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Income Inequality in California

Tess Thorman and
Daniel Payares-Montoya

The gap between high and low incomes is wider in California than in most other states.

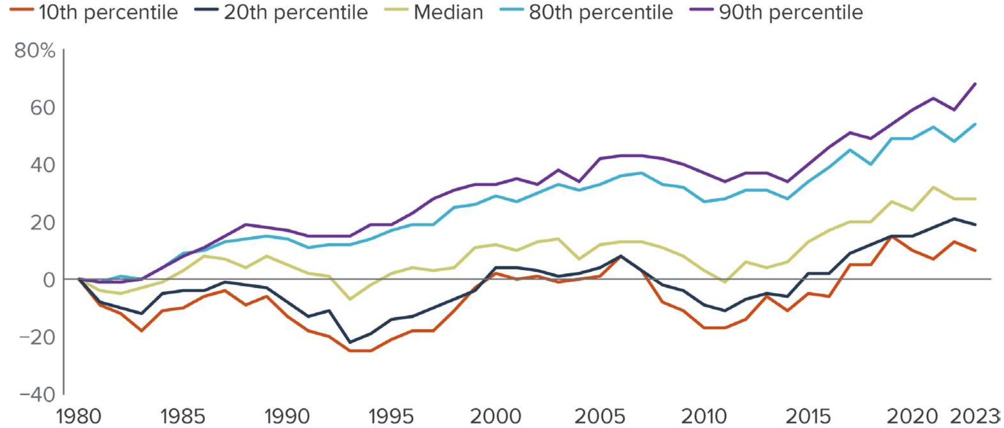
- In 2023 (the most recent data available), families at the top of the income distribution—the 90th percentile—earned 11 times more than families at the 10th percentile ($336,000 vs. $30,000, respectively). Only two other states had wider income gaps.
- The gap increased substantially after 1980, when families at the top earned seven times more than those at the bottom. This reflects 68% income growth for the 90th percentile, and 10% growth for the 10th percentile.
- The gap between high and middle incomes has also grown. Top-income families earned three times more than those at the median ($114,000) in 2023, compared to twice as much in 1980.
- Families in the bottom quarter of the income distribution fall below or are at risk of falling below the amount required to meet basic needs (about $40,000 per year for a family of four); poverty would be higher without safety net programs.
- Californians are concerned. According to the PPIC Statewide Survey, 70% believe that the gap between the rich and poor is widening, and a similar share think state government should do more to reduce the gap. At least six in ten across regions and demographic groups say the government should do more, but partisans are sharply divided (Democrats 86%, independents 68%, Republicans 38%).

Income inequality remains near historic highs.

- After steady growth in the 1980s and ’90s, income inequality has stayed near historic highs in the 2010s and ’20s.
- The income gap grew 14% from 2019, before the pandemic, to 2023. Top earners saw the strongest overall growth, a trend that has driven the rise of inequality in the long term. Low earners also saw gains due to wage and job growth in low-paying sectors, but a slowing labor market may have stalled these gains in 2023.
- The post-pandemic spike in inflation ate into gains for families at all income levels. Inflation hit low-income families the hardest due to the rise in prices for essentials like housing, food, transportation, and health care. These make up 82% of spending for low-income families but just 65% for high-income families.

Top incomes have grown more sharply 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 2023 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.

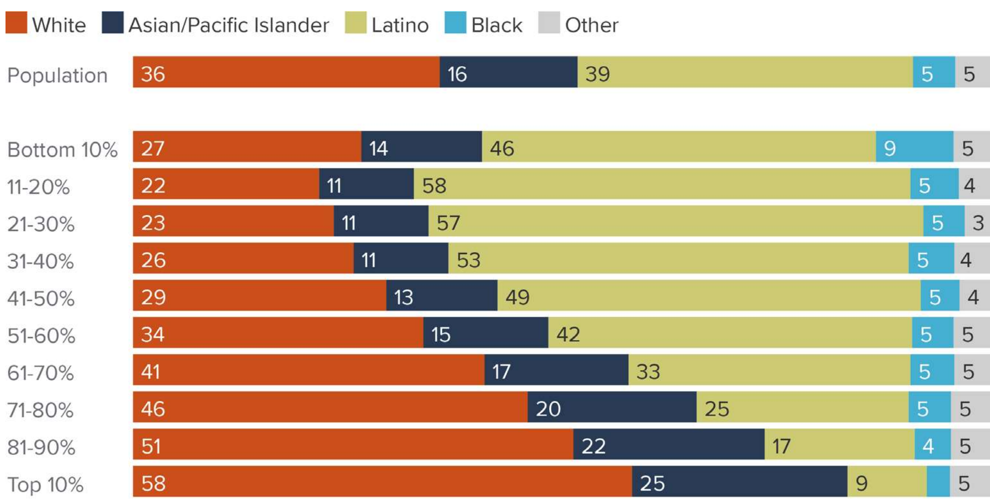
Earnings growth among educated workers has widened income inequality.

- Shifts in technology, international trade, and institutions have played key roles in reshaping jobs and creating advantages for college-degree holders. Among families in which any member holds at least a four-year degree, median income has increased by 40% since 1980. Median income for families without any college graduates declined by 9%. For every $1 these families earn, families with college graduates earn $2.36.
- Over the past several years, however, the gap has decreased slightly; since 2016, median incomes have increased more sharply for families with no high school graduates (17%) than for families with four-year degree holders (6%). Between 2020 and 2023, median income increased 7% for families with no high school graduates and 2% for those with college graduates.

Large income gaps exist across racial and ethnic groups.

- Black and Latino families make up 55% of families at or below the 10th percentile and 12% of those above the 90th percentile, while comprising 44% of all families in California. White and Asian families comprise 40% of the lowest-income families and 83% of the highest-income families (52% of all families).
- For every $1 that white families earn, Asian families earn $0.94, Black families earn $0.63, and Latino families earn $0.52. Inequality is highly correlated with disparities in education, but other factors are also at play, from local job opportunities, housing access, wealth, and incarceration, to discrimination in the labor market.

Most low-income families are Latino or Black, while most high-income families are white or Asian



Source: Authors' analysis of IPUMS ACS data (2023).
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, with "other" including multiracial and those not included in any of the other categories.

Income gaps would be larger without taxes or safety net programs.

- Taxes paid by high-income families as well as tax credits and safety net programs—including Earned Income Tax Credits and food assistance—narrow the gap between top and bottom incomes by 50%, according to the California Poverty Measure (as of the first quarter of 2023—when some pandemic expansions to food assistance were still in place).
- These programs also reduce racial income inequality, shrinking the gap in median income between white and Asian families (on the higher end) and Black and Latino families (on the lower end) by about 28%.

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Sources: American Community Survey (IPUMS USA); Current Population Survey ASEC (IPUMS-CPS); *PPIC Statewide Survey: Californians and their Government*, June 2023 and February 2024; PPIC-Stanford California Poverty Measure.