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Abstract

This article explores the influence of various service industries on male earnings inequality within the 125 largest metropolitan areas in the United States. The data indicate that service sector employment increases inequality. Contrary to past literature suggesting that service growth proliferates low-paying occupational positions that increase inequality, however, multiple regression analyses demonstrate that increasing inequality is more a function of high-paying jobs in "producer services"—the service sector providing financial resources as well as technical and legal expertise to the business community. Greater concentrations of producer services in metropolitan areas increase the proportion of workers with exceedingly high incomes without affecting median incomes. Consequently, when producer services are extensive in an area, earnings distributions are more skewed and unequal.



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1.

1. Duncan et al. (1960), for example, have noted that when there is extensive manufacturing in a community, other industrial activities are unlikely to take root.

2.

2. An exception to this void in the literature is Danziger's (1976) research relating aspects of the service sector, other measures of the industrial structure, and general characteristics of the community to income inequality. There is, however, a difficulty in interpreting Danziger's results (see Danziger, 1976: 473, Table 2). In his major regression analysis of inequality, all segments of the industrial structure—manufacturing, service, construction, mining, and so forth—are negatively related to inequality. This is either a simple error in reporting, a reflection of colinearity among the independent variables, or some complexity not immediately

- apparent. Whatever the situation may be, Danziger's results are not clearly interpretable. Brief mentions of the relationship between services and inequality are given by Hirsch (1982) and Maume (1983); in the latter's study, service employment, however, is combined in the analysis with a variety of related indicators.
- 3.
 3. The findings would have been similar had the more popularly used Gini coefficient been chosen instead; the correlation between the Thiel and Gini coefficients was .995.
 - 4.
 4. The only exception to this was the exceedingly broad category of \$25,000-49,999 for 1980, in which simple interpolation was used.
 - 5.
 5. Included in the "producer services" sector are men employed in "repair services." Although these individuals should be placed in the "personal service" sector in order to conform to the Browning and Singlemann typology, published census data for metropolitan areas do not provide a detailed enough industrial sector breakdown enabling one to disentangle "repair services" from "other business services."
 - 6.
 6. Although a better measure of labor's strength might be obtained by coding the proportion of individuals belonging to a union or covered by collective bargaining, these data are not systematically available for all metropolitan areas. Given that categories of organizations are not presented by SMSA in 1980, organizational information was aggregated for counties within the metropolitan boundaries.
 - 7.
 7. Contrary to past literature (Fogel and Lewin, 1974; Durden and Schwarz-Miller, 1982), government employment does not appear to increase equality. When public administration is analyzed separately from Browning and Singlemann's general category of social services in 1970 for example, the measure is correlated positively with inequality ($r = .274$); but controlling for the other variables in Table 2 reduces this association to statistical nonsignificance.
 - 8.
 8. Given the colinearity between the transformative and service sectors, it is risky to sort out simultaneously the differential effects of employment in these sectors on inequality. Consequently, a variable controlling for transformative activities was not included.

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