



United Way of the Bay Area

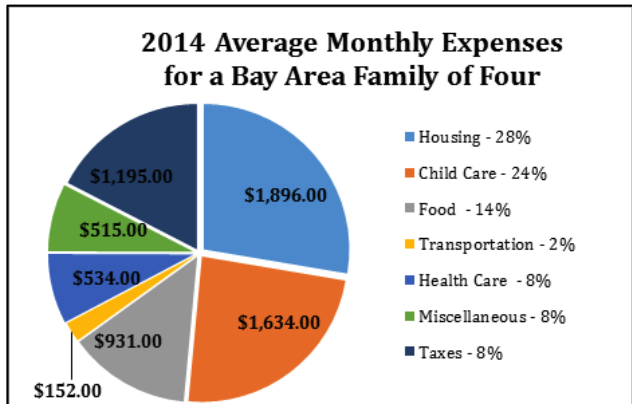
## Struggling to Make Ends Meet on Minimum Wage

Self-Sufficiency Brief

October 2014

In recent years, the cost of living has soared across all nine Bay Area counties, but wages have failed to keep up with the sharp increase in the cost of living. As a result, the post-recession recovery has yet to be felt by many Bay Area households.

**OF THE 2.3 MILLION HOUSEHOLDS IN THE SAN FRANCISCO BAY AREA IN 2012, 29%<sup>1</sup> WERE LIVING BELOW SELF-SUFFICIENCY – THAT’S MORE THAN 657,000 HOUSEHOLDS.**



Based on the Bay Area average of the California Self-Sufficiency Standard for a family with two adults, one preschooler and one school-age child.

What does it mean to be living below self-sufficiency, as opposed to living in poverty? The official poverty measure doesn’t tell the whole story of who is struggling in the Bay Area.

Because the cost of living in the Bay Area is so much higher than the national average, the Self-Sufficiency Standard<sup>2</sup> is a much more accurate predictor of need than the Federal Poverty Line for California households. The Self-Sufficiency Standard calculates the income needed to cover the true cost of basic needs (such as housing, food, health care and child care) in the specific county where an individual or family lives.

As the data in this report show, the minimum wage is hardly a living wage in the Bay Area. While there are a number of policy and program-related changes needed to help more households reach self-sufficiency, raising the minimum wage is one of the most important steps we can take.

<sup>1</sup> 2014 Self-Sufficiency Standard Report (unreleased). United Way of the Bay Area. Data based on 2012 American Community Survey (ACS).

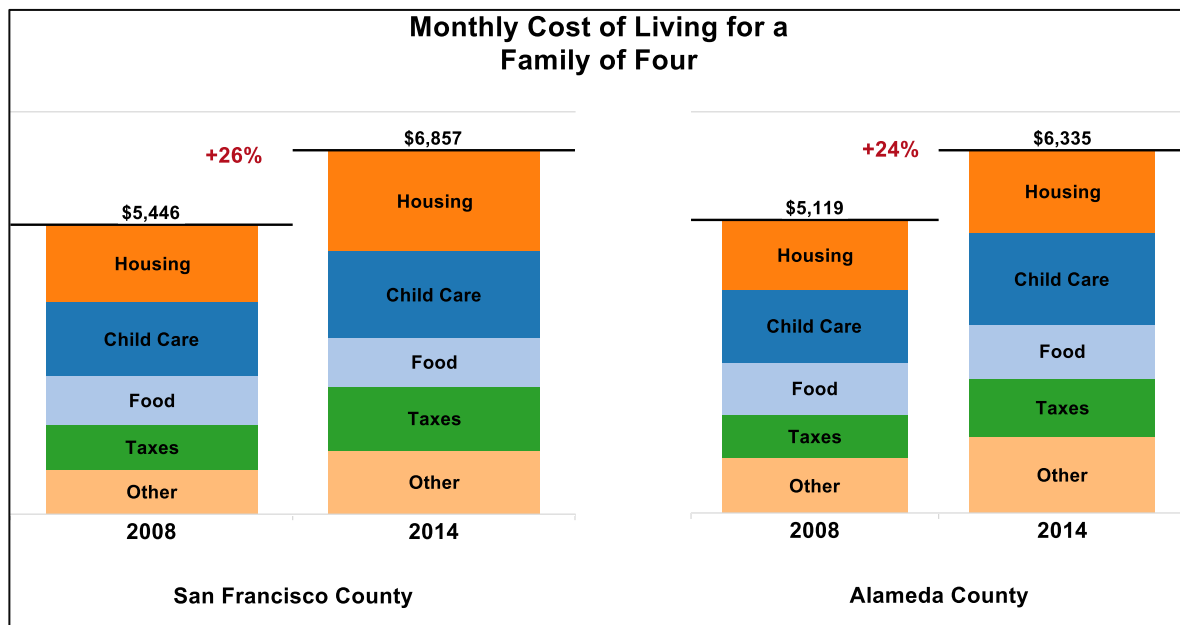
<sup>2</sup> California Family Economic Self-Sufficiency Standard. (2014). Insight Center for Community Economic Development.



## THE COST OF LIVING IN THE BAY AREA

The Bay Area is one of the most expensive regions in the nation, and it’s no surprise that housing is residents’ greatest expense. In the last five years alone, rent prices have increased by an average of 32% in San Francisco<sup>3</sup>.

Since 2008, the overall cost of living has increased by an average of 26% in San Francisco and 24% in Alameda County. In 2008, a San Francisco household with two adults and two children spent an average of \$1,444 on housing each month, but that number jumped to \$1,896 in 2014.



According to the Self-Sufficiency Standard for a family with two adults, one preschooler and one school-age child.

## MAKING ENDS MEET REQUIRES FOUR MINIMUM WAGE JOBS

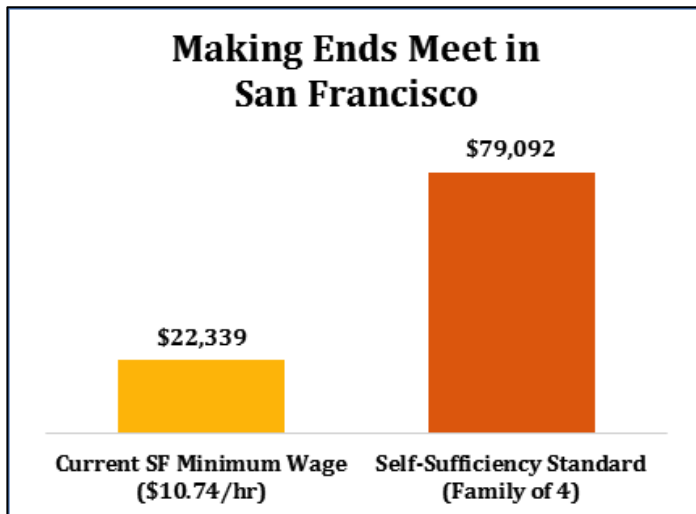
Of the 657,000+ Bay Area households living below self-sufficiency, 72% have at least one person who has worked during the year. But for many low-wage workers, even having two or more full-time jobs doesn’t provide enough to pay the bills.

<sup>3</sup> Jones Lang LaSalle (2014).

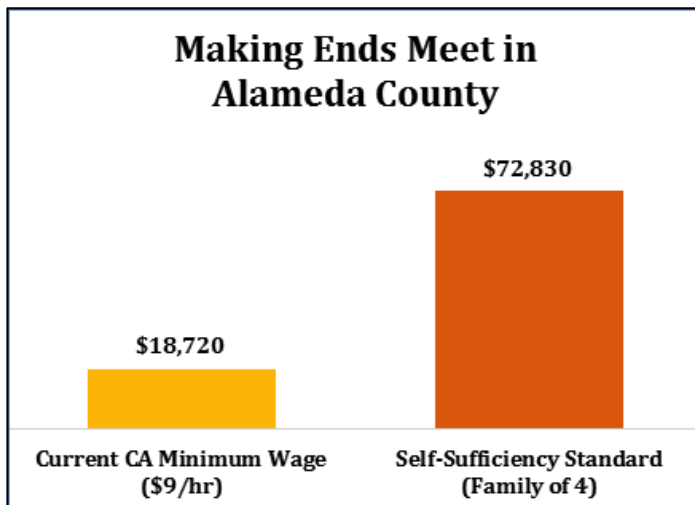


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United Way will release a detailed Financial Self-Sufficiency Report later this year, but some of the study's initial findings reveal a disturbing gap between minimum wage and the Self-Sufficiency Standard:



In San Francisco, a household with two adults, one preschooler and one school-age child would need to earn \$79,092 annually to cover the cost of basic needs. This would require four full-time minimum wage jobs.



In Alameda County, a household with two adults, one preschooler and one school-age child would need to earn \$72,830 annually to cover the cost of basic needs. That would also require four full-time minimum wage jobs.

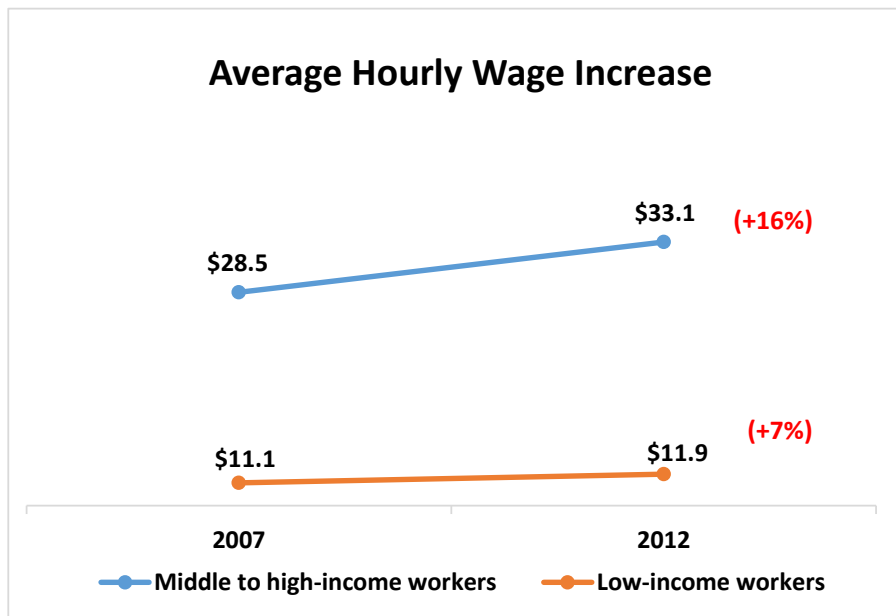


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## WAGES REMAIN STAGNANT FOR THE WORKING POOR

Minimum wage incomes provide just a fraction of what's needed for self-sufficiency. To make matters worse, average hourly wages have remained stagnant for those who struggle to cover the costs of basic needs.

Between 2007 and 2012, the average middle- to high-income worker saw their average hourly wage increase by 16%<sup>4</sup>. Those living below self-sufficiency saw an increase of just 7%.



According to Quarterly Census of Employment & Wages (QCEW). Middle- to high-wage workers include those living at or above their Self-Sufficiency Standard. Low-wage workers are those living below their Self-Sufficiency Standard. Family of four is 2 adults, one preschooler one school-aged child.

## THE IMPACT OF A HIGHER MINIMUM WAGE

While increasing the minimum wage will not eliminate poverty by itself, it is a critical step toward helping hard-working individuals to bridge the gap between meager paychecks and the Bay Area's high cost of living.

<sup>4</sup> 2014 Self-Sufficiency Standard Report (unreleased). United Way of the Bay Area. Data based on 2012 American Community Survey (ACS).



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According to the UC Berkeley Center for Labor Research and Education, increasing the San Francisco minimum wage to \$15 would<sup>5</sup>:

- Benefit 23.4% of San Francisco's workforce (142,000 people)
- Result in an overall increase of \$397 million in earnings by 2018

Despite the common misconception that most minimum-wage workers are teenagers and young adults, 63% of the San Francisco workers who would be impacted by a minimum wage increase are 30 years old or older.

In addition, increasing Oakland's minimum wage to \$12.25 would<sup>6</sup>:

- Benefit 25% to 30% of Oakland workers
- Boost average yearly earnings by about \$2,700 per individual and by \$120 million overall

Seventy-nine percent of the workers who would benefit from a minimum wage increase are people of color, many of whom work in retail (17%), food service (18%), and education, health and social services (16%) industries.

## WHERE DO WE GO FROM HERE?

Changing public policy to raise the minimum wage in our community is an important first step, but we must do more. United Way of the Bay Area also supports the following strategies to help more households achieve self-sufficiency:

### 1. Increase Job Training for Critical Populations

Among the Bay Area residents who live below self-sufficiency, the percentage of people with less than a high school degree are five times greater than the percentage of people with at least a four-year degree<sup>7</sup>. In short, they lack the skills to compete for the many great jobs being created in the Bay Area.

We can help these hard-working people increase their incomes by expanding programs that help them acquire the skills they need to attain higher-wage jobs.

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<sup>5</sup> San Francisco's Proposed City Minimum Wage Law: A Prospective Impact Study (2014). Center for wage and Employment Dynamics (CWED).

<sup>6</sup> The Impact of Oakland's Proposed City Minimum Wage Law: A Prospective Study (2014). Center for wage and Employment Dynamics (CWED).

<sup>7</sup> 2014 Self-Sufficiency Standard Report (unreleased). United Way of the Bay Area. Data based on 2012 American Community Survey (ACS).



## 2. Change Policies to Reward People for Moving Off Safety Net Benefits

The rules of the federal welfare system actually penalize people for getting a job and earning more. A higher income can sometimes push an individual above the income threshold that qualifies them for benefits such as food stamps or health care subsidies – which makes them worse off than they were before working, and puts their families in jeopardy.

Advocates are working to end this “benefits cliff” by restructuring safety net programs so that benefits taper off gradually as an individual’s income rises. This rewards hard work and is proven to reduce the number of people who depend on safety net benefits.

## 3. Boost Collaboration among Service Providers

If a low-income mother is working multiple jobs and still struggling to make ends meet, how will she find time to track down everything from food assistance to health insurance to after-school programs for her children?

Simply put, it’s not efficient to have lots of fragmented support services offered at different locations with different hours. Instead, service providers should work together to provide holistic services under one roof.

Community Schools, for example, bring many of the services that children and families need onto the school campus where they go every day – and done right, they lead to inspiring student outcomes such as higher grades and better attendance.

To learn more about United Way of the Bay Area’s public policy agenda, visit [uwba.org/advocate](http://uwba.org/advocate).