

# POVERTY AND INEQUALITY IN SANTA CRUZ COUNTY

*Eva Bertram*

*Associate Professor, Politics Department*

*University of California, Santa Cruz\**

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Poverty, Social Enterprise, and Participatory Governance*

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## I. INTRODUCTION

Santa Cruz County has long been an attractive place to live, and more than six in ten county residents report being very satisfied with their quality of life.<sup>1</sup> Yet the county can also be a difficult place to make ends meet. A systematic review of data from the U.S. Census Bureau, the California Employment Development Department, and other sources indicates that far too many in our county are struggling, particularly in the wake of the Great Recession of 2007-2009. Even as incomes finally began to rise – and poverty rates to fall – across California and the nation in recent years, the number of residents in Santa Cruz County living in or near poverty has remained high. And the gap between the county's poorest and wealthiest residents has widened as the number of middle-income households has declined.

## II. POVERTY

In 2015, the last full year for which official poverty figures are available, 16.1 percent of Santa Cruz County residents (42,464 people) were living below the poverty line.<sup>2</sup> This is a significant increase over the 10.1 percent poverty rate in 2007 (the last full year before the recession). Still more worrisome, it is an increase (of 6,886 people) over the 14.6 percent poverty rate in 2010 (the first full year after the recession ended).<sup>3</sup>

What does it mean for more than 16 percent of county residents to be living in poverty? For an individual, it means that he or she is living on an annual income of less than \$12,082. For a family of four, it means that they are living on a family income of less than \$24,257.<sup>4</sup> These are federal poverty thresholds, which are not adjusted to reflect the cost of living locally. In a county such as ours, where housing and other costs are quite high, these poverty levels surely underestimate the breadth and depth of economic insecurity.<sup>5</sup>

Probing a little deeper into the numbers reveals a fuller picture. In addition to the poverty rate, many analysts consider the percentage of people who are *near poor*. Their incomes may be above but less than 150 percent of the poverty line – between \$12,082 and \$18,123 for an individual, and between \$24,257 and \$36,385 for a family of four in 2015.<sup>6</sup> These individuals

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and families are living in precarious economic circumstances, often just one missed paycheck, one medical emergency, or one unexpected car or home repair away from falling into poverty.

Santa Cruz County has seen a striking increase in the number of residents in near-poverty, as the chart below shows. If we add these numbers to those currently in poverty, we find that one in four residents (25.3 percent) is poor or near-poor in Santa Cruz County. That is more than 66,000 people in 2015 – an increase of nearly 22,000 poor or near-poor residents over the past decade.<sup>7</sup>

#### Rates of Poverty and Near-Poverty Combined<sup>8</sup>

	California		Santa Cruz	
	Number	Percent	Number	Percent
<b>2015</b>	9,661,497	25.2	66,447	25.3
<b>2010</b>	9,619,487	26.2	62,936	25.8
<b>2005</b>	8,131,118	23.2	44,649	18.6

Another significant measure of economic insecurity is the rate of what the Census Bureau calls *deep poverty*, which includes those living on incomes that are below 50 percent of the poverty line. For an individual, that means an income of \$6,041 or less. For a family of four, it means an income of \$12,128 or less. The chart below shows a troubling rise in the number of Santa Cruz residents living in deep poverty.<sup>9</sup>

#### Rates of Deep Poverty<sup>10</sup>

	California		Santa Cruz	
	Number	Percent	Number	Percent
<b>2015</b>	2,568,959	6.7	21,319	8.1
<b>2010</b>	2,501,263	6.8	15,570	6.4
<b>2005</b>	1,900,075	5.4	12,894	5.4

As important as a snapshot in time is an understanding of the trendlines over time, which can tell us how things have changed and what to expect. Here too there is cause for concern.

Examined over time, poverty rates in Santa Cruz County, like those in the country and the state, rose sharply during the recession (2007-2009) and its immediate aftermath, and fell modestly after the current economic recovery gained traction. In Santa Cruz, however, the numbers of poor and near-poor residents increased again between 2012 and 2014, and remained high in 2015, nearly eight years after the recession ended. As the charts above show, there are now nearly twice as many people in the county living in deep poverty as in 2005, and 48.8 percent more (21,798 people) living in poverty or near-poverty.<sup>11</sup>

Aggregate figures often hide deep disparities in the experience of poverty. In Santa Cruz County, the poverty rate of some groups is disproportionately higher than the overall countywide poverty rate of 16.1 percent, while for others it is lower. A breakdown of the poverty rate among sub-groups of county residents in 2015 shows significantly higher rates for children, for Latino and Asian residents, and for those with less than a high school degree.<sup>12</sup>

<b>Group</b>	<b>Percentage in Poverty</b>
<b>Gender</b>	
Men	15.2
Women	17.1
<b>Race/Ethnicity<sup>13</sup></b>	
White	12.6
Latino	20.3
Asian	38.0
<b>Age</b>	
Under 5 years	23.5
5-17	18.2
18-34	26.4
35-64	10.8
65 and older	8.0
<b>Educational attainment (among those 25 years or older)</b>	
Less than high school degree	25.4
High school degree	11.0
Some college	11.3
Bachelor's degree or higher	6.2

The experience of poverty also depends in part on where one lives. This is one dimension of inequality in the county, as indicated by the poverty rates for the following cities in 2015.<sup>14</sup>

<b>City</b>	<b>Population</b>	<b>Percentage in Poverty</b>	<b>Percentage Poor and Near-Poor Combined</b>	<b>Percentage in Deep Poverty</b>
<b>Capitola</b>	9,932	10.0	19.6	4.5
<b>Santa Cruz</b>	53,938	23.8	31.0	13.5
<b>Scotts Valley</b>	11,585	4.8	8.1	2.8
<b>Watsonville</b>	52,055	19.7	38.7	5.8

The numbers show a wide disparity between levels of poverty in communities such as Scotts Valley (4.8 percent) and Capitola (10 percent) on the one hand, and Santa Cruz (23.8) and Watsonville (19.7) on the other. In Watsonville, poverty and near-poverty combined is particularly prevalent (more than five times the rate in Scotts Valley, and nearly twice as high as in the other cities). In the city of Santa Cruz, rates of deep poverty are substantially higher than elsewhere in the county (more than four times as high as in Scotts Valley, and twice as high as in the other cities).

### III. INEQUALITY

Across the United States, income inequality has increased steadily over the past four decades. With 49.9 percent of national income going to the top 10 percent of earners in 2014, inequality has reached levels not seen since the late 1920s.<sup>15</sup> What is the state of income inequality in Santa Cruz County?

The median income in the county in 2014 was \$66,519; half the households had incomes above this level, and half below. But this number alone tells us little about levels of inequality. A closer look at household income shows that only 14.1 percent of Santa Cruz households had incomes near the median (\$50,000 – \$74,999). Another 12.2 percent had incomes slightly above the median (\$75,000 to \$99,999). This means that an overwhelming 73.1 percent of households had incomes either below \$50,000 or above \$100,000 – indicating a troubling degree of income inequality across the county. Equally striking is the fact that the two largest groups of households, of the six income tiers in the chart below, were in the lowest income tiers: almost 20 percent of Santa Cruz County households had incomes of less than \$25,000, and more than 40 percent had incomes under \$50,000.<sup>16</sup>

#### Santa Cruz County Household Income<sup>17</sup>

Income in Dollars	Percentage of Households
0 – 24,999	19.8
25,000 – 49,999	20.8
50,000 – 74,999	14.1
75,000 – 99,999	12.2
100,000 – 149,999	14.1
150,000+	18.4

Household income in the county varies across several dimensions. One of the most significant factors is ethnicity. Of particular concern is the gap between the two largest ethnic groups in the county. White households make up 68.6 percent of the county’s total number of households, and their numbers dropped by more than 4,500 over the past decade. Latino households make up 23.2 percent of the total, and their numbers rose by 6,228 in the last decade.<sup>18</sup> The chart below compares white and Latino household incomes in 2014.

### Household Income in Santa Cruz County<sup>19</sup>

Income in Dollars	Percentage of Latino Households	Percentage of White Households
0 - 29,999	28.1	20.8
30,000 - 49,999	27.8	13.3
50,000 - 99,000	25.3	27.4
100,000 - 149,999	10.6	16.3
150,000 +	8.2	22.2

The chart shows that a similar percentage of Latino and white households had incomes in the \$50,000 to \$99,999 range, in the middle of the income distribution and slightly above. This was the case for 25.3 percent of Latino households, and 27.4 percent of white households.

But the income profiles diverge as we look up and down the income scale. In the lower income ranges, Latino families were much more likely than white families to have incomes of under \$30,000, and more than twice as likely to have incomes between \$30,000 and \$49,999. At the higher levels, white households were more than twice as likely to have incomes over \$100,000. White households were nearly three times as likely to have incomes over \$150,000, and more than six times more likely to have incomes of \$200,000 or more.

#### IV. OTHER INDICATORS OF NEED IN THE COUNTY

Statistics on poverty and inequality tell part of the story of economic insecurity in Santa Cruz County. Another aspect of the story is reflected in changing indicators of need within the county. One of the most important indicators is the number of county residents who rely on assistance provided by local public agencies.

In Fiscal Year 2014-15, nearly 83,000 residents received benefits through the Santa Cruz County Human Services Department's public assistance programs. These services are provided on the basis of need, determined primarily by low income levels. This marked a significant increase from the number of individuals (55,837) served in FY 2010-11, just four years earlier.<sup>20</sup>

The majority sought food or medical assistance. Of the 82,909 residents served in 2014, 86 percent sought assistance from MediCal (California's Medicaid program), 32 percent from CalFresh (California's food stamp program), and 5 percent from CalWorks (California's program of temporary assistance for needy, often single-parent, families with children).<sup>21</sup>

Trends in the numbers served (based on monthly averages) reveal both fluctuations in severity of need and policy changes over time. As the chart below shows, enrollments in all of the county's largest programs increased during the recession, and in the case of CalWorks, declined in subsequent years. Enrollments in CalFresh and MediCal continued to climb sharply

even after the recession. This was in part due to policy changes – such as expanded health coverage under the Affordable Care Act, and revised eligibility criteria for CalFresh – designed to ensure that the programs are available to a higher proportion of those in need.<sup>22</sup>

**Monthly Beneficiaries Served by Santa Cruz County Human Services Department’s Largest Public Assistance Programs<sup>23</sup>**

	<b>FY 2005-06</b>	<b>FY 2008-09</b>	<b>FY 2011-12</b>	<b>FY 2014-15</b>
<b>MediCal<sup>24</sup></b>	24,000 (approx.)	27,500 (approx.)	37,410	64,344
<b>CalFresh<sup>25</sup></b>	7,656	14,463	20,973	24,847
<b>CalWorks<sup>26</sup></b>	2,000 (approx.)	2,600 (approx.)	2,226	1,884

Another indicator of need is the percentage of children in the county who receive free or reduced-cost meals at school. In 2015-16, a child in a family of four would qualify if the family’s income was under approximately \$45,000.<sup>27</sup> More than half the children in the county’s schools (53.0 percent) received free or reduced-cost meals in 2014-15. This percentage has trended up over the past decade, from 45.1 percent in FY 2005-06.<sup>28</sup>

The numbers on free and reduced-cost meals also reveal the degree of economic inequality in the county, as the percentage varies widely by school district.

**Children Receiving Free or Reduced-Cost Meals in School<sup>29</sup>**

<b>School District</b>	<b>Percent</b>
<b>Boon Doon Elementary</b>	20.6
<b>Live Oak Elementary</b>	54.3
<b>Pajaro Valley Unified</b>	75.3
<b>San Lorenzo Valley Unified</b>	17.4
<b>Santa Cruz City Elementary</b>	43.9
<b>Scotts Valley Unified</b>	11.3
<b>Soquel Union Elementary</b>	33.6

A similar picture emerges in the numbers served by nonprofits such as the Second Harvest Food Bank of Santa Cruz County. Second Harvest served more than 55,000 people a month in 2015-16. Less than 3 percent of the population of Capitola and less than 6 percent of the population of Scotts Valley were served by the food bank. In the city of Santa Cruz, in contrast, more than a quarter (25.7 percent) of residents received assistance from Second Harvest. In Watsonville, 41.5 percent did. Over 60 percent of those served were Latino (62.3 percent), while just over a quarter (27.7 percent) were white.<sup>30</sup>

## V. JOBS AND EMPLOYMENT

There are many reasons for the high incidence of poverty, near-poverty, and economic hardship in the county. Among these are the comparatively high cost of living, and the difficulties that many face in finding stable, secure, well-paid employment. The U.S. Commerce Department estimates, for example, that the Santa Cruz-Watsonville area has the fourth highest cost of living of all metropolitan areas in the country, driven in part by the county’s high housing costs.<sup>31</sup> Although a full analysis of these and other factors is beyond the scope of this report, a brief discussion of jobs and employment provides an important context for the trends in poverty and inequality discussed here.

Recent labor market data and projections shed light on the challenges of economic insecurity in the county. Although the national unemployment rate dropped to 4.5 percent by early 2017, in Santa Cruz County unemployment remained well above 8 percent.<sup>32</sup> In January 2017, the average hourly wage in the county was \$26.07, which would translate into an annual wage (assuming year-round, full-time work) of approximately \$54,225.<sup>33</sup> As the figures in this report demonstrate, many households in the county fall below this average.<sup>34</sup>

Although the county’s economy is in many ways a vibrant one, it is worrying that many of the county’s job openings and fastest-growing sectors are in occupations that are among the lowest-paid. The California Employment Development Department has made projections of the 50 occupations that will provide the most job openings in the county between 2014 and 2024. They project 40,100 openings in the county over the next ten years, both to fill newly-created positions and to replace workers leaving existing jobs.<sup>35</sup>

The concern is with the quality of these jobs. Of the 50 occupations with the most projected job openings in the coming decade, wage information is available for 46. Among these, 41 (89.1 percent) paid below the county average hourly wage of \$25.38 in January 2016. Nearly half of the occupations (22 of 46) paid at or below 50 percent of the county’s average wage. Only 4 of these occupations have above-average pay.<sup>36</sup> The chart below illustrates the pattern.

### Occupations with the Most Projected Job Openings in Santa Cruz County from 2014 to 2024<sup>37</sup>

<b>Occupation</b>	<b>Total Job Openings from 2014 to 2024</b>	<b>Median Hourly Wage<sup>38</sup></b>	<b>Median Annual Wage<sup>39</sup></b>
Cashiers	1,470	\$10.79	\$22,321
Farmworkers and Laborers, Crop Nursery, and Greenhouse	1,320	\$9.68	\$20,125
Food Preparation and Service including Fast Food Work	1,240	\$9.53	\$19,834
Retail Salespersons	1,210	\$11.53	\$23,998

Farmers, Ranchers, and other Agricultural Managers	1,080	N/A	N/A
Waiters and Waitresses	1,060	\$11.09	\$23,077
Personal Care Aides	790	\$11.38	\$23,678
General and Operations Managers	740	\$45.41	\$94,955
Janitors and Cleaners <sup>40</sup>	650	\$12.46	\$25,912
Counter Attendants, Cafeteria, Food Concession, and Coffee Shop	600	\$ 9.82	\$20,436
Office Clerks, General	600	\$16.54	\$34,385

A similar pattern emerges in data on the county’s employment growth sectors. The California Employment Development Department also provides projections of the fastest-growing occupations in the county overall – those expected to add the highest percentage of *new* jobs, without accounting for turnover.<sup>41</sup> Five of these fastest-growing occupations are expected to employ at least 1,000 people in the county by 2024. As the chart below shows, only one of these five occupations pays above the average wage. The other four are among the lower-paid occupations in the county.<sup>42</sup> Overall, these projections suggest that a high percentage of new jobs and new job openings in the county will be in occupations that pay low or very low wages.

**Fastest Growing Occupations  
Projected to Employ 1,000+ in Santa Cruz County<sup>43</sup>**

<b>Occupation</b>	<b>Projected 2024 Employment in the County</b>	<b>Percent Increase in Employment (from 2014 to 2024)</b>	<b>Median Hourly Wage<sup>44</sup></b>	<b>Median Annual Wage<sup>45</sup></b>
Personal Care Aides	3,420	19.6	\$11.38	\$23,678
Food Preparation and Service, including Fast Food Work	2,860	19.2	\$ 9.53	\$19,834
General and Operations Managers	2,060	17.0	\$45.41	\$94,455
Cooks, Restaurant	1,190	26.6	\$14.04	\$29,195
Laborers and Freight, Stock, and Material Movers, Hand	1,130	25.6	\$11.34	\$23,573

Santa Cruz County offers its residents a wide range of resources and opportunities. Yet as the evidence reviewed in this report attests, many individuals and families struggle with economic insecurity. The county was profoundly affected by the recession of 2007-2009, and continues to confront significant levels of poverty and economic inequality. These challenges will require a sustained community response in the years to come.

## NOTES

1. Applied Survey Research, *Santa Cruz County Community Assessment Project, 2015 Comprehensive Report*, 158. See also, Mike McPhate, “California Today: Want to Be Happy? Move to Santa Cruz,” *The New York Times*, March 8, 2017, *NYTimes.com*.
2. U.S. Census Bureau, 2015 American Community Survey, 1-Year Estimates. The population of Santa Cruz County in 2015 was 262,979.
3. U.S. Census Bureau, 2007, 2010, and 2015 American Community Survey, 1-Year Estimates.
4. U.S. Census Bureau, Poverty Thresholds for 2015.
5. The Census Bureau’s new Supplemental Poverty Measures incorporate data related to regional costs of living (and other costs), as well as adjustments to income resulting from taxes and receipt of benefits from government programs. Under this alternative measure, the poverty rate in California as a whole (20.6 percent) is more than a third higher than under the official poverty measure (15.0 percent). The Census Bureau does not provide current-year county-specific breakdowns for this measure.
6. U.S. Census Bureau, Poverty Thresholds for 2015.
7. U.S. Census Bureau, 2005, 2010, and 2015 American Community Survey, 1-Year Estimates.
8. Figures are from U.S. Census Bureau, 2005, 2010, and 2015 American Community Survey, 1-Year Estimates.
9. U.S. Census Bureau, 2005, 2010, and 2015 American Community Survey, 1-Year Estimates; and U.S. Census Bureau, Poverty Thresholds for 2015.
10. Figures are from U.S. Census Bureau, 2005, 2010, and 2015 American Community Survey, 1-Year Estimates.
11. U.S. Census Bureau, 2005 to 2015 American Community Survey, 1-Year Estimates.
12. Figures are from U.S. Census Bureau, 2015 American Community Survey, 1-Year Estimates.
13. The Census Bureau does not provide an estimate of the percentage of Blacks/African Americans, American Indians and Alaska Natives, or Native Hawaiians and Other Pacific Islanders in poverty in the county, due to the fact that their numbers in the countywide population are too small.
14. The figures for cities are estimates of “Poverty Status in the Past 12 Months,” based on 2010 to 2015 American Community Survey, 5-Year Estimates. Table S1701.

15. Emmanuel Saez, "U.S. Income Inequality Persists Amid Overall Growth in 2014," Washington Center for Equitable Growth, June 29, 2015.
16. U.S. Census Bureau, 2010-2014 American Community Survey, 5-Year Estimates.
17. Figures are from U.S. Census Bureau, 2010-2014 American Community Survey, 5-Year Estimates.
18. U.S. Census Bureau, 2010-2014 American Community Survey, 5-Year Estimates.
19. Figures are from U.S. Census Bureau, 2010-2014 American Community Survey, 5-Year Estimates.
20. County of Santa Cruz Human Services Department, FY 2014-15 Annual Report, 8.
21. County of Santa Cruz Human Services Department, FY 2014-15 Annual Report, 8.
22. County of Santa Cruz Human Services Department, FY 2014-15 Annual Report, 3.
23. Figures are from County of Santa Cruz Human Services Department, FY 2014-15 Annual Report, 3.
24. County of Santa Cruz Human Services Department, FY 2010-11 Annual Report, 15; and FY 2014-15 Annual Report, 9. Figures from the first two time periods are estimates, based on graphs produced by the county.
25. County of Santa Cruz Human Services Department, FY 2010-11 Annual Report, 14; and FY 2014-15 Annual Report, 9.
26. County of Santa Cruz Human Services Department, FY 2010-11 Annual Report, 13; and FY 2014-15 Annual Report, 10. Figures from the first two time periods are estimates, based on graphs produced by the county.
27. California Department of Education, "Income Eligibility Scales for 2015-16," April 26, 2016.
28. Applied Survey Research, *Santa Cruz County Community Assessment Project, 2016 Comprehensive Report*, 42; *2014 Comprehensive Report*, 163; and *2009 Comprehensive Report*, 193.
29. Figures are from Applied Survey Research, *Santa Cruz County Community Assessment Project, 2016 Comprehensive Report*, 41.
30. Applied Survey Research, *Santa Cruz County Community Assessment Project, 2016 Comprehensive Report*, 41.
31. U.S. Department of Commerce, Bureau of Economic Analysis, "Real Personal Income for States and Metropolitan Areas, 2014," July 7, 2016.

32. The unemployment rate in Santa Cruz County for March 2017 was 8.5 percent. State of California Employment Development Department, “Santa Cruz County Profile.” The national unemployment rate that month was 4.6 percent. U.S. Department of Labor, Bureau of Labor Statistics, “The Employment Situation – April 2017,” May 5, 2017. (These monthly rates are not seasonally adjusted.)

33. California Employment Development Department, Labor Market Information Division, “March 2016 Benchmark (updated March 4, 2017).”

34. Those at the lowest end of the labor market generally face the greatest difficulty in finding jobs with regular schedules, secure and adequate benefits, and decent pay. They also face higher incidences of wage theft and employee misclassification, which can result in the loss of overtime pay and other workplace protections, as well as the employer’s contribution to social security and unemployment insurance. (See, for example, U.S. Government Accountability Office, “Contingent Workforce: Size, Characteristics, Earnings, Benefits,” April 2015.) In recognition of these challenges, more than two dozen states have recently considered legislation to discourage misclassification. See, for example, the “Employee Misclassification” resources compiled by the National Conference of State Legislatures (<http://www.ncsl.org/>). For more information on low-wage work in Santa Cruz, see Steve McKay, “Working for Dignity: The Santa Cruz County Low-Wage Worker Survey, Final Report,” UCSC Center for Labor Studies, Summer 2015.

35. California Employment Development Department, “2014-2024 Projection Highlights, Santa Cruz-Watsonville Metropolitan Statistical Area (Santa Cruz County),” April 2017.

36. California Employment Development Department, Labor Market Information Division, “2014-2024 Occupations With the Most Job Openings, Santa Cruz-Watsonville Metropolitan Statistical Area (Santa Cruz County),” April 2017.

37. Figures are from California Employment Development Department, Labor Market Information Division, “2014-2024 Occupations With the Most Job Openings, Santa Cruz-Watsonville Metropolitan Statistical Area (Santa Cruz County),” April 2017.

38. The wage data is from January 2016.

39. The wage data is from January 2016.

40. This occupational category does not include maids or housekeeping cleaners.

41. California Employment Development Department, Labor Market Information Division, “2014-2024 Fastest Growing Occupations, Santa Cruz-Watsonville Metropolitan Statistical Area (Santa Cruz County),” April 2017.

42. California Employment Development Department, Labor Market Information Division, “2014-2024 Fastest Growing Occupations, Santa Cruz-Watsonville Metropolitan Statistical Area (Santa Cruz County),” April 2017.

43. Figures are from California Employment Development Department, Labor Market Information Division, “2014-2024 Fastest Growing Occupations, Santa Cruz-Watsonville Metropolitan Statistical Area (Santa Cruz County),” April 2017.

44. The wage data is from January 2016.

45. The wage data is from January 2016.