



United Ways of California

# How Much It Costs To Struggle

**The Real Cost  
Measure in  
California  
2023**

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United Way improves lives by mobilizing the caring power of communities around the world to advance the common good. 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.

A family's or individual's financial situation clearly is a central factor in whether they have a real opportunity to achieve these building blocks, which lay the foundation for living with agency and dignity, for enjoying freedom, defined as "the capability to choose a life one has reason to value."<sup>\*</sup> To help struggling families gain agency, dignity, and mobility – to move up – we need a poverty measure to point the way to a decent standard of living, not just tell us how low some incomes are relative to others. That is a key reason why we produce the Real Cost Measure.

This year's release of the Real Cost Measure, like its predecessors, seeks to assess the true costs of living in California's communities and the hardships households face in meeting them.

For one in three households in California (34%, over 3.7 million) even a modest level of security remains elusive. These struggling households reflect the diversity of California; they come from every household composition, and represent every racial and ethnic group. Each of these families has a story – which we will not be able to tell in full here – but their experiences lie at the heart of the numbers that we present, and this report should help illuminate the challenges they face in making ends meet.

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<sup>\*</sup> In his book *Development as Freedom*, Amartya Sen makes a persuasive case that the expansion of freedom is not defined simply by civil liberty or freedom from abuse, but by advances in "the capabilities of people to do things - and the freedom to lead lives - that they have reason to value."

To help struggling families gain agency, dignity, and mobility – to move up – we need a poverty measure to point the way to a decent standard of living, not just tell us how low some incomes are relative to others.

## A Better Measure of Financial Hardship

The federal government's official poverty measure vastly understates poverty. Established during President Lyndon Johnson's "War on Poverty," the Federal Poverty Level (FPL) has two primary flaws: (1) its formula is primarily based on the cost of food, and in the decades since it was created, the costs of housing, transportation, child care, health care, and other family necessities have risen far more rapidly than food costs and (2); it neglects regional variations in the cost of living, and living costs in many communities, especially in California, where they are significantly higher than national averages.

As a result, the true extent of households contending with deprivation is hidden. Many of these hidden poor find they earn too much to qualify for most public services, yet 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. In order to empower struggling families and provide them with the means to improve their lives, we require a poverty measure that guides them toward achieving a respectable quality of life, enabling them to have agency, dignity, and upward mobility. A crucial variable in achieving this is having a poverty measure that provides insight into the different challenges



faced by families of different compositions and stages of life. That is why we use the Real Cost Measure, a basic needs budget approach, to better understand the challenges families face. The Real Cost Measure has two primary components:

- Household dignity budgets: estimates of the costs of meeting basic needs for different households in a given area, based on data that account for variation in local costs of living, and;
- Neighborhood-level demographic analysis: an estimate based on Census data of how many households have income below those local budgets

This approach is intuitive and easy for most people to understand, as it is grounded in the daily realities of household budgeting all families face: food, housing, transportation, child care, out-of-pocket health expenses, and taxes. This approach takes into account different costs of living in different communities, and also conveys a better sense of the hardship many families face because it invokes trade-offs between competing needs — if you have an inadequate level of income, do you sacrifice on food, gas, or child care?

The Real Cost Measure is applied through multiple lenses. At the geographic level, we conduct an “apples to apples” comparison among regions, counties, and neighborhood clusters. To determine how many households struggle to meet the Real Cost Measure, our demographic analysis compares household income data to basic needs budgets for over 1,200 household configurations, for each of California’s 58 counties, and up to 19 adults in a household. We also view the Real Cost Measure through race, gender, nativity, occupational type, marital status, educational attainment, employment status, housing type, and more. For more information including interactive maps, an interactive dashboard on household budgets, county profiles, and a downloadable public data set, please visit [unitedwaysca.org/realcost](https://unitedwaysca.org/realcost).

#### **A note about the pandemic:**

*This release uses pricing and Census data from 2021, the middle of the COVID pandemic. United Ways of California does not speculate on how the pandemic affected the Real Cost Measure results we share here, but we want to note a few points. The pandemic greatly disrupted life for Americans of every income level, and in every sphere - work, school, relationships with family and friends - and caused high levels of stress and trauma. Economically, however, the picture is more mixed than commonly appreciated. Federal and state governments took extraordinary steps to stabilize households, providing direct cash payments to households and forgivable loans to businesses, expanding and extending eligibility for food assistance, increasing subsidies for health coverage, providing rent relief and other housing support, and more. Households of all incomes benefited from these efforts, much of the assistance went to households earning well above the Real Cost Measure, but for lower income households, early analysis indicates this level of assistance led to a reduction of poverty during the period. The expanded federal child tax credit alone reduced child poverty by half (but unfortunately, it was not renewed after it expired in December of 2021.) While the rising cost of staple food items and some services have led to unease about inflation, key inputs for struggling families, such as the costs of housing and health care, have been rising faster than inflation for many years, but with much less concern from opinion leaders. Though we cannot and do not attempt to assess how the pandemic and relief efforts affected our Real Cost Measure results, we think the success of pandemic relief is an important lesson for future discussions about how to assist working families.<sup>1</sup>*



There's plenty of poverty  
above the poverty line.

Matthew Desmond,  
*Poverty, By America*

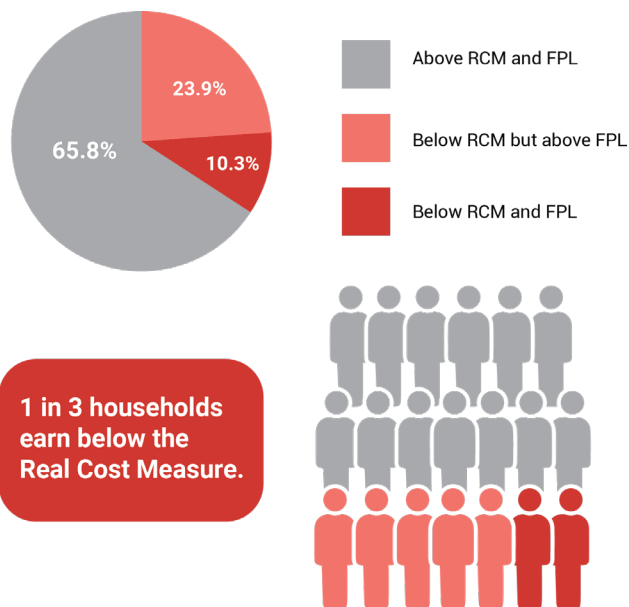
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## Key Findings

### One in Three California Households Struggle to Afford Basic Necessities

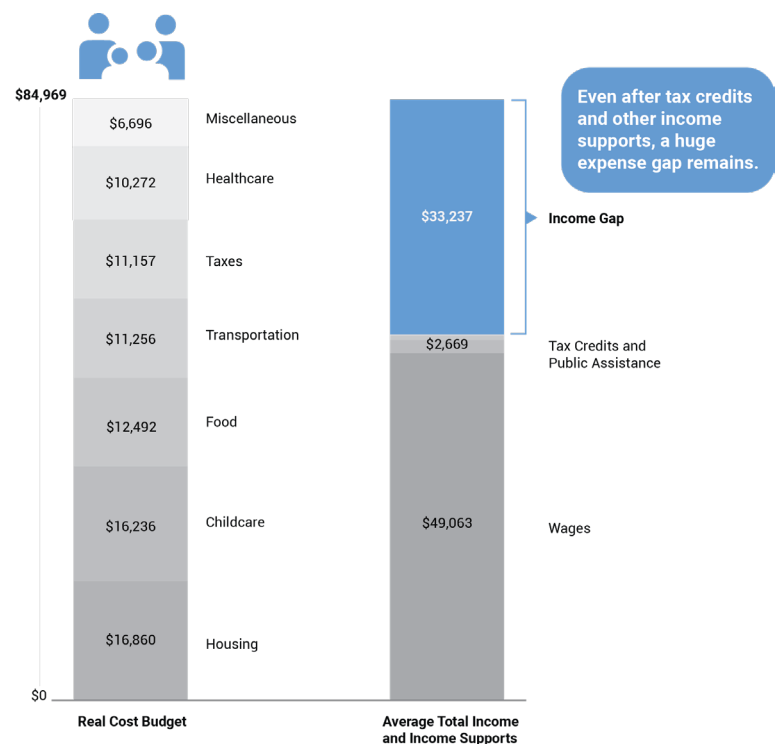
One in three households in California (34%, over 3.7 million) do not earn enough to afford the necessities required for a decent standard of living. This is roughly 2.5 times the proportion of households considered to be living in poverty under the federal poverty level.

**Figure 1: Households above/below the Real Cost Measure**



In Riverside County, for example, one of the fastest growing counties in California<sup>2</sup>, 209,000 households (34%) earn below the Real Cost Measure. A family of four - two adults, one preschooler, and one school-aged child - living in Riverside County would have to earn \$84,969 annually to cover the costs of housing, food, health care, child care, transportation, and other basic needs. The average income for such families of four earning below the Real Cost Measure, however, is slightly below \$52,000, as shown in Figure 2, which means that this household would have to earn an additional \$33,237 to reach the Real Cost Measure.

**Figure 2: Income Gap after Wages and Public Assistance for Average Household below the Real Cost Measure, Riverside County: 2 adults, 1 pre-schooler, 1 school-aged child**



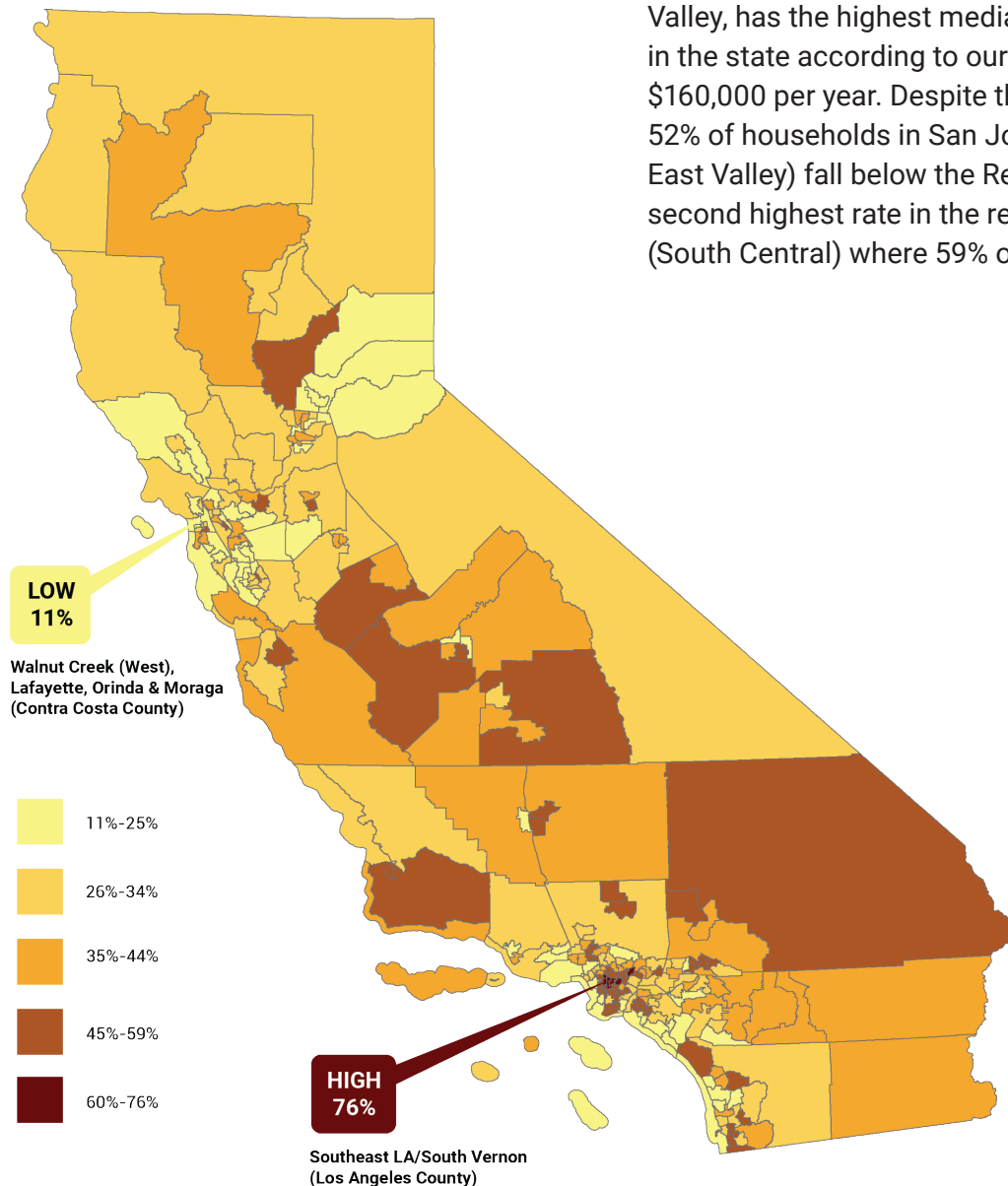


## The Geography of Financial Hardship

Despite California's great wealth, there are significant disparities throughout the state based on where people live.

At the regional level, the Central Valley has the highest rate of struggling households, at an estimated 39%, nearly 412,000 households.

**Figure 3: Percent of Households Living below the Real Cost Measure**



Looking across California's 58 counties, the county experiencing the greatest degree of struggle is Merced in the Central Valley where 48% of households fall below the Real Cost Measure, with over 30,000 households. In contrast, Placer County, near the Sierra Nevada Mountains and Lake Tahoe, has the lowest rate of struggling households, at 20%.

There are also significant disparities within counties, even within the most affluent areas of the state. For example, Santa Clara County, home to Silicon Valley, has the highest median household earnings in the state according to our analysis, with over \$160,000 per year. Despite this concentrated wealth, 52% of households in San Jose City (East Central/ East Valley) fall below the Real Cost Measure, the second highest rate in the region after Oakland (South Central) where 59% of households struggle.



The community with the highest rate of households below the Real Cost Measure is East Vernon in southeast Los Angeles, at 76%, while the community with the lowest share of struggling households is the neighborhood cluster of Walnut Creek (West), Lafayette, Orinda, and Moraga in Contra Costa County, at 11%, illustrated in the map in Figure 3.

These neighborhood-level comparisons are drawn using Public-Use Microdata Areas (PUMAs). Often called “neighborhood clusters,” PUMAs are created at the conclusion of every decennial census by combining contiguous neighborhoods (or rural counties) to reach a sample size of at least 100,000 people. They are far more statistically accurate than zip codes and census tracts which often have smaller household sample sizes, especially in rural communities. There are currently 265 neighborhood clusters in California, more than any other state in the country.<sup>3</sup>

**Figure 4: Percentage of Households below Real Cost Measure: Top and Bottom 10 Neighborhood Clusters**

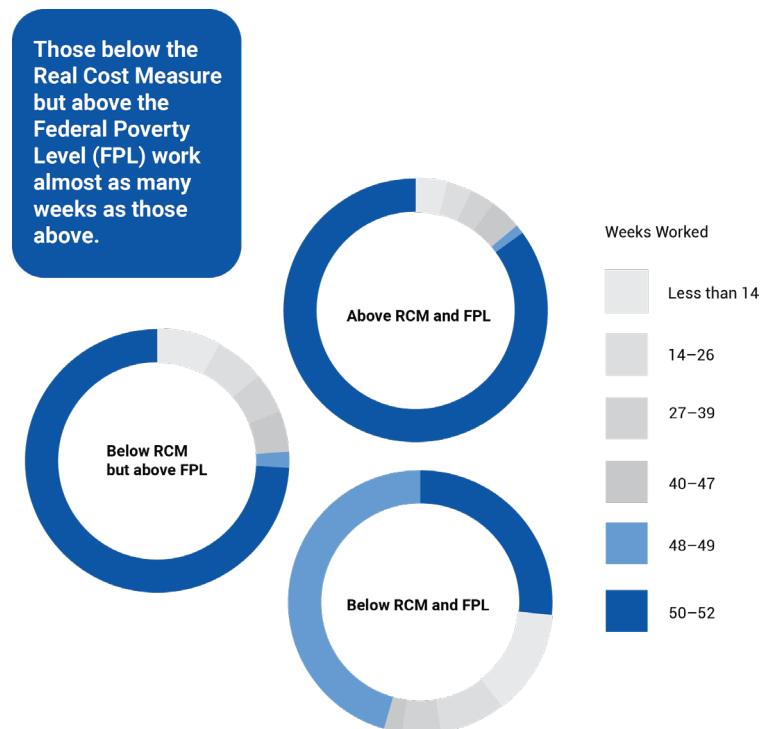
Top 10 Neighborhood Clusters		Bottom 10 Neighborhood Clusters	
11%	Contra Costa County: Walnut Creek (West), Lafayette, Orinda & Moraga	76%	Los Angeles County (Central): LA City (Southeast/East Vernon)
12%	Contra Costa County (South): San Ramon & Danville	74%	Los Angeles County (Central): Huntington Park City, Florence-Graham & Walnut Park
14%	Los Angeles County: Redondo Beach, Manhattan Beach & Hermosa Beach	73%	Los Angeles County (South Central LA: City (South Central/Watts)
15%	Ventura County--Thousand Oaks	72%	Los Angeles County (Central): Bell Gardens, Bell, Maywood, Cudahy & Commerce
16%	San Diego County (West): San Diego (Northwest/San Dieguito) & Encinitas	66%	Los Angeles County: LA City (Central/Univ. of Southern California & Exposition Park)
17%	Alameda County (Northeast): Oakland (East) & Piedmont	64%	Los Angeles County (South Central): LA City (South Central/Westmont)
17%	Orange County (Southeast): Rancho Santa Margarita (East) & Ladera Ranch	61%	Los Angeles County (Central): El Monte & South El Monte
17%	Placer County (Central): Rocklin, Lincoln & Loomis	59%	San Diego County (Southwest): Chula Vista (West) & National City
17%	Alameda County (South Central): Fremont (East)	59%	Alameda County (North Central): Oakland City (South Central)
17%	Alameda County (East): Livermore, Pleasanton & Dublin	58%	Los Angeles County (South): South Gate & Lynwood




## Low-Income Families Overwhelmingly Work, but Earn Too Little

Struggling households overwhelmingly participate in the workforce, often to the same extent as households with incomes above the Real Cost Measure. Of the estimated 3.7 million households that fall below the Real Cost Measure, 97% of them are actively engaged in the workforce and have at least one working adult in their household. These data highlight the fact that hard work alone does not always guarantee financial security.

Figure 5: Percent of Households by Weeks Worked per Year







Of the estimated 3.7 million households that fall below the Real Cost Measure, 97% of them are actively engaged in the workforce and have at least one working adult in their household.

We have reached the productive and moral limit of the zero-sum economic model that was crafted in the cradle of the United States. We have no choice but to start aiming for a Solidarity Dividend.\*

Heather McGhee,  
*The Sum of Us*

”

### Struggling Households of All Races Face Financial Hardship in California

The struggle to meet basic needs is a challenge for families of all racial groups across California. It's a common misconception, often promoted by our media and culture, that poverty almost exclusively affects communities of color. Often, this fallacy promotes harmful stereotypes and serves as a barrier to creating the structural change necessary to ensure working families make enough money to not just survive, but thrive.

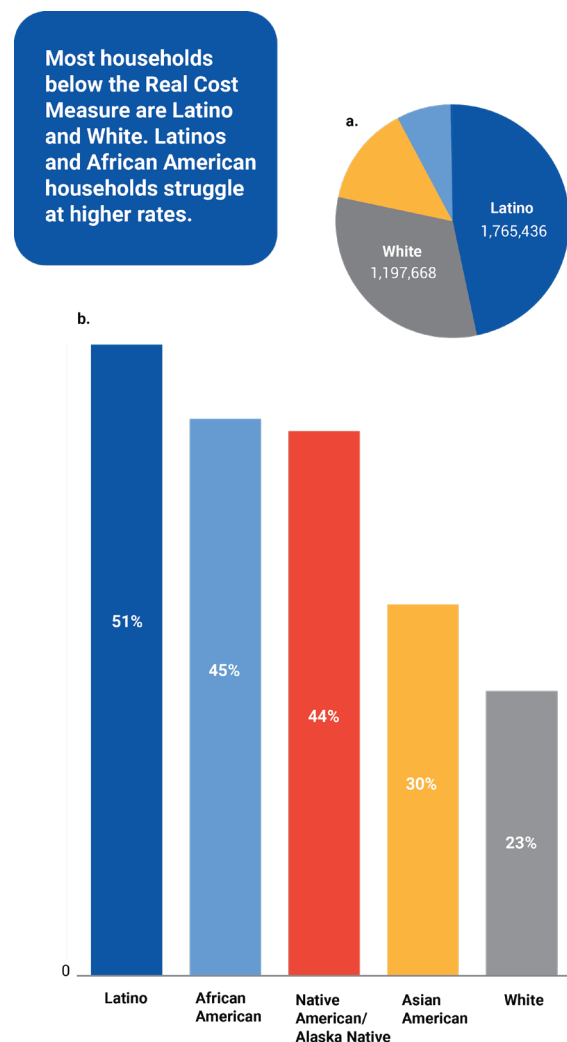
In reality, poverty is a pervasive issue that families of all races and ethnicities grapple with in California. The latest data show that the majority of households below the Real Cost Measure are Latino (over 1.7 million), and the next largest group of struggling households are White (approx. 1.2 million), with significant numbers of Asian American (over 518,000) and Black or African American (over 279,000) households also struggling to meet basic needs. See Figure 6 for more details.

\* McGhee coined the phrase “Solidarity Dividend” to describe Americans reaching across racial lines to work together for the common good—and securing better lives for all of us.

### Income Inadequacy is not Evenly Distributed Across Racial Lines in California

While families of all races in California face financial challenges, those led by people of color are disproportionately affected. The Real Cost Measure reveals a sobering reality for many families of color in California, as over half of Latino (51%) households, 45% of Black households, 44% of Native American/Alaskan Native households, and 30% of Asian American households are unable to afford basic necessities, like housing and health care. Following in financial struggles are White households, with 23% below the Real Cost Measure.

Figure 6: a. Number of Households below Real Cost Measure by race, b. Percent of Households below the Real Cost Measure by race





## Household Budgets Change as Families Grow

Having children in a household also affects a family's ability to reach the Real Cost Measure. As illustrated in Figure 7, a household of two adults in Fresno County needs to earn nearly \$43,000 in income to meet basic needs. When that household adds one pre-schooler and one school-aged child, this family of four would have to earn nearly \$78,000, on average, to cover basic needs. Among other cost increases, the largest increase in the budget comes from child care, which would add nearly \$16,000 to this example family's annual expenses. As the children grow older to become one school-aged child and one teenager, however, the price of child care decreases to \$6,588 while food costs increase to over \$14,000. While the cost of housing is a barrier for all households, for families with young children, the cost of child care can often become the largest family expense.

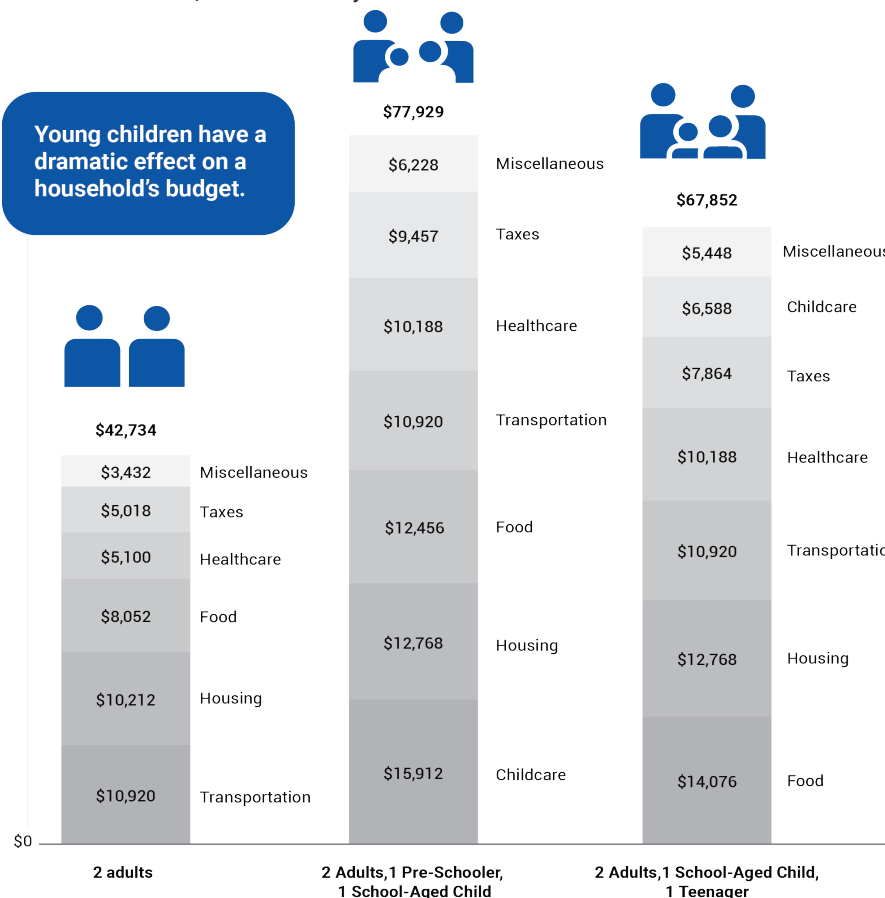
## Households Led by Single Mothers Struggle at Higher Rates

Households with children led by a single adult are significantly challenged.

- Over 70% of households led by single mothers fall below the Real Cost Measure, compared to just 28% of households led by married couples.
- An alarming 80% of households with young children under six led by single mothers earn below the Real Cost Measure.

This is despite the fact that these single mothers overwhelmingly work, with 57% working full-time.

**Figure 7: Household Budgets Change as Families Grow, Fresno County**

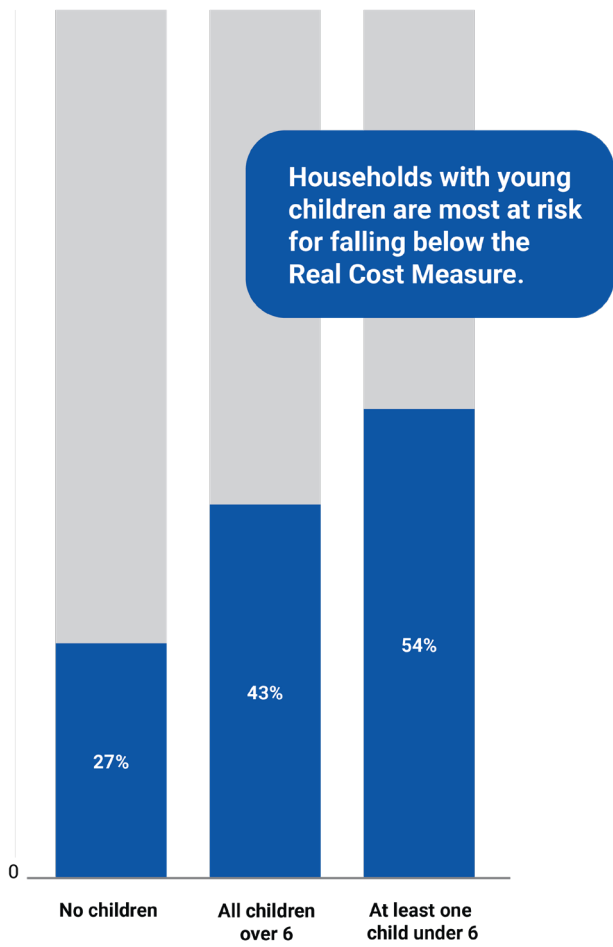


KEY FINDINGS

Over Half of California Households with Young Children Earn below the Real Cost Measure

Households with young children are especially challenged; over half (54%) of households in California with children under the age of six are struggling to make ends meet. Growing up in poverty can have long-lasting traumatic effects on children, from lower academic achievement to increased risk of mental and physical health problems. With over half of the young children in California living in struggling households, the consequences of poverty are widespread and devastating.

Figure 8: Percentage of households below Real Cost Measure based on children in household



Poverty must be seen as the deprivation of basic capabilities rather than merely as lowness of incomes.

Amartya Sen, *Development as Freedom*

”

### Education is Linked to Lower Rate of Financial Hardship, but Gender and Race Gaps Persist

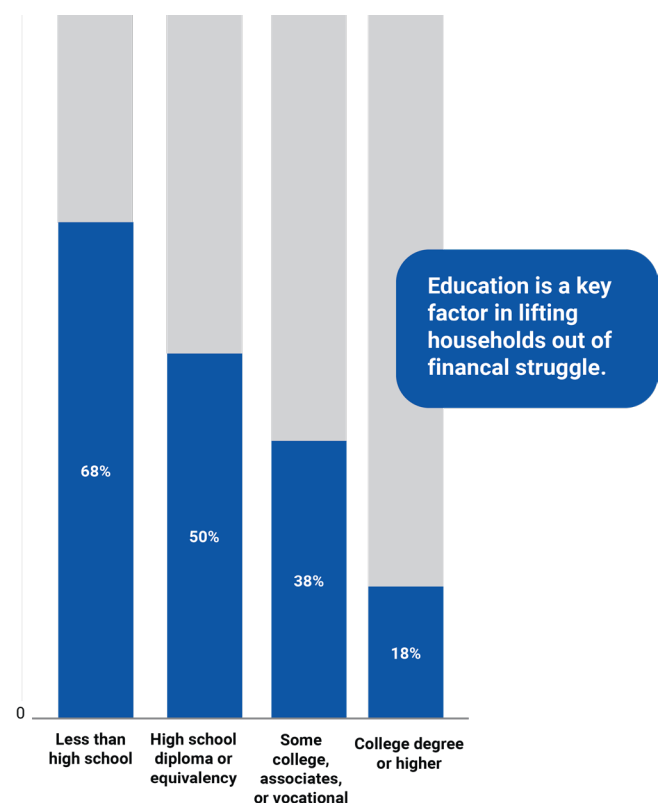
Householders with lower levels of education are more likely to struggle financially. Nearly 7 in 10 (68%) of householders without a high school diploma have incomes below the Real Cost Measure. As education increases, the rate of struggling households drops sharply, with only 18% of those with a college degree or more struggling.

However, women householders earn less than men at every level of education.

The impact of educational attainment on a household's ability to earn above the Real Cost Measure varies throughout the state and within regions. Tulare County has the highest rate of struggling households (53%) led by a person with no more than a high school diploma compared to Placer County with 38%.

The Real Cost Measure data show that education is a key factor in determining economic opportunity and financial stability in California. By investing in education and training programs that help individuals attain higher levels of education, we can create a more just and equitable society for all Californians.

Figure 9: Estimated number of households below Real Cost Measure by educational attainment



### Questions for consideration

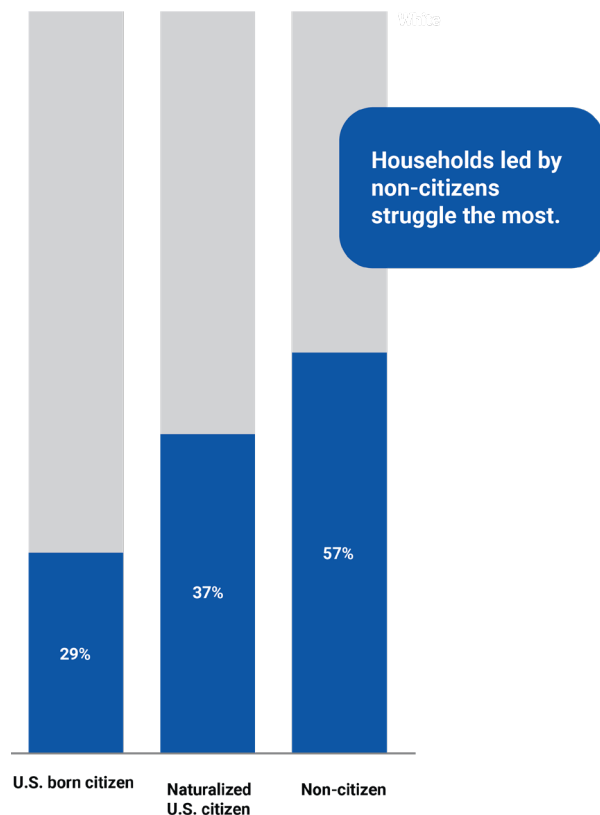
*What community-led conversations are happening locally to help guide investments in education, or school transformation, such as Community Schools?*

## KEY FINDINGS

### Economic Hardship is Greater Among Households Headed by Non-Naturalized Immigrants

A significant proportion of households led by foreign-born people in California struggle to earn enough income to meet their basic needs. While 29% of households led by U.S. born individuals earn income below the Real Cost Measure, the proportion is higher for foreign-born households at 37%, and it is much higher when the householder is not a citizen, in which case the rate of struggling households jumps to 57%. This highlights the challenges that foreign-born individuals face in achieving economic security in California.

**Figure 10: Number of Households below Real Cost Measure based on Citizenship Status**



### 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.

58% of households below the Real Cost Measure are housing burdened (spending over 30% of their income on housing), more than twice the rate of housing burden among households living above the Real Cost Measure (26%).

48% of those above the Federal Poverty Level (FPL) but below the Real Cost Measure, and 81% of those below both the Real Cost Measure and FPL are housing-burdened (spending more than 30% of income on housing), compared to only 25% above the Real Cost Measure.

The lowest income households, those households living below the Federal Poverty Level as well as the Real Cost Measure, report spending a staggering 81% of their income on housing, as shown in Figure 12, leaving very little room to cover other basic needs such as food, child care, and transportation.

Across all incomes, 40% of California households, over 4.3 million, spend more than 30% of their income on housing. That is over 586,000 more households than those who fall below the Real Cost Measure. As the map in Figure 11 illustrates, the prevalence of “housing burden” varies throughout the entire state; Of the 4.3 million California households of all incomes who are deemed housing burdened, 40% are in Greater Los Angeles representing Los Angeles, Ventura, and Orange Counties, (over 1.7 million households). Note also that in Los Angeles County 40% of households, over 1.1 million, fall below the Real Cost Measure.

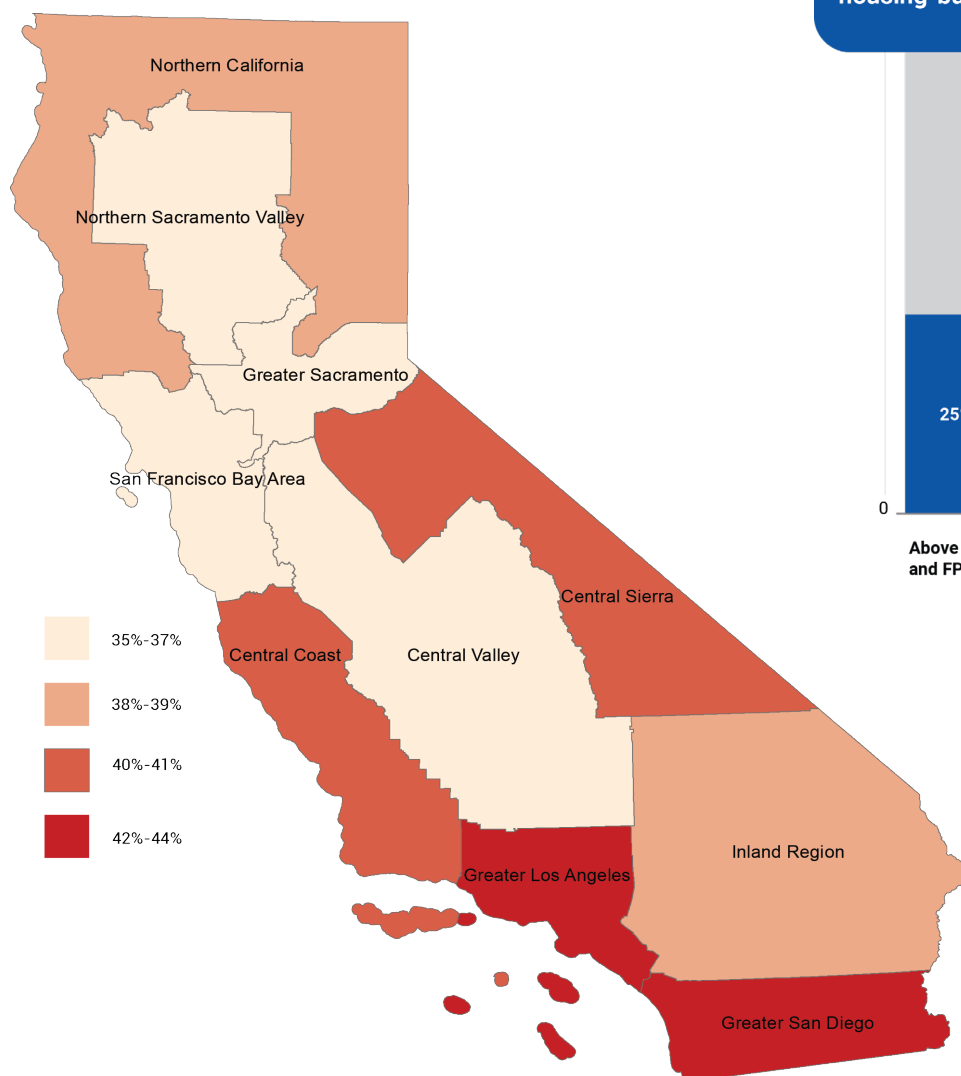
### Questions for consideration

*What impact would a more inclusive safety net have on our state's collective well-being?*

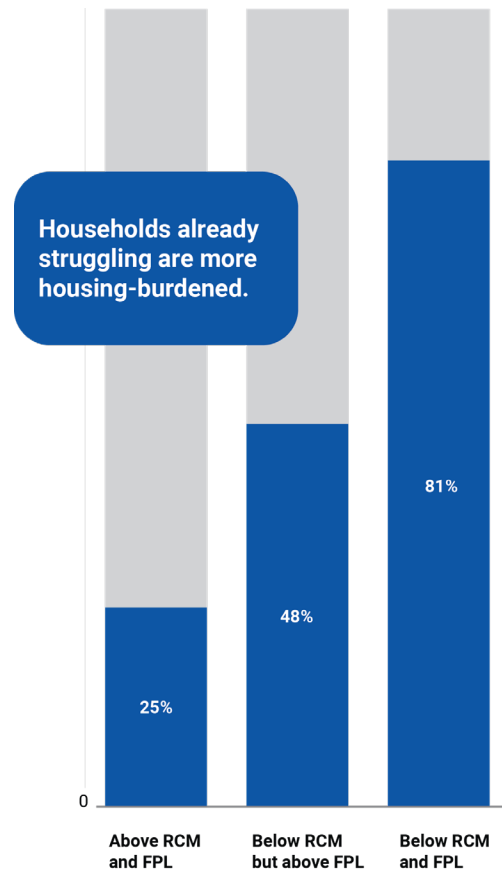


The high cost of housing is seen in the fact that 32% of families who live below the Real Cost Measure cohabitate with others, as we find over one million households throughout the state living with other unrelated people in a household.

**Figure 11: Percents of Households Paying at least 30% of Income on Housing**



**Figure 12: Share of Income Reported Spent on Housing by Households under the Real Cost Measure**



## Questions for consideration

*What is a goal you have for families in your community around access to affordable housing?*

*What is a policy improvement that could support that goal?*

The difficulty lies  
not so much in  
developing new  
ideas as in escaping  
from old ones.

John Maynard Keynes



## Next Steps

We hope the portrait of struggling households described in this Real Cost Measure study helps leaders from all sectors:

- Identify the true level of need in their communities more clearly and:
- Set a bar for the level of effective buying power we want to help families reach

and the least decent standard of living we, as a society, allow

- Enable communities to engage in data-informed conversations about the local cost of living and the trade-offs struggling families often have to make
- Promote a better understanding of how families in different situations have different needs, even if they have seemingly similar total incomes; and
- Identify possible advocacy solutions to help families in different situations become more financially stable and resilient

In the following pages, we briefly outline some possible areas of policy and systems change for communities to consider as they explore how best to help struggling families.

## Building Economic Inclusion: A Call to Action

Households living below the Real Cost Measure are predominantly working families. Despite their efforts, the data makes it clear that hard work alone is not enough to foster economic mobility and promote long-term financial security. There is often a persistent narrative around “deservedness” and the ideals of “pulling oneself up by the bootstraps,” however, that is entrenched in the way we talk about how families should deal with economic hardship. Often this stance suggests that individual effort and personal responsibility are the primary drivers of economic success, but we know this is not the case, as the Real Cost Measure lays out. It is both unrealistic and uncompassionate to expect families to overcome these challenges through individual efforts alone. The purpose of the Real Cost Measure is to enable people and communities to see with clear eyes the challenges that families face and the systems that either serve to lift them up or require a change in order to do so.

All Californians would benefit if more struggling families move up the ladder toward economic stability. Community, business, civic, nonprofit, and philanthropic leaders all have a role in achieving this goal. Access to quality education, health care, infrastructure, and social safety nets are critical factors that can enable Californians to thrive. These public investments are essential for fostering equitable conditions and providing households with the necessary resources to achieve economic mobility.

We have placed a number of our suggestions for leaders to consider throughout the Executive Summary as ways to frame and think about key findings. Additionally, we highlight here some key topics and pose questions designed to spur conversation as well as potential action.

## Preserve and expand health coverage and access.

Access to health coverage and care is a critical factor in reducing financial instability for households. Serious illnesses or injuries can result in high medical costs. Medical bills are a leading cause of bankruptcy and can catapult families toward destitution. It is well established that access to preventative care improves individual and collective wellness outcomes for families and communities. It is imperative that health coverage results in health access to meet the health needs of families in a timely and responsive manner.

California has made significant strides in enrolling eligible Californians in affordable health coverage, including more than 15.4 million in Medi-Cal as of November 2022.<sup>4</sup> This represents an increase in enrollment of nearly 2.9 million Californians since 2019. Thanks to policy expansions in recent years, all low-income children and adults in California are now eligible for Medi-Cal, irrespective of citizenship status.<sup>5</sup>

A crucial step in promoting financial stability for all is protecting these achievements as well as expanding access to Covered California regardless of immigration status for those who make over the Medi-Cal threshold.

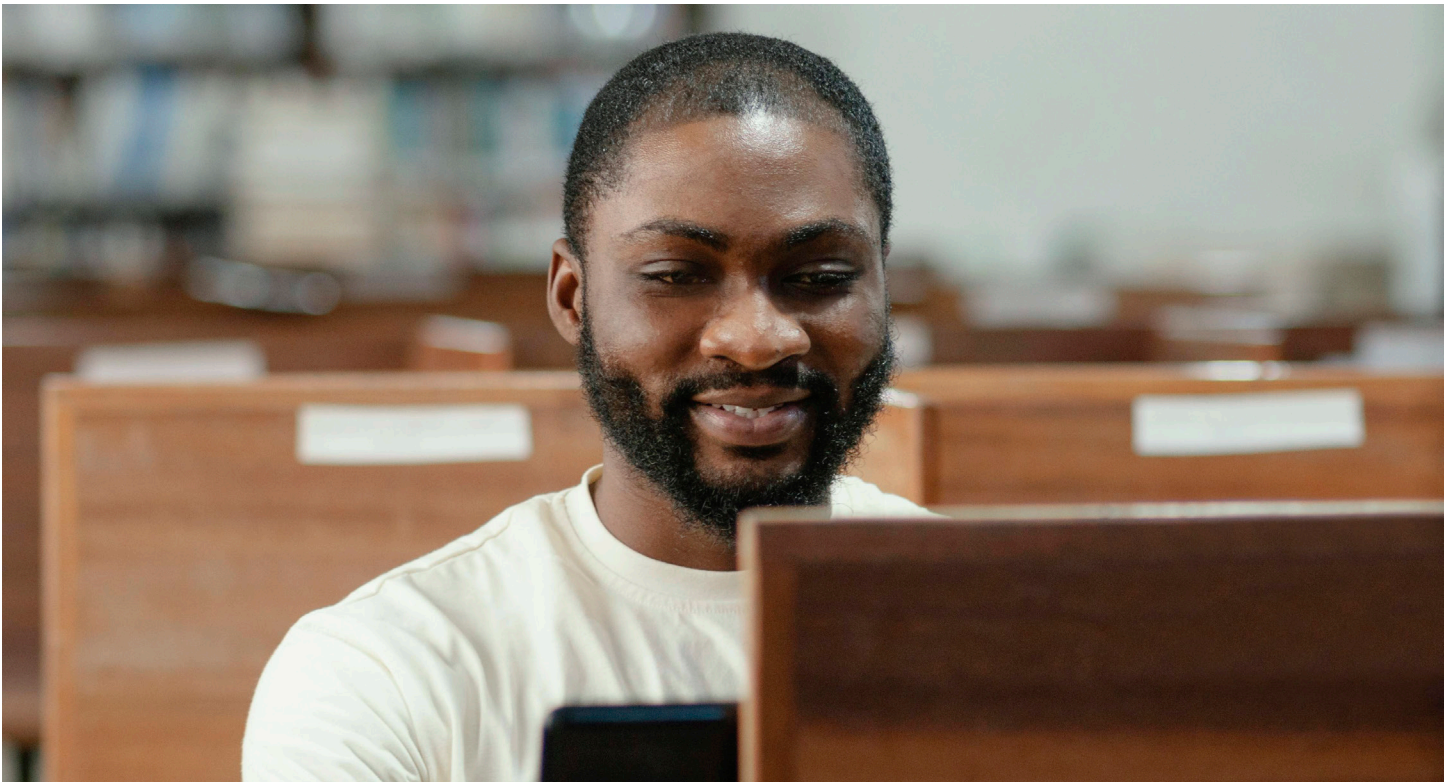
However, health care enrollment does not necessarily result in timely access to appropriate and equitable care. California is still grappling with many health care related challenges that warrant consideration and action. These include:

- One barrier to care is finding a doctor. In 2020, all races/ethnicities had greater difficulty finding a specialist than a primary care doctor. About one in six Black and multiracial adults reported difficulty accessing specialty care. About one in five Latinx Californians reported not having a usual source of care and experiencing difficulty finding a specialist.
- The Black population in California experienced the highest death rates from breast, cervical, colorectal, lung, and prostate cancer among all racial and ethnic groups.<sup>6</sup>

## Questions for consideration

*What impact would universal access to affordable health care coverage options have for households struggling to get by?*

*How can we ensure that health coverage results in quality health care access for all Californians?*



## **Empower individuals in advancing their education.**

Education is a key factor in lifting households out of financial struggle. Our data shows that householders with some college education or a college degree have a significantly lower rate of living below the Real Cost Measure. It's encouraging to note that 38% of struggling householders have some college credits already and that 50% of struggling households with high school diplomas have the potential to seek college degrees with the right support. For those (50%) without a high school diploma, the path towards higher education may seem difficult, but with more accessible assistance, many can take the steps towards a brighter future.

California has invested a historic amount of one-time funds in recent years in the "Community Schools Partnership Program" (\$4.1 billion to be allocated via grants to Local Education Agencies from 2021 to 2031). These partnerships provide an integrated focus on academics, health and social services, youth and community development, and community engagement. This is a critical opportunity to align systems of care with families leading the community-centered design. However, oversight of the Community Schools program and consistent implementation of family-led systems design appears to be lacking and should be viewed as a critical opportunity for community conversations using the Real Cost Measure as a tool to understand the needs of families and children.

### **Questions for consideration**

*What role does early education and care have in envisioning a future where all Californians thrive?*

*What changes can be made in the nearer term to have a long-term positive impact?*



### **Ensure all families have access to quality child care and preschool.**

Families with young children face high costs of child care and limited opportunities to work or pursue education due to caregiving responsibilities that often default to family members, particularly women. This is why we suggest implementing dual-generation strategies, such as offering child care and early childhood education along with educational opportunities for parents, especially single mothers, which can help parents increase their education, work more hours, or seek better employment.

It is also important to acknowledge that the child care workforce is primarily made up of women, especially women of color. The current reimbursement rate-setting methodology establishes rates that are not sufficient to cover the true cost of providing early learning and care services in accordance with current state licensing and program quality requirements. This hampers the ability of providers to build an equitable child care provider network and for families to afford and access care. A well-funded mixed-delivery system, which includes both community-based providers and local educational agencies is essential to the wellbeing of children and families across the state.

Investing in child care and preschool can make a significant impact on the lives of struggling families. By supporting families in this way, we can help them build a strong foundation for success, reduce the financial burden of child care, and provide children with the tools they need to thrive.

### **Questions for consideration**

*What role does early education and care have in envisioning a future where all Californians thrive?*

*What changes can be made in the nearer term to have a long-term positive impact?*



### Expand the reach and impact of income support programs such as the Earned Income Tax Credit.

In California, an estimated 25.5% of EITC-eligible households do not claim the credit, leaving \$1.5 billion unclaimed annually.<sup>7</sup> It is estimated that for every dollar a household receives in tax credits, \$1.70 of economic activity is generated. More simply put, families with low incomes that get cash via tax filing and tax credits rapidly put those funds to work in their community by repairing the family car, buying groceries, or paying for a rental deposit. These dollars are immediately circulating in the local economy, making a tangible difference for both families and businesses. Taking measures to expand tax credits and make them more accessible through simplified, free tax filing options is a data-driven way to reduce poverty, improve lifelong results for children, and boost local economies.

While tax credits make a huge difference in a family's household budget, especially households with children, other public benefits play a critical role in helping families weather tough economic times. Cash supports such as child care assistance, CalWORKs, CalFresh, and Medi-Cal can help struggling families meet their basic needs. To ensure that California's anti-poverty programs are focused on family well-being we could work to eliminate all non-federally required sanctions, so families could continue to get the resources needed to comply with state requirements. Additionally,

streamlining the application process to ensure eligible families receive all benefits they are entitled to would have significant positive impacts on households and local economies. For example, using a single eligibility standard and application form for various public assistance programs would simplify the process and help ensure families access all benefits for which they qualify.

Even if California improves the process for applying and claiming public benefits, as well as filing and claiming tax credits eligibility for these benefits excludes far too many households below the Real Cost Measure. Adjusting these limits and raising the number of assets disregarded would provide much-needed assistance. Another possible solution is to establish escrow savings accounts where public benefit funds are deposited, similar to how the Department of Housing and Urban Development (HUD) administers the Family Self-Sufficiency (FSS) program to promote increased earnings and savings among families receiving HUD-funded rental assistance. Under this model, as a household's income increases and the dollar amount of benefits is reduced, the "savings" in reduced benefit awards could be deposited in savings accounts for households. This would help families transition off public assistance while simultaneously building savings for the future.

### Questions for consideration

*What should access to public benefits look and feel like for households struggling to get by?*

*How could the state of California use the data it has on file regarding household earnings and eligibility for public programs to streamline administration and increase uptake of things like tax credits?*



## Promote asset building and shield families from predatory financial traps

Families below the Real Cost Measure face financial instability and often encounter irregular income patterns, leading to difficult decisions and trade-offs. Households with variable incomes, such as gig workers, may be forced to make sacrifices such as reducing utility usage, negotiating payment extensions with landlords and banks, borrowing from friends and family, or compromising on health care needs. These families need alternatives to pricey financial services like payday loans, notorious for trapping people in debt cycles.

One solution is low-interest loans through workplace-based programs like Salary Finance. Another approach involves helping households establish credit by reporting payment histories to credit bureaus, exemplified by Payment Reporting Builds Credit (PBRC), which offers a free alternative credit score to help families build a financial safety net.

California is exploring CalAccount, a public banking option via a Blue Ribbon Commission, which could greatly enhance access to free banking options, particularly for the one in four Californians that lack full access to the financial system.

Approximately 7% in the state are unbanked, and an additional 18% use alternative financial services. These individuals and households, often Black, brown, or low-income, face financial disparities. In California, 46% of Black households, 41% of Latino/a households, and 13% of Asian and Pacific Islander (API) households are unbanked or underbanked. Successfully implementing CalAccount is pivotal for reshaping financial institutions and fostering equity in an inclusive California.

### Questions for consideration

*What are opportunities for asset building that reflect the needs in your community?*

*What steps could California take to ensure more households have access to financial institutions that meet their needs?*

Poverty is not only about income poverty, it is about the deprivation of economic and social rights, insecurity, discrimination, exclusion and powerlessness.

Irene Khan

”

## Expand the availability of housing and bolster assistance for renters.

The impact of where a family lives extends far beyond financial stress, influencing essentially every aspect of their lives. Making enhancements in this realm is impactful beyond just alleviating financial strain. This is especially true when considering the implications living conditions have on struggling households. Unfortunately, a significant shortage of affordable housing remains a stark reality in the majority of communities across California and the history of exclusionary lending practices by financial institutions has resulted in structural discrimination and cost burdens hitting people with disabilities and Black, Latinx, and Indigenous households the hardest.

While the construction of new housing units is vital, it is evident that a mere increase in supply cannot fully solve the affordability challenge. We need comprehensive solutions beyond construction alone. Given that a significant portion of struggling households are renters, we suggest expanding and maximizing the utilization of California's renters' tax credit. Making it refundable, indexing it to inflation, and advocating for a refundable federal credit can bring substantial improvements for struggling households on a significant scale.

### **Facilitate immigrant integration and a path to naturalization.**

Households led by naturalized immigrants struggle at a much lower rate than those led by non-naturalized immigrants. Also, as our analysis shows, households that lack a fluent English speaker over the age of 14 struggle at a higher rate.

To address these challenges and uplift struggling immigrant households, we recommend creating a safer and more accessible environment to pursue citizenship. By streamlining the naturalization process and enhancing support for English language fluency, we can unlock brighter prospects for a significant share of our immigrant communities.

Additionally, establishing access to safety net services, regardless of immigration status, is a strategy to address equity issues as well as build economic inclusion and resiliency. California already has extended eligibility for Medi-Cal health coverage to undocumented residents, which is a critical support, but there may be other ways to support undocumented working households. For example, unemployment benefits are one of the most effective economic stabilizers for our economy and ways to keep workers in their communities and families from falling into poverty. Considering that 20% of all Californians under the age of 18 live with someone who is undocumented or is undocumented themselves, the lack of access to unemployment insurance can severely negatively impact households already struggling. Furthermore, undocumented immigrant workers contribute \$3.7 billion in state and local taxes, and taxes on their wages contribute an estimated \$485 million to the unemployment insurance system in California every year.

### **Connect work to shared prosperity.**

The vast majority of households facing financial struggles — 9 out of 10 — are already part of the workforce. This highlights that the primary obstacle lies not in securing employment, but rather in ensuring that these jobs provide fair and livable wages. While California's incremental increase in the minimum wage is a step in the right direction, it is important to recognize that it may only lift many households above the federal poverty level, still leaving them earning considerably below the Real Cost Measure. We need to make work pay.

To truly make a difference, it is crucial to create opportunities for all struggling workers to advance along the wage scale, extending beyond the minimum wage. Simply providing job training will fall short. Efforts must also focus on effectively assessing skills and aligning them with the demands of the job market. Initiatives like the Community Economic Resilience Fund, which is designed to support diversifying local economies and developing sustainable industries that create high-quality, broadly accessible jobs for all Californians, exemplify the goals and strategies we can collectively pursue to ensure that struggling workers can reach their full potential. By investing in comprehensive strategies that address both fair wages and talent development, we can empower our workforce, enhance economic stability, and uplift struggling households across California.

### **Questions for consideration**

*What does a "livable wage" mean?*

*What strategies can we employ to build a strong workforce with wages and benefits that allow workers to live at or above the Real Cost Measure?*



### **Adapt to automation in the future of work.**

As work patterns and job stability undergo profound transformations, it is crucial to adapt our social systems accordingly. Traditional assumptions of lifelong employment are no longer the norm, with individuals often transitioning between jobs and experiencing periods of unemployment. With over a third of the workforce engaged in contingent work or managing multiple jobs characterized by unpredictable schedules, we must acknowledge this shifting reality.

It is time to explore approaches such as ensuring the portability of health and retirement benefits independent of employer sponsorship, as well as exploring concepts like guaranteed or universal basic income to address the financial uncertainties and income volatility inherent in the modern work landscape. By embracing these changes, we can foster resilience and stability in the face of the dynamic nature of work today.

### **Questions for consideration**

*What would be the impact of portable benefits for workers in your community?*

*What do you think is the future of work and how can we prepare for a changing workplace environment?*







The first good in a society, the primary good in society is not money, is not free speech, it's not health. The first good is membership because members then decide what all the other goods are. Members set the terms of how the society will operate.

john a. powell, *Inclusion is an Economic Necessity*

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### How the Real Cost Measure is Calculated

#### Focus on households

The primary focus of the Real Cost Measure is on households, not individuals, led by adults we would expect to be in the workforce, able to support themselves through wages, work supports, and benefits, such as tax credits, and savings. Accordingly, in calculating the percentage of households that earn below the Real Cost Measure, we exclude households led by people with disabilities, for two key reasons, among others; first, these households have needs that are not fairly reflected in our household budgets, and second, 3 out of 4 of these households are not in the workforce, do not have a working adult. Including these households would overstate the rate of struggle among all working households, while also not providing a reliable assessment of the actual level of need of those households.

#### Reliable, publicly available data sources

We focus on widely available, easy-to-access data that allow us to repeat the work easily across geographies. This includes data from sources such as U.S. Housing and Urban Development, the Consumer Expenditure Survey, and the American Community Survey.

#### Basic needs budgets

We estimate the cost of meeting basic needs (“no frills”) for a household, assuming expenses are shared, using publicly available data for local costs of these components of a family budget: Housing; Food; Health Care; Child Care, Taxes, Miscellaneous allowance of 10% of the total household budget for all other expenses, including phone, broadband, and other modern necessities.

#### Demographic analysis by specific household types

To determine how many households struggle to meet the Real Cost Measure, our demographic analysis compares household data to basic needs budgets for over 1,600 configurations of households led by a non-disabled adult, using the most appropriate budget based on the number and age of children, and whether or not the head of household is a senior.

#### 2019 Census Bureau data

The demographic findings of The Real Cost Measure in California 2021 are calculated using 2019 data from the U.S. Census Bureau, the latest data available upon the release of this study in July 2021.

**For more information about how the Real Cost Measure is calculated, please read our full methodology at [unitedwaysca.org/realcost](https://unitedwaysca.org/realcost).**

### Using the Real Cost Measure Dashboard

The Real Cost Measure Dashboard is an interactive data visualization tool to help navigate the Real Cost Measure's primary findings. Built using Tableau Prep Builder, the Real Cost Measure Dashboard displays Real Cost Measure analysis of what it really costs to afford a decent standard of living in every California county and how many households struggle to afford that measure, through a multitude of interactive charts, maps, and more. The following is a brief primer to help navigate the various tabs (pages) available in the dashboard.

#### Real Cost Measure Dashboard

The first tab in the Real Cost Measure Dashboard reveals the study's primary findings, (available statewide, by region, and by county), a graph illustrating the income gap a household below the Real Cost Measure must reach after receiving public assistance, and a simple interactive map at the county level.

By default, the Real Cost Measure's primary findings are revealed at the state level. Here, you can find the percentage and the number of households who fall below the Real Cost Measure, and the degree of struggle by educational attainment and ethnicity. These findings can be further revealed by changing the data year the Real Cost Measure is calculated, by region, by county, and by household type. While there are over 1,200 household types calculated in the Real Cost Measure, we have selected ten of the most common household types from one adult in a household to two adults, along with some of the most common ages of children.

Immediately below the primary findings is a graph illustrating the average income a household with two adults, one toddler and one school-aged child below the Real Cost Measure receives after they maximize their public assistance, and the income gap they face to reach the Real Cost Measure. In this default statewide example, a household with this configuration must receive at least \$93,691 in annual income to make ends meet in California. However, this family of four below the Real Cost Measure, receives, on average, below \$52,000 in income after wages and public benefits. This means that this household faces an income gap of \$41,774 to reach the Real Cost Measure verifying that for many struggling families, public assistance does not come remotely close to helping them make ends meet.

To the right of the primary findings and income gap chart is an interactive map illustrating the percentage of households that fall below the Real Cost Measure by county. (In some cases, rural counties are consolidated with neighboring counties to reach a statistically reliable sample size). You can drill further into the map by selecting either a region or a county through the drop-down menus available at the top of the dashboard.



## Region/County Profiles

The second tab in the Real Cost Measure Dashboard are region and county profiles. This page reveals some of the study's primary findings available at the region and county levels. As you can see throughout the Dashboard, you can use the drop-down menus at the top of the page to filter results by data year, by region, and by county. You can also download one-page region and county profiles in PDF format at [unitedwaysca.org/realcost/county-profiles](https://unitedwaysca.org/realcost/county-profiles).

## Neighborhood and County Maps

The third tab in the Real Cost Measure Dashboard is neighborhood and county maps. These interactive maps allow you to hover over any given county or neighborhood cluster (also called public use microdata areas according to the U.S. Census Bureau) and illustrate the percentage and number of households that fall below the Real Cost Measure. Public use microdata areas are neighborhoods that are contiguously consolidated every decennial census to reach a sample size of at least 100,000 people. They are more statistically reliable than zip codes and census tracts. Not only can you use the drop-down menus to filter by data year, by region, and by county, but you can also change the map to illustrate the percentage of households living below the official poverty measure, paying more than 30% of their income on housing (housing burden), and by median household earnings. We adjust median household earnings in our calculations by controlling for elder-led households and households led by persons with disabilities consistent with our methodology by reflecting working households.

## Real Cost Budgets by Region

The fourth tab in the Real Cost Measure Dashboard reveals household budgets at the regional level by common household types. At the heart of the Real Cost Measure are household budgets which reflect the minimum amount a household must earn to make ends meet. As with the other Dashboard pages, you can use the drop-down menus above to filter the region (in a single-column format) and choose a common household type you wish to reveal the Real Cost Measure for that household.

## Real Cost Budgets by County

The fifth tab in the Real Cost Measure Dashboard reveals household budgets at the county level by common household types. Like Real Cost Budgets by region, you can use the drop-down menus above to filter the county (in a single-column format) and choose a common household type you wish to reveal the Real Cost Measure for that household.

## Public Data Set

The sixth and final tab in the Real Cost Measure Dashboard shows all of the demographic findings statewide, by region, by county or "county cluster" and by neighborhood clusters in a tabular format. This may be particularly useful for those who wish to dive deeper into the data results and conduct their own analysis. The public data set may also be downloaded in Microsoft Excel format at [unitedwaysca.org/realcost](https://unitedwaysca.org/realcost).

### Acknowledgments

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United Way of Nevada County

United Way of Northern California

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United Way of the Desert

United Way of the Wine Country

United Way of Tulare County

United Way of Ventura County

Yuba-Sutter-Colusa United Way

## Endnotes

- 1 For a good summary of these impacts, please see Robust COVID Relief Achieved Historic Gains Against Poverty and Hardship, Bolstered Economy (<https://www.cbpp.org/research/poverty-and-inequality/robust-covid-relief-achieved-historic-gains-against-poverty-and>), Center on Budget and Policy Priorities (Feb. 2022)
- 2 Inland Empire to grow twice as fast as rest of Southern California in next 25 years. San Bernardino Sun. February 20, 2023. <https://bit.ly/3MiMDcA>.
- 3 While the primary focus for this year's study is on 2021, we are currently relying on PUMAs from the 2010 decennial census. The Census Bureau has yet to publicly release household demographic data that aligns with newly released PUMAs from the 2020 decennial census as of this writing.
- 4 <https://www.dhcs.ca.gov/dataandstats/statistics/Documents/FastFacts-Nov2022.pdf>
- 5 <https://health-access.org/campaigns/health4all>
- 6 <https://www.chcf.org/wp-content/uploads/2021/10/DisparitiesAlmanacRaceEthnicity2021.pdf>
- 7 <https://www.eitc.irs.gov/eitc-central/participation-rate-by-state/eitc-participation-rate-by-states>



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