

120 PRICES AND WAGES IN MANUFACTURING INDUSTRIES

The levels at which the tau coefficients are significant is very high; since rank correlation is a relatively weak method, however, little confidence can be placed in results which are only marginally significant. These results tend to be supported by the simple product moment correlation coefficients which were computed in connection with the wage regressions already mentioned.²⁸ The simple correlation between unskilled and manufacturing wages is significant at the 1-percent level. Simple correlation between other variables is not significant even at the 5-percent level.

Simple correlation coefficients

	1955	1956	1957	1958
Unskilled wage on—				
Manufacturing wage.....	¹ 0.8187	¹ 0.8037	¹ 0.7426	¹ 0.7340
Labor market condition.....	.2241	.3398	.4578	.3711
Price level.....	.3027	.2720	.3046	.3365
Manufacturing wage on—				
Labor market condition.....	.1743	.3783	.3768	.4885
Price level.....	.4910	.5011	.5225	.3365

¹ Significant at 1-percent level.

Percent change of unskilled on percent change in manufacturing

Turning to correlations of cities ranked by percentage change in unskilled wages on percentage change in manufacturing wages, two periods were chosen: 1951-58 and 1954-58.

The values are tabulated:

Year	Tau	Level at which significant
1951-58.....	0.3626	0.0409
1954-58.....	.5385	.00453

The connection for 1951-58 was significant at the 4-percent level; tau for the later period was significant at more than the 1-percent level.

The tests carried out above seem to give support to the existence of a spillover between unskilled wages and manufacturing wages in the cities studied.

It might be argued, however, that the strong association of level and rate of change between the two classes of wages is observed because other, third factors operate on both manufacturing and unskilled wages.

The following alternative hypotheses have been tested:

1. The level and rate of change in wages is associated with the state of the labor market within the city.
2. The level and rate of change in wages is associated with the concentration of nonwhite population within the city.
3. The level and rate of change in wages is associated with the level and rate of change in consumer prices within the city.

Wage rates on labor market condition

Cities were ranked by labor market condition and by level of unskilled wages and level of manufacturing wages for the years 1952, 1955, and 1958—years which covered both recession and high employment.

²⁸ The number of cities included in the computation was 14. Washington, D.C., was included; Cleveland was not. Washington was dropped because the unskilled wage is not strictly comparable with the other cities. Data for Cleveland became available at a later stage in the work.