Anyone who has ever struggled with poverty knows how extremely expensive it is to be poor.

JAMES A. BALDWIN
“Fifth Avenue, Uptown: A Letter from Harlem”
July 1960
United Way believes that everyone deserves an opportunity to achieve the building blocks of a good life: a quality education that leads to a stable job, income that can support a family through retirement, and good health.

Struggling to Get By: The Real Cost Measure in California 2015 shows that there are many more Californians living in poverty than most people think. One in three families struggle to meet their basic needs. This is nearly twice the Federal Poverty Level in California for the period studied.

To better understand the challenges families face, Struggling to Get By introduces the Real Cost Measure, a basic needs budget approach. The Real Cost Measure estimates the income required to meet only basic needs for a given household type and in a specific community, and then determines how many households have income below that level. By doing so, the Real Cost Measure conveys a better sense of the hardship for families because it reveals the real cost of basic needs in a community and invokes the notion of tradeoffs between competing needs—if families do not have enough income, do they sacrifice on food, gas, child care or something else?

Struggling to Get By cuts through broadly held stereotypes about what those in poverty look like, what skills and education they hold, and what needs they have. Poor Californians reflect the diversity that is our state: These men and women come from every household composition, represent every racial and ethnic group, and work hard as part of the mainstream workforce. As our report makes clear, hard work alone is not enough for many to meet their basic needs. While poverty reaches broadly across all lines, however, the findings reveal significant disparities—across household composition, educational achievement, geography, race and gender—that prompt provocative questions. What levers might help struggling householders climb out of poverty?

The least we can do to help these struggling families is see them clearly. That means not only uncovering the real number of households in each of our communities that struggle to meet basic needs, but also using the Real Cost Measure as a benchmark in designing efforts to help low-income families. But we can do more, and we believe this information can help policymakers, employers, educators and service providers rethink our impact on those with whom we work or serve.

The well-being of our communities depends, in part, on our ability to help struggling residents find pathways out of poverty. Our challenge is to make it possible for all working California families to earn enough to meet the Real Cost Measure of basic needs. We need leaders from every sector to join us as we strive to develop the best solutions for our communities and our state. I hope those efforts can begin today.

Very truly yours,

Carol Jackson, Chair
United Ways of California
EXECUTIVE SUMMARY

Struggling to Get By seeks to measure the real costs of living in California’s communities and increase awareness and understanding of the hardships families face in meeting them. Among the questions this report seeks to answer are: How many California households do not have enough income to meet their basic needs? How many are led by working adults? What do we know about these households? What do their family configurations look like? What regions and communities struggle more than others? What do income challenges look like across race, ethnicity and gender boundaries?

We find that 1 in 3 households in California, over 3.2 million families—including those with income well above the Federal Poverty Level—struggle every month to meet basic needs.

The Real Cost Measure

The federal government’s official poverty measure vastly understates poverty. Established over 45 years ago, the Federal Poverty Level (FPL) is based primarily on the cost of food, but in the decades since, the costs of housing, transportation, child care, health care and other family necessities have risen far more rapidly than food costs. Further, the FPL neglects regional variations in cost of living, and most Californians live in high-cost areas. (For a primer on poverty measures in California, please see Appendix A). As a result, the true extent of families contending with deprivation is hidden. Many of these hidden poor find they earn too much income to qualify for most supports, yet they still struggle to meet their most basic needs, especially as the costs of housing, health care, and other necessities continue to rise faster than wages.

Struggling to Get By introduces the Real Cost Measure, a basic needs budget approach, to better understand the challenges families face. A basic needs budget approach is intuitive and easy for most people to understand, as it is grounded in a household budget composed of costs all families must address such as food, housing, transportation, child care, out-of-pocket health expenses, and taxes. A basic needs budget approach takes into account different costs of living in different communities and also conveys a better sense of the hardship for families because it invokes the notion of tradeoffs between competing needs—if you have an inadequate level of income, do you sacrifice on food, gas, or child care?

Struggling to Get By explores the Real Cost Measure through different lenses. At the geographic level, we conduct “apples to apples” comparisons among counties, regions and neighborhoods (through public use microdata areas [PUMAs]). We also view the Real Cost Measure taking into account race/ethnicity, gender, nativity, occupational type, martial status, educational attainment, employment status, housing type and more. (We applied the Real Cost Measure to nearly 1,100 housing configurations alone.) For more detail, interactive maps, an interactive dashboard on Real Cost Budgets and a public data set to accompany this report are available at www.unitedwaysca.org/realcost.
Key Findings

Among our key findings are:

One in Three California Families Lacks Income Adequate to Meet Their Basic Needs

One in three California households (31%) do not have sufficient income to meet their basic costs of living. This is nearly three times the number officially considered poor according to the Federal Poverty Level. Families with inadequate incomes are found throughout California, but are most concentrated in the northern coastal region, the Central Valley, and in the southern metropolitan areas.

The costs for the same family composition in different geographic regions of California also vary widely. In expensive regions such as the San Francisco Bay Area and the Southern California coastal region, the Real Cost Budget, our monthly budget calculation of what is needed to meet basic needs, can range from 32% to 48% more (depending on family type) than in less expensive counties such as Kern, Tulare, and Kings counties. Nevertheless, incomes in the higher cost regions are also higher, relatively and absolutely, so that the proportions below the Real Cost Measure are generally lower in high-cost than low-cost regions.
Low Incomes Are a Challenge for Families of All Racial Groups

Families falling below the Real Cost Measure reflect California’s diversity. One in five (20%) struggling households are white, so while poverty is often portrayed in our media and culture as primarily a problem for minorities, the reality is that families of all ethnicities struggle.

Households led by people of color, particularly Latinos, disproportionately are likely to have inadequate incomes. Half (51%) of Latino households have incomes below the Real Cost Measure, the highest among all racial groups. Two in five (40%) of African American households have insufficient incomes, followed by other races/ethnicities (35%), Asian Americans (28%), and white households (20%).

Both Native and Foreign-born Householders Have Trouble Getting By

One in four (25%) households led by a person born in the United States has an income below the Real Cost Measure. By contrast, 45% of households led by a person born outside the U.S. have incomes below the Real Cost Measure, and that number rises to 60% when the householder is not a citizen. Latino noncitizens are especially likely to struggle, with 80% below the Real Cost Measure.

EXECUTIVE SUMMARY

HOUSEHOLD BUDGETS CHANGE AS FAMILIES GROW

The budget for a family changes over time—and the toughest time is the first years of its children’s lives.
Households with Children Are At Greater Risk of Not Meeting Their Basic Needs, Especially When Led by Single Mothers

Households headed by single mothers are almost twice as likely to have inadequate income as married couples with children.

- Just over one-half (51%) of low-income households with children under six years of age fall below the Real Cost Measure, and that rate jumps to 76% for single mothers with children under six.
- Nearly 2 in 3 (64%) households maintained by single mothers have incomes below the Real Cost Measure. In contrast, just one-fourth of married couples with children are below the Real Cost Measure.
- Even when employed, single mothers and their children especially struggle: 54% of households headed by employed single mothers—and 44% where the single mother works full time—live below the Real Cost Measure.
- Households with children led by single mothers of color have the highest rates of income below the Real Cost Measure: 75% for Latina single mothers, 69% for African American single mothers, and 62% for Asian single mothers, compared to 45% for white single mothers. Furthermore, households headed by women of color are not only more likely to be below the Real Cost Measure, they are also more likely to be below the Federal Poverty Level.

Education Reduces the Risk of Financial Insecurity, but the Benefits of Education Are Not Equal for All

Householders with less education are much more likely to have incomes below the Real Cost Measure.

- Two-thirds (68%) of householders with less than a high school education have incomes below the Real Cost Measure.
- The rate of struggling households drops quickly as education increases, falling to 13% for those with a college degree or more.
- At every level of education, female householders earn less than male householders.
- The rates of financial instability drop from 88% for single mothers with less than a high school degree to 31% for single mothers with a Bachelor’s degree or higher.
- The impact of increased education varies by race. Three in four (77%) African American women without a high school degree are below the measure, but only 19% with at least a Bachelor’s are struggling. For white women, 56% with less than a high school degree, and 19% with a Bachelor’s are below the Real Cost Measure.

Two points merit greater emphasis: First, women and people of color need more education to achieve the same level of financial stability as white men. Women of color with a Bachelor’s or advanced degree fall below the Real Cost Measure at rates equal to white men with some college education (about 20%). Second, in part because of the deep levels of income challenges faced by women and households of color with low levels of
education, increased education nevertheless can make a powerful difference in ensuring greater levels of economic security for these households.

**Employment Is Key to Making Ends Meet, But Work Is Not Enough**

Although having stable year-round, full-time work is key to income adequacy, it is not a guarantee.

- Of households below the Real Cost Measure, 87% have at least one working adult, and 76% of those are working 48 weeks per year or more.
• One in five (22%) households below the Real Cost Measure have a householder that has year-round, full-time employment.

• Two in five (44%) households headed by single women with children who work full time and year round are below the Real Cost Measure.

• Two full-time, minimum wage jobs are not enough to sustain a family of four. Two-adult, two-child households with two full-time, minimum wage earners earn $33,280 in gross income yet still fall below the Real Cost Measure by $10,000 to $30,000, depending on where they live.

High Housing Costs Are a Major Burden for Struggling Households

Housing costs occupy a disproportionate share of most family budgets in California, but that is particularly true for struggling families.

• Struggling households in California use over half of their income on housing, more than twice as high a share as households living above the Real Cost Measure.

• Households living below the Federal Poverty Level spend a staggering 80% of their income on housing.

• Average costs for a two-bedroom residence in California range from $584 in Modoc County to $1,905 in Marin, San Francisco and San Mateo counties.

What Is to Be Done?

Struggling to Get By shows there are far more Californians living in poverty than most people think. Poverty is grossly undercounted across the nation, but especially in California, since most Californians live in high-cost areas. The Real Cost Measure results presented in this report and in the detailed online data sets can enable leaders and advocates to better tailor approaches to help struggling households. Different strategies and resources may be called for depending on how far below the Real Cost Measure a household may be: some families may be drowning, some treading water, others swimming, and still others climbing into their boats and setting course. Below we offer some suggestions for possible levers for change for business, civic, nonprofit and philanthropic leaders and policymakers to consider:

• Emphasize Education Beyond High School: The share of households below the Real Cost Measure drops significantly among householders who have some college or a college degree. A household led by a person without a high school diploma is five times more likely to be below the Real Cost Measure than one headed by a college graduate. A substantial number of households would be within striking distance of a college degree if income-based loan repayment and other steps make it more affordable. More “second chance” pathways to get a high school credential and pursue post-secondary education also could give millions a chance to boost their earning power.
• **Focus on Moving Households Up the Pay Scale:** The overwhelming majority of struggling households are already working, but for low pay and often without full-time hours. These struggling households likely would benefit more from a focus on improving their earning power within their current fields and gaining more hours than from strategies aimed at finding employment.

• **Invest in Children:** Households with children, especially young children under 6, and especially such households led by single women, are much more likely to struggle. Dual-generation, or “2Gen” strategies—such as home visitation, pairing child care and early childhood enrichment with educational opportunities for parents, especially single mothers—offer potential to leverage the proven return on investment in early childhood education.

• **Effectively Link Households to Public Assistance:** As much as $4 billion in public assistance funding for struggling households goes unclaimed every year. Making it easy, almost automatic, for families to access all benefits for which they qualify would yield significant returns for households and would boost local economies.

• **Make Income Supports Available Longer as Families Move Up:** Work supports such as child care assistance, CalFresh, and Medi-Cal can help households below the Real Cost Measure cover basic needs, yet these benefits drop away too soon, well before households get close to the Real Cost Measure. Some strategies to consider include increasing eligibility limits, raising the amount of income and assets that is disregarded when assessing eligibility, and providing money for savings to households to help them transition off public assistance.

• **Help Households Build and Protect Assets:** Helping struggling households save so they can avoid losing their housing or suffering catastrophic debts, and prepare for the day when they can transition off benefits, should be a high priority. Connecting households to accounts at mainstream banks or credit unions would provide a critical foothold on the economic ladder, helping families build credit and avoid the predatory practices of “fringe” financial services like payday lending.

• **Reduce the Effective Cost of Housing:** Housing plays a central role in the fate of struggling households—not just for their financial stability, but also for their educational prospects and health outcomes. Incentivizing property owners with refundable renters’ credits, while also continuing support for building affordable housing or providing housing vouchers, can help thousands of households attain economic security.
United Ways of California is indebted to a great number of individuals and organizations who helped make Struggling to Get By possible. From helping us underwrite the report to helping us frame the “big picture” about what it takes to make ends meet, many talented people throughout California (and beyond) provided valuable guidance and support in the making of this report. We could not have done it without you!

We would first like to thank JPMorgan Chase and its Global Philanthropy team for providing key funding for Struggling to Get By. JPMorgan Chase works with community partners to create pathways to opportunity by supporting workforce development, financial capability, small business development and community development.

We would also like to thank California United Ways and sponsor organizations that invested their time and resources and ensured that this report aligned with our collective impact work on health, education and financial stability outcomes for low-income children and families.

- United Way of the Bay Area
- United Way California Capital Region
- United Way of Fresno County
- United Way of Kern County
- Kings United Way
- United Way of Greater Los Angeles
- United Way of Monterey County
- United Way of Northern California
- United Way of Northern Santa Barbara County
- Orange County United Way
- United Way of San Diego County
- United Way of San Luis Obispo
- United Way of Santa Cruz County
- United Way Silicon Valley
- United Way of Stanislaus County
- United Way of Tulare County
- United Way of Ventura County
- United Way of the Wine Country
- Goodwill Industries of Santa Cruz, Monterey and San Luis Obispo Counties

We also give special thanks to our Advisory Committee members who participated in numerous one-on-one conversations, phone calls and webinars over the course of many months.

- Jamie Austin, Jewish Vocational Service
- Jessica Bartholow, Western Center for Law and Poverty
- Laura Choi, Federal Reserve Bank of San Francisco
- Caroline Danielson, Ph.D., Public Policy Institute of California
- Ted Egan, Ph.D., City and County of San Francisco
- Chris Hoene, Ph.D., California Budget & Policy Center
- Jordan G. Levine, Ph.D., Beacon Economics
- Marybeth Mattingly, Ph.D., Stanford Center on Poverty and Inequality
- Bill Pitkin, Ph.D., Conrad N. Hilton Foundation
- Luke Reidenbach, California Budget & Policy Center
- Gabriela Sandoval, Ph.D., Insight Center for Community Economic Development
- Christopher Thornberg, Ph.D., Beacon Economics
- Steve Wallace, Ph.D., University of California, Los Angeles

Last, but certainly not least, we’d like to acknowledge several individuals who provided invaluable input, research and recommendations on report topics and data sources.

- Rachelle Arizmendi, 2-1-1 California
- Michael Arnold, Ph.D., University of Michigan
- Kelly Batson, United Way of the Bay Area
- Katy Castagna, United Way of Monterey County
- Janas Durkee, Central Coast Family Stability Partnership
- Denise Gammal, Exponential Talent LLC
- Jennifer O’Donnell, United Way of the Wine Country
- Tse Ming Tam, United Way of the Bay Area
- Eddie Taylor, United Way of Northern Santa Barbara County
- Erol Yidrim, Council for Community and Economic Research

While it is impossible to thank everyone who contributed to this report and incorporate all the ideas provided, please know how much we appreciate your invaluable input.