



Struggling to Make Ends Meet in the Bay Area

FINANCIAL
SELF-SUFFICIENCY
REPORT 2009



United Ways of the Bay Area

United Ways of the Bay Area help children achieve their potential, promote financial stability for low-wage workers and strive to improve people's health. United Way convenes partners across sectors, advocates for policy change, runs community programs, engages volunteers and educates residents about the issues most vital to a resilient community. The Bay Area region is served by United Way of the Bay Area, United Way Silicon Valley, United Way of Santa Cruz County and United Way of the Wine Country. For more information, visit www.liveunitedca.org.

Insight Center for Community Economic Development

Founded in 1969, the Insight Center for Community Economic Development is a national research, consulting and legal non-profit organization dedicated to building economic health and opportunity in low-income communities. For over 10 years, Insight Center has worked with United Way and a variety of partners to promote the Self-Sufficiency Standard and help close the gap between families' income and the rising cost of living. www.insightccd.org.

Center for Women's Welfare

The Center for Women's Welfare at the University of Washington's School of Social Work is devoted to furthering economic justice for women and their families. The main work of the Center focuses on the development of the Self-Sufficiency Standard. Under the direction of Dr. Diana Pearce, the Center collaborates with a range of government, non-profit, women's, children's and community-based groups to address income inadequacy. www.selfsufficiencystandard.org.

This analysis is based on a 2007 American Community Survey dataset that was created and coded for the Self-Sufficiency Standard by the Center for Women's Welfare of the University of Washington School of Social Work, under the direction of Diana Pearce, on behalf of United Way of the Bay Area and other partners.

For specific questions about the data and implications of this report, contact Denise L. Gammal, PhD, United Way of the Bay Area, stability@uwba.org or Diana Pearce, PhD, Center for Women's Welfare, University of Washington, pearce@uw.edu.

Struggling To Make Ends Meet In The Bay Area

Hard times preceded the recession for almost a quarter of Bay Area households. Even before the global economic crisis, having a job was not a guarantee of adequate income as 86% of Bay Area households with incomes below the Self-Sufficiency Standard had at least one worker.

The Self-Sufficiency Standard measures the actual cost of living for different household types of working age in each county, including costs for housing, food, health care, taxes and child care. These 440,000 households with sub-Standard income are neither a small nor marginal group, and are more than three times the number defined as poor by the Federal Poverty Level (FPL). Because many government and social programs use the FPL or variants of FPL to determine eligibility, a large and diverse group of struggling individuals and families is routinely overlooked and undercounted.

These hidden poor subsist in a “policy gap” where they earn too much income to qualify for most supports yet still struggle to meet their most basic needs, especially as the costs of housing, health care and other necessities continue to outpace increases in income.

Key findings from this study include:

- › Many local families require **three full-time, minimum-wage jobs** to pay for basic necessities.
- › **High-school dropouts are four times more likely** to have inadequate income compared to those with at least some college education.
- › Families headed by **single women are almost two times more likely** than two-parent households to have income below the Standard.
- › In the Bay Area, **43% of Latino households and 38% of African American households have insufficient income** to meet their essential needs compared to 14% of White households.
- › The largest groups of struggling householders are Latino (149,943) and White (146,608); however, **Latinos are more than three times as likely as Whites to fall below the Standard**, due to more limited access to high-paying jobs and career ladders.

THE SELF-SUFFICIENCY STANDARD: A MEASURE OF INCOME ADEQUACY

The Self-Sufficiency Standard was developed to provide a more accurate, nuanced and up-to-date measure of income that is adequate for basic needs. The Self-Sufficiency Standard reflects the realities faced by today's working families such as child care and health care costs.

The Standard uses credible data to calculate the bare-bones cost of living by family composition in each county. It does not include any restaurant or take-out food, savings, credit card or loan payments, or emergency funds. The budget varies by household type (e.g., a household with a preschooler has different child-care costs than one with two school-aged children).

The Standard assumes that all adults (18 to 64) work to support their households and therefore incur work-related costs. Like elders, those who report having a disability that prevents them from working also are excluded from the sample.

For example, according to the Standard, a realistic budget to meet the basic needs for a typical family of two adults and one infant ranges from \$47,861 in Solano County to \$63,871 in San Mateo County. In contrast, the FPL for this same family is set, regardless of location, at \$17,170.

For detailed information on methodology, please refer to *Overlooked and Undercounted 2009: Struggling to Make Ends Meet in California* available at www.liveunitedca.org.

Definitions

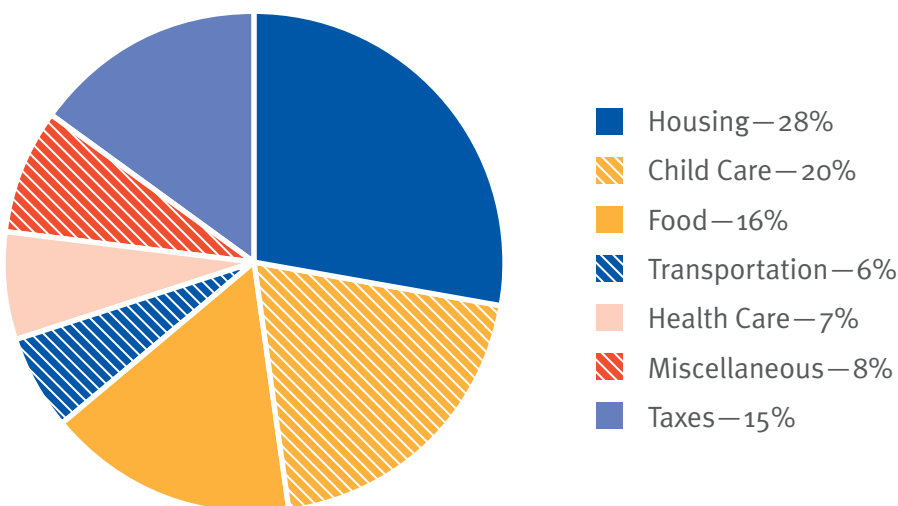
Household (the sample unit for this study)—one or more persons residing together in a housing unit, consisting of a family, unrelated individuals or both.

Householder—the adult in whose name the housing unit is rented or owned. When there are two or more owners/renters, the householder is the person who has designated themselves as such on the American Community Survey. Some characteristics of the householder, e.g., race/ethnicity, may not reflect the entire household.

A PRECARIOUS SITUATION GETTING WORSE

The current global recession has resulted in substantial job and income loss in the Bay Area. With Bay Area unemployment at nearly 11%, it is undoubtedly true that economic hardship, poverty and inequality have all increased dramatically. Due to a lag in the time between when data is collected and reported, almost everything presented here—including the percentage of households living below the Standard—is most likely an underestimate of the current situation. This makes the implications of the report and the call to action for community, government and business leaders much more urgent.

Monthly Expenses for a Family of Three
ALAMEDA COUNTY (2 ADULTS AND 1 INFANT), 2007



FINDINGS

Drawing on data from the statewide report *Overlooked and Undercounted 2009: Struggling to Make Ends Meet in California* by Dr. Diana Pearce, we have produced a more accurate picture of poverty challenges in our region. The Bay Area report addresses:

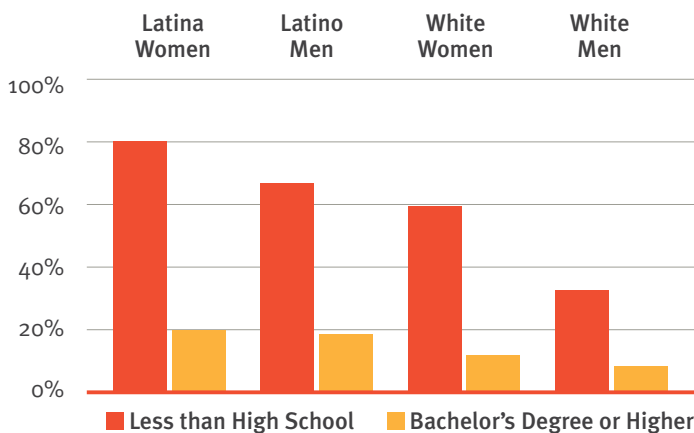
- How many individuals and families are working hard yet are still not able to pay for their basic needs?
- What impact does education have on self-sufficiency?
- What differences exist in income levels by race/ethnicity and family type?

The Power of Education

Education plays a powerful role in earning power. Each additional year of education translates directly to higher wages.

- Almost 60% of Bay Area householders without a high school diploma or GED have income below the Standard. In contrast, only 10% of Bay Area householders with a Bachelor's degree have income below the Standard.
- Women and people of color need more education to achieve the same level of economic self-sufficiency as White men. Women of color with at least a Bachelor's degree have rates of income inadequacy equal to White men with some college education (about 18%).
- While racial and gender gaps exist at all educational levels, education cuts the gap dramatically as returns for education are greatest for women of color.

Bay Area Education and Income Inadequacy, 2007

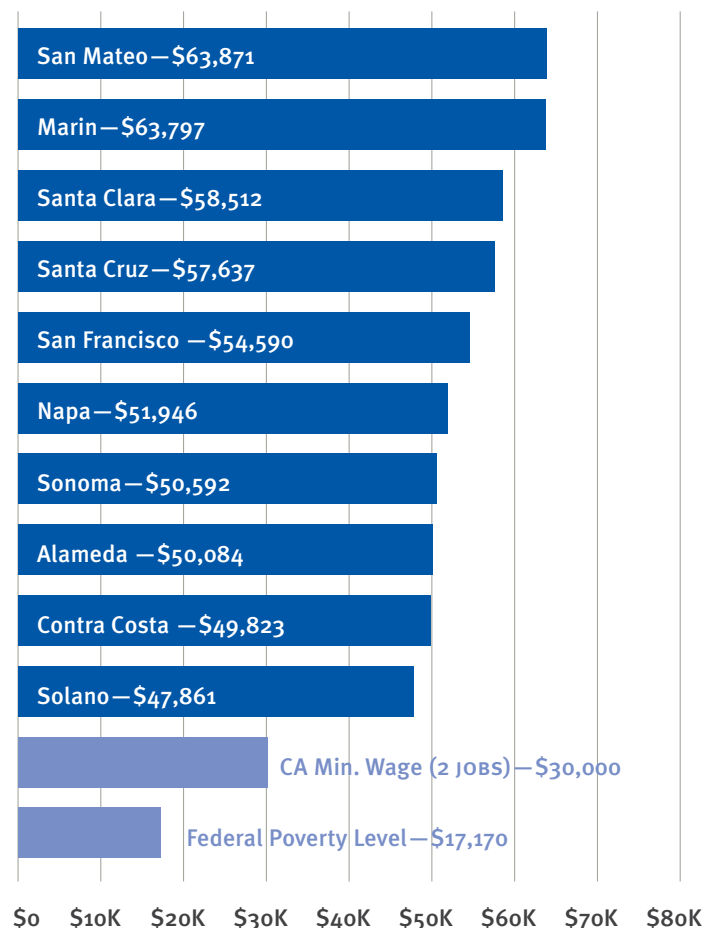


Working Hard, But Not Getting By

Having stable year-round work is not a guarantee of adequate income.

- Of the more than 440,000 Bay Area households with inadequate income, 86% have at least one person employed.
- In more than half (56%) of Bay Area households below the Standard, the householder is employed full time for at least part of the year.
- For many families with children under 5 it takes about three full-time minimum wage jobs to reach self-sufficiency.
- People below the Standard are working just as hard as those above: households above the Standard work only about 4% more hours than those below on average. However, the median hourly wages of California householders above the Standard are \$24.04—more than twice those below the Standard (\$10).

2007 Self-Sufficiency Standard by County for a Family of Three (2 Adults + 1 Infant)



Disparities Among Those Below the Standard

Race and Ethnicity

While poverty affects all families, households of color are disproportionately affected.

- Latino and African American households are much more likely than Asian/Pacific Islanders and Whites to have income below the Standard, as indicated by the table below.
- While most householders with inadequate income are Latino (149,943), a nearly equal number of struggling Bay Area householders are White (146,608).

Bay Area Race and Income Inadequacy, 2007

	Total Households	Below the Standard	
		Households	% Below
Latinos	350,525	149,943	42.8
African American	140,991	53,257	37.8
Asian/Pacific Islander	424,123	84,514	19.9
White	1,048,005	146,608	14.0

Foreign-born householders are twice as likely to have inadequate income (31.3% compared to 17.5% for native-born householders). In fact, although foreign-born householders make up one third of the total Bay Area population, they represent nearly half of those below the Standard.

Household Type

Families with children—particularly families with children under six years of age and those headed by single mothers—are two times more likely to have insufficient income than households without children. This is partially because of the costs of raising children including child care and health care.

Bay Area Household Type and Income Inadequacy, 2007

Household Type	Total Households	Below the Standard	
		Households	% Below
Single Mother	152,154	79,913	52.5
Single Father	62,996	24,007	38.1
Married w/ Children	608,534	148,462	24.4
No children	1,164,812	187,644	16.1

- One in two Bay Area households maintained by single women with children are below the Standard compared to two in five households maintained by single fathers and one in four married couples with children.
- Statewide, households with children maintained by women alone have the highest rates of income inadequacy.
 - Households headed by women of color alone have even higher rates of income inadequacy.
 - Even when single mothers work full time, year round, over half of their households lack adequate income.

Bay Area Single Mother Households by Race, 2007

Single Mother Households Below the Standard	% Below
Latina	76.7%
African American	69.6%
Asian/Pacific Islander	52.5%
White	45.2%

A SYSTEMIC ISSUE IN OUR STATE

Between 2000 and 2007, statewide income inadequacy rates have remained steady over the past seven years with three in ten California households continuing to experience income inadequacy. A comparison between the 2000 and 2007 California Self-Sufficiency data shows:

- More than half of families with children continue to struggle to make ends meet.
- More Californians below the Standard are working than in 2000 yet rates did not drop.
- The differences in income insufficiency rates have held steady between demographic groups.
- A smaller proportion of those below the Standard are receiving government assistance. It appears that the proportion of households with income below the Standard who receive cash assistance has fallen from 10% to 7%, and those who receive food assistance has fallen from 14% to 12%.

These findings indicate that the high number of struggling households in California are not a result of just one snapshot in time but are an enduring feature of the economic picture of the state.

WHERE DO WE GO FROM HERE?

The data presented in this report help provide a picture of California residents living in poverty. The disparities revealed prompt questions that can help policy makers, employers, educators and service providers rethink our approach. United Way invites you to help develop new solutions that build pathways out of poverty for Bay Area families.

- What are the best investments to help hardworking but struggling Bay Area residents become more economically stable?
- How can we improve the earning power of low-income Bay Area residents and help them advance toward financial stability?
- What can we do as the cost of living outpaces wage increases?
- What can we do to reduce the effects of race and gender on income inadequacy?

1. Adopt the Standard

In order to better serve households in need, we must look beyond the Federal Poverty Line (FPL) to the Self-Sufficiency Standard. Developed more than 40 years ago, the FPL is an outdated measure of poverty, especially in relatively high cost regions like the Bay Area. In recent years, the Insight Center for Community Economic Development and its partners have led a statewide advocacy effort to adopt a more accurate measure of income adequacy in California and reform the way poverty is addressed. Nonprofits, funders and government agencies should leverage the Standard to more fully assess and measure success for the families they serve.

What's Working

Government Seeking New Poverty Measure—Thanks in a large part to advocacy efforts around the Self-Sufficiency Standard by the Insight Center, United Way and others, there has been a groundswell of support for changing the way poverty is measured in California. The California State Legislature passed a measure in 2004 urging the federal government to use the Self-Sufficiency Standard for Californians. That same year, San Francisco adopted the Self-Sufficiency Standard as an economic goal toward which it would strive to move its families. In 2007, 2008 and 2009,

the Los Angeles City Council passed several resolutions and motions in support of replacing the Federal Poverty Guidelines with the Self-Sufficiency Standard. And, although later vetoed by Governor Schwarzenegger, the California Legislature passed the Elder Economic Dignity Act of 2009, calling on the adoption of the Elder Economic Security Standard Index (a Self-Sufficiency calculation for elders) as a way to measure and plan for the needs of the state's seniors.

The Self-Sufficiency Calculator—The Insight Center, which has spent almost a decade advocating for the Self-Sufficiency Standard, has created an online Self-Sufficiency Calculator. This makes it easy for nonprofits to use the Standard as a program benchmarking tool and to track individuals' and families' progress toward financial stability. The calculator, available at www.insightcced.org, can be used by counselors who work with low-income families to:

- Screen for 14 different benefits and tax credits for which clients may be eligible.
- Obtain detailed information about how each benefit works, how to apply and which documents to bring.
- Review “before” and “after” budgets that takes into account the benefit amounts.
- Use the Standard to track client progress toward economic self-sufficiency.

2. Rethink Workforce Development

With the unemployment rate hitting double digits, we need to use the lessons from this report as we develop policies and initiatives to help the unemployed and underemployed. Before the recession, 86% of Bay Area households with inadequate incomes had at least one worker, and households below the Standard were working about the same number of hours as those above it. Therefore, it is not enough to get people back to work. We must look beyond job placements to career paths and sustainable incomes. We must focus our economic development efforts on growth industries that are local and sustainable in California. We must also create opportunities for career exploration, internships, and jobs for disadvantaged youth to help them gain the experience needed to pursue career paths that will pay a self-sufficient wage.

What's Working

Springboard Forward—Springboard Forward's Engaged Employment™ program is transforming the lives of entry-wage workers, as well as the businesses for which they work.

MOVING FORWARD

In 2009, U.S. Representative Jim McDermott of Washington and Senator Chris Dodd of Connecticut reintroduced the Measuring American Poverty Act. The Act would require the U.S. Census Bureau, in consultation with other Bureaus, to calculate three measures of economic need in addition to updating the Federal Poverty Guidelines:

1. Modern Poverty Threshold would measure income deprivation based largely on recommendations made by the National Academy of Sciences (NAS) in 1995 using data about current consumption patterns across the country.
2. Decent Living Standard would measure income adequacy, similar to the Self-Sufficiency Standard and Elder Index, by reflecting the resources necessary to meet basic needs and live a modest standard of living.
3. Medical Care Risk Measure would assess the risk of being unable to afford needed medical care and services.

This is a crucial time as President Barack Obama has stated his support for changing the Federal Poverty Guidelines. With increased advocacy, efforts to reform the way poverty is measured may finally come to fruition.

The program partners with employers to connect workers with personalized career paths through individual coaching and workshops, all delivered in the workplace. Employers are eager to participate because employees are more productive, committed and conscientious, which reduces turnover, increases sales and improves customer service. For more information, visit www.springboardforward.org.

- 44% of Engaged Employment participants received a raise or promotion within four months.
- 80% to 90% of program participants retained their jobs annually.
- 79% of companies report improved employee-manager relationships.

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MatchBridge—The unemployment rate is at record highs for teenagers. Deep and prolonged unemployment among the young means they may never get the chance to acquire needed skills, permanently hobbling their earnings potential. United Way's MatchBridge focuses on creating professional, private sector jobs and internships for youth ages 16 to 21, including a robust partnership with San Francisco's Real Estate industry. Developed in partnership with the City and County of San Francisco, MatchBridge has placed 587 youth members in jobs and paid internships with 222 Bay Area employers during the last two years. Visit www.matchbridge.com for more information.

3. Help Young Families

Families with children under six are most likely to live on the edge. This is due in part to lower earning power (as young parents are earlier in their careers), as well as the high costs of raising young children. We need to work with families to both reduce expenses and raise incomes. We need to find ways to address the fast rising costs of living in our area by advocating for expanded subsidized child care, children's health care and adult's access to MediCal. Families without adequate income can make up part of the difference with short-term supports such as the current subsidized child care program and children's health insurance, as well as focus on education and workforce development to increase their earning opportunities.

What's working

Earn It! Keep It! Save It!—The Earned Income Tax Credit (EITC) is the federal government's largest support for working families. Unfortunately, billions of dollars are left on the table each year as many low-income residents do not know about or claim the credit. United Way's Earn It! Keep It! Save It! program helps low-income workers file for the EITC, putting millions of dollars back in the pockets of thousands of Bay Area families in need. The program also links families with financial skills training and asset-building programs. More information is available at www.earnitkeepitsaveit.org.

Covering California's Children—Hard-working families with inadequate income should not be forced to choose between filling a prescription for their child and providing their families with food. We need to ensure all Bay Area children have health care by reducing or eliminating out-of-pocket costs for low-income families. United Way is advocating for Congressional leaders to ensure that all health care reform bills contain guarantees that every child has access to affordable, quality and comprehensive health insurance cover-

age. We are also working to protect California’s Healthy Families program from state budget cuts. At the local level, we are partnering with programs such as the Solano Kids Insurance Program (SKIP), a program of the Solano Coalition for Better Health, which recently celebrated its 10-year anniversary after submitting applications for more than 18,000 children and adults since its inception.

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4. Integrate Services

The problems of poverty are systematic and deeply rooted. People who are struggling usually need more than one service, but often lack the time and knowledge necessary to access all of the help they need. Imagine making it possible for people to go to one place to get help instead of taking the bus to seven different human-service offices and to fill out seven different applications? Nonprofit and government agencies must start collaborating creatively to help low-income residents achieve financial independence.

What’s Working

SparkPoint Centers—United Way’s SparkPoint Centers bring together top-performing nonprofits to offer integrated, complementary services in one convenient location. Programs include credit counseling, foreclosure assistance, workforce training, referrals to banking-services and savings programs, and home-ownership workshops. SparkPoint commits that 50% of the people who come to a center will make progress toward financial stability, with 10% achieving financial stability after three years. They will get a job or train for a higher paying job; clean up their credit scores; get out of crippling debt; and start to save money to go back to school or get ready for retirement.

School Community Partnerships—San Mateo County’s Belle Haven Elementary School is one of several Bay Area “community schools” supported by United Way. The “community school” model brings support services—such as health services, counseling, mentoring, after-school activities, and parenting programs—directly onto school campuses in low-income neighborhoods. This enables teachers to focus on academics, while the community provides added support that students and their families need. The Belle Haven Community School has yielded significant results for students: higher academic achievement, improved rela-

tionships with peers and teachers, and reduced violence. Parents are more involved in the school, and the program connects families with resources needed to remain healthy, stable and engaged in their children’s education.

5. Close the Education Gap

High school drop-out rates are at least 16% in six Bay Area counties and reach more than 25% in several communities, and educational disparities by race continue. Given the link between education and self-sufficiency, it is critical to equip more Bay Area families with the education they need to prosper. Programs need to (1) help students stay in school and (2) help those who dropped out get the education and training they need to build careers with sustainable incomes. The long-term importance of higher education cannot be overstressed at a time when state budget cuts are having a tremendous impact on our community colleges and public universities. Education advocates and legislators must preserve funding for public universities and community colleges, as well as increase the number of slots available and improve access to financial aid.

What’s Working

Friends of the Children—Friends of the Children, a United Way grantee, is the only program in the nation that provides paid, professional, staff mentors—called Friends—to high-risk children for twelve years. The goal is for all children who begin the program in first grade to graduate from high school and enroll in college. The program commits to each child for twelve years and provides a year-round program with a wide range of activities to support this goal. The program is designed to keep children in school, out of the juvenile justice system and away from gang involvement, early sexual activity, early parenting, drugs and alcohol, and other self-destructive behaviors that can derail school success and positive personal development.

- 82% of program graduates finished high school, despite more than 40% having a parent who did not.
- 92% avoided the juvenile justice system, although at least 60% have a parent who has been incarcerated.
- 98% avoided early parenting despite more than 60% being born to a teen parent.

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LIFETIME—LIFETIME helps low-income parents pursue post-secondary education and training as the means to get their families off welfare and out of poverty for good. The majority of clients are single mothers on public assistance who, through a system of strong peer-based support, are able to complete college degrees and attain career-path jobs in occupations paying \$36,000 to \$50,000/year. By contrast, studies show that the annual earnings of parents who complete work-first programs average only \$9,000/year, far below the FPL and the Standard. Visit www.geds-to-phds.org for more information.

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6. Improve Benefits Enrollment

We need to do more to ensure families take advantage of benefits and services for which they qualify. These supports can be tremendously beneficial to get families on the path to financial stability. Currently, only 4.8% of Bay Area families with income below the Standard take advantage of TANF (welfare benefits) and 9.3% utilize SNAP (food stamps). Many working families do not know they qualify for programs nor have the ability to navigate the enrollment systems. Many others simply fall in an “eligibility gap” where they earn too much to qualify for public supports, but not enough to pay for the full cost of housing, health care, child care and food in the private market.

What’s Working

SparkPoint Access—SF Works’ SparkPoint Access, part of United Way’s SparkPoint Initiative, helps employers access substantial savings through available hiring tax credits, while helping their workers access community resources that can save their families an average of \$1,200 annually. SF Works can screen and enroll workers in more than 18 national, state and local programs that reduce the costs of everyday household expenses, including utility bill discounts, transportation savings, and reduced-cost dental/medical care and refer them to important community assistance. When workers have more money to pay for essentials like rent, child care, health care and food, they are more stable in their jobs and can better attend and fully participate in the demands of their work. For more information, visit www.uwba.org/sparkpoint.

TAKE ACTION!

To ensure all residents have access to 2-1-1, Congress is debating a bill that would authorize federal funding. The Calling for 2-1-1 Act, led by U.S. Representative Anna Eshoo, along with Senator Elizabeth Dole, was re-introduced to Congress in 2009. If passed, it will authorize \$700 million to ensure 2-1-1 is available to all. Without public attention and increased political pressure, many fear the bill will languish. United Way is working at both local and national levels to secure passage of the Calling for 2-1-1 Act.

2-1-1—Families who do not know where to turn, can now call 2-1-1. This simple three-digit phone number, supported by United Way, is an essential resource connecting low-income families with the services they need. Trained, caring specialists conduct a thorough assessment of each caller’s unique situation to ensure they are directed to all the services for which they may qualify. For example, a father unable to pay his PG&E bills may also need some workforce training and food assistance. In 2008, 2-1-1 Bay Area helped more than 148,000 callers connect with nonprofit and government assistance. Visit www.211BayArea.org for more information.

In 2008, 2-1-1 Bay Area helped more than 177,000 callers connect with nonprofit and government assistance.



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