United Way
United Ways of California

BREAKING BARRIERS, BUILDING OPPORTUNITY

The Real Cost Measure in California 2025

A Decade in Review

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WORKING HARD TO MAKE ENDS MEET

At United Ways of California, we believe everyone deserves the opportunity to achieve the building blocks of a good life–to be healthy, to get an education, and to be financially stable. From strengthening local resilience to advancing health, youth opportunity, and financial security, we are working toward a vision of an equitable California where every individual has the resources and opportunities they need to thrive. A vital component of achieving this vision is expanding opportunities to help all Californians be financially stable.

A household's financial situation is a central factor in whether they have a real opportunity to live with agency and dignity, to enjoy real freedom, defined as "the capability to **choose a life** one has reason to value."[1] In order to help people who struggle with low incomes gain agency, dignity, and mobility, we need a poverty measure that realistically describes a decent standard of living and how much income a household really needs in order to make ends meet throughout California. That is the key reason we produce the Real Cost Measure.

This year's release of the Real Cost Measure, like its predecessors, seeks to assess the true costs of living in California's communities. Additionally, this year marks ten years since United Ways of California first published a Real Cost Measure study. Therefore, we will also touch on how the data regarding California household financial health have changed–or haven't–since 2015. Throughout this report, we will refer to "struggling households," which we'll define as households facing financial hardships in affording a decent standard of living. It is critical to note that many of these households are facing these hardships because of historical and systemic discrimination.

> "The test of our progress is not whether we add more to the abundance of those who have much, it is whether we provide enough for those who have little.
>
> – Franklin D. Roosevelt

In this decade of review, one poignant data point remains frustratingly stable–for about one in three California households (35%, representing an estimated 3.8 million households), even a modest level of security remains elusive. These households reflect the diversity of California; they come from every family composition, represent every racial and ethnic group. This report aims to illuminate how working households are doing everything in their power to attain a decent standard of living and the challenges they face in doing so.

[1] Sen, Amartya. Development as Freedom. New York, Knopf, 1999.

A BETTER MEASURE OF FINANCIAL HARDSHIP

The federal government's official poverty measure was established during President Lyndon B. Johnson's "War on Poverty" in 1964. Since then, the Federal Poverty Level (FPL) has been used as the primary income measure households need to fall under in order to be eligible for government benefits. However, the FPL has two primary flaws:

1. Its formula is primarily based on the cost of food, and in the decades since it was created, the costs of housing, transportation, child care, health care, and other necessities have risen far more rapidly than food costs
2. It neglects regional variations in the cost of living, and these costs in many communities, especially in California, are significantly higher than national averages

As a result, the true extent of Californians contending with deprivation is hidden. Many of these overlooked households find they earn too much to qualify for most public services yet don't earn enough to meet their most basic needs, especially as the costs of housing, health care, and other necessities continue to rise faster than wages.

To help households gain agency, dignity, and financial mobility, we need a poverty measure that points the way to a decent standard of living and provides insight into the different challenges faced by households of different compositions and stages of life. That is why we use the Real Cost Measure, a basic needs budget approach, and why legislators, businesses, community-based organizations, and partners are increasingly referencing the Real Cost Measure when talking about the true cost of poverty. Over the last ten years, the Real Cost Measure has provided a much better measurement than the FPL in indicating the true cost of living across California.

The Real Cost Measure has two primary components:

- **Household dignity budgets:** estimates of the costs of meeting basic needs for different households in a given area, based on data that account for variation in local costs of living
- **Neighborhood-level demographic analysis:** an estimate, based on Census data, of how many households have income below those local budgets

This approach is intuitive and easy for most people to understand, as it is grounded in the daily realities of household budgeting all families face: the cost of food, housing, transportation, child care, out-of-pocket health expenses, and taxes. This approach takes into account different costs of living in different communities and also conveys a better sense of hardship many Californians face because it invokes trade-offs between competing needs–if you don't have enough income for all your needs, do you sacrifice on food, gas, child care or health care? In each key finding, we will attempt to highlight evidence-based policies, programs, and/or benefits that can have a positive impact on California households and enhance their ability to break the cycle of poverty.

The Real Cost Measure is applied through multiple lenses. At the geographic level, we conduct an "apples to apples" comparison among regions, counties, and neighborhood clusters (public use microdata areas [PUMAs], which are contiguous geographies comprising at least 100,000 residents and which are calculated every decennial Census). To determine how many households fall below the Real Cost Measure, our demographic analysis compares household income data to basic needs budgets for nearly 1,600 household configurations, for each of California's 58 counties, up to 21 adults in a household. We also view the Real Cost Measure through race, gender, citizenship status, occupational type, marital status, educational attainment, employment status, housing type, and more. For more information, including interactive maps, an interactive dashboard on household budgets, county profiles, and a downloadable public data set, please visit unitedwaysca.org/realcost.

A NOTE ABOUT THE COVID-19 PANDEMIC:

United Ways of California does not speculate on how the pandemic affected the Real Cost Measure results we share, but we want to note a few points. The pandemic greatly disrupted every sphere of life–work, school, relationships with family and friends–for Americans of every income level and caused high levels of stress and trauma.

Economically, however, the picture is more mixed than commonly appreciated. Federal and state governments took extraordinary steps to stabilize households, providing direct cash payments to households and forgivable loans to businesses, expanding and extending eligibility for food assistance, increasing subsidies for health coverage, providing rent relief and other housing support, and more. Households of all incomes benefited from these efforts; much of the assistance went to households earning well above the Real Cost Measure, but for lower-income households, early analysis indicates this level of assistance led to a reduction of poverty during the period. The expanded federal Child Tax Credit alone reduced child poverty by half (but unfortunately, it was not renewed after it expired in December of 2021).

While the rising cost of staple food items and some services have led to unease about inflation, key inputs for struggling families, such as the costs of housing and health care, have been rising faster than inflation for many years, but with much less concern from opinion leaders. In a quick review of the differences in household data, our team notes that nearly all expenses included in the Real Cost Measure–such as food, housing, transportation, health care, and child care–had a 15% (or greater) increase since 2021. As households incur higher costs, higher incomes are needed, pushing them into higher tax brackets–meaning more income is needed to thrive in different neighborhoods across California. Analysis of the pandemic's impacts on Californians' finances should continue in order to draw a deeper understanding of the long-term effects of COVID. Though we cannot and do not attempt to assess how the pandemic and relief efforts affected our Real Cost Measure results, we think the success of pandemic relief is an important lesson for future discussions about how to assist working families.

If you'd like to learn more about the economic impact of COVID, the Center on Budget and Policy Priorities offers a good assessment in "Robust COVID Relief Bolstered Economy and Reduced Hardships for Millions": https://www.cbpp.org/research/poverty-and-inequality/robust-covid-relief-bolstered-economy-and-reduced-hardship-for.

United Ways of California will continue to look more closely into the effects of the COVID pandemic with future Real Cost Measure releases in the years to come.

KEY FINDINGS

THE KEY FINDINGS OF THIS REAL COST MEASURE PUBLIC DATA RELEASE INCLUDE:

One in Three Households in California Fall Below the Real Cost Measure

Slightly more than one in three households–35%, or over approximately 3.8 million families–do not earn sufficient income to meet their basic costs of living. This is roughly three times the proportion officially considered living in poverty in California according to the Federal Poverty Level. The percentage of households falling below the Real Cost Measure has decreased 2% since our 2015 Real Cost Measure study, meaning about 200,000 households rose above the Real Cost Measure in the last ten years. Increases in the minimum wage and progress within financial support programs–like the expansion of state tax credits, returning billions of dollars to households most in need–have helped. However, we still see too many households struggling to keep up with the increasing costs of a decent standard of living. There is still much more work to be done.

Figure 1: Percentage of Households Above/Below the Real Cost Measure

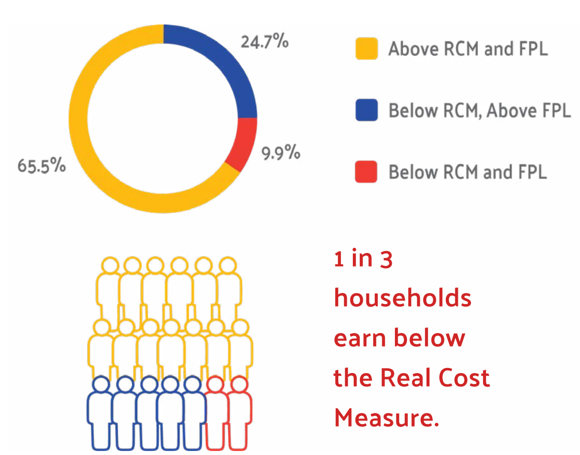
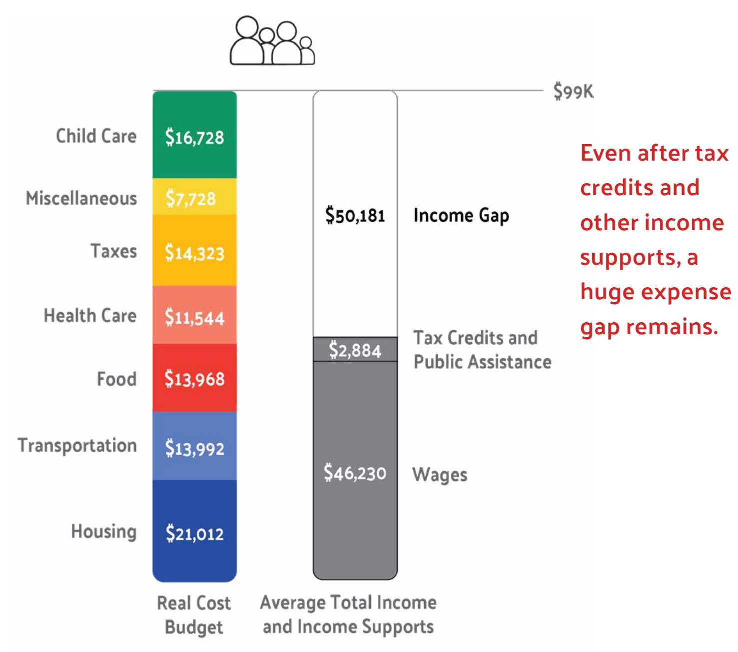


Figure 2: Income Gap After Wages and Public Assistance for Average Household Below the Real Cost Measure, Riverside County: 2 Adults, 1 Preschooler, 1 School-Aged Child



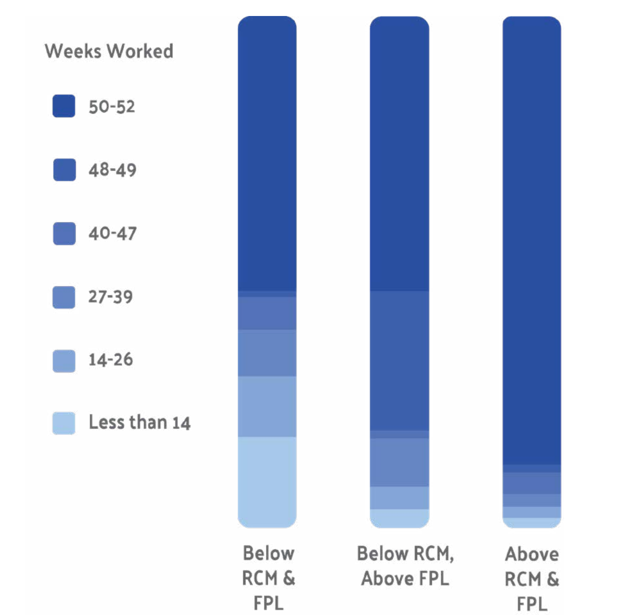
In Riverside County, for example, a household consisting of two adults, one preschooler, and one school-aged child would need to earn $99,295 in gross annual income to meet basic needs such as the costs of housing, food, health care, child care, and transportation. A family configuration of this type, however, on average earns $49,114 in income when factoring wages, tax credits, and other types of income support. This means that this family would have to earn an additional $50,181 in income to reach the Real Cost Measure budget. Compared to 2015, this same family configuration had to earn an additional $32,120 ten years ago, revealing that the rising cost of living has steadily outpaced income and income support, although this also doesn't account for inflation.

United Ways of California believes that anyone who works full time should earn enough to maintain a basic standard of living. Unfortunately, as our data show, a typical household needs three adults working full time earning minimum wage to afford a decent standard of living. The vast majority (about 97%) of households facing financial struggles are already working. This highlights that the primary obstacle lies not in securing employment, but rather in ensuring that these jobs provide fair and livable wages. **We need to make work pay.**

On top of all this, work is evolving. As many as 30% of workers have jobs that are not year-round, long-term, full-time employment with one employer–including rideshare drivers, domestic workers, day laborers, and independent contractors. Additionally, automation and rapidly-evolving artificial intelligence are changing job needs.

In order to prevent the volatility of employment and difficulty to find steady full-time jobs from furthering the financial strain of workers, we need to reimagine how we ensure workers have health coverage, access to savings for retirement, and other benefits. AI and automation should benefit society as a whole, not further burden struggling households. It is time to explore approaches such as **ensuring universal health and retirement benefits independent of employment status**, as well as exploring programs like **guaranteed basic income** to address the financial uncertainties and income instability inherent in the modern work landscape. By embracing these changes, we can foster resilience and stability in the face of the dynamic nature of work today.

Figure 3: Percentage of Households by Weeks Worked per Year



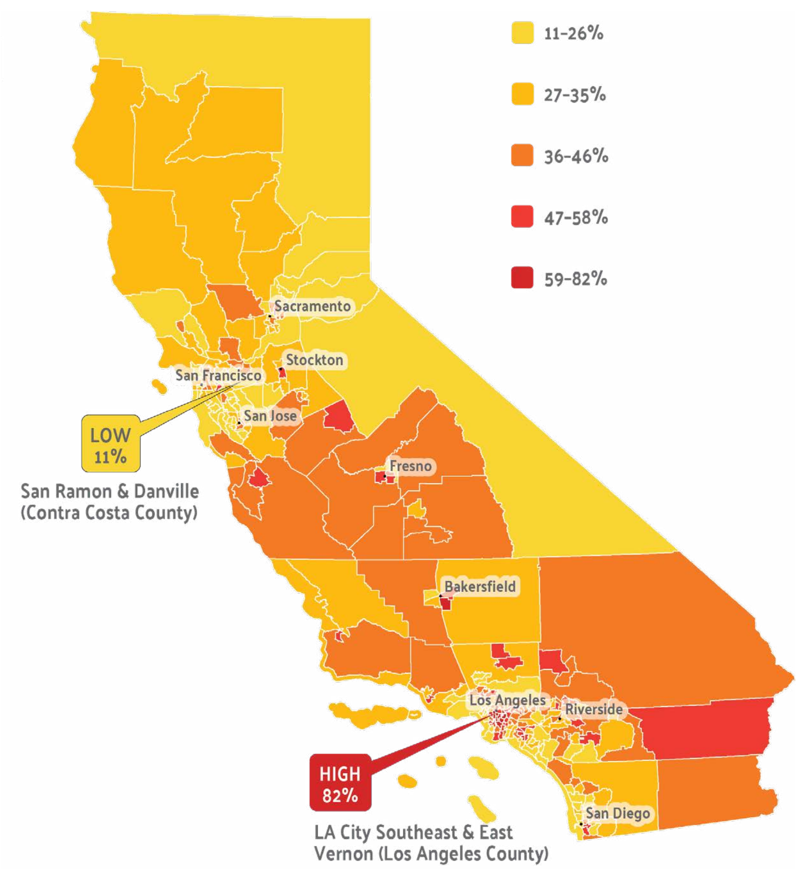
Those below the Real Cost Measure but above the Federal Poverty Level work almost as many weeks as those above the Real Cost Measure.

The Real Cost Measure Varies Significantly Throughout California

Households with inadequate incomes are found throughout California but are the most concentrated in the southern metropolitan areas and the Central Coast.

If California were its own country, it would rank as the fifth-largest economy in the world in terms of Gross Domestic Product. This great wealth, however, masks great inequalities throughout the state, which is why it is important to analyze by county and by neighborhood. California has 281 "neighborhood clusters," or Public Use Microdata Areas (PUMAs), defined by the Census Bureau as contiguous areas home to groups of at least 100,000 people. This is easily the largest set of neighborhood clusters in the nation.

Figure 4: Percentage of Households Below the Real Cost Measure by Neighborhood Cluster



The extremes can be seen in our statewide map at Figure 4, where 82% of households in the neighborhood cluster of LA City Southeast/East Vernon in Los Angeles County fall below the Real Cost Measure, compared to 11% of households in the San Ramon/Danville neighborhood cluster in Contra Costa County. Although part of the same state, these two neighborhood clusters reveal great wealth inequity that becomes hidden if we only look at the state average.

The costs for the same household composition in different geographic regions of California vary widely. In high-cost regions such as the San Francisco Bay Area and the Southern California coastal region, a family's basic needs household budget can cost up to 40% more (depending on family type) than in less expensive counties such as Kern, Tulare, and Kings. Nevertheless, incomes in the higher-cost regions are also higher, relatively and absolutely, so that the proportions of households below the Real Cost Measure are generally lower in high-cost regions than low-cost regions.

Stark disparities often exist within counties as well. In Santa Clara County–home to Silicon Valley–where the median household income is $167,512, just 15% of households in the neighborhood cluster of Cupertino, Saratoga, and Los Gatos fall below the Real Cost Measure, compared to 33% of households in San Jose City (East Central) & Alum Rock. In Orange County, 19% of households in Rancho Santa Margarita City (East) and Ladera Ranch fall below the Real Cost Measure, compared to 58% of households in Santa Ana City (East). In San Bernardino County, 26% of households in Chino and Chino Hills fall below the Real Cost Measure, compared to 46% of households in Hesperia City & Apple Valley Town.

For interactive maps at the county and neighborhood level, visit unitedwaysca.org/realcost.

Low Incomes Are a Challenge for Californians of All Racial Groups

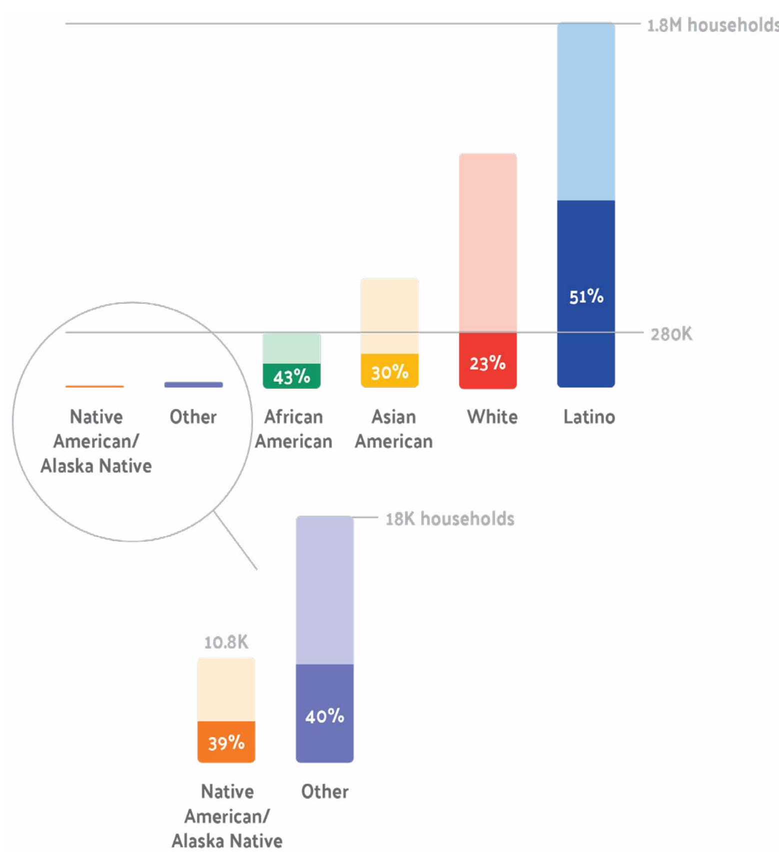
Households falling below the Real Cost Measure reflect California's diversity. While poverty is often portrayed in our media and culture as primarily a problem for people of color, the reality is that Californians of all races and ethnicities struggle to afford a decent standard of living. The largest sets of struggling households are Latino[2] (about 1.8 million households) and white (about 1.2 million households), with nearly 551,000 Asian American households and over 275,000 Black households below the Real Cost Measure, as detailed in the chart to the right. If we were to randomly select a struggling household, the odds are highest they would be Latino or white.

Nevertheless, households led by people of color are disproportionately likely to fall below the Real Cost Measure. Latino households represent approximately 31% of households in California, and 51% of Latino households have incomes below the Real Cost Measure, the highest among all racial groups. Over four in ten Black households fall below the Real Cost Measure (43%), followed by Asian American households (30%), and white households (23%). Additionally, while having the smallest population among all racial groups in our study, 39% of Native American/Alaskan Native households (about 11,000) find themselves below the Real Cost Measure. A large factor in explaining these disparities: the historic discriminatory systems and policies in the U.S. like redlining, voter restrictions, land and family separation, and more have had long-lasting adverse effects on people of color that continue to perpetuate disparities still today.

[2] This report uses "Latino" instead of other phrases that many readers may view as more inclusive because the Census Bureau uses "Hispanic" and "Latino," defined as "individuals of Mexican, Puerto Rican, Salvadoran, Cuban, Dominican, Guatemalan, and other Central or South American or Spanish culture or origin." For more background on how the terms are applied to data and peoples' preferred terms, please see "Who is Hispanic?" from The Pew Charitable Trusts: https://www.pewresearch.org/short-reads/2024/09/12/who-is-hispanic/

Over the last decade, we have seen these racial disparities shrink. The share of Latino households below the Real Cost Measure fell 9% from 2015, when 60% of households earned below the Real Cost Measure. The share of Black households below the Real Cost Measure decreased by 3%, Asian American households decreased by 3%, and white households remained steady.

Figure 5: Percentage of Households Below the Real Cost Measure by Race



Most households below the Real Cost Measure are Latino and white. Latinos and African American households struggle at higher rates.

One particularly good thing California has done to help working families over the past decade is to create and expand the California Earned Income Tax Credit (CalEITC). The CalEITC and the Young Child Tax Credit (YCTC) drive over $1.3 billion in cash to working households every year, and they leverage the federal Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) to cover expenses that would otherwise push households further into poverty. These tax credits have alleviated the financial burden of many households in a very effective way.

We can do more to expand the poverty-fighting impact of these credits. In California, an estimated 22.6% of EITC-eligible households do not claim the credit, leaving $1.5 billion unclaimed annually.[3] It is estimated that for every dollar a household receives in tax credits, $1.70 of economic activity is generated,[4] as households that receive cash via tax credits rapidly put those funds to work by repairing the car, buying groceries, or paying a rental deposit, for just a few examples.

United Way is committed to increasing the uptake of earned income and child tax credits. California's state average is about four in ten households (38%). **Making tax credits more accessible through simplified, free tax filing options** is a proven way to reduce poverty, improve lifelong results for children and families, and boost local economies.

2025 is the 50th anniversary of the federal EITC. In those 50 years, the refundable EITC has demonstrated that it is the most powerful and effective anti-poverty measure. We have an opportunity to dramatically improve the lives of millions of households by ensuring all eligible households access the federal and state earned income and child tax credits, if we commit to it. Tax credits can be a lifeline to many households that deserve to live a life full of freedom. Together, we can make sure refundable tax credits reach the households they're meant to support.

[3] IRS. (2025). EITC participation rate by states: Earned income tax credit. EITC participation rate by states I Earned Income Tax Credit. https://www.eitc.irs.gov/eitc-central/participation-rate-by-state/eitc-participation-rate-by-states

[4] Building Economic Inclusion: A Call to Action unitedwaysca.org/realcost/building-economic-inclusion

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Tax credits changed my life and allowed me to make big financial moves that helped secure my family. When I was working, going to school, and trying to provide for my daughter, I qualified for the CalEITC, Young Child Tax Credit, and the education credit. The thousands of dollars I received in refunds each year allowed me to pay off debt and buy supplies I need for my daughter. That extra money back made a huge difference.

– Cody Van Felden, mom, former foster youth, and youth advocate in Sacramento County

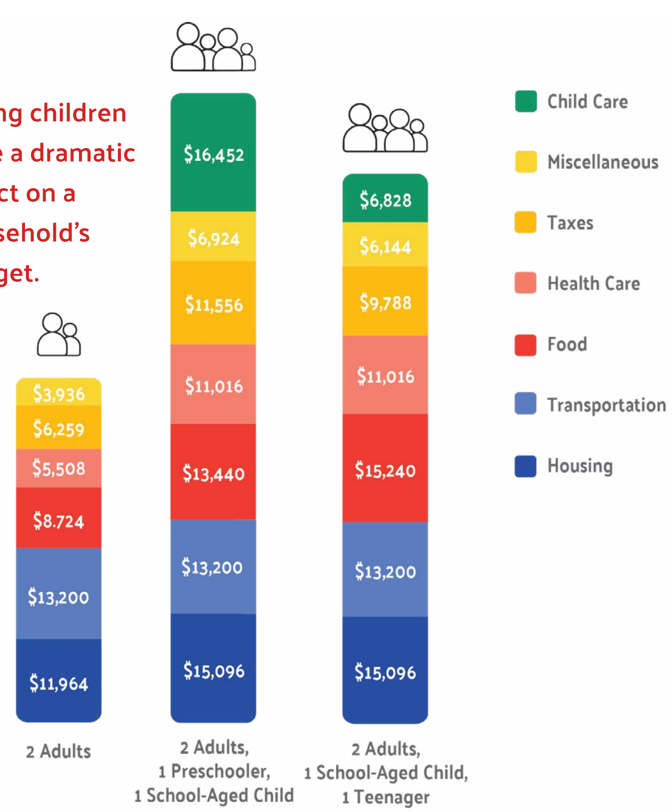
For more information on United Ways of California’s taxes and other financial security programs, please visit unitedwaysca.org/financial-security

Household Budgets Change as Families Grow

The presence of children also has a significant impact on household budgets everywhere in California. In the figure below, we illustrate the evolution of a two-adult household in Fresno County as they add children and as the children age over time. On average, this two-adult household without children has to earn at least $49,591 annually to reach the Real Cost Measure. With the addition of a preschooler and a school-aged child, the cost of child care and increased costs of other basic needs means that this family's Real Cost Measure budget increases by about 76%, to nearly $87,684. As these children age further, the cost of child care decreases, but this family would still have to earn over $77,312 to make ends meet. Hence, while the cost of housing is certainly a barrier for almost all struggling households, the costs of child care and additional health care during a child's formative years can create a financial strain for many families.

Figure 6: Household Budgets Change as Families Grow and Children Age, Fresno County

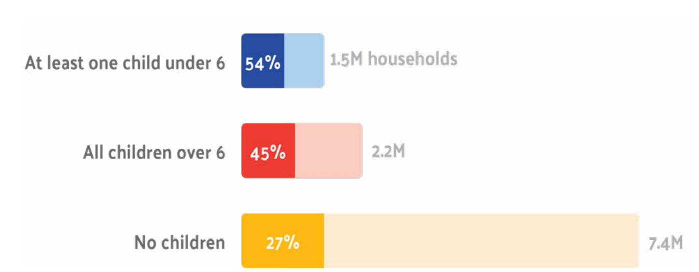
Young children have a dramatic effect on a household's budget.



Households with children, especially young children aged five and under, and households with children led by single women (see below) are much more likely to fall below the Real Cost Measure. This suggests that **providing free or affordable quality care and early education for children from birth to age five** is one of the most effective approaches we can take to address these issues comprehensively, not just for children's development, but for the economic well-being of struggling families across the state. This would enable parents to devote more time to progressing in their careers or boosting their earning power through education and training, while providing them with the peace of mind to know their young child is being supported through key developmental stages.

This two-generation approach is critical, as a parent's educational attainment is the best predictor of financial stability for children. Researchers estimate that for every $1 invested in quality preschool, the long-term net benefits can reach upwards of $7 in benefits to families and society through better educational and professional attainment (and, in some cases, long-term returns can even be higher once the costs of negative externalities are considered, such as the decreased likelihood of incarceration).[5]

Figure 7: Percentage of Households Below the Real Cost Measure Based on Children in Household



Households with young children are most at risk for falling below the Real Cost Measure.

[5] Mosle, Ann and Nisha Patel. "Two Generations, One Future: Moving Parents and Children Beyond Poverty Together." Ascend at The Aspen Institute. February 9, 2012. https://ascend.aspeninstitute.org/resources/twogenerations-one-future/.

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We're so lucky that my parents are able to take care of our kids while my husband and I are at work. If we had to pay for child care, it would cost more than I earn, and I wouldn't be able to work. That would make it difficult to afford basic necessities for our family. We still pay my parents, but of course it is not the same amount as if we were paying for other child care. As the kids get older, we transfer them to preschool, and we are thankful that organizations such as North Bay Children's Center are available to low income families like ours to help my kids get school curriculum and day care without a fee or for little fee while we work.

– Ivonne Sonato-Vega, mom of five in Sonoma County

Households Led by Single Parents Face Financial Hardships at Higher Rates

Households headed by single parents are almost twice as likely to have inadequate income as married couples with children, primarily because they can rely on only one wage-earner. In the most recent dataset, we see that 54% of households with children under six years of age fall below the Real Cost Measure–7% less than in 2015. That rate jumps to 81% for single mothers with children under six–down from 84% in 2015. For households with single fathers with children under six, we see 68% fall below the Real Cost Measure–7% less than in 2015.

In fact, 72% of households headed by employed single mothers overall–and 62% where the single mother works a full-time schedule–live below the Real Cost Measure. These data points decreased by 4% and 3% respectively from 2015–positive news, but as the data show, large disparities still exist.

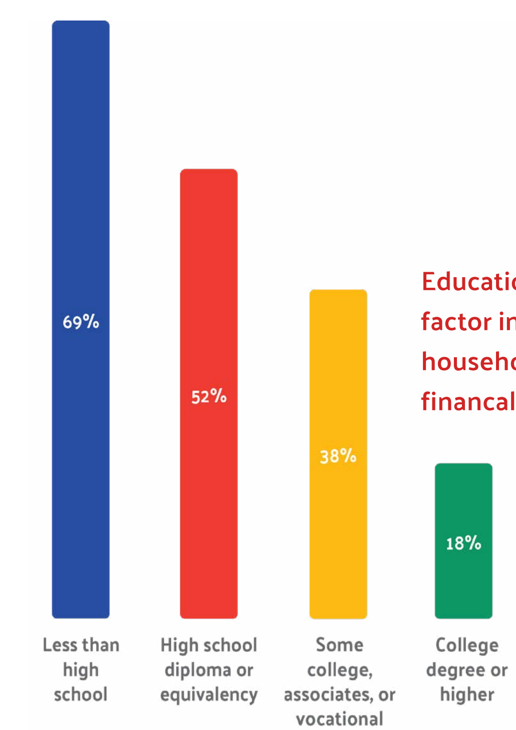
While cash from refundable tax credits makes a huge difference in a household's budget as we've mentioned, especially in households with children, other public benefits play a critical role in helping families weather tough economic times. **Child care assistance, CalWORKs, CalFresh, and Medi-Cal** can help families with low incomes meet their basic needs. Additionally, **increasing awareness and streamlining application processes** to ensure eligible Californians receive all benefits they are entitled to–rather than not being able to access them due to unnecessary and burdensome time limits, complicated paperwork, and unclear eligibility and processes–would have significant positive impacts on households and local economies. For example, a "no wrong door" system that truly broke down silos and integrated access to all of the various public assistance programs for which a family is eligible would alleviate a great deal of needless suffering and also make more efficient use of taxpayer funds.

> "As a single parent of three kids, I've struggled a lot financially. There have been times I've had to work two jobs. There's always an expense I need to cover, like a medical bill or car repair. Sometimes I have to borrow money from my sisters. When I get a tax refund, that's the only time I can pay those loans back.
>
> – Sandra Perez, school employee in Monterey County

The Rate of Households Who Struggle Drops Steeply as Education Rises, but Gender and Racial Gaps Persist

The higher the education level of the head of household, the less likely they are to have incomes below the Real Cost Measure. Approximately seven in ten (69%) households led by a person with less than a high school education have incomes below the Real Cost Measure. The rate of under-resourced households drops significantly as education increases, falling to 18% for those with a college degree or more.

Figure 8: Estimated Number of Households Below the Real Cost Measure By Educational Attainment



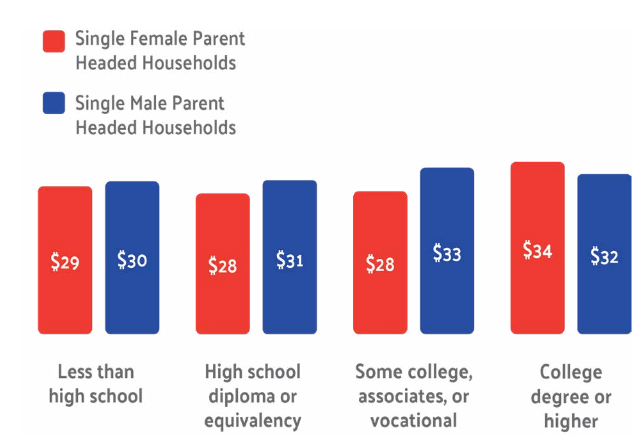
Education is a key factor in lifting households out of financal struggle.

These data highlight the importance of education and how it is a key factor in elevating a household's financial status. The path towards higher education may seem difficult for those with low incomes, especially with mounting costs of other necessities, but with more accessible assistance, many can begin to take the steps towards a brighter financial future. **Increasing high school graduation rates and expanding access to free or low-cost college, as well as providing student loan forgiveness and repayment programs based on income**, can lay the groundwork for a household's financial security.

One notable difference in the last ten years is that households with some college or more are facing financial hardship at slightly higher rates than they did ten years ago. We refrain from speculating about why that is, but it's a notable trend. When looking at long-term financial outcomes, however, the benefits of higher education still drastically outweigh the costs.

Our data clearly reflect that households led by women are paid less than those led by men at every level of education. This is likely due to gender discrimination, bias, and other societal norms and factors that have historically placed women at the bottom of the pay scale. Households with children often face the difficulties of limited opportunities to work or pursue education due to caregiving responsibilities that often default to family members, particularly women. This is why we suggest implementing dual-generation strategies–such as offering child care and early childhood education along with educational opportunities for parents, especially single mothers–that can help parents increase their education, work more hours, or seek better employment.

Figure 9: Median Hourly Wage by Educational Attainment & Household Type Below the Real Cost Measure

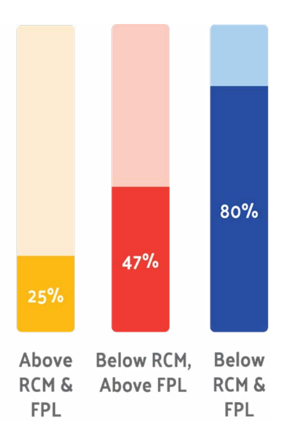


Women-led households are paid less, at almost all levels of education.

High Housing Costs Are the Primary Burden for Households Who Struggle

Housing costs occupy a disproportionate share of most household budgets in California, but that is particularly true for those earning below the Real Cost Measure. Households falling below the Real Cost Measure in California report using over half of their incomes on housing, more than twice as high a share as households living above the Real Cost Measure. Nearly six in ten California households (57%, about 3.9 million) are "housing burdened," defined as spending 30% or more of their income on housing, whether they own or rent. Among California counties, the rate of housing burden can vary greatly, from 32% in Del Norte, Lassen, Modoc, Plumas and Siskiyou Counties to 45% in Los Angeles County. Households living below the Federal Poverty Level report spending a staggering 80% of their income on housing, compared to 75% in 2015. Housing continues to be an immense challenge.

Figure 10: Share of Income Reported Spent on Housing by Households Below the Real Cost Measure



Households below the Real Cost Measure spend 2-4 times as much of their income on housing.

Where a family lives affects essentially every aspect of their lives. Making enhancements in this realm is impactful beyond just alleviating financial strain. This is especially true when considering the implications living conditions have on households facing financial hardship. Unfortunately, a significant shortage of affordable housing remains a stark reality in the majority of communities across California.

> "I was working two jobs and couldn't even qualify to rent a studio apartment, which would have cost $1,400 a month.
>
> – Ali Rumsey, an assistant special education teacher in Sacramento County

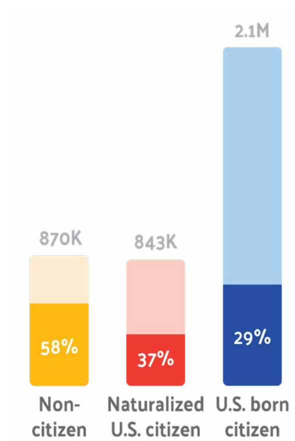
This shortage compounds the impact of discrimination and exclusionary practices such as redlining, which imposed cost burdens hitting people with disabilities and Black, Latino, and Indigenous households the hardest. For example, while many white American families were able to build generational wealth through homeownership, assisted in significant part by the GI Bill and VA housing programs, predatory lending practices against Black Americans and the forceful taking of land from Native Americans resulted in far lower levels of homeownership among these groups.

While the construction of new housing units is vital, it is evident that an increasing supply, as big an achievement that would be, would not alone solve the affordability challenge. Given that a significant portion of underserved households are renters, we suggest **supporting renters on par with subsidies we provide homeowners**. Currently, the U.S. spends $3 subsidizing homeowners, including second homes, for every $1 it spends assisting renters. Fully funding **Section 8 housing vouchers** at the federal level, **expanding and maximizing California's renters' tax credit** by making it refundable and indexing it to inflation, and **creating a refundable federal renters' credit** could bring substantial improvements for households on a significant scale.

Households Led by People Born Outside the United States Often Face Greater Financial Challenges

Households led by persons born outside the United States struggle at a much higher rate than households led by persons born in the United States. Of California households led by a person born in the United States, 29% (nearly 2.2 million) are paid incomes below the Real Cost Measure. By contrast, 37% (about 843,000) of households led by a naturalized person born outside the United States are below the Real Cost Measure, and that proportion rises to 58% (about 870,000) when the head of household is not a citizen of the United States. Our analysis also reveals that households that lack a fluent English speaker over the age of 14 struggle at a higher rate. The good news in these data is that households led by naturalized citizens do nearly as well overall as non-immigrant households.

Figure 11: Number of Households Below the Real Cost Measure Based on Citizenship Status



Expanding naturalization can boost economic mobility, as naturalized and U.S. born citizens face similarly lower levels of financial struggles.

Immigration policy is far beyond the scope of this report, but sticking purely to the question of how to help Californians achieve a decent standard of living, our data indicate that supporting immigrant naturalization may be one key.

Providing a path to citizenship is a federal law issue, but California can do some things to support immigrant households on its own. In recent years, California has extended eligibility for health coverage to children and adults who are not documented, issued driver's licenses to adults who are not documented, and provided cash-back tax credits to working taxpayers who file using an Individual Taxpayer Identification Number (ITIN). An ITIN is available to Californians who file taxes but are ineligible for a Social Security number. **Expanding access to safety net services, regardless of a person's immigration status**, may further build economic inclusion and community resiliency. Undocumented immigrant workers help meet a wide variety of essential needs that would otherwise go unmet, contribute to our rich cultural tapestry, and moreover, they pay $8.5 billion in taxes[6], though they are ineligible to receive many of the benefits their tax dollars support.

[6] Davis, C., Guzman, M., & Sifre, E. (2024, July). Tax Payments by Undocumented Immigrants. Institute on Taxation and Economic Policy: https://itep.org/undocumented-immigrants-taxes-2024/

TURNING INSIGHT INTO ACTION: OUR KEY RECOMMENDATIONS

The Real Cost Measure data paint a clear picture: households that fall below the Real Cost Measure are overwhelmingly working, yet their wages and the social systems we have in place today to reward and supplement work are falling short for too many hard-working Californians. There is often a persistent narrative around “deservedness” and the ideals of “pulling oneself up by the bootstraps” that is entrenched in the way we talk about how people should deal with economic hardship. Often this stance suggests that individual effort and personal responsibility are the primary drivers of economic success, but this is belied by the fact that households earning below the Real Cost Measure are overwhelmingly working households. They are doing their part. The idea that individuals must alone bear the full weight of their financial challenges, which are often rooted in systemic inequities, is not only unrealistic but also deeply unjust. The purpose of the Real Cost Measure is to enable people and communities to see with clear eyes the challenges that Californians face and the systems that either allow them to move up or require a change in order to do so.

Research shows that all Californians would benefit if more struggling families move up the ladder toward financial security. Community, business, civic, nonprofit, and philanthropic leaders all have a role in achieving this goal. Access to quality education, health care, infrastructure, and social safety net benefits are critical factors that can enable Californians to thrive. These public investments are essential for fostering equitable conditions and providing households with the necessary resources to achieve financial security.

We hope the portrait of households described in this Real Cost Measure study helps leaders from all sectors:

- Identify the true level of need in their communities more clearly
- Set a standard for the effective buying power we want to help households reach and a minimum decent standard of living we seek to allow in our society
- Engage their communities in data-informed conversations about the local cost of living and the trade-offs households in lower-income brackets often have to make
- Promote a better understanding of how Californians in different situations have different needs, even if they have seemingly similar total incomes
- Identify possible advocacy solutions to help Californians in different situations become more financially resilient and secure

To help mitigate the effects our historically and systemically discriminatory structures have had on households across California, below is a brief list of possible solutions for communities to explore that we have mentioned in prior pages.

- Secure continued availability and expansion of subsidized health care coverage, and ensure access to comprehensive and quality health care services
- Ensure that all families have access to quality child care and preschool
- Expand the reach and impact of income support programs such as the Earned Income Tax Credit, CalEITC, the Child Tax Credit, etc.
- Streamline social benefit program application processes to ensure enrollment to all eligible programs
- Increase or expand access to free or low-cost college; provide student loan forgiveness and repayment programs based on income
- Increase support to renters to be on par with subsidies we provide to homeowners
- Facilitate immigrant integration and a path to naturalization, and expand safety net services to all working Californians
- Adapt to the changing nature of work; with automation and use of AI increasing, it will be increasingly difficult for more and more Californians to secure full-time work (40 hours), therefore:
    - Pursue ways to provide health, retirement, and other benefits for workers that are independent of any one employer
    - Pursue guaranteed minimum income to provide stability despite fluctuations in work hours and enable workers to access education and training or start businesses

For a more in-depth review of our recommendations, please read Building Economic Inclusion: Putting the Real Cost Measure Into Action at unitedwaysca.org/realcost/building-economic-inclusion

HOW THE REAL COST MEASURE IS CALCULATED

Focus on households

The primary focus of the Real Cost Measure is on households, not individuals, led by adults we would expect to be in the workforce, able to support themselves through wages, work supports, benefits such as tax credits, and savings. Accordingly, in calculating the percentage of households that earn below the Real Cost Measure, we exclude households led by people with disabilities, for two key reasons, among others; first, these households have needs that are not fairly reflected in our household budgets, and second, 3 out of 4 of these households are not in the workforce, do not have a working adult. Including these households would overstate the rate of struggle among all working households, while also not providing a reliable assessment of the actual level of need of those households.

Reliable, publicly available data sources

We focus on widely available, easy-to-access data that allow us to repeat the work easily across geographies. This includes data from sources such as U.S. Housing and Urban Development, the Consumer Expenditure Survey, and the American Community Survey.

Basic needs budgets

We estimate the cost of meeting basic needs ("no frills") for a household, assuming expenses are shared, using publicly available data for local costs of these components of a family budget: housing, food, health care, child care, taxes, and a miscellaneous allowance of 10% of the total household budget for all other expenses, including phone, broadband, and other modern necessities.

Demographic analysis by specific household types

To determine how many households struggle to meet the Real Cost Measure, our demographic analysis compares household data to basic needs budgets for over 1,600 configurations of households led by a non-disabled adult, using the most appropriate budget based on the number and age of children and whether or not the head of household is a senior.

2023 Census Bureau data

The findings from The Real Cost Measure in California 2025 are estimated from the 2023 American Community Survey, the latest release from the U.S. Census Bureau.

For more information about how the Real Cost Measure is calculated, please read our full methodology at unitedwaysca.org/realcost.

USING THE REAL COST MEASURE DASHBOARD

USING THE REAL COST MEASURE DASHBOARD

The Real Cost Measure Dashboard is an interactive data visualization tool to help navigate the Real Cost Measure's primary findings. Built using Tableau Prep Builder, the Real Cost Measure Dashboard displays Real Cost Measure analysis of what it really costs to afford a decent standard of living in every California county and how many households struggle to afford that measure, through a multitude of interactive charts, maps, and more. The following is a brief primer to help navigate the various tabs (pages) available in the dashboard.

Real Cost Measure Dashboard

The first tab in the Real Cost Measure Dashboard reveals the study's primary findings, (available statewide, by region, and by county), a graph illustrating the income gap a household below the Real Cost Measure must reach after receiving public assistance, and a simple interactive map at the county level.

By default, the Real Cost Measure's primary findings are revealed at the state level. Here, you can find the percentage and the number of households who fall below the Real Cost Measure, and the degree of struggle by educational attainment and ethnicity. These findings can be further revealed by changing the data year the Real Cost Measure is calculated, by region, by county, and by household type. While there are over 1,200 household types calculated in the Real Cost Measure, we have selected ten of the most common household types from one adult in a household to two adults, along with some of the most common ages of children.

Immediately below the primary findings is a graph illustrating the average income a household with two adults, one infant, and one preschool-aged child below the Real Cost Measure receives after they maximize their public assistance, and the income gap they face to reach the Real Cost Measure. In this default statewide example, a household with this configuration must receive at least $111,577 in annual income to make ends meet in California. However, this family of four below the Real Cost Measure, receives, on average, below $61,189 in income after wages and public benefits. This means that this household faces an income gap of $50,388 to reach the Real Cost Measure verifying that for many struggling families, public assistance does not come remotely close to helping them make ends meet.

To the right of the primary findings and income gap chart is an interactive map illustrating the percentage of households that fall below the Real Cost Measure by county. (In some cases, rural counties are consolidated with neighboring counties to reach a statistically reliable sample size). You can drill further into the map by selecting either a region or a county through the drop-down menus available at the top of the dashboard.

Region/County Profiles

The second tab in the Real Cost Measure Dashboard are region and county profiles. This page reveals some of the study's primary findings available at the region and county levels. As you can see throughout the Dashboard, you can use the drop-down menus at the top of the page to filter results by data year, by region, and by county. You can also download one-page region and county profiles in PDF format at unitedwaysca.org/realcost.

Neighborhood and County Maps

The third tab in the Real Cost Measure Dashboard is neighborhood and county maps. These interactive maps allow you to hover over any given county or neighborhood cluster (also called public use microdata areas according to the U.S. Census Bureau) and illustrate the percentage and number of households that fall below the Real Cost Measure. Public use microdata areas are neighborhoods that are contiguously consolidated every decennial census to reach a sample size of at least 100,000 people. They are more statistically reliable than zip codes and census tracts. Not only can you use the drop-down menus to filter by data year, by region, and by county, but you can also change the map to illustrate the percentage of households living below the official poverty measure, paying more than 30% of their income on housing (housing burdened), and by median household earnings. We adjust median household earnings in our calculations by controlling for elder-led households and households led by persons with disabilities consistent with our methodology by reflecting working households.

Real Cost Budgets by Region

The fourth tab in the Real Cost Measure Dashboard reveals household budgets at the regional level by common household types. At the heart of the Real Cost Measure are household budgets which reflect the minimum amount a household must earn to make ends meet. As with the other Dashboard pages, you can use the drop-down menus above to filter the region (in a single-column format) and choose a common household type you wish to reveal the Real Cost Measure for that household.

Real Cost Budgets by County

The fifth tab in the Real Cost Measure Dashboard reveals household budgets at the county level by common household types. Like Real Cost Budgets by region, you can use the drop-down menus above to filter the county (in a single-column format) and choose a common household type you wish to reveal the Real Cost Measure for that household.

Public Data Set

The sixth and final tab in the Real Cost Measure Dashboard shows all of the demographic findings statewide, by region, by county or "county cluster" and by neighborhood clusters in a tabular format. This may be particularly useful for those who wish to dive deeper into the data results and conduct their own analysis. The public data set may also be downloaded in Microsoft Excel format at unitedwaysca.org/realcost.

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United Way of Ventura County
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UNITED WAY
United Ways of California

United Way mobilizes communities to action so all can thrive. United Ways of California works in partnership with California's local United Ways to implement community impact programs and advocate for policies that ensure every Californian has the resources and opportunities they need to thrive. From strengthening local resilience to advancing health, youth opportunity, and financial security, we take a comprehensive approach, listening and responding to Californians' needs, and center equity in everything we do. Our statewide network of local United Ways across California allows us to share innovations and scale impact to improve lives across the state. To learn more, visit unitedwaysca.org.

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