



CALIFORNIA BUDGET PROJECT

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CONTACT: Lisa Gardiner (916) 444-0500

A Generation of Widening Inequality

New Report Shows Widening Gap Between Low- and High-Wage Workers in Recent Decades

SACRAMENTO -- A new report by the California Budget Project (CBP) documents employment, wage, and income trends in California since the late 1970s, and finds that the gap between the state's rich and poor has widened. *A Generation of Widening Inequality: The State of Working California, 1979 to 2006* identifies a growing divide between the earnings of the state's low- and high-wage workers in recent decades. The report finds that income -- which includes wages as well as other sources of income, such as investments -- has become increasingly concentrated among the wealthiest Californians. It also shows that the state's job growth has largely occurred in low-wage and high-wage jobs, with substantially less growth in jobs in the middle of the earnings distribution.

"By slow degrees, California has changed from a state where opportunities abounded, and prosperity was more broadly shared, to one with an increasing divide between the rich and the poor," said Jean Ross, executive director of the CBP, a nonpartisan public policy research group. "This is bad news for California, because inequality adversely impacts our communities and our society. It makes it harder for working families to succeed and to give their children a decent start in life. California needs public policies that address the growing gap between the haves and have-nots."

The report finds that the gap between low-wage and high-wage workers has widened to a greater extent in California than in the nation as a whole because the state's low-wage workers have fared worse than their US counterparts, while the state's high-wage workers have fared better. The report also finds that the hourly wage of the typical California worker -- the worker at exactly the middle of the earnings distribution -- has barely kept pace with inflation in the past few decades.

The report also finds that:

- **Growth has been concentrated in low- and high-wage jobs, raising questions about future opportunities for low- and middle-income Californians.** Between 1979 and 2005, the state added large shares of both low-wage and high-wage jobs, but experienced substantially less growth in jobs in the middle of the distribution. Moreover, California's job growth was considerably more concentrated at each end of the earnings distribution during the 1990s and early 2000s than in the 1980s. Projections suggest this trend will continue in coming years, raising questions about opportunities that will be available to low- and middle-income Californians in the future.

1107 9th Street, Suite 310
Sacramento, California 95814
P: (916) 444-0500
F: (916) 444-0172
cbp@cbp.org
www.cbp.org

- **Income gains haven't been broadly shared.** The gains of high-income Californians have far surpassed those of lower-income Californians in recent years, while Californians in the middle of the distribution have experienced modest gains. Some Californians have managed to make ends meet in the face of stagnating or declining earnings by working longer and harder. For example, middle-income married women with children work more hours today than did similar women a generation ago, and their additional work effort is the reason that families' incomes have outpaced inflation. However, approximately 2 million working families have incomes below 200 percent of the federal poverty line, a level which fails to provide an adequate standard of living.
- **California's jobs have shifted from manufacturing to services.** Manufacturing jobs have declined as a percentage of the state's total number of jobs -- a concern because this sector traditionally has provided many workers without college degrees with well-paying jobs. At the same time, the state's share of service jobs has increased, reflecting gains in both high-wage and low-wage sectors.
- **Californians are working harder than they once did, but getting less in return.** Today, California's workers are less likely to have job-based benefits, such as job-based health coverage and job-based pension plans, than workers did a generation ago.
- **Economic growth during the economic recovery hasn't trickled down to many Californians.** Instead, productivity growth led to skyrocketing corporate profits, while many Californians experienced relatively minimal increases in wages and incomes.

NOTE: The report, *A Generation of Widening Inequality: The State of Working California, 1979 to 2006*, is embargoed for publication until 12:01 a.m. Thursday, August 23, but is available now to reporters who agree to honor the embargo. A supplement to the report, which provides population, employment, and poverty data for California's counties, is also available. On Wednesday, August 22 at 10:30 a.m., the CBP will hold an audio teleconference on the report for reporters, editors, and columnists. The call-in number is 1-800-290-9461 and the password is WORKING. To reserve a spot on the call or to obtain a copy of the report and/or the county supplement, email lgardiner@cbp.org or call Lisa Gardiner at (916) 444-0500.