

Executive Summary

In recent years San Diego's regional economy has changed dramatically. Once a strong manufacturing region with large numbers of middle-class jobs, San Diego's changing economy now resembles an hourglass. The loss of middle-class jobs has led to new jobs in high-tech, high-wage industries at the top, and low-wage, no benefit, primarily service sector jobs at the bottom. As this report finds, this new "hourglass" economy poses many problems for San Diego's consumers, taxpayers and businesses.

Current and projected job creation demonstrates that low-wage job growth is far outpacing new employment opportunities in middle- and upper-income sectors. Faced with dramatically increasing costs of living, most San Diegans are finding it more and more difficult to make ends meet and provide basic needs for their families. Median wages for many of the fastest growing occupations in San Diego fall just above minimum wage, creating a new class of people known as "working poor" – those who live in poverty despite working for a living.

As working poverty and the number of workers without employer-based health care coverage increases, many working families are turning to publicly funded health and welfare programs. This safety net, originally intended for the most disadvantaged among us, is increasingly becoming an essential support system for those who work for a living. Due to the prevalence of low wage employment in San Diego's new economy, many working families rely on Food Stamps, Section 8 Housing, Medi-Cal and Healthy Families in order to secure basic needs.

Unfortunately, these public programs are not funded adequately to meet the growing demands imposed by the "hourglass" economy. Waiting lists for Section 8 housing vouchers in the City of San Diego are typically greater than 25,000. Working adults who earn minimum wage and who do not have disabilities or dependent children do not qualify for Medi-Cal or County Medical Services. State and local budget cuts will continue to limit the ability of these programs to meet the critical needs of hardworking families struggling to survive in San Diego's low-wage, high-cost economy.

The working poor, increasingly confined to low wages and unable to enter the shrinking middle class, are paying for economic decisions, conditions and policies created during previous decades. But they are not alone: taxpayers too are sharing the burden.

In this study we look at the "hidden costs" to taxpayers that are incurred when the wages and benefits of San Diego's largest employment sectors are insufficient to meet families' basic needs. We also highlight the rising costs to local hospitals of uncompensated care for the growing number of uninsured, as these costs are ultimately passed on to consumers, taxpayers and businesses.

By revealing the hidden public costs associated with the growing number of low-wage job opportunities, we are able to understand the burden our new economy imposes on public assistance programs and the strains it creates on an already compromised health

care system. This report aims to bring relevant new information into the discussion on economic disparity and the considerations we must make to strengthen our new economy.

Summary of principal findings

Declining job quality dominates regional economic trends

- Median wages for five of the top ten occupations with the greatest absolute job growth in San Diego County fall below self-sufficiency thresholds for four-person families.

Self-sufficiency wages, needed to provide basic needs, are higher than the state minimum wage

- A family of four (two working parents with two school-age children) in San Diego has to bring in more than \$50,000 each year to meet basic needs. That means each parent has to earn at least \$12.27 per hour, nearly twice the state minimum wage and more than twice the federal minimum wage.

Low-wage jobs put significant burden on taxpayers

- A family with two minimum wage earners is eligible to take advantage of free school meals, childcare vouchers, federal housing vouchers, public health care for children, and the Earned Income Tax Credit.
- A single parent earning minimum wage can qualify for free school meals, Healthy Families, Section 8 Vouchers, Child Care, and the Earned Income Tax Credit.
- A family with two parents working full time earning minimum wage with two children is eligible for \$1,955.93 per month, or \$23,471.00 a year, in public assistance funds and services.
- Households earning self-sufficiency wages pay a good deal more in taxes than minimum wage families, while minimum wage households can receive substantial tax credits.

Large numbers of jobs that don't provide health insurance put an increasing burden on private hospitals

- Nearly 30 percent of working-age San Diegans are uninsured.
- Of the uninsured San Diegans, 91 percent are employed part- or full-time.
- The cost of uncompensated care for San Diego County Hospitals escalated from \$304 million in 2000 to \$325 million in 2002.

Self-sufficiency would eliminate the need for working families to access public assistance programs

- A family with two self-sufficiency wage earners would no longer have to rely on public assistance to make ends meet.
- Each working adult in a family of four (two working parents rearing two school-age children) earning the self-sufficiency wage of \$12.27 an hour would not qualify for public assistance programs.