

## Oregon Income Inequality: More Than Three Decades in the Making

### *A View of the State of Working Oregon*

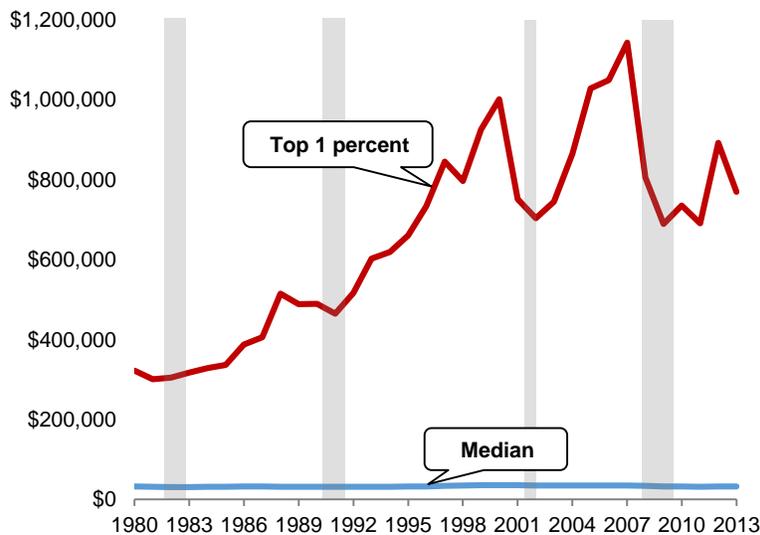
For the typical Oregonian, economic progress is a distant memory. More than four years into an economic “recovery,” the typical Oregonian — the one occupying the middle rung in the income ladder, or median — was earning less than when the recovery began.<sup>1</sup> Sadly, the recovery period following the end of the Great Recession is merely a continuation of the pattern in place for more than three decades, where income gains mainly flow to the top.

What does the growth in income inequality over the past generation mean in dollar terms to the typical Oregonian? In 2013, that Oregonian earned less than half of the income he or she would have earned had income inequality remained at the level of 1980.

Income inequality has rightly been described as the, “defining challenge of our time,”<sup>2</sup> and Oregon lawmakers need to step up to that challenge.

#### Top 1 percent's income soars; middle erodes

(Average income of Oregon's top 1 percent compared to Oregon's median income)



All figures adjusted for inflation using CPI-U-RS. Gray bars indicate official periods of recession.  
Source: OCCP analysis of Oregon Department of Revenue data.

The top 1 percent of earners have seen their incomes soar over the last three decades.

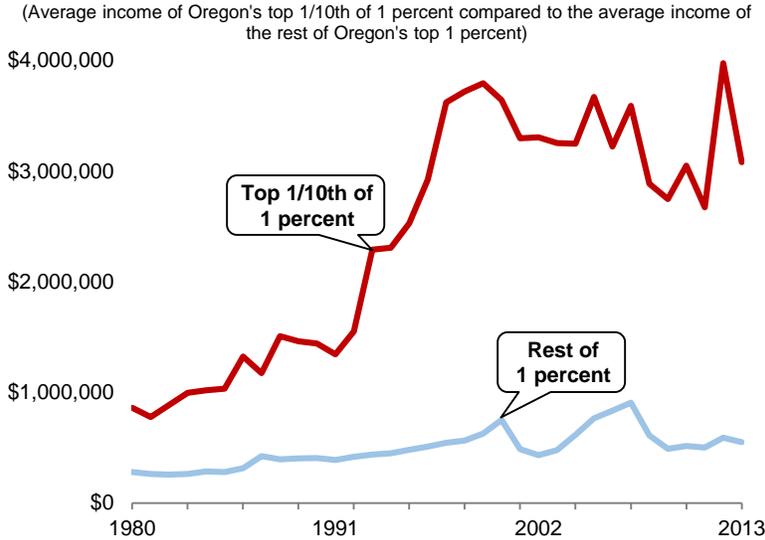
To belong to Oregon's top 1 percent in 2013, the year with most recent data available, a taxpayer had to make at least \$336,420. The top 1 percent's average income was about \$770,000 that year.<sup>3</sup> While this was down from its pre-recession peak in 2007, it was more than double the inflation-adjusted average of \$322,000 in 1980.

By comparison, the typical Oregonian's income has eroded. In 2013, the median income was \$32,537, about \$141 less than in 1980 after adjusting for inflation.<sup>4</sup>

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***A View of the State of Working Oregon*** is a series of occasional OCCP fact sheets explaining Oregon's economy from the perspective of working families.

**Top one-tenth of 1 percent's gain dwarfs rest of top 1 percent's gains**



Full-year resident income tax filers. Adjusted for inflation using CPI-U-RS. Source: OCPP analysis of Oregon Department of Revenue data.

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The income gains of a small group at the top — the top one-tenth of 1 percent — dwarf the rest of the top 1 percent.

To be among the approximately 1,600 households that make up Oregon's top one-tenth of 1 percent, a taxpayer had to make about \$1.3 million in 2013. The average income of the top one-tenth of 1 percent was about \$3.1 million in 2013.<sup>5</sup>

**Typical Oregonian earns less than half what she would had inequality stayed at 1980 level**

(2013 Oregon median income at actual and 1980 inequality level)



In 1980, the median household income was about 10 percent of the average income of the top 1 percent. By 2013, because the top 1 percent had such big gains, the median household income had shrunk to just four percent of the top 1 percent's average income.

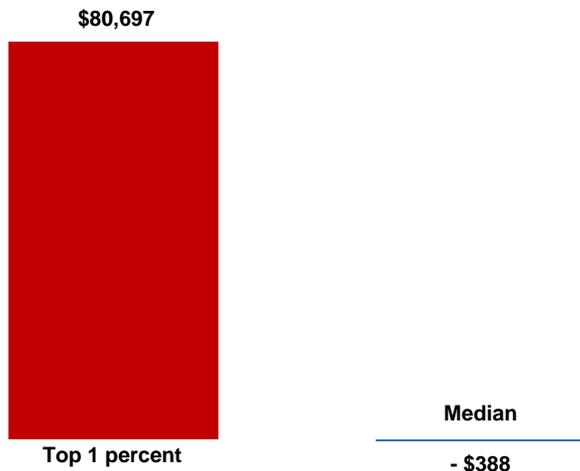
Had income inequality remained at its 1980 level, the 2013 median income would have been \$78,125, or more than twice what it actually was (\$32,537).

Adjusted for inflation using CPI-U-RS. Source: OCPP analysis of Oregon Department of Revenue data.

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**Typical Oregonian lost income during "recovery" while top 1 percent gained \$80,000**

(2009-2013 inflation-adjusted income gain)



Adjusted for inflation using CPI-U-RS.  
Source: OCPP analysis of Oregon Department of Revenue data.

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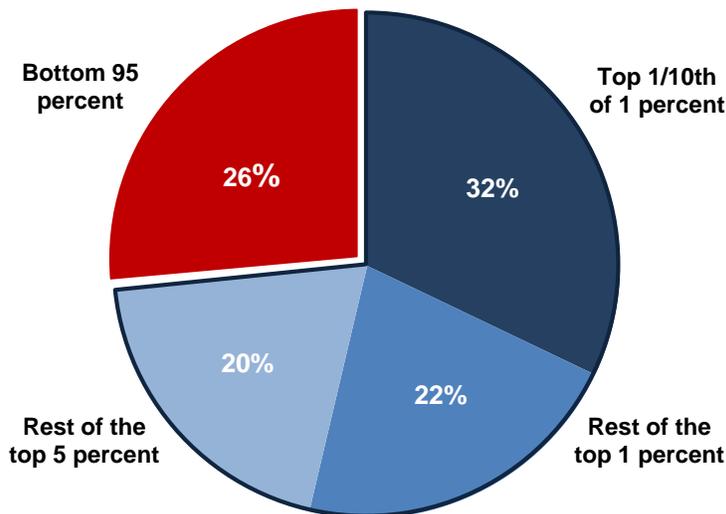
Since the Great Recession officially ended in 2009, the top 1 percent has seen increased earnings, while the typical Oregonian now earns less.

Adjusting for inflation, the average income of the top 1 percent of earners in Oregon increased by \$80,697 from 2009 to 2013.

The Oregonian in the middle — the median — saw income drop by \$388 over that same time after adjusting for inflation.

**Capital gains income mainly flows to the top**

(Share of 2013 Oregon capital gains)



Full-year resident income tax filers.  
Source: OCPP analysis of Oregon Department of Revenue data.

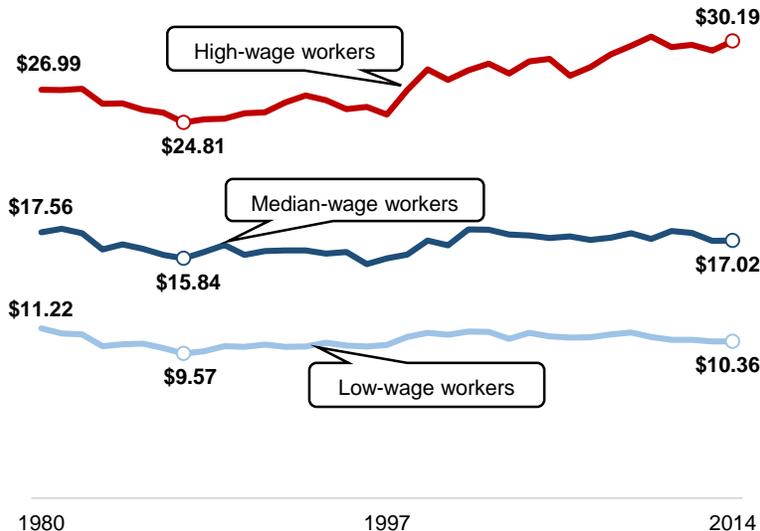
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The concentration of capital gains income at the top contributes to income inequality. Capital gains income comes from the profitable sale of assets such as stocks, bonds and real estate.

In 2013, the top 5 percent collected nearly three-quarters (74 percent) of the income from capital gains.<sup>6</sup> The top 1 percent took home over half (54 percent) of all capital gains, with the top one-tenth of 1 percent collecting nearly a third (32 percent) of all capital gains income. The rest of the top 5 percent of taxpayers collected one-fifth (20 percent) of all capital gains.

**High wages rise; median and low wages do not**

(Hourly earnings in Oregon at 20th, 50th, and 80th percentiles)



All figures adjusted for inflation using CPI-U-RS.  
Source: Economic Policy Institute analysis of Current Population Survey data.

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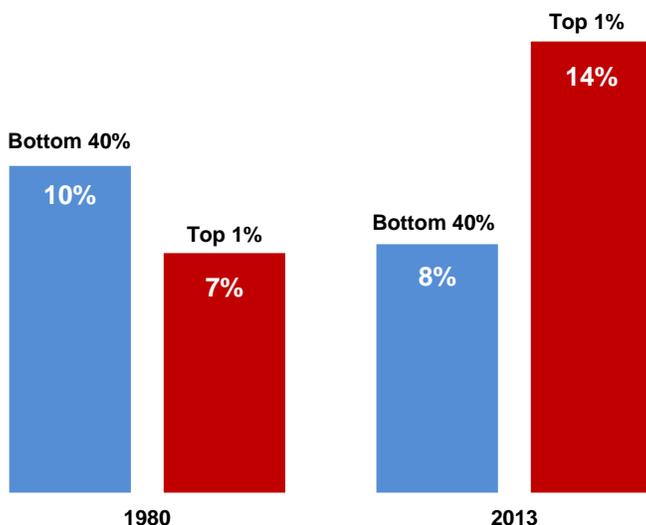
High-wage workers have seen their paychecks grow, while median and low-wage workers have not.<sup>7</sup> The hourly wage of high-wage workers rose from \$26.99 in 1980 to \$30.19 in 2014, when adjusted for inflation.

Meanwhile, wages have stagnated or fallen for other groups of workers. In 2014, the median hourly wage was \$17.02 – below the \$17.56 inflation-adjusted median wage 35 years earlier.

Similarly, low-wage workers earned just \$10.36 per hour in 2014, less than the \$11.22 they made in 1980 in inflation-adjusted dollars.

**Oregon's top 1 percent now earns nearly twice that of the bottom 40 percent**

(Share of total Oregon income in 1980 and 2013)



Source: OCPP analysis of Oregon Department of Revenue data.

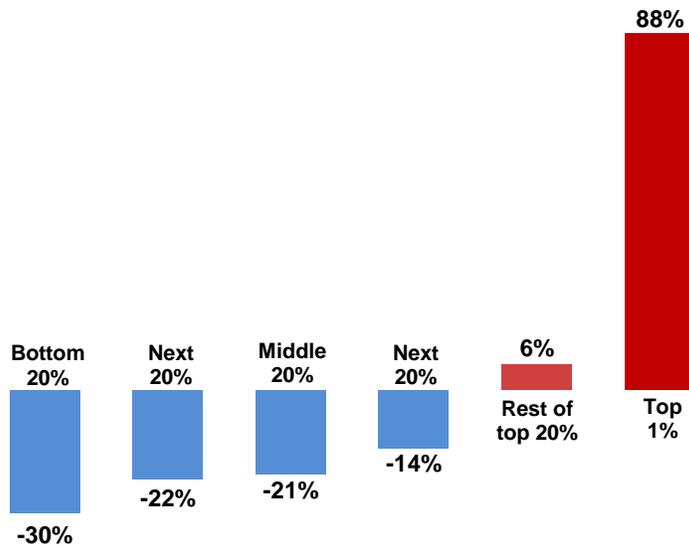
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In 1980, the bottom 40 percent of Oregon taxpayers collected 10 percent of all income, while the top 1 percent collected seven percent. By 2013, the bottom 40 percent collected just eight percent of all income, while the share collected by the top 1 percent had doubled to 14 percent.

Thus, in 2013 the top 1 percent took home nearly twice the income that the 40 percent at the bottom of the income ladder did. In dollars, that was \$6.5 billion more.

### As top gains income share, others lose share

(1980-2013 percent change in share of total Oregon income)



Source: OCPP analysis of Oregon Department of Revenue data.

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Oregon's top 1 percent of taxpayers have seen their slice of total state income nearly double over the last three decades, rising 88 percent from 1980 to 2013. The only other income group to have gained total income share was the rest of the top 20 percent (the top fifth excluding the top 1 percent).

As the share of total income rises for some, it declines for others. From 1980 to 2013, the bottom 80 percent of taxpayers saw their income share decline. The lower the income of the group, the bigger the drop.<sup>8</sup>

## Oregon Lawmakers Should Confront Income Inequality

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For over the last three decades, economic gains have mainly flowed to the top, bypassing most Oregonians. The recovery period since the Great Recession is one more chapter of this story.

It will take significant changes in public policy to once again allow the typical Oregonian to experience economic progress. That means investing more in education and other public services that create economic opportunity, making sure work pays by raising the minimum wage and protecting against wage theft, and adopting tax policies that reduce, not exacerbate, income inequality.

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The Center is a part of the State Priorities Partnership ([www.statepriorities.org](http://www.statepriorities.org)) and the Economic Analysis and Research Network ([www.earncentral.org](http://www.earncentral.org)).

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### **Endnotes**

<sup>1</sup> In this fact sheet we use the terms “Oregonians” and “taxpayers” interchangeably. Unless otherwise noted, these refer to all Oregon income tax filers. In some instances, Oregon Department of Revenue data is only available for full-year resident income tax filers. In those instances, we note that the data is for full-year filers only in the chart’s footer.

<sup>2</sup> President Barack Obama, “Remarks by the President on Economic Mobility,” December 4, 2013, available at <https://www.whitehouse.gov/the-press-office/2013/12/04/remarks-president-economic-mobility>.

<sup>3</sup> Unless otherwise noted, income figures in this publication are OCPP calculations based on Oregon Department of Revenue data and “income” is adjusted gross income for all income tax filers.

<sup>4</sup> Oregon’s 1980 median income was \$32,677 in 2013 dollars.

<sup>5</sup> Calculations for top one-tenth of 1 percent and the rest of the top 1 percent are based on total income for full-year returns.

<sup>6</sup> Calculations for capital gains income are based on total income for full-year income tax filers.

<sup>7</sup> Economic Policy Institute analysis of Current Population Survey data. Here, wage levels correspond to percentiles. “High-wage” refers to the 80th percentile, meaning the worker whose wages were higher than 80 percent of all workers and lower than 20 percent of all workers. “Median” refers to the worker in the 50th percentile, with half of Oregon workers earning more and half earning less. And “low-wage” refers to the 20th percentile, meaning the worker whose wages were higher than 20 percent of all workers and lower than 80 percent of all workers.

<sup>8</sup> Tax returns with negative adjusted gross income have been excluded.