The Great Recession and Distribution of Income in California

Sarah Bohn
December 2011
California Families Hit Hard by Recession and Its Aftermath

- Family income declined across the spectrum
  - Lower-income families saw steepest losses
- Families of all demographic and regional groups affected
  - Education a partial buffer
- Unemployment a significant factor
  - Underemployment also important
California at New Extremes by 2010

- Less than majority of families fall in middle income range
- Gap between upper- and lower-income families widest in 30 years
Outline

- Income declines across the spectrum
- Declines at the middle
- Unemployment and underemployment
- Demographic snapshot
- Conclusions
All Incomes Dropped, Some More Than Others

<table>
<thead>
<tr>
<th>Year</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>2008</td>
</tr>
<tr>
<td>0%</td>
<td>-5%</td>
</tr>
</tbody>
</table>

Median: $61,072
All Incomes Dropped, Some More Than Others

-25% -20% -15% -10% -5% 0% 5%

2007 2008 2009 2010

Percent change (base=2007)

Median $61,072

10th percentile $15,000

$61,072

$15,000
All Incomes Dropped, Some More Than Others

Percent change (base=2007)

2007 2008 2009 2010

10th percentile
$15,000

Median
$61,072

90th percentile
$179,150

10th percentile
$15,000
Declines Generally Smaller in Rest of U.S.
California Reached New Extremes in Income Gap

![Graph showing the ratio of family income from 1980 to 2010. The ratio increased significantly from 1990 onwards, reaching new extremes by 2010. The graph is labeled with "90/10 CA."
Gap Is Worse in California than in Rest of U.S.
Outline

- Income declines across the spectrum
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Share of Middle Income Families Declining for Decades

Percent of population in middle income


Rest of U.S.
California
Adjusted for Cost of Living

30% 35% 40% 45% 50% 55% 60% 65%
Recession Reversed Trend of Middle Income Families

Percent of California population

- Low
- Middle
- High

Outline

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Unemployment a Hallmark of the Great Recession
Turnaround May Be Starting for Higher Income Workers

Unemployment rate

California overall
Upper middle
High income

Picture Remains Bleak for Lower Income Workers

Unemployment rate

- Low income
- Lower middle
- California overall
- Upper middle
- High income

Underemployment Also Had Sizeable Effects

<table>
<thead>
<tr>
<th>Change</th>
<th>Full time employment</th>
<th>Average hours worked</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recession</td>
<td>-10%</td>
<td>-8%</td>
</tr>
<tr>
<td>Recession</td>
<td>-8%</td>
<td>-6%</td>
</tr>
<tr>
<td>Recession</td>
<td>-6%</td>
<td>-4%</td>
</tr>
<tr>
<td>Recession</td>
<td>-4%</td>
<td>-2%</td>
</tr>
<tr>
<td>Recession</td>
<td>-2%</td>
<td>0%</td>
</tr>
<tr>
<td>Recession</td>
<td>0%</td>
<td>2%</td>
</tr>
<tr>
<td>Recession</td>
<td>2%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Legend:
- Low
- Middle
- High
Signs of Recovery for Some, But Challenges Remain

Full time employment

Change

Average hours worked

Change

Recession  Recovery  Recession  Recovery

Low  Middle  High
Outline

- Income declines across the spectrum
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Black and Hispanic Families Hardest Hit

Median family income

- White: -8.3%
- Hispanic: -8.1%
- Black: -25.1%
- Asian: -3.3%

<table>
<thead>
<tr>
<th>Year</th>
<th>White</th>
<th>Hispanic</th>
<th>Black</th>
<th>Asian</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-2007</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008-2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Regions Across the State Saw Declines

<table>
<thead>
<tr>
<th>Region</th>
<th>2006-2007</th>
<th>2008-2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Francisco Bay Area</td>
<td>-12.1%</td>
<td>-12.7%</td>
<td>-15.9%</td>
</tr>
<tr>
<td>Orange County</td>
<td>-15.9%</td>
<td>4.8%</td>
<td>-9.7%</td>
</tr>
<tr>
<td>Sacramento Region</td>
<td>-9.7%</td>
<td>-11.3%</td>
<td>-17.9%</td>
</tr>
<tr>
<td>San Diego County</td>
<td>-11.3%</td>
<td>-17.9%</td>
<td>-15.6%</td>
</tr>
<tr>
<td>Inland Empire</td>
<td>-17.9%</td>
<td>-15.6%</td>
<td>-15.6%</td>
</tr>
<tr>
<td>Los Angeles County</td>
<td>-15.6%</td>
<td>-15.6%</td>
<td>-15.6%</td>
</tr>
<tr>
<td>Central Coast</td>
<td>-15.6%</td>
<td>-15.6%</td>
<td>-15.6%</td>
</tr>
<tr>
<td>San Joaquin Region</td>
<td>-15.6%</td>
<td>-15.6%</td>
<td>-15.6%</td>
</tr>
</tbody>
</table>
Families with More Education Somewhat Buffered

Median family income

-9.4%  -8.6%  -13.3%  -8.1%

2006-2007  2008-2009  2010
Outline

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Recessions Always Hit Lowest Income Group Hardest

Percent change during recessions

- 10th percentile
- Median
- 90th percentile

1980–1983
1989–1993
2001–2004
2007–2010

-25% -20% -15% -10% -5% 0% 5%
Current Pattern of Recovery Uncertain

- In past, high income families recovered faster
- Similar recovery could worsen growing inequality
Conclusions

- Underemployment, as well as unemployment, affected incomes
  - Policies to promote job creation and full time employment are critical in short-term

- All families affected
  - Those with more education somewhat buffered
  - Promoting opportunity through education is important in long-term
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Notes on the use of these slides

These slides were created to accompany a presentation. They do not include full documentation of sources, data samples, methods, and interpretations. To avoid misinterpretations, please contact:

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Thank you for your interest in this work.