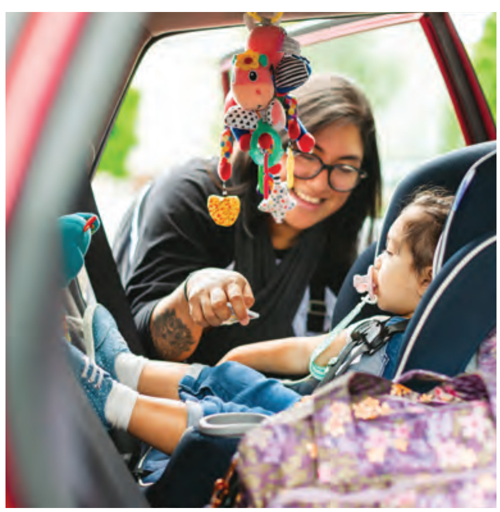
Building Economic Inclusion: Putting the Real Cost Measure Into Action

Peter Manzo



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United Ways of California

The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have little.

FRANKLIN DELANO ROOSEVELT
Second Inaugural Address
January 20, 1937

This document is meant to accompany *Struggling to Move Up: The Real Cost Measure in California 2021*, our study analyzing the local costs of a decent standard of living throughout the state and assessing how many low-income households struggle to meet those costs, and presents more detailed information on possible policy areas for communities and advocates to consider when seeking ways to help struggling families. This version revises similar expanded suggestions in our 2018 study, building on policy levers outlined in our 2015 and 2019 releases. All faults and omissions are my own.

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Advocacy Team

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Thanks also to Alexander Atkins for design and layout of this document and all our previous Real Cost Measure reports in 2015, 2018, 2019 and 2021. Alex is an avid book collector, author of author of *Serendipitous Discoveries from the Bookshelf*, and president of Alexander Atkins Design, Inc., a graphic design firm based in Palo Alto, that develops strategic identity/branding, marketing and development collateral for nonprofits, universities and K-12 schools to create awareness, raise critically needed funds, support education and inspire philanthropy.

BUILDING ECONOMIC INCLUSION

We believe everyone deserves an opportunity to achieve the building blocks of a good life — a quality education, financial stability, and good health — and that expanding this opportunity is both a core objective and a key strategy to fulfilling our mission at United Way. Our goal is to help every working family build financial security. A key reason we produce the Real Cost Measure is to set a universal goal for all families — to afford a decent standard of living, to live with dignity and agency — and to see which families struggle, in which communities, so that we, our partners and policymakers can develop strategies targeted to their specific circumstances. Such a targeted universalism approach is essential to advancing equity and dismantling systemic racial injustice, since we know a rising tide really doesn't necessarily lift all boats.[1]

The findings of *Struggling to Move Up: The Real Cost Measure in California 2021* make plain that — even prior to the COVID-19 pandemic — too many Californians are struggling to move up. Our data also show that there are many interconnected factors that relate to struggling households. We know, for example, that education is crucial in reaching economic stability — income rises with education — but also that education is not a panacea. Women and people of color are more likely to struggle, even with advanced education. Naturalized immigrant families do roughly as well as native born households, but non-naturalized immigrant families without strong English speakers in the home struggle far more. Family composition and stage of life also have dramatic effects on a household's economic well-being. Whether a household has one or two adult earners is important, as is the presence of seniors or children in the household. Family budgets change dramatically when a child comes into the house and evolve as the child gets older, as childcare costs give way to other expenses.

The purpose of the Real Cost Measure is to support, with data-informed insights, efforts to help struggling families gain agency, dignity, and mobility. Families living below the Real Cost Measure are doing their part; as we have seen, they are overwhelmingly working families. But as our data make clear, hard work alone is not enough to get ahead. The environment in which people live can have a stronger impact on health and other outcomes than genetics, as extensive research on the social determinants of health has shown.[2] Compelling recent research on economic mobility likewise has shown that community conditions affect education and employment results; all other things being equal, children who move to a neighborhood with more resources do better than children in the neighborhood they left behind, and the earlier a child moves to a better neighborhood, the greater the improvement.[3] The clear implication is that the environment in which struggling families live is a critical factor, and so working to improve the environment requires a commitment from all of us. While it's reasonable to expect families to do what they can to move up, it is both hard-hearted and unscientific to expect them to overcome the odds through heroic efforts alone.

We all stand to benefit if more struggling families and individuals move up so they can meet a basic standard of living. Below we offer some suggestions for policy makers, community, business, civic, nonprofit and philanthropic leaders to consider. These are presented in order from more technical challenges (as a society we know what to do, we just need more will to do it) to adaptive challenges (we need to discover what needs to be done and how to do it).

Preserve and Expand Subsidized Health Coverage

California has made great strides in reducing the number of uninsured people, sharply reducing a primary cause of bankruptcy and destitution, due largely to the expansion of Medi-Cal and creation of the California Health Benefit Exchange pursuant to the Affordable Care Act (ACA).

California saw its Medi-Cal enrollment rate decrease from 13.3 million individuals in 2017 to 12.8 million people in 2019, representing a 3.78% decrease. Experts believe this to have been caused largely by the chilling effect as a result of the federal "public charge" ruling under the Trump Administration. The decrease disproportionately impacted immigrant communities, especially children, who saw their enrollment rate fall 11% from 2016 to 2019. In California, the uninsured rate for Latino children was 4.4% in 2019 - 1.5 times higher than white children in California. Thankfully, the total number of enrollments has climbed back to 13.7 million individuals and is expected to climb higher over the next year as California is expanding Medi-Cal coverage to undocumented individuals 50 years and older.

By enabling people to access primary and preventive care, health coverage can help households avoid or sharply reduce costs for serious illness or injury, a leading cause of bankruptcy and financial instability. Backsliding here would sharply increase insecurity for Real Cost Measure households.

Provide Affordable Childcare and Preschool for Struggling Families

Households with children, especially young children 5 and under, and households with children led by single women, are much more likely to struggle below the Real Cost Measure. Providing quality care and early education for children from birth to age 5 is one of the most effective approaches we can take to address these issues comprehensively, not just for children's development, but for the economic well-being of struggling families across the state.[4]

More affordable, quality early childhood enrichment, childcare, preschool and transitional kindergarten ideally year-round, would better prepare children for lifelong learning while also reducing household expenses during a critical, yet temporary, phase of family life. This would enable parents to devote more time to progressing in their careers or boosting their earning power through education and training, while providing them with the peace of mind to know their young child is being supported through key social-emotional developmental stages.

- A large and powerful body of research shows early education increases cognitive, language, social, and emotional development and provides a strong foundation for success in school and life, leading to increased high school graduation rates, greater college attendance, decreased crime, and other beneficial results.[5]

- Investments in early childhood enrichment also help families build earning power. Dual-generation or “2Gen” strategies, such as pairing childcare and early childhood enrichment with educational opportunities for parents, especially single mothers, can enable parents to boost their education, work more hours or find a better job. This approach is critical as a parent’s educational attainment is the best predictor of financial stability for children. Researchers estimate that for every $1 invested in quality preschool, the long-term net benefits can reach upwards of $7 in benefits to families and society through better educational and professional attainment (and, in some cases, long-term returns can even be higher once the costs of negative externalities are considered, such as the decreased likelihood of incarceration).[6]

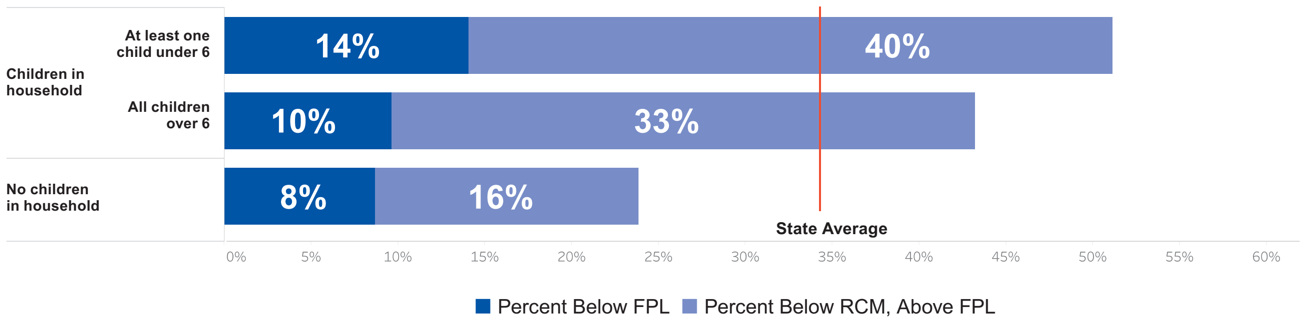
Maximize Current Income Supports

California is estimated to leave approximately $1.9 billion in federal tax credits and $2.1 billion in food assistance unclaimed.[7, 8] Investing a fraction of those lost dollars — perhaps 10% — to help families access these funds, through community-based outreach and services like free tax preparation assistance, benefit eligibility assessments and enrollment assistance, would greatly increase financial security for families and lead to a significant net gain for the state.

To get a sense of what a big difference this could make to families, a family of four with two children earning under $34,450 could receive up to $680 a month in food assistance (roughly equivalent to raising their wages by over 20%), and $2,730 or more in EITC, both of which would go a long way to helping them meet other basic needs. With this year’s expansion of the child tax credit, this family also could receive up to $6,600 more,

AGE OF CHILDREN AND REAL COST MEASURE

Over half of households with young children live below the Real Cost Measure.

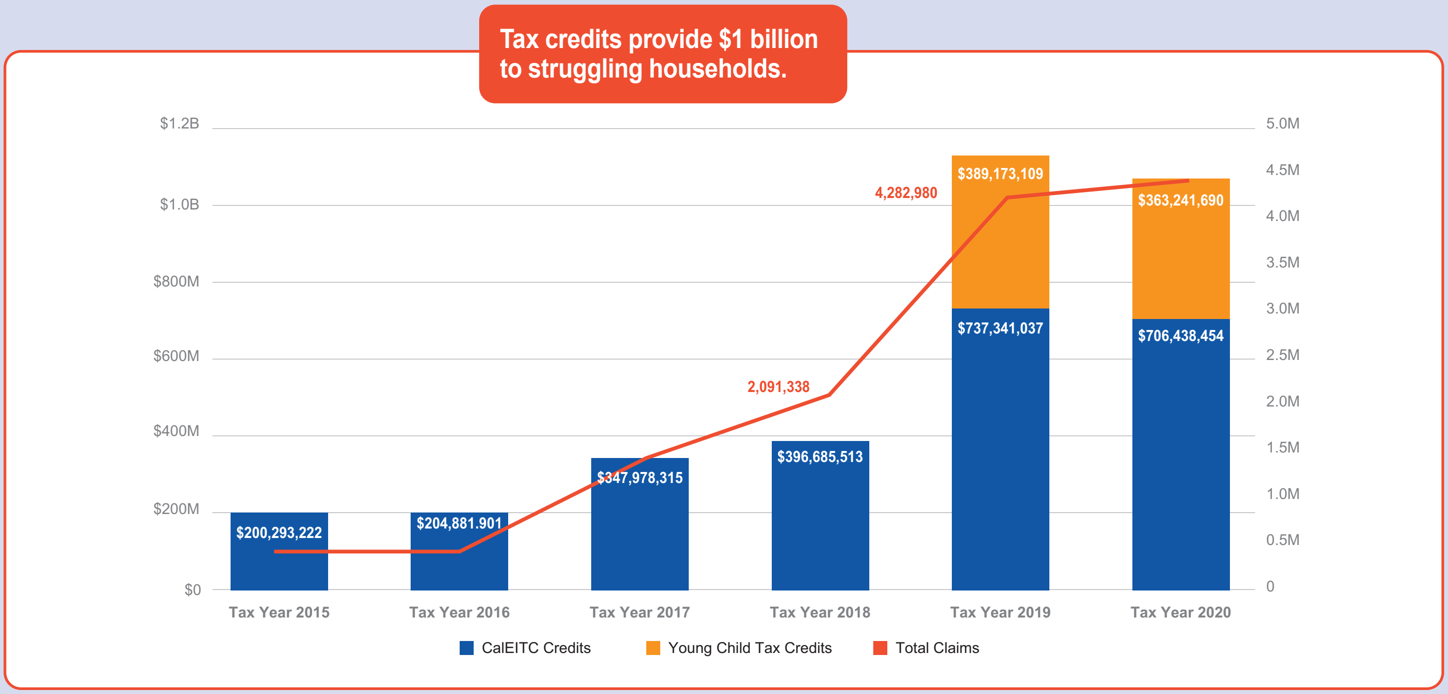


depending on the ages of children. Making this expansion permanent should be at the top of the goals list for anyone concerned with reducing poverty.

California has taken dramatic strides to establish and grow a refundable state earned income tax credit, the "CalEITC", established in 2015. Research on the federal earned income tax credit (EITC) shows it improves child and maternal health and spur local economic growth, and it is fair to assume similar impacts for the CalEITC (more of a good thing). Initially tapping out $13,870 for a single adult and three dependents, the CalEITC income threshold has increased to $30,000 and eligibility has expanded to the self-employed, people aged 18-24 and over 64 years old, and tax filers that use an Individual Taxpayer Identification Number (ITIN). Additionally, in 2019, California also established the Young Child Tax Credit (YCTC), using the same income eligibility standards of the CalEITC to provide up to $1,000 for families with children 5 years and younger. Making the YCTC a per-child credit would do even more good.

The CalEITC and YCTC are powerful tools to help build financial stability for young families on their own, and they also appear to connect more families to the federal EITC. Nevertheless, hundreds of thousands of Californians fail to claim billions in federal EITC refunds every year, as noted above.[9] Community based outreach and increased awareness about the federal and state EITC and Child Tax Credits, paired with free tax preparation assistance can ensure more California households take advantage of these critical supports. Making it easy, almost automatic, for families to access all benefits for which they qualify would have enormous returns to households and local economies. For example, EITC refunds could be sent automatically to filers who have income reported on W-2 forms, rather than requiring those households instead to file a tax return first.

GROWTH IN CalEITC AND YOUNG CHILD TAX CREDIT



Breaking down silos across different income support programs — horizontal integration — also would be hugely beneficial. Whenever a low-income family or individual interacts with a resource — a school, clinic, or social services agency — they should be connected with every relevant resource for which they are eligible: if a mother comes in looking for job training, she could enroll in health coverage, CalFresh food assistance, and subsidized childcare, and receive follow up information about EITC and the YCTC. A successful example of this type of horizontal integration is Healthy Start, a school-linked system of services that centered children and families from 1991 to about 2002 when funding ended. In 2021, after nearly 4 years of advocacy this solutions-oriented approach is being funded, at a record breaking $3 billion over the next 7 years.

Increase Eligibility Limits for Income Supports

Income supports such as childcare assistance, CalFresh, or CalWORKs can help households below the Real Cost Measure cover basic needs, but these benefits drop away too soon, well before households get close to meeting the Real Cost Measure. For example, as noted earlier, CalFresh food assistance is capped for a family of 4 (2 adults, 2 children over 6) at gross income of $52,416[10], and EITC credits taper to $0 when gross income exceeds $53,330[11]; in both cases, well before a family's income reaches the Real Cost Measure. This impact is even greater for undocumented and mixed-status homes. While undocumented Californians are able to file taxes with an ITIN, they do not qualify for services such CalFresh, CalWORKs or Unemployment insurance.

To help families reach financial stability, rather than merely avoid destitution, eligibility requirements such as income limits and the amount of income and assets that are disregarded could be expanded for programs like CalFresh, CalWORKs, and others.

Level Up: Invest in Post-Secondary Education

The share of households below the Real Cost Measure drops significantly among householders who have some college education or a college degree. From the glass half-full perspective, 36% of struggling householders have some college credits already, and the 24% of struggling households with high school diplomas conceivably could seek college degrees, with reasonable assistance. Many of the 29% of struggling households without a high school diploma also could move toward some higher education, with perhaps more assistance.

California made a big step forward in 2017, making community college free with the passage of AB 19, the California College Promise Program which provides ongoing funding to community colleges to help provide free tuition to first-time, full-time students who don't receive the state's tuition waiver for low-income students. The law also provides flexibility to help students cover non-tuition costs such as textbooks, computers, and other educational tools and resources.[12]

Community college plays an important role in creating a pathway to postsecondary education for low-income students, especially those from communities of color.[13] This is evidenced by the increasing number of low-income students who are attending U.S. colleges and universities.[14] However, there is much to be done to ensure that low-income students are attending high-quality institutions.

Further steps we could take to make four-year colleges affordable include income-based repayment systems, such as the model used in Australia: student loans have capped fees up front, students are not required to repay until their income exceeds approximately US $40,000, and graduates whose income does require them to pay have the security of a capped percentage of income.[15]

While California has had considerable success increasing the high school graduation rate, to approximately 84%, those who do not graduate are at high risk for living in poverty, and Black and Latino youth make up an overwhelming majority of that population with 73% and 81% respectively. Further, foster youth and students experiencing homelessness have seen their graduation rates decrease to 53% and 69% respectively.

There are examples of initiatives that work to increase the odds that students stay in school and graduate ready for employment or higher education, or help those seeking a second chance include: increasing access to career and technical education (CTE). They include: The Linked Learning initiative, which emphasizes connections between classroom learning and exposure to workplace settings, using a mix of public and foundation funding; alternative pathways for disconnected youth offered by reengagement programs, such as YearUP; and employment training programs or charter schools focused on disconnected youth, such as those run by organizations like YouthBuild or Conservation Corps.[16]

Increase Resilience through Asset Building and Consumer Protection

Many more American households are financially fragile than just the households below the Real Cost Measure profiled in our report. A Federal Reserve study found that 35% of all American households lack enough savings to pay an unexpected $400 expense.[17]; Another study found that in order to cover a surprise $1,000 emergency expense, such as an emergency room visit or replacing a transmission to keep a car running, 39% of households report they would need to cut spending on food or other essential items, borrow from family and friends, increase credit card debt, take out a personal loan, or use an ominous-sounding “other” route.[8]

To compound matters, struggling households often experience dips and spikes in income over a calendar year, compelling them to make difficult choices regularly, such as cutting back on utilities, asking landlords and banks to extend housing payment due dates, borrowing from family and friends, neglecting health care, sacrificing school supplies and more. This is especially true for workers who are highly dependent on seasonal work to make ends meet, such as those in retail and manufacturing industries where supply and demand fluctuate. Those in retail, for example, often earn additional work hours in November and December, ahead of the holiday season, but experience reduced hours and pay once the demand for holiday shopping declines. In fact, in their survey of working households, described in their book *The Financial Diaries*, researchers Jonathan Morduch and Rachel Schneiber found families can experience up to five months of income volatility during a calendar year where spending was at least 25% above or below their monthly average.[19] This income volatility makes it challenging for families to create savings accounts, invest in retirement, put money aside for their children's education and more.

All these elements of financial stability and the challenges that households under the Real Cost Measure regularly experience have only been exacerbated by COVID-19. While the data on the economic impacts of the pandemic are still being collected and the trajectory of these increased hardships will be multi-year, the initial reporting provides clear indicators that households under the RCM have been negatively impacted the most. More than four in ten households across the nation report facing serious financial problems during the pandemic, with at least four in ten Latino, Black, and Native American households reporting they had to use up all or most of their savings during this time.[0]

While the temporary relief enacted by states and the federal government have alleviated some of the financial pressure on these families the relief often excluded the most needy households, primarily those led by immigrant residents. There are powerful lessons to learn as we assess the impact that economic relief payments have had on households and the economy at large, as well as clearly noting where those investments could have been made more equitably. Making the newly expanded Child Tax Credit permanent would be a big step in the right direction, as would ending exclusions to earned income tax credits and relief payments for immigrant-led households.

Build Assets: There are a number of innovative strategies for helping low-income households begin to build assets. Notably, since our last report, California has established CalSavers, a state-sponsored retirement plan for those without access to an employer-sponsored plan that launched in 2019. As of December 31 2020, more than 244,000 Californians were enrolled in CalSavers and these active savers held a total of $28.4 million, contributing more than $8.5 million per month by the end of the year.[21] Another promising example is San Francisco's Kindergarten to College program, which creates savings accounts for all kindergartners, seeds them with $50, matches parent contributions up to $100 and provides $100 bonuses for consistent savings deposits.[22] Other approaches include individual development accounts (IDAs), income-based repayment of student loans or stipends for students seeking training or postsecondary education, as previously mentioned; direct mortgages and first-time homebuyer programs.

Encourage Savings: Unfortunately, many federal and state policies discourage savings, by using asset tests for benefits like CalWORKs or CalFresh. Such asset tests hurt working families coming and going, either putting them into a deeper hole as they respond to changing fortunes, such as a temporary job loss, or imposing more burdens just as they are beginning to make progress moving out of poverty. Note also that asset limits also are expensive for state and local governments to apply and enforce, and this expense is often wasted, given that only a small share of families seeking aid have assets over the limit. California is poised to eliminate the Medi-Cal assets test for seniors and persons with disabilities starting in budget year 2022-2023.

Build credit: A good credit score can be an asset that can help a family qualify to rent an apartment or purchase a car, yet it can be difficult for low-income households to build a good credit history. Programs and policies that use the payment history of struggling households on things like utilities, rent, cable and online services to establish a credit history would be helpful here, along the lines of alternatives such as the Payment Reporting Builds Credit (PBRC) free alternative credit score.

Displace Financial Predators: Not least, protecting what little assets and credit struggling households have is a pressing need. Struggling households are least able to afford the high costs of fringe financial services and predatory practices such as check cashing and payday lending, which drain low-income households of resources they could otherwise use to meet basic needs or to build assets.

Accounts at mainstream banks or credit unions provide a critical foothold on the economic ladder, helping families build credit, and alternative sources of emergency credit can help households avoid a crushing debt cycle. Banking can be prohibitively costly, however, for households with low incomes, and notable gaps in access to basic financial services exist among BIPOC communities and those with low income. The Federal Reserve found that 26% of adults with less than a high school degree, and 16 percent of adults with income below $25,000, were unbanked in 2020. In California, nearly one in 4 are either unbanked, meaning they lack a bank account altogether, or are underbanked, meaning they have a bank account but still largely rely on alternative financial services such as payday lenders, prepaid debit cards, and pawn shops. Californians earning less than $15 per hour make up 80.7% of the unbanked in the state.[23]

In a number of regions in California, municipalities have taken steps to increase access to mainstream banking, such as through the Bank On program, and/or have sought to stop the further proliferation of predatory financial services. Employers, nonprofits and local governments could explore ways to offer emergency loans on reasonable terms to employees and residents.[24] The state government could explore other options, such as imposing a cap on the Annual Percentage Rate (APR) of payday or small dollar loans, or limit the size and number of such loans.

One promising possibility may be creation of a state-backed public banking option. This year California passed AB1177 (Santiago) to establish h the California Public Banking Option Board and require the board to contract for a market analysis to evaluate the feasibility of a CalAccount public banking program, which would allow Californians to open a no-fee, no-penalty banking account with an associated debit card. The bill takes the success of the CalSavers program, discussed above, as inspiration for its approach.

Advocates are also looking at other ways to make financial systems more inclusive. This includes exploring how to establish a state tax identification number for undocumented residents who currently cannot access tax credits and forms of financial relief from the government.

Integrate and Naturalize Immigrants

Our analysis found that households led by naturalized immigrants struggle at a much lower rate than those led by non-naturalized immigrants, and also, households that lack a fluent English speaker over the age of 14 also struggle at a higher rate. Of course, these and other factors may interact. Pursuing citizenship and improving English language fluency are two possible strategies to consider that may improve prospects for a sizable share of struggling immigrant households. There are an estimated 2 million undocumented immigrants living in the California, including about 600,000 undocumented residents that have sought and obtained Individual Taxpayer Identification Numbers (ITIN) and file tax returns. Thankfully, California extended eligibility to ITIN filers to receive the CalEITC, Young Child Tax Credit and the Golden State Stimulus pandemic support. For households led by immigrants having difficulty obtaining an ITIN from the IRS, California should explore an alternative form of taxpayer identification to connect them to these vital earned income supports.

Adult public education, free and accessible, is an important route for many immigrants to build their English language skills and prepare for citizenship, but it is underfunded and often shortchanged by school districts because it does not produce Average Daily Attendance (ADA) income.

Increase Housing Stock and Prioritize Help for Renters

Housing plays a central role in the fate of struggling households—not just for their financial stability, but also for their educational prospects (which school district and catchment area they can afford to live in) and health outcomes. The quality and location of housing for struggling households affects virtually every aspect of their lives, so improvements here can have an impact well beyond reducing financial stress.

A severe shortage of affordable housing is a brute fact in most California communities; low-income housing tax credits and other subsidies for construction of affordable housing have not met the scale of the need (and in many places, the units they produce, targeted for people earning 80% or 60% of median income, still seem out of reach for many). As important as production of new units is, it should be clear that we cannot simply build our way out of the affordability problem. Federal rent vouchers (Section 8), which have not been fully funded and reach only one quarter of eligible households, and public housing projects also have not come close to meeting the scale of need.

California ranks 49th among states in the number of housing units per capita availability of rental units to very low-income households and needs an estimated 3.5 million additional housing units to meet existing demand. Closing this gap would require 7-10 years of unprecedented growth in housing—beyond levels that California has seen in its history for even one year. As expensive and difficult as building more housing may be, the cost of doing nothing is staggering, too, both in human suffering (homelessness and fear of it, stress and anxiety), and financially—an estimated $50 billion annually goes to rent and mortgage costs that would otherwise be available for households to spend on other essentials, and the total loss to GDP is as much as 6% from foregone construction, investment and other output.[25]

While the solutions to solving California's housing crisis are complex, a good start may be to acknowledge a few key points:

- Struggling households are overwhelmingly renters, as are more than 1/3 of all U.S. households;

- American taxpayers subsidize home ownership at nearly $3 for every $1 spent to support renters and;

- Over 60% of subsidies for homeownership, which is increasingly out of reach for most families, go to households with incomes over $100,000; homeowners with incomes over $200,000 receive four times as much subsidy as renters with income under $20,000.[26]

These facts strongly suggest we should target support for rent costs for struggling households. An increased, refundable federal renters' credit, for example, would be an effective way to improve prospects for struggling households at scale, as well as to rebalance some of the tilt in federal housing subsidies that have grown to increasingly favor upper-income households.[27] Fully funding housing vouchers so they reach all eligible struggling families also would make a big difference.

Currently, the Section 8 voucher program only reaches 1 in 5 eligible households. The program has never been funded at the level required to assist all households who quality; an Urban Institute analysis estimates that the cost to assist those remaining 4 out of 5 households that are eligible but unassisted — an additional 8.2 million households — would be approximately $62 billion.[28]

Make Work Pay

The overwhelming majority of struggling households are already working. This suggests the challenge for struggling households is raising earnings, rather than simply finding a job.

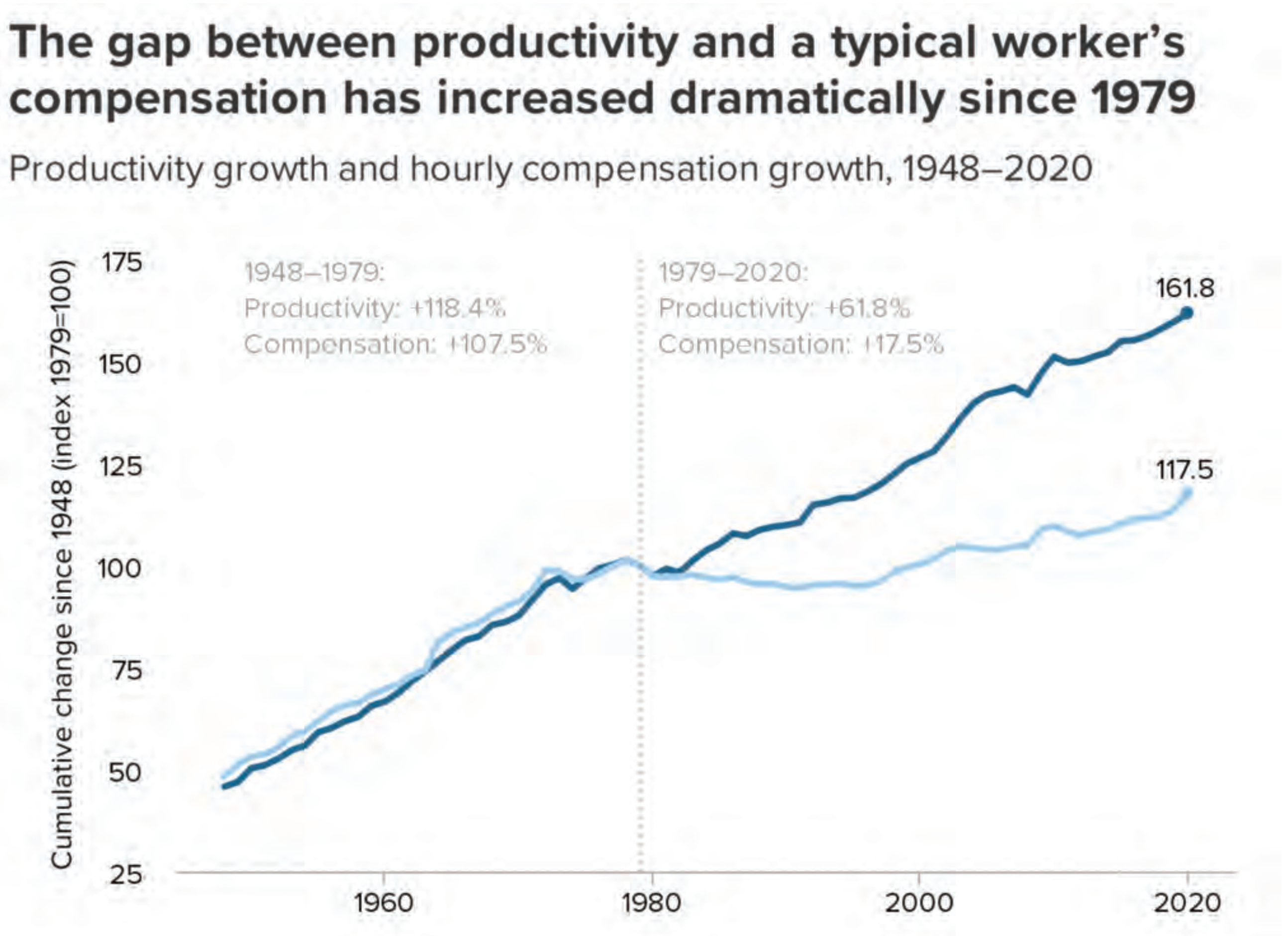
California's phased increase in the minimum wage will certainly help increase pay for many workers, marking a huge improvement from when we issued our first Real Cost Measure report in 2015. The minimum wage has increased from $8 in 2014 to $13 as of this writing. When fully phased in at $15 an hour in 2023, it should help many households move above the federal poverty level, though they likely will still be earning well below the Real Cost Measure.

Providing opportunities for all struggling workers to move up the pay scale may be even harder than increasing the minimum wage, as difficult as that was. Workforce development and philanthropic programs aimed at moving workers from $15/hour to $30/hour jobs, through training programs and improved alignment of worker skills with employer demands, swim against a tide that is moving more workers in the other direction, down the wage scale, even for those with college degrees.

To confront the brutal facts, though, we need to acknowledge we have done a very poor job of sharing productivity gains with low-and middle-income workers since the 1980s, as shown in the figure below.

GAP BETWEEN PRODUCTIVITY AND WORKER PAY

Wages have not kept up with increases in productivity for over 40 years.



***Source: Economic Policy Institute analysis of Bureau of Labor Statistics (BLS) data.*[29]**

Rethink Work, Jobs and Links to Income

While building skills and aligning with what employers seek is vital to every individual, as a society we all may need to radically rethink our approach to work. Looking ahead, there are some strong indicators that there may not be enough jobs for people who want them:

- Global competition and automation have already decimated good paying manufacturing jobs—the auto industry has been using robots for decades, and companies like Apple that are onshoring production in the US again are doing so in part because they can automate production here more easily.

- A growing share of people who do find work, as much as 30% of those in the workforce, are doing “contingent work,” defined by the U.S. Government Accountability Office as work that “takes place in a work arrangement that is not long-term, year-round, full-time employment with a single employer.”[30] This “gig economy” is not just Uber and Lyft drivers, but independent contractors, consultants, temporary and seasonal work, outsourced service providers, agency temp workers, domestic workers, day laborers and more.

- Artificial intelligence is progressing rapidly and threatens many professional jobs—for accountants, lawyers, perhaps even primary care physicians—while also impacting or eliminating lower paying service jobs - for example, McDonald’s is testing robots at point of sale.[31]

Our social systems — access to health coverage, retirement benefits, unemployment benefits while out of work, not to mention pride and social standing — were all based around the notion of a stable job, perhaps working for one company for an entire working life.[32] Virtually no one today expects to work for one company their entire life, as people often move jobs and have more than one job at a time, and also have extended periods where they are without a job.

With the way work is changing, even middle- and upper-income families may also find, as many low-income families already do, that employment alone is not enough. Those seeking to help families gain stability should strongly consider advocating for policies that recognize this new reality by allowing portability of benefits regardless of employer sponsorship, such as health and retirement, and more effective access to income supports. The CalSavers retirement program is a good example of this type of policy — it creates a personal retirement account for workers whose employers do not offer a retirement plan, of which there are an estimated 7 million in California alone. The account allows workers to save for retirement through payroll deduction, a “set it and forget it” type of savings strategy that is very effective in behavioral economic terms.[33] CalSavers unfortunately is not available to workers whose employers do offer a retirement plan but who may not be eligible to participate because they work part time.

To build a more inclusive economy, and to remove incentives for employers to game current wage and hour laws to avoid paying for benefits like health coverage and retirement, a promising strategy would be to create a portable account for all workers to accrue health and retirement benefits from multiple employers, a "Shared Security Account[31]", and to require all employers to pay a pro-rated share of health coverage, retirement benefits and all other benefits that traditionally came with full-time employment — such as sick days, vacation days, unemployment insurance and more — into that account based on hours worked.[34] That would help workers have some increased security and also build assets, and remove the unfairness of one employee working 30 hours getting full benefits, while another who worked only 29 hours, or someone who worked over 40 hours but split between two or more employers, receiving no benefits.

Another promising approach would be a guaranteed minimum income or a universal basic income (UBI).[35] Such a policy would provide a monthly cash stipend to every household or adult (proposal vary), to enable families and individuals to smooth out spikes and troughs in income, support themselves while getting an education, or start a business. In recent years, California has seen several demonstration projects providing a minimum or basic income to families, in Oakland, Stockton and elsewhere (Los Angeles has launched a pilot project), and the state has created a fund of $35 million to match funds for local demonstrations. These are not so much experiments as they are efforts to build public will, since the positive effects of a guaranteed or universal basic income have been well demonstrated in similar projects around the world — recipients use the funds responsibly, to pay down debt, care for dependents and invest in their future earning potential, and also report greater wellbeing. The financing for a basic income could be structured as a dividend, a basic share of a growing economy for every family. The Alaska Permanent Fund, created in 1976 with Alaska's share of revenues from licensing access to its oil, is perhaps the most successful example of such a dividend in the U.S. (In California, Senator Robert Hertzberg has coined this approach "universal basic capital", and together with Evan Spiegel, founder of SNAP, and Eric Schmidt, former Google CEO, has proposed creation of a state sovereign wealth fund with portable personal accounts for Californians, modeled after CalSavers.)[36]

Next Steps

We hope the portrait of need in *Struggling to Move Up: The Real Cost Measure in California* helps all of us:

- Set a bar for a decent standard of living we want to help families reach and provide a more accurate view of the number of struggling households in every California county and neighborhood.

- Enable communities to engage in a data-informed, rich and accessible conversation about the needs of struggling families, and the tradeoffs they make.

- Promote a better understanding of how families in different situations have different needs even if they have seemingly similar incomes.

- Identify possible policy levers for helping struggling families move up.

- Inspire communities and leaders across all sectors — business, nonprofit, and government — to take steps to help struggling families move up.

There are many steps we can take at every level—local, regional, state and national—to increase economic mobility for struggling families. The suggested policy levers outlined above are meant to suggest some fruitful areas to explore, not to be prescriptive or exhaustive. The key takeaways are these:

- Focus on families and their particular situations—are we talking about families with toddlers, householders with unpredictable hours and large swings in income, or something else?

- Policies and programs may be siloed, but household budgets and family lives are not. Assisting with any one factor can provide relief in other areas; for example, providing housing assistance can allow greater resources for food or continuing education, or providing quality childcare and preschool can likewise allow families to earn more, spend more on food or housing.

- Get in the fight — take some action to help, from volunteering with a nonprofit health or social services organization, to engaging fellow citizens to vote and keep economic mobility in mind when doing so. When it comes to creating a stronger California for all of us, everyone can play a part.

ENDNOTES

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By necessaries I understand not only the commodities which are indispensably necessary for the support of life, but what ever the customs of the country renders it indecent for creditable people, even of the lowest order, to be without.

ADAM SMITH
The Wealth of Nations (1776)

Expansion of freedom is both the primary end and the principal means of development. Development consists of the removal of various types of unfreedoms that leave people with little choice and little opportunity of exercising their reasoned agency.

In this perspective, poverty must be seen as the deprivation of basic capabilities rather than merely as lowness of incomes.

AMARTYA SEN
Development as Freedom (1999)

United Way

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