WAGE TRENDS IN MISSISSIPPI INDUSTRIES AND STRATEGIES FOR RAISING WAGES

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Increasing the number of jobs in the state, through expansion and recruitment of industries, is often advocated as a means of lifting Mississippi from its bottom ranking in per capita income among the states. However, even if all those unemployed were to obtain employment which paid the state's average manufacturing wage, Mississippi would still have the lowest per capita income in the nation, according to an analysis of 1994 data by King and Pepper (1996). The calculations are presented in Table 1; they are based on the assumption that those unemployed in 1994 obtained jobs paying an annual salary of $22,593, the average annual wage rate for the manufacturing sector--a wage considerably above the $19,900 state average for all jobs. While state per capita income would have risen to $16,496, an increase of $703 per person, Arkansas' per capita income of $16,817, nonetheless, would have maintained that state in 49th place, ahead of Mississippi. And so, to improve the state's ranking in per capita income, it is not sufficient merely to increase the number of jobs in the state. To do this, it is necessary to increase wage levels as well.

For wage levels to increase substantially, there must be change in Mississippi workplaces. Workers in Mississippi must become more competitive in higher-wage jobs, and businesses must move closer to the cutting edge in their industries, shifting toward higher-skill products and production techniques. This article begins with an examination of 1989-1994 trends in wages and employment by industry, asking: has there been a shift toward higher-wage industries in the state? within industries, has there been a shift toward higher-wage occupations that is reflected in growing wages? Then, some of the forces and trends that determine wage levels are examined, and policy steps that can move the state toward higher wage levels are reviewed.

Employment Trends by Industry Group

When industries are grouped according to the average annual wage paid, it does not appear to be the case that, for the 1989-1994 period, there has been a shift toward higher-paying industries within the state. Table 2 presents employment growth by industry, with industries grouped into three categories: low-paying, middle-paying, and high-paying. The lowest wage range includes those industries paying an average annual wage of $0 to $18,900; the middle range, those paying $18,901 to $30,300; and the highest range, those paying $30,301 and above. The lowest wage group paid up to 1.25 times the 1994 poverty level wage for a family of four ($15,141). The middle group paid from 1.25 to 2.00 times this wage level; and the highest range paid more than this.

The most rapid expansion of jobs between 1989 and 1994 was in the lowest-paying industries, which grew at an average annual rate of 13.5 percent if gaming is included, or 3.0 percent, if it is not. Notice that over half of Mississippi workers are in the 26 lowest wage industries, according to the U.S. Department of Commerce data used here. By far the largest single industry listed in this group is state and local government, followed by eating and drinking places.

In the middle range, the growth rate of employment was 2.4 percent, with nonfarm proprietors and health services the largest single industries. About 43 percent of the Mississippi workforce is employed in these industries.

The slowest job growth, 1 percent, was in the highest-paying 13 industries, which

Table 1. **RECALCULATION OF 1994 MISSISSIPPI PER CAPITA INCOME IF ALL UNEMPLOYED BECAME EMPLOYED**

Actual:

1994 Total Personal Income, Mississippi	$42,152,000,000
1994 Population, Mississippi	2,669,000
1994 Per Capita Personal Income, Mississippi	$15,793 (50th)

Without Unemployment:

All 83,000 unemployed people in Mississippi as of the end of 1994 are assumed to become employed earning Mississippi average annual manufacturing wage rate of $22,593.

Additional Total Personal Income (83,000 x $22,593)	$1,875,219,000
Plus: 1994 Total Personal Income, Mississippi	42,152,000,000
Adjusted 1994 Total Personal Income, Mississippi	$44,027,219,000
1994 Population, Mississippi	2,669,000
Adjusted 1994 Per Capita Personal Income, Mississippi	$16,496 (50th)

NOTE: Arkansas' 1994 Per Capita Personal Income was $16,817. Arkansas ranked 49th in 1994.

SOURCE: Center for Policy Research and Planning, Mississippi Institutions of Higher Learning, April 1996.
U. S. Department of Commerce, BEA, unpublished data, August, 1995.

employed about 7 percent of all workers. The largest single employer in this group is the Federal government, with electric, gas and sanitary services the second-largest employer. Other high-wage industries include communications, paper products, and insurance carriers.

In the manufacturing sector, unlike the overall economy, the growth rate of high-wage firms is above-average. King and Pepper (1996), using slightly different categories for high-, middle- and low-wage manufacturing firms, found that the highest average annual rate of employment growth between 1985 and 1993 was in high- and low-paying firms, which both grew at the rate of 2.5 percent over this period. Industries that paid between $20,000 and $25,000 in 1993, their mid-range firms, had employment growth of only 0.3 percent. Most manufacturing workers (60 percent of the total) were located in the low-wage firms.

While the growth of those industries currently paying higher wages will be an important source of income increases in the future, the growth of wage levels within each industry, due to changes in production techniques and shifts to the production of new goods and services, will be just as critical to the state.

Wage Trends Within Industry Groups

The growth of real wages in Mississippi, as in the rest of the country, has

Table 2. AVERAGE ANNUAL WAGES, 1994, AND AVERAGE ANNUAL EMPLOYMENT GROWTH, 1989-1994

Industry	Average Annual Wage 1994	Number Employed 1994	Average Annual Change in Employment	Average Annual Change in Real Wage
Holding and other investment companies	55,703	640	-1.97	0.31
Railroad transportation services	55,221	1,450	-1.53	4.37
Security & commodity brokers and services	52,068	760	7.5	1.20
Petroleum and coal products	43,236	2,540	4.31	2.08
Electric, gas, and sanitary services	36,518	10,470	0.02	0.81
Paper and allied products	36,118	9,370	8.2	(0.11)
Communications	35,814	9,410	0.57	1.57
Chemical and allied products	35,490	7,100	1.14	1.52
Miscellaneous services	34,560	90	-18	11.84
Federal, civilian	33,950	27,990	-0.5	1.49
Legal govt. services	33,054	6,830	4.13	2.86
Insurance carriers	31,371	7,120	-1.46	2.23
Oil and gas extraction	30,388	4,380	-3.66	0.51
Total Higher-Paying	**35,286**	**88,150**	**1.00**	**1.426**
Transportation equip. excl. Motor vehicles	29,770	19,200	0	(0.48)
Engineering and management services	29,430	11,000	4.6	0.78
Water transportation	27,443	2,370	0.08	(0.51)
Insurance agents, brokers and services	27,197	5,180	2.23	0.11
Machinery and computer equipment	26,484	16,200	1.79	(0.44)
Wholesale trade	26,279	43,980	1.03	0.93
Primary metal industries	25,733	4,400	1.06	(0.57)
Health services	25,289	67,680	8.16	1.01
Electronic equipment	25,106	23,200	0.67	0.38
Fabricated metal products	25,033	13,700	-0.4	(0.41)
Other transportation	24,745	5,370	6.07	(1.23)
Rubber and misc. plastic products	24,313	13,720	5.86	0.78
Stone, clay, and glass products	24,312	5,600	-1.7	0.83
Instruments and related products	24,138	2,300	-1.29	1.34
Trucking and warehousing	23,762	20,080	1.8	(0.24)
Depository and nondepository credit inst.	23,299	20,000	-0.13	0.62
Printing and publishing	22,162	7,730	1.29	(0.24)
Miscellaneous manufacturing industries	21,910	3,500	0.12	(3.00)
Construction	21,879	45,510	4.27	0.55
Miscellaneous repair services	21,572	4,020	-0.77	(1.54)
Nonmetallic minerals, except fuels	21,405	740	3.87	1.21
Forestry, fisheries and other	20,923	1,170	4.37	3.64
Lumber and wood products	20,240	26,500	0	1.11
Automotive dealers and service stations	20,174	22,970	1.63	1.40
Furniture and fixtures	19,963	29,200	2.55	0.95
Nonfarm proprietors	19,443	156,400	2.06	0.06
Textile mill products	19,400	6,900	-20	0.27
Total Medium-Paying	**22,754**	**578,620**	**2.38**	**0.405**

Industry	Average Annual Wage 1994	Number Employed 1994	Average Annual Change in Employment	Average Annual Change in Real Wage
State and local	18,710	183	2.76	(0.49)
Food and kindred products	18,284	182,950	3.53	(0.33)
Amusement and recreation services	18,089	29,540	176.58	15.73
Auto repair, services, and parking	17,742	7,100	4.07	(0.06)
Motor vehicles and equipment	17,591	7,800	6.22	(1.22)
Building materials and garden equipment	17,309	8,320	4.54	(0.33)
Military	17,210	37,720	0.8	1.46
Home furniture and furnishing stores	16,806	6,190	2.93	0.53
Real estate	15,054	6,660	2.93	1.02
Farm wage & salary	14,596	10,900	-4.2	4.22
Miscellaneous retail	14,261	17,440	0.09	(0.09)
Agricultural services	14,121	7,610	3.38	1.14
Personal services	13,636	9,380	2.68	0.19
Educational services	13,470	12,710	8.53	(2.99)
Apparel and other textile products	13,228	33,070	-2.56	0.38
Business services	12,811	32,220	8.21	(1.65)
Membership organizations	12,711	17,620	3.06	(2.50)
General merchandise stores	12,328	30,680	3.37	1.00
Farm proprietors	13,273	40,000	0.02	3.92
Social services	12,281	13,220	6.63	2.49
Hotels and other lodging places	11,337	9,040	0.9	0.88
Food stores	11,001	32,310	0.72	(0.14)
Apparel and accessory stores	9,637	7,990	0.59	(1.40)
Motion pictures	8,950	2,200	5.26	(3.33)
Eating and drinking places	8,493	55,710	5.29	(0.47)
Private households	6,499	18,690	-2.01	4.16
Total Low-Paying	**14,649**	**637,253**	**3.02***	**0.296****

* This excludes gaming. Including gaming, the rate of increase is 13.5 percent.

** This excludes gaming. Including gaming, the rate of increase is 1.01 percent.

NOTE: For definition of each pay category, see text.

SOURCE: Bureau of Economic Analysis,U.S. Department of Commerce, December 1995.

been slow for the last several years. From 1989 to 1994, average annual earnings grew by 0.4 percent in real terms in the state, while for the U.S. as a whole, the rate was 0.6 percent. If only the 1992 to 1994 period is considered, a period of rapid growth in the gaming industry, Mississippi's average wage grew faster than that of the rest of the country, and the state made some progress in closing the per capita income gap with the rest of the nation. However, overall the income gap remains close to what it was in the late 1970s, with the 1995 state per capita income of $16,531 standing at 73 percent of the U.S. $22,788.

Table 3 shows the wage gap within industries between Mississippi and the U.S. in 1993. In most cases, the average annual wage is lower in Mississippi than in the rest of the country. In manufacturing the average annual U.S. wage was $25,272 versus $21,700 here; in services, $18,252 in the U.S. versus $17,234 in the state.

If we search for evidence of trends

toward higher wages within industries in the state, we find that there are few sectors that achieved an annual growth rate of real wages of even 1 percent between 1989 and 1994. Those shown in Table 4 that grew at or above the 1 percent rate include farm workers, nondurable manufacturing goods, amusement and recreation services, and federal government. If the finer breakdown of industries in Table 2 is used, wages in the industries in the high-paying category grew at 1.4 percent overall: wages in all these industries except electric, gas and sanitary services, holding companies and oil/gas extraction grew at over 1 percent. Wages in the middle-wage firms grew at 0.4 percent, and in the low-wage firms, at 1.0 percent including gaming and 0.3 percent without gaming. Some larger individual industries with a 1 percent or better growth rate were: health services, automotive dealers, real estate, agricultural services, social services, and general merchandise stores. These industries account for only one quarter of total employment.

And so, data on state industries, when grouped into three wage categories, show that the highest-wage industries had the most rapid rate of increase in real wages but the lowest growth rate of employment. And, vice-versa, the lowest-wage industries, if amusements is excluded, had the slowest growth in wages, but the highest growth of employment. Forty-eight percent of those employed are found in the lowest wage category excluding amusements. These trends indicate potential problems for policymakers who wish to further close the income gap with the rest of the country.

It is the industries of the future which will determine future wage rates, and so those industries which are growing at an above-average rate, no matter what current wage levels are, require special focus, while larger industries which are gradually becoming less important cannot be neglected either. Most new jobs added in Mississippi between 1989 and 1994 were in services, retail trade and manufacturing. Of these three, only services grew at a rate exceeding the state average. Clearly, this sector will require the attention of policy analysts. Other information regarding

Table 3. **AVERAGE ANNUAL WAGE MISSISSIPPI AND THE U.S., 1993**

Industry	Average Annual Wage	
	Mississippi	United States
Mining	$27,790	$33,644
Construction	20,857	28,704
Manufacturing	21,745	25,272
Transportation, utilities	29,008	28,080
Wholesale trade	25,227	23,296
Retail trade	11,994	10,920
Finance, insurance and real estate	24,296	21,112
Services	17,234	18,252
Total wage and salary employment	19,694	26,362

SOURCE: U.S. Bureau of Economic Analysis, 1996.

Table 4. **AVERAGE ANNUAL WAGES, 1994, AND AVERAGE ANNUAL CHANGE IN WAGES, ADJUSTED FOR INFLATION, 1989 - 94 BY INDUSTRY IN MISSISSIPPI**

Industry	Average Annual Wage 1994	Number Employed 1994	Average Annual Change in Employment 1989-94	Average Annual Change in Real Wages 1989-94
Total wage and salary	19,868	1145.6	2.8	0.4
Farm	13,273	40.0	0.3	4.2
Agric., serv., forestry, fisheries & other	14,233	8.8	3.5	0.0
Mining	29,147	5.1	-2.9	0.4
Construction	21,879	45.5	4.3	0.6
Manufacturing	22,567	267.7	1.4	0.5
Nondurable goods	21,039	110.1	0.8	1.0
Food and kindred products	18,284	29.5	3.5	-0.3
Apparel and other textile products	13,228	33.1	-2.6	0.4
Paper and allied products	30,536	9,370	-0.1	-0.1
Chemicals and allied products	35,490	7,100	1.5	1.5
Rubber and misc. plastics products	24,313	13.7	5.9	0.8
Durable goods	23,668	152.7	1.9	0.1
Lumber and wood products	20,240	26.5	3.3	1.1
Furniture and fixtures	19,963	29.7	2.6	1.0
Fabricated metal products	25,033	13.7	-0.4	-0.4
Machinery and computer equipment	26,484	16.2	1.8	-0.4
Electronic equipment, exc. computer equip.	25,106	23.2	0.7	0.4
Transportation equip. excl. motor vehicles	29,770	19.2	0.0	-0.5
Transportation and public utilities	29,993	49.2	1.3	0.3
Wholesale trade	26,279	44.0	1.0	0.9
Retail trade	12,357	181.6	2.7	0.1
Finance, insurance and real estate	24,998	40.0	0.4	0.8
Services	18,034	248.1	8.7	1.3
Business services	12,811	32.2	8.2	-1.7
Amusement and recreation services	18,089	36.2	176.6	13.4
Health services	25,289	67.7	8.2	0.9
Government and government enterprises	20,200	248.7	2.0	0.2
Federal, civilian	33,950	28.0	-0.5	1.5
Military	17,210	37.7	0.8	1.4
State and local	18,710	183.0	2.8	-0.5

Note: The average annual rate of inflation over this period was 3.8, as measured by the consumer price index.

SOURCE: Bureau of Economic Analysis, U.S. Department of Commerce.

the likely composition of employment in the future is available. Darrin Webb's article in this *Review* provides a shift-share analysis of employment in the state from 1984 to 1994 that shows which Mississippi industries have grown more rapidly than their national counterparts, and also which industries nationally have growth rates above the overall average. The competitive and relatively high-growth industries identified there can help policymakers determine focal points for their efforts to raise industry wage levels.

Upgrading of skills and production techniques is continuing in the state as in the rest of the country, and higher wages can eventually be expected to follow. Whether the rate of upgrading is proceeding at a rate that will enable Mississippi to close the wage gap with the rest of the country is a question, however, that needs to be addressed.

Shifts in Employment May Exert Downward Pressure on Wages

As in the rest of the country, manufacturing employment as a percentage of total employment in Mississippi is expected to drop somewhat in the future as the service sector expands. Currently, manufacturing accounts for 22 percent of total employment in the state, compared to 16 percent in the U.S. as a whole. As the share of services in total employment in Mississippi rises to an expected 24 percent by the year 2000, and the share of manufacturing drops to 21 percent, there will be further downward pressure on the state's per capita income. This is due to the fact that pay in the service sector averages less than the overall state average. Some of this shift to the service sector is the result of the loss of low-skill manufacturing jobs to overseas locations, but, in addition, in several cases, growing productivity in manufacturing has reduced the need for workers on the plant floor.

On the positive side, the average annual wage in services has been increasing more rapidly than in manufacturing. In services, real earnings increased at an average annual rate of 1.3 percent from 1989 to 1994, versus 1.0 percent in manufacturing. Eventually, then, a change in the composition of service sector jobs towards higher-skill employment is expected to raise the wage level to state average. Table 4, as well as Table 2, provides details by sector on trends in wages over the 1989 to 1994 period.

Service sector industries which can sell their services to persons and businesses in other states and countries, or which contract with businesses to aid them in exporting their products outside the state, will form the basis for wage growth within services. This is because sales of services to residents is a market limited by residents' income levels. Unless a good part of the income of residents is generated by sales outside of the state or other flows into the state, vying for residents' income would be largely a zero-sum game. But increasingly, in fact, state boundaries are less and less an impediment to service-sector sales. Services which can be exported include several related to information flows or telecommunications, insurance, tourism, marketing, management, personnel, recreation, films, writing, art, crafts, computer software, transportation, finance, education, business, legal, engineering and many other professional services.

National Trends Affecting Wages

At the national level, the U.S. is continually upgrading its products and management techniques to compete successfully at the global level. But even when productivity rises significantly, workers may not see much increase in real wages. In fact, since 1975, average hourly earnings adjusted for inflation have not changed much in the nation as a whole, although worker productivity has risen 23 percent.

Several factors are behind this stagnation in wage levels at the same time that output and national income per capita are rising. To understand this trend, it is useful to consider lower-skill and higher-skill jobs separately. Real wages fell between 1973 and 1993 for all workers, but for those with less than a high school education, the fall was 23 percent, while for those with a college degree, the fall was 8 percent.

The failure of wages to rise in low-skill jobs will be examined first. Lower-skill jobs have been especially affected by international competition, the relocation of of factories abroad, the shift towards services, the erosion in the level of the real minimum wage, and the increased importance of women and minorities in the labor force. The growing importance of international competition has reduced the bargaining power of manufacturing workers. This is due both to the actual loss of jobs as plants relocate abroad or are forced to close, and also to the threat of such job loss, which is a very real possibility to the extent that technology and techniques can be exported to low-wage countries without a significant loss in productivity. In Mississippi, rural areas have been particularly affected by such plant closures.

The fact that low-skill jobs in the service sector generally pay less than those in manufacturing reduces the options available to low-skill workers and adds to the downward pressure on manufacturing wages. The minimum wage, which sets a floor on wages for many workers, has been reduced in real terms through the effects of inflation, and, even for workers paid above this level, the low minimum has eroded workers' wage position. And finally, women and minorities have generally been paid less than white males, and their growing importance in the low-skill labor market will tend to hold down wage growth until their share in the labor market stabilizes.

Wage trends among workers with some post-secondary education and among workers with college also depend upon factors affecting competition within their labor market. These include the slow productivity growth of the service and government sectors, the lack of unionization, the increased numbers of women in this labor market, and widespread restructuring in the private sector. The increasing number of college-educated women in the job market has increased wage competition among skilled workers. Real wages for male college graduates, and for college graduates overall, fell between 1973 and 1993, even though wages for women college graduates rose slightly (2 percent) over the same period. Restructuring, while it may eventually mean higher productivity and higher wages, in the short-term increases competition among workers, and so exerts a negative influence on wages.

Economic Theory on Raising Wage Levels

According to standard economic theory, wage levels are determined by competition within the labor market. Increased productivity raises incomes and makes it possible for both profits and wages to rise simultaneously, but how the increased income from higher productivity is divided between labor and capital is determined by competition. Wages rise when employers find that, to entice their potential employees from alternative employment opportunities, they must pay higher wages. And vice-versa, wages fall when there is an overabundance of workers competing for the jobs available.

If, for example, every Mississippi job-seeker had the option of a higher-paying job in another state, employers would find that to retain their employees, they would have to raise wages to levels similar to those prevailing among their competitors. Thus, as Mississippi employees achieve the skill and productivity levels of workers in other states, they will more frequently have the option of obtaining higher-wage employment outside the state. And, as they take advantage of these opportunities, competition for workers within

Table 5. **AVERAGE HOURLY WAGES OF FULLTIME, YEAR-ROUND WORKERS IN MISSISSIPPI ADJUSTED FOR INFLATION, 1979 AND 1989**

Workers with four or more years of college aged 25 to 65	**1979**	**1989**	**Percentage Change 1979-89**
White women	$8.04	$8.97	11.6%
Black women	7.18	7.63	6.3
White men	13.34	13.98	4.8
Black men	9.16	9.93	8.4
TOTAL	**11.69**	**11.75**	**0.5%**
All workers aged 25 to 65			
White women	$6.17	$6.35	3.0%
Black women	4.92	5.12	4.1
White men	10.41	9.42	-9.5
Black men	6.42	6.44	0.3
TOTAL	**8.24**	**7.66**	**-7.0%**

SOURCE: U. S. Bureau fo the Census, *1990 Census of Population and Housing,* Public Use Microdata Sample (5%), Mississippi. A subsample of ages 25-65 was used.

the state will increase, and so raise wage levels.

Currently, workers here can compete successfully for lower-wage jobs, but often lack the skills needed for higher-wage employment. While this is an oversimplified explanation of the problem, it remains the case that the key to raising wages here relative to the rest of the nation, is to raise worker abilities in comparison to the skill levels of workers in other states, not only in low-wage jobs, but in higher-wage jobs as well. This depends upon improving all the various channels through which skills are developed, including formal education and training, but the myriad of other ways as well.

Rising wages also depend on growing business demand for more highly-skilled workers. Usually such a shift in demand occurs as competition forces changes in production techniques and products produced. In order to compete in today's market, employers often face the choice of either continuing old production techniques and reducing costs through subcontracting, greater use of part-time workers and downsizing, or through changing production techniques and maybe even products--increasing profits through the use of new technologies generally requiring more skilled, if fewer, workers. This increased demand for skilled workers dovetails with efforts on the part of workers to improve their skills. Growing employer demand for skills results in more on-the-job training and in more pressures on the educational system.

Toward Raising Wage Levels

In order to increase wage levels, then, it is necessary both to increase the skill levels of the workforce, and to increase the effective demand for higher-skill workers in the state. Perhaps the most obvious place to start in improving wage levels is with improving educational levels. As recently as 1992, the majority of 17-year-olds in the state lacked basic literacy skills in at least one area (see April 1993 *Review).* Table 5 shows trends in wages for fulltime workers, aged 25 to 65, in Mississippi, both overall and for college graduates. (Eighteen percent of fulltime, year-round workers between the ages of 25 and 65 have college degrees here.)

The most striking finding shown in the table is the extent to which a college education is a plus in the labor market. While overall real wages fell by 7 percent between 1979 and 1989, for college graduates real wages rose ~~the drop was only~~ 0.5 percent. If not for the shift towards more women among fulltime workers with college degrees, the rate of wage increase would have been in excess of 5 percent for college graduates. (The fact that women are paid less than men, $11.60 per hour in 1989 compared with $16.70 for men among college graduates, held down the rate of increase. Women made up 24 percent of college-educated workers in 1979, but 36 percent by 1989.)

There are several steps that can be taken to improve education in the state. Several of these are discussed in the April 1993 *Review*, including: easier public access to information regarding student performance and more broadly, improved indicators of agency performance; and an incentive system that ties recognition and rewards more closely to teachers' and administrators' achievement. These and other performance-enhancing changes are possible in many government bodies.

On-the-job training and continuing education classes are other important means of improving worker skills, as are informal educational channels. Employees, employers, community groups, political leaders, schools, universities and churches can support these and other efforts in continuing education in many ways: library resources can be enhanced; access to computerized information networks can be made more widespread; associations and clubs that train their members in specialized areas can be fostered; and speakers and courses sponsored.

Wage levels can also be improved through measures that increase labor mobility or enable workers to start their own businesses. Labor mobility can be helped by improved unemployment benefits; ~~portability~~ ; most don't get of health care coverage and improved access to child care, which is also an important aid to labor force participation. Greater co-ordination among employers and workers in job markets would also improve worker options. Programs aimed specifically at persons seeking jobs or promotions can improve these workers' interview and bargaining skills, and so assist in these efforts at advancement.

Increasing wage levels also depends on businesses' shifting towards the use of more highly-trained and more highly-educated workers. Most of the incentive for this shift comes from competition: businesses are under constant pressure to "work smarter". Businesses that research their markets and keep up with new technologies and products in their fields, or even develop their own products and services, are likely to be more competitive and prosperous. Continual attention to management practices are necessary as well: recently Total Quality Management practices and High Performance Work Systems have greatly enhanced the productivity of many businesses. As businesses improve their management and production techniques, they are likely to increase their productivity levels, their demand for higher-skilled workers, and the wages they pay.

In this regard, policies and programs that facilitate businesses' acquaintance with new technologies and management systems can be useful. Mississippi already has several programs, councils, institutes and centers, some of which are collaborative between government, business, and academia, that provide training and information about products, technologies, and management techniques. But re-examination and co-ordination of current efforts can result in even stronger initiatives in this area.

Mississippi's industrial recruitment package of tax incentives already includes tax breaks for worker training, and recruitment efforts are focussed on industries with positive long-term market prospects. In addition, however, when putting together individual incentive packages, there may be need to consider as well each firm in terms of its emphasis on research and development, management training, and its investment in its people.

Government legislation also affects the functioning of both employers and employees in the labor market. Antitrust legislation, for example, may increase competition among employers, as may fair employment practices legislation. Other examples of legislation that affect wages are right-to-work and minimum wage laws. Recent welfare legislation will also impact labor markets somewhat, to the extent that government becomes more involved in job creation and in providing child support for those eligible.

A different and controversial approach is advocated by zero-growth proponents, who point out that increased productivity offers the option of a decrease in the number of hours worked, while maintaining the same standard of living. They would favor legislation that would reduce the number of hours per week required for a fulltime job before overtime begins, for example, as a step toward reducing the length of the workweek while maintaining compensation levels. The movement toward a shorter workweek is particularly strong in Europe.

Conclusion

Recent wage trends in the state are similar to those in the rest of the country: overall, between 1989 and 1994, average annual wages here increased only 0.4 percent in real terms (the increase was 0.6 percent in the U.S. as a whole). However, given the wage gap between the state and the rest of the country in all industrial sectors, a more rapid increase of productivity and wages here than nationally is both a feasible and desirable goal.

Data on state industries, when grouped into three wage categories, show that the highest-wage industries had the most rapid rate of increase in real wages but the lowest growth rate of employment. And, vice-versa, the lowest-wage industries, if amusements is excluded, had the slowest growth in wages, but the highest growth of employment. Forty-eight percent of those employed are found in the lowest wage category excluding amusements, and so current trends are particularly unfavorable for them. This indicates a continuing challenge for policy-makers seeking to close the income gap with the country as a whole.

There are several policies that can aid in improving wage levels. These policies, whether implemented by the government or the private sector, are ones that will raise productivity, expand markets, change the composition of output, and/or increase worker employment options. They include policies aiming at: improving educational programs; increasing research capacity; increasing investment in worker training, employment security, child care and health care programs; greater co-ordination among employers and workers in job markets; and the implementation of improved production and management techniques such as high performance work systems.

As a final note: the production of goods and services is a co-operative endeavor, and the pursuit of improvements in this endeavor rests on people working together. The levels of income that can be achieved within our state will rise as our performance improves, not only at the workplace but in the broader community.