

## Income Inequality in California

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### ➤ **The gap between rich and poor is especially wide in California.**

While California's economy outperforms the nation's, its level of income inequality exceeds that of all but five states. Families at the top of the income distribution in California have 12.3 times the income of families at the bottom (\$262,000 versus \$21,000, for the 90th and 10th percentiles, respectively, in 2018), measured before taxes and safety net programs. The disparity is present throughout the state. Current government policies substantially narrow the gap between rich and poor. Nonetheless, Californians are concerned: according to the [PPIC Statewide Survey](#), two-thirds think the gap between rich and poor is expanding, and 52% think the state government should do more to ensure all Californians have equal opportunities to get ahead.

### ➤ **The income gap is widening due to disproportionate gains for California's highest earners...**

The large gap between the state's top earners and others has grown substantially over the past four decades. Since 1980, incomes for families in the 90th percentile have increased by 60%, while incomes at the 50th percentile (median) and 10th percentile have grown much less (24% and 20% higher in 2018 than 1980).

### ➤ **...as the job market continues to favor more educated workers.**

Boom and bust economic cycles have exacerbated this trend of disproportionate growth for the top, reflecting a job market that favors college degree holders. For families where any member holds a four-year degree or higher, median income increased by 30% since 1980. It decreased slightly for all other families. Families with four-year degree holders earn \$2.20 for every \$1 that families without degree holders earn.

### ➤ **African American and Latino families are overrepresented at lower income levels.**

African American and Latino families make up 12% of those with incomes above the 90th percentile, despite comprising 43% of all families in California. African American and Latino families also have lower income overall: top-income Latino families ranked just above median-income white families in 2018. Such disparities reflect the fact that African American and Latino adults are overrepresented in low-wage jobs and have higher unemployment rates, and African American adults are less likely to be in the labor force. Many factors drive these trends, ranging from disparities around education, local job opportunities, and incarceration to discrimination in the labor market.

### ➤ **A large wealth gap further exacerbates the income gap.**

If income falls short over a period of time, some families can draw from their accumulated income, or wealth. However, wealth is more unevenly distributed than income—meaning that low-income Californians have fewer overall resources to rely upon. In California, 20% of all net worth is concentrated in the 30 wealthiest zip codes, home to just 2% of Californians. African American and Latino families have much lower wealth levels compared white families; nationwide, the typical (median-wealth) white family has more than eight times the wealth of a typical African American or Latino family. While homeownership is an important component of wealth—and white and Asian families are more likely than others to own homes—other income-producing assets also play a major role in California's wealth gap.

### ➤ **Income inequality would be greater without taxes or safety net programs.**

Major tax and safety net programs reduce inequality by 48%, according to the [California Poverty Measure](#). Gains occur both from taxing high incomes and providing cash and safety net benefits such as the federal and state Earned Income Tax Credits, and food assistance from CalFresh, WIC, and school meals. This combination also reduces racial income inequality, shrinking the gap in median income by about 30% for African American and Latino families compared to white families. Education, regional economic development, transportation, and childcare policies are also critical tools for addressing income inequality.



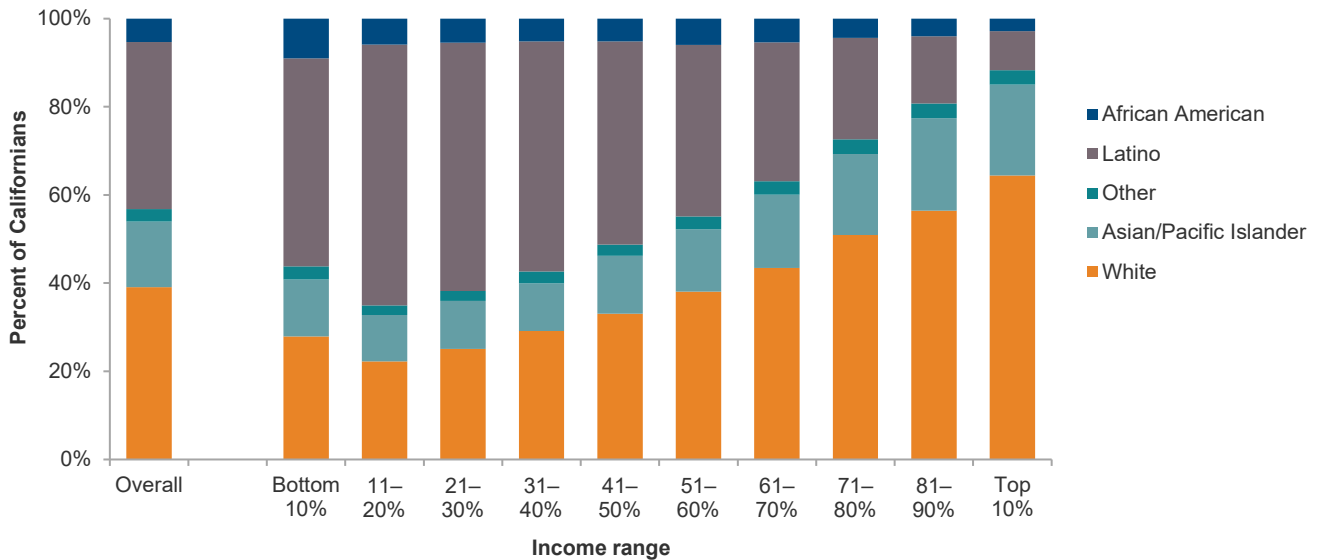
**Incomes and the income gap vary across California**

Region	90th percentile	10th percentile	90/10 ratio
Statewide	\$262,000	\$21,000	12.3
Northern	\$192,000	\$17,000	11.6
Sacramento area	\$232,000	\$19,000	12.0
Bay Area	\$384,000	\$32,000	12.2
Central Valley and Sierra	\$175,000	\$15,000	11.5
Central Coast	\$252,000	\$25,000	9.9
Inland Empire	\$190,000	\$20,000	9.7
Los Angeles County	\$234,000	\$20,000	11.8
Orange County	\$289,000	\$25,000	11.8
San Diego County	\$255,000	\$23,000	11.2

Source: Authors' analysis of IPUMS ACS data (2018).

**Notes:** The 90/10 ratio is a measure of the income gap, calculated as the ratio of the 90th percentile income to the 10th percentile income. Chart shows income before taxes and transfers, which includes income from earnings, business, investments, retirement, social security, and other sources. Dollar values adjusted to pertain to a family of four in 2018 dollars. Northern counties: Butte, Colusa, Del Norte, Glenn, Humboldt, Lake, Lassen, Mendocino, Modoc, Nevada, Plumas, Shasta, Sierra, Siskiyou, Tehama, and Trinity. Sacramento area counties: El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba. Bay Area counties: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano, and Sonoma. Central Valley and Sierra counties: Alpine, Amador, Calaveras, Fresno, Inyo, Kern, Kings, Madera, Mariposa, Merced, Mono, San Joaquin, Stanislaus, Tulare, and Tuolumne. Central Coast counties: Monterey, San Benito, San Luis Obispo, Santa Barbara, and Ventura. Inland Empire counties: Imperial, Riverside, and San Bernardino.

**White and Asian families are overrepresented among the highest incomes in California**



Source: Authors' analysis of IPUMS ACS data (2018).

**Notes:** Chart shows the overall share of Californians categorized by the race/ethnicity of their family head (first bar) and by their location in the income distribution. Income is calculated at the family level before taxes and safety net transfers, which includes income from earnings, business, investments, retirement, social security, and other sources.

**Sources:** American Community Survey (IPUMS USA); Chetty, et al. "The Fading American Dream: Trends in Absolute Income Mobility Since 1940" (Science, 2017); Current Population Survey (IPUMS-CPS); Dettling, et al. "Recent Trends in Wealth-Holding by Race and Ethnicity: Evidence from the Survey of Consumer Finances" (Board of Governors of the Federal Reserve System, 2017); Legislative Analyst's Office, "California's Geography of Wealth" (2019); UC Berkeley Labor Center, "Low Wage-Work in California" (2018).

**Note:** All dollar values in this fact sheet are adjusted to pertain to a family of four in 2018 dollars.

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