

Profit Sharing and Auto Workers' Earning: The United States vs Canada

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Résumé de l'article

Après 1982, les conventions collectives signées par les travailleurs de l'automobile avec les trois grands fabricants d'automobiles (General Motors, Ford et Chrysler) ont pris des voies différentes au Canada et aux États-Unis. Aux États-Unis, à cause de la récession et des demandes de concessions, les Travailleurs unis de l'automobile (TUA) ont accepté des ententes qui laissaient tomber le facteur annuel d'amélioration (*annual improvement factor*) datant d'une trentaine d'années et qui incluait un régime de participation aux bénéfices. Au Canada, la division canadienne des TUA (maintenant un syndicat distinct, les Travailleurs canadiens de l'automobile — TCA) a négocié des augmentations de salaire différentes de celles des États-Unis, et sans régime de participation aux bénéfices. Les désaccords au sujet de la stratégie de négociation des salaires ont constitué un motif important de la scission des travailleurs canadiens des TUA en 1985. Cet article examine l'effet des approches différentes de négociation en comparant les gains des ouvriers d'assemblage chez General Motors (GM), Ford et Chrysler aux États-Unis et au Canada de 1980 à 1989. Nous avons trouvé, en ce qui concerne les salaires seulement, que pour la période de 1982 à 1989, les travailleurs américains ont reçu moins que les travailleurs canadiens. En dollars courants, la différence cumulative dans la rémunération entre 1982 et 1989 pour les travailleurs américains et canadiens s'élève à 13 402 \$ chez GM, à 1 755 \$ chez Ford et à 8 721 \$ chez Chrysler. Un peu plus de la moitié des gains canadiens supérieurs provient des augmentations plus fortes du salaire de base. Un peu moins que la moitié est attribuable à une plus grande indemnité de vie chère. À partir de 1987, c'est le taux plus élevé du salaire de base qui a le plus contribué aux gains supérieurs au Canada. L'amélioration des gains des travailleurs de l'automobile canadiens par rapport à ceux des travailleurs américains ne semble pas s'être faite aux dépens des emplois au Canada. Les données provenant des rapports annuels des trois compagnies démontrent que l'emploi n'a pas décliné autant au Canada qu'aux États-Unis entre 1978, année où il a atteint un sommet, et le creux de la récession en 1982. En 1988, les trois compagnies canadiennes avaient recouvré un niveau plus élevé d'emploi que les compagnies américaines. Quatre raisons en semblent responsables: le dollar canadien valait moins que le dollar américain; la demande pour les automobiles a favorisé les modèles produits au Canada; la productivité a été meilleure au Canada; et le coût des avantages sociaux a été moindre en termes de dollar au Canada. Les données sur les gains révèlent l'émergence de différences notables dans la rémunération *parmi* les travailleurs américains de l'automobile chez GM, Ford et Chrysler. En 1982, la source de ces différences était les plus grandes concessions salariales accordées par les travailleurs à Chrysler. Après 1984, il y a eu des différences majeures dans les paiements résultant du partage des bénéfices reçus par les travailleurs américains des trois compagnies. Nos données et notre analyse ne nous permettent pas de séparer les contributions indépendantes du système de rémunération et du pouvoir de négociation en regard des différences de paiement. Cependant, les travailleurs canadiens de l'automobile semblent attribuer leurs gains supérieurs au fait qu'ils ont évité le partage des bénéfices et les montants forfaitaires. Par conséquent, il est peu probable que les TCA acceptent à court terme le partage des bénéfices et les montants forfaitaires. Les différences dans la rémunération des travailleurs américains et canadiens de l'automobile vont probablement continuer à exister dans l'avenir et celles-ci peuvent s'accroître à cause des plus fortes augmentations du salaire de base au Canada. Il reste à voir si les gains plus élevés des travailleurs canadiens de l'automobile vont créer des problèmes politiques au sein des TUA et comment le syndicat va y répondre.

Profit Sharing and Auto Workers' Earnings The United States vs Canada

**Harry C. Katz
and
Noah M. Meltz**

In response to the 1981-82 recession and demands for concessions the auto workers in the United States (UAW) accepted contracts that shifted away from the three decades-old annual improvement factor and included profit sharing plans. In Canada the Canadian branch of the UAW negotiated wage increases that differed from those in the U.S. and did not include profit sharing. Over the period 1982 to 1989, in terms of direct monetary earnings alone, American auto workers received less than their Canadian counterparts. This paper examines the sources of the differences in earnings for each of General Motors, Ford and Chrysler.

After 1982, contract settlements by automobile workers with the big three automakers (General Motors, Ford and Chrysler) took different paths in the United States and Canada. In the U.S., in response to the recession and demands for concessions, the United Auto Workers (UAW) accepted contracts that shifted away from the three decades-old annual improvement factor (AIF) and included profit sharing plans. In Canada, the Canadian

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branch of the UAW (now a separate union, the Canadian Auto Workers (CAW)) negotiated wage increases that differed from those in the U.S. and did not include profit sharing. Disagreements about pay bargaining strategy later became a major factor behind the secession of the Canadian auto workers from the United Auto Workers union in 1985. This paper examines the impact of the different negotiating approaches by comparing the earnings of auto assembly workers at General Motors (GM), Ford and Chrysler in the U.S. and Canada from 1980-1989¹.

The Big Three auto contracts are important because they cover a large number of employees and because auto collective bargaining has long played an influential pattern setting role in American and Canadian collective bargaining. In the early 1980s, the concessions negotiated first at Chrysler and the novel pay and worker participation programs were the focus of much attention. Differences in earnings in the two countries also are worthy of attention as these differences may influence trade flows. A comparison of pay also highlights the extent to which differences in the negotiating strategy of the Canadian and American auto workers has produced actual differences in pay outcomes.

This paper sheds light on the following issues: 1. the extent to which auto worker pay differed in the U.S. and Canada between 1980-1989, 2. the extent to which auto worker pay differed across GM, Ford, and Chrysler *within* each country between 1980 and 1989, 3. the sources of any pay differences, and 4. the contribution of profit sharing to pay differences across the countries and companies.

PATTERNS OF BARGAINING

In the early 1980's strains began to emerge between the negotiating strategies of the American and Canadian branches of the UAW. The recession of 1981-1982 severely reduced automobile production on both sides of the border, but the decline in employment in the U.S. segment of the industry was greater than that in Canada. The difference in the changes in employment has been attributed to the lower labour costs due to the lower exchange rate for the Canadian dollar and lower costs of health care, newer plants and equipment in Canada along with the good fortune of the Canadian industry to be producing those models of automobiles which were in greater demand.

¹ This paper examines only direct monetary compensation in the form of wages, cost of living allowance, lump sum payments, bonuses, and profit sharing. Other differences in the compensation received by auto workers in the two countries exist as a consequence of different fringe benefits, such as the 1987 contracts which produced partly indexed pensions in Canada and income security programs in the United States.

Up to 1984 bargaining took place simultaneously in both countries. One of the Big Three automobile companies would be chosen as the target for negotiations in order to set a pattern for the industry. A uniform nominal base wage rate per hour would be established which disregarded the rate of exchange between the Canadian and American dollars. The cost of living allowances (COLA) in GM and Ford up to 1984 were based on a weighted average of the consumer price indexes in the United States (90 % weight) and Canada (10 % weight). Local issues could also vary among plants in the two countries. In 1982 the Canadian branch of the UAW achieved a much larger settlement in Canada at Chrysler as a result of a higher cost-of-living allowance (COLA). In 1984, all Canadian contracts switched entirely to the Canadian consumer price index presumably because of the immediately preceding higher rates of inflation in Canada².

The split of the union occurred in 1985 after the 1984 round of negotiations which focused on GM. The size and form of wage adjustments became the final straw in the strained relations between the two branches of the union. The Canadian branch refused to follow the American lead and instead insisted on a higher guaranteed (base) wage increase. In the United States, in the GM and Ford 1984-87 agreements, the annual improvement factor was replaced by a 2.25 % first year base wage and 2.25 % lump sum increases in the second and third years of the contracts and profit-sharing plans (started in 1982) were continued.

THE CANADA-U.S. AUTO PACT

A key aspect of the environment that shaped auto collective bargaining was the auto pact between the U.S. and Canada. We now briefly summarize the history of the pact.

In 1965, an agreement was signed between Canada and the United States whereby tariffs would be removed by both countries allowing free importation of automobiles and automobile parts provided that certain minimum levels of production were maintained in Canada³. If these requirements were not met in any year then tariffs could be re-introduced against the importation of American-made cars (Employment and Immigration 1986).

² In 1982 and 1983, the rate of inflation in Canada exceeded that in the U.S. by 4.7 and 2.6 percentage points respectively. In 1980 and 1981 the rates were reversed with the U.S. Consumer Price Index above the Canadian figure by 2.6 and 2.1 percentage points respectively. In 1984 the rates were the same in the two countries. (Department of Finance Canada 1989: 137.)

³ The minimum requirement was that for every car sold in Canada one would have to be produced in Canada and 60 percent of the value of the production and parts would have to be made in Canada.

The purpose of the agreement was to enable the automobile firms to increase their efficiency by specializing in the production of a smaller number of models and parts in each country and by trading for the remainder. In the case of Canada, the production guarantees were designed to safeguard employment that might otherwise be threatened by the possibility of large production runs at lower unit costs (because of the economies of scale of operating in a market with a population ten times that of Canada). The balance of trade in finished automobiles and parts favoured the United States until the late 1970's and since then has been in Canada's favour.

The Free Trade Agreement between Canada and the United States, which commenced on January 1, 1989, provides that, as under the Auto Pact, all vehicles traded will be subject to a special rule of origin. While the used car embargo by Canada will be phased out by 1993 and duty remissions for auto products imported from other countries will be terminated by 1998, the FTA leaves the basic production requirements in place⁴. The difference is that there will no longer be a possible sanction of abrogating tariff remissions on trade between Canada and the United States⁵.

We now discuss how the earnings of automobile workers compare in the two countries using the differing terms they negotiated. Then we discuss the sources of the pay differences and the implications.

EARNINGS DIFFERENCES

Earnings of automobile workers are determined by four factors: base rates; cost of living allowances (COLA); number of hours of standard time; overtime rate and number of hours of overtime. In addition there can be special one-time-only payments such as specific amounts on signing a contract and in the case of the United States, profit sharing payments. In order

4 The production safeguards have been changed from a 60 percent of invoice requirement which included overhead costs in the invoice price to "... at least 50 percent of the direct production costs to be incurred in Canada and/or the United States." (Lipsev and York 1988: 62). White (1988) points out that if the Big Three auto firms "... choose to achieve their 50 % content in the U.S. (as Nissan is doing), *they need not create any jobs at all in Canada*, but will still have duty-free access to our market." (underline in original) The Department of External Affairs (1987: 33) suggests that the new 50% rule is the equivalent of a 70 percent requirement on the old basis.

5 Lipsey and York (1988) argue that this will not weaken the auto pact because the pact became less vulnerable to countervail action or to abrogation or amendment. White (1988) says that with no penalty and no enforcement mechanism the safeguards are reduced to guidelines and that Canada has given up the right to use trade and investment policy to gain performance commitments.

to compare the earnings of automobile workers we make a number of simplifying assumptions. We exclude any overtime work, and we assume that the same number of hours, 2,080 per year, are worked by assembly line workers in each firm in each country.

Table 1 presents the difference in the base rates and in the estimated annual earnings per full-time assembly worker in Canada and the United States for each of the Big Three automobile companies. Also shown are the sources of differences in earnings by company and by country: base rates, COLA, lump sum payments and profit sharing. The data are in each country's dollars not adjusted for the rate of exchange. The table shows that in all three companies, Canadian workers received greater earnings than their American counterparts.

In the case of GM, the advantage for Canadian workers primarily came from cost-of-living allowances up to 1986 and thereafter from high base rates which were derived from folding in the COLA rates.

THE EXTENT AND SOURCE OF COLA DIFFERENCES

Prior to March 1982, collective agreements with the Big Three automobile companies in both Canada and the United States contained the same cost-of-living (COLA) provision. One cent was to be provided for each 0.26 point increase in a combined cost of living index based on a weight of 90 percent from the American index and 10 percent from the Canadian index. In the United States, the companies first delayed paying the COLA and later switched to a United States based index (1967 = 100). The delay in payment in the U.S. was for a period of 18 months from March 1982 at GM, June 1982 at Ford, and September 1982 at Chrysler. These delays resulted in the lower COLA payments in 1982, 1983 and a part of 1984. Beginning in March 1984, in Canada at General Motors and Ford, the 1 cent for each 0.26 point increase in the CPI was to be based entirely on the Canadian index with 1969 = 100.

As Table 1 indicates, from 1982 onward, there were consistently higher COLA payments in Canada. These resulted from a greater COLA float in Canada, a higher CPI increase in Canada than the U.S. in most years, and special Canadian allowances of 28 cents an hour in March 1984 and 25 cents an hour in September 1984 and in 1985, with a further 24 cents in 1986. These COLA adjustments applied to GM and Ford workers. Chrysler employees received 50 cents in the fourth quarter of 1985 and 24 cents in 1986 in Canada and the U.S. The Chrysler base wage plus COLA caught up with the other two companies in 1986.

TABLE 1
Sources of Difference in Estimated Annual Earnings of Assembly Workers in the Automobile Industry in Canada and the U.S. by Company, 1980-1989
 in each country's currency, current dollars

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	Total (82-89)
<i>General Motors</i>											
CAN-U.S.: Base Rate per hour (4th Quarter)	0	0	0	0	0	.20	.40	.84	1.83	2.09	
CAN-US: Annual Base Earnings (2080 hours)	0	0	0	0	0	209	625	1913	2797	4087	9631
CAN-US: COLA	-21	-21	415	832	1040	1388	2012	1730	988	280	8685
Less: U.S. Lump Sum	0	0	0	0	180	593	617	0	897	873	3160
Less: U.S. Profit Sharing	0	0	0	606	515	329	0	0	254	50	1754
TOTAL CAN-U.S.	-21	-21	415	226	345	675	2020	3643	2634	3444	13402
<i>Ford</i>											
CAN-U.S.: Base Rate per hour (4th Quarter)	0	0	0	0	0	.20	.40	.84	1.83	2.08	
CAN-US: Annual Base Earnings (2080 hours)	0	0	0	0	0	208	624	1918	2776	4066	9592
CAN-US: COLA	-21	-21	571	728	989	1389	2013	1731	988	280	8689
Less: U.S. Lump Sum	0	0	0	0	180	593	617	0	897	874	3161
Less: U.S. Profit Sharing	0	0	0	440	2000	1200	2200	3700	2800	1025	13365
TOTAL CAN-U.S.	-21	-21	571	288	-1191	-196	-180	-51	67	2447	1755

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	Total (82-89)
<i>Chrysler</i>											
CAN-U.S.: Base Rate per hour (4th Quarter)	0	0	0	.28	0	.20	.40	1.66	1.84	2.09	
CAN-US: Annual Base Earnings (2080 hours)	2060	0	0	291	146	104	624	2329	3630	4178	11302
CAN-US: COLA	-2080	0	208	540	957	1065	2013	1232	*-73	280	6222
Less: U.S. Lump Sum	0	0	0	0	0	*2120	600	0	903	874	4497
Less: U.S. Profit Sharing	0	446	481	597	508	**500	**500	**500	**1220	0	4306
TOTAL CAN-U.S.	-20	-446	-273	234	595	-1451	1537	3061	1434	3584	8721

THE CONTRIBUTION OF PROFIT SHARING

The profit sharing payouts at GM in the U.S. have never been large enough to make up for the small increases in base pay. Note, in 1986 and 1987 GM workers in the U.S. received no profit sharing bonus. As a result, GM workers in the U.S. fell significantly behind their Canadian GM counterparts over the 1980s. In current dollars, the cumulative difference in the earnings of U.S. and Canadian GM workers between 1982 and 1989 was \$13,402.

For Ford workers, the profit sharing payout in the U.S. was so large, that in combination with the lump sum payments it exceeded the higher COLA and base rates in Canada prior to 1989. When the 1989 figures are included the earnings advantage shifts in favour of Canadian Ford workers. This occurred because the profit payout in 1989 was almost \$2,000 less than in 1988, and the base rate difference had increased to \$2.08 per hour in the fourth quarter of 1989. From 1982 to 1989, Canadian Ford workers received \$1,755 more than those in the U.S.

At Chrysler, the U.S. profit sharing together with the lump sum payment, with the exception of 1985, did not exceed the base pay increase rate advantages in Canada. In current dollar terms Canadian Chrysler workers were ahead by \$8,721 over 1982-1989 in cumulative earnings.

EARNINGS DIFFERENCES ADJUSTED FOR PRESENT VALUE AND INFLATION

These findings are confirmed by a calculation of the present value (at a 10 percent rate of discount) of the earnings which workers in each company received in each country from 1982 to 1989. Over the period 1982 to 1989, Canadian assembly workers in General Motors earned \$8,308 (Canadian) more than their American counterparts, while Canadian Chrysler workers earned \$4,941 more and Canadian Ford assembly workers earned \$841 more than their American counterparts.

These figures do not take into account differences in the rate of inflation in the two countries. If the American earnings are adjusted to take account of the higher rate of inflation in Canada from 1984 on when separate cost of living calculations were made (see Table 2), then the advantage to Canadian workers is reduced, but still remains substantial at GM and Chrysler, but turns in favour of American workers at Ford. The present value in 1982 of the difference in earnings between 1982 and 1989 becomes \$7,017 for Canadian GM workers, \$3,127 for Canadian Chrysler workers and a net loss of \$448 for Canadian Ford workers.

TABLE 2
Differences in Estimated Annual Earnings of Assembly Workers in the Automobile Industry in Canada and U.S., Adjusted for Differences in the Rate of Inflation, 1984-1989

	1984	1985	1986	1987	1988	1989
Canada-U.S. change in CPI	.0	.5	2.2	.7	.0	.2
<i>General Motors</i>						
Earnings difference per Table 1	345	675	2020	3643	2634	3444
(U.S. COLA per 1 % change in CPI)	(748)	(241)	(676)	(320)	(183)	(420)
LESS COLA payment due to higher Canadian CPI	0	121	1487	224	0	84
Earnings difference adjusted	345	554	533	3419	2634	3360
<i>Ford</i>						
Earnings difference per Table 1	-1191	-196	-180	-51	67	2447
(U.S. COLA per 1 % change in CPI)	(761)	(241)	(676)	(320)	(183)	(420)
LESS COLA payment due to higher Canadian CPI	0	121	1487	224	0	84
Earnings difference adjusted	-1191	-317	-1667	-275	67	2363
<i>Chrysler</i>						
Earnings difference per Table 1	595	-1451	1537	3061	1434	3584
U.S. COLA payments due to higher Canadian CPI	(970)	(1481)	(676)	(455)	(443)	(420)
LESS COLA payment due to high Canadian CPI	0	741	1487	319	0	84
Earnings difference adjusted	595	-2192	50	2742	1434	3500

SOURCE: Table 1; and base rate and Cost of Living Allowance data provided by the Canadian Automobile Workers and the United Automobile Workers.

The long run earnings advantage for Canadian workers would tend to be increased because the payment of higher base wages also has an impact on benefits such as holidays, paid vacation, shift premiums, etc. Canadian employees also have the advantage that the higher base rates and COLA accumulate over time.

RELATIVE EARNINGS AND EMPLOYMENT TRENDS

As Canadian auto workers improved their earnings relative to American auto workers, has this been at the expense of jobs in Canada? Data from the annual reports of the three companies shows that employment did not decrease as much in Canada as in the United States between the peak year of 1978 and the trough of the recession in 1982. In 1988, employment in Canada had recovered to a higher level in each of the three companies than in the U.S. In fact employment in GM of Canada was 8 percent higher in 1988 than 1978 compared with a 28 percent decrease in the U.S.⁶

Clearly relative nominal earnings are not the only consideration in deciding on the location of production. First, the nominal earnings in Canada do not measure the ultimate cost for the American head office since the exchange rate has to be taken into consideration. Second, employment, at least in the short run, is probably more a response to consumer demand for particular models which are produced in specific locations, than to differences in relative wages. Third, labour costs are determined not just by wage rates (or earnings which employees receive) but also by productivity. Productivity in turn is influenced by the quality and effort of the work force and the age of plant and equipment and the level of technology. Fourth, companies pay less in benefits in Canada than in the United States because of the government health care system and the Canada/Québec pension plans.

The impact of each of these factors is discussed below. First, while the exchange rate has fluctuated in the period 1982-1988 going down (depreciation of the Canadian dollar relative to that in the U.S.) then up, the rate in 1988 \$1.231 Canadian dollars for each \$1 U.S. was virtually identical to the \$1.234 in 1982 (Department of Finance 1989: 121). However, in 1989 the Canadian dollar had appreciated to \$1.1842. Second, automobile demand patterns have apparently been more favourable to the products produced in Canada than in the U.S.

⁶ Total employment of production workers in the motor vehicle industry in Canada in 1986 was 12 percent above the 1978 level, compared with a 22 percent decline in production worker employment in the United States. (Côté 1989: 15).

Third, labour productivity has been higher in Canada as measured by the smaller number of direct labour hours to produce an automobile (Katz and Meltz 1989: 388). The advantage for Canada actually increased between 1979 and 1986. The quality index was higher in Canada for assembly plants in both 1979 and 1986, although the gap narrowed (Katz and Meltz 1989: 388). In addition, or related to this, the average age of plants and equipment in Canada is probably lower than in the United States, at least prior to the wave of American plant closures in 1987-1988. Fourth, company benefit costs in total are less in dollar terms in Canada.

Leaving aside the exchange rate, which was the same in 1988 as in 1982, the other three factors would all have tended to encourage greater relative employment in Canada. Canadian auto workers were therefore able to obtain higher earnings than would likely have occurred under profit sharing programs and the employment situation was also more favourable in Canada.

REAL EARNINGS AND PURCHASING POWER PARITY

While nominal dollar earnings of Canadian auto workers have advanced more than they might have under profit sharing, it can be asked how the *real values* of the earnings compared between the two countries. The real value will be measured in two ways: first relative to the rates of inflation in each country; and second, in terms of purchasing power parity.

If we use 1982 as the base year, because this was the point at which profit sharing was introduced in the United States, Table 3 indicates that the real value of 1989 earnings in Canada was higher than the real value in the U.S. although the difference was reduced by the somewhat higher rate of inflation in Canada, a 36.3 percent increase since 1982, compared with a 28.4 percent increase in the U.S.

On the other hand, if we introduce the concept of purchasing power parity (PPP), then the value of Canadian auto assembly worker earnings is below that of American auto workers in 1982 and 1989 (see Table 3). The concept of PPP uses exchange rates to determine what the Canadian earnings could buy in the United States (Dryden, Reut and Slater 1987). In 1982, the year in which profit sharing was introduced in the United States but not Canada, the PPP earnings of Canadian auto workers were 85 percent of

TABLE 3
Auto Workers Earnings Adjusted for Differing
Rates of Inflation in Canada and the United States
and Purchasing Power Parities (PPP)

	1982 Earnings		1989 Earnings		
	Actual	PPP	Actual	PPP	CPI 1982 = 100
<i>Canada</i>					
GM	24,902	20,776	35,526	30,000	26,059
Ford	24,923	20,793	35,526	30,000	26,059
Chrysler	19,458	16,234	35,526	30,000	26,059
<i>U.S.</i>					
GM	24,487	24,487	32,082	32,082	24,980
Ford	24,352	24,352	33,057	33,057	25,739
Chrysler	19,731	19,731	32,032	32,032	24,941

SOURCES: Actual data assume 2080 hours per year and no overtime (see Table 1) and are given in each country's currency. PPP from U.S. Department of Labor, Bureau of Labor Statistics, Office of Productivity and Technology, October 1989 (unpublished), and Bank of Canada, 1989 average of U.S. dollar exchange rate (\$1.1842), CPI adjustment from Department of Finance (1989), and Statistics Canada. *The Consumer Price Index March 1990*, cat. 62-001, p. 20, and *Monthly Labor Review*, vol. 113, n° 4, (April 1990), p. 81.

their American counterparts at GM and Ford and 82 percent at Chrysler. In 1989 the PPP earnings in Canada had risen to between 91 and 94 percent of those of American auto workers (see Table 3)⁷.

THE 1990-1993 AUTO CONTRACTS

In the fall of 1990 the UAW and CAW, respectively, renegotiated company-wide collective bargaining agreements with GM, Ford and Chrysler. The pay terms of those contracts continue the differences in pay policies that appeared in the contracts reached in the 1980s.

⁷ This estimate is based on the average rate of exchange for 1989. Even if the 1988 PPP rate is used, before the Canadian dollar appreciated, the value of Canadian auto earnings in U.S. purchasing power ranges between 87 percent (Ford employees) and 89 percent (GM and Chrysler employees). Whether the 1988 or 1989 measures are used, Canadian auto workers have still narrowed the gap in earnings from what existed in 1982.

The U.S. (UAW) 1990-1993 contracts provide a 3 % base pay increase in the first year, and 3 % lump sum pay increases in the second and third year of the contracts. The U.S. contracts also continue the profit sharing plans⁸.

The Canadian (CAW) 1990-1993 contracts provide base pay increases each year, respectively, of 3 %, 2 % and 2 %⁹. By the end of the 1990-1993 contract the pay advantage received by Canadian workers outlined in Table 1 is likely to have widened given the higher base pay increases to be received by Canadian auto workers and the fact that American auto workers probably will receive low payouts from the profit sharing plans. The latter is likely in the face of the sales slump the U.S. auto companies were facing in 1991 and are projected to confront for a while.

CONCLUDING COMMENTS

We find that in terms of direct monetary earnings alone, from 1982-1989 American auto workers received less than their Canadian counterparts. In current dollars, the cumulative difference in pay between 1982 and 1989 for U.S. and Canadian auto workers was \$13,402 at GM, \$1,755 at Ford, and \$8,721 at Chrysler.

A little over half of the higher Canadian earnings came from higher base pay increases. A little less than half was due to higher cost-of-living allowance (COLA) and related payments. From 1987 onward, the higher base rates contributed by far the most to the greater dollar earnings in Canada.

Although not the central focus of this paper, the earnings data reveal the emergence of sizeable differences in pay across auto workers at General Motors, Ford, and Chrysler *within* the U.S. over the 1980s. In 1982, the source of these differences was the larger pay concessions granted by auto workers at Chrysler. After 1984, there were major differences in the profit sharing payments received by auto workers in the U.S. at the three companies (see Table 1).

⁸ The U.S. 1990-93 contracts include a number of income and job security features such as improvements in early retirement, pension and SUB benefits. The biggest employment security innovation in these contracts is a provision providing that no worker will be laid off for more than 36 weeks for *any* reason during the term of the agreement. General Motors alone is committed to provide up to \$4.01 billion to cover the costs of the expanded income and employment security benefits. Furthermore, at GM the profit sharing plan was liberalized.

⁹ The Canadian contracts also provide increased income and employment security benefits, although some of these benefits differ from the U.S. contract terms. The Canadian contracts, notably, do not limit layoffs to 36 weeks.

It may be incorrect to blame the pay procedures used in the U.S. for the lower earnings received there. The real sources of the earnings differences may be the lower bargaining power held by U.S. auto workers relative to the power held by Canadian auto workers. Thus, even if the UAW had avoided lump sum pay increases and profit sharing, the UAW may have lacked the bargaining leverage needed to negotiate the base pay increases received by Canadian auto workers. Our data and analysis do not allow us to separate the "independent" contributions of the pay procedures and differences in bargaining power to the pay differences.

Nevertheless, auto workers in Canada appear to attribute their higher earnings to the avoidance of profit sharing and lump sums. As a result, it is unlikely that in the near future the Canadian Auto Workers will accept either profit sharing or lump sums. Differences in the pay of U.S. and Canadian auto workers will most likely persist in the future and these differences may widen as a consequence of the Canadian higher base pay increases. Whether the higher earnings received by Canadian auto workers creates political problems inside the UAW and how the union responds remains to be seen.

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La participation aux bénéfices et les revenus des travailleurs de l'automobile aux États-Unis et au Canada

Après 1982, les conventions collectives signées par les travailleurs de l'automobile avec les trois grands fabricants d'automobiles (General Motors, Ford et Chrysler) ont pris des voies différentes au Canada et aux États-Unis. Aux États-Unis, à cause de la récession et des demandes de concessions, les Travailleurs unis de l'automobile (TUA) ont accepté des ententes qui laissaient tomber le facteur annuel d'amélioration (*annual improvement factor*) datant d'une trentaine d'années et qui incluaient un régime de participation aux bénéfices. Au Canada, la division canadienne des TUA (maintenant un syndicat distinct, les Travailleurs canadiens de l'automobile — TCA) a négocié des augmentations de salaire différentes de celles des États-Unis, et sans régime de participation aux bénéfices. Les désaccords au sujet de la stratégie de négociation des salaires ont constitué un motif important de la scission des travailleurs canadiens des TUA en 1985. Cet article examine l'effet des approches différentes de négociation en comparant les gains des ouvriers d'assemblage chez General Motors (GM), Ford et Chrysler aux États-Unis et au Canada de 1980 à 1989.

Nous avons trouvé, en ce qui concerne les salaires seulement, que pour la période de 1982 à 1989, les travailleurs américains ont reçu moins que les travailleurs canadiens. En dollars courants, la différence cumulative dans la rémunération entre 1982 et 1989 pour les travailleurs américains et canadiens s'élève à 13 402 \$ chez GM, à 1 755 \$ chez Ford et à 8 721 \$ chez Chrysler. Un peu plus de la moitié des gains canadiens supérieurs provient des augmentations plus fortes du salaire de base. Un peu moins que la moitié est attribuable à une plus grande indemnité de vie chère. À partir de 1987, c'est le taux plus élevé du salaire de base qui a le plus contribué aux gains supérieurs au Canada.

L'amélioration des gains des travailleurs de l'automobile canadiens par rapport à ceux des travailleurs américains ne semble pas s'être faite aux dépens des emplois au Canada. Les données provenant des rapports annuels des trois compagnies démontrent que l'emploi n'a pas décliné autant au Canada qu'aux États-Unis entre 1978, année où il a atteint un sommet, et le creux de la récession en 1982. En 1988, les trois compagnies canadiennes avaient recouvré un niveau plus élevé d'emploi que les compagnies américaines. Quatre raisons en semblent responsables: le dollar canadien valait moins que le dollar américain; la demande pour les automobiles a favorisé les modèles produits au Canada; la productivité a été meilleure au Canada; et le coût des avantages sociaux a été moindre en termes de dollar au Canada.

Les données sur les gains révèlent l'émergence de différences notables dans la rémunération *parmi* les travailleurs américains de l'automobile chez GM, Ford et Chrysler. En 1982, la source de ces différences était les plus grandes concessions salariales accordées par les travailleurs à Chrysler. Après 1984, il y a eu des différences majeures dans les paiements résultant du partage des bénéfices reçus par les travailleurs américains des trois compagnies.

Nos données et notre analyse ne nous permettent pas de séparer les contributions indépendantes du système de rémunération et du pouvoir de négociation en regard des différences de paiement. Cependant, les travailleurs canadiens de l'automobile semblent attribuer leurs gains supérieurs au fait qu'ils ont évité le partage des bénéfices et les montants forfaitaires. Par conséquent, il est peu probable que les TCA acceptent à court terme le partage des bénéfices et les montants forfaitaires. Les différences dans la rémunération des travailleurs américains et canadiens de l'automobile vont possiblement continuer à exister dans l'avenir et celles-ci peuvent s'accroître à cause des plus fortes augmentations du salaire de base au Canada. Il reste à voir si les gains plus élevés des travailleurs canadiens de l'automobile vont créer des problèmes politiques au sein des TUA et comment le syndicat va y répondre.

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