

This PDF is a selection from an out-of-print volume from the National Bureau of Economic Research

Volume Title: Differentials in Hourly Earnings by Region and City Size, 1959

Volume Author/Editor: Victor R. Fuchs

Volume Publisher: UMI

Volume ISBN: 0-87014-415-4

Volume URL: <http://www.nber.org/books/fuch67-1>

Publication Date: 1967

Chapter Title: REGIONAL DIFFERENTIALS

Chapter Author: Victor R. Fuchs

Chapter URL: <http://www.nber.org/chapters/c1258>

Chapter pages in book: (p. 6 - 9)

REGIONAL DIFFERENTIALS

Table 2 shows the regional differentials in actual hourly earnings in dollars and in index-number form with the South equal to 100. The figures contain few surprises. Earnings are significantly lower in the South than in other regions; earnings in the West are slightly higher than in the Northeast or North Central divisions. The difference between the South and the rest of the country is much greater for nonwhites than for whites; within each color group, the differentials for males and for females appear to be about the same.

Table 3 shows the extent to which regional earnings differences can be explained by differences in color, age, sex, and education. Where the comparison is for a given color-sex group, the effect of differences in age and education is reflected in the "expected" earnings. Labor quality, as measured by these variables, appears to be somewhat lower in the South than in the rest of the country, and highest in the West. The regional difference is slightly greater for males than for females. In fact, white females in the South have slightly higher "expected" earnings than in the Northeast and North Central.

Table 4 shows that a significant regional wage differential remains after standardizing for color, age, sex, and education. For all non-agricultural employed persons, the differential between the South and the rest of the country is approximately 17 per cent. It is much greater for nonwhites than for whites and is smallest for white males where the differential is of the order of 14 per cent.

It is worth noting that the standardization procedure used here is not the only one available for studying this problem. It would be equally appropriate to standardize by using the actual earnings rates for each color, age, sex, and education cell in each region, weighted by the national distribution of man-hours.¹² When the two standardization procedures yield markedly different results, interpretation is difficult. Fortunately, in this instance the two standardization pro-

¹²I.e., standardized hourly earnings = $\frac{\sum_c W_{cr} H_{cu}}{H_u}$.

cedures give very similar results. For white males the difference in results is of the order of 1 per cent. For nonwhite females it goes as high as 2 per cent.

A completely different standardization approach would be to regress hourly earnings of individuals on a group of independent variables with demographic characteristics and geographical location represented by a series of dummy variables. I believe the standardization procedure followed here is easier to manage and to follow because the numerous interactions among the various demographic characteristics and between the demographic characteristics and the geographical variables would require the use of hundreds of dummy variables. Moreover, standardization through regression analysis would require additional calculations in order to obtain geographical differences in labor quality comparable to those measured by "expected" earnings.

TABLE 2
*Average Hourly Earnings, Nonagricultural Employed Persons,
by Region, 1959*

	South	Non-South	North-east	North Central	West
<i>(Dollars per Hour)</i>					
White males	2.54	2.99	2.97	2.94	3.09
White females	1.56	1.83	1.84	1.75	1.97
Nonwhite males	1.40	2.22	2.07	2.25	2.43
Nonwhite females	.92	1.50	1.55	1.40	1.56
Total	2.12	2.65	2.62	2.60	2.76
<i>(Index, South = 100)</i>					
White males	100	118	117	116	122
White females	100	117	118	113	126
Nonwhite males	100	159	149	161	174
Nonwhite females	100	163	168	152	170
Total	100	125	124	123	130

Source: *U.S. Censuses of Population and Housing: 1960, 1/1,000 Sample.*

Note: For explanation of measures used in this and succeeding tables, see text and Appendix A.

This section has shown that only a portion of the gross non-South/South wage differential is attributable to demographic differences in the labor force. It is sometimes argued that the remainder is largely attributable to differences in city size, rather than to a regional differential at given city sizes. The next section deals with the question of wage differentials associated with city size.

TABLE 3
 "Expected" Average Hourly Earnings, by Region, 1959

	South	Non-South	North-east	North Central	West
<i>(Dollars per Hour)</i>					
White males	2.82	2.89	2.90	2.85	2.95
White females	1.77	1.76	1.72	1.75	1.85
Nonwhite males	1.74	1.91	1.90	1.88	2.01
Nonwhite females	1.16	1.24	1.19	1.21	1.31
Total	2.38	2.54	2.53	2.52	2.61
<i>(Index, South = 100)</i>					
White males	100	102	103	101	105
White females	100	99	97	99	105
Nonwhite males	100	110	109	108	116
Nonwhite females	100	107	103	104	113
Total	100	107	106	106	110

Source: See Table 2.

Note: "Expected" hourly earnings are obtained by multiplying the national average hourly earnings of each color, age, sex, and education cell by the annual hours worked by members of that cell in the region, summing across all cells in the region, and dividing by the total man-hours of the region.

TABLE 4
*Ratio of Actual to "Expected" Hourly Earnings,
 by Region, 1959*

	South	Non-South	North-east	North Central	West
	(Ratio)				
White males	.90	1.03	1.02	1.03	1.05
White females	.89	1.04	1.07	1.00	1.07
Nonwhite males	.80	1.16	1.09	1.20	1.21
Nonwhite females	.79	1.21	1.30	1.16	1.19
Total	.89	1.04	1.04	1.03	1.06
	(Index of Ratio, South = 100)				
White males	100	114	113	114	117
White females	100	117	120	112	120
Nonwhite males	100	145	136	150	151
Nonwhite females	100	153	165	147	151
Total	100	117	117	116	119

Source: Tables 2 and 3.