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DC Region Economy Good for Some, But Leaving Others Behind

Broadly shared prosperity is not among region's attractions

Most workers in the national capital region are struggling just to get by, seeing their wages stagnate or fall while the highest earners are enjoying strong wage growth, according to a new region-wide report – *Bursting the Bubble* -- published today by The Commonwealth Institute, based in Virginia; the DC Fiscal Policy Institute; and the Maryland Center for Economic Policy.

The study takes a close look at census data and shows how workers are faring across the region as a whole. The conclusion: inequality is growing as top earners race ahead of those in the middle and the bottom.

The wages of the highest-earning workers in the national capital region grew by an average of $4.11 per hour since 2007 -- a gain of over $8,000 per year for a full-time, year-round worker -- sending their average hourly wage to $43.

That's nice work, if you can get it. But most workers in the region can't.

Workers in the middle of the pack, earning the median wage of $22.07 per hour, saw a pay increase of just 16 cents per hour since 2007. And at the bottom, where people make less than $11.89 per hour, workers actually saw their hourly wages fall by 71cents.

That means that for every dollar that a high-wage earner in the region makes, the lowest-wage earner makes just 16 cents. This disparity makes the region's wage gap bigger than that of any U.S. state. But it can be hard to see amid the region's overall economic growth.

"The disparities in wages among workers in the national capital region are masked by the fact that the top-level numbers look good, especially compared to other parts of the country," said Michael Cassidy, President & CEO of The Commonwealth Institute. "But the day-to-day reality for most people living here is very different."

For example, since 2007 employment has increased by over 200,000 jobs in the region among workers with a bachelor's or an advanced degree. But for workers without a college degree, there were 110,000 fewer jobs. That means that the region's less-educated workers are far less likely to be employed now than before the last recession.

In addition to wages, the report also analyzes trends in income, employment, and housing. Key findings include:

- **Less-educated workers are struggling to maintain a foothold in the national capital region's economy.**
    - For workers without a high school diploma, the median wage has fallen 13 percent.
    - Capital area workers with only a high school diploma have seen a larger drop in median wages (81 cents) than their peers in the rest of the country (51 cents).
    - For workers with some college but not a bachelor's degree, the median wage has fallen 10 percent.

    - For workers without a bachelor's degree, median wages have dropped 5 percent since the recession, after accounting for inflation.

- **Black workers and young workers have been hit harder than others.**
    - Black residents without a high school diploma are just over half as likely to be employed as White, non-Hispanic residents with the same level of education.
    - Even highly educated Black workers are three times more likely to be unemployed than their White, non-Hispanic counterparts. The unemployment rate among Black workers in the national capital region with a bachelor's or advanced is 6 percent, compared to 2 percent for White, non-Hispanic workers.
    - 1 in 8 workers between 18 and 24 is unemployed; the rate jumps to 1 in 5 if you add young workers in part-time jobs who want work full time or those who have given up looking for work, more than twice the rate for older workers.

- **Income declines and loss of jobs contribute to rising poverty**
    - Median household income in the region fell 8.5 percent between 2007 and 2012. Calvert County, Md. (16 percent drop) and Fauquier Co., Va. (11 percent drop) were hardest hit.
    - As income fell, poverty rose
        - The regional child poverty rate jumped to 10.7 percent from 8.2 percent.
        - Poverty is still most prevalent in the District (18%), but it is also high in the Maryland suburbs. In fact, since 2007 the poverty rate in Charles County has doubled to 10 percent.
        - Though the overall poverty rate – 8.4 percent – appears much lower than the rest of the country (15.9 percent), the Supplemental Poverty Measure, which adjusts for the cost of living, pushes it up to 13.4 percent, compared to 15.3 percent nationally.

"Poverty in the national capital region often hides in plain site; no longer is it concentrated in the region's core," said Benjamin Orr, Executive Director of the Maryland Center for Economic Policy. "The changing nature of federal employment has destabilized what used to be the ladder to economic security for many families."

- **High affluence drives up costs for everyone**
    - Despite the relatively strong economy for highly educated workers, more than 25 percent of families in the region don't make enough to afford basic living expenses.
        - A third of homeowners with a mortgage and half of all renters pay more than what is considered affordable for their housing costs (30 percent or more of their income)
        - In Prince George's Co., 43 percent of homeowners with a mortgage pay more than 30 percent of their income toward housing.
        - The highest number of these "housing burdened" renters are found in DC, Montgomery Co., MD, Prince George's Co., and Fairfax Co., VA
    - In Arlington, Alexandria, and Fairfax counties in Virginia, 27 percent of renters pay more than 50 percent of their income toward housing.

"It's a problem that so many hard-working families cannot keep up with skyrocketing rents and can only dream of becoming a homeowner," said Ed Lazere, Executive Director of the DC Fiscal Policy Institute. "As a region, we need to create better housing opportunities so that workers who support our economy can live decently and securely."

The full report, *Bursting the Bubble: The Challenges of Working and Living in the National Capital Region*, is available online at these Web sites.

www.thecommonwealthinstitute.org
www.dcfpi.org
www.mdcep.org

To request a printed copy, please contact Benjamin Orr, borr@mdeconomy.org,
410-412-9105 (x700)