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## Don't ask ALICE

United Way's 'asset-limited, income-constrained, employed' report tells us nothing about how to help those in need

By James M. Hohman and Jarrett Skorup | May 2023

You would probably be skeptical if someone were to say that a huge portion of people in Michigan are on the verge of starvation and death due to lack of income. Yet United Way continues to say that a third or more of Michigan households do not earn enough to survive. The non-profit network's latest ALICE report pins the number at 39%. The extreme claims are not backed up by the methods the report's authors use, yet the United Way and reporters continue to reiterate them.

This report is garbage. It may sound hyperbolic to classify a seemingly benign report as "garbage," but this one deserves the label. The report provides little of value and should be disregarded. United Way does not use a good measure for estimating survival budgets, nor does it use an appropriate estimate of how many people spend less than those budgets. The ALICE report (for "asset-limited, income-constrained, employed") misleads rather than informs.

To measure the percentage of households on or below the "survival budget," the ALICE methodology

does not actually estimate how much it costs to survive. Instead, these measures are based on average spending, adjusted slightly. The cost of rent, for instance, is not based on the cheapest rent available for a family's necessities — a complicated

number to figure out.

Instead it's based on the 40th percentile of rent. By definition, a good chunk of Michigan residents pay less toward rent, but United Way says those who do are below "survivability."

Similar calculations are made for spending on food,

transportation, technology and more. The end result is that United Way's survival budgets simply describe the spending of a typical household. That's very different from what the organization says about its work.

United Way does not check how many households live at less than its proposed budgets. Instead the ALICE report counts the number of households that earn less than a given amount, between \$40,000 and \$75,000, depending on the county. So single-person

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households earning less than \$50,000 in Oakland County are classified as not having enough money to survive, even when they earn more than their \$25,932 survival budget. The report doesn't count the number of households who live at less than their budgets, despite repeated claims that it does.

This is a basic problem with the ALICE report: United Way doesn't even try to single out asset-limited, income-constrained, employed households. The report's estimates do not factor in assets, income constraints, or employment.

There is little of value in the work United Way did. The ALICE report does not show what United Way says it shows. In a research report about the problems of the ALICE methodology, we presented these problems to United Way officials. It doesn't seem that they care about these glaring issues.

Yet the ALICE report gets noticed in Michigan media. Political insider newsletter MIRS covered the release, reiterating the headline claim and quoting United Way officials. "When we better understand the depth and breadth of Michigan residents who are struggling to make ends meet, we can all do more to ensure that those who are in need are receiving the support needed," Michigan United Way CEO Hassan Hammoud said. But the report doesn't help us understand the plight of anyone.

The head of Gov. Whitmer's poverty task force also was quoted and reiterated United Way's findings as a headline fact to demonstrate the need for the task force. The people the governor

entrusted to figure what to do about poverty have no problem reiterating shoddy research. Let's hope they use better standards to determine their response in the future.

The conclusion to our review of the ALICE report still rings true.

It may seem harmless to exaggerate the level of poverty in a state. After all, it could be argued it brings more attention to a serious concern. But complicated problems like poverty require precise and targeted treatments. With its miscalculated methodology, misconstrued assumptions and mischaracterized findings, the ALICE report does not help identify the populations in Michigan that are struggling financially and what policymakers might be able to do to alleviate the problem. In fact, it takes the focus off of those who truly need help, an unfortunate consequence of a poorly designed study.

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