
EXECUTIVE SUMMARY

The District's economy is far stronger today than it was a decade ago, as evidenced by a robust real estate market, recent budget surpluses, and a resurgence in DC's population. Since the late 1990s, the number of jobs in the District has increased and median household income has risen.

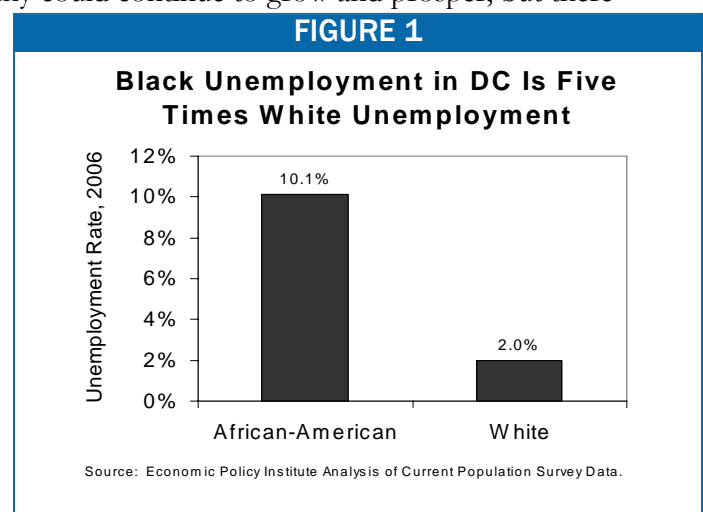
This progress has not, however, resulted in broadly shared benefits for DC residents. A detailed review of the District's economy reveals a number of disturbing trends and shows that the city's wide economic disparities are getting wider. This report covers four areas of the DC economy — employment and unemployment, wages, income, and poverty — and highlights the following trends.

- **Despite city-wide job growth, employment among African-American residents and those with no more than a high school diploma has been falling.** The employment rate for these groups is at nearly the lowest level in 30 years.
- **The gap between high-wage and low-wage workers in the District is at an all-time high.** Wages have barely changed in 30 years for DC's lowest-wage workers, after adjusting for inflation, while DC's top earners have seen large earnings gains.
- **Income inequality in the District is greater than in nearly every large U.S. city.** DC's rich-poor gap has widened over the past two decades.
- **Poverty in the District is at the highest level in nearly a decade.** Since with the late 1990s, some 27,000 more DC residents have fallen into poverty.

These findings show that the District has two different economies: one represented by construction cranes, new jobs, and growing incomes — and another represented by people who work but earn very little, who are not moving into better jobs or higher wages, and who may not be working at all. The gleaming side of DC's economy could continue to grow and prosper, but there is little evidence to suggest it would lead to any improvements for the thousands of residents who live on the other side. Indeed, it will take bold new actions by DC's leaders to reach out to families in DC's most dislocated neighborhoods, to help them acquire the skills needed to succeed in DC's economy, and to provide other supports to improve family and neighborhood stability.

Employment and Unemployment: DC's Economic Boom Has Left Many Residents Behind

- **African-American residents are five times more likely than white residents to be unemployed.** This gap was greater in 2006 than in any year since 1985.



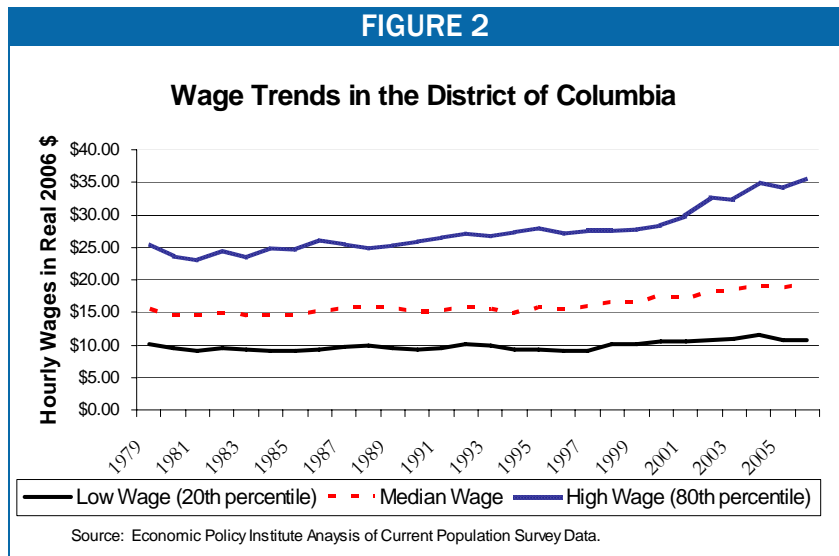
- **Employment among African-American adults has been falling since the late 1980s.** The employment rate among black adults has even fallen during the city's recent economic boom. Some 51 percent African-American adults worked in 2006, compared with 62 percent in 1988.

If the employment rate among DC's African-American residents had not fallen since the late 1980s, some 24,000 more would be working today. Employment among African-Americans would 133,000 instead of the actual employment level of 109,000.

- **Employment among residents with a high school diploma is at the lowest level in nearly 30 years.** Just 51 percent of DC residents at this education level are working. In the late 1980s, by contrast, nearly two-thirds of residents with a high school diploma were employed.

Wage Trends Show Growing Disparities

- **Real wages have barely changed for low-wage workers over 30 years.** Hourly earnings for low-wage working DC residents rose just six percent between 1979 and 2006, after adjusting for inflation, compared with a 40 percent increase for high-wage workers.

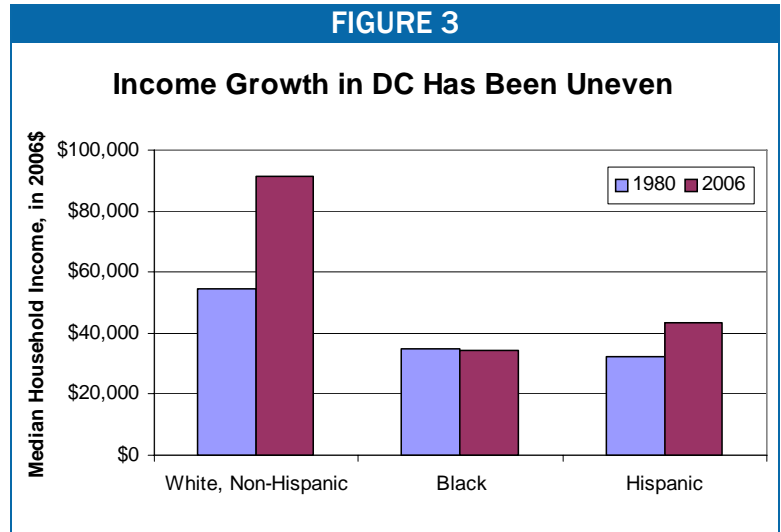


- **Many DC workers earn poverty-level wages.** The bottom fifth of working DC residents earned \$10.81 per hour or less in 2006. This wage level is barely enough to keep a family of four with a full-time worker above the poverty line of roughly \$21,000. By contrast, the top 20 percent of DC earners had wages of \$34.50 per hour or more in 2006.
- **The earnings gap between top and bottom DC earners is at the widest level since 1979.**

Income Inequality Is Wider in DC than Nearly Every Other Major City

- **African-American median income is no higher than in 1980.** For Black DC households, median household income in 2006 was \$34,500, slightly lower than the 1980 figure of \$34,700. (All figures are adjusted for inflation to equal 2006 dollars.) Meanwhile, median income for white households rose from \$55,000 in 1980 to \$92,000 in 2006, a 68 percent increase.

- **Income inequality has widened in DC.** The average income of the poorest fifth of DC households rose just three percent, after adjusting for inflation, between the early 1980s and the early 2000s. In contrast, the average income of the wealthiest fifth increased 81 percent.
- **The gap between high-income and low-income households in the District is wider than in nearly every major U.S. city.** An analysis of 59 large U.S. cities by the Brookings Institution found that income inequality in DC was greater in 2006 than in every city except Atlanta and Tampa.



DC's Poverty Rate: On the Rise despite Economic Improvements

- **Poverty in the District is at the highest level in nearly a decade.** One in five DC residents — 110,000 people — live in poverty.
- **Thousands of DC residents have fallen into poverty in recent years.** DC's 19.8% poverty rate in 2005-06 represents an increase of nearly one-third since 1999-2000 when 15% of DC residents were poor. This translates into a 27,000 increase in the number of poor residents.

