentally vulnerable areas in cities as well as informal settlements along the coast. Hawai'i's island location means that critical infrastructure is completely independent from one island to another, and cannot rely on neighboring grids for support in times of need. A strong hurricane could damage seaports and airports, creating food crises in a state that imports almost all commodities. Power disruptions could severely impact local economies, especially those heavily dependent upon tourism (100 Resilient Cities, 2016; Gallagher, 2016).

The threat to Honolulu has been quantified by the Army Corps of Engineers, which estimates that a severe rainfall event would affect approximately 1,358 acres within the Ala Wai Watershed, including over 3,000 properties with an estimated \$1.14 billion in structural damages alone (at 2016 price levels) (Hawai'i Department of Land and Natural Resources and U.S. Army Corps of Engineers, 2016; U.S. Army Corps of Engineers, 2017).

For ALICE families with no savings to cover even minor damage to their homes or cars, many households have no way to pay for the additional expenses that a natural disaster would bring. With a tight budget, most ALICE households cannot afford insurance or even preventative maintenance. As a result, they cannot repair even minor damage to homes and property, or afford dislocation. These natural disasters

“Multiple factors make a household more likely to be ALICE, including being an undocumented or unskilled recent immigrant, language-isolated, female or LGBT, someone with a low level of education, or someone with a disability.”

can also lead to increased mental health issues (Cooley, Eli Moore, & Allen, 2012; Deryugina, Kawano, & Levitt, 2013; Hoopes Halpin, 2013).

An assessment of the risks and costs of development in areas vulnerable to flooding and erosion should be better understood, such as with Honolulu's participation in the Rockefeller Foundation's 100 Resilient Cities project. Halting development adds price pressure to a city's existing housing stock, but allowing development adds layers of risk to many homeowners and renters. In addition, natural disasters in these areas add enormous costs to state and federal emergency services. For flood-prone areas that have already been developed, the costs of emergency response and insurance should be weighed against the cost of relocation (Hayat & Moore, 2015; Environmental Protection Agency, 2014; Polefka; Kaplan, Campo, & Herb, 2016; 100 Resilient Cities, 2016).

This United Way ALICE Report looks at strategies that can support Hawai'i families earning below the ALICE Threshold now and in the near future, as well as those that might help them become financially stable in the longer term. Short-term strategies can help a family cope with an emergency and prevent a spiral into poverty. Long-term strategies, which aim to help a family maintain financial stability and support themselves over time, are harder to achieve. **Ultimately, to permanently reduce the number of ALICE households, structural economic changes will be needed to provide better jobs and to make Hawai'i more affordable for hardworking families.** Depending on how far a family's income is below the ALICE Threshold, different strategies may be required. But all strategies play an important role: There is no one solution.

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