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***DC wage and salary income growth has slowed, largely due to the impact of the federal sector***

***For the first time in almost 10 years, the growth rate of DC resident wages and salaries has fallen below the US average***

According to the US Bureau of Economic Analysis, wages and salaries earned in DC in the June quarter were 1.7% more than a year earlier (not adjusted for inflation). For DC residents, estimated wage and salary earnings were up 2.9%. These growth rates were the lowest since the first quarter of 2009, and they were also below the 3.4% rate of increase for the US as a whole.

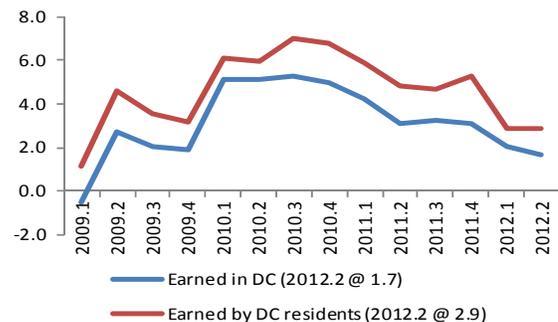
The major reason DC wage growth has slowed was the lack of any growth in federal government wages and salaries. Total federal sector wages (both civilian and military) in the June quarter were actually 0.1% less than a year earlier. Private sector wages were up 3.0%, but this was the slowest private sector growth in 2 years. (See graph on p. 17).

The slower rate of growth in wages in DC relative to the US economy represents a reversal of the trend that had held for most of this past decade. Over the past decade, wages earned in DC, particularly including those earned by DC residents, have grown faster than those earned in the US.

From the second quarter of 2002 to the second quarter of 2012, wages and salaries earned in DC by all persons working there increased by 54.8% and wages earned by DC residents (working both in DC and the suburbs) grew 77.3%. For the entire US, the increase was 37.5%.

*(continued on p. 2)*

**Change in wages and salaries (1) earned in DC and (2) by DC residents: 2009.1 to 2012.2**  
(% change from the same quarter of the prior year)



**A decade of change in wages and salaries (1) earned in DC, (2) earned by DC residents, and (3) earned in the US economy**

sector	% change from 2002.2 to 2012.2	Average annual rate of change
Earned in DC	54.8	4.5
Earned by DC residents*	77.3	5.9
Earned in the US	37.5	3.2

Source: BEA. \*Wages earned by DC residents estimated by ORA assuming wage and salary supplements are the same % of wages earned by DC residents as of all wages earned in DC

**This briefing document was prepared by Stephen Swaim, DC Office of Revenue Analysis.**

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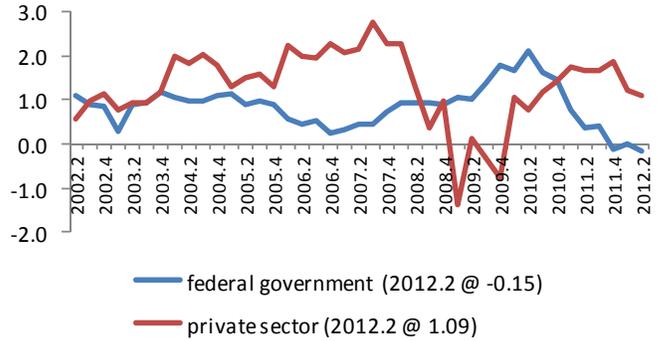
## DC income growth, continued from p.1

Shifts between the relative growth rates in DC of federal government and private sector wages and salaries have been notable over the past decade:

- ◇ Prior to the onset of the Great Recession in the last quarter of 2007, private sector wages in DC grew steadily, often at a rate approaching \$2 billion per year, peaking at an annual increase of \$2.01 billion (8.1%) in 2004.4. The amount of increase in the federal sector slowly fell during that time, falling to a rate of just \$250 million per year (1.5%) in the last quarter of 2006.
- ◇ With the US recession, however, wages in the federal sector increased while those in the private sector fell.
- ◇ In the recovery period, the situation once again was reversed. Federal wages slowed to the point where in 2011.4 and 2012.2 wages paid were less than a year earlier due to pay freezes and employment reductions. At the same time, private sector growth picked up, although not to the annual rate of increase that occurred in the four years before the start of the US recession.

**Wages and salaries earned in DC's federal government and private sectors: 2002.2 to 2012.2**

(Amount of increase over the same quarter of the prior year, in \$ billion)

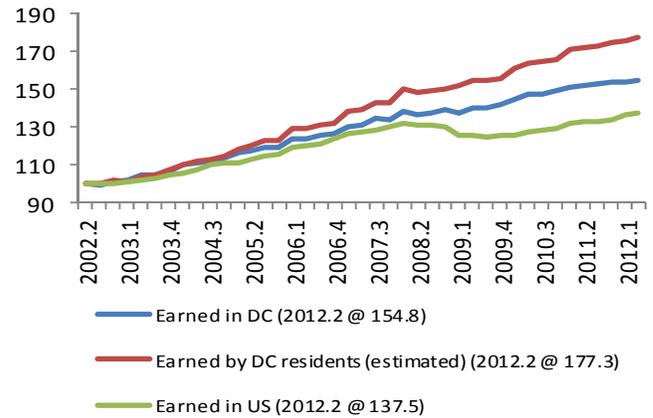


As the accompanying index chart shows, in the period from 2002 to the start of the US recession, wages and salaries earned in DC and by DC residents grew in percentage terms close to, but slightly above, that of the US as whole. With the recession, the US wages actually fell while amounts earned in DC—especially by DC residents—continued to grow with only minor occasional setbacks.

Although the US ended the last decade with growth in wages considerably below that which occurred in DC, over the past year and a half the annual rate of growth in the US has come to surpass that in DC. In the first quarter of 2011 the annualized percentage gain in wages earned in DC fell below that of wages earned in the US. Then a year later, for the first time in almost a decade, the percentage gain in DC resident wages also fell below the US average.

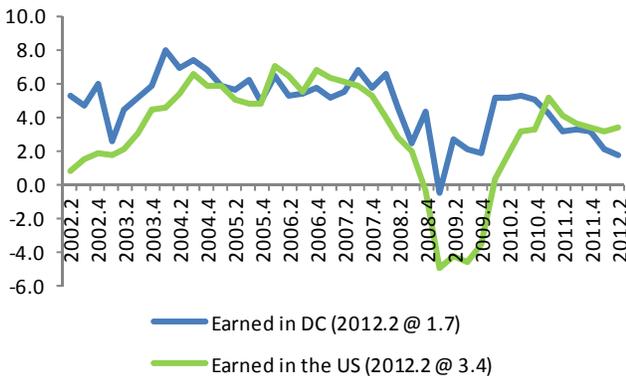
**Wages and salaries earned (1) in DC, (2) by DC residents (estimated) and (3) in the US: 2002.2 to 2012.2**

(index number: 2002.2 = 100)



—Stephen Swaim, DC Office of Revenue Analysis

**Annualized percent change in wages and salaries earned in DC and in the US: 2002.2 to 2012.2**



**Annualized percent change in wages and salaries earned by DC residents (estimated) and in US: 2002.2 to 2012.2**

