

## INCOME INEQUALITY HAS INCREASED IN CALIFORNIA SINCE THE 1970s

Inequality has increased in California over the past two decades. This can be observed by ranking all California families according to their income level, dividing them into five groups (or fifths) of equal size, and calculating the average income of each fifth of families. This analysis shows by the late 1990s:

- The richest 20 percent of families had average incomes 11.0 times as large as the poorest 20 percent of families.
- The richest 20 percent of families had average incomes 3.1 times as large as the middle 20 percent of families.

### The Long-Term Trend

Since the late 1970s, income inequality has increased in California. The economic growth of the 1980s and 1990s was not shared evenly among the poor, the rich, and the middle class. Instead, the top fifth of families fared substantially better than other income groups.

In the late 1970s, the richest 20 percent of families had average incomes 7.6 times as large as the poorest 20 percent of families. By the late 1990s, that ratio had grown to 11.0. This increase in inequality was the fourth greatest in the nation. The gap between the rich and the middle class also increased. This increase was the fifth greatest in the nation.

In the late 1970s, the richest five percent of families had average incomes 11.2 times as large as the poorest 20 percent of families. By the late 1990s, that ratio had grown to 17.7.

Between the late 1970s and the late 1990s:

- The average income of the poorest fifth of families decreased by \$810, from \$14,860 to \$14,050.
- The average income of the middle fifth of families increased by \$3,630, from \$46,800 to \$50,440.
- The average income of the richest fifth of families increased by \$42,000, from \$112,300 to \$154,300.
- The average income of the richest five percent of families increased by \$83,490, from \$165,740 to \$249,230.

### The Recent Trend

Over the past decade, income inequality has increased in California.

In the late 1980s, the richest 20 percent of families had average incomes 9.8 times as large as the poorest 20 percent of families. By the late 1990s, that ratio had increased to 11.0.

In the late 1980s, the richest five percent of families had average incomes 15.5 times as large as the poorest 20 percent of families. By the late 1990s, that ratio had grown to 17.7.

Between the late 1980s and the late 1990s:

- The average income of the poorest fifth of families increased by \$260, from \$13,790 to \$14,050.<sup>1</sup>
- The average income of the middle fifth of families increased by \$1,600, from \$48,830 to \$50,440.
- The average income of the richest fifth of families increased by \$18,850, from \$135,450 to \$154,300.
- The average income of the richest five percent of families increased by \$34,870, from \$214,360 to \$249,230.

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<sup>1</sup> The direction of this change is not statistically significant at the 95 percent level of confidence.

# California

## Income Inequality Among Families In California Has Increased Since the 1970s

### Income Gaps, Late 1990s

	Rank (1 is most unequal)
Richest fifth vs. poorest fifth	4
Richest fifth vs. middle fifth	3

### Income Gaps, Late 1990s

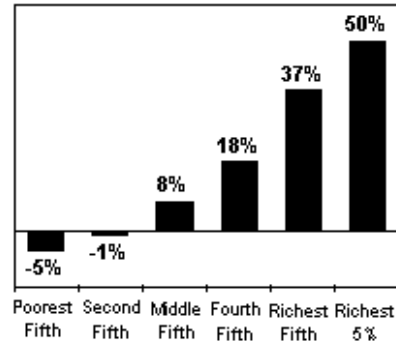
	Ratio
Richest fifth vs. poorest fifth	11.0
Richest fifth vs. middle fifth	3.1

### Inflation-Adjusted Change in Incomes Late 1970s to Late 1990s

	Dollar Change	% Change
Poorest Fifth . . .	-\$810 *	-5.5% +
Middle Fifth . . . .	\$3,630 *	7.8% +
Richest Fifth . . . .	\$42,000 *	37.4%
Richest 5% . . . .	\$83,490 *	50.4% #

### Income Change for California Families Late 1970s to Late 1990s, by Fifth of Families

Percentage Change

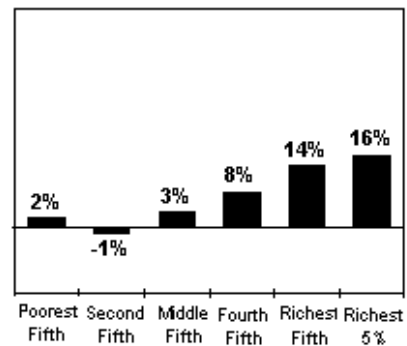


### Inflation-Adjusted Change in Incomes Late 1980s to Late 1990s

	Dollar Change	% Change
Poorest Fifth . . .	\$260	1.9% +
Middle Fifth . . . .	\$1,600 *	3.3% +
Richest Fifth . . . .	\$18,850 *	13.9%
Richest 5% . . . .	\$34,870 *	16.3% #

### Income Change for California Families Late 1980s to Late 1990s, by Fifth of Families

Percentage Change



\* Change is statistically significant at the 95% confidence level.

+ Difference between this change and the percent change in the income of the top fifth is statistically significant at the 95% confidence level.

# Difference between this change and the percent change in the income of the bottom fifth is statistically significant at the 95% confidence level.