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## **Left Behind: DC's Economic Recovery Is Not Reaching All Residents**

By Ed Lazere and Marco Guzman<sup>1</sup>

The road to economic recovery in DC has left many groups of residents behind. The District has recovered from recession-related job losses, but wage and job growth have been very uneven. Low-wage workers have seen their wages fall, while higher-wage workers have seen earnings grow by thousands of dollars per year. Workers with less than a bachelor's degree continue to experience unemployment – and especially long-term unemployment – at far higher levels than in 2007. Not surprisingly, these economic conditions have forced many workers to give up looking for work all together or to take part-time jobs.

These findings, based on Census Bureau data for 2007 and 2013, show that what appears to be a strong economic recovery in the District is really just a recovery for a small number of residents. Even those with some education or training beyond high school have seen wages fall and unemployment rise. Only those residents with the most advanced education are making economic progress. For example:

- **Hourly wages for low-wage workers are stagnant:** Low-wage workers in DC earned \$12.62 an hour in 2013, one percent less than in 2007. Meanwhile, middle-wage workers saw their earnings rise \$3 an hour during this period, to \$24.25, and high-wage workers saw a \$6 an hour increase, to \$45.30, in 2013.
- **Unemployment remains far above pre-recession levels for many:** The District's overall unemployment rate has fallen. However, at 7.6 percent in 2014, it is still far higher than the 5.5 percent rate of 2007. Unemployment remains especially high for some groups. For example, 16 percent of African-American residents are unemployed, compared with 10 percent in 2007.
- **Unemployment is lasting longer for many:** DC has experienced a significant spike in the number of workers who remain unemployed for more than six months. In 2013, nearly three-fifths of workers with a high school diploma who lost a job were unable to find work for more than six months. In contrast, only 22 percent experienced unemployment that long in 2008.

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<sup>1</sup> Marco Guzman interned with DCFPI in the fall of 2014.

- **One-third of DC residents with a high school diploma are unemployed or work less than they would like to:** The underemployment rate—which includes workers who can’t find work, are working part-time when they want full-time work, or have given up looking—jumped significantly between 2007 and 2013. Nearly one-third of all high school graduates are underemployed. Workers with some college education have seen the largest increase in underemployment, from 9 percent in 2007 to more than 22 percent in 2013.

In short, DC’s economy is not enabling all residents to succeed. The findings of this analysis suggest that more needs to be done to help residents earn a living wage. The District has a number of strengths to build on, including a minimum wage that will rise to \$11.50 an hour in 2016, a requirement that all employers provide paid sick leave to their workers starting with their first day on the job, new penalties for employers who fail to pay workers appropriately, and a range of training programs for adults and youth.

The District can build on these efforts by expanding the minimum wage for workers who primarily rely on tips – who have a set minimum wage of just \$2.77 an hour before tips – and by taking steps to enforce new minimum wage, paid sick leave, and wage theft laws. The District can do more to coordinate and strengthen literacy and job training programs, and to take advantage of federal job training funds. And it can strengthen supports for working families, such as child care.

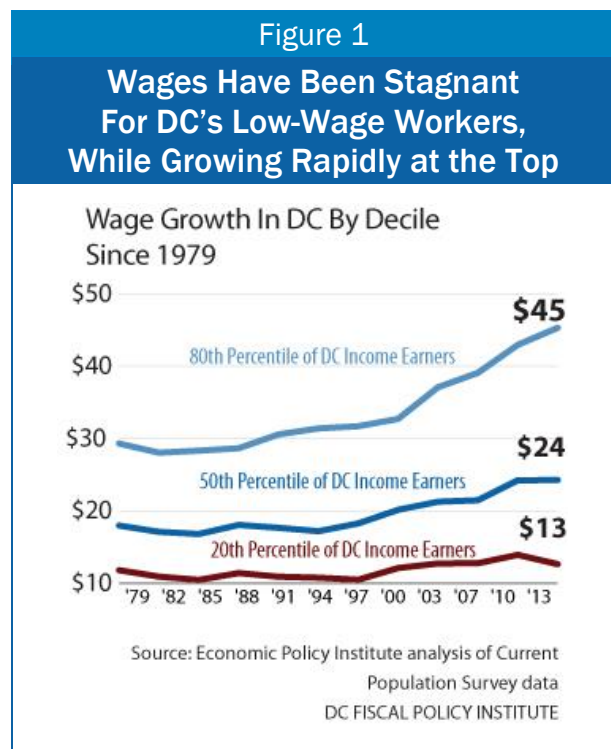
## Wages Are Falling for Many DC Residents

Working DC residents who earn low wages have seen no improvement in their hourly earnings in recent years, while middle- and high-wage earners have seen notable gains. This largely reflects a drop in wages for workers without a college degree. In addition, wages for Black and Hispanic workers have grown much more modestly than for white workers.

In this section, “low-wage” workers are those who earned less than \$12.62 an hour in 2013, which was lower than the earnings of 80 percent of working DC residents. “Middle-wage” workers are residents who earn the median or mid-point wage of \$24.25 in 2013, a wage where half of the people earn less and half earn more. “High-wage” workers make an hourly wage of \$45.30 in 2013, greater than 80 percent of working DC residents.

- **Wage disparities in DC are the widest in 35 years.** The recent disparity in wage growth is part of a longer-term trend.

Wages for low-wage workers have increased only 7 percent since 1979, while middle-wage workers have seen a 35 percent wage increase and high-wage workers have seen wages grow 55 percent over the same period. (See **Figure 1**.)

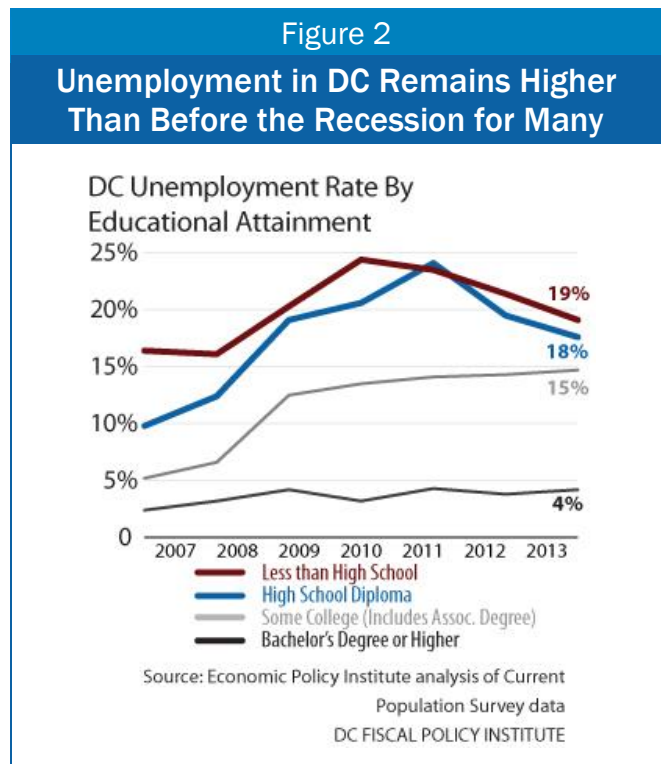


- **Wages are falling for everyone except college graduates.** The typical wage for residents with a high school diploma fell \$1.50 between 2007 and 2013, to just over \$13 an hour. Residents with some college education – an associate’s degree or less – fared even worse, facing a \$2-per-hour drop in their typical wage, to \$15 an hour. Meanwhile, the median wage for DC residents with a college degree *increased* \$2 an hour from 2007 to 2013, to almost \$33.
- **Wages are growing slowly for African-American and Hispanic workers.** In 2013, the typical African-American worker made \$17.14 an hour, a 30-cent-per-hour increase since 2007. The typical Hispanic worker made \$15 an hour, an increase of 90 cents per hour over the same time period. By contrast, white, non-Hispanic workers, who typically made \$33 an hour in 2013, saw a \$3 an hour increase in wages since 2007.

### Many Groups of Residents Continue to Face High Rates of Unemployment

The District’s unemployment rate has been falling since peaking at 10.4 percent in 2011, and stood at 7.6 percent in August 2014. Nonetheless, the unemployment rate remains far higher than it was before the start of the recession – 5.5 percent in 2007 – which means that DC residents have not fully recovered from the recession. And some groups of residents have been hit harder than others. Residents without a college degree, Black, Hispanic and young workers continue to face far higher unemployment rates than other groups in DC.

- **Workers without a college degree face high unemployment.** Nearly one in five residents without a high school diploma is unable to find work. About 18 percent of residents with a high school diploma are unemployed, compared with 10 percent in 2007 before start of the recession. And DC residents with some college education – which includes residents with an associate’s degree but not those with a bachelor’s or more – have been especially hard hit. Nearly 15 percent were unemployed in 2013, almost three times the share that were unemployed in 2007. (See **Figure 2**.)



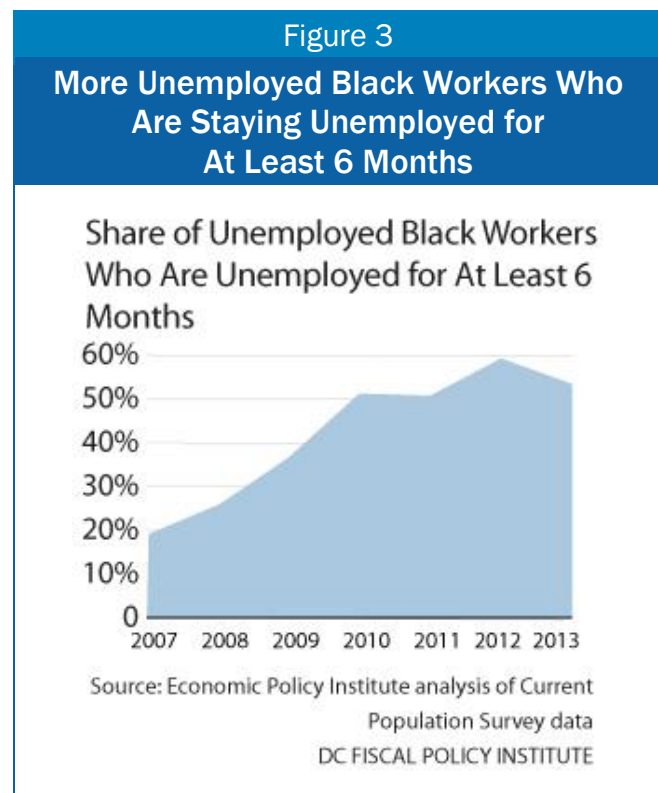
- **Black residents are four times as likely as white residents to be unemployed.** The unemployment rate for Black residents in 2013 was 16 percent, which is more than double the unemployment rate for Hispanic residents and more than quadruple the unemployment rate for white residents.

- **Unemployment continues to remain highest for young workers.** The unemployment rate for residents ages 16 to 24 has dropped in recent years to nearly 15 percent, from 21 percent in 2010. But this is still higher than in 2007, before the start of the recession, and higher than for any other age group.

## Unemployment is Lasting Longer for Many DC Residents

Workers who lost their jobs during the recession and the slow recovery have remained jobless for extended periods of time. Nearly half of all unemployed DC residents in 2013 had been looking for work for at least six months. By contrast, a little under 19 percent of unemployed workers in 2007 faced long-term joblessness.

- **Unemployed residents without a college degree are more likely to be unemployed long-term.** Almost 60 percent of unemployed residents with only a high school education have been out of work for at least 6 months, compared with 36 percent of unemployed residents with a college degree or higher.
- **More than half of unemployed Black workers were unemployed for at least 6 months in 2013.** (See **Figure 3.**) In 2007, only 20 percent of Black workers who lost a job stayed out of work that long.<sup>2</sup>
- **Older workers are most likely to face long-term unemployment.** More than two-thirds of unemployed residents aged 55 and older were unemployed long-term in 2013. This compares to 45 percent of unemployed workers ages 25-54 and 36 percent of unemployed workers ages 16-24.



<sup>2</sup> The data did not contain large enough sample sizes for other races and ethnicities to be able to make similar comparisons.

## Key Measures of Job Conditions Used in This Report

This analysis examines job conditions using several different measures: the unemployment rate, the long-term unemployment and underemployment rates, and the share of residents working part-time for economic reasons. All of the 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 active duty in the Armed Forces.

The unemployment rate is equal to the number of people who are unemployed but are 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 long-term unemployment rate considers the share of unemployed workers who have been actively seeking work for 27 weeks or longer but are unable to find it.

The underemployment rate includes unemployed workers, individuals who would like full-time work but are settling for part-time work, and marginally-attached workers: individuals who would like to work but have given up actively looking. An important caveat, however, is that this measure does not account for individuals who have settled for employment that is below their skill level.

The share of part-time workers who are identified as working part-time for economic reasons are individuals who would like to be working full-time but are not because of some economic reason. These workers are also known as the involuntary part-time.

Given the strengths and weaknesses of these measures, it is worth examining all of them when assessing labor market conditions.

## A Growing Share of Workers Are Underemployed

Lack of available work has forced some DC residents into jobs that do not provide them with the amount of hours they want, and in some cases has caused workers to give up looking all together. When these workers are counted with those who are unemployed and looking for work, a broader picture of underemployment emerges.

- **One out of seven DC workers is underemployed.** Over 14 percent of DC residents were underemployed in 2013, up from 9 percent in 2007 before the start of the recession.
- **Nearly one-third of residents with a high school diploma or less are underemployed.** Some 31 percent of DC high school graduates were underemployed in 2013 – up from 17 percent in 2007 – as are 32 percent of those without a high school diploma. Just 6 percent of residents with a bachelor’s degree or higher were underemployed in 2013. (See **Figure 4**.)

- **Black residents are most likely to be underemployed.** One in four Black residents was underemployed in 2013 – almost double the underemployment rate of Hispanic residents and quadruple the rate of white residents.

### Many Residents are Working Part-Time Because They Can't Find Full-Time Work

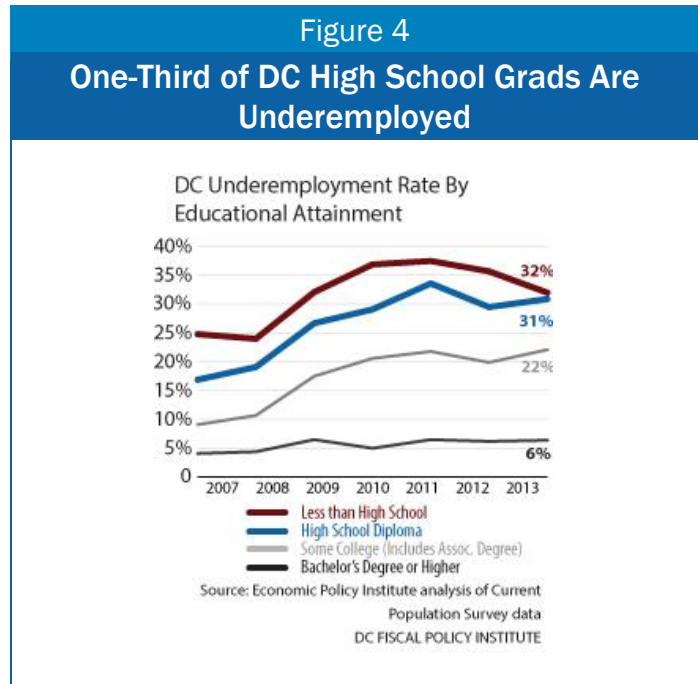
Economic conditions have kept everyone who wants full-time work from being able to find it. The number of part-time DC workers employed part-time for economic reasons – because they could not find full-time work – is growing

sharply and is particularly common among some groups of DC residents. More than one in five of the part-time workers in DC worked part-time for economic reasons in 2013 (See **Figure 5.**)

- **More than a third of Black and Hispanic part-time workers want full-time work.** That share has jumped since 2007, especially for Black workers.
- **Younger and prime-age workers struggle with involuntary part-time work.** In 2013, nearly 30 percent of residents ages 16 to 24 who worked part-time did so for economic reasons, as did more than a quarter of part-time workers aged 25-54.
- **Many high school graduates work part-time for economic reasons.** In 2013, about 43 percent of high school graduates worked part-time involuntarily. That is up from 25 percent in 2007.

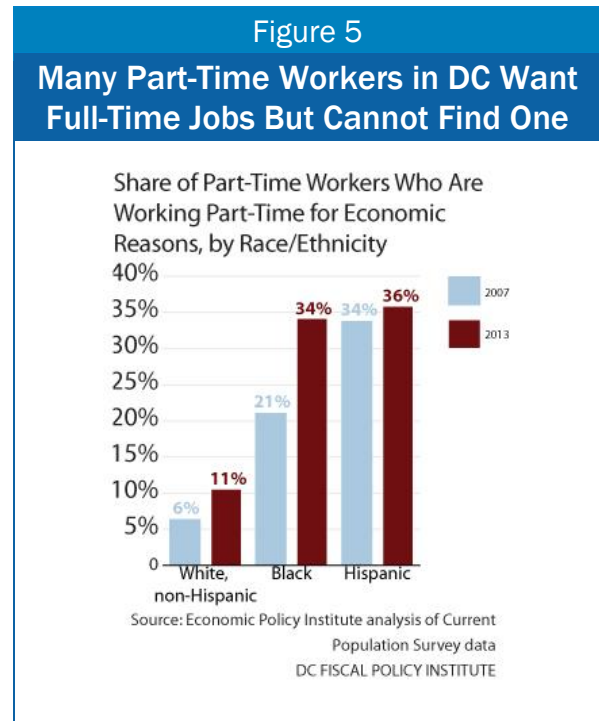
### DC's Largest Employment Gains Have Been in Education, Health and Hospitality

After suffering losses due to the onset of the recession, job growth has picked up in several fields—such as education and health services and leisure and hospitality services. The District has recovered the jobs lost during the recession and has seen a net gain in jobs since 2007. The gain has been the result of a growing number of private-sector jobs. By contrast, employment in the federal and DC governments has been falling since it reached a peak in 2011, due to cuts in federal government spending.





- Total private employment has made steady gains since 2007.** Private-sector jobs in DC totaled 489,000 in 2012, or 27,000 more than in 2007. Through the end of 2013, preliminary monthly data shows total private employment had risen to 496,500 jobs.<sup>3</sup> The largest gains in private employment from 2007-2013 were in education and health services and leisure and hospitality services.
- Government employment rose after the recession but has fallen recently.** Federal and local government employment in DC experienced substantial gains through 2011, when it reached its peak of 247,000 jobs, a gain of 16,000 jobs from 2007. Starting in 2012 however, government employment began to fall, to 237,000 in 2013.
- Professional and business services jobs have increased modestly.** This is the second-largest area of employment in DC, after the government. Jobs in this area fell during recession but have recently recovered. There were 156,000 jobs in professional and business services in DC in 2013, up from 153,000 in 2007.



## Recommendations

The rising cost of living in DC means that residents will face growing challenges if they are not able to find good-paying jobs. Yet a look below the surface of the District's strong economy reveals troubling trends for many workers. Unemployment is far higher today than before the last recession for residents other than those with a college degree, and part-time work is becoming more common. Hourly wages for workers near the bottom have been stagnant, while middle- and higher-wage workers have enjoyed substantial wage gains. The gap between the top and bottom earners is the widest in 35 years.

In short, DC's economy is not enabling all residents to succeed. The job challenges are especially great for some residents, including the roughly 60,000 adults who lack a high school diploma or its equivalent, residents returning from prison, and others with limited job experience.

The District has a number of strengths to build on. The city's minimum wage will rise to \$11.50 an hour in 2016, and all workers in the city earn paid sick leave starting with their first day on the job. Legislation adopted in 2014 will prohibit employers from asking about an applicant's criminal record

<sup>3</sup> Annual job data from the Current Employment Statistics Survey for 2013 is not currently available so this report relies on an average of monthly data which has been calculated by DCFPI and is not seasonally adjusted.

until a job offer has been made. And the District operates a number of training programs for adults and youth.

But more needs to be done. The following steps would strengthen literacy and training programs and help more residents earn a living wage:

- **Implement New Approaches to Integrate Literacy Services and Job Training:** The DC budget for 2015 created a “career pathways” task force to recommend ways to improve coordination of literacy and job training programs across multiple DC agencies. The District could use this opportunity to coordinate programs across multiple agencies, making it easier for residents to seek education and training, create more pathways to move from literacy services to occupational training and create a common framework to evaluate and improve programs. The task force will issue a report in 2015, and then the mayor and council will need to take steps to implement recommendations.
- **Take Steps to Enforce New Wage and Job Benefits:** The city will have to inform workers and businesses of the new minimum wage, paid sick leave, and wage theft legislation, and they will need adequate staff to enforce them.
- **Raise the Minimum Wage for Tipped Workers.** Tipped workers earn just \$2.77 an hour before tips and were largely left out of the recent minimum wage increase. The minimum wage for tipped workers is lower in DC than in 27 states. The District could raise the minimum wage for tipped workers to a set percentage of the full minimum wage, such as 70 percent, or it could eliminate a separate wage for tipped workers entirely. Seven states set the minimum wage for tipped workers at the full minimum wage.
- **Make Better Use of Federal Job Training Funds through SNAP (Food Stamps):** The SNAP Employment and Training program provides federal funds to cover half the costs of job training and job supports, such as transportation, to SNAP recipients. The District could take better advantage of this program to expand job training, transportation assistance, and other work supports.
- **Explore Creating Paid Family Leave:** The District recently received a federal grant to explore creation of family leave insurance, under which a small payroll tax could fund payments to workers who take leave to care for a newborn or a sick relative. A paid family leave program would complement the DC government’s recent efforts to provide paid family leave to DC government employees.
- **Expand Access to Child Care:** Ensuring that parents have convenient access to high-quality child-care is important to enabling parents to go to work. Yet the amount the District provides to subsidize child care is well below market rates and the level needed to provide appropriate care. Increasing child care reimbursement rates would support expansion of quality child care throughout the city.



<b>Appendix</b>			
<b>Median Wages</b>	<b>2007</b>	<b>2012</b>	<b>Percent Change</b>
<b>Wage Group</b>			
20 <sup>th</sup> Percentile	\$12.74	\$12.62	-.9%
50 <sup>th</sup> Percentile	\$21.45	\$24.25	13.1%
80 <sup>th</sup> Percentile	\$39.07	\$45.30	15.9%
<b>Race/Ethnicity</b>			
White, non-Hispanic	\$30.06	\$33.31	10.8%
African American	\$16.85	\$17.14	1.7%
Hispanic	\$14.12	\$15.01	6.3%
<b>Education</b>			
High School Diploma	\$14.61	\$13.11	-10.3%
Some College/Associate's Degree	\$16.98	\$14.62	-13.9%
Bachelor's or more Advanced Degree	\$30.24	\$32.65	8%
<b>Unemployment</b>			
	<b>2007</b>	<b>2013</b>	
City-Wide	5.5%	8.6%	
<b>Race/Ethnicity</b>			
White, non-Hispanic	1.8%	3.7%	
African American	9.4%	15.5%	
Hispanic	(a)	6.7%	
<b>Education</b>			
Less than High School	16.4%	19.1%	
High School Diploma	9.8%	17.6%	
Some College/Associate's Degree	5.2%	14.7%	
Bachelor's or more Advanced Degree	2.4%	4.2%	
<b>Age</b>			
16-24	12.7%	14.8%	
25-54	4.6%	7.6%	
55+	3.6%	8.4%	
<b>Underemployment</b>			
	<b>2007</b>	<b>2013</b>	
City-Wide	9.3%	14.1%	
<b>Education</b>			
Less than High School	24.8%	32%	
High School Diploma	16.9%	30.9%	
Some College/Associate's Degree	9.1%	22.1%	
Bachelor's or more Advanced Degree	4.1%	6.4%	
<b>Race/Ethnicity</b>			
White, non-Hispanic	3.3%	5.8%	
African American	15.2%	24.8%	
Hispanic	9.4%	13.3%	
<b>Long-term Unemployment</b>			
	<b>2007</b>	<b>2013</b>	
City-Wide	18.8%	46.6%	
<b>Education</b>			
	<b>2010(b)</b>	<b>2013</b>	
Less than High School	44%	41.2%	
High School Diploma	52.3%	59.1%	
Some College/Associate's Degree	47.1%	47.4%	
Bachelor's or more Advanced Degree	54.9%	35.8%	

<b>Age</b>	<b>2010(b)</b>	<b>2013</b>
16-24	34.6%	36.4%
25-54	55.5%	45.3%
55+	54.2%	65.1%
<b>Race/Ethnicity</b>	<b>2007</b>	<b>2010</b>
White	(a)	28.4%
African American	19.5%	53.4%
Hispanic	(a)	(a)
<b>Jobs (in thousands)</b>	<b>2007</b>	<b>2013(c)</b>
Total Private	462.8	496.5
Construction and Mining	12.7	13.4
Trade, Transportation, and Utilities	27.7	27.3
Information	21.9	16.6
Financial Activities	29.2	28.8
Professional and Business Services	152.8	155.9
Education and Health Services	98.5	117.5
Leisure and Hospitality	55.5	67.7
Other Services	62.8	68.4
Government	231	237

Source: Economic Policy Institute analysis of Current Population Survey and the Current Employment Statistics Survey.

(a) Data are not available due to an insufficient sample size

(b) Data are not available in 2007 due to an insufficient sample size

(c) Annual job data from the Current Employment Statistics Survey for 2013 is not currently available so this report relies on an average of monthly data which has been calculated by DCFPI and is not seasonally adjusted.