



DC's TWO ECONOMIES: Many Residents Are Falling Behind Despite the City's Revitalization

By
Ed Lazere



**Research that Matters
For the District of Columbia**

The DC Fiscal Policy Institute conducts research and public education on budget and tax issues in the District of Columbia, with a particular emphasis on issues that affect low- and moderate-income residents. By preparing timely analyses that are used by policy makers, the media, and the public, DCFPI seeks to inform public debates on budget and tax issues and to ensure that the needs of lower-income residents are considered in those debates.

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
Employment and Unemployment: DC's Economic Boom Has Left Many Residents Behind.....	1
Wage Trends Show Growing Disparities	2
Income Inequality Is Wider in DC than Nearly Every Other Major City.....	2
DC's Poverty Rate: On the Rise despite Economic Improvements	3
CHAPTER I: EMPLOYMENT	5
DC'S Employment Boom Has Left Many Residents Behind	5
DC's Unemployment Rate Is High Despite a Growing Number of Jobs in the City	6
Black-White Employment Disparities in DC Are at Highest Levels in Decades	6
Employment Among Residents a High School Diploma Is at the Lowest Level in Nearly 30 Years.....	8
CHAPTER II: WAGES	11
The Gap between DC's Lowest Earners and Highest Earners Has Reached an All-time High ...	11
What are Low, Middle, and High-Wage Levels in DC?	11
Real Annual Wages for Low- Wage Workers Have Fallen \$1,600 Since 2004.....	12
The Wage Gap between High-Wage and Low-Wage DC Workers Is at an All-time High	12
Gap between Wages and the Costs of Living is Greater in DC than in Nearly All Large Cities...	13
CHAPTER III: INCOME	15
Income Inequality in DC Is among the Greatest in the U.S.	15
Recent Improvements in Median Household Income Offset Income Declines in the 1990s.....	15
Income of DC's African-American Households Is No Higher than in 1980.....	16
DC Income Inequality Is Growing and among the Widest in the Nation.....	16
CHAPTER IV: POVERTY	19
DC's Poverty Rate Remains High Despite Economic Growth.....	19
DC Poverty at Highest Level in Nearly a Decade	19
Who Is Poor in DC?.....	19
Many Low-income DC Families Are Working Families.....	20
CHAPTER V: CONCLUSION	23
APPENDIX TABLES	25

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.

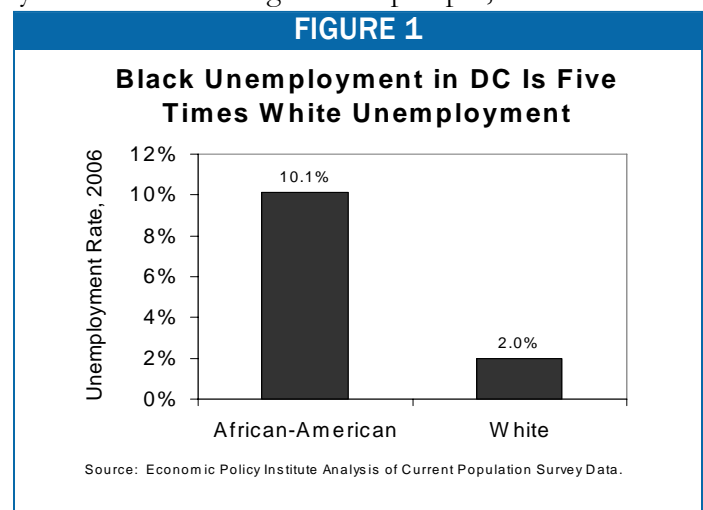
This progress has not, however, resulted in broadly shared benefits for DC residents. A detailed review of the District's economy reveals a number of disturbing trends and shows that the city's wide economic disparities are getting wider. This report covers four areas of the DC economy — employment and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



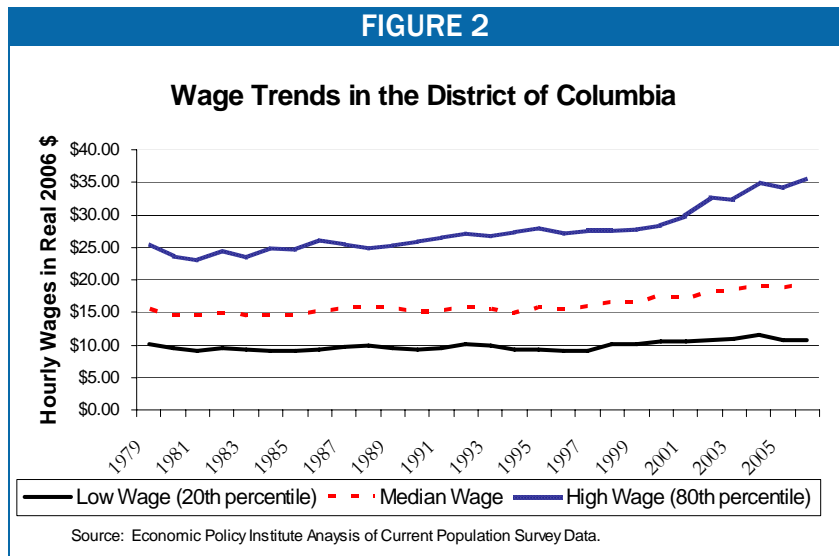
- **Employment among African-American adults has been falling since the late 1980s.** The employment rate among black adults has even fallen during the city's recent economic boom. Some 51 percent African-American adults worked in 2006, compared with 62 percent in 1988.

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.

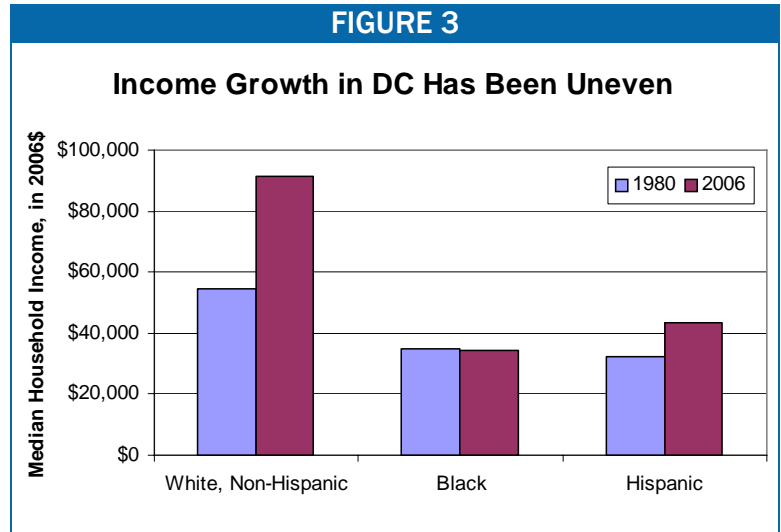


- **Many DC workers earn poverty-level wages.** The bottom fifth of working DC residents earned \$10.81 per hour or less in 2006. This wage level is barely enough to keep a family of four with a full-time worker above the poverty line of roughly \$21,000. By contrast, the top 20 percent of DC earners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

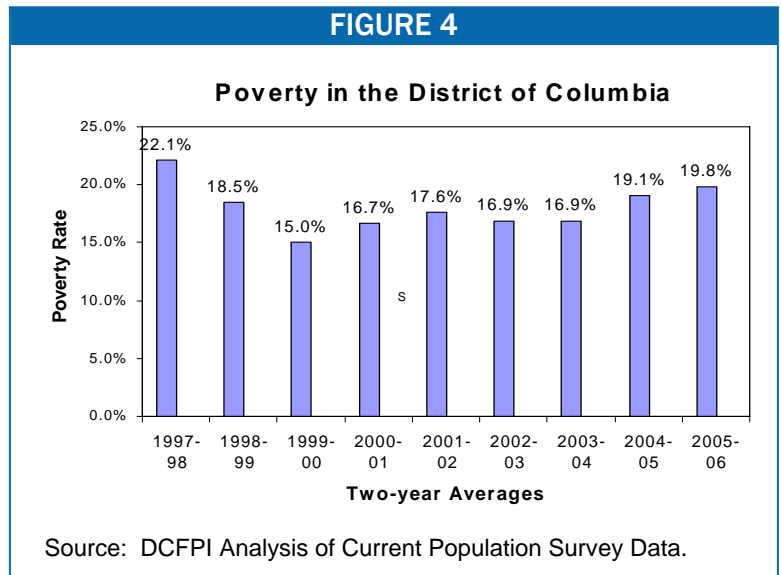
- **African-American median income is no higher than in 1980.** For Black DC households, median household income in 2006 was \$34,500, slightly lower than the 1980 figure of \$34,700. (All figures are adjusted for inflation to equal 2006 dollars.) Meanwhile, median income for white households rose from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



CHAPTER I: EMPLOYMENT

DC'S Employment Boom Has Left Many Residents Behind

All economies, whether national or regional, go through periods of expansion and decline. The District of Columbia's economy is affected by national trends, but it also appears to have had its own unique trends. In particular, the DC economy suffered tremendously in the 1990s — while the regional and national economies were growing — and then started to rebound in the late 1990s. DC's recovered was marked particularly by an increase in employment within the city and a resurgent real estate market.

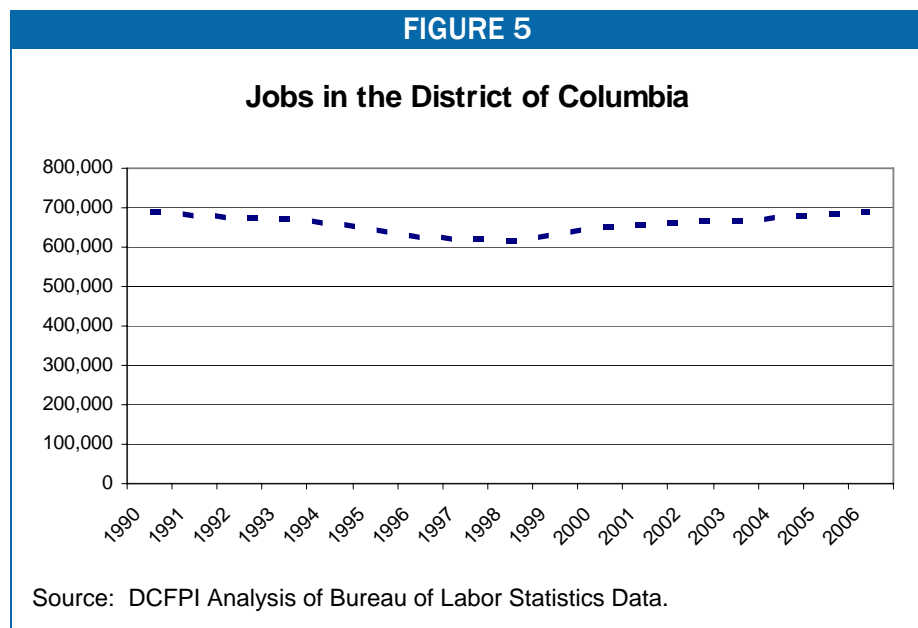
A review of the District's economic trends shows, however, that the recent improvements have not been felt broadly by DC residents. Unemployment in DC remains higher than in most cities. Employment levels for African-American residents and those without a post-secondary degree have actually fallen since the late 1990s. For some groups, employment rates are now as low as in the city's deep economic crisis of the 1990s — the lowest level in the last 30 years.

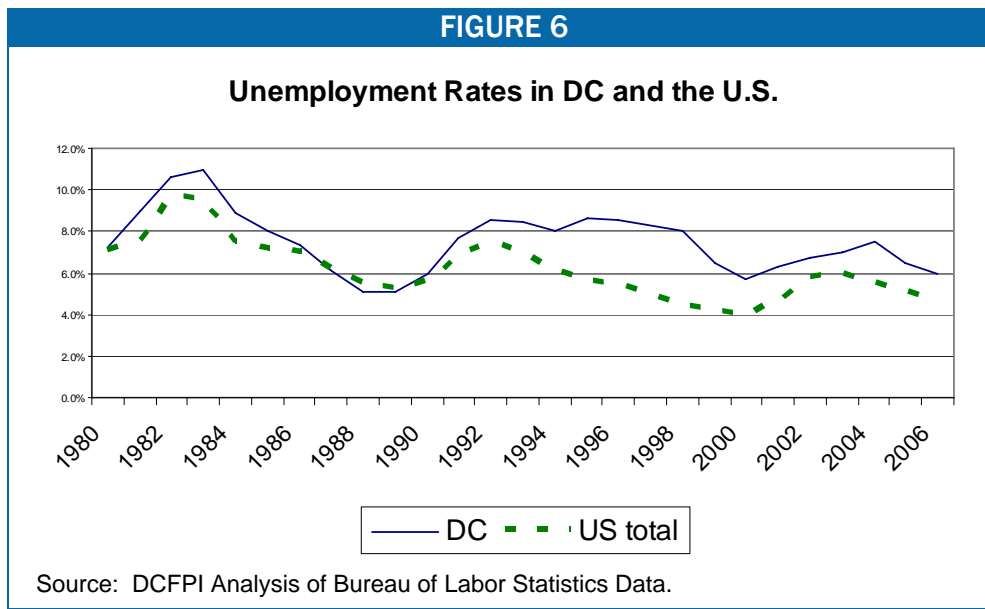
DC's Unemployment Rate Is High Despite a Growing Number of Jobs in the City

Total employment in the District — the number of people working in DC, regardless of where they live — declined every year from 1990 to 1998, as the city's economy suffered from a serious downturn. During that period, employment in the District fell from 686,000 to 614,000.

This long-term decline started to reverse after 1998. Since then, the number of jobs in the city has climbed every year, reaching 688,000 in 2006. Current employment is nearly 75,000 higher than in the low-point a decade ago, although this means it has just returned to the 1990 level.

Despite the improvement in DC's job climate, unemployment in the District remains relatively high. In 2006, the District's unemployment rate stood at 6.0 percent. This represents some improvement — the DC unemployment rate was 7.5 percent in 2004. Yet unemployment remains higher than in other periods of economic growth, and far higher than the national unemployment rate of 4.6 percent.





Unemployment in DC also is high when compared with other cities and when considered in the context of the very low unemployment in the DC suburbs.

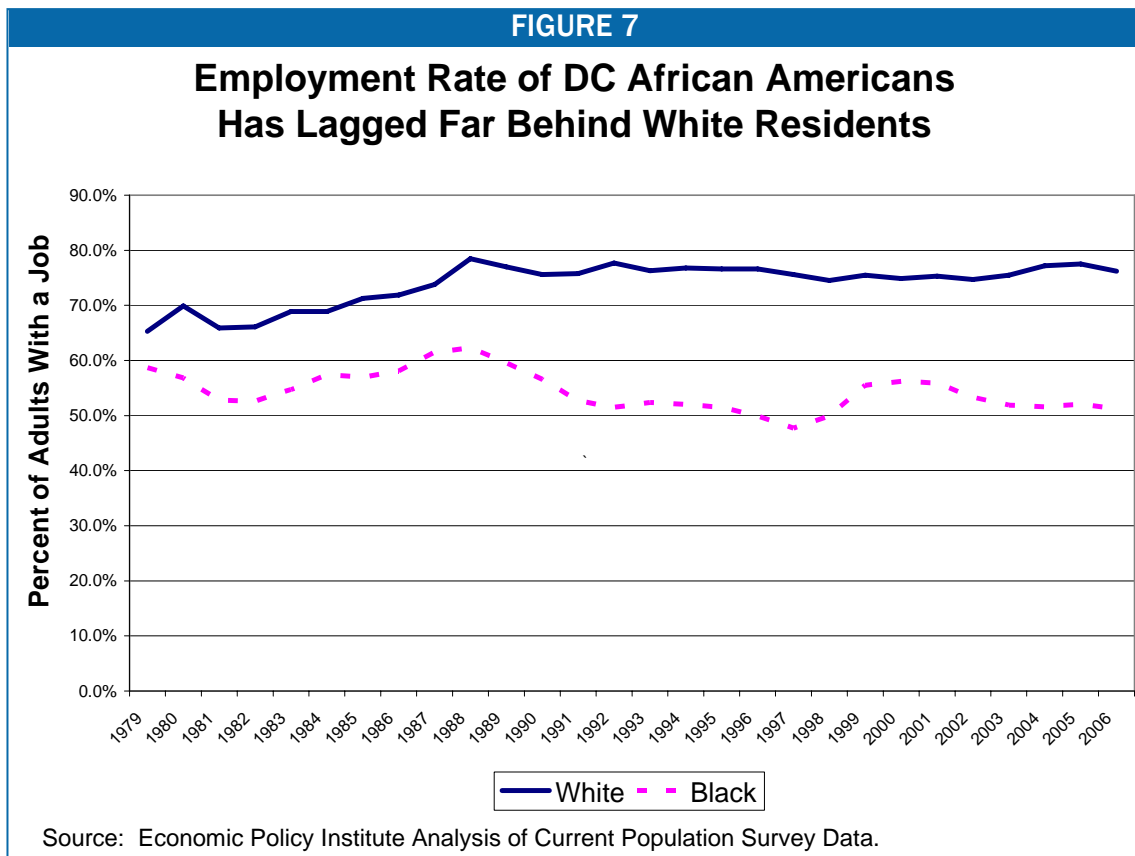
- The 2006 unemployment rate in the District was 12th highest among the nation’s 50 largest cities. (See Appendix Table 1.)
- The District’s high unemployment rate stands in contrast with the very low unemployment rate for the Washington suburbs. In 2005, the unemployment rate in the DC suburbs — 3.0 percent —was lower than the suburban unemployment rate in every major large metro area in the US.
- The DC unemployment rate in 2005 was more than double the suburban unemployment rate. The contrast of low unemployment in the region and a relatively high unemployment rate in the city is an indication that DC residents are not benefiting fully from the area’s strong economy. The difference in unemployment between DC and its suburbs is greater than in 58 of 63 large metropolitan areas in the U.S. (See Appendix Table 2.)

Black-White Employment Disparities in DC Are at Highest Levels in Decades

The District's high unemployment rate in the midst of other signs of a healthy economy reflects vast differences in the economic status among various groups of DC residents. Workers without a high school degree, for example, are much less likely to be employed than workers with a college education. While this in itself is not surprising, the disparities in DC are especially large. Moreover, it is striking that employment rates among African-American residents and those with no education beyond high school have gotten steadily worse since the late 1990s, despite the city’s employment boom. For some groups, employment rates are as low as at any point in the last 30 years.

- **The black-white unemployment gap is at its widest level in 20 years.** The African-American unemployment rate in 2005 was five times the white unemployment rate — 10.1 percent vs. 2.0 percent — the largest gap since 1985. The Hispanic unemployment rate stood at 7.4 percent in 2004, the last year for which reliable data are available.
- **Employment among African-American residents has fallen during the city’s recent economic boom.** The share of African-American adults who are employed fell from 56 percent in 1999 to 51 percent in 2006. Moreover, employment among African-American residents has suffered a long-term decline since the late 1980s, when 62 percent of African-American adults were working.

If the employment rate among DC’s African-American residents had not fallen since the 1980s, the number working today would be 24,000 higher — 133,000 instead of the actual employment level of 109,000.¹



- **Black-white employment differences in DC are greater than in other cities.** In 2002, the employment rate among African-American DC residents — 53.6 percent — was nearly 22 percentage points lower than the white employment rate of 75.1 percent. This disparity was

¹ This figure was calculated by applying the employment rates to 2006 figures on the size of the African-American adult population from the Census Bureau’s American Community Survey.

greater than in all of the nation’s largest cities in 2002. (2002 is the most recent year for which these data are available.)²

- Among Hispanic adults, the employment rate was 78 percent in 2006, far higher than among African-Americans and slightly higher than among white residents. (This partly reflects the fact that Hispanic adults are much more likely to be working age than are non-Hispanic adults. In DC, for example, 88 percent of Hispanic adults are between ages 18 and 55, while 73 percent of non-Hispanic adults are in this age range.³)

TABLE 1: THE EMPLOYMENT GAP BY RACE IS WIDE IN DC			
	White Employment Rate, 2002	Black Employment Rate, 2002	Difference
DC	75.1	53.6	21.5%
St. Louis	68.3	49.8	18.5%
Chicago	64.3	48.2	16.1%
Milwaukee	61.6	46.7	14.9%
Los Angeles	63.0	51.9	11.1%
Indianapolis	63.9	54.3	9.6%
Houston	65.3	58.2	7.1%
Philadelphia	54.9	48.0	6.9%
Dallas	65.9	60.4	5.5%
Baltimore	53.3%	48.7%	4.6%
Cleveland	61.1	58.1	3.0%
New York City	54.7	52.6	2.1%
Phoenix	63.7	69.3	-5.6%
Detroit	40.7	48.1	-7.4%

DC Fiscal Policy Institute
Source: Bureau of Labor Statistics

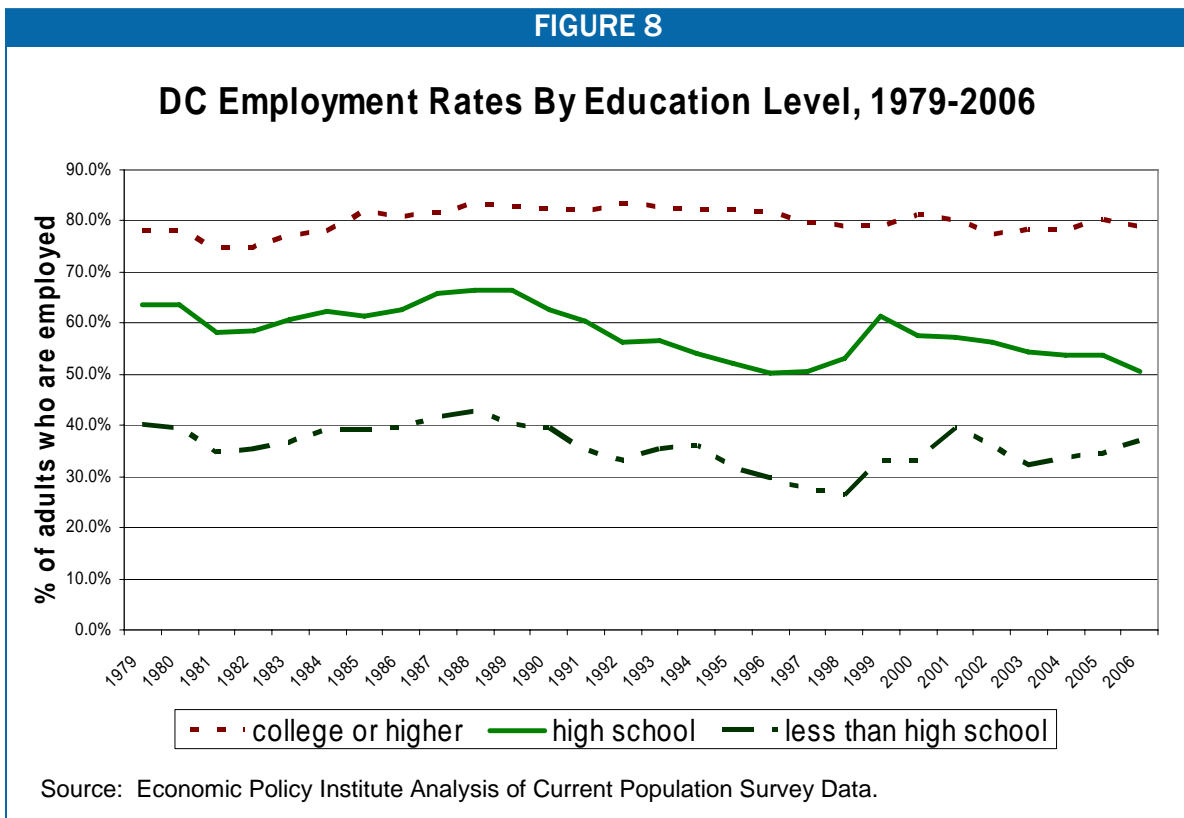
Employment Among Residents a High School Diploma Is at the Lowest Level in Nearly 30 Years

The employment prospects for DC workers with no more than a high school diploma are worse than in the nation as a whole and have gotten much worse over the past three decades. This is significant, since nearly two-fifths of DC adults are at this educational level. Meanwhile, the employment rate among college-educated DC residents has been steady over the past two decades and exceeds the national average.

² This gap appears to reflect the fact that DC’s white residents are very highly educated, with the vast majority having a college degree.

³ Population figures are from the Census Bureau’s American Community Survey for 2005.

- **One in seven DC workers without a high school degree — 14.9 percent— was unemployed in 2005, compared with 10.2 percent of residents with a high school degree and just 2.4 percent of residents with a college degree.** The unemployment rates for DC workers with less than a college degree were far higher than for similarly educated workers in the U.S. as a whole, while the unemployment rate for college-educated workers was about the same as the national rate.
- **Employment among residents with a high school diploma has fallen every year since 1999 — and is now as low or lower than at any point since 1979.** The current employment rate among DC residents with a high school degree but no further education is just 51 percent. Employment among this group has declined markedly since the late 1980s, when nearly two-thirds of residents at this education level were working. (See Figure 8.) If the employment rate had not fallen, an additional 12,500 adults would be working today.⁴
- **Fewer than two in five DC adults without a high school diploma — 37 percent — worked in 2006.** While the employment rate for this group is modestly higher than in 1999, it represents a substantial decline since the late 1980s, when 43 percent of adults without a high school degree were working. (See Figure 8.)



⁴ This figure was calculated by multiplying 2006 population figures from the American Community Survey on the total number of DC adults with a high school degree — but no post secondary education — by the change in the employment rate among this group between 1988 and 2006 .

CHAPTER II: WAGES

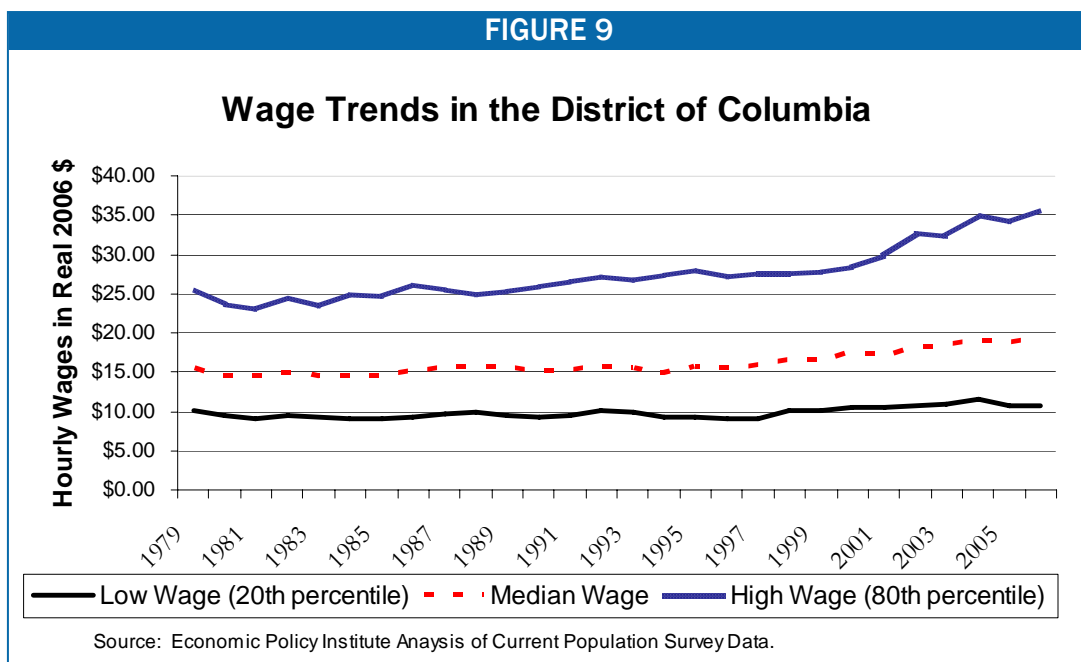
The Gap between DC's Lowest Earners and Highest Earners Has Reached an All-time High

The Washington region has a high-wage economy, with average wages that exceed the national average. Yet real earnings — earnings adjusted for inflation — have grown only slightly for DC's lowest-wage workers since 1979, while earnings have increased notably for high-wage workers. As a result, the earnings gap between high-wage and low-wage DC residents has widened substantially — and is now at an all-time high.

Moreover, the wages earned by many DC workers are not adequate to meet the city's very high costs of living. Both lower-wage and middle-wage workers in DC earn far less than the amount needed to meet a minimal family budget, and the gap between earnings and the costs of basic needs is wider here than in almost any large city in the nation.

What are Low, Middle, and High-Wage Levels in DC?

“Low wage” workers are defined here as the 20th percentile wage among working DC residents. This means that 20 percent of workers have wages at or below this level, while 80 percent have higher wages. “Middle-wage” workers are defined here as those with the median wage. Half of all workers earn less than the median while half earn more. “High-wage” workers are defined here as those with earnings at the 80th percentile, or higher than 80 percent of working DC residents.



- The bottom 20 percent of working DC residents earned \$10.81 per hour or less in 2006. A person working full-time year-round at this wage level would earn about \$22,000, only slightly higher than the 2006 poverty line for a family of four — \$20,400.
- The median working DC resident earned \$19.10 an hour in 2006.
- High-wage workers in DC — those in the top 20 percent — earned \$35.40 per hour or more in 2006.

Real Annual Wages for Low- Wage Workers Have Fallen \$1,600 Since 2004

Real wages for DC workers dropped in 2005, after growing noticeably since the late 1990s. This was the first time since 1995 that wages fell for workers at all wage levels. The wage declines affected workers at all earnings levels, but especially low-wage workers. Hourly earnings rebounded somewhat in 2006, but for low-wage workers it was not enough to reverse the 2005 decline.

TABLE 2: CHANGE IN WAGES IN DC, 2004 TO 2006 (IN 2006 \$)				
	2004	2005	2006	Change, 2004-2006
Low Wage (20 th percentile)	\$11.57	\$10.65	\$10.81	-6.6%
Median Wage	\$18.98	\$18.74	\$19.10	0.6%
High Wage (80 th percentile)	\$34.75	\$34.09	\$35.40	1.9%

Source: Economic Policy Institute Analysis of Current Population Survey Data.

- Hourly wages for DC’s low-wage workers — those at the 20th percentile wage —fell from \$11.57 in 2004 to \$10.65 in 2005, a decline of eight percent. Earnings for DC’s low-wage workers rose in 2006, to \$10.81, but this is still seven percent below 2004 wages. For a full-time worker, this means a loss of nearly \$1,600 in earnings since 2004. (All figures are adjusted for inflation to equal 2006 dollars.)
- The 2006 hourly earnings for median-wage DC workers stood at \$19.10 in 2006, less than one percent higher than in 2004, after adjusting for inflation.
- Earnings for high-wage workers — those at the 80th percentile wage — dropped from \$34.75 per hour in 2004 to \$34.09 in 2005, but then rebounded notably to \$35.40 in 2006. The 2006 wage level was about two percent higher than the 2004 wage level, after adjusting for inflation.

The Wage Gap between High-Wage and Low-Wage DC Workers Is at an All-time High

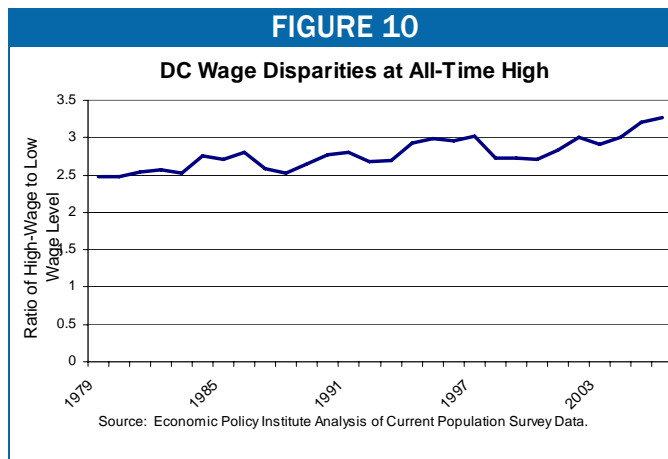
The wage declines in 2005 followed a period of strong wage growth for working DC residents since the late 1990s. Yet wage growth has been uneven. Real wages have barely changed for DC's lowest-wage working residents since 1979, while wages have grown substantially for high-wage

workers — leading to steadily widening wage disparities. (See Figure 9.) The gap between low-wage and high-wage DC workers hit a record level in 2006.

- **Hourly earnings for low-wage DC workers are only modestly higher today than in 1979.** Hourly wages for DC’s low-wage workers rose six percent between 1979 and 2006, after adjusting for inflation. By

comparison, the typical middle-wage DC worker received a 23 percent earnings increase during this period, and real wages for high-wage workers rose 40 percent.

- **In 2006, high-wage workers in the District earned more than three times what low-wage workers earned — \$34.50 vs. \$10.81.**



- **The ratio of earnings of high-wage workers to low-wage workers in the District was greater in 2006 than in any year since 1979.** (See Figure 10.) The wage gap has widened particularly since 2000, as wage growth among DC residents has been concentrated among higher-wage workers.

Gap between Wages and the Costs of Living is Greater in DC than in Nearly All Large Cities

Average hourly earnings for working DC residents are higher than in the nation as a whole. At the same time, the cost of living in DC also is higher than the national average. Living expenses are so high in the District, in fact, that it is harder for DC workers to meet their basic needs than it is for workers in most other areas of the nation.

- Hourly earnings for low-wage DC workers —\$10.81 in 2006 — are 19 percent higher than the low-wage level nationally, which is \$9.10.
- The DC median wage of \$19.10 per hour is 29 percent higher than the U.S. median wage of \$14.81. For high-wage workers, the difference is even greater.
- The hourly wage for DC’s high wage workers in 2006 -- \$35.40 – was 41 percent higher than the national high-wage level of \$25.08 per hour.

While wages are somewhat above average in the District, the costs of living also are far higher than in most parts of the country. The Economic Policy Institute has calculated that a “basic family budget” for a family of three in DC — is \$61,000. It reflects the income needed to meet a family’s basic needs — including housing, food, health care, child care, and transportation.⁵ When compared

⁵ For more information on the Economic Policy Institute's Basic Family Budget research, see http://www.epi.org/content.cfm/issueguides_poverty_poverty.

with the largest city in each state, DC's basic family budget is second highest in the nation, after Boston.

The very high costs of living in the District outweigh its above-average earnings levels. When compared with other cities, the gap between the earnings of low-wage and middle-wage workers in DC falls further below the costs of living than in nearly every other major city.

- A full-time worker at DC's low-wage level (\$10.81/hour) would earn about \$22,500 per year. This is about 37 percent of a "basic family budget" for a family of three in DC — which equals \$61,000 per year. The basic family budget, as calculated by the Economic Policy Institute, reflects the income needed to meet a family's basic needs — including housing, food, health care, child care, and transportation.⁶
- The earnings of low-wage workers fall further below the local costs of living in DC than in all but large two cities — Boston and New York — when DC is compared with the largest city in each state. (See Appendix Table 3.)
- A full-time worker at DC's middle-wage level earns \$39,700, enough to cover just 65 percent of the DC basic family budget. This is lower than in all but six cities.

⁶ For more information on the Economic Policy Institute's Basic Family Budget research, see http://www.epi.org/content.cfm/issueguides_poverty_poverty.

CHAPTER III: INCOME

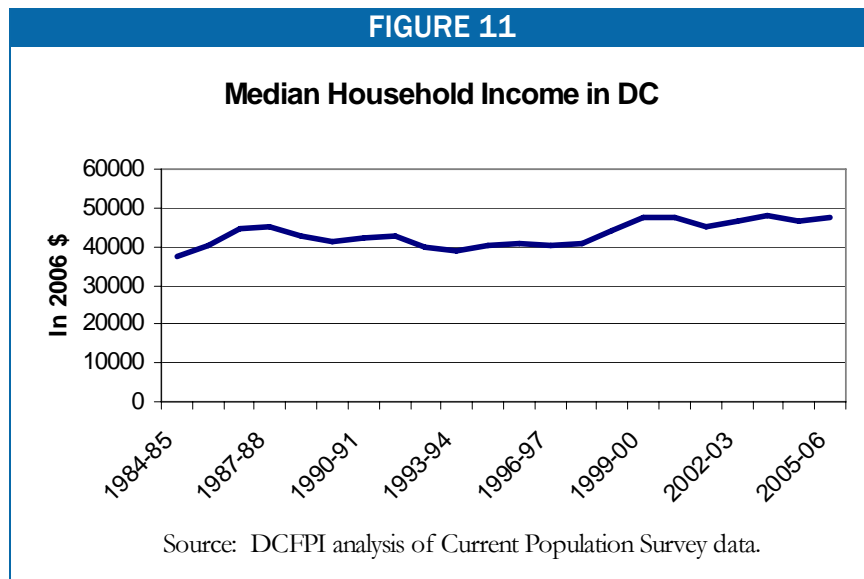
Income Inequality in DC Is among the Greatest in the U.S.

Median household income in the District has increased in recent years, but it followed years of stagnant and falling incomes, so that the income of the typical DC household today is about the same as 20 years ago, after adjusting for inflation. Moreover, income growth has been uneven, with African-American and lower-income households experiencing little or no increases over more than two decades, while incomes for white residents and high-income households trends have grown markedly. As a result income disparities in DC are at record-high levels, and the rich-poor gap is greater in DC than in nearly every large U.S. city.

Recent Improvements in Median Household Income Offset Income Declines in the 1990s

DC's median household income in 2005-06 stood at \$47,500. This means that half of all households had incomes above this level and half had incomes below.⁷ DC's median household income has risen since the mid-1990s, as the city emerged from an economic decline. Median household income in 2005-06 was 17 percent higher than in 1995-96, after adjusting for inflation.

The recent increases only served, however, to offset income *declines* in the 1990s. Median household income today in the District is just five percent higher than in the economic peak of the late 1980s — \$47,500 in 2005-06 compared with \$45,200 in 1987-88. (All figures are adjusted for inflation to equal 2006 dollars.)⁸



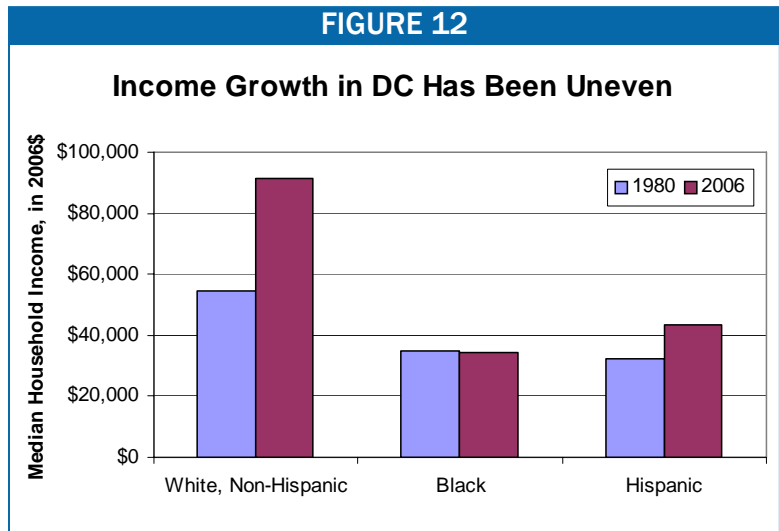
⁷ This income level reflects the standard Census Bureau definition of income; it includes all sources of cash income, but it does not include non-cash benefits such as food stamps, taxes, or unrealized capital gains income.

⁸ This difference is not statistically significant, which means the current median income is essentially the same as in the strong economy of the late 1980's.

Income of DC's African-American Households Is No Higher than in 1980

The progress in median household income masks significant differences among income groups. The income of white DC residents has grown, while income of the typical African-American household has not changed, after adjusting for inflation.

- **Median income of white households has grown 68 percent since 1980.** The income of the typical white DC household limbed from \$55,000 in 1980 to \$92,000 in 2006. (All figures adjusted for inflation to equal 2006 dollars.)
- **African-American median income is no higher than in 1980.** For Black DC households, median household income in 2006 — \$34,500 — was slightly lower than in 1980 — \$34,700.



- **Hispanic incomes have increased by more than one-third since 1980.** Median Hispanic household income rose from \$32,000 in 1980 to \$44,000 in 2006.

DC Income Inequality Is Growing and among the Widest in the Nation

As a result of these income trends, income inequality in DC — the gap between high-income and low-income households — is substantial and has widened significantly over the past two decades. While this phenomenon is national in scope, it is particularly serious in the District of Columbia.

- **Incomes for DC families at the bottom of the income scale have barely changed over the past two decades.** The average income of the bottom fifth of District households equaled \$14,200 in the 2001-2003 period. This income level was just three percent higher than the \$13,800 average income for this group in the early 1980s. (All figures are measured in 2006 dollars.)⁹

	Early 1980s	Early 2000s	Change
Bottom Fifth	\$13,800	\$14,200	3%
Middle Fifth	\$36,000	\$47,000	31%
Richest Fifth	\$97,800	\$176,700	81%
*In 2006 dollars			

⁹ These income figures reflect a broader definition of income than the standard Census Bureau definition. It includes the value of non-cash benefits (such as food stamps), the impact of federal taxes, and capital gains income.

- **Incomes for DC's wealthiest households nearly doubled between the early 1980s and the early 2000s.** The average income of the top fifth of District households equaled \$176,700 in 2001-2003, which was 81 percent higher than in the early 1980s.
- **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.¹⁰

¹⁰ Unpublished data from William Frey, Brookings Institution, used with permission.

CHAPTER IV: POVERTY

DC's Poverty Rate Remains High Despite Economic Growth

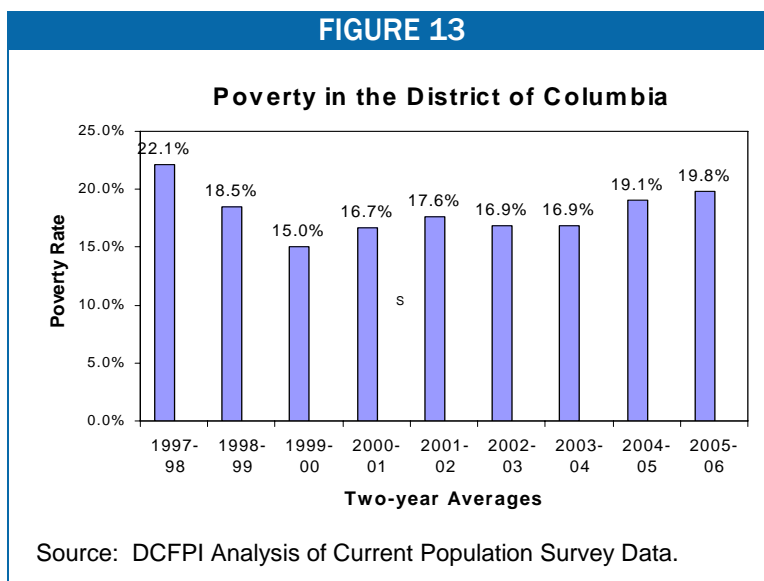
One in five DC residents — 110,000 — lives in poverty. Although the city has made substantial economic progress overall in recent years, poverty is now at the highest level in nearly a decade and far higher than in similar periods of economic growth over the past two decades. Poverty reflects a variety of factors, including low and stagnant wages for DC's lowest wage workers. The majority of low-income families in DC are working families.

DC Poverty at Highest Level in Nearly a Decade

Some 19.8 percent of DC residents — 110,000 people — lived in poverty in 2005-06. The federal poverty threshold varies by family size and is adjusted for inflation each year. The 2006 poverty threshold equaled \$16,100 for a family of three and \$20,600 for a family of four.

The 2005-06 poverty rate represents the city's highest poverty rate since 1997-98. Poverty in DC is far higher today than just a few years ago.

- For example the 19.8 percent poverty rate is far higher than the 16.9 percent rate in 2003-04 and reflects an increase of 17,000 poor residents.
- The 2005-2006 poverty rate represents an increase of nearly one-third since 1999-2000 when 15 percent of DC residents were poor. This translates into a 27,000 increase in the number of poor residents since 1999-2000.



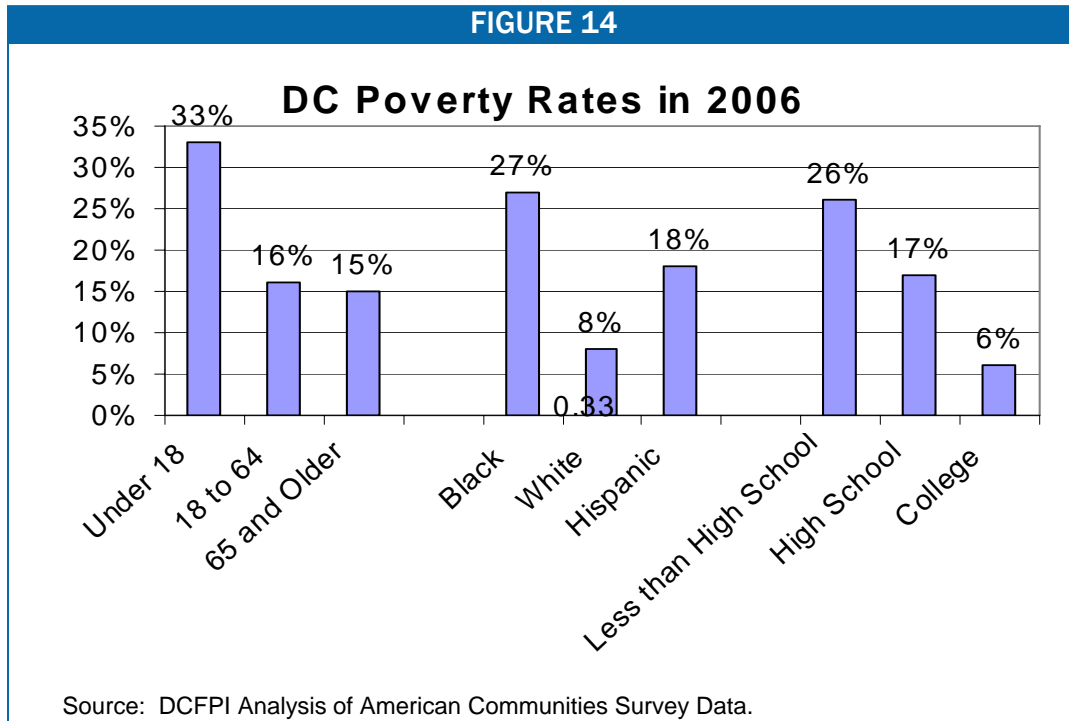
Who Is Poor in DC?

DC's poverty rate is far higher than the national poverty rate of 12.3 percent in 2006. When compared with other cities, however, DC's poverty rate ranks in the middle. Among the 60 largest cities in the U.S., DC's 2006 poverty rate ranked 26th. (See Appendix Table 4.)

Poverty rates vary substantially among different groups of DC residents

- One-third of DC children are poor, compared with 16 percent of adults aged 18 to 64 and 15 percent of elderly residents.

- Among DC adults with less than a high-school degree, 26 percent were poor in 2006, compared with 17 percent of those with a high school education and six percent of those with a college degree.
- Some 27 percent of African-American DC residents were poor, compared with 18 percent of Hispanics and eight percent of white residents.



Many Low-income DC Families Are Working Families

Contrary to popular perception, a large majority of low-income families in the District have one or more working adults. Poverty despite work stems from a variety of factors, including low wages and limited availability of full-time work. As noted above, unemployment rates are now relatively high among certain groups of DC residents, including African-Americans and those with no more than a high school diploma. Nevertheless, a large number of DC families that fall into poverty are working families.

- In 2004, some 22,000 DC families with children had incomes below 200 percent of the federal poverty line, or less than about \$31,000 for a family of three.
- Some 74 percent of these families had one or more parents who worked at least part of the year.
- Some 12,000 of these low-income DC families with children — more than half — included adults who worked more than half of the year. In many cases, the parents worked full-time and year-round.

Overall, some 47,000 DC residents, including 27,000 children, lived in a family that was poor or near-poor despite working most of the year.

Low wages are a significant contribution to poverty despite work. Some 14 percent of working DC residents earned less than the wage needed to lift a family of four out of poverty — \$9.28 an hour — in 2004. Roughly half earned too little to lift a family above twice the poverty line.

These findings suggest absence of work is a significant issue for many of DC's poorest residents and that reducing poverty will require efforts to help more DC residents prepare for and enter the labor market. But these findings also indicate that work alone is not enough, given the low wages earned by many DC residents.

CHAPTER V: CONCLUSION

The District of Columbia has long been known as a city of substantial economic divisions. The findings in this report show that those divisions have worsened in recent years, and that the many signs of the city's economic revitalization hide the fact that many residents are not moving ahead.

This analysis also shows that efforts to bridge DC's economic divide by helping lower-income residents will require strategies to increase employment among DC residents but also steps to raise earnings for residents who are working. Employment rates for African-American residents and residents without a college degree are at historically low levels, contributing to declining incomes for these groups. At the same time, wage growth has been very modest for DC's lowest-paid residents, creating ever-widening distance between their earnings and the rising cost of living in DC. And most DC families that are low-income have one or more working adults.

Improving education and training in the District — primary and secondary education, higher education, basic literacy, and workforce training — should be a central part of such efforts. At the same time, efforts are needed to help residents who remain in low-wage jobs, since the DC economy will continue to rely heavily on workers without a college degree. This includes policies that increase earnings — such as an adequate minimum wage — and other policies that help low-wage workers meet their basic needs, such as child care assistance, health care, and housing.

The District has taken notable steps in this direction, including adoption of a substantial Earned Income Tax Credit and health care coverage for working poor families and individuals. At the same time, the findings of this report indicate that much work needs to be done. This is the challenge facing DC's leaders.

APPENDIX TABLES

Appendix Table 1

Unemployment Rates for the 50 Largest Cities, 2006 *		
Rank	City	Rate
1	Detroit, MI	13.7%
2	Fresno, CA	7.5%
3	Cleveland, OH	7.1%
4	Milwaukee, WI	7.0%
5	Oakland, CA	6.9%
6	St. Louis, MO	6.8%
7	Baltimore, MD	6.4%
7	Memphis, TN	6.4%
9	El Paso, TX	6.3%
9	Kansas, MO	6.3%
9	Philadelphia, PA	6.3%
12	Washington, DC	6.0%
13	Louisville-Jefferson County, KY	5.6%
13	Sacramento, CA	5.6%
15	Boston, MA	5.3%
16	Atlanta, GA	5.2%
16	Chicago, IL	5.2%
16	Dallas, TX	5.2%
16	Houston, TX	5.2%
16	Long Beach, CA	5.2%
16	Los Angeles, CA	5.2%
16	Portland, OR	5.2%
23	Fort Worth, TX	5.0%
23	San Jose, CA	5.0%
25	Denver, CO	4.9%
25	Indianapolis, IN	4.9%
25	New York, NY	4.9%
28	Columbus, OH	4.7%
29	Colorado Springs, CO	4.5%
29	San Antonio, TX	4.5%
31	Tucson, AZ	4.4%
32	Oklahoma, OK	4.3%
33	Charlotte, NC	4.2%
33	Las Vegas, NV	4.2%
33	Nashville-Davidson, TN	4.2%
33	San Francisco, CA	4.2%
37	Phoenix, AZ	4.1%
37	Tulsa, OK	4.1%
39	Miami, FL	4.0%
39	San Diego, CA	4.0%
39	Seattle, WA	4.0%
42	Austin, TX	3.9%
43	Minneapolis, MN	3.8%
44	Albuquerque, NM	3.6%
45	Jacksonville, FL	3.4%
46	Mesa, AZ	3.2%
47	Omaha, NE	3.0%
48	Virginia Beach, VA	2.9%
49	Honolulu, HI	2.3%

* Data for New Orleans is not available.

Source: Bureau of Labor Statistics

Appendix Table 2

Difference Between City and Suburban Unemployment Rates in Large Metro Areas, 2005

	City Unemployment Rate, 2005	Suburban Unemployment Rate, 2005*	Difference	Rank
Detroit, MI	14.2%	5.8%	8.4%	1
Newark, NJ	8.3%	4.0%	4.3%	2
Oakland, CA	8.1%	4.5%	3.6%	3
Milwaukee, WI	7.3%	3.7%	3.6%	4
Washington, DC	6.5%	3.0%	3.5%	5
Baltimore, MD	7.1%	3.7%	3.4%	6
St. Louis, MO	8.1%	5.2%	2.9%	7
Santa Ana, CA	6.1%	3.4%	2.7%	8
Philadelphia, PA	6.8%	4.1%	2.7%	9
Cleveland, OH	7.9%	5.3%	2.6%	10
San Bernardino, CA	6.9%	4.9%	2.0%	11
Kansas, MO	7.0%	5.1%	1.9%	12
Memphis, TN	7.1%	5.3%	1.8%	13
Chicago, IL	7.0%	5.4%	1.6%	14
New York, NY	5.8%	4.3%	1.5%	15
Anaheim, CA	4.9%	3.4%	1.5%	16
Norfolk, VA	5.4%	3.9%	1.5%	17
Long Beach, CA	5.9%	4.4%	1.5%	18
Los Angeles, CA	5.9%	4.4%	1.5%	18
Atlanta, GA	6.6%	5.1%	1.5%	20
Omaha, NE	5.0%	3.6%	1.4%	21
Wichita, KS	6.1%	4.8%	1.3%	22
Denver, CO	6.0%	4.7%	1.3%	23
Indianapolis, IN	5.6%	4.3%	1.3%	24
Sacramento, CA	5.7%	4.5%	1.2%	25
Tucson, AZ	5.1%	3.9%	1.2%	26
Cincinnati, OH	6.4%	5.2%	1.2%	27
San Jose, CA	6.1%	5.0%	1.1%	28
Phoenix, AZ	4.8%	3.7%	1.1%	29
Dallas, TX	5.8%	4.9%	0.9%	30
Oklahoma, OK	4.8%	3.9%	0.9%	31
Houston, TX	6.0%	5.2%	0.8%	32
St. Paul, MN	4.4%	3.6%	0.8%	33
Boston, MA	5.2%	4.5%	0.7%	34
Newport News, VA	4.6%	3.9%	0.7%	35
Miami, FL	4.7%	4.0%	0.7%	36
San Francisco, CA	5.1%	4.5%	0.6%	37
Louisville-Jefferson County, KY	6.2%	5.6%	0.6%	38
Tulsa, OK	4.7%	4.1%	0.6%	39
Minneapolis, MN	4.2%	3.6%	0.6%	40
Jacksonville, FL	4.0%	3.5%	0.5%	41
Fort Worth, TX	5.3%	4.9%	0.4%	42
Nashville-Davidson, TN	4.6%	4.2%	0.4%	43
Portland, OR	6.2%	5.8%	0.4%	44
Columbus, OH	5.4%	5.2%	0.2%	45
Riverside, CA	5.1%	4.9%	0.2%	46
Las Vegas, NV	4.1%	4.0%	0.1%	47
Pittsburgh, PA	5.3%	5.2%	0.1%	48
Arlington, TX	4.9%	4.9%	0.0%	49
Mesa, AZ	3.7%	3.7%	0.0%	50
Austin, TX	4.4%	4.5%	-0.1%	51
Tampa, FL	3.7%	3.8%	-0.1%	52
St. Petersburg, FL	3.7%	3.8%	-0.1%	52
San Diego, CA	4.3%	4.4%	-0.1%	54
San Antonio, TX	4.8%	5.0%	-0.2%	55
Colorado Springs, CO	5.2%	5.6%	-0.4%	56
Virginia Beach, VA	3.4%	3.9%	-0.5%	57
Fort Lauderdale, FL	3.5%	4.0%	-0.5%	58
Seattle, WA	4.6%	5.2%	-0.6%	59
Charlotte, NC	4.8%	5.5%	-0.7%	60
Albuquerque, NM	4.5%	5.6%	-1.1%	61
Fresno, CA	8.4%	9.6%	-1.2%	62
El Paso, TX	6.6%	9.9%	-3.3%	63

* Unemployment rate in Metropolitan Statistical Area outside of central cities

Source: DC Fiscal Policy Institute Analysis of Bureau of Labor Statistics data.

Appendix Table 3A

Low-Wage Earnings Compared with a Basic Family Budget For the Largest City in Each State, 2006

	Basic Family Budget*	Low-wage Level (20th percentile)	Annual Earnings at At Low-Wage Level As % of Basic Budget**	Rank
Massachusetts, Boston	\$62,455	\$10.08	34%	1
New York - New York City	\$56,518	\$9.47	35%	2
District of Columbia	\$60,926	\$10.81	37%	3
Minnesota, Minneapolis	\$53,858	\$10.00	39%	4
Pennsylvania, Philadelphia	\$47,703	\$9.34	41%	5
California - Los Angeles	\$45,981	\$9.03	41%	6
Hawaii, Honolulu	\$48,487	\$9.70	42%	7
Maine, Portland	\$46,058	\$9.39	42%	8
Alabama, Birmingham	\$42,459	\$8.75	43%	9
Georgia, Atlanta	\$43,372	\$9.04	43%	10
Connecticut, Bridgeport	\$48,332	\$10.14	44%	11
West Virginia, Charleston	\$40,031	\$8.41	44%	12
New Jersey, Newark	\$46,379	\$10.03	45%	13
New Hampshire, Manchester	\$47,446	\$10.30	45%	14
Colorado, Denver	\$45,505	\$9.88	45%	15
New Mexico, Albuquerque	\$37,949	\$8.25	45%	16
Ohio, Columbus	\$42,382	\$9.23	45%	17
Rhode Island, Providence	\$45,210	\$9.87	45%	18
North Carolina, Charlotte	\$39,941	\$8.80	46%	19
Oregon, Portland	\$40,815	\$9.04	46%	20
Illinois, Chicago	\$41,367	\$9.21	46%	21
Virginia, Virginia Beach	\$43,192	\$9.70	47%	22
Washington, Seattle	\$43,320	\$9.74	47%	23
Idaho, Boise City	\$38,746	\$8.74	47%	24
Texas, Houston	\$35,957	\$8.21	47%	25
Missouri, Kansas City	\$39,247	\$9.02	48%	26
Oklahoma, Oklahoma City	\$35,507	\$8.30	49%	27
Iowa, Des Moines	\$38,386	\$9.01	49%	28
Maryland, Baltimore	\$43,667	\$10.34	49%	29
Louisiana, Baton Rouge	\$34,235	\$8.11	49%	30
Delaware, Wilmington	\$41,598	\$9.86	49%	31
Nevada, Las Vegas	\$39,388	\$9.41	50%	32
Indiana, Indianapolis	\$37,949	\$9.12	50%	33
Michigan - Detroit	\$38,643	\$9.33	50%	34
Montana, Billings	\$34,363	\$8.43	51%	35
Wisconsin, Milwaukee	\$37,743	\$9.28	51%	36
Nebraska, Omaha	\$36,368	\$8.99	51%	37
Florida, Jacksonville	\$36,330	\$9.06	52%	38
Arizona, Phoenix	\$36,304	\$9.13	52%	39
South Carolina, Columbia	\$34,865	\$8.87	53%	40
Vermont, Burlington	\$38,861	\$9.90	53%	41
Utah, Salt Lake City	\$33,824	\$8.71	54%	42
Kentucky, Louisville	\$34,402	\$8.87	54%	43
Arkansas, Little Rock	\$32,166	\$8.33	54%	44
Kansas, Wichita	\$34,440	\$8.94	54%	45
Tennessee, Memphis	\$33,310	\$8.77	55%	46
Alaska, Anchorage	\$39,131	\$10.36	55%	47
North Dakota, Fargo	\$32,628	\$8.74	56%	48
Mississippi, Jackson	\$29,853	\$8.14	57%	49
South Dakota, Sioux Falls	\$30,290	\$8.88	61%	50
Wyoming, Cheyenne	\$29,519	\$8.97	63%	51

* Estimated costs to meet basic needs for a family of three, from Economic Policy Institute

** Full-time year round work at low-wage level as percent of basic family budget

Appendix Table 3B

**Median-Wage Earnings Compared with a Basic Family Budget
For the Largest City in Each State, 2006**

	Basic Family Budget*	Median Wage (50th percentile)	Annual Earnings at At Median-Wage Level As % of Basic Budget**	Rank
Massachusetts, Boston	\$62,455	\$17.24	57.4%	1
New York - New York City	\$56,518	\$15.78	58.1%	2
Minnesota, Minneapolis	\$53,858	\$15.91	61.4%	3
Maine, Portland	\$46,058	\$13.94	63.0%	4
Hawaii, Honolulu	\$48,487	\$14.84	63.7%	5
Pennsylvania, Philadelphia	\$47,703	\$14.83	64.7%	6
District of Columbia	\$60,926	\$19.10	65.2%	7
Alabama, Birmingham	\$42,459	\$13.44	65.8%	8
Georgia, Atlanta	\$43,372	\$14.45	69.3%	9
North Carolina, Charlotte	\$39,941	\$13.49	70.3%	10
Rhode Island, Providence	\$45,210	\$15.29	70.3%	11
California - Los Angeles	\$45,981	\$15.59	70.5%	12
West Virginia, Charleston	\$40,031	\$13.59	70.6%	13
Idaho, Boise City	\$38,746	\$13.20	70.9%	14
Colorado, Denver	\$45,505	\$15.72	71.9%	15
Ohio, Columbus	\$42,382	\$14.76	72.4%	16
New Hampshire, Manchester	\$47,446	\$16.61	72.8%	17
New Mexico, Albuquerque	\$37,949	\$13.32	73.0%	18
Virginia, Virginia Beach	\$43,192	\$15.46	74.5%	19
Missouri, Kansas City	\$39,247	\$14.05	74.5%	20
Iowa, Des Moines	\$38,386	\$13.77	74.6%	21
Nebraska, Omaha	\$36,368	\$13.09	74.9%	22
Oregon, Portland	\$40,815	\$14.72	75.0%	23
Texas, Houston	\$35,957	\$13.00	75.2%	24
Montana, Billings	\$34,363	\$12.44	75.3%	25
Nevada, Las Vegas	\$39,388	\$14.28	75.4%	26
Illinois, Chicago	\$41,367	\$15.14	76.1%	27
Connecticut, Bridgeport	\$48,332	\$17.75	76.4%	28
Oklahoma, Oklahoma City	\$35,507	\$13.13	76.9%	29
Delaware, Wilmington	\$41,598	\$15.40	77.0%	30
Indiana, Indianapolis	\$37,949	\$14.20	77.8%	31
Vermont, Burlington	\$38,861	\$14.95	80.0%	32
Kentucky, Louisville	\$34,402	\$13.25	80.1%	33
Washington, Seattle	\$43,320	\$16.73	80.3%	34
South Carolina, Columbia	\$34,865	\$13.51	80.6%	35
New Jersey, Newark	\$46,379	\$17.99	80.7%	36
Tennessee, Memphis	\$33,310	\$12.94	80.8%	37
Wisconsin, Milwaukee	\$37,743	\$14.69	81.0%	38
North Dakota, Fargo	\$32,628	\$12.78	81.5%	39
Louisiana, Baton Rouge	\$34,235	\$13.42	81.5%	40
Utah, Salt Lake City	\$33,824	\$13.27	81.6%	41
Florida, Jacksonville	\$36,330	\$14.31	81.9%	42
Michigan - Detroit	\$38,643	\$15.27	82.2%	43
Kansas, Wichita	\$34,440	\$13.61	82.2%	44
Maryland, Baltimore	\$43,667	\$17.31	82.5%	45
Arizona, Phoenix	\$36,304	\$14.44	82.7%	46
Arkansas, Little Rock	\$32,166	\$12.96	83.8%	47
Mississippi, Jackson	\$29,853	\$12.47	86.9%	48
South Dakota, Sioux Falls	\$30,290	\$12.68	87.1%	49
Alaska, Anchorage	\$39,131	\$17.00	90.4%	50
Wyoming, Cheyenne	\$29,519	\$14.32	100.9%	51

* Estimated costs to meet basic needs for a family of three, from Economic Policy Institute

** Full-time year round work at low-wage level as percent of basic family budget

Appendix 4

Poverty Rates in Large U.S. Cities in 2006

	Poverty Rate	Rank
Detroit	32.5%	1
Cincinnati	27.8%	2
Cleveland	27.0%	3
Miami	26.9%	4
St. Louis, MO	26.8%	5
El Paso	26.4%	6
Milwaukee	26.2%	7
Philadelphia	25.1%	8
Newark	24.2%	9
San Bernardino	23.7%	10
Memphis	23.5%	11
Atlanta	23.2%	12
Fresno	22.8%	13
Minneapolis	22.7%	14
Pittsburgh	22.2%	15
Dallas	22.1%	16
Houston	21.3%	17
Chicago	21.2%	18
St. Paul	20.9%	19
Columbus	20.7%	20
Tulsa	20.3%	21
Tampa	20.1%	22
Denver	20.0%	23
Boston	19.8%	24
Long Beach	19.8%	25
Washington, DC	19.6%	26
Baltimore	19.5%	27
New York City	19.2%	28
Los Angeles	19.0%	29
Oakland	18.8%	30
Kansas City	18.5%	31
San Antonio	18.1%	32
Fort Lauderdale	17.9%	33
Austin	17.7%	34
Phoenix	17.2%	35
Oklahoma City	17.1%	36
Louisville/Jefferson	17.0%	37
Norfolk	16.9%	38
Nashville-Davidson	16.7%	39
Fort Worth	16.6%	40
Indianapolis	16.3%	41
Portland , OR	16.2%	42
Sacramento	15.4%	43
Wichita	15.3%	44
Omaha	14.8%	45
Albuquerque	14.6%	46
Jacksonville	14.0%	47
Riverside	13.7%	48
St. Petersburg	13.6%	49
San Diego	13.4%	50
Seattle	12.5%	51
Charlotte	12.4%	52
Anaheim	12.3%	53
Newport News	12.2%	54
San Francisco	12.1%	55
Honolulu	11.5%	56
Las Vegas	11.2%	57
Mesa	11.0%	58
San Jose	10.3%	59
Colorado Springs	9.6%	60
Virginia Beach	7.2%	61

Source: American Community Survey, 2006