A Generation of Widening Inequality
The State of Working California, 1979 to 2006
A Generation of Widening Inequality: Overview

- **Job trends**: California has added more low-wage and high-wage jobs than jobs with earnings in the middle of the distribution.

- **Wage trends**: The gap between California’s low-wage and high-wage workers has widened.

- **Income trends**: The gains of high-income Californians have far surpassed those of lower-income Californians.

- **Recent trends**: The benefits of economic growth during the current economic recovery failed to trickle down to many Californians.
More Than Half of California’s Job Growth Occurred at the Low and High Ends of the Earnings Distribution, 1979 to 2005

Share of California’s Job Growth, 1979 to 2005

- Lowest Earnings: 26.9%
- Earnings Quintiles: 6.0%
- Highest Earnings: 28.1%

Note: Jobs are sorted into quintiles based on 1979 median hourly earnings. Source: CBP analysis of US Census Bureau data
A Full 70 Percent of California’s Job Growth Was Concentrated at the Low and High Ends of the Earnings Distribution in the 1990s

Note: Jobs are sorted into quintiles based on 1979 median hourly earnings. Percentages do not sum to 100 due to rounding.
Source: CBP analysis of US Census Bureau data
California's Job Growth Was Concentrated at the Low End of the Earnings Distribution, 1999 to 2005

Note: Jobs are sorted into quintiles based on 1979 median hourly earnings. Percentages do not sum to 100 due to rounding. Source: CBP analysis of US Census Bureau data
Only California’s High-Wage Workers Experienced Sizeable Wage Gains Between 1979 and 2006

Source: CBP analysis of Current Population Survey data
The Gap Between High-Wage Workers’ Wage and Low-Wage Workers’ Wage Has Widened

Source: CBP analysis of Current Population Survey data
The Value of a Bachelor’s Degree Has Increased Since 1979

Note: Includes workers with a bachelor’s degree, but no further post-secondary education.
Source: CBP analysis of Current Population Survey data
### Average Adjusted Gross Income (AGI) Growth of High-Income Taxpayers Outpaced That of Low- and Middle-Income Taxpayers, 1995 to 2005

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<thead>
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</tr>
</thead>
<tbody>
<tr>
<td>Bottom Fifth</td>
<td>$6,519</td>
<td>$7,476</td>
<td>$7,231</td>
<td>14.7%</td>
<td>-3.3%</td>
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<tr>
<td>Second Fifth</td>
<td>$17,775</td>
<td>$20,267</td>
<td>$19,590</td>
<td>14.0%</td>
<td>-3.3%</td>
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<tr>
<td>Middle Fifth</td>
<td>$31,609</td>
<td>$36,237</td>
<td>$34,561</td>
<td>14.6%</td>
<td>-4.6%</td>
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<tr>
<td>Fourth Fifth</td>
<td>$54,091</td>
<td>$61,417</td>
<td>$59,531</td>
<td>13.5%</td>
<td>-3.1%</td>
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<tr>
<td>Top Fifth</td>
<td>$149,335</td>
<td>$237,400</td>
<td>$217,021</td>
<td>59.0%</td>
<td>-8.6%</td>
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<tr>
<td>Top 10 Percent</td>
<td>$214,378</td>
<td>$375,885</td>
<td>$337,517</td>
<td>75.3%</td>
<td>-10.2%</td>
</tr>
<tr>
<td>Top 1 Percent</td>
<td>$804,727</td>
<td>$1,993,096</td>
<td>$1,671,563</td>
<td>147.7%</td>
<td>-16.1%</td>
</tr>
<tr>
<td>All</td>
<td>$51,865</td>
<td>$72,539</td>
<td>$67,587</td>
<td>39.9%</td>
<td>-6.8%</td>
</tr>
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Source: Franchise Tax Board
The Gap Between Middle- and High-Income Californians Widened Between 1995 and 2005

- Ratio of the Average Adjusted Gross Income of California Taxpayers

- 1995: Top 10% to Middle 20% = 6.8, Top 1% to Middle 20% = 25.5
- 2000: Top 10% to Middle 20% = 10.4, Top 1% to Middle 20% = 55.0
- 2005: Top 10% to Middle 20% = 9.8, Top 1% to Middle 20% = 48.4

Source: CBP analysis of Franchise Tax Board data
<table>
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<th>Wives' Earnings Boosted Family Income, 1979 to 2005</th>
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<tr>
<td>Family Income</td>
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<tr>
<td>Wives' Earnings</td>
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<tr>
<td>Family Income Without Wives' Earnings</td>
</tr>
</tbody>
</table>

Note: Includes married couple families with children under age 18 whose family income is in the middle fifth of the income distribution and in which both the husband and wife are between the ages of 25 and 54.

Source: CBP analysis of Current Population Survey data
More Than One-Fifth of California’s Working Families Have Incomes Below 200 Percent of the Federal Poverty Line

Income at or Above 200% of the Federal Poverty Line 78.9%
Income Between 100% and 199% of the Federal Poverty Line 15.7%
Income Below the Federal Poverty Line 5.4%

Total Number of Working Families in California in 2005 = 9.3 Million

Source: CBP analysis of Current Population Survey data
Why Has Inequality Widened?

- The reasons are complex and the subject of much debate. Researchers point to a number of factors, including:
  - Technological advancements;
  - Increased international trade;
  - Declining purchasing power of the minimum wage;
  - Impact of decreased union membership on wages; and
  - International immigration.
Growth in Corporate Income Far Outpaced That of Wages and Adjusted Gross Income During the Recovery

<table>
<thead>
<tr>
<th>Percent Change, 2000 to 2005</th>
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<tbody>
<tr>
<td>Net Corporate Income</td>
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<tr>
<td>Median Hourly Wage</td>
</tr>
<tr>
<td>Adjusted Gross Income</td>
</tr>
</tbody>
</table>

Note: All data are for California. Corporate and adjusted gross income reflect income reported for tax purposes. Figures are not adjusted for inflation.

Source: CBP analysis of Franchise Tax Board and Current Population Survey data
The Wage Gain of the Typical California Worker Lagged That of the Typical US Worker, 2000 to 2006

Source: CBP analysis of Current Population Survey data

Percent Change in Hourly Wage, 2000 to 2006 (2006 Dollars)

- 20th Percentile: California 4.4%, US 1.3%
- Median: California 0.8%, US 1.6%
- 80th Percentile: California 3.4%, US 4.9%
Housing-Related Industries Drove Job Growth Between 2000 and 2005

Fewer Than 4 Percent of 2000 Jobs Were Housing-Related

Note: Housing-related industries include residential construction, residential specialty trade contracting, and real estate.
Source: CBP analysis of Employment Development Department data
The Number of Housing-Related Jobs Declined Between June 2006 and 2007

Source: CBP analysis of Employment Development Department data
Conclusion

- A generation of widening inequality highlights the importance of public policies that address the gap between rich and poor.

- *Hard Work and a Fair Shot* outlines a policy agenda to help low-income working families make ends meet, including policies that:
  - Increase families’ incomes;
  - Help families afford basic necessities; and
  - Help families build and protect assets.

Additional Slides
The Gap Between Female and Male Workers’ Earnings Narrowed Between 1979 and 2006

Source: CBP analysis of Current Population Survey data
Nonunion Workers’ Wage Gains Have Outpaced Those of Their Union Counterparts

Percent Change in Hourly Wage, 1989 to 2006

<table>
<thead>
<tr>
<th>Percentile</th>
<th>Union</th>
<th>Nonunion</th>
</tr>
</thead>
<tbody>
<tr>
<td>20th</td>
<td>-9.2%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Median</td>
<td>1.5%</td>
<td>3.4%</td>
</tr>
<tr>
<td>80th</td>
<td>9.8%</td>
<td>13.1%</td>
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</tbody>
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Source: CBP analysis of Current Population Survey data
Young College Graduates Fared Worse Than Young High School Graduates, 2000 to 2006

-13.5%  7.7%  2.2%
-15%  -10%  -5%
-10%  -5%  0%
-5%  0%  5%
0%  5%  10%
5%  10%  15%
10%  15%

Percent Change in Median Hourly Wage (2006 Dollars)

Note: High school graduates include workers age 19 through 25. College graduates include workers age 23 through 29.
Source: CBP analysis of Current Population Survey data