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Same job different salaries why?

Interregional differentiation in wages exists in all countries. Wages cannot be uniform for all regions of the country since regional labor markets place a demand on workers of different qualifications and at the same time, evaluate the work of workers of similar vocational qualification groups in different ways. Moreover, in a competitive economy, compensating differences in wages are generated in the labor market.

According to the theory of compensatory differences, workers should receive compensation in terms of wages for employment in regions with relatively poorer living conditions and a higher cost of living. This theory has confirmed its ability to explain most of the territorial differentiation in US pay; regional differences in wages are also considered compensatory in the EU member states.3 However, for countries with economies in transition, the issue remains mostly open (Dickie, Mark, and Shelby 571).

For example, salaries in the public service may depend on the size of the local government budget. A small volost is not able to pay such a high wage as in some cities. Thus, for example, the secretary’s salary in big cities like Boston or Jakarta is higher than the secretary’s 100 kilometers from the big city, although they do the same job. At the same time, the secretary, who lives and works in the village, has lower housing and transport costs, the air is cleaner, and the pace of life is calmer.

The climatic conditions and living expenses vary significantly by region. In a planned economy, differences in living conditions were offset by a system of salary increases and particular salary factors that encouraged workers to be sent to remote regions or regions with an unfavorable climate. Similar regional coefficients continue to be valid at present. Thus, the different salaries of these workers are set by the employer justifiably, taking into account the differentiated approach. The salary depends on the qualifications of the employee, the presence of additional duties, and the number of staff in the administrative subordination of the employee.

Works cited

Dickie, Mark, and Shelby Gerking. "Interregional wage differentials: an equilibrium

perspective." Journal of Regional Science 27.4 (1987): 571-585.