A "lost year" for Washington, DC economy

Adam Soroka
12 August 2014

The Washington, DC region has reported record lows in job growth for the past year. According to figures released in July by the US Labor Department, the Washington, DC area added only 6,000 jobs from May 2013 to May 2014. This is down from 38,300 jobs added in the preceding twelve month period.

The backbone of the DC jobs market, the Federal government and its contractors, lost over 14,000 jobs in this timespan, including 10,300 government and 4,000 professional services jobs. The unemployment rate for the area rose in May from 4.8 percent to 5 percent. The only growth experienced was that in the hospitality sector, which are primarily low-paying, part-time jobs without benefits.

The 2013 sequestration, or Federal spending cuts, is the main contributor to the poor jobs situation in the District. Most government agency budgets will continue to be slashed by at least five percent per year. The DC region, which comprises more than 25 different municipalities, counties and towns in Washington DC, Maryland, Virginia, and West Virginia, was outstripped in terms of job growth by nearly every other major metropolitan area.

The *Washington Post* noted that, "[o]f the 15 largest metropolitan areas in the nation, Washington ranks 14th in year-over-year job growth," adding that Detroit, which currently sits in a state-enforced bankruptcy process while nearly half of its population resides below the poverty level, was the only major region which performed less well.

"We kind of thought it'd be this quick jolt to the economy, and yeah, it'd be bad, but businesses and consumers would recover more quickly. Certainly, by this time in the year, we thought things would be getting back to normal," stated Moody's Analytics economist James Bohnaker to the *Post*. The dismal figures prompted Bohnaker to characterize 2014 as a "lost year" for the DC regional economy.

This exposes the claim, widely reported in the media, that the DC area is recession-proof or that the national economy has emerged from the 2008 financial downturn.

DC is among the most unequal urban areas in the developed world. The top 5 percent of the city's population has an average annual income of $493,000 while the bottom 10 percent averages less than $10,000. Since the 2008 financial crash, child poverty in the DC area has risen by nearly 25 percent, from 8.2 to 10.7 percent today. Many of these children come from homeless families; homelessness has skyrocketed in the past year. Earlier this year, the District saw a 135 percent increase in shelter requests.

Those who cannot find work are attempting unsuccessfully to leave the area. The region has seen its highest number of active real estate listings in two years, reports the *Post*. Additionally, June was the sixth consecutive month that saw a year-over-year decline in home sales. Most home sales during this period were to upper and upper-middle class buyers. "...We're seeing better sales and better traffic with the higher-priced communities than the entry-level communities," Jerry Berman, president of M/I Homes, told the *Post* .

The majority of all active home listings were for homes above $1 million. The prevalence of such high priced homes has led to an growing number of individuals taking out adjustable rate loans, whose interest rates increase rapidly after initial payments. Over 15 percent of homes in the DC region have been purchased with such loans, greater than the US average of 10 percent. The prevalence of such loans, which contributed to the housing collapse in 2007, indicates that the so-called economic "recovery" has simply set the stage for another financial crisis that threatens to impact those in the region even more heavily.

In the surrounding suburbs, a report by the Department of Housing and Urban Development

(HUD) found that more than a third of all households in the Washington capitol region are “cost burdened,” or pay out 30 percent of all earnings on housing. For renters, the figure jumps to 50 percent.

This is also attributable to the rising cost of living in the District. A report put out last year by the Economic Policy Institute (EPI) stated that two parents residing in Washington, DC would need a combined yearly income of $88,000 in order to raise two children.

While poverty and economic hardship have deepened, the wealthiest few have seen their millions grow to obscene levels. The *Washington Post* noted in March that Maryllin Hewson, CEO of military contracting firm Lockheed Martin, received $25.3 million in total pay last year, doubling her compensation from 2012. Phebe N. Novakovic, CEO of General Dynamics, saw her pay triple to $19 million. The *Post* makes note that “the spikes in pay represent a vote of confidence in two new executives who took over during a turbulent time of a government shutdown and spending cuts. Both executives preserved profits by cutting jobs…” Hewson and Novakovic are two of the wealthiest female executives in the country.

The slow growth and poor paying jobs seen in DC are part of a national trend. Earlier this month, the Labor Department reported that 209,000 jobs were added in July; this was far below the expectations of economists who predicted 289,000 new jobs to be created in that time period. This was accompanied by an uptick in the unemployment rate from 6.1 percent to 6.2 percent.

In April, the National Employment Law Project (NELP) released a report that showed US businesses have, on the whole, added 1.85 million low-wage jobs over the past six years, replacing nearly 1.83 million medium-wage (paying between $13 and $20 per hour) and high-wage (between $20 and $32 per hour) jobs. The loss of higher paying jobs represents the attempts of the ruling class in the US to balance of the cost of the financial collapse of 2008 on the backs of working people across the country.