

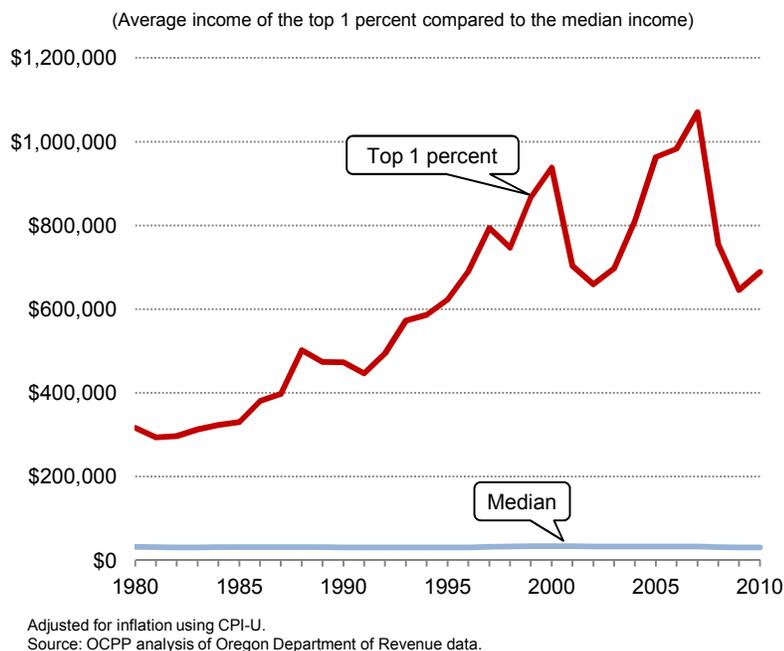
## Economic Gains Flow to the Top as Oregon Income Inequality Soars

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

The past three decades in Oregon, as elsewhere, are in large measure a story of surging income inequality. As the income of the fortunate few at the top has soared, the income of most Oregonians has stagnated or declined. If many Oregonians feel that they are struggling to keep up or falling behind, it is because they are.

The surge in income inequality has occurred even as Oregon's economy has expanded.<sup>1</sup> Indeed, although inequality declined during the recession, it began rising again in 2010, the first full year of official recovery. This shows that economic growth alone does not and will not create economic opportunity and security for many Oregonians. Policymakers need to confront the structures that channel economic gains largely to the wealthy and exclude, in large part, most Oregonians.

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



Those at the top of Oregon's income scale — the wealthiest 1 percent of taxpayers — collectively have seen their income soar over the past three decades. In 2010, the most recent year with data available, the top 1 percent's average income was about \$689,000. Though this is down from the pre-recession peak in 2007, it is more than double their inflation-adjusted average of about \$317,000 in 1980.<sup>2</sup> (To belong to Oregon's top 1 percent, you had to make at least \$295,479 in 2010.)

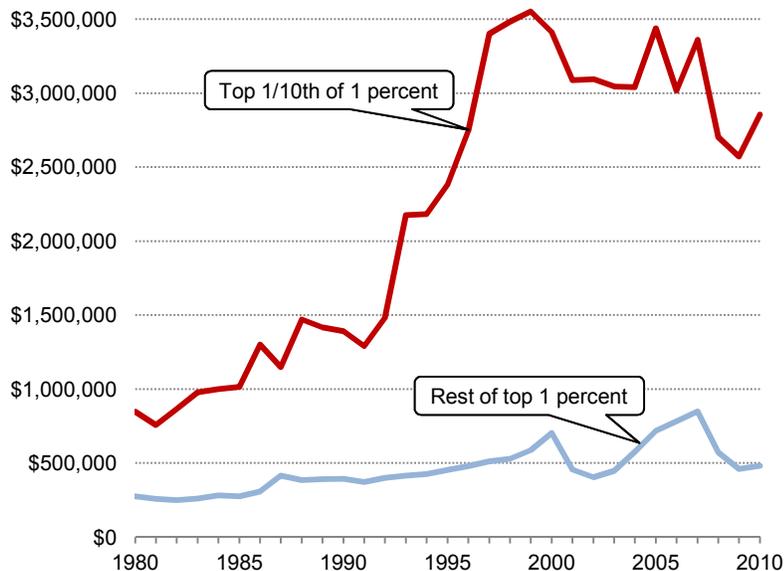
By contrast, the typical Oregon taxpayer's income has eroded. In 2010, Oregon's median income was \$30,839, about 4 percent less than it was in 1980 after adjusting for inflation.<sup>3</sup>

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*A View of the State of Working Oregon* is a series of occasional OCPP fact sheets published to help explain Oregon's economy from the perspective of working families.

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

(Average income of the top 1/10th of 1 percent compared to the average income of the rest of the top 1 percent)



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

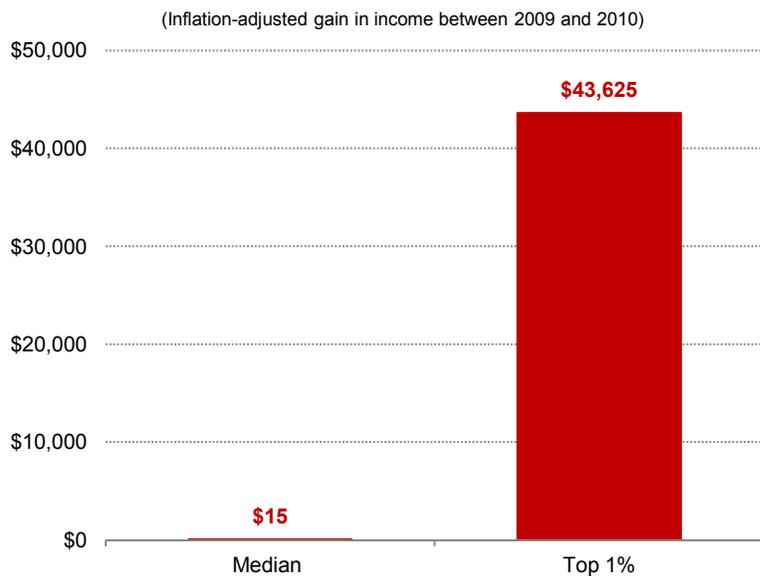
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Although as a group the entire 1 percent has done fabulously well over the past three decades, the income gains by the tiny sliver at the top of the heap — about 1,600 of the wealthiest taxpayers — dwarf even the rest of the top 1 percent.

The average income of the top one-tenth of 1 percent, the wealthiest 1 out of every 1,000 Oregon taxpayers, stood at almost \$2.9 million in 2010. That was over three times the inflation-adjusted amount of about \$846,000 in 1980. Over the same period, the rest of the top 1 percent saw their average income grow 76 percent, from about \$274,000 to about \$482,000.<sup>4</sup>

To be among Oregon's top one-tenth of 1 percent, one had to make at least \$1.1 million in 2010.

**Income inequality rises again in 2010**



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

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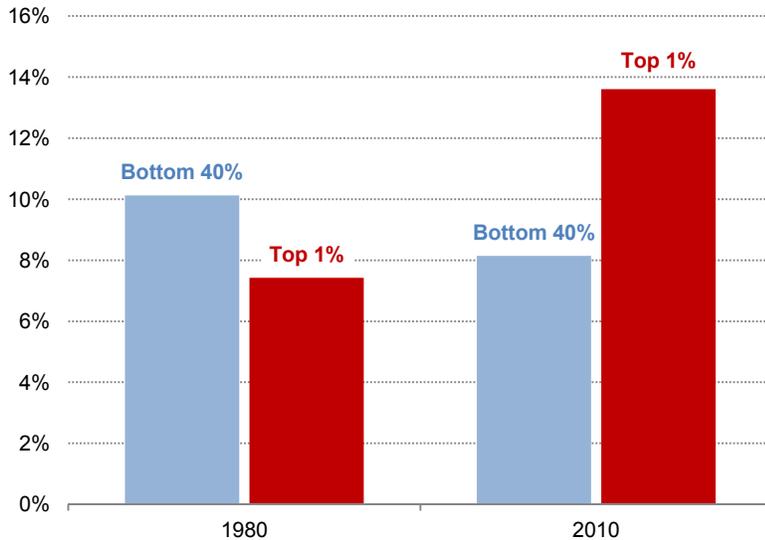
Income inequality rose again in 2010 after narrowing during the recession. Oregon incomes bottomed out from the aftermath of the recession in 2009 and began to rebound in 2010. These increases, however, are again concentrated at the top of the income ladder.

After taking inflation into account, the average income of the top 1 percent rose by about \$44,000 in 2010, or about 6.8 percent.

Over that same time period, Oregon's inflation-adjusted median income increased by only about \$15 — less than 0.05 percent.

**Top 1 percent's income share overtakes lowest 40 percent's share**

(Share of total income in 1980 and 2010)



Source: OCPP analysis of Oregon Department of Revenue data.

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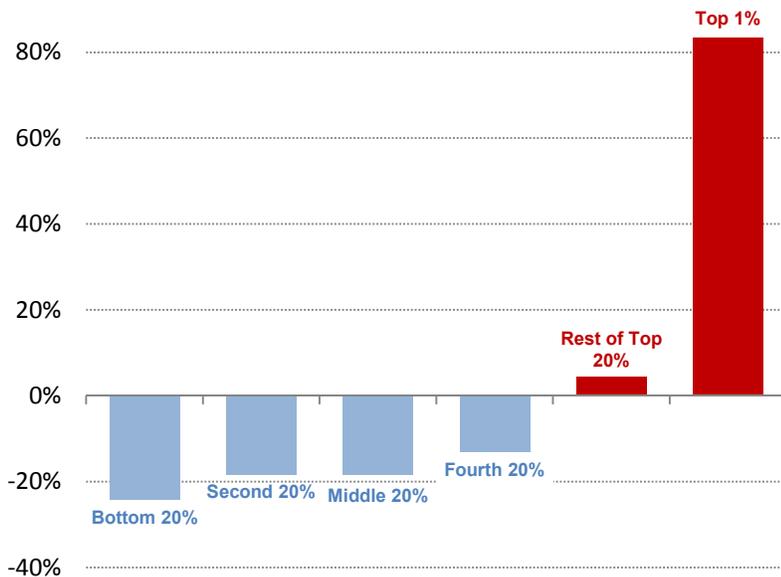
Over the past three decades, the collective income share of the wealthiest 1 percent of Oregon taxpayers shot up well above the collective income of Oregon's lowest earning 40 percent.<sup>5</sup>

In 1980, the bottom 40 percent of Oregon taxpayers together collected 10.1 percent of all income, while the top 1 percent together collected 7.7 percent. But by 2010, the collective share of all income of the bottom 40 percent had dropped to 8.1 percent, while the collective share of the top 1 percent had risen to 13.6 percent.

Thus, in 2010 the top 1 percent collectively took home about \$5 billion *more* in income than the 680,000 taxpayers at the bottom of the income ladder.

**As top gains income share others lose share**

(Percent change in income share from 1980 through 2010)



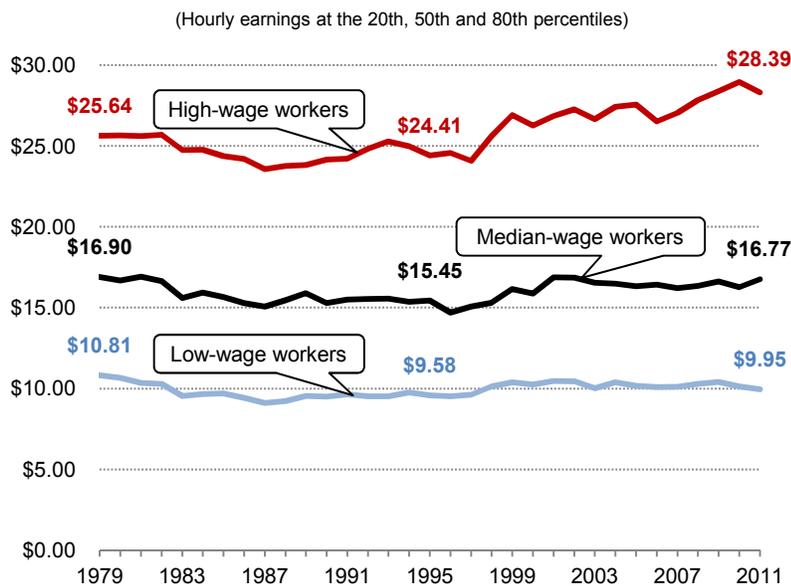
Source: OCPP analysis of Oregon Department of Revenue data.

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Oregon's wealthiest 1 percent of taxpayers have seen their slice of total state income expand dramatically over the last 30 years, while the slices of nearly all other income groups have shrunk. Specifically, the share of total state income collected by the top 1 percent increased by 83 percent from 1980 to 2010. The only other group to have gained total income share was the rest of the top 20 percent (the top fifth excluding the top 1 percent).<sup>6</sup>

As the share of total income rises for some, it necessarily declines for others. From 1980 to 2010, the bottom 80 percent of Oregon taxpayers saw their income share decline. That was especially the case for the lowest-earning 20 percent, who lost about a quarter of their income share over the course of the last three decades.

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



Adjusted for inflation using CPI-U.  
Source: Economic Policy Institute analysis of Current Population Survey data.

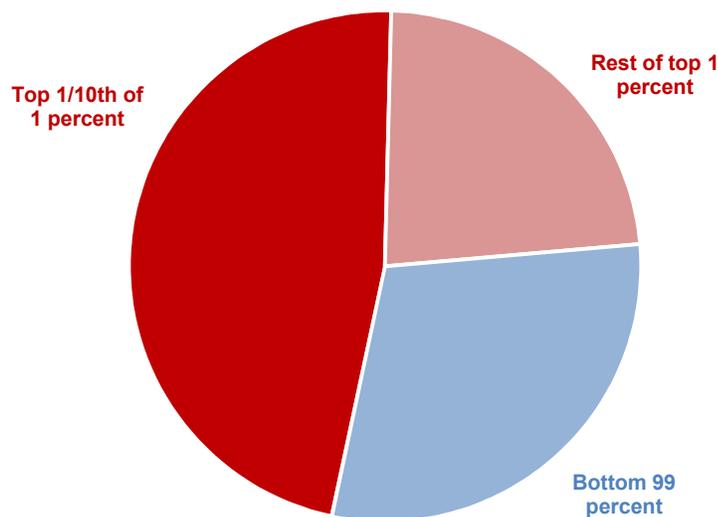
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The increase in income inequality is in part explained by the fact that over the past three decades, high-wage workers have seen their paychecks grow, while median and low-wage workers have not.<sup>7</sup> The hourly wage of high-wage workers rose from \$25.64 in 1979 to \$28.31 in 2011, when adjusted for inflation.

Over the same time period, wages have stagnated, or fallen, for other groups of Oregon workers. For example, in 2011 the median, or typical, hourly wage was \$16.77 — below the \$16.90 inflation-adjusted median wage more than 30 years earlier. Similarly, low-wage workers earned just \$9.95 per hour in 2011, less than the \$10.81 they made in 1979 in inflation-adjusted terms.

## Top one-tenth of 1 percent take about half of all capital gains income

(Share of 2010 Oregon capital gains income by income group)



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 very top of the income scale likely contributes to income inequality.<sup>8</sup> In 2010, the top one-tenth of 1 percent — the wealthiest 1 out of every 1,000 Oregon taxpayers — collected close to half (47 percent) of all capital gains income. The rest of the top 1 percent took in another 23 percent. Together, the entire top 1 percent collected 70 percent of all capital gains income in Oregon.

The rest of Oregon taxpayers were left to share the remaining 30 percent of capital gains income. In fact, the top one-tenth of 1 percent — consisting of only about 1,600 tax filers — together took in about one-and-a-half times what all of the 1.6 million taxpayers who constitute the 99 percent together took in.

### Endnotes

<sup>1</sup> Uniform Gross State Product (GSP) data from the United States Bureau of Economic Analysis (BEA) dates back only to 1997. But while state-level BEA data does not allow for confident comparison of the pre-1997 period, BEA's Gross Domestic Product (GDP) data shows that the national economy has expanded fairly steadily over the course of the past three decades, even if interrupted by intervening recessions. Specifically, U.S. GDP more than doubled over the last 30 years (see data available at <http://bea.gov/national/index.htm#gdp>); and since 1997, Oregon's GSP has tended to outperform growth in national GDP during economic expansions (see Oregon Center for Public Policy, *If Economic Growth Assured Well-Being, Oregonians Would be Thriving*, Fact Sheet, December 14, 2011, available at <http://www.ocpp.org/2011/12/14/if-economic-growth-assured-well-being-oregonians-w/>).

<sup>2</sup> Unless otherwise noted, figures in this publication are OCPP calculations based on Oregon Department of Revenue adjusted gross income data for all income tax filers.

<sup>3</sup> Oregon's 1980 median income was \$32,125 in 2010 dollars.

<sup>4</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>5</sup> Tax returns with negative adjusted gross income have been excluded.

<sup>6</sup> Tax returns with negative adjusted gross income have been excluded.

<sup>7</sup> Here, wage levels correspond to percentiles. "High-wage" refers to the 80<sup>th</sup> 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 50<sup>th</sup> percentile, with half of Oregon workers earning more and half earning less. And "low-wage" refers to the 20<sup>th</sup> percentile, meaning the worker whose wages are higher than 20 percent of all workers (and lower than 80 percent of all workers).

<sup>8</sup> Capital gains income comes from the profitable sale of assets such as stocks, bonds and real estate. Calculations for capital gains income are based on total income for full-year income tax filers.

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