

WHAT ARE THE FACTS ABOUT SOUTH DAKOTA WAGES?

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FACT 1.

South Dakota's average wage is among the lowest in the nation. In 1997, South Dakota ranked 50th of all the states with an average pay of \$21,645 compared to a U.S. average of \$30,336.

As shown in Table 1, South Dakota's annual pay was about 71% of the U.S average and 77% of the all-state average. Consequently, we have an average pay gap of approximately 23% to 29% depending how it is measured.

TABLE 1: AVERAGE ANNUAL PAY BY STATES, 1997

State	1997 Average		State	1997 Average	
	Annual Pay	Rank		Annual Pay	Rank
Alabama	\$26,138	31	Nebraska	\$24,566	42
Alaska	\$33,157	6	Nevada	\$28,677	20
Arizona	\$27,654	25	New Hampshire	\$29,296	17
Arkansas	\$23,268	46	New Jersey	\$37,513	3
California	\$33,485	5	New Mexico	\$24,684	41
Colorado	\$30,067	14	New York	\$38,497	2
Connecticut	\$38,895	1	North Carolina	\$26,672	29
Delaware	\$32,185	9	North Dakota	\$22,047	48
Florida	\$26,569	30	Ohio	\$29,088	18
Georgia	\$29,020	19	Oklahoma	\$24,243	43
Hawaii	\$28,358	23	Oregon	\$28,420	22
Idaho	\$24,053	44	Pennsylvania	\$30,161	13
Illinois	\$33,018	7	Rhode Island	\$28,664	21
Indiana	\$27,633	26	South Carolina	\$25,004	37
Iowa	\$24,811	39	South Dakota	\$21,645	50
Kansas	\$25,693	33	Tennessee	\$27,235	28
Kentucky	\$25,574	35	Texas	\$29,690	15
Louisiana	\$25,754	32	Utah	\$25,689	34
Maine	\$24,899	38	Vermont	\$25,496	36
Maryland	\$31,765	10	Virginia	\$29,548	16
Massachusetts	\$35,710	4	Washington	\$30,768	11
Michigan	\$32,761	8	West Virginia	\$24,716	40
Minnesota	\$30,254	12	Wisconsin	\$27,327	27
Mississippi	\$22,772	47	Wyoming	\$23,864	45
Missouri	\$27,782	24	U.S. Average	\$30,336	
Montana	\$21,947	49	All-State Average	\$28,135	

Source: U.S. Department of Labor

FACT 2.

The pay (wage) gap is the result of the complex interaction of a host of economic, demographic, and geographic variables. Analyzing this data with the assistance of an

econometric wage equation indicates that the wage gap can be explained. The wage gap can be explained by analyzing state-by-state differences in worker and job characteristics, cost of living, metropolitan influences, fiscal environment, and geographic amenities and disamenities.

The results of the econometric analysis of average annual pay for 50 states over a five-year period (1993-97) indicates that the most important variables in explaining the wage gap are:

1. Differences in educational attainment,
2. Differences in the size of business firms.
3. Differences in the extent of union membership,
4. Differences in the size and influence of metropolitan areas,
5. Differences in tax burden,
6. Differences in weather amenities.

Other variables explaining the wage gap, but of lesser importance, were part-time worker percentages, women worker percentages, industry and occupation mix, unemployment rates, cost of living, and the prevalence of such disamenities as violent crime rates, etc.

FACT 3.

In comparing South Dakota average annual pay with the regional states of Iowa, Minnesota, Montana, Nebraska, North Dakota, and Wyoming we find that the reasons for pay differences vary considerably from state-to-state. For a summary differences between states and how they effect average annual pay for each state see Table 2.

IOWA

Iowa's 1997 average annual pay was \$24,811 or 14.6 percent higher than South Dakota's. The major contributing factors were differences in job characteristics, fiscal setting, and metropolitan influence. More specifically, in the job characteristics category the important single variables were a firm size, unionization, industry mix, and occupation mix. In the fiscal environment category the important variables were tax burden and education quality. Interestingly, in the worker characteristic category South Dakota actually ranked better in percent of population with bachelor's degrees and percent with a high school degree (negative influence). Iowa ranked higher on percent of population with a graduate degree.

MINNESOTA

Minnesota's 1997 average annual pay was \$30,254 or 40 percent higher than South Dakota's. The major contributing factors were differences in worker characteristics, job characteristics, fiscal setting, and metropolitan influence. More specifically, in the worker characteristics category Minnesota ranked higher for all of the education variables. In the job characteristics category, the most important single variables were firm size, unionization, industry mix, and occupation mix. The metropolitan influence

variable was a significant positive factor for Minnesota. In the fiscal environment category the important variables were tax burden, education quality, and welfare expenditures per capita. Interestingly, in the amenity/disamenity category Minnesota had more disamenities than South Dakota, which raises their pay. The most important variables were weather and crime rates.

MONTANA

Montana's 1997 average annual pay was \$21,947 or only 1.4 percent higher than South Dakota's. The major contributing factors were differences in worker characteristics, job characteristics, fiscal setting, and metropolitan influence. More specifically, in the worker characteristics category Montana ranked higher for all of the education variables. Montana did rank lower in the part-time worker variable with a higher percent of part-time workers than South Dakota. In the job characteristics category, South Dakota ranked higher than Montana. The most important single variables where South Dakota ranked higher were industry mix and firm size. Montana ranked higher in unionization. In the fiscal environment category, the important variables were tax burden and education quality. South Dakota had a higher percent of metropolitan influence than Montana. In the amenity/disamenity category Montana had more disamenities than South Dakota which raises their wage.

NEBRASKA

Nebraska's 1997 average annual pay was \$24,566 or 13 percent higher than South Dakota's. The major contributing factors were differences in worker characteristics, job characteristics, fiscal setting, and metropolitan influence. More specifically, in the worker characteristics category Nebraska ranked higher for the bachelor's and graduate degree variables. In the job characteristics category, the most important single variables were a firm size, unionization, industry mix, and occupation mix. Nebraska also ranked higher in the metropolitan influence variable. In the fiscal environment category, the important variables were tax burden and education quality. In the amenity/disamenity category there was no significant differences between Nebraska and South Dakota.

NORTH DAKOTA

North Dakota's 1997 average annual pay was \$22,047 or 2 percent higher than South Dakota's. The major contributing factors were differences in worker characteristics, fiscal setting, metropolitan influence, and amenities/disamenities. More specifically, in the worker characteristics category North Dakota ranked higher for the bachelor's degree variable and lower for the graduate degree variable. One positive for South Dakota was that it had a smaller percent of part-time workers than did North Dakota. In the job characteristics category, South Dakota had a better industry mix and firm size profile than did North Dakota. North Dakota had a higher rate of unionization than did South Dakota. The proportion of people living in metropolitan areas was higher for North Dakota, which was a positive for their wages. In the fiscal environment category, the important variables were tax burden, the education quality variable, and welfare spending per capita. In the amenity/disamenity category North Dakota had a higher level of disamenities that contributed to higher wages in North Dakota.

WYOMING

Wyoming's 1997 average annual pay was \$23,864 or 10 percent higher than South Dakota's. The major contributing factors were differences in worker characteristics, job characteristics, fiscal setting, metropolitan influence, and amenities/disamenities. More specifically, in the worker characteristics category Wyoming ranked higher in all education variables. In the percent of women workers variable Wyoming had a lower percentage than South Dakota that contributes to higher average pay. In the job characteristics category, Wyoming had a better industry mix and occupation mix. They also had a higher level of unionization. They did have a smaller firm sizes. Wyoming did have a slightly lower rate of metropolitan influence than did South Dakota. In the fiscal environment category, the important variable was tax burden. In the amenity/disamenity category Wyoming had a higher level of amenities than South Dakota which had the effect of lowering wages in Wyoming.

