



Economic Well-Being in Hawai'i: Family and Individual Self-Sufficiency



Economic Well-Being

Despite a robust economy and low unemployment,¹ considerable numbers of Hawai'i's people are struggling to meet the basic expenses of daily living. They include not only the individuals and families that are homeless, unemployed, or otherwise "officially" in poverty, but also the teachers, restaurant staff, secretaries, maintenance workers, and others who perform important jobs but do not earn a salary that provides economic self-sufficiency. Financial stress affects all aspects of life, including people's physical and mental health, children's educational achievement and opportunities, and how individuals perceive life and their future. Economic well-being provides the basis for people to believe that their initiative and hard work will bring a better tomorrow for themselves and their children.

Economic Well-Being in Hawai'i: Family and Individual Self-Sufficiency was developed by Aloha United Way in collaboration with the Center on the Family and Hawai'i Kids Count to bring this important issue into the public arena and generate the attention, discussion, and action it deserves. We define economic self-sufficiency as having the amount of money individuals and families require to meet their basic needs without governmental or other subsidies. This report presents the cost of supporting two family types, single-parent and two-parent, both with a school-age child (5-12 years old) and a pre-school child (birth to four years old). These family prototypes can be used as benchmarks for other families: Those with fewer or no children will have lower expenses, while those with more children will require higher incomes to cover their daily living costs. Wage and cost figures from 2005, the latest full year for which data were available at the time this report went to press, are given for each of Hawai'i's four counties.

The methodology used to calculate the cost is based on the work of Dr. Diana Pearce,² with modifications,³ and assumes a "no-frills" budget that is far from luxurious. For example, there are no funds for an occasional movie or for dining out, including fast foods and plate lunches; no savings or fund set aside for longer-term needs, purchase of major items, emergency expenses, or other unexpected events; and no allocation for children's school supplies and field-trip costs.

Other assumptions used to develop the budgets are that all adults work and pay taxes; no public or private subsidies (e.g., Medicaid, food stamps, free babysitting) are received; families rent, rather

than own, their homes; parents and children do not share the same bedroom; and residents of the City and County of Honolulu use public transportation. Cost differentials for various geographic areas within the state were analyzed at the county level. Fair-market rates from the sources below were used to derive the families' costs for basic living expenses as well as taxes and tax credits:

- Child care: Hawai'i State Department of Education and PATCH
- Food: U.S. Department of Agriculture's Low Cost Food Plan
- Health insurance: Hawai'i Employer-Union Health Benefits Trust Fund, Medical Expenditure Panel Survey, and U.S. Office of Personnel Management
- Housing: Hawaii Information Service and Prudential Locations LLC
- Taxes and tax credits: Hawai'i State Department of Taxation and U.S. Department of the Treasury
- Transportation: TheBus monthly bus passes and automotive costs, including registration and taxes, car insurance, maintenance, and fuel—American Automobile Association, DBEDT Hawai'i State Data Book, Hawai'i State Department of Commerce and Consumer Affairs, and U.S. Department of Transportation
- Miscellaneous: Ten percent of the sum of the above costs is budgeted for expenses such as clothing, personal hygiene and grooming, diapers, non-prescription medications, telephone service, household and cleaning products, and other items.

Our findings indicate that the estimated annual expenses range from \$46,658 to \$54,644 for a single-parent family with a pre-school child and a school-age child and from \$53,909 to \$63,257 for a two-parent family with a pre-school child and school-age child. There is a wide gap between income and basic living expenses for many people. Of the 25 most common occupations in Hawai'i, which together employ nearly 40% of the state's workforce, only two pay well enough to minimally support a family with two children in which only one parent works.

Moreover, those earning incomes below or somewhat above the Federal Poverty Level (FPL) face severe challenges in meeting the cost of basic necessities. For example, the FPL, which has

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been adjusted for Hawai'i's high cost of living, is \$18,510 for a family with one adult and two children,⁴ but this is only about 40% of the income such a family needs to be economically self-sufficient.

Trend data support the perceptions and experiences of many people—that the situation has gotten worse in recent years. Between 2002 and 2005, the median household income in Honolulu increased 15.7%.⁵ During the same period, the overall basic cost of living increased at much higher rates for families in Honolulu—39.6% for single-parent families and 36.2% for two-parent families.⁶ Much of the increases in cost can be attributed to the rise in housing rentals, which contributed to causing greater financial strain on families with a single wage-earning parent than for those with two wage earners.

Although we cannot delineate all the strategies used by people to cope with financial insufficiency, three appear to be widely used:

- **Shared housing.** Hawai'i leads the nation in the percentage of people in subfamilies—married couples (with or without children) and single parents with one or more children living in the homes of their parents or relatives (6.6% for Hawai'i vs. 2.6% for the nation).⁷
- **'Ohana services.** At 13.1% vs. 5.1% for the nation, Hawai'i has the highest percentage of people aged 60 years and over who are living with grandchildren under 18.⁸ These grandparents often provide daily or occasional child care services, particularly when children are young. In addition, many children are cared for by grandparents or other relatives who do not live with them when the parents are at work.
- **Multiple jobs.** Hawai'i ranks 12th among states with the highest percentage of multiple jobholders: 8.0% of all those employed in our state have more than one job.⁹

To initiate the public discourse on economic self-sufficiency, the perspectives of financially struggling families, the AUW president, an economist, and a public policy specialist are also presented in this report. We hope that *Economic Well-Being in Hawai'i: Family and Individual Self-Sufficiency* will serve as a catalyst and tool for collaboration between the public and private sectors to improve the financial well-being of Hawai'i's people.

TABLE 1

Estimated Basic Living Expenses by County for Single-Parent Family With Pre-School Child and School-Age Child, 2005

Monthly Expenses	County			
	Honolulu	Hawai'i	Maui	Kaua'i
Housing	\$1,703	\$1,293	\$1,475	\$1,368
Child care	\$787	\$652	\$707	\$668
Food	\$631	\$611	\$779	\$779
Transportation	\$60	\$232	\$239	\$191
Health care	\$243	\$243	\$243	\$243
Miscellaneous	\$342	\$303	\$344	\$325
Taxes	\$1,073	\$881	\$1,092	\$996
Child care tax credit	-\$160	-\$160	-\$160	-\$160
Child tax credit	-\$167	-\$167	-\$167	-\$167
Self-sufficiency wage				
• Hourly	\$25.64	\$22.09	\$25.87	\$24.11
• Monthly	\$4,513	\$3,888	\$4,554	\$4,243
• Annual	\$54,161	\$46,658	\$54,644	\$50,920

Housing, followed by child care and food, is the major cost for a family consisting of a single working parent, a pre-school child, and a school-age child. The transportation cost is significantly lower in Honolulu than the other counties due to travel by bus in the former and by car in the latter, where public transportation is limited or unavailable. In 2005, the adult in this family needed to earn from \$22.09 to \$25.87 an hour, or an annual salary of \$46,658 to \$54,644, to meet the family's basic living expenses.

FIGURE 1
Major Cost Items for Single-Parent Family With Pre-School Child and School-Age Child, 2005

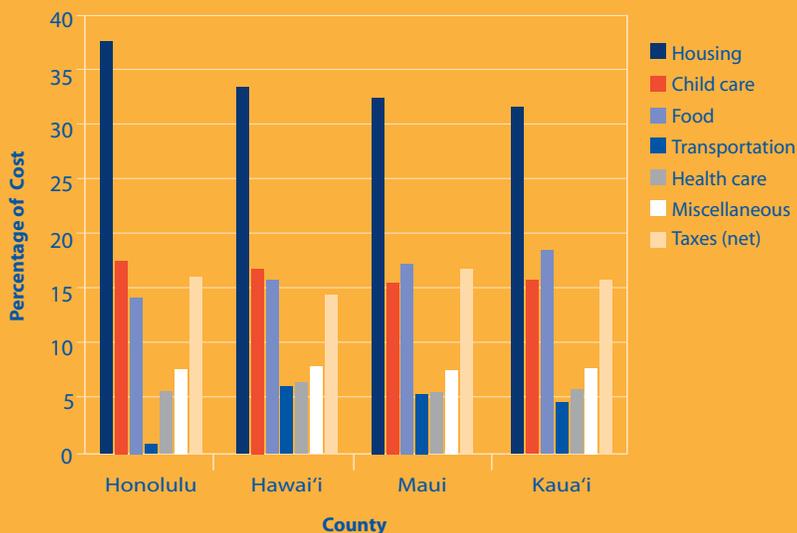


TABLE 2
Estimated Basic Living Expenses by County for Two-Parent Family
With Pre-School Child and School-Age Child, 2005

Monthly Expenses	County			
	Honolulu	Hawai'i	Maui	Kaua'i
Housing	\$1,703	\$1,293	\$1,475	\$1,368
Child care	\$787	\$652	\$707	\$668
Food	\$869	\$841	\$1,073	\$1,073
Transportation	\$100	\$463	\$478	\$381
Health care	\$259	\$259	\$259	\$259
Miscellaneous	\$372	\$351	\$399	\$375
Taxes	\$1,062	\$960	\$1,207	\$1,089
Child care tax credit	-\$160	-\$160	-\$160	-\$160
Child tax credit	-\$167	-\$167	-\$167	-\$167
Self-sufficiency wage				
• Hourly (per adult)	\$13.71	\$12.76	\$14.98	\$13.88
• Monthly	\$4,824	\$4,492	\$5,271	\$4,886
• Annual	\$57,893	\$53,909	\$63,257	\$58,635

As in the single-parent household, the largest cost item is housing, followed by food and child care, for a two-parent family with a pre-school child and a school-age child. Car ownership costs a neighbor island family more than traveling by bus in Honolulu. Each of the adults in this two-parent family needed to make from \$12.76 to \$14.98 an hour for a combined annual salary of \$53,909 to \$63,257 in 2005 to meet the family's basic living expenses.

FIGURE 2
Major Cost Items for Two-Parent Family
With Pre-School Child and School-Age
Child, 2005

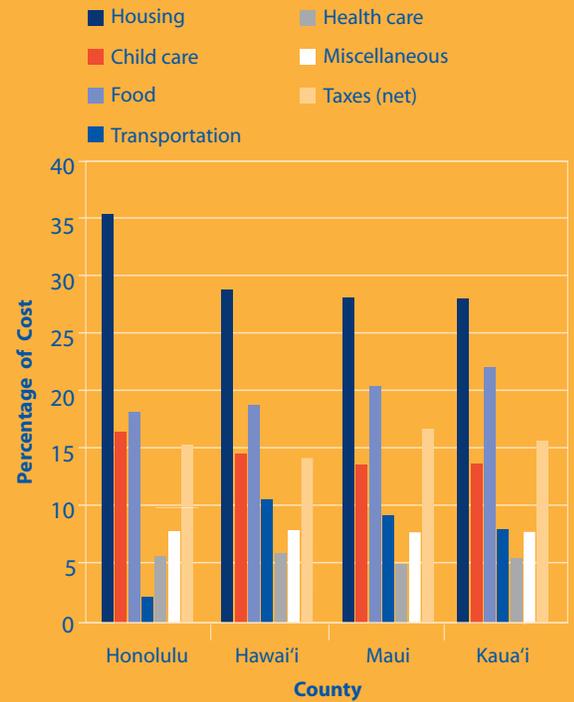


FIGURE 3
Changes in Monthly Household Expenditures for
Single-Parent Family in Honolulu, 2002-2005

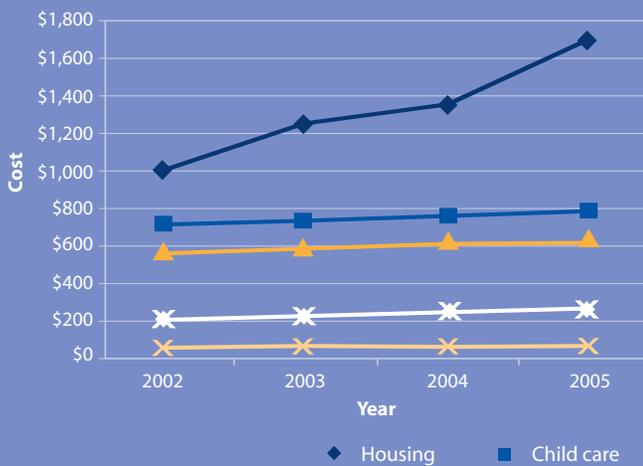
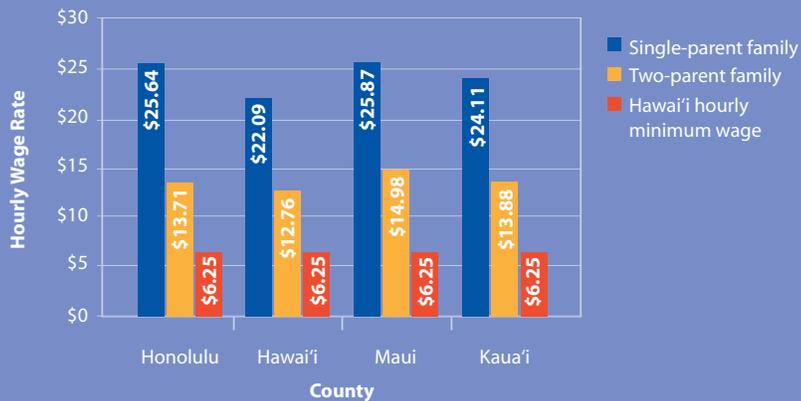


FIGURE 4
Changes in Monthly Household Expenditures for
Two-Parent Family in Honolulu, 2002-2005



The living expenses of families with a pre-school child and a school-age child increased dramatically between 2002 and 2005. Although expenses rose in all categories, the greatest increase was in housing, where the cost of a two-bedroom apartment rose by 70.3% in Honolulu. Transportation rose by 48.1%, and child care and food by 9.2%. The cost of health care increased by 27.2% for a single-parent family and 26.5% for a two-parent family. During the same period, the mean wage in Hawai'i increased by just 5.5%.¹⁰

FIGURE 5
Comparison of Self-Sufficiency and
Minimum Wage Rates, 2005



The minimum wage of \$6.25 is considerably lower than the hourly wages required to meet families' basic needs in Hawai'i. It is less than one third of the self-sufficiency wage for a single-parent family, and about one half of that for a two-parent family. Note that the data in Figure 5 are based on wages *per adult*. For this reason, the hourly self-sufficiency wage for a two-parent family is lower than that of the single-parent family. Even with the increase in the minimum wage to \$7.25 in 2007,¹¹ the wide gap between wages and living expenses remains.

TABLE 3
Selected Occupational Employment and Wage Estimates in Hawai'i, May 2005¹⁰

25 Most Common Occupations

	Number Employed	Mean Annual Wages
Retail salespersons	25,990	\$22,320
Waiters and waitresses	15,690	\$21,830
Office clerks, general	15,000	\$23,760
Cashiers	13,530	\$18,980
Janitors and cleaners, excluding maids and housekeeping cleaners	12,720	\$21,570
Maids and housekeeping cleaners	10,760	\$25,280
Combined food preparation/serving workers, including fast food	10,120	\$17,340
Registered nurses	9,240	\$65,490
Bookkeeping, accounting, and auditing clerks	8,630	\$31,250
Landscaping and grounds-keeping workers	7,910	\$25,000
Security guards	7,680	\$21,730
Secretaries, excluding legal, medical, and executive	7,380	\$31,640
Elementary-school teachers, except special education	7,170	\$41,640
First-line supervisors/managers of office and admin support workers	7,110	\$45,730
Laborers and hand movers: freight, stock, and material	7,070	\$26,920
Stock clerks and order fillers	6,830	\$23,670
General and operations managers	6,470	\$93,130
Counter attendants: cafeteria, food concession, and coffee shop	6,360	\$16,370
Cooks, restaurant	6,330	\$24,700
Maintenance and repair workers, general	6,280	\$34,390
First-line supervisors/managers of retail sales workers	6,150	\$37,550
Customer service representatives	6,080	\$30,170
Secondary-school teachers, except special and vocational education	5,860	\$45,940
Food preparation workers	5,620	\$20,760
Reservation and transportation ticket agents and travel clerks	5,220	\$31,560
25 Most Common Occupations	227,200	\$29,711
All Occupations	583,630	\$37,050



perspectives

Family

Lots of families are lucky enough to be able take things for granted. They don't have to worry where their next meal is coming from or if they can pay their bills. I work with people that aren't that lucky, and I know how they feel, because I was one of them.

Just a few years ago, I wasn't always able to feed my family. I was trying to raise four kids on \$800 a month, and that doesn't go too far. I couldn't give my children new clothes or vacations. We couldn't even go to the movies. Everything we had was from thrift shops or it was hand-me-downs. Once a month I saved \$20 to take my children to McDonald's for dinner—that was our only fun activity. I felt so bad because I couldn't give them the type of life my parents gave me. They couldn't even go on their school field trips because I couldn't afford \$5. I wanted the best for my kids like any mother, but it was almost impossible to save any money. I couldn't put any money aside since I didn't even have enough for what we needed.

Parents and Children Together (PACT), a family social service agency, helped me start to turn my life around. They helped me file for the federal Earned Income Tax Credit, which is a rebate for working families with low incomes. They showed me how to invest my tax return so I could pay what I owed and even start to save money. Then I was hired by a non-profit home ownership center, and I started to make enough money so I wasn't struggling all the time. Now I help other families that want to learn how to handle their money. My children and I still don't have new clothes or fancy things, but with the help I got and the sense of hope that gave me, I finally got on my feet.

Lehua Mallot

Parent

Sharing the perspective of many families



Community

We think of our community as filled with aloha: welcoming, caring, and giving. But as this report shows, there is another side of our society, one that is financially struggling. And the individuals and families not earning self-sufficient wages are not only the very poor we may imagine; they include many who are gainfully employed.

Lack of economic self-sufficiency affects our society as a whole. Those struggling simply to survive have less time to provide quality child care, increasing the risk that their children will not be successful in school. Inadequate education reduces the pool of qualified workers. Individuals without insurance wait to seek medical care until their health conditions are more costly to treat. The high cost of housing may mean homelessness or hidden homelessness, where families and individuals share housing with others. The increased stress that goes along with food insecurity, multiple jobs, overcrowding, and less access to health care may result in other costs to society: increased drug use; property damage; and violent crime, including domestic violence.

Solving the problem of economic self-sufficiency will require comprehensive, collaborative efforts made up of many components. A successful federal program, the Earned Income Tax Credit, provides targeted financial assistance; creating a parallel program at the state level would help. Strategies for educating people about finances and incentives for building assets, such as individual development accounts that match savings achieved by struggling families, must be created. The Hawaii Uninsured Project provides options that should be considered to help address access to health care. Parent education and early childhood programs can assure that children are ready for school. Finally, for those individuals and families receiving government subsidies, a change in eligibility ceilings would encourage continued progress towards self-sufficiency.

As a society, we want to benefit from the contributions of all of our members. Having large numbers of financially distressed individuals and families robs us of this benefit. Yes, this is another difficult issue to address, but working together, we can make progress. And the payoff will be a significantly better quality of life for *all* who call Hawai'i home.



Susan Doyle

President
Aloha United Way

Economics

Think of family self-sufficiency as an economist might frame it. “Self-sufficiency” could imply that basic consumables are within a family’s reach. “Basic” might mean food, clothing, housing, transportation, medical care, education, and other expenses. In economic terms, the challenge for any family is to maximize their paycheck, subject to a budget constraint. “Self-sufficiency” implies that a critical minimum threshold is the constraint—for instance, a minimum income. How families maximize their own finances varies: Their preferences are revealed through their choices in response to market prices.

In Hawai‘i, housing expenditures comprise roughly 40% of urban consumer expenditure embedded in the CPI. The share spent on housing is higher for lower-income families, perhaps half their monthly budget or more. “Housing” includes shelter, household utilities, and furnishings.

The good news for families is that globalization and information technology have brought retail distribution models to Hawai‘i that pass savings to consumers. B.C. (Before Costco), “inexpensive” in Hawai‘i wasn’t very cheap. Now, new retailing has reduced inflation in several categories, such as apparel. Hawai‘i housing has experienced process improvements as well: financially innovative lending instruments that deliver low- or no-down payment loans at low interest rates, housing searches facilitated by the Internet, and “just-in-time” production management in homebuilding, among others.

However, while the scope of housing demand has expanded, Hawai‘i’s housing supply remains restrictive. Home ownership has risen up to 10 percentage points in Hawai‘i during the last decade, while homebuilding has remained historically low. Worthy natural-resource stewardship objectives, combined with the politics of NIMBY, have limited affordable development, thwarting progress towards family self-sufficiency in housing.

The most material policy change to improve Hawai‘i family self-sufficiency would be to deregulate affordable housing production, short-circuiting costly approvals processes, which in turn would reduce the cost of housing. Other policy interventions merely chip away at the problem. Combined with public infrastructure investment—enabling housing near express bus or transit stations, say—reducing housing-supply constraints would be the single most useful solution.



Paul Brewbaker
Senior VP
and Chief Economist
Bank of Hawaii

Policy

For many, Hawai‘i’s unique island economy and high cost of living pose daily challenges that eat away at the core of personal dignity and family self-sufficiency. I believe that most of us yearn for the essentials of human life: decent and healthy food on the table, a safe and respectable place to live, access to healthcare, a public school system we can feel confident sending our children to. Most of us do not strive to be super-rich, or to conquer the world, but simply to live life in a way that provides the time, resources, and dignity to care for ourselves and nurture our families.

What *Economic Well-Being in Hawai‘i: Family and Individual Self-Sufficiency* reveals, however, is that more and more Hawai‘i families cannot meet their basic needs. A single parent with two children living on O‘ahu requires \$54,000 just to stay afloat. In contrast, the most common occupations in Hawai‘i—salesclerks, wait help, office clerks, cashiers, janitors, housekeepers, and food preparation/serving workers—pay between \$17,000 and \$25,000 annually.

Hawai‘i needs a social and economic environment in which her people are able to provide themselves with the basics of life, and more attention must be focused on this goal. In particular, a comprehensive plan and policy agenda needs to be developed. There are a number of components of economic self-sufficiency: jobs that pay a living wage, more affordable housing, and access to healthcare are among the most salient. Government programs to assist the poor and needy are necessary as well, for those who are not yet able to achieve self-sufficiency.

While well intentioned, Hawai‘i policy-makers have engaged in a piecemeal treatment of this issue, periodically addressing the components of this problem without an overarching focus on economic self-sufficiency as a whole. A comprehensive approach that links our social and economic programs and policies with the goal of family self-sufficiency needs to be developed and implemented.



William M. Kaneko
President and CEO
Hawaii Institute for Public Policy

Notes

1. Hawai'i's unemployment rate was at 2.8%, a 14-year low, in 2005, after its peak of 5.9% in 1996. See Hawai'i State Department of Labor and Industrial Relations. (2006, December). *Statewide unemployment rates, 1976 to present*. Retrieved from www.hiwi.org/admin/uploaded/Publications/464_LFST.PDF
2. Pearce, D. (2003, April). *The self-sufficiency standard for Hawaii*. Prepared for the Hawai'i State Commission on the Status of Women. Retrieved from www.sixstrategies.org/includes/productviewdetailsinclude.cfm?productID=470&strProductType=resource
3. For methodology, assumptions, and data sources used in calculating the basic living expenses in this report, see Center on the Family. (2007). *Technical notes for economic well-being in Hawai'i: Family and individual self-sufficiency—AUW report*. Available at www.uhfamily.hawaii.edu/publications/publications.asp
4. U.S. Department of Health and Human Services. (2005, February 18). *2005 HHS poverty guidelines for Hawaii*. Retrieved from www.aspe.hhs.gov/poverty/05poverty.shtml
5. U.S. Census Bureau, Current Population Survey. *Annual social and economic supplements, 2001 to 2006*. Three-year-average median household income by state, 2000-2002 through 2003-2005. Retrieved from www.census.gov/hhes/www/income/
6. From 2002 to 2005, the overall basic cost of living increased 22.8% for single-parent families and 22.2% for two-parent families in Maui County, followed by 19.4% and 18.2% in Hawai'i County, and 15.5% and 14.2% in Kaua'i County for the respective family types.
7. U.S. Census Bureau. *Census 2000 summary file 3 (SF3)*. Tables PCT5 and P1. Retrieved from www.factfinder.census.gov/
8. U.S. Census Bureau. *Census 2000 special tabulation on aging (STP 9)*. Tables P14 and P4. Retrieved from www.aoa.gov/prof/Statistics/Tab/specialtab.htm
9. Campbell, J. (2006). Multiple jobholding in states in 2005. *Monthly Labor Review*, 129(11), 46-47. Retrieved from www.bls.gov/opub/mlr/2006/11/rgtrends.pdf
10. Bureau of Labor Statistics, Department of Labor. *Occupational employment statistics survey*. State occupational employment and wage estimates, 2002 and May 2005, Hawai'i. Retrieved from www.bls.gov/oes/oes_dl.htm
11. *Hawaii Revised Statutes, Section 387-2 Minimum wages*. (Act 240, 7/12/2005). Retrieved from www.capitol.hawaii.gov/session2005/bills/SB294_cd1_.htm



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