

# OVERLOOKED & UNDERCOUNTED

A NEW PERSPECTIVE ON THE STRUGGLE TO MAKE ENDS MEET IN CALIFORNIA  
**EXECUTIVE SUMMARY**

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**From Los Angeles to the San Francisco Bay Area to the Central Valley**, large numbers of Californians are finding that their costs are rising faster than their wages, increasing stress on family budgets. In short, many working parents simply do not earn enough income to adequately provide for their families' basic necessities.

Many California families struggle with inadequate resources but are not recognized as officially in need, due to the prevalent use of the federal poverty line as a measure of need. As a consequence, these families—about whom little is known—live in a “policy gap,” with incomes sometimes too high to be eligible for public aid, but too low to meet the skyrocketing costs of housing, health care, and other basic needs.

This report brings new knowledge about these families to light by addressing the following questions:

- **How many Californians are working hard but are not able to pay for their basic needs?**
- **Where do these families live and what do they look like?**
- **What can we learn about these families that can help inform local, state and federal policymakers?**

Using the Self-Sufficiency Standard for California combined with Census data, this report contributes to the national conversation that is redefining who is in need, by squarely confronting the question of how much income families actually *require* to meet their basic costs.

This report finds that California families with inadequate incomes are not a small or marginal group, but are a substantial proportion of our state. Even married couples with children, families where parents work full-time, and people of all racial and ethnic backgrounds are experiencing difficulty in making ends meet.

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PREPARED FOR WIDER OPPORTUNITIES FOR WOMEN AND  
CALIFORNIANS FOR FAMILY ECONOMIC SELF-SUFFICIENCY,  
A PROJECT OF THE NATIONAL ECONOMIC DEVELOPMENT AND LAW CENTER

BY DIANA PEARCE WITH RACHEL CASSIDY  
EDITED BY AIMEE DURFEE AND MAUREEN GOLGA

## I. THE SELF-SUFFICIENCY STANDARD: A NEW MEASURE OF INCOME ADEQUACY

This report uses the Self-Sufficiency Standard (the Standard), rather than the federal poverty line (FPL), to measure income adequacy. Under this analysis, families have adequate income when they can cover basic household needs; families who do not have enough income to pay for those needs have substandard or inadequate incomes. The latter group is the focus of this report.

Since its inception over four decades ago, many researchers and policy analysts have recognized the various weaknesses of the federal poverty measure, and have proposed revising the poverty standard.<sup>1</sup> In particular, some argue it has become too low, and no longer reflects the real needs of families with working parents, nor does it reflect the growing disparity in costs across the country and within states.

The Self-Sufficiency Standard was developed to address these and other issues.<sup>2</sup> The Self-Sufficiency Standard is a realistic assessment of the amount of income it takes to meet basic needs, without public or private assistance:

- The Self-Sufficiency Standard is based on all major budget items faced by a working family: housing, child care, food, health care, transportation, taxes, etc.
- The Self-Sufficiency Standard allows for work-related expenses such as transportation, taxes, and when there are young children, child care.
- The Self-Sufficiency Standard varies geographically and is calculated on a county-by-county basis.
- The Self-Sufficiency Standard reflects different costs by age of children, which is particularly important in relation to child care costs, but also for food and health care costs.

The resulting Standards are basic needs budgets that are minimally adequate, and no more. For example, the food budget contains no restaurant or take-out food, even though Americans spend an average of over 40% of their food budget on take-out and restaurant food.<sup>3</sup> The Standard also does not allow for retirement savings, education expenses, credit card debt or emergencies.

### DATA AND METHODOLOGY

The sample was drawn from the March 2001 Current Population Survey (CPS), conducted by the U.S. Census Bureau. As with most surveys, the CPS undercounts low-income households. This happens because the CPS was designed to assess workforce characteristics, and because survey results are weighted to correct for undercounts by race and geography, but not by income. Also, because the CPS is a survey of "households," those who are homeless and/or live in shelters or other group housing are not included. This report focuses on working age adults and their households, excluding the elderly and disabled.

To determine each household's level of income adequacy, a ratio of the household's total income to their applicable Self-Sufficiency Standard was calculated. Additionally, each household's poverty status was calculated, using the federal poverty thresholds (herein referred to as FPL). In order to contrast the pictures of income inadequacy between the Standard and the FPL, the sample has been divided into three groups: those whose incomes are below FPL, those whose incomes are above FPL but below the Standard, and those whose incomes are above the Standard.

This report compares four groups based on Census Bureau race/ethnic categories: Hispanic or Latino; Asian and Pacific Islander (non-Hispanic/Latino); African American (non-Hispanic/Latino) and White (non-Hispanic/Latino). At times, however, limited sample size only permits a comparison between Latinos and non-Latinos in order to obtain reliable estimates.<sup>4</sup>

## II. FAMILIES WHO CAN'T MEET THEIR BASIC NEEDS: HOW MANY ARE THERE, WHO ARE THEY AND WHERE DO THEY LIVE?

*About three in ten California households have incomes too low to cover their basic costs.*

About 30% of California households (over 3 million) have incomes that are "substandard," that is, their incomes are less than the Self-Sufficiency Standard for their family type and place (see Table A).<sup>5</sup> This is almost three times the proportion officially considered poor, or lacking adequate income, according to the Federal Poverty Line (about 11% of households in California).

*About one-fifth of Bay Area households and about one-third of Los Angeles area households struggle to make ends meet.<sup>6</sup>*

The likelihood of being below the Standard is higher in the Los Angeles Area than in the Bay Area, and slightly higher than the statewide average. Although the Bay Area has much higher costs than other areas of California, household incomes are also higher than the state as a whole, leading to a smaller percentage of families falling below the income threshold of the Standard.

**TABLE A**  
Household Income Compared to  
Self-Sufficiency Standard and  
Federal Poverty Threshold:

All California, Bay Area,  
Los Angeles Area, 2000

*California households in both the least and most populated areas of the state have a greater likelihood of having substandard incomes than those in mid-size metropolitan areas.*

In small metropolitan areas (with populations below 500,000) such as Chico-Paradise, Yolo, Modesto, and Santa Barbara-Santa Maria-Lompoc, the average proportion of households with incomes below the Standard is 35%. Similarly, in the very largest metropolitan areas, Riverside-Bernardino and Los Angeles-Long Beach, the proportions of households that are below the Standard are 34% and 37%, respectively.

In contrast, mid-size metropolitan areas with populations between 1 million and 2.5 million, including Oakland, San Jose, and San Francisco in the Bay Area, as well as Orange County, Sacramento and San Diego, have just over one-fifth (22%) of households with incomes below self-sufficiency.

*Considerable percentages of California households in all racial groups<sup>7</sup> have incomes below economic self-sufficiency.*

- More than half of Latino households have incomes below the Standard.
- More than one-third of African American households have incomes below the Standard.
- About one-fourth of Asian and Pacific Islander households have incomes below the Standard.
- About one-fifth of White households have incomes below the Standard.

*Both native and foreign-born householders experience difficulty in making ends meet.*

- Of native householders, 24% are below economic self-sufficiency.
- Of naturalized citizen householders, 32% are below economic self-sufficiency.
- Of noncitizen householders, 56% are below economic self-sufficiency.<sup>8</sup>

*Households with children are at a greater risk of not meeting their basic needs than those without children, especially those with very young children (less than six years old).*

- Among households with one or more children, 43% have substandard incomes.
- More than half (52%) of households with a child under the age of six have inadequate incomes.

Of households without children, one out of five have substandard income. Of households *with* children, more than two out of five have substandard incomes. This difference is not surprising given that the addition of just one child increases costs substantially, often nearly doubling the Self-Sufficiency Standard, though incomes seldom increase when a family adds a child (and may actually decrease). The rates of income inadequacy are even higher for families with young children: while about one-third of households with children 6–17 years have incomes that are less than the Self-Sufficiency Standard, over one-half of households with at least one child less than six years experience income inadequacy.

*Households maintained by women raising children alone—of all racial and ethnic groups—have high levels of substandard incomes, yet some of the highest levels of income inadequacy are also found among Latino and African American married-couple and male-headed families.*

- 65% of women-headed households with children—of all races—have inadequate incomes.
- 63% of Latino married-couple and male-headed households with children have inadequate incomes.
- 42% of African American married-couple and male-headed households with children have inadequate incomes.

Characteristic	Total	Below Self-Sufficiency Standard			Above Self-Sufficiency Standard
		Below Standard and Below FPL	Below Standard and Above FPL	Total Below Standard	
<b>All Households</b>					
Number	10,299,685	1,087,562	2,029,690	3,117,252	7,182,433
% of Total	100.0	10.6	19.7	30.3	69.7
<b>Bay Area</b>					
Number	2,268,354	95,672	356,607	452,279	1,816,075
% of Total	100.0	4.2	15.7	19.9	80.1
<b>Los Angeles Area</b>					
Number	4,814,018	565,275	1,063,452	1,628,727	3,185,291
% of Total	100.0	11.7	22.1	33.8	66.2

FPL = Federal Poverty Line  
Standard = California Self-Sufficiency Standard, 2000

Single men and women who are heads of nonfamily households have relatively low, and nearly identical rates of income inadequacy (about 18%). If they are supporting children, however, women householders are much more likely to have incomes that are below self-sufficiency; 65% of women householders supporting children receive inadequate incomes. In comparison, 37% of married-couple and male-headed households with children have inadequate income.

### III. SELF-SUFFICIENCY: THREE KEY FACTORS

#### I. EDUCATION: The more education/training a householder has, the more likely she can meet her family's basic needs.

Of all factors analyzed here, education has one of the strongest relationships to income adequacy:

- More than two-thirds of householders who lack a high school diploma or GED certificate have incomes below self-sufficiency.
- Only 40% of those who have earned a high school diploma or GED certificate have incomes below self-sufficiency.
- Most dramatically, of those with some college or postsecondary education, three out of four have incomes that are at or above self-sufficiency.
- About 90% of householders with a college degree or more have incomes that are more than adequate to meet their family's basic needs.

Women and Latinos must achieve more education than men and non-Latinos in order to meet their families' basic needs (see Figure 2). These income gaps are greatest at the lowest levels of education. While 52% of non-Latino male householders with less than a high school education have incomes above self-sufficiency, only 18% of Latina female householders with the same education have self-sufficiency level incomes. Indeed, Latina women face the greatest challenge in closing the income gap through education. Latina women must attain at least a college degree before reaching a similar proportion of income adequacy with non-Latino men who have only completed high school.

#### 2. WORK: Work is an important factor in achieving self-sufficiency, but even with full-time year-round workers, many households are still not able to obtain self-sufficiency.

- More than one out of three households with one working adult have an income insufficient to meet basic needs.
- One out of five households with two working adults have an income that is inadequate to meet basic needs.
- More than one out of four households with one full-time, year round worker have an income that is below economic self-sufficiency.

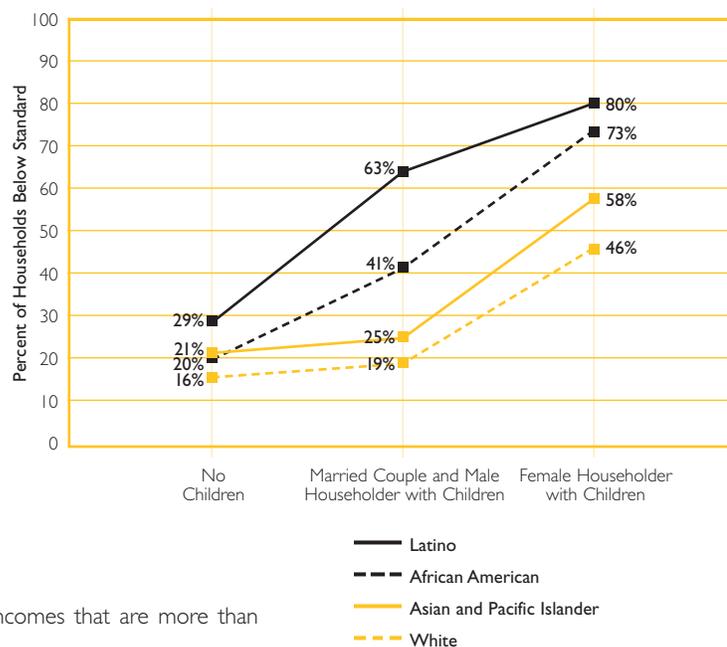
Households with just one worker, employed at anything less than a full-time, full-year job, have a significant chance of having inadequate income. Of households with one worker who worked at a full-time job but not the whole year, almost half have inadequate income. Of households that include a worker who holds a part-time, part-year job, three out of four households have incomes that are insufficient.

Even households with two working adults have a substantial chance of having inadequate income, unless they are both working at full-time jobs all year: Among households with two adults working, but only one is full-time, full-year, the level of income inadequacy is 25%. If neither of the working adults is full-time, full-year (all are part-time and/or seasonal), then the level of income inadequacy rises to 42%.

- **Ten occupational categories alone account for about 41% of householders with incomes below self-sufficiency.**

Householders with inadequate wages are concentrated in a small number of occupational categories, including: clerical and administrative support, food services, retail sales, salaried managers (largely in food service and retail), machine operators (except precision), construction trades,<sup>9</sup> cleaning and building services, agricultural workers, transportation, and personal service.

**FIGURE 1**  
Households Below the Self-Sufficiency Standard by Household Type and Race of Householder:  
California 2000



The pattern in this graph demonstrates that race and ethnicity, marital status, gender, and presence of children are associated with income inadequacy. Households with children have higher levels of income inadequacy than those without children, with even higher levels for female-headed households. Among households without children, the rate of income inadequacy is relatively low for all race groups, ranging from 16% for White to 29% for Latino households. However, it is also true that race and ethnicity have a strong relationship to economic self-sufficiency, especially for families with children. For married-couple and male-headed households with children, the rates of income inadequacy range from a low of 19% for White families, rising to a high of 63% for Latino families. Likewise, for women-maintained households with children, the percent below self-sufficiency ranges from 46% (White) to 80% (Latina).

Food service and clerical occupations are among the most common for men and women householders with inadequate income. Beyond these two categories, however, male-headed households with incomes below self-sufficiency are more likely to be in construction, transportation, cleaning, and farm/agricultural occupations, while women are more likely to be in health service, household and personal services. Among Latino households with inadequate incomes, the three most common occupations are food service, farm, and machine operators (except precision), whereas among non-Latino householders with inadequate incomes, clerical, salaried managers, as well as food service are the top three occupations.

**3. WORK SUPPORTS: Work supports, such as child care assistance, Food Stamps, or Medicaid, can help bridge the gap between low wages and basic needs for working Californians.**

- Of the more than 3 million households with inadequate income, few receive work supports that can help them cover basic costs.

Working parents often receive private work supports (such as child support or in-kind assistance), and/or public work supports (such as child care subsidies or cash aid) to make ends meet. Work supports can be a critical factor in helping families meet their basic needs while they move forward on the path to economic self-sufficiency. However, as more parents have moved into the workforce, neither wages nor work supports have kept pace with the needs of their families. As noted above, most surveys, including the CPS, underestimate low-income households disproportionately, and thus also underestimate the number receiving low-income targeted support. Consequently, alternate estimates of work support receipt have also been included below.

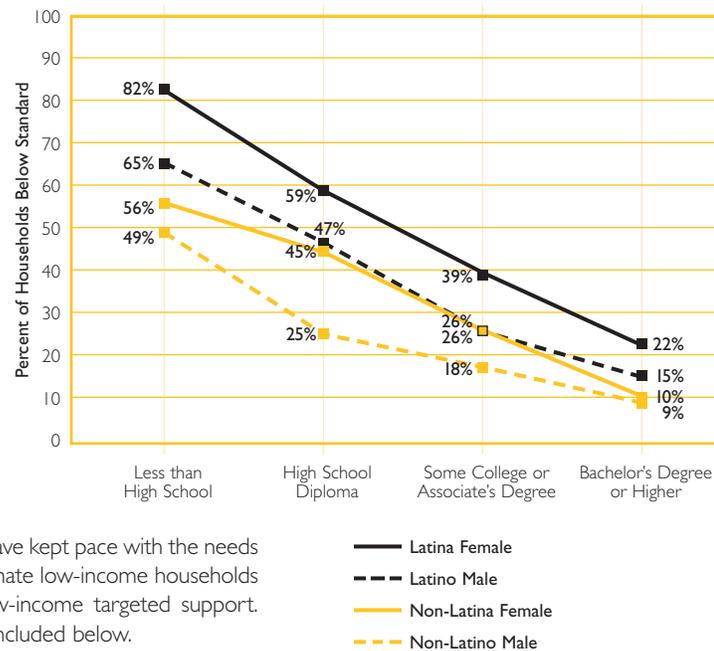
According to CPS, fewer than one in ten (9%) of California households receive public assistance (including Temporary Assistance to Needy Families (TANF), Supplementary Security Income (SSI), food stamps, and/or Women, Infants and Children (WIC)) sometime over the year. Most striking is the large proportion of families with less than adequate income who receive little or no assistance. For example:

- Only 500,000 (CPS estimate) to 650,000<sup>10</sup> (California state program numbers) California households receive Food Stamps, yet 3 million households have inadequate incomes.
- Only about 76,000 (CPS estimate) to roughly 200,000<sup>11</sup> (California state program numbers) California households receive child care assistance, even though approximately 1.2 million households with children under six lack adequate income.
- About 3% of Californian households receive housing assistance, such as Section 8 or public housing, in spite of the "out of reach" costs of housing for many Californians.
- Altogether, according to CPS estimates, there are only 21,000 California households that receive food stamps, child care assistance and housing assistance.

On the other hand, more "universal," broadly-targeted programs also do not reach many of those with inadequate incomes:

- At best, child support reaches roughly one in four of the approximately 640,000 California households with inadequate incomes that are headed by a woman with children.
- Of the 600,000 Californian householders who receive unemployment insurance, only about one-third have inadequate incomes.

**FIGURE 2**  
Households Below the Self-Sufficiency Standard by Educational Attainment, Sex, and Latino Origin of Householder: California 2000



1 Citro, Constance F. and Robert T. Michael, *Measuring Poverty: A New Approach*, National Academy Press, (Washington, DC, 1995).

2 See D. Pearce with J. Brooks, *The Self-Sufficiency Standard for California*, (November 2000).

3 U.S. Department of Labor; Bureau of Labor Statistics, *Consumer Expenditure Survey*; "Standard Table 4. Size of consumer unit: Average annual expenditures and characteristics" (2000), <http://www.bls.gov/cex/2000/Standard/csize.pdf>.

4 The Census Bureau uses the term "Hispanic" to refer to people of any race who reported that their origin was Mexican, Puerto Rican, Cuban, Central or South American, or some other Latino origin on the CPS questionnaire. Additionally, CPS groups Asians and Pacific Islanders together as a single racial group.

5 Statistically, if one did a similar sample many times, 90% of the time the estimate of the percent with incomes below the Self-Sufficiency Standard would be 30.3% plus or minus about 1.3%, or in other words, the estimate would fall between 29.0% and 31.5%.

6 Because the CPS sample is not intended to provide reliable estimates below the state level, this study was only able to include estimates of the number of people above and below the Standard for two metropolitan areas within California: the San Francisco Bay Area (which includes nine counties), and the Los Angeles area (which includes five counties). The Bay Area counties are: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma. The Los Angeles Area counties are: Los Angeles, Orange, Riverside, San Bernardino and Ventura.

# FINDINGS AND IMPLICATIONS FOR CALIFORNIA

This report highlights a problem that affects all of us in California: that more of our state's families are in need than our state or nation officially recognize. Income inadequacy affects women and men, families with and without children, families of all races, in all areas of the state. The definition of who is "in need" is a problem in our state that must be addressed on a broad scale.

**FINDING:** More California families are living at substandard levels than currently recognized.

Thirty percent of California households have inadequate incomes, yet only 11% are defined as "poor" by the federal poverty measure. Living with insufficient income affects some Californians more than others: families with young children under six, Latino households in general, Latino and African American married-couple and male-headed households with children, and families headed by single women are among the groups with the highest levels of income inadequacy.

**FINDING:** Work alone does not always guarantee adequate income.

More than one-third of households with one working adult do not earn enough income to pay for their basic needs. Even with two working adults on a year-round schedule, many families do not have adequate income. Although California has one of the highest minimum wage levels in the country, family income is simply not equal to the rapidly rising basic costs of living in this state. These problems are particularly evident for some subgroups: Latinos, single mothers supporting children (especially if the children are very young), and those concentrated in certain low-wage occupations. About 80% of California households have at least one full-time, year-round worker, but factors such as structure of labor markets, race and gender bias, and economic trends prevent many from achieving adequate income through their own efforts.

**FINDING:** Education and work supports are key to improving family economic self-sufficiency.

Increasing access to education and training is an important part of closing the income gap for many families. Additionally, this report points to the need for broader expansion of work supports for all Californians, since there is a substantial unmet need between what families require and what families are receiving. Our state, working through government, industry and labor, should provide supports so that working parents do not have to choose between being good employees and good parents.

This report and its implications spring from a national movement to change the debate about poverty in the United States. Since 1995, Wider Opportunities for Women (WOW) has led the Family Economic Self-Sufficiency Project, an effort that puts tools in the hands of state-level policymakers, business leaders, advocates and service providers to design programs and policies that enable all families to advance on the path to economic independence. One of these tools is the Self-Sufficiency Standard, a measure of how much income a working family needs to meet their most basic needs, depending on where they live and who is in their family. The Self-Sufficiency Standard was developed for WOW by Dr. Diana Pearce, who was at that time Director of the Women and Poverty Project at WOW. WOW and Dr. Diana Pearce partner with state-level groups to develop, implement and institutionalize the Self-Sufficiency Standard.

The National Economic Development and Law Center manages Californians for Family Economic Self-Sufficiency (CFESS), one of WOW's state-level projects. CFESS leads the effort to change the debate on poverty in California through the use of the Self-Sufficiency Standard.

After eight years and the development of Self-Sufficiency Standards in 35 states, it was clear that a critical question had yet to be answered. From California to Nebraska to Mississippi, there has always been an interest in knowing how many and which families fall below the income guidelines set by the Self-Sufficiency Standard. This report answers this long asked question for California.

7 For purposes of these tables, it is assumed that the race of the household is that of the householder. In fact, 9% of white, 10% of African American, 10% of Asian and Pacific Islander and 12% of Latino households are mixed race and/or ethnicity.

8 It should be noted that lack of citizenship may affect income adequacy directly because of some laws and regulations—such as the 1996 federal welfare reform law—that limit access by non-citizens to certain public benefits and programs.

9 The largest specific occupations in this group are maintenance (such as clean-up), apprentices, painters, and construction (including unskilled laborers).

10 California State Department of Social Services; [http://www.dss.cahwnet.gov/research/FoodStamp\\_429.htm](http://www.dss.cahwnet.gov/research/FoodStamp_429.htm).

11 This number (200,000) assumes an average of two children per family receiving assistance. Data estimates based on program numbers from California Budget Project, *Lasting Returns: Strengthening California's Child Care and Development System* (May 2001), <http://www.cbpp.org>.

# STRUGGLING TO MAKE ENDS MEET:

## A DEMOGRAPHIC PROFILE

Three out of ten Californian households do not have enough money to meet their most basic needs. Who are they? Income inadequacy is found in California families of all races and ethnicities, citizenship statuses, family structures, workforce participation and regions. Of the approximately three million Californian households with inadequate incomes:

- **ALMOST HALF ARE LATINO, AND ONE-THIRD ARE WHITE.**
- **TWO-THIRDS HAVE CHILDREN, AND 58% OF THESE HAVE A CHILD UNDER SIX.**
- **ABOUT HALF ARE HEADED BY MARRIED COUPLES,** and only one in four is headed by a never married householder (half of the latter do not have children).
- **OVER ONE-HALF HAVE AT LEAST ONE WORKER WORKING FULL-TIME, YEAR-ROUND.** Indeed, only about one in six households with inadequate income have *no* adults working.
- **ABOUT THREE OUT OF EIGHT OWN OR ARE BUYING THEIR HOMES,** while the remaining are renters.
- **THE MAJORITY OF HOUSEHOLDERS ARE NATIVE-BORN CITIZENS,** and another 400,000 householders are naturalized citizens.
- **ABOUT 33% HAVE SOME COLLEGE OR OTHER EDUCATION BEYOND HIGH SCHOOL,** about 25% have a high school diploma or GED certificate, and about 30% have less than a high school education.



Diana Pearce  
**Center for Women's Welfare**  
**School of Social Work, University of Washington**  
4101 15th Avenue NE, Seattle, WA 98105  
TEL 206-616-3543 FAX 206-543-1228  
<http://depts.washington.edu/selfsuff/>

The Center for Women's Welfare at the University of Washington is devoted to furthering the goal of economic justice for women and their families. Under the direction of Dr. Diana Pearce, the Center researches questions involving poverty measures, public policy and programs that address income adequacy. The Center partners with a range of non-profit, women's, children's, and community-based groups to evaluate public policy, to devise tools for analyzing wage adequacy and to help create programs to strengthen public investment in low-income women, children, and families.



**Wider Opportunities for Women**  
1001 Connecticut Avenue, NW, Suite 930, Washington, DC 20036  
TEL 202-464-1596 FAX 202-464-1660  
<http://www.wowonline.org>

Wider Opportunities for Women (WOW) works nationally and in its home community of Washington, DC to achieve economic independence and equality of opportunity for women and girls. For almost 40 years, WOW has been a leader in the areas of nontraditional employment, job training and education, literacy, welfare to work and workforce development policy. WOW is recognized nationally for its skill training models, technical assistance and advocacy for women workers.



**National Economic Development and Law Center**  
Californians for Family Economic Self-Sufficiency, a project of NEDLC  
2201 Broadway, Suite 815, Oakland, CA 94612  
TEL 510-251-2600 FAX 510-251-0600  
<http://www.nedlc.org>

The National Economic Development and Law Center (NEDLC), founded in 1969, is a national, non-profit, public interest group that specializes in community economic development. Our mission is to contribute to the abilities of low-income persons and communities to realize their full potential. We do this by collaborating with organizations to develop integrated community-building skills and indigenous leadership in order to build local capacity and achieve greater economic, social, cultural and human development. In 2001, NEDLC began managing an innovative statewide initiative, *Californians for Family Economic Self-Sufficiency* (CFESS), comprised of over 80 community-based organizations and local agencies interested in promoting public policies to help move families from poverty to economic self-sufficiency. The CFESS project is directly aligned with NEDLC's goals to advocate policies that support economic self-sufficiency.

To download a copy of the full report, go to [www.sixstrategies.org](http://www.sixstrategies.org) or [www.nedlc.org](http://www.nedlc.org)

