2 groups → union members
→ non-members

union = 0 → non-members (base / ref group)
1 → members

wage = β_1 educ. + β_2 exper + β_3 union + β_4 non-union + ε

wage = $\beta_0 + \beta_1$ educ. + β_2 exper. + β_3 union + ε

β_3 : effect of union membership on wages (given educ. exper.) rel. to non-members

region : N, S, E, W

↳ 3 dummy / binary variables

N → 0 o.w.
→ 1 North

S → 0 o.w.
→ 1 South

E → 0 o.w.
→ 1 → East

W → 0 o.w.
→ 1 west

W: base / reference group

wage = $\beta_0 + \beta_1$ educ. + β_2 exper. +
β_3 N + β_4 S + β_5 E + ε

β_3 : effect of N on wages (given educ. & exper.) rel. to W

β_4 : effect of S on wages rel. to W

N	S	E	W
0	0	1	0
1	0	0	0
0	0	0	1

N + S + E + W = 1