

# Bursting the Bubble

The Challenges of Working and Living  
in the National Capital Region



June 2014

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# Bursting the Bubble

Living in the national capital region looks like it has its advantages. Employment levels are back to where they were before the recession. The unemployment rate is far lower than that of the country as a whole. Incomes are high, especially for highly educated workers. From outside this bubble, things look pretty good.

However, the bubble obscures a troubling story for many residents of the region.

Income inequality is growing. Employment levels for people without a college education are far lower than before the recession. Unemployment rates for several groups of workers, including those without a college degree, remain high. Black workers and young workers were particularly hard hit by the recession, even when compared to other area residents with similar education levels. The high cost of living in the region is pushing many families to spend more than they can afford on housing, while others trade more affordable housing for long and expensive commutes.

The region has many successes worth celebrating. But broadly shared prosperity is not one of them. The region's policymakers need to address the challenges facing those who are struggling to keep their foothold in the economy. This includes ensuring all workers in the region have the skills and credentials needed by employers for current and future jobs, taking steps to make sure all working adults have enough income to support their families, and ensuring availability of affordable housing options with access to good jobs (full recommendations are available on page 15)



## Defining the Region

To define the national capital region, this paper primarily relies on the Census Bureau's definition of the Washington–Arlington–Alexandria, DC–VA–MD–WV Metropolitan Statistical Area (MSA), which is based on commuting patterns and includes the District of Columbia and 25 counties and independent cities in Maryland, Virginia, and West Virginia. The region is home to about 5.9 million people and 2.9 million jobs.

However, due to data availability, some analysis in this paper only examines the 14 largest localities in the region, which account for 93 percent of the region's population. These large localities are: Washington, DC; Frederick County, MD; Montgomery County, MD; Prince George's County, MD; Calvert County, MD; Charles County, MD; Arlington County, VA; Alexandria, VA; Fairfax County, VA; Fauquier County, VA; Loudoun County, VA; Prince William County, VA; Spotsylvania County, VA; and Stafford County, VA.

## Employment Measures

There are a lot of different ways to look at how workers are faring in the job market. This paper uses the widely cited official unemployment rate, which looks at the number of residents of an area who are jobless but actively seeking a job as a share of the number of residents who are working or actively seeking a job. It also cites the underemployment rate, which is the unemployment rate plus those workers who are stuck in part-time jobs because they cannot find full-time employment or who have given up looking for work.

The flip side of the unemployment and underemployment measures are employment measures. Employment can be measured either by where workers live or where they work. This paper measures employment by where workers live.

### What is the 'national capital region'?

This paper defines the national capital region as all the localities in the Washington-Arlington-Alexandria metropolitan statistical area.



# The Recovery Has Not Been Broadly Shared

The economic recovery has yet to reach many of those living in the national capital region.

Wages and employment have fallen during the recovery for workers with less than a bachelor's degree, while they have grown significantly for those with a bachelor's degree or higher. Job losses have been particularly high in the construction and trade/transportation/ utilities industries, while jobs grew substantially in the public administration and education/ health industries.

## Wages are falling for several groups of capital area workers, contributing to rising income inequality in the region

Workers without a bachelor's or an advanced degree are struggling to maintain their foothold in the national capital region economy. For residents with less than a bachelor's degree who have kept or found a job, median wages have fallen since the recession, after accounting for inflation (Figure 1). The median wage is the middle wage, meaning that half of the region's workers earn more and half earn less. It has dropped by 5 percent since 2007 for workers with only a high school degree and by 13 percent for workers without a high school degree. Workers with some college education, but not a bachelor's degree, have seen their wages fall 10 percent since 2007. Capital area workers with only a high school degree have seen a larger drop in inflation-adjusted or "real" median wages – 80 cents an hour – than their peers in the country as a whole, who have seen a 51-cent dip.

However, workers in the region with a bachelor's degree or higher have fared well, bucking the national trend. They have seen their median wages grow by \$2.78 per hour since 2007 – a 9 percent jump and a larger increase than in any state. Nationally, inflation-adjusted median wages fell \$1.18 for workers with a bachelor's degree or higher.

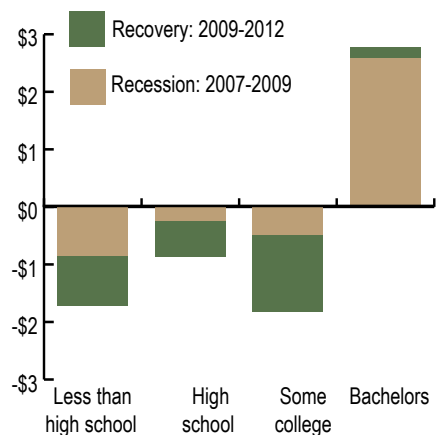
These highly educated workers are not just earning more than they were before the recession, they are earning more relative to their less-educated counterparts, too, a sign of increasing inequality. Median wages for workers with a bachelor's degree are 2.2 times greater than median wages for workers with only a high school degree, up from 1.9 times in 2007. While the wage advantage for college educated workers shrank nationally between 2007 and 2012, in the national capital region it grew at a faster pace than in any state.

Looking just at wages, the region is now more unequal than any U.S. state. Real wages for the highest-wage workers, those earning at least \$43.07 per hour, have grown by an average of \$4.11 per hour since 2007, a gain of \$8,220 per year for a full-time, year-round worker. Workers at the median (earning \$22.07 per hour) saw an increase of just 16 cents per hour.

**FIGURE 1**

## No college degree? Wages just keep falling.

*Change in Real Median Hourly Wage*



Source: EPI analysis of the Current Population Survey Outgoing Rotation Group



In contrast, the region's lowest-wage workers (earning less than \$11.89 per hour) saw a 71-cent loss. As a result, for every dollar that a high-wage worker in the region earns, the lowest-wage workers make just 16 cents (Figure 2).

While wages are rising at the top and declining at the bottom nationwide, the divergence is more extreme in the national capital region. Nationally, low-wage workers now bring home 21 cents for every dollar that the highest-wage workers bring home, down from 22 cents in 2007. But in the national capital region, the 16 cents that low-wage workers bring home for every dollar that high-wage workers bring home is down from 18 cents in 2007. The region's low-wage workers make just 85-cents-per-hour more than their counterparts in the U.S. as a whole, despite the region's far higher costs of living. High-wage workers here, however, now make \$17.74 per hour more than their counterparts in the U.S. as a whole.

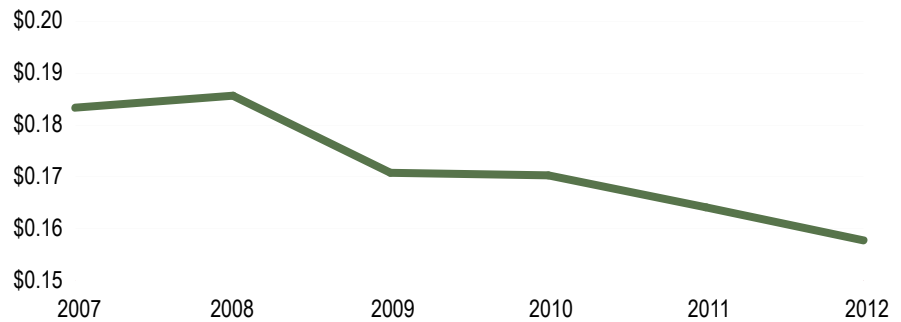
The core and inner-ring suburbs of the region are home to the greatest disparities in family income (Figure 3). The District, Alexandria, and Prince George's County have the greatest share of families with incomes under \$50,000, while Arlington, Fairfax County, and Alexandria have the greatest share of families with incomes above \$200,000. In Alexandria, about half of all families have incomes at one of the extreme ends, compared to 38 percent in the region as a whole.

In one positive sign for the future, the recent regional cooperation by the District of Columbia, Montgomery County, and Prince George's County to gradually raise their minimum wages to \$11.50 an hour over the next several years – paired with Maryland's decision to raise the state minimum wage to \$10.10 by 2018 – should help to stem the erosion of earnings for the lowest-wage workers in parts of the region. For example, 10 percent of DC workers – 64,000 people – are expected to directly benefit from the District's increased minimum wage, including 90 percent of the District's fast food cooks and 74 percent of its home health aides. Yet workers in Northern Virginia may not see significant spillover benefits unless the state of Virginia also increases its minimum wage.

**FIGURE 2**

## Low wage workers earn a small and shrinking share of what high wage workers earn

*Low-wage worker earnings per dollar of high wage worker earnings*

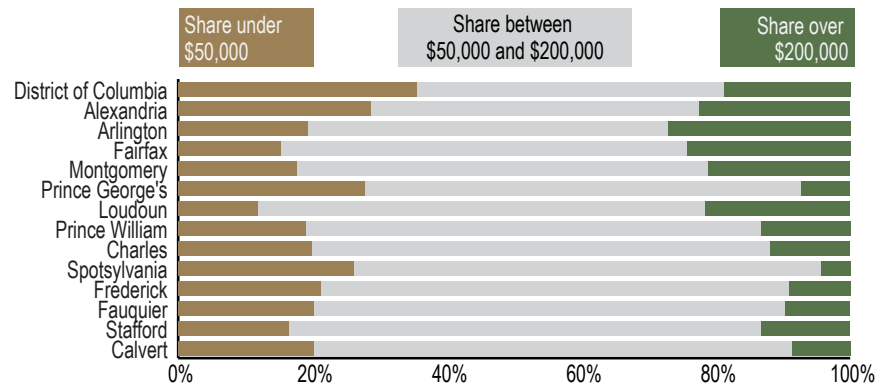


Source: EPI analysis of the Current Population Survey March Supplement

**FIGURE 3**

## Core localities have fewest middle-income families

*Share of families by family income level, 2012*



Source: TCI analysis of 2012 ACS data



## Unemployment continues to hit hard those without a bachelor's or advanced degree

Beyond seeing wages fall, less-educated workers in the national capital region also are far less likely to be employed than before the recession began. There are 3 percent fewer employed workers without a bachelor's degree than before the recession. In addition, employment rates have fallen 9 percent for workers with less than a high school degree. Even if we look just at those area residents in the prime of their working lives – ages 25 to 54 – we see declining employment for those without a bachelor's degree (Figure 4).

As a result, unemployment remains well above pre-recession levels. The unemployment rate in the region stands at 5.5 percent, almost twice the pre-recession level of 2.8 percent. If you add in those workers who are stuck in part-time jobs because they cannot find full-time employment or who have given up looking for work altogether, the total underemployment rate is almost 10 percent. For workers with only a high school degree, the rate jumps to 15 percent (Figure 5).

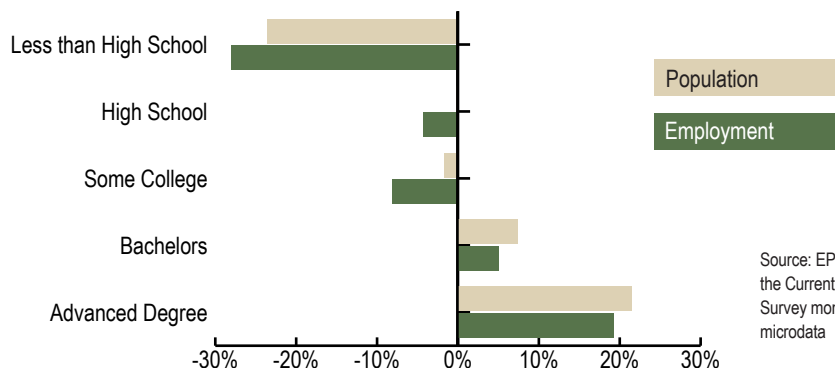
By contrast, workers with high levels of education in the national capital region saw little decline in their employment levels during the recession, and they remain in a relatively strong position. Employment among workers with at least a college degree has increased over 200,000 jobs since before the recession, with half of that increase being among those with advanced degrees. Over the same period, employment of people with less than a college degree dropped by over 110,000 workers. On net, this means there are over 100,000 more employed workers in the region than before the recession.

The demand for well-educated workers has drawn large numbers of people to the region. Since 2010, the population has grown by 6 percent, more than twice the national population growth rate, with most of the difference being due to higher levels of migration. The region has gained population from other areas of the country as well as attracting immigrants from around the world. However, while this migration has advantages, it also creates challenges. Even for those with a bachelor's degree or higher, the number of jobs available has not kept pace with the growing number of highly educated workers who call the region home, leading to a decrease in what's called the employment-to-population rate. The proportion of bachelor's degree holders who have jobs fell to 75 percent from 80 percent between 2007 and 2012, while the employment rate for those with an advanced degree fell slightly to 82 percent.

**FIGURE 4**

### Employment not keeping up

Percent change in population and employment among residents age 25 to 54

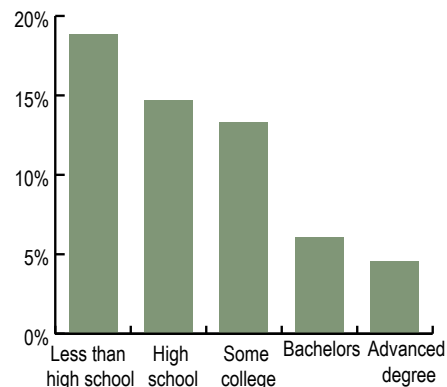


Source: EPI analysis of the Current Population Survey monthly survey microdata

**FIGURE 5**

### Underemployment hits hard for those without a bachelor's degree

Underemployment rate, 2012



Source: EPI analysis of the Current Population Survey monthly survey microdata



## Some industries have not recovered their job losses from the recession

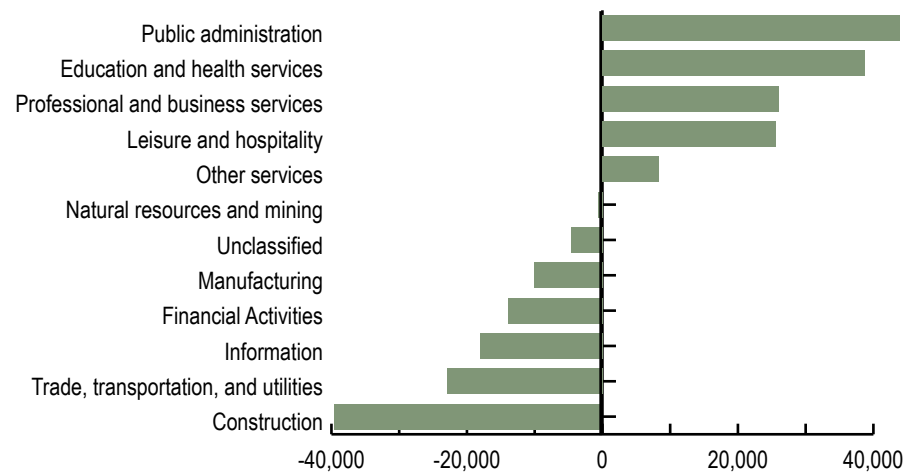
What workers do affects how they have fared since the recession, as well. While some industries in the national capital region continued to grow throughout the downturn, others suffered substantial declines in employment (Figure 6).

Public administration employment rose 12 percent from 2007 to 2012, an increase of over 40,000 jobs. Federal government employment drove that growth, increasing by over 35,000 jobs. Leisure and hospitality sector jobs grew by 25,000 during that same time period, a 10 percent increase. The two largest sectors in the region – professional and business services and education and health services – also grew, but at a slower pace.

For workers in some industries, however, the outlook is grim. Construction employment remains 22 percent lower than pre-recession levels, a loss of almost 40,000 jobs. The information sector is down 19 percent (18,024 jobs), and employment in trade, transportation, and utilities is down 5 percent (22,882 jobs).

### FIGURE 6 Disparate employment impact by industry

*Change in employment in MSA, 2007 to 2012*



Source: TCI analysis of BLS QCEW data





## Black workers and young workers hit harder than others

While income inequality is growing broadly in the region, particular groups of residents are being disproportionately left behind.

For college graduates, men, and White, non-Hispanic workers, wages have grown since the start of the recession. Unfortunately, all other groups saw wage losses during this period. As a result, the “wage gap” in the region has grown between female and male workers; between Black and White, non-Hispanic workers; and between Hispanic and White workers.

Black workers and their families are particularly struggling to find jobs in the national capital region, even compared to their peers with the same levels of education (Figure 7). Black residents with less than a high school degree are just over half as likely to be employed as White, non-Hispanic residents with less than a high school degree. The racial gap in employment is much narrower among more highly educated workers. Still, even then, Black workers are more likely to be unemployed than their White, non-Hispanic counterparts.

Among workers ages 25-54 – the age range when we would expect most people to be working – Black workers in the national capital region with a bachelor’s degree or an advanced degree have higher unemployment rates (6 percent) than White, non-Hispanic workers with only a high school diploma (2 percent).

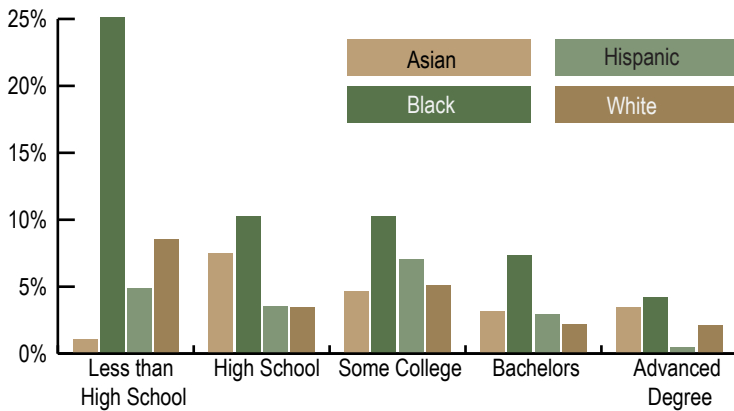
The region’s recovery is also leaving younger workers behind. One in eight workers between the ages of 18 and 24 is unemployed. If you consider underemployment, the rate rises to one in five (Figure 8). Both the unemployment rate and underemployment rate for young workers are more than twice the rate for older workers.

This same difficult situation for young workers exists in the country as a whole, but it is worth noting that the national capital region’s relatively strong economy is not shielding young workers from the lingering effects of the recession. Although young workers faced high underemployment rates before the recession began, the recession made the problem worse and more persistent.

FIGURE 7

## Black workers hit harder than peers

Unemployment rate in 2012, age 25-54

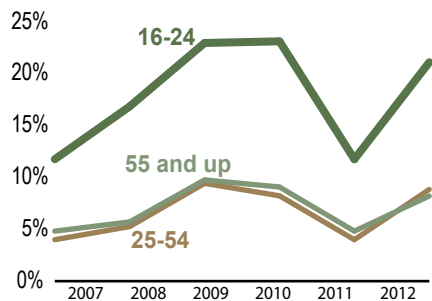


Source: EPI analysis of the Current Population Survey basic monthly survey microdata

FIGURE 8

## Underemployment was already high for young area residents, then the recession hit

Underemployment rate, 2007 to 2012



Source: EPI analysis of the Current Population Survey basic monthly survey microdata



Photo: Anissa Thompson

# Hitting Home: Income and Employment Declines Contribute to Rising Poverty and Lack of Health Insurance

Declining employment and wages for less-educated workers impacts whole families, not just the workers. The median household income in the national capital region fell 8.5 percent, to \$88,233, between 2007 and 2012. This drop mirrored the national decline of 8.6 percent over this period.

Some parts of the national capital region have suffered more than others, with outlying Calvert and Fauquier counties hardest hit. The District is the only locality where median household income is

substantially above 2007 levels (Figure 9). However, that gain is largely confined to middle- and high-income residents.

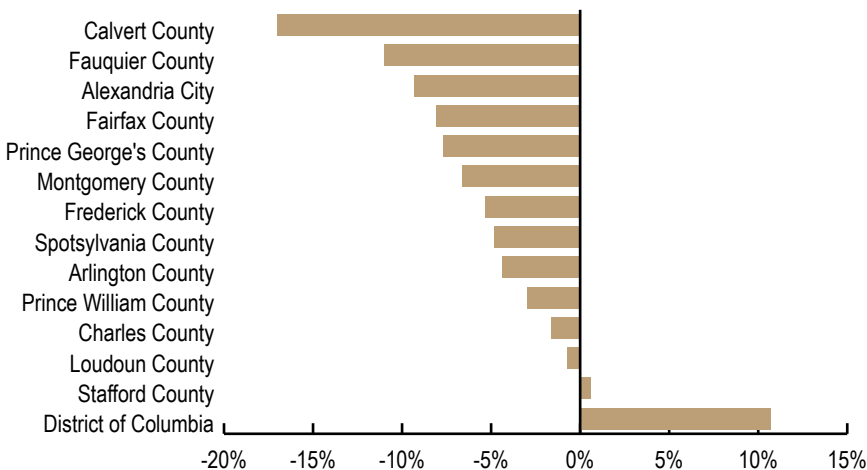
As income fell for many residents, poverty rates rose sharply, with the regional child poverty rate now 10.7 percent, up from 8.2 percent in 2007 (Figure 10). Poverty rates, although remaining highest in the District and Prince George's County, are up sharply in many of the outer suburbs, including more than doubling in Charles County since 2007. Officially, the overall poverty

rate in the region remains much lower than the country as a whole – 8.4 percent compared to 15.9 percent. However, adjusting for the region's cost of living shrinks that advantage considerably.

Using a yardstick called the Supplemental Poverty Measure, which takes account of geographic differences in the cost of living and the impact of taxes, medical expenses and non-cash financial support, the region's poverty rate is 13.4 percent, fairly close to the nationwide supplemental poverty rate of

**FIGURE 9**  
**Outside DC, household income is still down**

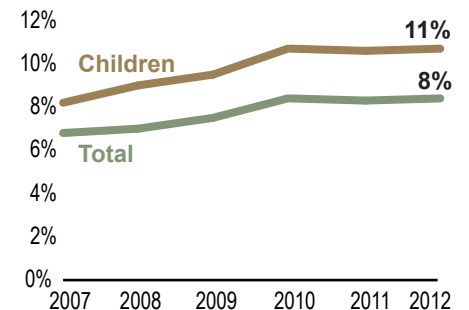
*Change in median household income, 2007 to 2012*



Source: TCI analysis of ACS data

**FIGURE 10**  
**Poverty rate pushed up by the recession, still high**

*Poverty rate in the region, 2007 to 2012*



Source: TCI analysis of American Community Survey data

15.3 percent. Although they still have lower poverty rates than the District, the Maryland and Virginia sections of the metro area have the biggest differences between the supplemental and official poverty rates (Figure 11).

As with employment opportunities, access to health insurance varies greatly in the national capital region based on an individual's education. Almost 40 percent of adults age 25 and older who lack a high school degree were uninsured in 2012. One in five adults with a high school degree but no college education also lacked health insurance.

Even among all working-age adults in the region, many lacked access to employer-based coverage and relied on privately purchased insurance, at least before the implementation of national health reform. In 2012, 31 percent of adults in the region – 1.3 million people – had no employer-based coverage. Of those, about 221,000 had direct-purchase health insurance, 185,000 had access to Medicaid or other public coverage tied to income levels, 588,000 lacked any health insurance, and the remainder had some other form of coverage.

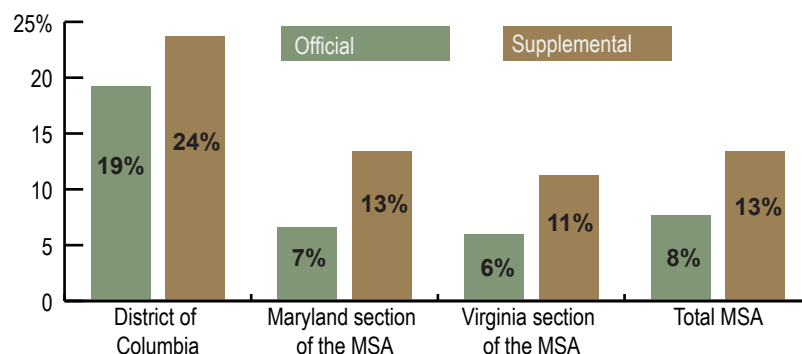
Children in the national capital region had much higher rates of health insurance because of broader eligibility rules for public insurance coverage for children. Without public health insurance programs, one in four children in the region would have lacked insurance between 2008 and 2012.

With the expansion of Medicaid under the Affordable Care Act, working-age adults in the District and Maryland now have broader access to public health insurance, which should bring the insurance rates for adults closer to those of children. Even before Medicaid expansion in the District, health insurance rates were much higher there than in the Maryland and Virginia sections of the region, with most of that difference being higher rates of public insurance coverage (Figure 12).

**FIGURE 11**

### Newer poverty measures show higher poverty rates

*Poverty rate by portion of the MSA, 2010-2012*

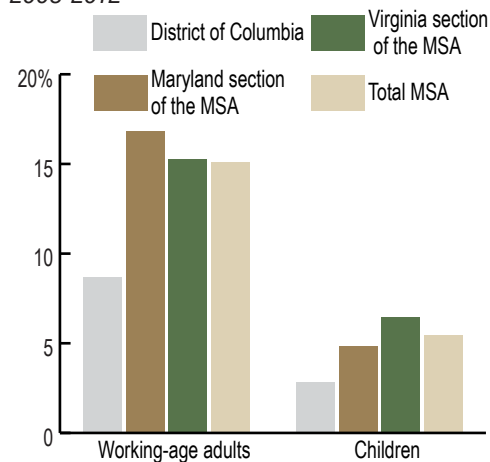


Source: TCI analysis of the IPUMS Current Population Survey data

**FIGURE 12**

### Many in Maryland & Virginia have no health insurance

*Share of residents with no health insurance, 2008-2012*



Source: TCI analysis of 2008-2012 ACS data

## On Affordability Measures

There are various ways to measure whether a family can afford to live in a particular home or community. All of them show that many families are struggling in the national capital region.

The family budget calculator from the Economic Policy Institute provides local-level estimates of the cost of housing, transportation, child care, and other costs. This measure shows a two-parent, two-child household in the region needing between \$81,900 and \$89,600 a year to afford housing, food, child care, transportation, health care, taxes, and other necessities at a modest but secure level, with costs varying slightly by section of the region.

The Department of Housing and Urban Development (HUD) considers a family to be “housing cost burdened” if they pay more than 30 percent of their income for housing, noting they “may have difficulty affording necessities such as food, clothing, transportation and medical care.” The Census Bureau uses this standard for identifying housing cost-burdened renters and homeowners in the American Community Survey.

HUD and the Department of Transportation have recently developed a broader affordability index that looks at housing and transportation costs together. Based on earlier work by the Center for Neighborhood Technology, this index estimates housing and transportation costs by neighborhood and locality. A family is considered cost burdened if it spends more than 45 percent of its income on those two costs combined.

In addition, for this paper we look at the average cost of housing and transportation for a typical household by locality and compare that cost to the local median income to determine if the average costs exceed what is affordable for a household earning the median income (median costs by locality are not available so average costs are used for the comparison).

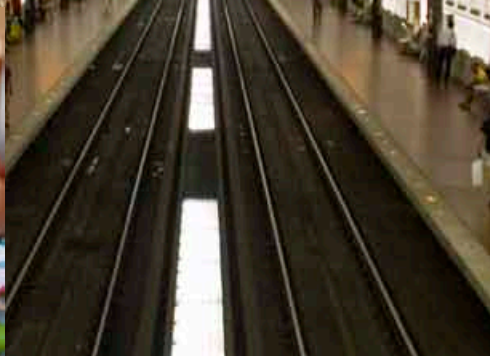


Photo: Therese Branton

## The High Cost of Living in an Affluent Area

Despite the relatively strong economy for well-educated workers, looking across a wide variety of measures shows that many families in the region struggle to build a sustainable quality of life.

High costs for housing and child care – and long and expensive commutes for workers who move farther from the Beltway in search of more affordable housing – mean that families must have high incomes to be able to make ends meet.

A two-parent, two-child household in the region would need between \$81,900 and \$89,600 a year to afford basic living expenses, according to the Economic Policy Institute’s family budget calculator. Yet more than a quarter of such families have incomes under \$81,900 a year.

In addition, a third of homeowners with a mortgage and half of rental households in the national capital region pay 30 percent or more of their income toward total housing costs (Figure 13). This means they are “cost burdened,” paying more toward housing than what the US Department of Housing and Urban Development (HUD) considers affordable. Renters have a higher burden because they tend to have lower household incomes; the median rental cost in the region is \$1,424 per month, while the median cost for a homeowner with a mortgage is \$2,242 per month.

Homeowners with a mortgage in Prince George’s County face particularly high housing cost burdens, with 43 percent – 66,259 homeowners – paying 30 percent or more of household income toward housing.

Renter households are most likely to be burdened in Stafford and Calvert counties, but there are relatively few renter households in those outlying localities. The highest number of housing-burdened renters can be found in the District of Columbia (71,373 households) and Montgomery, Prince George’s, and Fairfax counties (all just under 60,000 households). Fully 1 in 4 renter households in the District of Columbia is severely cost burdened, meaning it spent more than half of their income on housing. In the inner-ring Northern Virginia suburbs – Arlington, Alexandria, and Fairfax County – 27 percent of renters are severely cost burdened. Of the large localities, rents were highest in the District (\$2,387) and Arlington (\$2,355) and lowest in Frederick (\$1,219), Spotsylvania (\$1,366), and Stafford (\$1,406).

**FIGURE 13**

### Many renters and homeowners face housing burdens

Share of households paying 30% or more of income toward housing costs

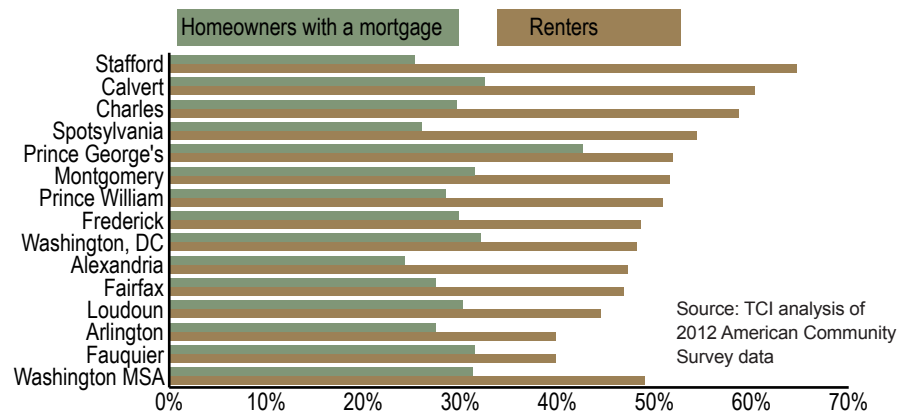


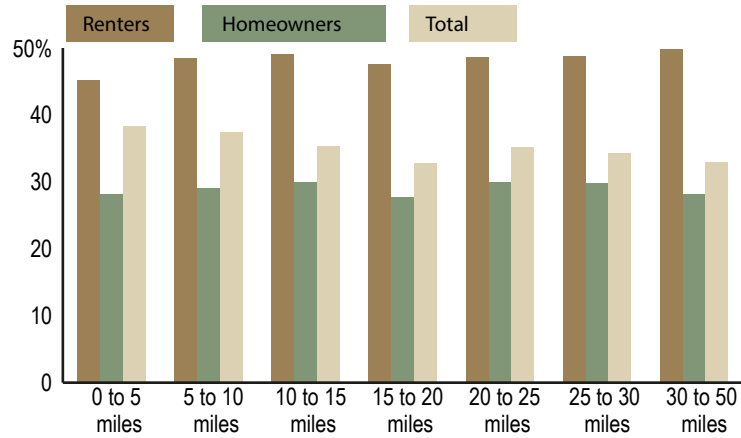
Photo: Mr TinDC, Flickr

Measuring housing-cost-burdened residents by distance from downtown DC, rather than by locality, shows that the share of housing burdened renters and homeowners is fairly constant. Renter and homeowner housing cost burdens will be similar across areas with different rental and housing costs if household income varies in similar ways across distances. In all distance groups, almost half of renters and about 30 percent of homeowners spent more than 30 percent of their income on housing costs (Figure 14). However, this pattern creates particularly high overall housing cost burdens close to downtown DC because of the higher share of residents who are renters close to the center.

Looking just at those area households with incomes under about \$129,000 (adjusted for family size), a recent study by the Center for Housing Policy shows that one in five moderate-income households in the metro area as a whole is severely cost burdened.

**FIGURE 14**  
**Many households at all distances experience high housing costs**

*Share of households paying 30% or more of income toward housing costs, 2008-2012, by distance from the U.S. capital*



Source: TCI analysis of 2012 American Community Survey data

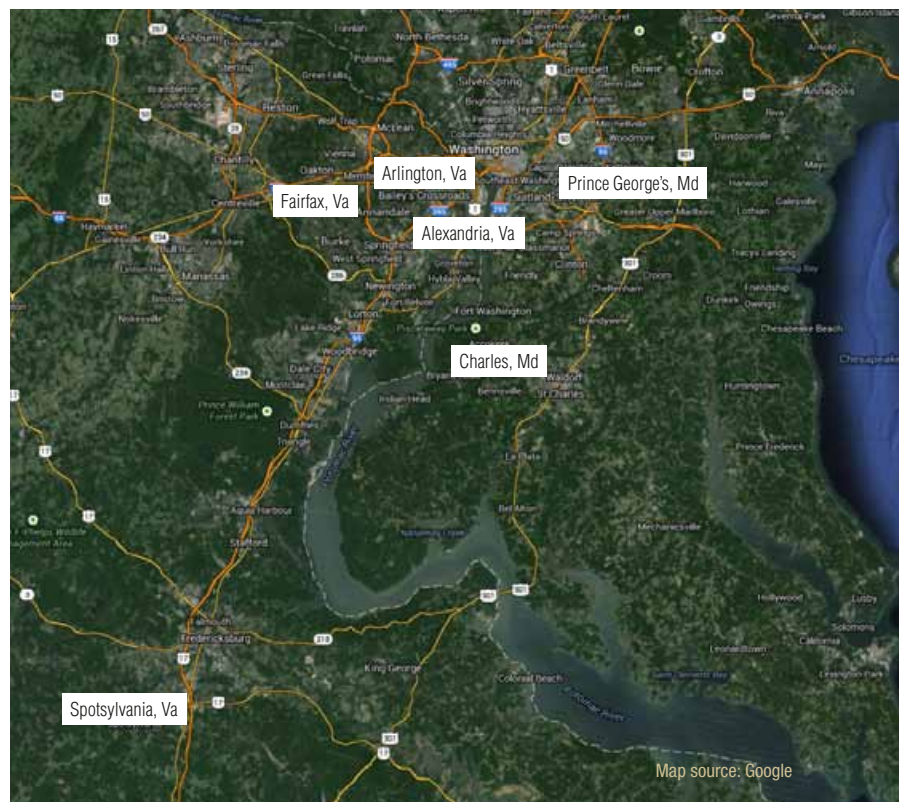
### Home ownership out of reach for many

Any way you slice it, homes are expensive in the national capital region. The median value for all homes in the region was \$313,792 in 2012, more than twice the national median of \$151,992. Similarly, the median home value per square foot was \$193, more than twice the national rate of \$94. Sale price data confirms this story: the average sales price for an existing single-family home in the national capital region was \$392,500 in the third quarter of 2013, almost twice the national average of \$207,300.

Median sales prices have recovered in the national capital region to above pre-recession levels and are up about 20 percent from the depths of the recession. In November 2013, there were more active listings in the region for homes with list prices above \$1 million than there were for homes below \$200,000. That makes affording a home very difficult for potential first-time homebuyers. A household with excellent credit and enough cash for a 10 percent down payment would need an income of at least \$85,728 to qualify for the median single-family home in the area.

Housing costs tend to be highest in the center of the region and lower in the outer-ring localities. The least affordable large locality in 2012 was Arlington, with a median value for all homes of \$543,392, followed by Fairfax County and Alexandria.

The most affordable large locality was Spotsylvania, with a median value of \$162,550, followed by Prince George's County and Charles County.



Map source: Google

Median sales price data tell a similar story. Arlington, the District, Alexandria, and Fairfax County had median sales prices above \$500,000 in 2012 (Figure 15). Prince George's and Spotsylvania counties had median sales prices below \$200,000.

Not surprisingly, given the high costs homeowners in the region are much more likely than those in the U.S. as a whole to have higher-risk loans, which typically require lower initial payments than a traditional fixed-rate loan but which can balloon over time. One in 7 owner occupants in the region with a mortgage has an adjustable rate loan, compared to less than 1 in 10 in the U.S. as a whole, and 6 percent have an interest-only loan, twice the national rate. These higher-risk mortgages may cause difficulties for area homeowners in future years, especially if interest rate increases coincide with employment losses in the region.

With high home prices near the center of the region, many lower-income families look to live in farther-flung suburbs. While that can lead to a lower-cost mortgage or rent, many then face long and unaffordable commutes to get to their jobs.

Average travel time to work is longest in the outer-ring suburbs, a situation that has only gotten worse since the start of the recession. The areas with the greatest increases in mean travel time are Prince William, Fauquier, and Charles counties. Workers in Charles County now commute an average of 40.4 minutes to work, up 5 percent from 2007.

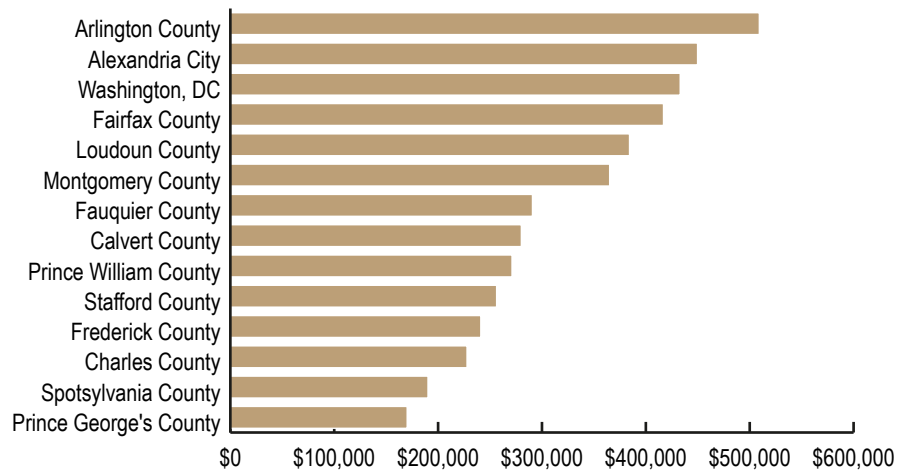
Making matters worse, low-wage workers in the national capital region are most likely to have very long commutes. More than one in nine travel more than 50 miles to get to their primary job, compared to one in 13 high-wage workers (Figure 16).

Long commutes exact financial as well as human costs. In Fauquier, Spotsylvania, Frederick, and Prince George's counties, the average housing and transportation costs exceed 45 percent of those counties' median incomes. That means the average housing and transportation costs in the county are considered unaffordable for the median household.

Three of these four localities are in the outer suburbs, where high transportation costs are responsible for the lack of affordability, despite median home values and rents generally being more affordable there than in the core and inner suburbs.

**FIGURE 15**  
**The high cost of a home**

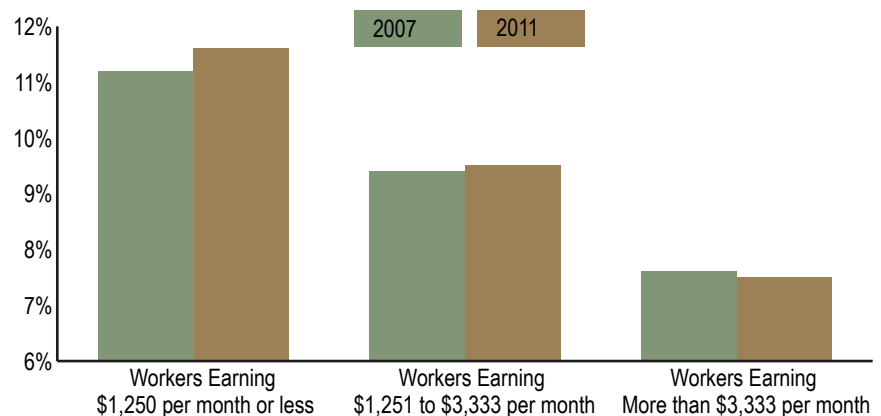
*Median home sales price, 2012*



Source: TCI analysis of MRIS rbi data

**FIGURE 16**  
**Share of low-wage workers with commutes over 50 miles is high and growing**

*Share of workers in the region commuting 50 miles or more, 2007 and 2011*



Source: TCI analysis of LEHD On The Map data

In Prince George's County, low median family incomes mean that even with relatively low housing and transportation costs, the median household income is insufficient to cover those average costs.

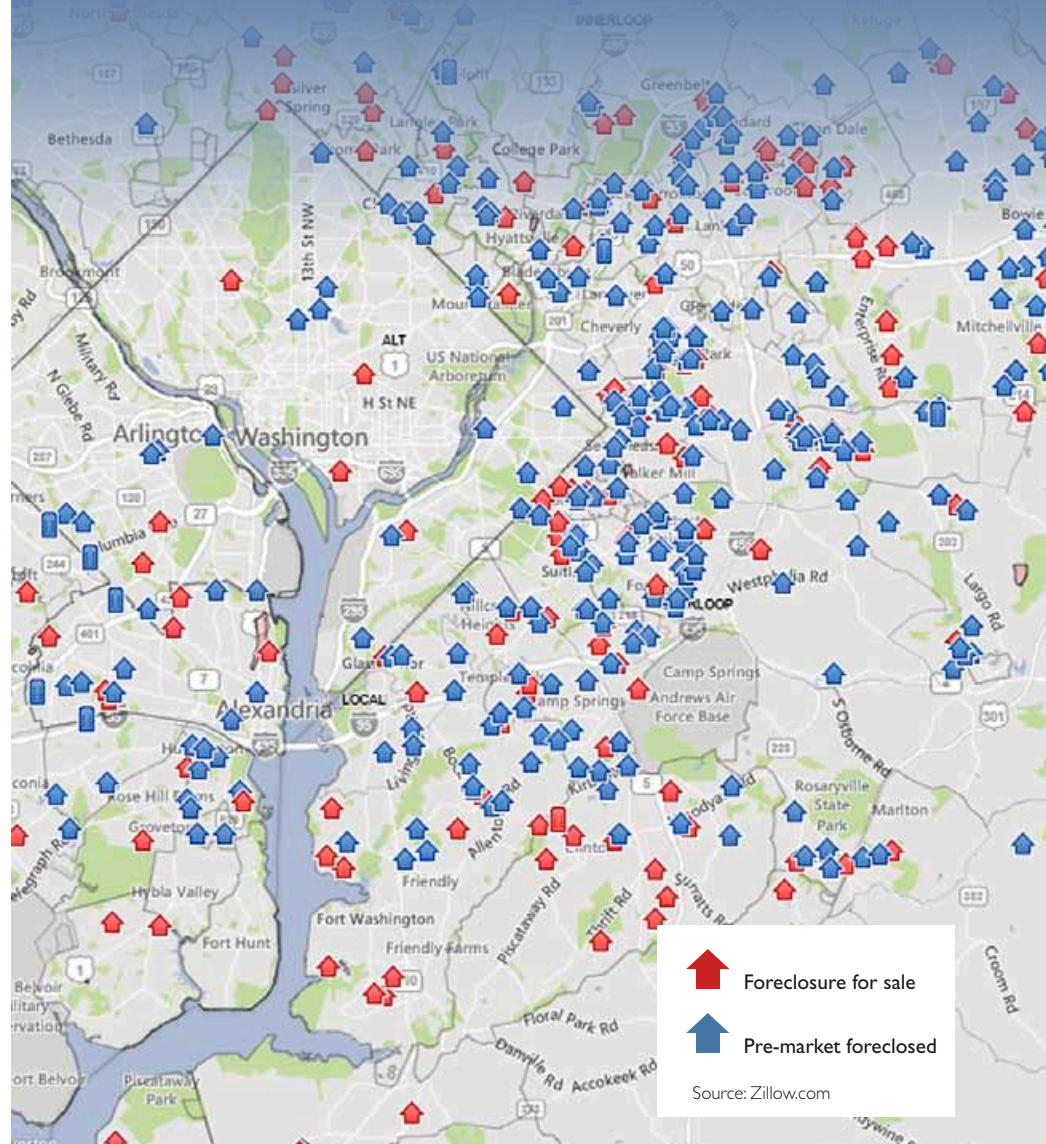
One of the major consequences of families struggling with unemployment and falling home prices during the recession was high foreclosure rates, which resulted in family dislocation and damaged neighborhoods. Although the foreclosure crisis did not hit the national capital region as hard as some other regions, at its height about 1 in 40 homes in the region was in some stage of foreclosure. The crisis hit some areas far harder than others – the foreclosure rate in early 2011 was twice as high in Prince George's County as in the region as a whole, with the outer suburbs of Virginia and Charles County, MD, also experiencing high foreclosure rates.

Many homeowners are still struggling. There were over 4,000 completed foreclosures in the region during 2013 and over 1 percent of all area homes remain in foreclosure. Another 4 percent of mortgages were seriously delinquent as of December 2013, meaning the homeowner was 90 days or more past due. In the Maryland section of the region, the statistics are worse – almost 3 percent of mortgages are in foreclosure, compared to 0.5 percent of mortgages in the Virginia section of the region, according to analysis by the Federal Reserve Bank of Richmond. The high foreclosure rates in the Maryland suburbs continue to be driven by the number of struggling homeowners in Prince George's County.

## On Prince George's County

With Black workers disproportionately struggling, even compared to their White and Hispanic peers with similar educational attainment, it is not surprising that majority-Black localities in the national capital region are also struggling. Prince George's County, the only majority-Black suburban locality in the region, has the lowest median family income in the region. With the cost of supporting a two-parent, two-child family at a secure yet modest standard of living estimated to be over \$81,000, the median family in Prince George's County – which earns \$79,969 – does not have enough income to keep up.

The average transportation and housing costs in Prince George's County exceed the affordability standard for a family earning the county's median household income, according to HUD. Prince George's is the only inner-ring locality where this is true. Even looking just at housing costs there are signs of trouble. Over 4 in 10 homeowners in Prince George's County pay 30 percent or more of their household income toward housing costs. Prince George's is home to the highest number of housing cost burdened homeowners with a mortgage, with 66,259 burdened homeowners. With these high numbers of families struggling to make ends meet in the high-cost national capital region, and the well-documented targeting of minority families for higher-risk, higher-cost mortgages, it is not surprising that the county has been and remains the epicenter of the foreclosure crisis in the region. Residents of Prince George's County are also the most likely in the region to lack health insurance.





## What to do?

The national capital region has emerged from the recession with an economy that is rewarding its high-knowledge workers better than ever. However, too many other workers and families are still struggling to find decent-paying work while facing high costs for housing and long commutes. While the region is not alone in experiencing an economy that increasingly only works for some and a rising cost of living for everyone, in many ways it offers an extreme example of these trends.

By working cooperatively to address the challenges facing workers in the region, policymakers can build a national capital region that works better for all individuals, families, employers, and governments. This includes:

### SKILL BUILDING

Ensuring that workers in the region have the skills and credentials needed by employers for current and future jobs. For workers without a college education, this includes ongoing access to adult literacy programs, affordable post-secondary education, job training, and Career Pathways that lead to a better job.

### AFFORDABLE HOUSING

Making sure workers and their families live in communities with affordable housing options near good jobs – and with sound roads and mass transit that provide access to good jobs even when families must live far from the regional center. Too many households in the national capital region – near and far from the center – pay more than the recommended share of their income toward housing, and, as a result, find themselves choosing between paying rent or affording safe child care options.

Increasing opportunities for affordable housing for working families through zoning reform (such as removing restrictions on building more apartments close to metro stops) and housing subsidies can help working families live close to their jobs and reduce stress on families and communities.

### HEALTH CARE

Making sure working adults have the same level of access to health care throughout the region, which will help both the workers and their employers.

### MAKE WORK PAY

Taking steps to make sure working adults have enough income to support their families. The recent decisions to raise the minimum wage in the District, Montgomery County, and Prince George's County are examples of how regional lawmakers can work together to help working adults earn enough to pay their bills.

Ensuring the minimum wage in these jurisdictions keeps pace with the rising cost of living and raising the minimum wage in the rest of the region are important priorities for making sure all workers in the region earn a decent living.

Providing a refundable earned income tax credit to offset the property, sales, and excise taxes that take a larger proportion of the income of low- and moderate-income families than wealthier households.

Currently, Virginia's credit is not refundable, which means it provides no benefit to some of the lowest-income working families. A refundable credit would allow these families to get a modest tax refund if the credit exceeds the amount of income tax they owe. That refund would help make up for the substantial other taxes they pay.

Maryland has a refundable credit, which the state legislature just increased. More Maryland counties could provide their own refundable credits for low-income working families, as Montgomery County does.

The District has one of the largest refundable EITC's in the nation, and just recently took steps to expand the credit for workers without children. Right now other states and the federal government, provide an extremely limited EITC for these workers. Expanding the EITC for childless adults in the rest of the region could help make work pay for a significant share of low-income workers.

## On Federal Deficit Reduction

The presence of the federal government is both a blessing and a curse for working families in the national capital region. Federal jobs and many of the private jobs that support the government have long proven to be keys to entering the middle class. Because the federal government generally ramps up spending during recessions, the region also enjoys some protection from downturns in the national economy.

However, as government spending winds down after a recession, the region generally experiences weaker growth than the rest of the nation, as is currently the case.

More recently, the congressional gridlock over spending and the federal budget has significantly harmed the region's economy.

Across-the-board spending cuts mandated by sequestration have eliminated some jobs, while the government shutdown last October resulted in furloughs and income losses for federal contractors, who were not reimbursed when the shutdown ended.

Already, we can see the impact of austerity measures on federal employment in the region. The number of federal civilian employees in the region

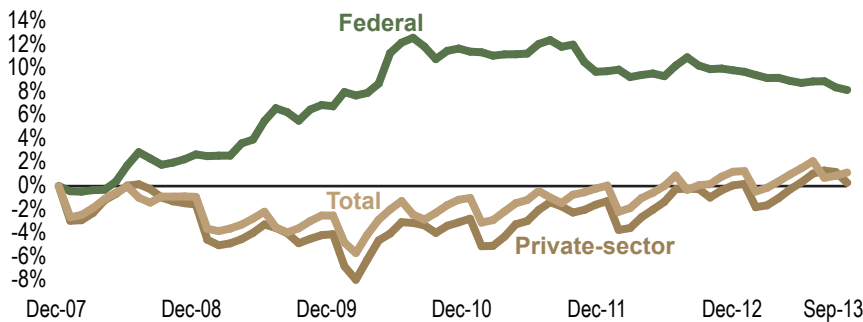
fell by 2 percent between the third quarter of 2011 and the third quarter of 2013 (Figure 17).

Additional cuts are likely to be coming. Over the next five years, sequestration and other trends may cause a decline in federal employment of as much as 5.8 percent.<sup>1</sup> Long-term cuts in federal discretionary spending – which is concentrated in the national capital region – are expected to reduce both defense and non-defense spending as a share of GDP (Figure 18).

**FIGURE 17**

### Federal employment is declining, private employment barely back to pre-recession levels

Percent change in employment since December 2007, Washington MSA

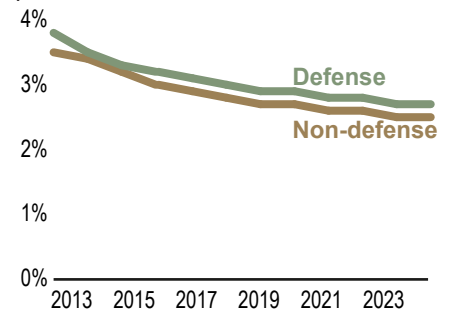


Source: TCI analysis of BLS QCEW data

**FIGURE 18**

### Discretionary spending expected to decline as share of GDP

CBO projection of federal discretionary outlays as share of gross domestic product



Source: Congressional Budget Office Feb 2014 baseline, "The Budget and Economic Outlook: 2014 to 2024"

<sup>1</sup> [http://cra.gmu.edu/pdfs/studies\\_reports\\_presentations/Boland\\_102313.pdf](http://cra.gmu.edu/pdfs/studies_reports_presentations/Boland_102313.pdf) page 24

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