

122 PRICES AND WAGES IN MANUFACTURING INDUSTRIES

Some outstanding anomalies can be observed in the ordering of the cities. Boston, New York, and Minneapolis-St. Paul were at the low end of the color concentration and also had low unskilled wage levels.

The low wage levels in Boston and New York can undoubtedly be traced to the foreign immigrants who tend to concentrate at ports of entry. Furthermore, with respect to New York, the unskilled wage rank was worsened during the period. In 1951, New York ranked fourth; in 1955 and 1958 it ranked ninth (small numbers indicate high wages). This experience matches the increased Puerto Rican influx. Boston ranked 10th, 12th, 12th, also showing some deterioration. In the case of Minneapolis, no ready demographic explanation comes to mind. Possibly its relative isolation from other large cities helps keep wage rates low by limiting nearby alternative opportunity.

Price and price levels on wages

Correlations of cities ranked by wages and annual Consumer Price Index reveal:

1. The CPI and the price level have shown stronger association with wage levels as the decade progressed.
 2. Manufacturing wages show greater association with the cost of living than do unskilled wages.
 3. Using CPI, lagged 1 year, improves the relationship in the case of unskilled wages throughout the period. In the case of manufacturing, lagging wages improved the association in 1954 and 1958, but made it worse in 1951 and 1953.
 4. None of the values for tau were as great as they were for the correlation of unskilled wages on manufacturing wages for similar years.
- This analysis suggests that both classes of wages appear to be becoming more sensitive to the CPI and price level. Only in 1958 were all correlation coefficients (except one) significant at the 5-percent level. (See tabulated values.)

Year	Unskilled		Manufacturing	
	Tau	Level at which significant	Tau	Level at which significant
CPI on wages:				
1951	0.0324	0.456	0.0738	0.367
1953	.1222	.251	.2778	.087
1954	.0552	.413	.1878	.189
1958	.3445	.045	.3667	.035
CPI lagged 1 year on wages:				
1951	.0782	.371	.0615	.417
1953	.1006	.330	.0559	.413
1954	.1889	.181	.3000	.071
1958	.5058	.008	.5337	.006
Price level on wages:				
1951	.2747	.095	.3333	.0749
1953	.1868	.192	.2307	.138
1958	.3846	.036	.2967	.078

These data tend to support the spillover hypothesis as outlined above. There are some cautions which should be noted in generalizing to the services sector.

(1) The unskilled wage rate is a composite of rates for certain unskilled jobs in nonmanufacturing industries surveyed by the BLS in a number of cities from time to time.

(2) No test has been made of the validity of this unskilled composite rate as a representative of either the level or change in wages in service establishments in the surveyed cities.

(3) Existence of a direct causal mechanism between the levels of manufacturing and unskilled wages has not been proved, only suggested.

C. PRICES

Each of the seven service category prices were regressed on the unskilled wage rate, the labor market condition and the population for each of the four years price data were available.