

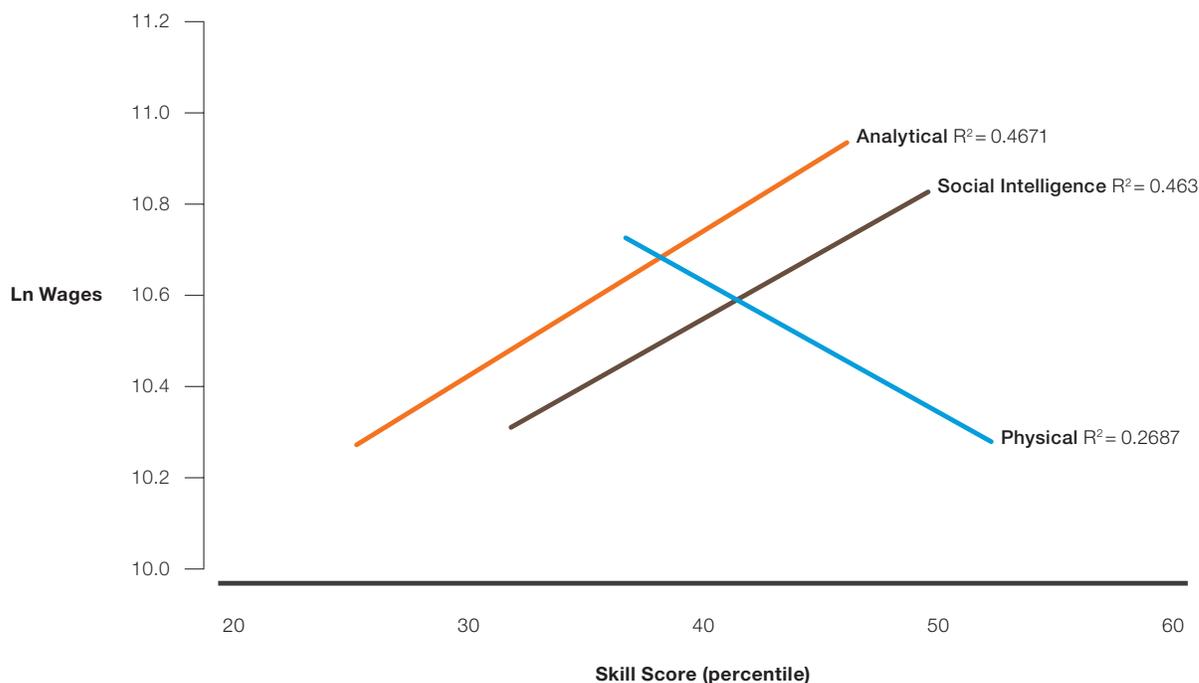
Why Playing Well With Others Makes You More Money

In the final instalment on the creative content of occupations, the Martin Prosperity Institute reviews its recent research on the impact of skills on wages in metropolitan areas. Previous Insights have shown that occupational skills can be divided between analytical, social intelligence and physical skills—and that these skills have different impacts on wages. The relationship also varies by city size. In this Insight, previous findings are combined to see how earnings in a metropolitan area vary with the skill mix.

In order to assess the skill mix for each city region, an occupation's skill content is weighted by its employment share. This allows for insight into how each of the 360 US cities draws on the three types of skills. The chart below shows how the city's skill mix is related to regional wages. Each city region is ranked three times—by its occupational mix of analytical skills, social intelligence skills, and physical skills. The chart shows the relationship for each of these rankings against the city region's wages.

The results indicate that analytical and social intelligence skills are significantly related to regional wages. If a city's occupational mix draws more heavily on either of these two types of skills, they are likely to have higher wages. As has been seen at an individual, occupational level (see our October 6, 2010 Insight, "[Recognize Skills to Improve Ontario's Competitive Advantage](#)"), greater analytical and social intelligence skills are significantly related to higher earnings, while the opposite is true for physical skills. The same pattern holds at a city-region level. Physical skills, even after controlling for other factors affecting regional prosperity, exhibit a negative relationship with wages. That is to say, city regions with a greater mix of physically-intensive occupations tend to be less prosperous.

Paradoxically, at the city-region level, analytical skills are more valuable than social intelligence skills; but, for the individual worker, social intelligence skills have a more positive impact on wages. The correlation in question is between skill levels and the average of the separate occupational wages. The regional wages are not weighted by employment. This regional one is still an interesting measure—it tells the average wage across occupations—it just doesn't take into consideration that supply/demand for specific occupations could be impacting wage levels. For individual wages, social intelligence skills generate a higher return than analytical skills. One possible explanation for analytical skill being more important at the regional level could be that the share of employment in high analytical occupations is much less than social intelligence skills. Put differently, there are fewer people working in high analytical jobs. Regions with an employment mix favoring analytical skills are highly prosperous as these types of skills are in lower supply than social intelligence.



So how do the cities stack up against skills?

Cities that tend to draw highly on analytical skills also tend to rely on social intelligence skills. These are cities like San Jose, Boston, Washington, Durham and Boulder. However, some rely predominantly on analytical skills, like Huntsville or Houston. A different group of cities rely on physical skills, they are often manufacturing based—cities like Dalton, GA which is known for its carpet manufacturing, or Toledo, OH, known glass manufacturing or Bakersfield, CA known for agriculture and food processing.

Furthermore, employment in city regions is shifting towards analytical and social intelligence skills, and away from physical skills. The MPI working paper entitled [Cities, Skills and Wages](#) shows that the regional wage return to analytical and social intelligence skills has increased since 1999, while physical skills have become more negatively related to regional wages. So the relationship of skills to wages is growing even stronger. Regions that successfully increase employment drawing on analytical and social intelligence skills are more likely to prosper than regions hanging on to the traditional physical skills.

The [Martin Prosperity Institute](#) at the [University of Toronto's Rotman School of Management](#) is the world's leading think-tank on the role of sub-national factors—location, place and city-regions—in global economic prosperity. Led by Director [Richard Florida](#), we take an integrated view of prosperity, looking beyond economic measures to include the importance of quality of place and the development of people's creative potential.