

Living paycheck to paycheck gets harder

By **ANNE D'INNOCENZIO**
AP Business Writer

NEW YORK (AP) -- The calculus of living paycheck to paycheck in America is getting harder. What used to last four days might last half that long now. Pay the gas bill, but skip breakfast. Eat less for lunch so the kids can have a healthy dinner.

Across the nation, Americans are increasingly unable to stretch their dollars to the next payday as they juggle higher rent, food and energy bills. It's starting to affect middle-income working families as well as the poor, and has reached the point of affecting day-to-day calculations of merchants like Wal-Mart Stores Inc., 7-Eleven Inc. and Family Dollar Stores Inc.

Food pantries, which distribute foodstuffs to the needy, are reporting severe shortages and reduced government funding at the very time that they are seeing a surge of new people seeking their help.

While economists debate whether the country is headed for a recession, some say the financial stress is already the worst since the last downturn at the start of this decade.

From Family Dollar to Wal-Mart, merchants have adjusted their product mix and pricing accordingly. Sales data show a marked and more prolonged drop in spending in the days before shoppers get their paychecks, when they buy only the barest essentials before splurging around payday.

"It's pretty pronounced," said Kiley Rawlins, a spokeswoman at Family Dollar. "It seems like to us, customers are running out of food products, paper towels sooner in the month."

Wal-Mart, the world's largest retailer, said the imbalance in spending before and after payday in July was the biggest it has ever seen, though the drop-off wasn't as steep in August.

And 7-Eleven says its grocery sales have jumped 12-13 percent over the past year, compared with only slight increases for non-necessities like gloves and toys. Shoppers can't afford to load up at the supermarket and are going to the most convenient places to buy emergency food items like milk and eggs.

"It even costs more to get the basics like soap and laundry detergent," said Michelle Grassia, who lives with her husband and three teenage children in the Bedford-Stuyvesant section of Brooklyn, N.Y.

Her husband's check from his job at a grocery store used to last four days. "Now, it lasts only two," she said.

To make up the difference, Grassia buys one gallon of milk a week instead of three. She sometimes skips breakfast and lunch to make sure there's enough food for her children. She

cooks with a hot plate because gas is too expensive. And she depends more than ever on the bags of free vegetables and powdered milk from a local food pantry.

Grassia's story is neither new nor unique. With the fastest-rising food and energy prices since the 1980s, low-income consumers are stretching their budgets by eating cheap foods like peanut butter and pasta.

Industry analysts and some economists fear the strain will get worse as people are hit with higher home heating bills this winter and mortgage rates go up.

It's bad enough already for 85-year-old Dominica Hoffman.

She gets \$1,400 a month in pension and Social Security from her days in the garment industry. After paying \$500 in rent on an apartment in Pennsauken, N.J., and shelling out money for food, gas and other expenses, she's broke by the end of the month. She's had to cut fruits and vegetables from her grocery order - and that's even with financial help from her children.

"Everything is up," she said.

Many consumers, particularly those making less than \$30,000 a year, are cutting spending on nutritious food like milk and vegetables, and analysts fear they're further skimping on basic medical care and other critical services.

Coupon-clipping just isn't enough.

"The reality of hunger is right here," said the Rev. Melony Samuels, director of The BedStuy Campaign against Hunger, a church-affiliated food pantry in Brooklyn.

The pantry scrambled to feed 5,000 new families over the past 12 months, up almost 70 percent from 3,000 the year before.

"I am shocked to see such numbers," Samuels said, "and I am really concerned that this is just the beginning of what we are going to see."

In the past three months, Samuels has seen more clients in higher-paying jobs - the \$35,000 range - line up for food.

The Regional Food Bank of Northeastern New York, which covers 23 counties in New York State, cited a 30 percent rise in visitors in the first nine months of this year, compared with 2006.

Maureen Schnellmann, senior director of food and nutrition programs at the American Red Cross Food Pantry in Boston, reported a 30 percent increase from January through August over last year.

Until a few months ago, Dellria Seales, a home care assistant, was just getting by living with her daughter, a hairdresser, and two grandchildren in a one-bedroom apartment for \$750 a month. But a knee injury in January forced her to quit her job, leaving her at the mercy of Samuels' pantry because most of her daughter's \$1,200 a month income goes to rent, energy and food costs.

"I need it. Without it, we wouldn't survive," Seales said as she picked up carrots and bananas.

John Vogel, a professor at Dartmouth College's Tuck School of Business, worries that the squeeze will lead to a less nutritious diet and inadequate medical or child care.

In the meantime, rising costs show no signs of abating.

Gas prices hit a record nationwide average of \$3.23 per gallon in late May before receding a little, though prices are expected to soar again later this year. Food costs have increased 4.5 percent over the past 12 months, partly because of higher fuel costs. Egg prices were 44 percent higher, while milk was up 21.3 percent over the past 12 months to nearly \$4 a gallon, according to the Bureau of Labor Statistics.

The average family of four is spending anywhere from \$7 to \$10 extra a week - \$40 more a month - on groceries alone, compared to a year ago, according to retail consultant Burt Flickinger III.

And while overall wage growth is a solid 4.1 percent over the past 12 months, economists say the increases are mostly for the top earners.

Retailers started noticing the strain in late spring and early summer as they were monitoring the spending around the paycheck cycle.

Wal-Mart and Family Dollar key on the first week of the month, when government checks like Social Security and public assistance generally hit consumers' mailboxes.

7-Eleven, whose customers are more diverse, looks at paycheck cycles in specific markets dominated by a major employer, such as General Motors in Detroit, to discern trends in shopping.

To economize, shoppers are going for less expensive food.

"They're buying more peanut butter and pasta. And they're going for hamburger meat," Flickinger, the retail consultant, said. "They're trying to outsmart the store by looking for deep discounts at the end of the month."

He said the last time he saw this was 2000-2001, when the dot-com bubble burst and the economy went into a recession after massive layoffs.

For now, low-price retailers are readjusting their merchandising and pricing.

Wal-Mart is becoming more aggressive on discounting. It announced Thursday it is expanding price cuts to 15,000 items, ranging from Motts apple juice and Progresso soups to women's fleece tops, heading into the holidays.

Family Dollar, whose food offerings were limited to candy and snacks until two years ago, has expanded its mix of groceries like fruit cups, cereal and such refrigerated items as milk and ice cream while cutting back on shoes. This summer the chain began accepting food stamps.

Food pantries are also getting creative. Samuels said her church, Full Gospel Tabernacle of Faith, just started offering free cooking classes to teach clients who are diabetic or have other health conditions how to prepare vegetables like squash. It's also offering free exercise classes.

"We are trying to make them health conscious," Samuels said. "It's not right to give them just anything. Our mantra is eat well and live well."

Associated Press Writers Geoff Mulvihill in Mount Laurel, N.J., and Terry Tang in Phoenix, Ariz., contributed to this report.

© 2007 [The Associated Press](#). All rights reserved.