



*An Affiliate of the
Center on Budget and Policy Priorities*
820 First Street NE, Suite 460
Washington, DC 20002
(202) 408-1080 Fax (202) 408-8173
www.dcfpi.org

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Falling Short: The District's Economic Recovery Is Leaving Several Groups Behind

By Jasmin Griffin and Jenny Reed

The District's economy shows many signs that it has recovered from the Great Recession. However, for many groups of residents, the city's recent economic growth hasn't translated into higher wages or a substantial increase in employment. Wages have been stagnant or falling since 2008 for DC's low-wage workers, those without a college degree, and African-American and Hispanic residents. Unemployment rates for these groups remain stubbornly high and have not fallen to pre-recession levels.

Instead, the benefits of the District's recent economic growth have been concentrated among a few demographic groups. Unemployment rates have fully or nearly recovered to pre-recession levels for residents with a college degree and white, non-Hispanic residents. And wages for middle- and high-wage workers have increased significantly.

These trends point to growing inequality in Washington, DC, and an economy that is working well for some, but not working for many others.

- **Growing Wage Inequality:** Pay for low-wage DC earners fell from \$13 an hour in 2008 to \$12 an hour in 2012. (Unless noted, all figures are adjusted for inflation to equal 2012 dollars.) Meanwhile, wages for middle-wage workers rose \$3 an hour and high-wage earners saw a \$4 increase in hourly pay. The gap between low-wage workers and high-wage workers is now at the widest level it has been since 1979.
- **Limited Progress for Residents without a College Degree:** The typical wage for residents with only a high school degree fell from \$15 to \$12 an hour between 2008 and 2012. Twenty percent of these residents were unemployed in 2012, compared with 12 percent in 2008. Meanwhile, wages have grown for those with a college degree or higher, and unemployment levels for that group have nearly recovered to pre-recession levels.
- **Stagnant Wages, High Unemployment for African-American and Hispanic DC Residents:** Hourly wages for Hispanic residents have not grown since 2008, and the hourly pay for the typical African-American resident grew just two percent, while wages for white, non-Hispanic residents rose nine percent. Unemployment levels for African-American and

Hispanic workers are roughly two-thirds higher than pre-recession levels while unemployment has dropped for white, non-Hispanic residents.

- **Falling Employment particularly for African-American Adults:** Employment levels for African-American residents decreased at a much faster rate than employment for other racial or ethnic groups between 2008 and 2012, continuing a decades-long trend. Under half of African-American adults in DC were employed in 2012, compared with 80 percent of white, non-Hispanic adults.

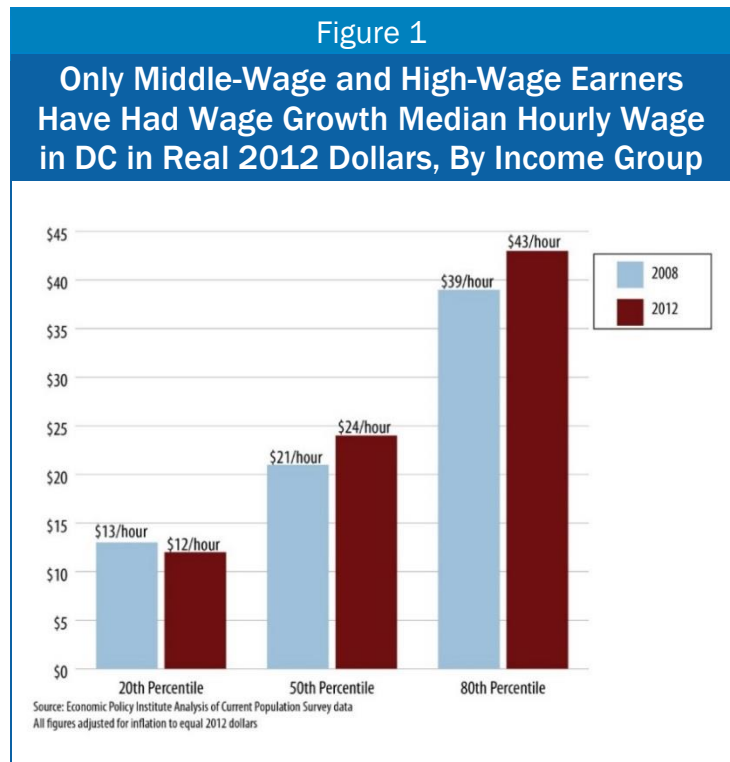
This paper looks at the changes in wages and employment for DC residents from 2008 to 2012 using data from the Current Population Survey from the Census Bureau. It also makes recommendations on steps the District can take to help prepare residents for jobs that require higher education and training by focusing on adult literacy, sector-specific training, and youth work programs.

Wages Have Fallen For Low-Wage Residents

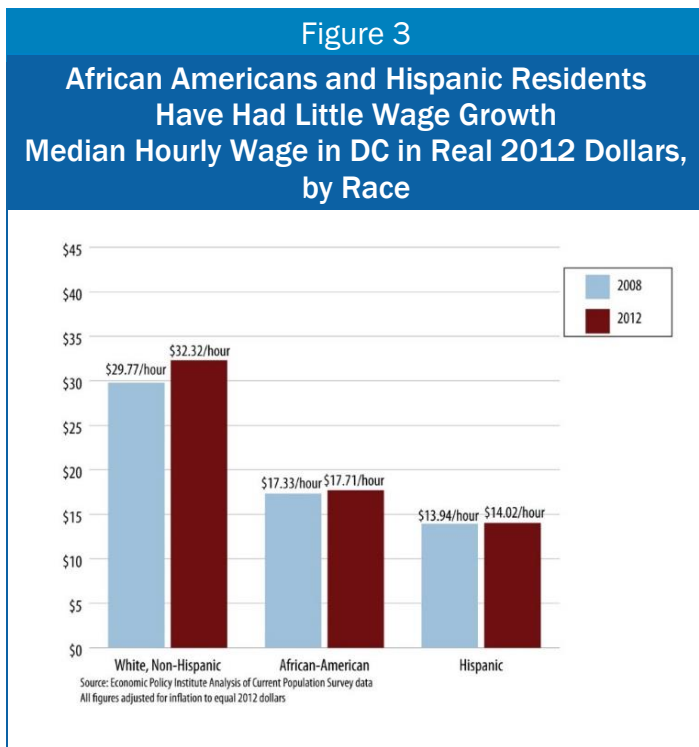
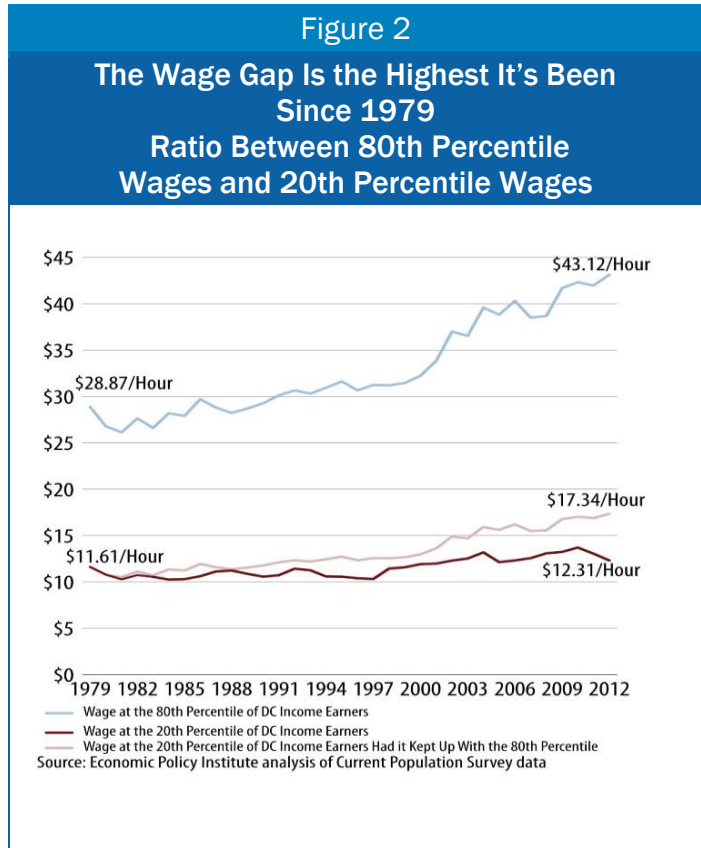
The recession that started in 2008 resulted in falling wages for many groups of DC residents. Wages have improved now that the DC economy is growing, but the improvements have been uneven. Wages remain below 2008 levels for residents without a college degree and those in low-wage jobs. Meanwhile wages increased for the middle- and higher-wage workers. As a result, wage inequality is now at the highest level it has been since 1979.

In this section, the terms “low-wage,” “middle-wage,” and “high-wage” are used to describe the hourly wages of DC residents. “Low wage” workers refers to those at the 20th percentile, people earning wages less than 80 percent of the population. “Middle-wage” workers are residents who earn the median wage, a wage where half of the people earn less and half earn more. “High-wage” workers make an hourly wage greater than 80 percent of the population.

A review of available data shows that wages for DC’s low-wage workers have not recovered from the impacts of the recession, while other workers have seen substantial wage gains.



- Wages for low-wage workers fell from just over \$13 an hour in 2008 to just over \$12 an hour in 2012, after adjusting for inflation (unless otherwise noted, all figures are adjusted for inflation to equal 2012 dollars).
- Meanwhile, the hourly pay for middle-wage earners rose \$3 an hour, from \$21 per hour to \$24 during this period, and wages for top earners grew from \$39 to \$43 (see **Figure 1**).
- As a result of these trends, wage inequality has widened further in the District. In 2012, high-wage earners had wages nearly 3.5 times higher than low-wage earners. This wage gap is at the highest level it has been since 1979 (see **Figure 2**). If wages for the lowest-paid workers had grown at the same pace as for the highest wage workers since 1979, low-wage workers would have earned \$17 an hour in 2012 instead of \$13 an hour.



Wage Growth for African-American and Hispanic Residents Has Been Far Slower Than For White, Non-Hispanic Residents

Although wages for all races and ethnicities grew between 2008 and 2012, wages for African-American and Hispanic workers grew at a much slower rate.

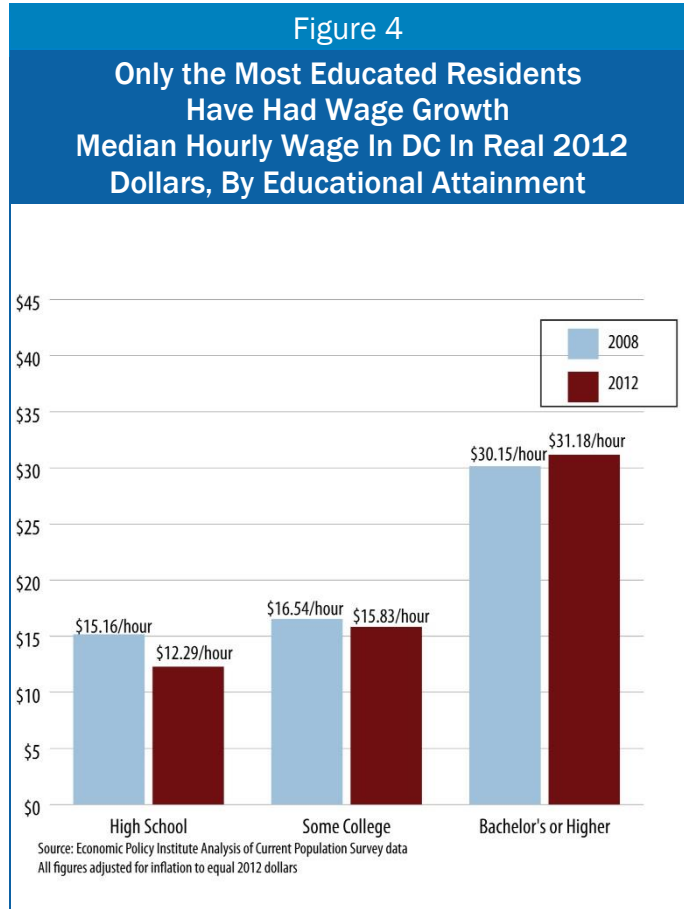
- The wage of the typical African-American worker grew \$0.38 an hour, or 2 percent, between 2008 and 2012 (see **Figure 3**).
- Typical hourly wages for Hispanic workers grew just \$0.08 an hour, or less than 1 percent.

- At the same time, the median wage for white, non-Hispanic residents has grown nearly 9 percent, or \$2.55 an hour since 2008.

Those Without a College Degree Have Seen Their Wages Fall

The wage gap between college-educated DC residents and others has grown over the past four years and is now the widest on record.

- Wages have fallen for residents without a college degree. The median wage for residents with a high school diploma fell sharply, from \$15 an hour to \$12 an hour, between 2008 and 2012 (see **Figure 4**). The median wage for residents with some college fell from nearly \$17 per hour to just under \$16 per hour during this period. (Data are not available at a reliable sample size for those with less than a high school diploma.)
- Wage growth has been concentrated entirely with the city’s most highly educated workers. The median wage for workers with a bachelor’s degree or higher rose from \$30 an hour in 2008 to \$31 an hour in 2012, a growth of just over 3 percent.
- DC residents with high school diplomas earn less than 40 percent per hour of what bachelor’s degree holders earn. This is the lowest level since 1979.



The Recession Has Left an Uneven Impact on Employment in DC

The recession led to significant increases in unemployment for many groups of DC residents. Since reaching its peak unemployment rate of 10.4 percent in 2011, DC’s unemployment rate has fallen to 9 percent in 2012 (see **Figure 5**). This is still far higher than the 2008 rate of 6.6 percent.

As a result of the District’s uneven economic recovery, many groups continue to face unemployment rates that are far higher than before the recession started, while unemployment levels have returned to pre-recession levels for some.

Key Measures of Job Conditions Used in This Report

This analysis examines job conditions using two different measures: the unemployment rate and the employment-to-population ratio, or employment rate. Both figures are based on those aged 16 and older residing in the District who are not in institutional settings (such as DC jail and nursing homes) and who are not on active duty in the Armed Forces.

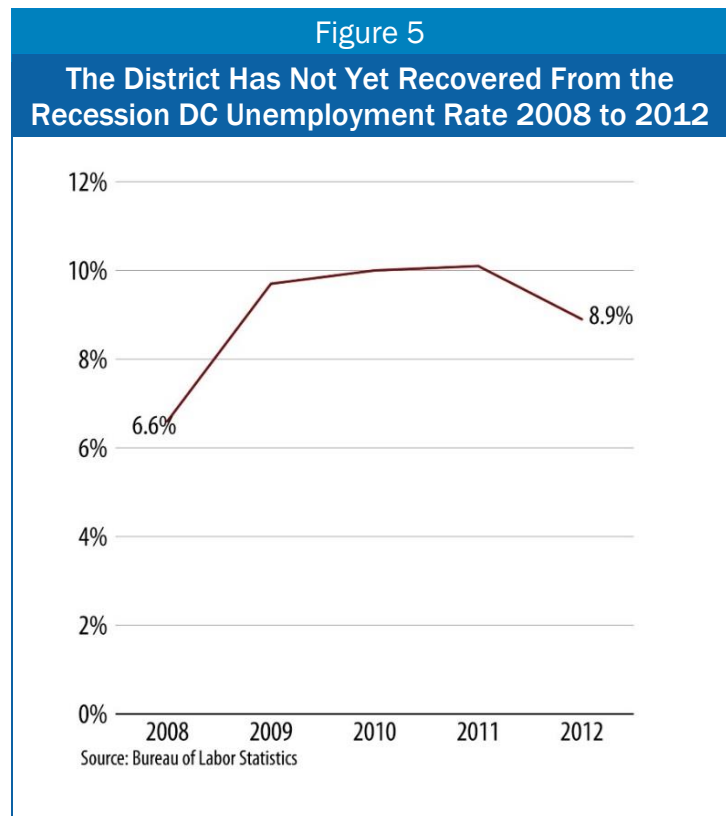
The unemployment rate is equal to the number of people who are unemployed but looking for work as a percentage of the labor market — which includes those with jobs and those actively looking for work. The unemployment rate is the most common measure of job conditions. One drawback, however, is that it does not include people who might be interested in working but have stopped looking because they are discouraged. For this reason, the unemployment rate can understate the severity of job conditions.

The employment rate equals the number of working adults (aged 16 and older) as a share of the total adult population. This measure has the advantage of taking into account discouraged workers. It also has some disadvantages, however, primarily that it includes residents who are not interested in working, such as retired persons.

Given the strengths and weaknesses of the two measures, it is worth examining both when assessing employment conditions.

African-American and Hispanic Workers Continue To Face High Unemployment Rates Four Years after the Recession

- Just over 17 percent of African American residents were unemployed in 2012. While unemployment fell modestly for these residents in 2012, the recent rate is more than two-thirds higher than in 2008 (see **Figure 6**).
- Unemployment among Hispanic residents is just under 8 percent, also a two-thirds increase since 2008. There has been no notable drop in Hispanic unemployment in DC since the start of the recession.
- Meanwhile, unemployment among white, non-Hispanic, residents has fallen back to pre-recession levels — 2.7 percent in 2012 compared with 3 percent in 2008.

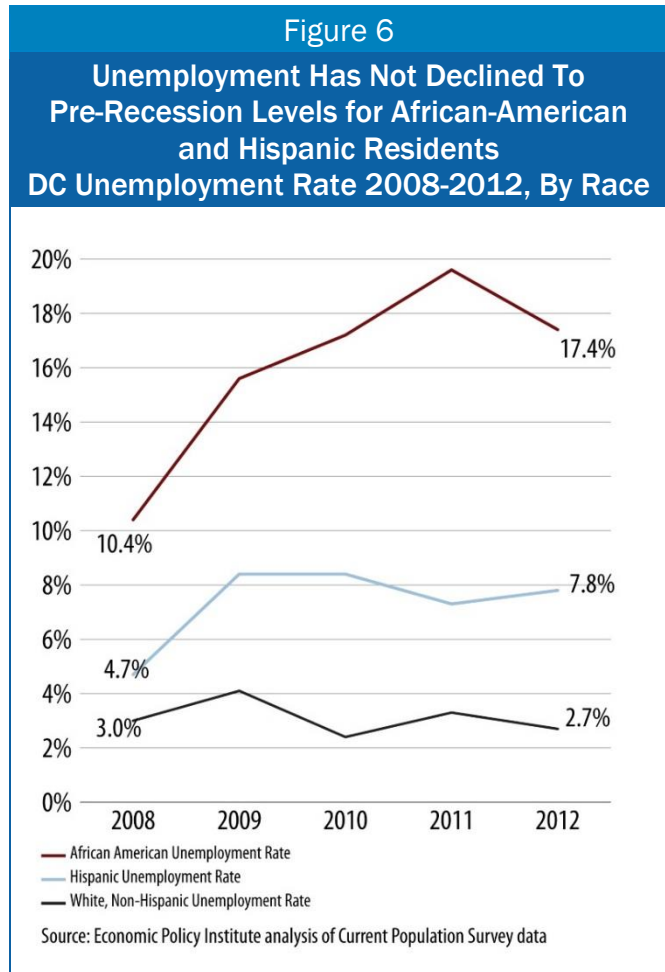


Employment among African-Americans has been hit especially hard in the wake of the recession. This can be seen by examining the share of African-American adults with a job. This employment rate is in some ways a better measure than the unemployment rate, since the latter only includes people actively looking for work. Residents who are too discouraged to look for work are not reflected in the unemployment rate, but they are measured in the employment rate.

For each year since 2009, fewer than half of African-American residents have been employed. In comparison, eight-in-ten white, non-Hispanic workers and seven in ten Hispanic workers were employed in 2012. Moreover, the employment rate for African-American adults in DC fell 12 percent between 2008 and 2012, compared with a 3 percent drop for Hispanic residents and a 4 percent increase for white, non-Hispanic residents (see **Figure 7**).

Unemployment Rates Remain Far Higher For Workers without a College Degree

Unemployment levels increased for workers at all education levels, but those with less than a college degree suffered far higher increases. Unemployment for residents with a high school diploma or less has fallen modestly in the past year, but remains far higher than before the recession started. At the same time, unemployment for those with a bachelor's degree has nearly recovered to where it was at the start of the recession.



- The unemployment rate for residents with a high school diploma stood at nearly 20 percent in 2012, far higher than the 12 percent unemployment rate in 2008 (see **Figure 8**).
- Some 21 percent of residents without a high school diploma were unemployed in 2012, compared with 16 percent in 2008.
- Even residents with some college education (but no complete bachelor's degree) have faced stubborn unemployment increases since the recession. Some 14 percent of these residents were unemployed in 2012 and the unemployment rate has not seen any drop since the end of the recession.
- Residents with college degrees were not as greatly affected. Unemployment for these residents increased to just 4 percent in 2012, compared with 3 percent in 2008.

What's Happened to Unemployment Since 2012?

The Bureau of Labor Statistics has released preliminary estimates for 2013 that show an average unemployment rate of 8.5 percent for DC. While this decrease from 2012's unemployment rate of 9.0 percent is notable, unemployment was still higher in 2013 than in 2008, before the recession. Given the uneven nature of the city's economic recovery, this likely means that unemployment for most groups of DC residents – all but those with college degrees – was still far higher in 2013 than in 2008. DCFPI will update data as they become available.

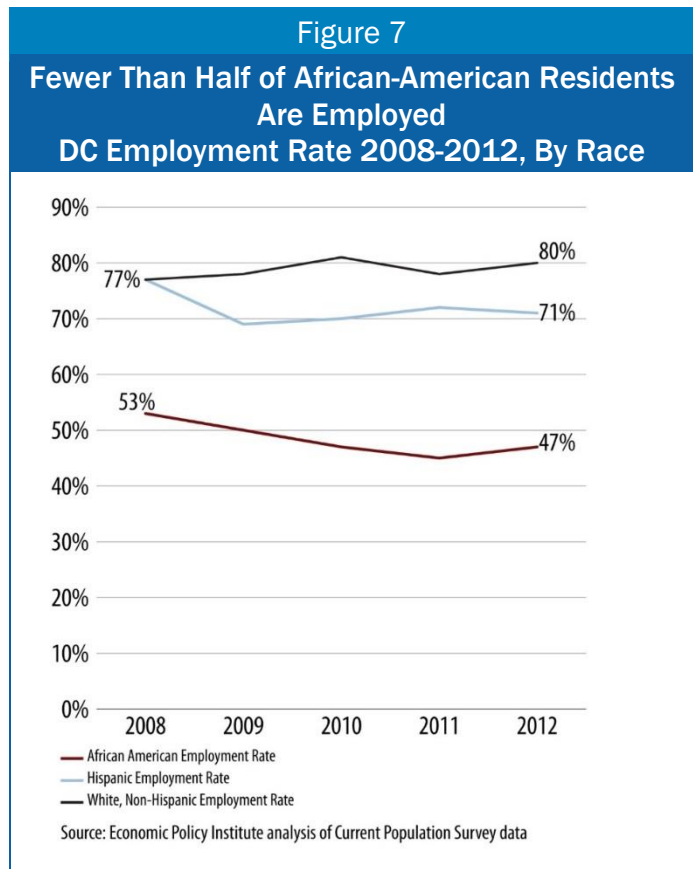
Young Residents (Ages 16-24) Continue To Face the Highest Unemployment Rates

The unemployment level among younger workers remains far higher than among other age groups, even though unemployment rose more slowly for younger workers in the recession than for others.

- The unemployment rate among younger workers stood at nearly 16 percent in 2012 compared with 13 percent in 2008.
- The unemployment rates for workers aged 24 to 54 stood at 8 percent in 2012, and 7 percent of workers 55 and older were unemployed. These rates are far below the unemployment rate of younger workers, but for both of these age groups, unemployment was far higher in 2012 than 2008.

Recommendations

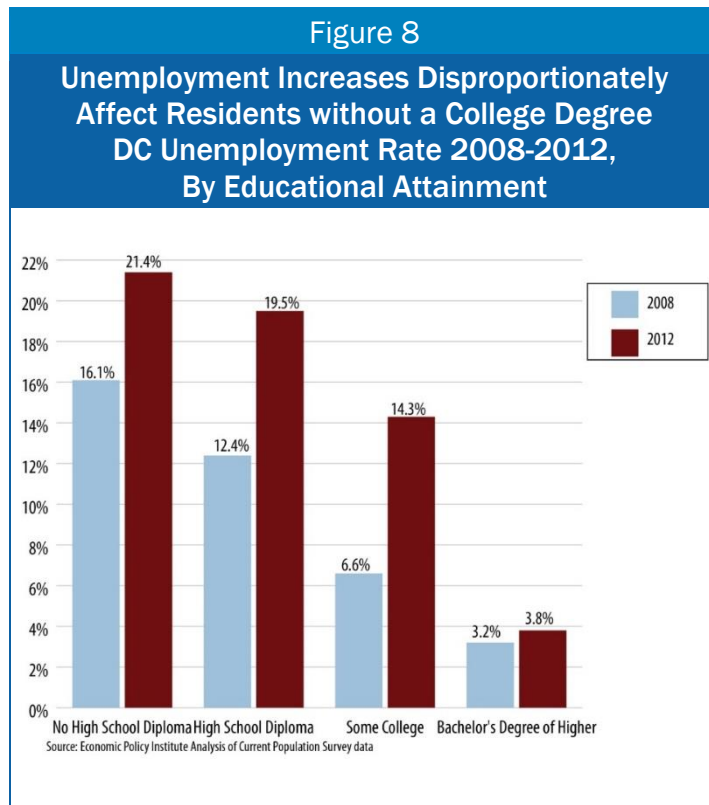
District workers with higher education have recovered from the recession and are now making economic gains, but those without a bachelor's degree are falling further behind. Many jobs in the District require a bachelor's degree, yet there are living-wage jobs in expanding sectors such as hospitality, where workers without advanced degrees can create a career ladder with help from workforce preparation programs. The District needs to make sure that DC workers are prepared to take these jobs, by addressing literacy and skills gaps, by taking steps to make work pay better, and providing resources such as child care subsidies and reliable transportation to make getting to work easier.



A core obstacle facing low-skill workers is basic literacy and numeracy. The District needs to put a sharp focus on adult literacy, funneling resources to programs with the best outcomes, better assessing who is in need of services, and better coordinating services. A high school diploma or GED is an absolute necessity in the DC job market. The District needs in particular to expand opportunities to connect less skilled workers to career pathways.

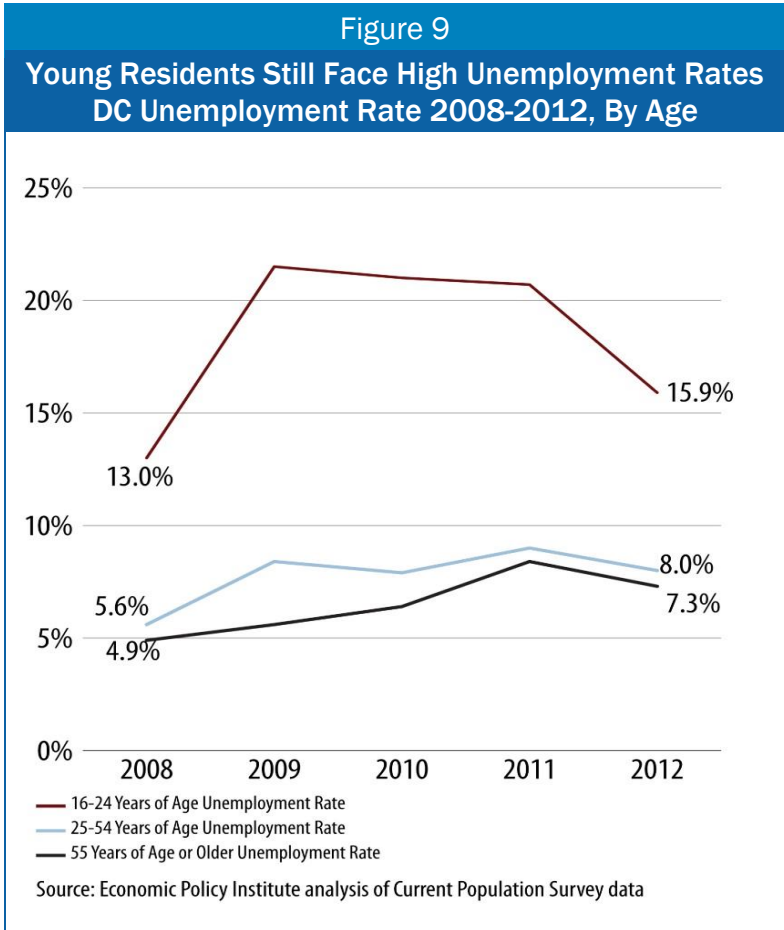
Ways to do that include:

- **Greater coordination and resources for adult literacy.** Many of the District’s long-term unemployed or underemployed lack basic literacy and numeracy skills. Currently the District’s approach to adult learning is scattered across several government agencies, including DC Public Schools, DC public charter schools, the Department of Employment Services, the Department of Human Services, the University of the District of Columbia Community College, and the Office of the State Superintendent for Education, which distributes grants to community-based organizations and nonprofits. One approach suggested in a soon-to-be-released paper from DC Applesseed is to convene a task force on adult literacy to figure out the best way to coordinate these services.
- **Focus on sector-specific training and certification:** Providing training in targeted sectors which are expanding in a local economy has had proven results in cities and states across the country. The District has implemented such a strategy with its recently piloted “workforce intermediary” — which is intended to connect residents seeking jobs with both training and then to employers. Currently, the intermediary is providing training and services in the construction and hospitality fields. If outcomes from this pilot are successful, the model should be expanded to other growing sectors.
- **Expand the year-round youth program:** Young residents ages 16 to 24 have the highest unemployment rates, and the District needs to connect these young workers to substantive employment. One approach could be to shift emphasis from the Summer Youth Employment Program to the Year-Round Program for youth, which blends educational opportunities and subsidized work.
- **Empowering the Workforce Investment Council to coordinate workforce development efforts in the District:** The Workforce Investment Council is a quasi-governmental agency required by federal law to oversee how certain U.S. Department of Labor funds are used by the



District. The Council, which is made up of business leaders, nonprofit leaders, and government agency directors, could expand its reach to other areas like literacy, training, and economic development to help create a more streamlined and effective strategy for education and training in DC.

Beyond education and training improvements, the District can take steps to make sure work pays enough to support a family. The recently adopted minimum wage increase — which will bring the wage floor to \$11.50 in 2016 — will help over 60,000 workers in the city. Other steps could include expanding the Earned Income Tax Credit, which boosts the income of working poor residents, as recommended recently by the DC Tax Revision Commission. Increases in funding for work supports, such as child care and transportation, could help ensure that work expenses do not overly diminish a worker’s wages.



Appendix			
Median Wages	2008	2012	Percent Change
Income Group			
20th Percentile	\$13.08	\$12.31	-5.9%
50th Percentile	\$21.46	\$24.01	11.9%
80th Percentile	\$38.68	\$43.12	11.5%
Race/Ethnicity			
White, non-Hispanic	\$29.77	\$32.32	8.6%
African American	\$17.33	\$17.71	2.2%
Hispanic	\$13.94	\$14.02	0.6%
Education			
High School Diploma	\$15.16	\$12.29	-18.9%
Some College/Associate's Degree	\$16.54	\$15.83	-4.3%
Bachelor's or more Advanced Degree	\$30.15	\$31.18	3.4%
Unemployment			
2008			
City-Wide	6.6%	9.0%	
Race/Ethnicity			
White, non-Hispanic	3.0%	2.7%	
African American	10.4%	17.4%	
Hispanic	4.7%	7.8%	
Education			
Less than High School	16.1%	21.4%	
High School Diploma	12.4%	19.5%	
Some College/Associate's Degree	6.6%	14.3%	
Bachelor's or more Advanced Degree	3.2%	3.8%	
Age			
16-24	13.0%	15.9%	
25-54	5.6%	8.0%	
55+	4.9%	7.3%	
Employment			
Race/Ethnicity			
White, non-Hispanic	77.2%	80.3%	
African American	53.2%	46.7%	
Hispanic	76.7%	70.5%	

Source: Economic Policy Institute analysis of Current Population Survey data