



Insight
Center

The Cost of Being Californian **2021**

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INTRODUCTION

In 2020, the COVID-19 pandemic and resulting economic downturn magnified racial and gender inequities embedded in California's economy. Black and brown people and women of color experienced profound losses of health, community, income, and business at rates far more severe than white households. COVID-19 is not the root cause of these losses; the rules of our economy set by policymakers—which continue to favor the wealthy and predominantly white few, while simultaneously preventing Black and brown communities from reaching economic security—are responsible.

As communities of color, who disproportionately hold essential but low-paying jobs, reeled from the impacts of the pandemic and struggled to stay in their homes, feed their children, and access health care, the elite and corporate CEOs were able to profit off of the pandemic and hoard wealth that was generated by working people. In this way, the pandemic laid bare the evergreen structural issues within the labor market that desperately need to change.

Three years before the pandemic, the Insight Center's 2018 Family Needs Calculator (FNC) determined that over one in three Californian households were not paid enough to meet their basic needs. These findings were among many glaring warnings of rising racial and gender economic inequality. And yet, transformative change to fully address the consequences of structural racism and sexism on working Californians and families of color remains stalled.

Centering race and gender, this report highlights findings from the 2021 update to the Insight Center's FNC. A more realistic measure of need than the federal poverty level, the FNC provides a comprehensive analysis of a household's economic (in)security using real-world factors, such as the actual costs of housing, childcare, transportation, utilities, and taxes, along with an analysis of other key data points.

Our findings include:

- Since 2018, the cost of living in counties in the southern and central portions of the state witnessed steep increases: Orange County (26%), Santa Barbara (40%), and Santa Cruz (45%).
- Prior to the pandemic, childcare overtook housing as the top expense for households in almost every California county.
- Black, Native, and Latinx households with no children are more likely to be struggling financially than white households with two children.
- In the San Francisco Bay Area's Marin County, the percentage of Black households striving to cover basic expenses increased from 56% in 2018 to 95% in 2021.

The Family Needs Calculator Is an Important Tool That Provides a More Accurate Understanding of What Californians Need to Meet Their Basic Needs

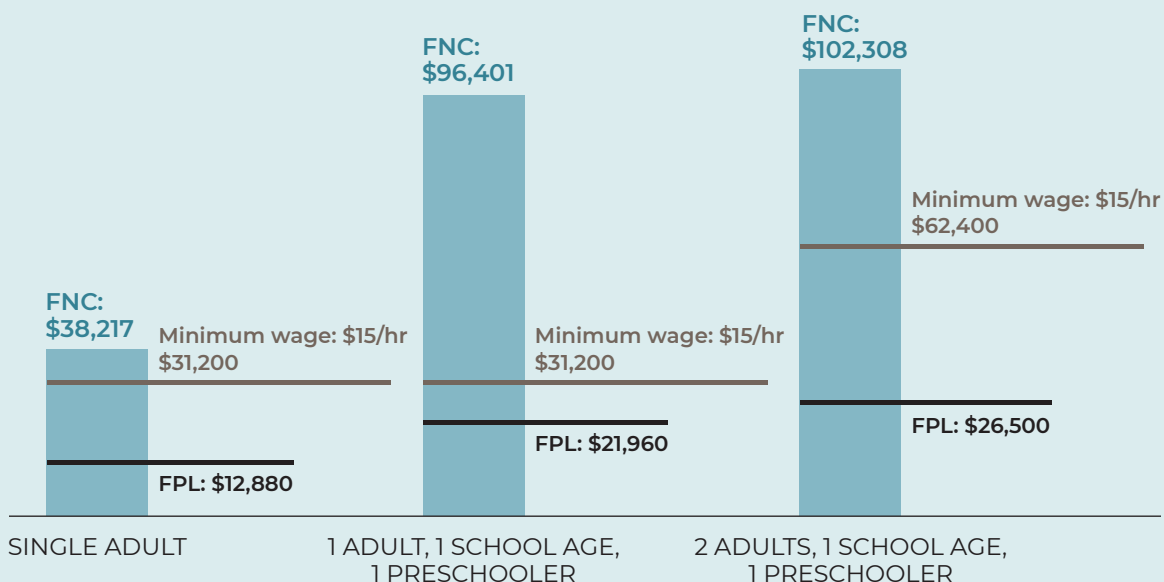
The federal government currently uses two statistical measures of poverty: The official poverty measure (OPM) and the supplemental poverty measure (SPM). In 2021, \$25,926 (for a two-adult, two-child family unit) is the minimum amount of income that a household must have to not be counted as poor. Both of these poverty lines are woefully inadequate, especially taking into consideration the cost of raising children, enduring a physical or emotional challenge, or living with student or other public and private debts. The root cause of this low measure is the failure of policymakers to update the outmoded OPM to account for increases in average real income and mainstream living standards since the early 1960s.¹



The California Family Needs Calculator (FNC)—an alternative measure to the Federal Poverty Level (FPL)—is a “barebones” budget which is just enough to meet basic needs with no private or public assistance, and no extras, like a vacation, take-out food, or a ride service. It is representative of the actual costs of living, and it includes housing, childcare, groceries, health care, transportation, some miscellaneous items (e.g., clothing, shoes, diapers, nonprescription medicines, cleaning products, household items, personal hygiene items, and telephone service), and taxes.

By assessing by county and providing a more accurate picture of the minimum income needed for over 700 family types to meet their most basic needs, the FNC is more useful than the FPL. Although groundbreaking when first created nearly 50 years ago, the FPL is constrained by using an archaic methodology in measuring poverty. Across California, we see that incomes need to be far above the FPL in order for families to make ends meet.

Figure 1: Comparison of the Family Needs Calculator (FNC) to the Federal Poverty Level (FPL) and Minimum Wage, Los Angeles County, 2021



Visit www.insightcced.org to explore the California Family Needs Calculator.

¹ Fremstad, Shawn. 2020. "The Defining Down of Economic Deprivation: Why We Need to Reset the Poverty Line." The Century Foundation. <https://tcf.org/content/report/defining-economic-deprivation-need-reset-poverty-line/?session=1&agreed=1&session=1>.

Despite California's reputation for progressive action, the 2021 FNC shows that over one in three Californian households *still* struggle to meet their basic needs.

Policymakers and employers have failed to move the needle for over 3.3 million households scrambling month to month to put food on the table and keep a roof over their heads. Additionally, the 2021 FNC shows that while the Bay Area continues to be one of the most expensive regions in California and the nation as a whole, counties in the southern and central parts of the state are experiencing significant increases in the cost of living.

KEY FINDINGS

The number of struggling California households has persisted despite policymakers' efforts to tackle poverty.

Despite efforts made by the state government (rooted in a progressive reputation), massive inequality persists by race and gender in California. Over 3.3 million, or 1 in 3, households are not being paid enough to feed their families, a number that has increased by 31,000 households since 2018.

Black, Latinx, Asian, and Native households struggle to keep afloat in an economy not built for them to thrive.

Households of color in California have suffered from the highest rates of COVID-19-related illness and are overrepresented among essential workers who have borne the brunt of a dual health and economic crisis. While making up 39% of the population, Latinx workers are 71% of California's cooks, 77% of the state's dishwashers, and more than 80% of the state's housekeepers. Asian people make up 90% of manicurists, 24% of wait staff, and 20% of home health and personal care aides.

Households of color make up 59% of all California households, but they constitute 73% of those living on the edge of economic insecurity.

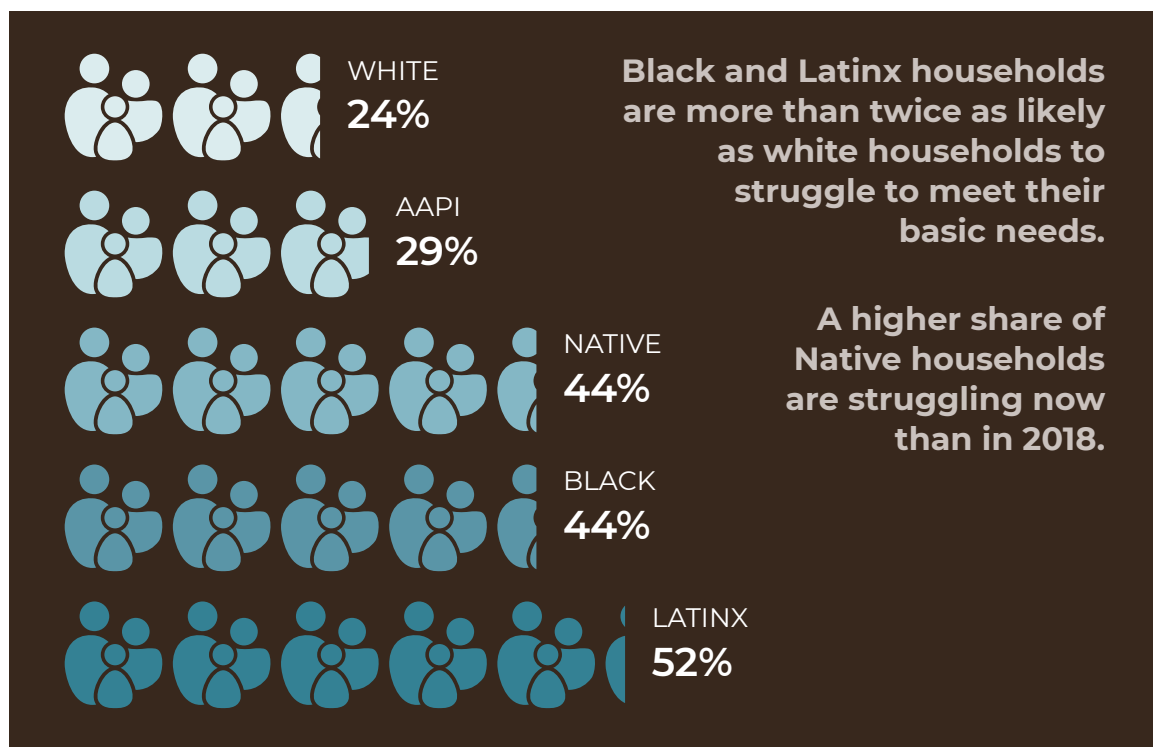
Latinx families are facing the biggest uphill battle. The typical Latinx household has an income that is \$40,000 less than their white peers. This enormous wage difference partially explains why one in two Latinx households are barely scraping by. White households with *one* full-time worker are more likely to be able to afford basic needs than Latinx households where two or more adults are employed full-time.

Two in five Black and Native households are also struggling to make ends meet. They experience financial instability at rates nearly twice as high as white households.

Black and Latinx families who are not citizens face the greatest economic insecurity. Sixty-four percent of Black households and 75% of Latinx households struggle to put food on the table and keep the lights on.

Asian and Pacific Islander Californians are in a far more precarious economic position than popular portrayals of overall success, with close to one in three struggling to make ends meet. Nearly one half of Californian's Asian American households where an Asian or Pacific Islander language is the household's primary language are not paid enough by employers to afford basic household goods.

Figure 2: Percent of California Households Struggling to Make Ends Meet in 2021, by Race



High percentages of Black and brown households living in the wealthiest, white majority counties in the state face significant financial precarity. For example, in the San Francisco Bay Area's Marin County, the percentage of Black households toiling to cover basic expenses increased from 56% in 2018 to 95% in 2021. About 63% of Latinx households are living on the brink in San Mateo county, where it costs over \$157,000 a year for one adult and two young children to meet their basic needs.

Marriage

Marriage, once seen as an avenue to gain greater financial security, is not enough to protect families of color from economic precarity. About 18% of married white couples are living paycheck to paycheck. In contrast, 32% of Black, 36% of Native, and 49% of Latinx married-couples are barely scraping by.

Age

Household income follows a trajectory based on age, starting out low and rising as people gain more work experience, peaking at ages 45 to 54 and then falling as people retire. In California, nearly one in three households who are in their peak earning years (45-54) are barely scraping by. Equally disturbing is that households of color are facing significant financial insecurity, generally and in their prime earning years. Racial income disparities are a persistent feature of California's labor market throughout someone's life, in both stable economic times and recessions. Only 18% of white households are struggling to get by in their prime earning years, compared to 35% of Black, 38% of Native, and 46% of Latinx households.

The cost of living varies widely within California, and the Bay Area remains one of the most expensive regions in both the state and the nation.

The hourly wage needed for a family with one parent, one preschooler, and one school-age child to meet their basic household expenses ranges from \$26.32 and \$27.53 an hour in Modoc and Plumas (two small counties in the northeastern part of the state), respectively, to an astonishing \$74.60 and \$73.28 an hour in the Bay Area counties of San Mateo and Marin.

The cost of living is significantly higher in the Bay Area counties, including San Francisco, Santa Clara, Alameda, and others; compared to counties in similar cities, such as Chicago, Illinois, or Brooklyn, New York. In 2020, the hourly wage needed for a one-parent and two-child household, as mentioned above, was \$34.22 and \$33.20, respectively.

Since 2018, the cost of living has increased at various rates among counties in California. Some of the most expensive places to live in the state saw a rise in cost of basic household expenses. For example, Alameda and San Francisco Counties saw a 17% increase in the cost of basic expenses, and Santa Clara experienced a 21% rise. Counties in the southern and central portions of the state,

10 Most Expensive California Counties, 2021

1. San Mateo County
2. Marin County
3. San Francisco County
4. Santa Clara County
5. Contra Costa County
6. Santa Cruz County
7. Alameda County
8. Santa Barbara County
9. Orange County
10. Napa County

Two adults, one pre-school child, and one school-age child

however, witnessed steeper increases, such as Merced (21%), Sacramento (23%), Los Angeles (25%), Orange County (26%), Santa Barbara (40%), and Santa Cruz (45%).

Prior to the pandemic, childcare overtook housing as the top expense for households in almost every California county.

Because basic housing and childcare costs have outpaced the wages of working Californians, they take up increasingly larger portions of a family's budget, leaving households less money to tackle emergencies, pay off bills and debts, and save for the future. In many California counties, housing and childcare account for more than one half of a household's budget. Childcare is the highest household expense in all of California counties, except for five counties that have the state's highest housing costs (Marin, San Francisco, San Mateo, Santa Clara, and Santa Cruz).

Over the last eight years, the rise in housing costs varied widely across the state. In San Francisco, a two-adult family with one preschooler and one school-age child paid \$2,106 for a two-bedroom apartment in 2014 and now pays \$3,441 for the same unit—a 63% increase.

Figure 2: Change in Housing Costs in Selected Counties

Two adults, one pre-school child, and one school-age child
2014, 2018, and 2021 (in 2021 \$)

	2014	2018	2021	% Change 2014–2021
San Francisco	\$2,106	\$3,246	\$3,441	63%
Alameda	\$1,601	\$2,432	\$2,374	48%
San Diego	\$1,504	\$1,902	\$2,124	41%
Los Angeles	\$1,553	\$1,742	\$2,058	33%
Fresno	\$919	\$1,003	\$1,064	16%

For homes with two adults, one preschooler, and a school-age child, childcare outstrips housing as the largest monthly expense. In El Dorado, for instance, childcare costs are 48% higher than housing. Childcare costs are 64% more expensive than housing in Fresno and 75% higher in Kern County.

While the Bay Area's childcare costs are the highest in the state and those families have experienced steep increases over the last eight years, counties in all other regions, including Southern California and Central Valley, have experienced huge jumps. Los Angeles saw a 45% growth in childcare costs and Fresno witnessed a 38% increase.

Figure 3: Change in Childcare Costs in Selected Counties

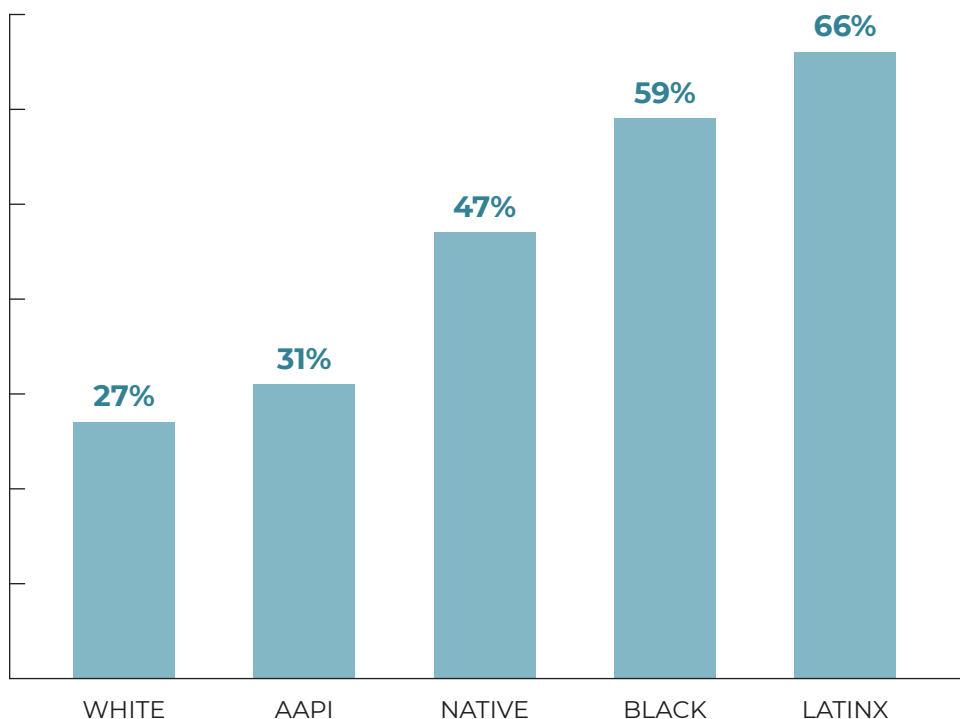
Two adults, one pre-school child, and one school age child
2014, 2018, and 2021 (in 2021 \$)

	2014	2018	2021	% Change 2014–2021
San Francisco	\$1,815	\$2,765	\$3,293	81%
Alameda	\$1,781	\$2,422	\$2,989	68%
Los Angeles	\$1,692	\$2,049	\$2,450	45%
San Diego	\$1,664	\$1,975	\$2,311	39%
Fresno	\$1,268	\$1,591	\$1,747	38%

The cost of raising children in California is pushing families to the edge. Having even one child nearly doubles the likelihood that a married couple will teeter on the edge of financial stability. About 31% of married couples with one child are struggling to make ends meet compared to 17% of their childless peers.

Black, Native, and Latinx households with no children are more likely to be struggling financially than white households with two children.

Figure 4: Percent of California Households with Two Children Struggling to Make Ends Meet in 2021, by Race



In the run up to the pandemic, families across California saw significant increases in health care costs, placing health and wellness increasingly out of reach.

A 2018 survey² found that 40% of Americans had forgone a recommended test or treatment in the last year due to health care costs, and 32% could not fill a prescription or received only a partial fill. Health care obtained through work is seen as a typical benefit for many employees; however, even before the pandemic, families on employer-provided health care plans weathered growing out-of-pocket expenses, premiums, copays, and deductibles.

Between 2018 and 2021, household costs associated with employer-sponsored health insurance among families with two children rose substantially in California. Monterey County has the highest monthly health care cost for a family of four, at \$1,068, in 2021. Families in Monterey experienced a 49% increase in these costs since 2018, followed by Merced County at 47%. Families in the more rural Shasta County, where health care access and coverage are limited, witnessed a 43% jump.

Even single, childless households witnessed considerable growth in health insurance costs. Since 2018, Alameda County households saw a 25% increase, and the growth rate in Merced County was 28%.

Figure 5: Change in Employer-Sponsored Health Insurance Costs in Selected Counties

Two adults, one pre-school child, and one school-age child
2018-2021 (in 2021 \$)

	2018	2021	# Change 2018-2021	% Change 2018-2021
Alameda	\$571	\$821	\$250	44%
San Francisco	\$630	\$855	\$225	36%
Los Angeles	\$434	\$586	\$152	35%
Fresno	\$492	\$631	\$139	28%
San Diego	\$482	\$604	\$122	25%

2 NORC at the University of Chicago. 2018. "Americans' Views of Healthcare Costs, Coverage, and Policy." <https://www.norc.umd.edu/PDFs/WHI%20Healthcare%20Costs%20Coverage%20and%20Policy/WHI%20Healthcare%20Costs%20Coverage%20and%20Policy%20Issue%20Brief.pdf>.

Despite the highest minimum wage in the nation, Californians must work practically non-stop to just scrape by.

In much of America today, it is a near necessity to have two adults working in order to try to shore up the household's financial well-being. In California, many households with two full-time working adults are barely keeping their heads above water. About 27% of households with two workers are living paycheck to paycheck.

Figure 6 shows that at \$15 an hour, a single person in Los Angeles would need to work 9 overtime hours to make ends meet; and with a young child, a parent would have to work twice as long at 18 overtime hours to afford childcare and other expenses.

Figure 6: Number of Hours Per Week Needed to Make Ends Meet in a Minimum Wage Position, by Family Type, 2021

	San Francisco County (\$16.07/hr)	Alameda County (\$15/hr)	Los Angeles County (\$15/hr)	San Diego County (\$14/hr)	Fresno County (\$14/hr)
Single adult	72	56	49	53	34
Single adult, 1 pre-school child	144	118	102	102	68
Single adult, 1 pre-school child, 1 school- age child	183	155	124	131	85

Women continue to face unique barriers to reaching economic security due to embedded sexism within the labor market.

Women are the glue holding their households, neighborhoods, and communities together, providing care across generations and holding others up. Unequal pay, taking unpaid time off to care for small children or other family members, underemployment, and occupational segregation play major roles in keeping women and their families from reaching economic security. Women of color have also endured the hardest COVID-19 related job layoffs and unemployment.

Statewide, close to 40% of single-women households with no children can barely make ends meet compared to 32% of single-men households.

72% of solo moms with one or more children are more likely to be paid wages that do not support a basic cost of living compared to 57% of solo dads.

Figure 7: Percent of Single-Headed Households That Struggle to Meet Basic Needs, by Gender of Head of Household, 2021

Solo Female-led Households	Solo Male-led Households	
White	45%	32%
AAPI	46%	37%
Black	62%	44%
Native	64%	57%
Latinx	69%	55%
Total	60%	46%

Education matters, but structural racism and gender discrimination in our systems and institutions may matter even more.

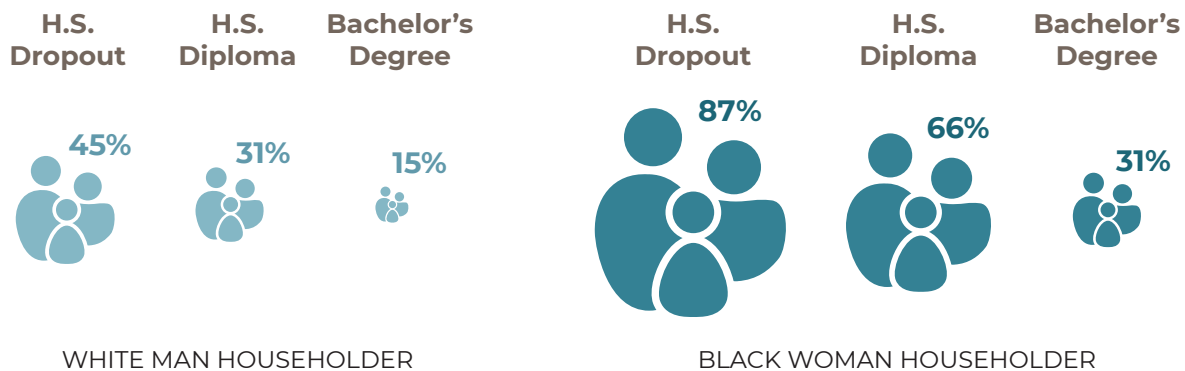
Householders without a college degree fare the worst in California's economy and have been hit particularly hard by the pandemic. Workers with the least education are typically the first to be let go and less likely to be rehired. Nearly 70% of the head of households who have dropped out of high school are unable to make ends meet, and one in two households with a GED or high school diploma are barely scraping by.

Households of color without a college degree are severely penalized in the labor market. For instance, an Asian-male head of household with a high school diploma is 1.7 times more likely to be struggling economically than his white male peer. Black women with a high school diploma are the most penalized. Just over 66% of these Black women-led households barely have enough income to live on.

Conventional wisdom holds that a college degree is a key driver of economic mobility and is the “great equalizer” among racial and ethnic groups. In California, one in five households whose head has a bachelor's degree is barely eking out a living. Once again, Black women householders with a bachelor's degree face economic precarity at twice the rate of comparable white men.

Despite the great sacrifices in time and money to obtain a masters or doctoral degree, employers compensate people with advanced degrees unequally by race and gender. Black women and men are nearly two times more likely than white men to be underpaid by employers and struggle to get by.

Figure 8: Differences in Struggling Households by Selected Education Level, Race, and Gender, 2021



CONCLUSION

These findings are a striking reminder that simply upholding our government's status quo will leave more and more working-age households in dire circumstances. Because many of the data sources used in the 2021 FNC predate the coronavirus pandemic, the tool is a forecast—rather than a mirror—of Californians' current needs.

As we emerge from the COVID-19 pandemic and recession, proposed relief efforts must not only address present crises but also work to quell racial and gender economic inequities that long predate the pandemic. Without adequate measurements of economic need, Black and brown families, woman-led households, and working Californians trying to make ends meet may not economically recover from the massive loss and hardships of 2020.

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