

Wages and Regional Labour Markets

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Introduction to the Special Issue

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ABSTRACT: This introduction summarises the main contributions included in the special issue. These papers were discussed (among others) in the special session on «Wages and Regional Labour Markets» organised within the activities of the 51st Congress of the European Association of Regional Science (ERSA) and the 37th conference of the Spanish Regional Science Association held in Barcelona in August 2011. This special issue contains six of the nine papers discussed in the session, plus three additional papers clearly related to this topic that were discussed in other conference sessions or included at a later stage due to their relevance. Moreover, we also decided to include a brief discussion of each paper in order to incorporate other points of view and some additional thoughts on the topic.

JEL Classification: R23, J31.

Keywords: Wages, regional labour markets.

Salarios y Mercados de Trabajo Regionales: Introducción al monográfico

RESUMEN: Esta introducción trata de resumir las principales contribuciones incluidas en el monográfico. Estos trabajos formaron parte (junto con otros) de la sesión especial sobre salarios y mercados de trabajo regionales celebrada en el contexto del 51.º Congreso de la Asociación Europea de Ciencia Regional y 37.ª Reunión de Estudios Regionales celebrado en Barcelona en agosto de 2011. Este monográfico contiene seis de los nueve artículos presentados en dicha sesión, más tres trabajos adicionales claramente relacionados con este tema que se discutieron en otras sesiones de la conferencia o que se incluyeron en una etapa posterior, debido a su relevancia. Además, el monográfico también incluye una breve discusión de cada artículo con el objetivo de incorporar otros puntos de vista y algunas reflexiones adicionales sobre los temas tratados.

Clasificación JEL: R23, J31.

Palabras clave: Salarios, mercados de trabajos regionales.

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The 51st Congress of the European Association of Regional Science (ERSA), co-organised by the Catalan Association of Regional Science (ACCR), the Spanish Association of Regional Science (AECR) and the Reference Network for Applied Economics (XREAP), was held between August 30th and September 3rd 2011, at the Faculty of Economics and Business of the University of Barcelona. With more than 1000 participants from 50 different countries, 220 parallel sessions, 50 special sessions, a good environment and even a football match, the congress was an important event for European regional scientists. The invited speakers included the European Commission's Commissioner of Regional Policy, Dr. Johannes Hahn, as well as Richard Florida, Diego Puga, Maryann Feldman, David Audretsch and Piet Rietveld.

One of the special sessions was devoted to the analysis of «Wages and Regional Labour Markets». More than 25 abstracts were received in response to the «call for papers» launched in January 2011, and during the special session, we had the opportunity to discuss nine of these papers; eleven others were presented in the regular sessions. This special issue contains six of these papers, plus three additional papers clearly related to this topic that were discussed in other conference sessions or included at a later stage due to their relevance. Moreover, we also decided to include a brief discussion of each paper in order to incorporate other points of view and some additional thoughts.

Various reasons have led us to publish this special issue in the official journal of the Spanish section of the European Regional Science Association. First, during the ERSA conference, the Spanish Regional Science Association celebrated its 37th conference. Second, at the international and Spanish levels, regional labour markets are nowadays even more relevant from an economic policy perspective. Finally, the presented papers were of high quality.

The first contribution to the special issue, by Vicente Royuela, and the related discussion, by Charlie Karlsson, provide an interesting overview of the 51st ERSA Conference. By examining the characteristics of the conference, Royuela's article identifies the main trends in regional science and considers a broad array of information sources: delegates' demographic details, the conference programme itself, a satisfaction survey conducted among delegates, a quality survey addressed to those chairing the sessions and bibliometric information from all participants. One interesting result from Royuela's analysis is that the thematic area that overwhelmingly attracted the most attention was «Regional economic growth and development», followed by «Innovation, knowledge, economy and regional development» and the topics discussed within the «1st European Meeting of the Urban Economics Association». In contrast, a number of other themes included in the programme attracted little attention. Research on regional labour markets was not one of these themes, but it was also not a «trending topic». Three ordinary sessions and three refereed sessions were organised under the topic of «Spatial Issues of the Labour Market» and five special sessions considered «Cultural Diversity, Skills and Productivity: The labour market impacts of immigrants» and «Wages and Regional Labour Markets». In terms of different indicators (number of sessions, papers, presenters, registered authors), these sessions represented no more than 5% of the activity of the conference, although it is fair to

recognise that other papers related to labour market analysis could have been presented in different sessions.

However, regional differences in the functioning of labour markets are an important component of today's economic discussion. Regions have been affected by the crisis in different ways because they have specific characteristics and face different challenges. As shown by Eurostat data¹, the dispersion of regional employment and unemployment rates has substantially increased in recent years, breaking with the pattern of the last expansionary phase. Of course, regional specialisation patterns explain part of this difference, but differences in wage determination schemes have also contributed to this unequal regional labour market resilience.

This is the framework within which the research presented here should be contextualised. In addition to Royuela's article, the issue contains eight additional papers dealing with regional labour markets and wages and their respective discussions. Although three of these contributions analyse Spanish regional labour markets (the recent evolution of our unemployment rate clearly explains the academic and policy interest), most contributions focus on developing countries. According to the ILO Global Employment Trends 2012 report², more than 400 million new jobs will be needed over the next decade to avoid a further increase in unemployment and to prevent an increase in poverty levels, particularly for informal workers in developing countries. This clearly shows the relevance of attaining a better understanding of the labour markets of developing countries.

As highlighted in the discussion by Roig, the contribution by García-Mainar and Montuenga-Gómez focuses on a very relevant issue both from the academic and policy perspectives: wage flexibility. In particular, they estimate a dynamic wage curve using microdata from the Spanish sample of the European Community Household Panel (ECHP) and find that, due to its duality, the Spanish labour market is more sensitive to supply shocks than those of other countries where similar analyses have been carried out. The good news is that recent policy reforms are trying to change this particular feature of the Spanish labour market.

Hernández and Serrano introduce an additional issue in the analysis of the Spanish regional labour markets: differences in over-education. In a country where the human capital stock has substantially increased during the past decade, a scenario where highly educated workers do not find suitable jobs is particularly worrying from the policy point of view. Using microdata from the Spanish sample of the Survey of Income and Living Conditions (SILC) for 2004-2009, the authors analyse the wage gap between the adjusted and overqualified employees in the Spanish regions using standard Mincer equations, quantile regression and the Oaxaca-Blinder decomposition. Their results indicate that in Spain, there is a 28% difference between the

¹ Eurostat Regional Yearbook 2011.

http://epp.eurostat.ec.europa.eu/portal/page/portal/product_details/publication?p_product_code=KS-HA-11-001.

² http://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/@publ/documents/publication/wcms_171571.pdf.

gross hourly wage paid to overqualified and properly matched employees, of which 25 percentage points correspond to the discrimination effect and only 3 percentage points correspond to the characteristics of the individuals and the firms they work in. According to these results, the authors conclude that the effects of over-education on the regional economies are genuine, substantial and considerably heterogeneous.

Cruz and Naticchioni's article takes us temporarily away from the Spanish labour market. In particular, they use data from the National Household Survey (PNAD) of Brazil to investigate the dynamics of the urban wage premium and the relationship between the urban wage premium and trends in inequality. As highlighted in the discussion by Simón, the article provides novel insights on this topic for developing countries, but it also shows the relevance of agglomeration economies and urbanisation as a way of reducing inequality and reinforces the «place-based approach» that currently dominates the regional development debate.

Tello and Ramos' article provides empirical evidence about the relationship between income (wage) inequality and economic growth in Mexican regions. Usually, policy measures aiming to promote growth do not take the danger of the social exclusion of certain groups of individuals in particular regions into account. The article tries to recognise the link between these two dimensions (growth and inequality) and analyses intra-regional inequality in order to discount the well-known effect of institutional differences at the country level. Contrary to the findings of several studies, the authors find evidence of a positive relationship between changes in inequality and changes in growth (not a common result for developing countries), although they recognise that differences in estimation techniques, variables used in the analysis or data sources are an important source of the different conclusions of these studies. Perhaps the most relevant contribution of the paper is that the negative influences of inequality on growth are mostly associated with inequality in different parts of the income distribution. Many of the positive mechanisms can be linked to inequality at the upper end of the income distribution, while many of the negative mechanisms are associated with inequality at the bottom of the distribution. However, as Di Paolo suggests in his discussion of the article, there are clear directions for future research: the non-linearity of the relationship, additional explanatory factors and the application of recently developed decomposition techniques.

Although they perform a cross-country analysis, the paper by Castells-Quintana and Royuela has clear interest from a regional perspective. They analyse the effects of unemployment and income inequality on economic growth in 48 countries with different levels of economic development from 1990 to 2007. Their results suggest that although high initial unemployment rates do not seem to be statistically significant in explaining long-run growth, they do have a significantly negative effect when interacting with increases in inequality. They also find that increasing inequality seems to harm both growth and unemployment in countries with low levels of urbanisation. As highlighted in Ezcurra's discussion, this finding is particularly relevant in the context of the current economic crisis because there currently are numerous countries across the world with high unemployment rates and important increases in income inequality levels that could harm growth in future decades.

Bande, Fernández and Montuenga provide new evidence on regional differences on wage flexibility in Spain. Using data from different waves of the Structure of Earnings Survey (SES), they estimate regional wage equations, relating the observed wages received by workers to a group of personal and job characteristics as well as the unemployment rate. This analysis allows them to test for the existence of regional differences in the degree of wage flexibility, which may have an important influence on the evolution of regional unemployment, given its impact on the ability of the local labour market to absorb negative shocks. Their results lead them to conclude that regions suffering from higher unemployment rates exhibit lower wage flexibility. From the policy perspective, they recommend that collective bargaining reforms should pursue greater wage flexibility, especially in regions with high rates of unemployment. Although, as highlighted by Sanromá, the paper has some shortcomings, it represents clear progress in the analysis of regional labour markets and opens new directions for future research.

Konyali's paper also addresses wage flexibility, but from the perspective of a Blanchflower and Oswald-like wage curve for the Turkish economy. As noted by Sanz-de-Galdeano, the paper adds to the recently growing literature on low-and-middle-income economies where the informal sector plays an important economic role. Its main contribution is related to the estimation of disaggregated wage curves in this context.

The last article in the issue, by Majchrowska and Żółkiewski, tries to quantify the impact of the minimum wage on employment in Poland, disaggregating it by regions and groups of workers. As Tena explains in the discussion, this is not a new topic, but the paper is original in two aspects: first, previous research has not analysed regional differences, and second, the evidence for new European Union member states is practically inexistent. The authors find that minimum wage has had an adverse impact on employment and that it has been particularly harmful for young workers and workers in the poorest regions, a result that reinforces the policy conclusions from Bande, Fernández and Montuenga's paper.

Editorial work is not always easy, but in this case, it has been. We would like to thank all of the contributors (authors and discussants) for their excellent work and discipline in following very strict deadlines. We also have to recognise that, as authors, referees' comments are not always well received, but as editors, we would like to express our gratitude to the referees whose comments have clearly improved the overall quality of this special issue. Finally, we would like to express our gratitude to Juan Ramon Cuadrado, the editor-in-chief of the journal, who has offered his support during this year and encouraged us to produce this special issue from the beginning. We hope you enjoy reading it.

Regional Science trends through the analysis of the main facts of the 51st ERSA Conference

Vicente Royuela *

ABSTRACT: The 51st ERSA Conference held in Barcelona in 2011 was one of the largest ever. By examining the characteristics of the conference, this paper identifies the main trends in Regional Science and draws on a broad array of sources of information: the delegates' demographic details, the conference program itself, a satisfaction survey conducted among delegates, a quality survey addressed to those chairing the sessions and, finally, a bibliometric database including each author signing a paper presented at the conference. We finally run a regression analysis from which we show that for ERSA delegates what matters most is quality, and this must be the direction that future conferences should move toward. Ultimately, ERSA conferences are comprehensive, all-embracing occasions, representing an ideal opportunity for regional scientists to present their work to each other and to network.

JEL Classification: N00, R00, R11.

Keywords: Regional science, bibliometrics, ERSA.

Tendencias en ciencia regional a través del análisis de las principales cifras de la 51.^a Conferencia de la Asociación Europea de Ciencia Regional

RESUMEN: El 51.^o congreso de la ERSA en 2011 en Barcelona fue uno de los más grandes que se recuerdan. Mediante el análisis de las principales característi-

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I thank Jordi Suriñach for facilitating my participation at the ERSA conference and the PhD students who supported me during the event and who collected the information presented here. I also acknowledge the support provided by members of the Local Organizing Committee, in particular Conxita Rodríguez, José Luis Roig, Raül Ramos, Pilar Riera, and Vicent Soler (President of the Spanish Association of Regional Science), Charlie Karlsson (President of the European Association of Regional Science) and ERSA staff members, Richard Kelly and Maristella Angotzi. I acknowledge financial support from CICYT ECO2010-16006. Finally, according to my personal experience, dare to say that at least once in his/her life, every regional scientist should organize a Regional Science conference (the larger the better) so that he/she might realise the magnitude of such a multi-disciplinary undertaking, but above all just how exciting it can be. An extended version of this article can be found at <http://ideas.repec.org/p/xrp/wpaper/xreap2012-12.html>.

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cas del congreso, en este trabajo obtenemos las principales tendencias en Ciencia Regional, basándose en un amplio abanico de fuentes de información: el programa del congreso, el detalle de las características de los delegados, la encuesta de satisfacción, una encuesta a los ponentes que presidían las sesiones y una base de datos bibliométrica con información de los autores de los trabajos presentados en el congreso. Finalmente, mediante un análisis de regresión concluimos que los delegados están interesados en la calidad y la excelencia científica, hacia donde debe dirigirse el futuro de las conferencias de la asociación. Las conferencias de la ERSA son ocasiones únicas para presentar trabajos académicos en un entorno amable e inclusivo donde el *networking* es un aspecto a destacar.

Clasificación JEL: N00, R00, R11.

Palabras clave: Ciencia regional, bibliometría, ERSA.

1. Introduction

The year 2010 marked the 50th anniversary of the European Regional Science Association (ERSA) and saw the passing away of the founder of the discipline of Regional Science, Walter Isard. In the twelve months that followed, a series of papers was devoted to analysing 50 years of the Western Regional Science Association (WRSA) (Franklin *et al.*, 2011; Gibson *et al.*, 2011; Kohlhase, 2011; Plane, 2011) and what it is that makes WRSA meetings so exceptional. It is perhaps, therefore, an opportune moment to take stock and to reflect on what Regional Science is about today and what constitute the main concerns of regional scientists. This interest is not new, and has been addressed several times before. Years ago, Torsten Hägerstrand posed (1970) and reposed (1989) the question: «What about people in regional science?» in examining the differences between the regional science meetings held in Europe and North America, and in seeking to determine whether there might be a difference in «emphasis or tone» between what scientists were doing on either side of the Atlantic. What's more he wondered if Regional Science was concerned at all about people. Several years later, various authors, when examining the state of Regional Science, presented pessimistic points of view (Jensen, 1991; Isserman, 1993 and 1995; Bailly and Coffey, 1994) that were subsequently called into question by Quigley (2001) who described something of a «renaissance» in the discipline. As Plane (2012) has recently argued, «the field emerged from its mid-life crisis of the 1990s renewed and strengthened» (p. 3).

Several papers have inspected the state of the art, or what is «hot», in Regional Science at various moments in time (Stratham, 1992; Taylor and Jones, 1992; O'Kelly, 1999; Rey and Anselin, 2000; Suriñach *et al.*, 2003) while others have examined «who» has taken the leading roles in the field (Allen and Kau, 1991, Rey and Anselin, 2000, Isserman, 2003). Typically, such analyses have been undertaken by examining publication patterns across regional science and urban journals, although others have looked specifically at the publication patterns of just one journal (Dear and Thrift, 1992; Duranton, 2010; Florax and Plane, 2004; Puga and Wrigley, 2006; Pike *et al.*,

2007; Van Dijk, 2010; Wrigley and Overman, 2010; Rogríguez-Pose *et al.*, 2011), region or country (Suriñach *et al.*, 2002, 2004, Ramos *et al.*, 2005, Royuela *et al.*, 2005, 2006 and 2008).

However, regional science is not just an academic discipline, it also involves practitioners and policy makers as is apparent at the annual meetings of the science's associations. Indeed, conferences represent an essential element in the work of researchers and policy makers alike. As Borghans *et al.* (2010) point out, conferences «provide the possibility to acquire feedback on a paper, to get informed about the work of others, and to talk to colleagues to exchange ideas. A relaxed atmosphere and being away from the office can promote creativity» (p 868).

It is these arguments that have led me to present the following report in which I summarise the main characteristics of the 51st ERSA conference held in Barcelona in 2011. It is my belief that by examining the activities undertaken at the conference we can obtain an accurate picture of the current state of Regional Science, in general, and of European Regional Science, in particular. Together with the 50th ERSA conference (Jönköping, 2010), the Barcelona conference was the largest ever organised in Regional Science, with more than 1,000 participants. While I make no claims to the effect that bigger is necessarily better, the Barcelona conference captures a good cross-section of academic and non-academic regional science public.

This paper is divided into six sections. Following on from this introduction, I describe the main features of Barcelona's ERSA conference. Next, in section 3, I present the main demographic characteristics of delegates and provide an initial insight into the distribution of bibliometric indices for Regional Science authors. Section 4 is devoted to an analysis of the main thematic trends in Regional Science based on the characteristics of the authors signing and presenting each paper, which should provide an up-to-date picture of the agenda of regional scientists today. In section 5, I run a simple model in order to obtain additional insights into what attracts people to sessions; again on the understanding that it might serve as a proxy of the concerns of regional scientists today. I finish by summarising the main findings of the analysis and drawing a number of conclusions.

2. The 51st ERSA conference in Barcelona

As Borghans *et al.* (2010) show, Barcelona is a popular location for a conference and this was perhaps an instrumental factor in attracting over 1,000 participants from 44 different countries. The conference, chaired by Jordi Suriñach, was held over four days, and there were eight time slots time devoted to 200 parallel sessions plus five plenary sessions at which the following keynote speakers addressed the conference: David Audretsch, Maryanne Feldman, Richard Florida, Diego Puga and Piet Rietveld (the latter being the recipient of the 2011 EIB-ERSA prize). A plenary lecture was also given by the European Commissioner of Regional Policy, Dr Johannes Hahn, who was accompanied by Joaquim Oliveira-Martins (OECD) and Luis Espadas

(Spanish Ministry of Economy and Finance). The conference was attended by the Major of Barcelona the Catalonia's Regional Minister of Economy and Knowledge, the Vice-President of Spain, and the President of the European Investment Bank. In the conference program he highlighted a number of «very Special Sessions», with a panel of leading academics. The conference was also host to the first European Meeting of the Urban Economics Association.

3. Conference description

In conducting the empirical analysis, I draw on information from a range of sources.

- The conference program: the full list of papers delivered, the thematic area to which they belong, the session type and the time of presentation, and the number of authors that signed and/or presented the papers.
- Authors' registration details: age, sex, country of origin, the type of institution they represent and their position. Not all authors supplied this information, but a significant number (93%) did.
- ERSA satisfaction survey: comprising 396 completed responses (representing 40% of total participants).
- Bibliometric indices for each author signing a paper presented at the conference from the *Publish or Perish* software (Harzing, 2010). This information was compiled before the conference (June 2011) and completed following last minute changes to papers in September 2011.
- A survey conducted among those chairing the conference's parallel sessions that includes attendance numbers at each session, the quality of the papers presented, and the homogeneity of topics presented at the sessions. Complete information was collected for 62% of the sessions.

Using this information, I now proceed to characterize various aspects of the conference and, as such, of Regional Science in Europe.

3.1. Overall figures

The conference was attended by 952 registered delegates, 891 of whom presented papers. As each author could present up to two papers, and as each paper could be presented by two different authors, the number of authors did not coincide with the number of papers presented (914 papers). These were delivered in a total of 224 sessions: 5 Plenary Lectures, 80 Ordinary Sessions, 36 Refereed Sessions, 7 Young Scientists Sessions and 96 Special Sessions. The sessions were organised around 25 themes and 44 different special sessions¹. A total of eight time slots were dedicated

¹ Initially 51 special sessions were planned, but seven did not receive a sufficient number of papers and so were included within the conference's general themes.

to parallel sessions and, consequently, at some points during the conference 32 simultaneous parallel sessions were taking place.

3.2. Authors and delegates demographic characteristics

The modal delegate was a Spanish male academic, aged between 31 and 40 (see table 1). It should be noted that the proportion of women at Barcelona's ERSA conference (35%) was significantly higher than figures reported by Faggian (2009) at previous ERSA conferences (30% at the 2008 Liverpool conference) and at other Regional Science conferences (19% at NASRSC, New York 2008; 23% at WRSA, Napa 2009; 30% at RSAIBIS, Limerick 2009; and, 23% at PRSCO, Gold Coast 2009).

As for age, Franklin *et al.* (2011) reported a modal cohort at 60-69 at WRSA conferences², which tell us that ERSA conferences are, by comparison, meetings of relatively young people. Women participants are on average 3.5 years younger than men, and account for 42% of people aged 30 and below.

The Spanish represented by far the largest nationality group (15%) at the conference. However, this figure was much lower than the one recorded at the 2000 ERSA conference in Barcelona when Spanish delegates accounted for just over a third (34%). As van Dijk and Maier (2006) report, it is usual that a substantial number of participants are from the country hosting the conference. In common with previous ERSA conferences, there were sizeable representations of the following nationalities: Italians, Germans, Dutch, British and French, but in Barcelona there was a significant number of Portuguese and Turkish representatives too. Americans and Asians were also highly represented (7.3% and 6.8% respectively).

The bulk of registered delegates listed themselves as Academics (91%). Significantly, 25% of them reported themselves as being Full Professors, but these figures differed markedly between men (30%) and women (14%). The opposite, however, was true for PhD Students, Junior Researchers and Post-Doc Researchers, where there were relatively more women.

Most delegates reported (ERSA satisfaction survey) that they had first learned about the conference via the ERSA website (33%) or other RSAI channels of communication, including the RSAI (7%), ERSA (16%) or local (13%) newsletters, although 48% of them actually reported themselves as being non ERSA/RSAI members.

² Franklin *et al.* (2011) in fact report data collected from a survey among WRSA members rather than a specific group of registered delegates. Thus, should their survey, as they discuss, not be fully representative, any comparisons here would be misleading.