

Social inequality reaches new heights in California

Kevin Kearney
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The California Budget Project recently released the results of its latest investigation, “Making Ends Meet, How Much Does it Cost to Raise a Family in California?” CBP is an independent fiscal and policy think tank, founded in 1994. It produces analysis and public education with the stated goal of “improving public policies affecting the economic and social well-being of low- and middle-income Californians.”

The study takes direct aim at outdated and methodologically inferior measures of economic well-being, primarily the official Federal Poverty Level (FPL). The results of the study expose the FPL for what it is: a means of obscuring the shaky economic precipice on which most working families find themselves teetering.

To achieve nothing more than a modest standard of living, the report estimates that a family with two working parents in California needs an annual income of \$71,377.

This would require that both parents work full-time for an hourly wage of \$17.16. Families living in the least expensive regions of the state would need an annual income of at least \$56,261 to meet their basic needs. To put this data in perspective, it must be noted that the federal poverty line was set at \$18,850 for a family of four in 2004.

Given the CPB findings, there can be no argument that poverty statistics in California and nationwide are profoundly distorted.

The hourly wage needed to support the basic family budget is two to three times the state’s minimum wage (\$6.75 per hour). In fact, the hourly wage required by single parents, employed parents in a family where both parents work, and the employed parent in a two-parent family where only one parent works exceeds the 2004 median hourly wage (\$15.06) for California workers. So even those workers earning more than twice the minimum wage are not making enough to meet the elementary costs incurred in raising a family.

Moreover, the hourly wage standard estimated in this report assumes full-time employment for 40 hours per week, 52 weeks per year, and does not allow for any unpaid days off during a year. Part-time or part-year workers—among the fastest growing sections of the workforce—would require significantly higher hourly wages to earn the same annual income.

The study demonstrates that the cost of living would actually

be less for a family if one parent stays home and takes care of the kids. It was found that a two-parent family with only one employed parent needs an annual income of \$51,177, which is equivalent to an hourly wage of \$24.60 for one parent. Regional variations based on the same familial set-up range from \$40,545 to \$55,740 per year or \$19.49 to \$26.80 per hour.

A single-parent family needs an annual income of \$53,987 to meet its needs, equivalent to an hourly wage of \$25.96. Regional estimates of the basic budget necessary for a single parent household ranged from \$43,396 to \$62,969 per year or \$20.86 to \$30.27 per hour. The report shows that even a single adult living in California needs an annual income of \$25,867 to get by, equivalent to an hourly wage of \$12.44, with regional budget estimates ranging from \$20,304 to as much as \$27,901 per year, or \$9.76 to \$13.41 per hour.

The report calculates average costs of housing and utilities, child care, transportation, food, health coverage, payroll and income taxes, and miscellaneous expenses for the four hypothetical family arrangements mentioned above: a single working parent with two children; two working parents with two children; a two-parent family with two children in which one parent works; and a single working adult.

As costs vary wildly throughout California, the study created budgets for 10 different regions within the state in order to contrast the overall state average to the more detailed regional estimates. The study also translates the basic family budget into the hourly wage needed by each of the four family types based on a 40-hour workweek and year-round employment.

Although the family budgets created for the study include more than the “bare bones” costs associated with mere physical survival, it is important to note that they don’t include the costs of home ownership, the costs of more expensive center-based child care, money for savings or money for children’s college funds. Nor do the budgets account for the costs of vacations, emergencies or the appalling health-care costs paid by those who suffer from a chronic illness like cancer, diabetes or even asthma.

Implied in the report’s averages is the fact that many Californians are forced to support their families on much less. Some are forced to cut costs by leaving their children with family or friends, working two jobs, moving back in with

family members or simply going without. With public programs such as food stamps, Medi-Cal, or Healthy Families providing increasingly limited assistance, economic desperation has driven working families to the only other option: go deeper and deeper into debt to pay for basic needs.

Taking into account the unforgiving new federal bankruptcy laws, an economic collapse could convert millions of Californians overnight into the indentured servants of multibillion-dollar banks, mortgage lenders and credit card companies.

California is representative of the entire country. In August, two US Census reports revealed that 1.1 million more Americans fell into poverty between 2003 and 2004. The estimated national poverty rate rose from 12.5 to 12.7 percent in that period, with at least 37 million Americans living below an outdated and artificially low poverty line.

According to the CPB report, workers in the Bay Area (comprised of those cities surrounding the San Francisco Bay and their suburbs) face the highest cost of living in all of California, where a family with two working parents requires nearly \$80,000 per year to afford the basics, excluding car, vacations and the cost of home ownership.

In the Bay Area, the report found that even a single adult requires \$27,901 per year or \$13.41 per hour merely to cover basic expenses. A single parent with two children in the Bay Area would need to make \$62,969 per year, or \$30.27 per hour, to cover the same expenses each year.

Stephen Pitts, an economist at the University of California at Berkeley's Center for Labor Research and Education, noted that black workers in the Bay Area are suffering an inordinate level of poverty. Pitts found that the proportion of black workers in low-wage jobs rose from 25.7 percent in 1970 to 27.8 percent in 2000.

The reality of the situation was best expressed by the Executive Director of OPTIC, an East Contra Costa County nonprofit agency that assists struggling heads of families to reenter the workforce, "It's really heartbreaking when a person has been working hard and gets a job paying \$13 an hour, but is still not able to support themselves."

UC Berkeley economist, Richard Walker, cited two key reasons for the income inequality in California and the Bay Area, in particular. According to Walker, the first is geographical: "the richest places always have the highest costs, partly because they're successful." The second reason is that high-income earners now have so much disposable income that they are pulling up the prices for everyone else. Or, as Walker says, "There's too much loose money.... The world is kind of awash in capital right now."

Despite Walker's high academic credentials, he makes a simple mistake in his last statement that no worker could ever make: the "world" is not awash in capital. Walker mistakes "the world" for the tiny economic elite that sit atop the wealth created by working people!

The relatively tiny "world" Walker refers to is, indeed, awash in capital. Two weeks ago, Bay Area-based Google announced plans to build a million-square-foot campus in Mountain View California. Thanks to its Initial Public Offering (IPO) last year and a secondary offering in early September, Google has over \$7 billion in cash to throw around! Last year, Google surpassed rival Yahoo with a market capitalization of nearly \$50 billion, enough to pay the infamous California budget deficit twice. Yet, despite this massive concentration of capital, it employs a paltry 4,183 individuals. San Jose alone has a population of nearly 1 million.

Despite the obvious value of the CPB report, it ends on an unrealistic note: "Public policies can help families move toward self-sufficiency by boosting incomes or by providing help with access to necessities, such as child care and health coverage. Public policies also can target public policies and public dollars, such as job training and economic development programs, toward higher wage jobs and industries that pay their workers a sufficient income to make ends meet." Within an economic system in which basic needs are routinely and systematically subordinated to the private profit of a few, such statements seem more than a little dreamy.

Both Democrats and Republicans have made it clear that they will make no effort whatsoever to improve the lot of California workers. Any and all conflicts between the interests of the working majority and the corporate elite are resolved in favor of the latter.

Since taking office, Gov. Arnold Schwarzenegger has sought to dismantle workers' compensation, privatize the state pension system, institute spending caps, and drastically cut funding for social services, public education and health care. But only with the help of Democrats could he have implemented the two austerity budgets, which have so far eliminated billions of dollars of funding for health care, schools and universities, and public services.

The alienation of working people from California's political process is best reflected in the November 8 referendum. The referendum—which will cost the state tens of millions—is nothing but a political maneuver to force a popular vote on a series of right-wing ballot measures, which the governor was unable to get passed via the normal legislative process. Not one of the measures aims to improve—or even preserve—the rapidly deteriorating living standards of California's working population.



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