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# Income Inequality in California

## Income inequality is a major concern in California.

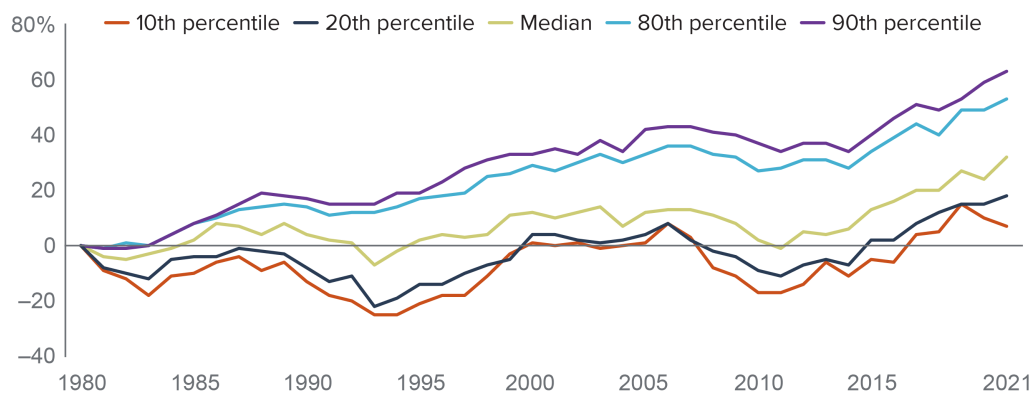
- ▶ The gap between high- and low-income families in California is among the largest in the nation—exceeding all but three other states in 2021 (the latest data available). Families at the top of the income distribution earned 11 times more than families at the bottom (\$291,000 vs. \$26,000 for the 90th and 10th percentiles, respectively). In 1980, families at the top earned 7 times more than those at the bottom, and the current gap reflects 63% income growth for the 90th percentile, and 7% growth for the 10th percentile over four decades.
- ▶ California's income distribution reflects high rates of poverty. Income is frequently not enough to meet basic needs (on average [a family of four requires about \\$37,000](#)). Families in the bottom quarter of the income distribution are at risk of poverty absent major safety net programs.
- ▶ Wealth is more unevenly distributed than income. In California, 20% of all net worth is concentrated in the 30 wealthiest zip codes, home to just 2% of Californians.
- ▶ Californians are concerned. According to the PPIC Statewide Survey, 71% believe that the gap between rich and poor is increasing; a similar share think the government should do more to reduce that gap.

## The COVID-19 pandemic widened income inequality.

- ▶ Income inequality was shrinking in the years leading up to the pandemic, due to notable gains for the lowest-income families. Incomes for families at the 10th percentile increased by 23% between 2016 and 2019, compared to 5% for families at the 90th percentile.
- ▶ Between 2019 and 2021, top incomes grew consistently, by 6% for the 90th percentile. Middle incomes (50th percentile) faltered in 2020 but rebounded in 2021. Low incomes (10th percentile) fell 7%.
- ▶ These estimates describe pre-tax income and include a [conservative estimate](#) of unemployment (UI) benefits, without which low incomes would have been lower by at least 12% in 2020, and 5% in 2021. They also take a conservative approach with inflation, which may impact lower- and higher-income families differently and exacerbate inequality. For instance, from 2017–20, those in the bottom 20% spent 69% of all pre-tax income on food and transportation (including [gasoline](#))—areas where [prices have risen most](#)—while those in the top 20% spent 14% of their income on those same categories.

## Top incomes have grown more quickly and more consistently over the long term

Change in family incomes since 1980



Source: Authors' analysis of IPUMS CPS-ASEC data.

Notes: Chart shows percent change in family income before taxes, which includes wages and earnings, income earned from businesses, farms and/or investments, retirement account withdrawals, social security, cash welfare, unemployment insurance, and other sources. Family income does not include stimulus payments or resources from in-kind safety net benefits. Family income is adjusted for inflation and stated in 2021 dollars; to make families comparable, income is normalized to reflect the equivalent for a family of four. The time series is adjusted to account for ASEC survey changes in 2015 and 2019; entropy weights are used in 2018–2020.

## Rising income inequality is driven by a job market that favors highly educated workers.

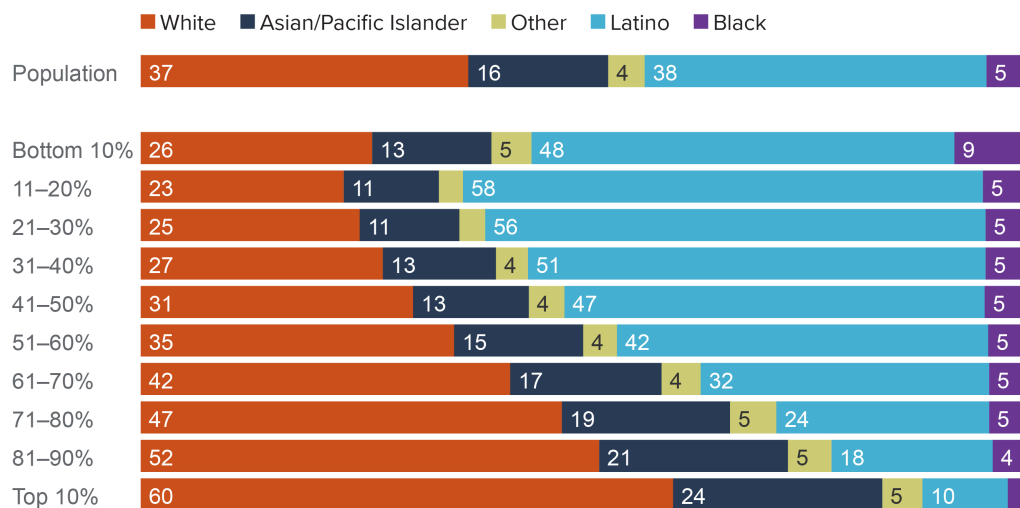
- ▶ Shifts in technology and international trade have played key roles in reshaping jobs, creating advantages for college-degree holders. Among families in which any member holds a four-year degree or higher, median income has increased by 34% since 1980. Median income did not increase for families where no member holds a four-year degree.
- ▶ Families with college graduates earn \$2.24 for every \$1 that families without college graduates earn, as of 2021.

## Black and Latino families are overrepresented at lower income levels.

- ▶ Black and Latino families make up 12% of those with incomes above the 90th percentile, while comprising 44% of all families in California. The opposite is true at lower levels of the income distribution, where Black and Latino families comprise 56% of families at or below the 10th percentile.
- ▶ For every \$1 that white families earn, Black families earn \$0.60 and Latino families earn \$0.52. Many factors drive these trends, ranging from disparities in education, local job opportunities, and incarceration, to discrimination in the labor market.

## White and Asian families make up an outsize share of the highest incomes in California

Percent of group by income range



Source: Authors' analysis of IPUMS ACS data (2021).

Notes: Chart shows income before taxes and transfers, which includes income from earnings, business, investments, retirement, social security, and other sources. Families are categorized based on the race/ethnicity of the head of household.

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

- ▶ Major tax and safety net programs reduce inequality between top and bottom incomes by 52%, according to the [fall 2021 California Poverty Measure](#). Gains occur from taxing high-income families and through providing cash and safety net benefits to low-income families—like Earned Income Tax Credits, advance payments on the Child Tax Credit, and food assistance. Stimulus checks further supplemented family income in 2021, reducing both income inequality and poverty.
- ▶ These programs also reduce racial income inequality, shrinking the gap in median income by about 30% for Black and Latino families compared to white families.

Supported with funding from the Blue Shield of California Foundation and the James Irvine Foundation.

Sources: American Community Survey ([IPUMS USA](#)); Bureau of Labor Statistics, [California: Quintiles of income before taxes](#) and [Consumer Expenditure Survey \(2017–2020\)](#); Current Population Survey ASEC ([IPUMS-CPS](#)); Legislative Analyst's Office, [California's Geography of Wealth](#) (2019).

Note: Dollar values adjusted to pertain to a family of four in 2021 dollars.