

February 25, 2016

A City Breaking Apart: The Incomes of DC's Poorest Residents Are Falling, While Economic Growth is Benefiting Better-Off Residents

By Peter Tuths

DC's poorest families have suffered a dramatic loss of income since the Great Recession, while higher-income families have seen their earnings rise. The income of the poorest DC households is now lower than in most major cities, and far lower than in the DC suburbs, an especially serious problem in a region where the cost of living is among the nation's highest. DC's persistent income inequality is also wider than in almost any other U.S. city.¹ It is a sign that DC's economy is not working for all, and that development, which is pushing up housing costs throughout the city, is leaving collateral damage in its wake.

DC's lowest-income residents are overwhelmingly people of color, and nearly half were born in DC, compared with just 17 percent of other residents. This suggests that as the District's population and economy continue to grow, long-term residents of color are being left behind. Policy initiatives - from affordable housing investments to paid family leave and mandated fair scheduling for workers - are needed to help all households cope with the changes taking place around them.

Comparisons with other large U.S. cities, neighboring jurisdictions, and examination of income trends within the District reveal worrying signs for equity in the city.

- **Incomes are falling for already low-income households.** Average income for the poorest fifth of DC residents fell to \$9,300 in 2014 from \$10,800 in 2007. (All figures are adjusted for inflation to equal 2014 dollars.)
- **DC's poor families are among the poorest in major U.S. cities.** The average income of the poorest fifth of DC households ranked 31st among the 50 largest U.S. cities.
- **DC's poor families have far lower incomes than suburban families.** The average income of the poorest fifth of DC households is as much as two-thirds lower than it is for the low-income families in some surrounding jurisdictions.
- **Income inequality in DC has remained one of the highest among large U.S. cities for nearly a decade.** The average household income of the top 5 percent of DC residents was 52 times the income of the bottom 20 percent in 2014. That is the fifth highest gap among the 50 largest U.S. cities. This income gap has remained statistically unchanged since 2007.
- **DC's high-income households are among the wealthiest in the nation.** The average household income of the top 5 percent of District residents is \$487,000, the third highest

¹ U.S. Census Bureau. Annual Estimates of the Resident Population for Incorporated Places Over 50,000, Ranked by July 1, 2014 Population.

among large U.S. cities. Inequality is exacerbated by the unusually high income of DC’s wealthiest residents compared to other large U.S. cities.

This analysis uses data from the U.S. Census Bureau’s American Community Survey from 2007 through 2014 to examine income disparities, and income trends in DC and the other 49 largest U.S. cities, as well as four neighboring counties and the City of Alexandria, VA. (See **Appendix A** for complete list of cities)² (See **Appendix B** for complete list of regional counties plus the City of Alexandria, VA and DC).

Amidst Rising Incomes for Some, the Poorest DC Households Face Falling Incomes

The Great Recession that started in 2008 wreaked havoc on many households, but the lingering effects have weighed most heavily on the poorest families (see **Figure 1**). The average income of the fifth of DC households with the lowest incomes stood at \$9,300 in 2014, a drop of nearly \$1,500 since 2007 (see **Table 1**).

This income slide has left these families with lower incomes than similar families in 30 of the 50 major U.S. cities. DC’s low-income residents have incomes that are roughly the same as low-income families in El Paso, Texas and Albuquerque, New Mexico, where the cost of living is about half of Washington’s. In fact, housing in 41 of the 50 largest U.S. cities is more affordable for the bottom fifth of residents than in DC. (See **Appendix C** for a complete list of cities with housing costs).³

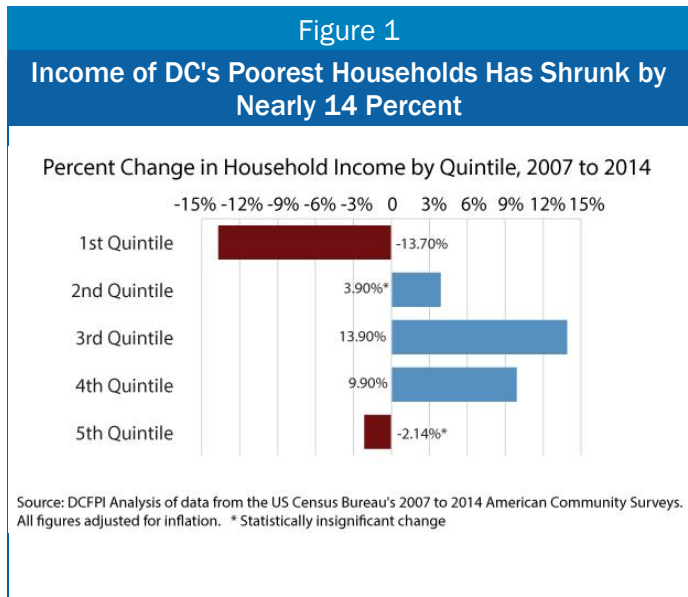


Table 1
The Poorest in DC Have Suffered Unique Income Loss Since the Great Recession

Income Quintile	2007	2014	Change
1st Quintile	10,800	9,300	-1,500
2nd Quintile	34,500	35,900	*1,400
3rd Quintile	62,900	71,700	8,800
4th Quintile	109,200	120,000	10,800
5th Quintile	287,000	280,800	*-6,200

Source: DCFPI Analysis of data from the US Census Bureau's 2007 through 2014 American Community Surveys. All figures adjusted for inflation.
*Statistically insignificant change.

² The 50 largest cities by population includes three Census jurisdictions that include larger metropolitan government entities. These are Louisville/Jefferson County Metropolitan Government, Nashville-Davidson Metropolitan Government, and Indianapolis.

³ See Economic Policy Institute’s Basic Family Budget calculator, available at: <http://www.epi.org/resources/budget/>

The burden of poverty in the District falls most heavily on people of color, and on residents who were born in DC.⁴

- Among the poorest group of DC households, nearly 75 percent were headed by people of color. By comparison, just 31 percent of other households were headed by a person of color.
- Almost half of the poorest fifth of households are headed by someone who was born in the District, compared with 17 percent of other DC households.

This means that communities of color with long-established roots in DC face increasing economic challenges and pressure, at a time when many other residents benefit from rising incomes.

The loss of income reflects not only economic trends, but also policy decisions in the District. Wages have fallen since 2007 for working DC residents other than those with a college degree.⁵ And a large number of DC residents remain out of work or are offered fewer hours than they want. Some 28 percent of DC residents with a high school diploma were under-employed in 2014 – working part-time despite wanting full-time hours – or too discouraged to look for work, compared to 17 percent in 2007.

On top of these economic trends were policy decisions that also affect well-being. For example, the District in 2011 began to reduce cash assistance under Temporary Assistance for Needy Families (TANF) to some families with children. The maximum benefit for families that have received assistance for more than 60 months is now \$154 a month for a family of three, compared to \$428 a month in 2010. The benefit reductions have affected roughly 6,000 families.

DC is not alone in experiencing painful income declines among low-income residents. This decrease is consistent with the experiences of other large cities in the Northeast such as Philadelphia, Baltimore, New York, and Boston.

Meanwhile, families with higher incomes are faring much better:

- The average income of the second-lowest fifth of DC households was \$36,000 in 2014 and – unlike the situation with the poorest – it is statistically unchanged since 2007.
- The middle-fifth of DC households saw average incomes rise 14 percent from 2007 to 2014, to \$72,000. Meanwhile, incomes rose 10 percent for the second highest fifth of households, to \$120,000. These families fared far better than families in Baltimore, Philadelphia, and New York City, which experienced statistically flat or falling incomes. Boston is the only other major northeastern city with rising incomes for its upper-middle income households, though the income of its middle-income households remained unchanged.
- Incomes remained unchanged for DC's highest-income households. The average income of the top fifth of DC households was \$280,000 in 2014.

⁴ Based on DCFPI analysis of data from the U.S. Census Bureau's 2014 American Community Survey.

⁵ See DCFPI report, "Two Paths to Better Jobs for DC Residents: Improved Training and Stronger Job Protections," available at: <http://www.dcfpi.org/wp-content/uploads/2015/10/State-of-Working-DC-Final-10.14.15.pdf>

Inequality Is Far Wider in DC than in Suburban Jurisdictions

DC's poorest families have far lower incomes than the poorest families in the Maryland and Virginia suburbs, while DC's richest families have incomes that are largely in line with suburban jurisdictions (see **Table 2**). As a result, income disparities are far starker in the District.

Jurisdiction	1st Quintile	2nd Quintile	3rd Quintile	4th Quintile	5th Quintile
	Average income, 2014				
Washington, DC	9,300	35,900	71,700	120,000	280,800
Prince George's County	20,200	55,800	73,200	109,300	195,800
City of Alexandria	21,500	47,300	87,400	133,000	272,900
Montgomery County	24,000	68,600	97,400	148,600	328,000
Arlington County	24,000	60,700	108,800	158,300	311,300
Fairfax County	29,300	72,700	111,500	164,900	334,100

Source: DCFPI Analysis of data from the US Census Bureau's 2014 American Community Survey.

- The poorest fifth of households in the DC suburbs have average incomes ranging from \$20,200 in Prince George's County to \$29,300 in Fairfax County. These are two to three times higher than the \$9,300 average income for the lowest-income DC households.
- The income of the second-poorest fifth of DC households – \$36,000 – also is far lower than in the suburbs, where incomes for this group range from \$47,000 to \$73,000.
- Meanwhile the average income of the top fifth of DC households – \$280,000 – is lower than in some suburban counties but not by margins that are as dramatic. The richest fifth of households in Montgomery County, Arlington County, and Fairfax County, have incomes between \$311,000 and \$334,000. The richest fifth of households in the City of Alexandria have similar incomes to the highest-income DC families, while the richest fifth of families in Prince George's County have incomes that are lower than this same group in DC.

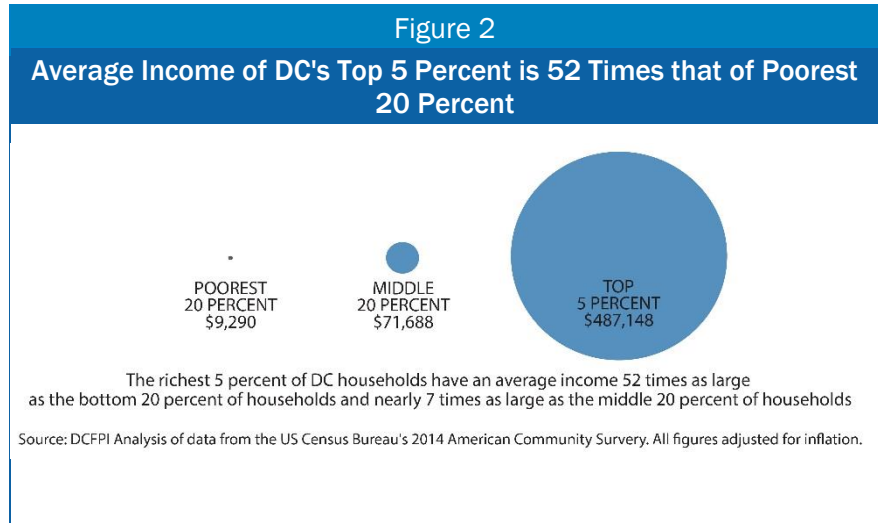
As a result, income gaps are far wider in the District. The richest fifth of DC households have incomes that are 30 times higher than the poorest fifth, and the richest families in DC's suburbs have incomes that are 10 to 14 times higher than the poorest families there.

DC's Income Gap Among the Highest in the U.S.

Since 2007, the District has consistently been among the five large U.S. cities where the income gap is the greatest. The average household income of the top 5 percent in DC was 52 times the income of the bottom 20 percent in 2014 (see **Figure 2**). This large income gap, which is statistically unchanged over the past eight years, is only lower by a statistically significant margin than in New Orleans, Boston, and Atlanta (see **Table 3**). The gap between the top 5 percent and the bottom 20 percent in DC is statistically similar to the gaps in New York City and Dallas.

When comparing average incomes of the top 20 percent and lowest 20 percent, the District's income inequality is tied as the worst in the nation with: New Orleans, Boston, Atlanta, and San Francisco. The richest fifth of DC households have incomes that are 30 times higher than the incomes of the poorest fifth. This gap is slightly smaller than in New Orleans, Boston, and Atlanta, but not by a statistically significant margin.

DC's especially wide income inequality reflects incomes of the poorest families that are below the typical income for poor families in other cities, and incomes at the top that are among the highest in the nation. While the income of DC's poorest families ranks 31st among the nation's 50 largest cities, the average income of the top five percent of DC households is below only those in Atlanta and San Francisco, among large U.S. cities.



DC Has the Tools and Means to Combat Inequality and Support Opportunities for Economic Mobility

These findings show the urgency of taking steps to help offset economic trends that make life more precarious for many DC households. The impacts of the Great Recession have left more residents out of work, or working at lower wages than before the economic downturn. Rising housing costs and development that is expanding to more neighborhoods – fueled by the high and increasing incomes of the District's higher income families – is making it harder for lower-income families to keep up.

The District should take steps to help boost the incomes and employment prospects of families that struggle the hardest to make ends meet, and increase existing efforts to make more housing affordable. In addition, the District needs to take assertive steps to ensure that development reaching more neighborhoods does not result in

Table 3
DC Ranks 5th in Income Inequality Between Top 5% and Bottom 20%

City	Ratio of Average income, Top 5% to Bottom 20%, In 2014
1. New Orleans, LA	73.4
2. Boston, MA	64.7
3. Atlanta, GA	62.5
4. New York, NY	53.7*
5. Washington, DC	52.4*
6. Dallas, TX	46.4*
7. San Francisco, CA	43
8. Los Angeles, CA	42.8
9. Miami, FL	42.5
10. Chicago, IL	41.8
*No Statistical Difference	

Source: DCFPI Analysis of data from the US Census Bureau's 2014 American Community Survey.

displacement of existing low- and moderate-income residents. The uniquely high income of DC's wealthier residents, combined with the District's overall robust economic growth, presents a crucial opportunity to do more to lift residents out of poverty and shrink the wide gap of income inequality. Policy moves that could help improve the economic security of hard-pressed DC residents include:

- **Protecting families with children that receive TANF.** Under current law, 6,000 families with 13,000 children face the loss of income assistance in October, and experiences from other states suggest that most will not be able to replace the lost income. The District should make its TANF time limit more flexible, providing extensions to families that need more time, so that TANF policies do not push more children into deep poverty.
- **Improving job training.** The District has an opportunity to address longstanding challenges in its system for providing adult education and training. Mayor Bowser recently appointed a staff director for the Workforce Investment Council and a new chair for its board. This spring, the District will submit a new plan to the federal government to overhaul workforce development. Efforts to better coordinate adult literacy and job training, to measure the performance of key programs, and to better connect residents with employment at the end of their training should be top priorities for the Bowser Administration.
- **Improving compensation for jobs in DC.** The District should continue to take steps to help people working in the District earn enough to support themselves. This includes raising the minimum wage, adopting legislation to require service-sector employers to give workers more predictable schedules and full-time hours, and establishing paid family leave insurance to help parents take time from work when they need to.
- **Investing in Affordable Housing.** The District is spending a record level on affordable housing, yet this is not enough to keep up with rising needs. The District should set more ambitious targets for creating more affordable housing and then devote the needed resources.
- **Equitable Development.** The District should take steps to ensure that neighborhood economic development results in benefits for all residents rather than leaving families at risk of displacement. This should include investments to repair public housing and rules that enable all families to return to redeveloped properties. It also should include investments to preserve existing low-cost housing in neighborhoods undergoing change, particularly by taking advantage of the District's authority to buy housing that comes on the market. And it should include steps to make sure that DC-supported economic development creates good jobs and affordable housing, such as a proposal to ensure that jobs created by projects subsidized by tax breaks pay DC's living wage.

Appendix A:

Income Inequality in Major U.S. Cities, 2014

City	1st Quintile Average Income	5th Quintile Average Income	Top 5% Average Income	Ratio Top 5% to Bottom 20%	Rank	Ratio Top 20% to Bottom 20%	Rank 2
New Orleans, LA	\$5,630	\$200,634	\$413,426	73.4	1	35.6	1
Boston, MA	\$7,279	\$250,514	\$470,845	64.7	2	34.4	2
Atlanta, GA	\$8,115	\$253,652	\$506,938	62.5	3	31.3	3
New York, NY	\$9,059	\$244,743	\$486,888	53.7	4	27	5
Washington, DC	\$9,290	\$280,834	\$487,148	52.4	5	30.2	4
Dallas, TX	\$9,494	\$214,902	\$440,890	46.4	6	22.6	9
San Francisco, CA	\$12,931	\$316,297	\$556,654	43	7	24.5	6
Los Angeles, CA	\$10,354	\$228,922	\$443,482	42.8	8	22.1	14
Miami, FL	\$7,221	\$159,654	\$307,018	42.5	9	22.1	13
Chicago, IL	\$8,738	\$199,059	\$365,124	41.8	10	22.8	8
Minneapolis, MN	\$8,648	\$198,404	\$356,147	41.2	11	22.9	7
Oakland, CA	\$10,448	\$233,972	\$428,869	41	12	22.4	10
Philadelphia, PA	\$7,020	\$155,232	\$283,745	40.4	13	22.1	12
Cleveland, OH	\$4,723	\$104,978	\$188,309	39.9	14	22.2	11
Houston, TX	\$10,512	\$209,424	\$400,680	38.1	15	19.9	19
Baltimore, MD	\$7,536	\$162,606	\$287,245	38.1	16	21.6	15
Denver, CO	\$11,013	\$219,987	\$416,478	37.8	17	20	18
Memphis, TN	\$7,116	\$142,435	\$265,182	37.3	18	20	17
Charlotte, NC	\$11,985	\$223,236	\$429,253	35.8	19	18.6	23
Sacramento, CA	\$9,791	\$185,534	\$342,269	35	20	18.9	21
Detroit, MI	\$4,638	\$95,440	\$158,372	34.1	21	20.6	16
Tulsa, OK	\$9,988	\$174,649	\$339,885	34	22	17.5	27
Portland, OR	\$10,771	\$202,094	\$365,332	33.9	23	18.8	22
Seattle, WA	\$12,835	\$246,769	\$414,830	32.3	24	19.2	20
Kansas City, MO	\$8,925	\$159,525	\$276,915	31	25	17.9	25
Austin, TX	\$12,528	\$213,391	\$382,839	30.6	26	17	30
Louisville/Jefferson County, KY	\$9,683	\$167,553	\$294,382	30.4	27	17.3	28
Phoenix, AZ	\$10,003	\$172,281	\$302,701	30.3	28	17.2	29
Raleigh, NC	\$12,898	\$208,224	\$388,893	30.2	29	16.1	34
Albuquerque, NM	\$9,247	\$163,948	\$274,915	29.7	30	17.7	26
Milwaukee, WI	\$7,690	\$128,115	\$227,063	29.5	31	16.7	33
Fresno, CA	\$8,163	\$145,958	\$240,456	29.5	32	17.9	24
San Diego, CA	\$13,891	\$233,250	\$407,162	29.3	33	16.8	31
Long Beach, CA	\$11,586	\$193,800	\$326,777	28.2	34	16.7	32
Indianapolis, IN	\$9,240	\$149,049	\$259,941	28.1	35	16.1	35
Jacksonville, FL	\$9,741	\$154,702	\$271,778	27.9	36	15.9	37
Nashville-Davidson, TN	\$11,112	\$171,836	\$309,254	27.8	37	15.5	40

Wichita, KS	\$9,971	\$157,067	\$276,691	27.7	38	15.8	38
Fort Worth, TX	\$10,676	\$171,711	\$295,646	27.7	39	16.1	36
San Antonio, TX	\$9,909	\$155,967	\$263,772	26.6	40	15.7	39
Oklahoma City , OK	\$11,306	\$171,001	\$294,348	26	41	15.1	42
El Paso, TX	\$9,389	\$141,628	\$234,199	24.9	42	15.1	43
Columbus, OH	\$9,227	\$141,747	\$227,504	24.7	43	15.4	41
Tucson, AZ	\$8,049	\$119,564	\$194,185	24.1	44	14.9	44
Omaha, NE	\$11,077	\$159,626	\$265,327	24	45	14.4	45
Las Vegas, NV	\$11,505	\$160,819	\$272,413	23.7	46	14	46
Colorado Springs, CO	\$13,118	\$177,678	\$296,896	22.6	47	13.5	48
San Jose, CA	\$18,977	\$264,620	\$420,743	22.2	48	13.9	47
Mesa, AZ	\$11,929	\$153,024	\$247,494	20.7	49	12.8	49
Virginia Beach, VA	\$19,657	\$193,918	\$315,966	16.1	50	9.9	50

Source: DCFPI Analysis of data from the US Census Bureau's 2014 American Community Survey. The American Community Survey measure of income does not include in-kind transfers received by low-income households such housing vouchers or food stamps. While the measure includes dividends, interest, and other types of unearned cash income, it does not include non-cash capital gains.

Appendix B:

Income Inequality In the Washington Metro Area, 2014

City/County	1st Quintile Average Income	5th Quintile Average Income	Top 5% Average Income	Ratio Top 5% to Bottom 20%	Rank	Ratio Top 20% to Bottom 20%	Rank 2
Washington, D.C.	\$9,290	\$280,834	\$487,148	52.4	1	30.2	1
Montgomery County	\$24,009	\$328,043	\$587,900	24.5	2	13.6	2
Arlington County	\$23,998	\$311,297	\$513,891	21.4	3	13	3
Alexandria City	\$21,484	\$272,865	\$435,468	20.3	4	12.7	4
Fairfax County	\$29,265	\$334,072	\$570,412	19.4	5	11.4	5
Prince George's County	\$20,186	\$195,786	\$288,947	14.3	6	9.7	6

Source: DCFPI Analysis of data from the US Census Bureau's 2014 American Community Survey.

Appendix C:

Housing Costs Compared with Incomes of Poorest Households In Major U.S. Cities, 2014

City*	Average Income, Poorest Quintile	Annual Housing Cost, 1 Adult 2 Child Household	Monthly Housing Cost, 1 Adult 2 Child Household	Percent of Income Needed to Cover Housing Cost	Rank
Virginia Beach, VA	\$19,657	\$13,560	\$1,130	69%	1
Colorado Springs, CO	\$13,118	\$9,684	\$807	74%	2
Oklahoma City, OK	\$11,306	\$8,676	\$723	77%	3
Raleigh, NC	\$12,898	\$10,272	\$856	80%	4
Charlotte, NC	\$11,985	\$9,756	\$813	81%	5
Omaha, NE	\$11,077	\$9,480	\$790	86%	6
Louisville/Jefferson County, KY	\$9,683	\$8,460	\$705	87%	7
Tulsa, OK	\$9,988	\$8,868	\$739	89%	8
Wichita, KS	\$9,971	\$8,880	\$740	89%	9
Nashville-Davidson, TN	\$11,112	\$10,212	\$851	92%	10
El Paso, TX	\$9,389	\$8,964	\$747	95%	11
Mesa, AZ	\$11,929	\$11,484	\$957	96%	12
Indianapolis, IN	\$9,240	\$9,324	\$777	101%	13
Portland, OR	\$10,771	\$11,064	\$922	103%	14
Austin, TX	\$12,528	\$12,888	\$1,074	103%	15
San Antonio, TX	\$9,909	\$10,284	\$857	104%	16
Albuquerque, NM	\$9,247	\$9,624	\$802	104%	17
San Jose, CA	\$18,977	\$19,788	\$1,649	104%	18
Denver, CO	\$11,013	\$11,520	\$960	105%	19
Columbus, OH	\$9,227	\$9,672	\$806	105%	20
Seattle, WA	\$12,835	\$13,476	\$1,123	105%	21
Fort Worth, TX	\$10,676	\$11,256	\$938	105%	22
Houston, TX	\$10,512	\$11,112	\$926	106%	23
Las Vegas, NV	\$11,505	\$12,456	\$1,038	108%	24
Kansas City, MO	\$8,925	\$10,224	\$852	115%	25
Phoenix, AZ	\$10,003	\$11,484	\$957	115%	26
Jacksonville, FL	\$9,741	\$11,220	\$935	115%	27
Dallas, TX	\$9,494	\$10,956	\$913	115%	28
San Diego, CA	\$13,891	\$16,248	\$1,354	117%	29
Fresno, CA	\$8,163	\$9,924	\$827	122%	30
Milwaukee, WI	\$7,690	\$9,744	\$812	127%	31
Tucson, AZ	\$8,049	\$10,224	\$852	127%	32
Minneapolis, MN	\$8,648	\$11,352	\$946	131%	33
Sacramento, CA	\$9,791	\$12,864	\$1,072	131%	34

Memphis, TN	\$7,116	\$9,360	\$780	132%	35
Atlanta, GA	\$8,115	\$10,752	\$896	132%	36
Chicago, IL	\$8,738	\$11,748	\$979	134%	37
Long Beach, CA	\$11,586	\$16,776	\$1,398	145%	38
Los Angeles, CA	\$10,354	\$16,776	\$1,398	162%	39
Oakland, CA	\$10,448	\$18,936	\$1,578	181%	40
San Francisco, CA	\$12,931	\$23,472	\$1,956	182%	41
Washington, DC	\$9,290	\$17,628	\$1,469	190%	42
Cleveland, OH	\$4,723	\$9,000	\$750	191%	43
New York, NY	\$9,059	\$17,280	\$1,440	191%	44
Miami, FL	\$7,221	\$13,992	\$1,166	194%	45
Philadelphia, PA	\$7,020	\$13,620	\$1,135	194%	46
Baltimore, MD	\$7,536	\$15,024	\$1,252	199%	47
New Orleans, LA	\$5,630	\$11,376	\$948	202%	48
Detroit, MI	\$4,638	\$10,116	\$843	218%	49
Boston, MA	\$7,279	\$17,448	\$1,454	240%	50

Source: DCFPI Analysis of data from the Economic Policy Institute's Family Budget Calculator for a One Adult, Two Child Household
 *Housing costs are for regions covered by the Economic Policy Institute Family Budget Calculator that best match locations of 50 largest cities