

## Factors Determining Wage Differentials in the Americas Les facteurs qui agissent sur les différences de salaire en Amérique

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### Résumé de l'article

Cet article a pour objet l'étude des facteurs qui sont à l'origine de la disparité des salaires dans les pays d'Amérique du Nord et du Sud.

À ce propos, l'auteur fait d'abord porter ses observations sur la situation en milieu rural. En Amérique méridionale, l'écart est très marqué entre les revenus des ouvriers agricoles et ceux des travailleurs de l'industrie. Deux causes en seraient responsables : la protection inefficace des lois relatives à la rémunération de cette catégorie de salariés et le mode de concession des terres. Le même phénomène se retrouve en Amérique septentrionale, mais l'impact est moins grand du fait que le pourcentage de la main-d'oeuvre agricole dans l'ensemble de la population active est faible.

L'auteur considère ensuite le facteur des disparités géographiques. À cause des barrières physiques et du manque de moyens de communications suffisants en Amérique du Sud, l'économie s'est développée régionalement. Les conditions particulières qui existent au niveau local ont créé naturellement des écarts non seulement d'un pays à l'autre, mais également entre différents territoires d'un même pays. Ceci a eu pour conséquence d'inciter les gouvernements à fixer les taux minimaux de salaire en tenant compte de ce phénomène. De même, syndicats et employeurs préfèrent négocier les conventions collectives à l'échelon de la localité ou de la région plutôt que de s'orienter vers la fixation de taux de rémunération qui s'appliqueraient à la grandeur du pays.

Des écarts régionaux existent aussi en Amérique du Nord, mais ils sont moins considérables. Aux États-Unis, on les note principalement entre les États fortement industrialisés du nord-est et les États agricoles du sud. Au Canada, même phénomène entre les provinces de l'est et celles de l'intérieur et de l'ouest. L'élimination de ces différences est un des enjeux principaux des négociations collectives.

Au Canada, les écarts prononcés des taux de rémunération reflètent les différences qu'on trouve dans la structure industrielle, la composition de la main-d'oeuvre, le degré de syndicalisation, la puissance des syndicats, l'éloignement des marchés et des ports. On y retrouve donc un peu les mêmes conditions qu'en Amérique du Sud quoique, dans certaines industries, abattoirs, chemin de fer, papier, sidérurgie, les écarts ont tendance à être beaucoup moins marqués.

Un autre facteur qui a retenu l'attention de l'auteur, ce sont les différences de traitement selon le sexe des employés. L'application du principe « à travail égal, salaire égal » se heurte à de nombreuses difficultés. La disparité entre le taux de salaire du personnel féminin et ceux du personnel masculin est forte. Les industries où le pourcentage de la main-d'oeuvre féminine est plus élevé sont celles où on trouve les taux de rémunération le plus bas. Le taux d'adhésion de l'élément féminin aux syndicats est très faible. D'une façon générale, le manque d'écoles de formation professionnelle pour les femmes ainsi que l'insuffisance de services communautaires qui les libéreraient de certaines charges domestiques constituent des obstacles à l'égalisation du salaire des hommes et des femmes.

Enfin, dernier facteur retenu, l'insuffisance de travailleurs qualifiés. La rareté de travailleurs qualifiés qui encourage la surenchère entre les employeurs, favorise les différences de salaire. En Amérique latine, la situation est d'autant plus grave que s'ajoute à la pénurie de travailleurs qualifiés la nécessité de hausser les salaires des manoeuvres. Dans ces pays, on estime que le taux de salaire de l'ouvrier qualifié peut être parfois le double ou le triple de celui du manoeuvre. En Amérique du Nord, les différences sont loin d'être aussi prononcées, et il y a eu même une tendance vers un resserrement de l'éventail des traitements mais, par suite des changements technologiques rapides des derniers vingt ans, on constate une inversion plus ou moins marquée de ce phénomène. Par ailleurs, il existe des différences substantielles entre les revenus moyens annuels des cols bleus et ceux des cols blancs.

Selon l'auteur, l'analyse précédente permet de constater que la plupart des pays d'Amérique n'ont pas de politique des salaires bien arrêtée et qu'il apparaît n'y avoir guère de collaboration entre les responsables de décisions touchant les salaires et les responsables de l'établissement des décisions générales en matière de politique sociale et économique. La politique salariale devrait tendre à l'élimination des différences artificielles ou arbitraires qui ne sont pas fondées sur des critères objectifs. Le recours à la fiscalité peut aussi contribuer à sa façon à l'égalisation des salaires lorsqu'il s'agit du cas de personnes qui tirent le plus clair de leurs revenus de sources autres que le salaire.

# Factors Determining Wage Differentials in the Americas

Chris Jecchinis  
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*This paper reviews factors that determine wage differentials in the developing and the developed countries of the Americas and considers consequent policy questions.*

## INTRODUCTION

The success of any effort to facilitate social and economic development depends partly upon the level, structure, and rates of wages and salaries. These are among the factors that determine whether a country's industries — actual or potential — have an advantage or disadvantage compared with industries in other countries competing for sales in the home and/or foreign markets. They affect the distribution of resources between consumption and investment, and have considerable influence on the success of a country's industries in attracting, retaining, and motivating the required managerial and technical staff at all levels including skilled and semi-skilled workers. Moreover, they influence the equity of income distribution, and the living standards of all wage-earners.

This study reviews factors that determine wage differentials in the developing and the developed countries of the Americas. Differences and disparities that occur between different production sectors, regions, sexes, and skills and occupations are among the most important influences on national wage structures. They help to determine the incentives which contribute to the improvement of the labour force and to the

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social and economic status of the wage and salary earners. This study also considers policy questions, since wage structures, as well as levels and rate of wages can be subject to public policy measures. Implementation of appropriate policy may remove undesirable differentials, and help to offset shortages of particular skills and minimize the extent of workers' insecurity. Such results can ensure not only higher levels of living for those who acquire the appropriate skills and experience, but also upgrade the living standards of the unskilled, and, thereby, offset disproportionalities in income distribution.

### AGRICULTURE-MANUFACTURING DIFFERENTIALS

Wages in agriculture and related fields of activity (forestry, hunting and fishing) — which still form the bulk of the economically active population in most Latin America countries<sup>1</sup> — not only have always been substantially below those in manufacturing but have failed to increase even during periods of economic expansion and/or inflation.<sup>2</sup> Mostly unorganized and usually unprotected, the agricultural workers have been unable to exert any meaningful pressure towards the achievement of higher earnings. Wage earners and salaried employees of large and medium size

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<sup>1</sup> In fact, with the exception of Argentina, Barbados, Chile, Guyana, Jamaica, Trinidad and Tobago, and Uruguay, which have a smaller percentage engaged in agriculture, under 40 per cent, five other countries have more than 40 per cent, five have over 50 per cent, and six over 60 per cent, compared with Canada, which has 7½ per cent and the United States which have less than 5 per cent of their labour force engaged in agriculture. (See *Statistical Compendium of the Americas - 1969*, Pan American Union, General Secretariat of the Organization of American States, Washington, D.C., 1969, pp. 84-89). These figures include owner operators and unpaid family workers in the case of the North American countries and make up only 19% (Canada) and 16% (United States) of the labour force in agriculture. Questions regarding low returns to agriculture operators and their families and the extent of « self-exploitation » are not considered in this paper, but readers are referred to general discussion by S. Kuznets in *Economic Development and Cultural Change*, Vol. 6, No. 4, Part 2; Vol. 7, No. 3, part 2; Vol. 8, No. 4, Part 2, etc.; J. R. BELLERY, *Agriculture and Industry Relative Income*, London, Macmillan, 1956; C. CLARK, *The Conditions of Economic Progress*, 2nd ed., London, Macmillan, 1951. S. KULSHRESHTHA, « Measuring the Relative Income of Farm Labour, 1941-61 » *Canadian Journal of Agricultural Economics*, Vol. XV, No. 1, 1967.

<sup>2</sup> Report I of the Director-General, 7th Conference of the American States Members of the I.L.O., Buenos Aires, April 1961, p. 63; and Report III, Part 2: *The Role of Social Security and Improved Living and Working Standards in Social and Economic Development*, 8th Conference of the American States Members of the I.L.O., Ottawa, September 1966, p. 3; See also, *I.L.O. Yearbook of Labour Statistics*, 1972, Table 23.

manufacturing industries, in contrast, have managed to keep their wages abreast and sometimes ahead of increases in the cost of living, aided by trade unions and more favourable market conditions.

A number of causal factors in the wide disparity between wages in agriculture and manufacturing may be identified.

The bulk of the labour force in each of the countries of the Americas is supposedly protected by « statutory minimum wages »<sup>3</sup>, which are presumed to meet the basic living and cultural needs of the wage earners and their families, but, as the International Labour Office has observed, « in many cases the statutory minimum wage is not enough to meet these needs, as defined by law. This situation is largely due to the inadequacy of the initial wage and the slowness of subsequent adjustments designed to offset drops in purchasing power during times of inflation. »<sup>4</sup> Furthermore in many of these countries minimum wage laws exempt from their coverage agricultural and domestic workers. They are also subject to widespread evasion in handicrafts industries, small factories and retailing.

Another factor accounting for lower wages in agriculture is related to the forms of land ownership and tenure and the slow progress of land reforms in Latin America which has left a large proportion of the agrarian population without adequate land for cultivation. Associated with the form of land ownership is the impact of the world market situation for certain primary commodities such as coffee, sugar, bananas and tobacco which tend to face very inelastic demands. In the absence of satisfactory price levels in free markets or under international agreements, wage increases for workers in these industries will not be able to be granted when low prices prevail.

The agricultural-non-agricultural wage differentials are also quite severe in Canada and the United States. Although, in these countries the average income in agriculture has benefited from the significant gains in agricultural productivity and the employment opportunities created by the expansion of the non-agricultural sector, average returns to persons in agriculture have historically lagged behind their counterparts in industrial sectors.<sup>5</sup> The wage receiving segments in agriculture have been

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<sup>3</sup> All countries in the American region have passed appropriate legislation on minimum wages and related procedures, *Ibid.*, p. 21.

<sup>4</sup> Ninth Conference of the American States Members of the I.L.O., *Report IV*, I.L.O., Geneva, 1970, p. 23.

<sup>5</sup> Cf. references in note 1.

at a greater relative disadvantage because agricultural workers are relatively few in number, inadequately organized if at all, and in most cases are not protected by minimum wage legislation. The result has been realized wages that are close to, and even below, statutory minimum wages,<sup>6</sup> and annual income receipts amounting to bare subsistence. There appears to be a high demand elasticity<sup>7</sup> in agriculture for the inputs of the less skilled which will have two effects (a) a reduction in employment in this part of the economy, and (b) low realized incomes for the smaller number remaining in such occupations.

### REGIONAL DIFFERENCES

Physical barriers and the lack of sufficient communications and transport have isolated various regions within some Latin American countries. Examples are Bolivia, Brazil, Colombia, Ecuador and Peru. The inhabitants of these regions adhere far more to local than to national institutions and to their local and cultural traditions. Their economies, too, have developed to a considerable extent on a regional basis with industries and products varying accordingly in both output and type. These local conditions, which in many cases are accompanied by differences in the cost of living, have created geographical differentials in wage rates within the same country and frequently have caused a corresponding discrepancy of interests among workers of the same industry or trade. This may explain why administrators and wage boards have desired to fix wage rates on a regional basis.

It should also be noted that in some instances these differences are further accentuated by the desire of trade unions and employers to bargain and conclude agreements locally instead of becoming minor parties to national negotiations and industry-wide agreements. It is no surprise, therefore, that in many Latin American countries, legislation concerning minimum wages fixes rates on a regional basis. Minimum wage legislation in Mexico, for example, specifies that equal minimum wages should be set for workers in the same area irrespective of the branch of industry, commerce, trade or profession, and in Colombia the

<sup>6</sup> Ian ADAMS et al, *The Real Poverty Report*, Table II. 3.i., p. 33.

<sup>7</sup> Cf. E. W. TYRCHNIEWICZ and C. E. SCHUH, « Economic Analysis of Agricultural Labor Market » *American Journal of Agricultural Economics*, Vol. 51, No. 4, November 1969, pp. 770-87; T. P. LIANOS, « Impact of Minimum Wages Upon the Level and Composition of Agricultural Employment », *A.J.A.E.*, Vol. 54, No. 3, August 1972, pp. 477-84; T. M. HAMMONDS, R. YADAV and C. VATHANA, « The Elasticity of Demand for Hired Farm Labour, » *A.J.A.E.*, Vol. 55, No. 2, May 1973, pp. 242-45.

law states that minimum wages should differ in accordance to the economic potential of the employer and the region.

The I.L.O. has reported that according to a special study conducted in Latin America by J. R. Eriksson,<sup>8</sup> the wage gap between the « centre » (the province or state accounting for more than 50 per cent of employment in manufacturing and the « periphery » (the remainder of the country) was 30-40 per cent in Peru in 1959 and 12-15 per cent in Colombia in the same year. The geographical variations in wages were very marked in Brazil where in the state of Rio de Janeiro the average annual earnings in manufacturing in 1959 were nearly 90 per cent higher than the national average whereas in the State of Piauhuy earnings were only 34 per cent of the average; and in Argentina the average annual earnings in the Province of Buenos Aires were 133 per cent of the national average whereas in the Province of Rioja they were only 49 per cent of the average.

Geographical wage differences also exist to a considerable degree in North America and rather substantial differentials occur, for instance, between the North East regions of the United States and the less industrialized regions of the South. In Canada also substantial differences in wages have developed between the eastern Atlantic provinces and those of the interior and the West.<sup>9</sup> It should be noted though, that the elimination of regional differentials is a very important issue in collective bargaining in these two countries and great strides have been made particularly in cases where a single company has established industrial plants in different regions.

A closer study of the situation in Canada reveals some very interesting features. Regional wage differentials in this country narrowed during the war and in the immediate post-war period under the pressure imposed by a rapidly expanding and to a certain degree inflationary economy in which all the Canadian provinces shared. The end of the inflationary expansion in the 1950's saw a regional wage differential widening until the pre-war relative positions were more or less re-established and maintained. The relative position of the Atlantic Provinces however has continued to decline reflecting the special economic problems of that area.<sup>10</sup>

<sup>8</sup> I.L.O., *Remuneration and Working Conditions in Relation to Economic Development*. A.M. A.C./11/2 (Part 1), Geneva, 1968, p. 37

<sup>9</sup> Sylvia OSTRY and Mahmood A. ZAIDI, *Labour Economics in Canada*, 2nd ed. Toronto, Macmillan, 1972, p. 321.

<sup>10</sup> *Ibid*, pp. 316-318.

The very wide levels in earnings among the different regions of Canada reflect the pronounced regional differences in industrial structure, the character of the labour force, the degree and strength of trade unions, and the distance from markets and ports. In this respect some similarities can be identified with those of certain Latin American countries. However, in Canadian industries which are nation-wide and heavily organized such as meat-packing, railways, pulp and paper and steel, regional wage differentials tend to be considerably reduced. Moreover, narrower differentials also occur in some industries in which lower wage provinces are the predominant producers. Examples of these are cotton textiles, clothing, boots and shoes, for which the province of Quebec is the leading producer. Finally, regional wage differentials vary considerably among different categories of workers tending to be very wide among unskilled and much narrower among skilled workers. Apparently the higher the level of skill the narrower the regional wage differential becomes reflecting the greater market knowledge and response in the form of the mobility of more skilled and productive workers.<sup>11</sup>

In the United States differentials in wages and incomes are apparent and the elimination of such differences plays an important part in collective bargaining negotiations. Also the varied public attempts to eliminate conditions of poverty emphasize the development or improvement of local or regional areas. This is also of special interest to policy makers in Latin America where the need for economic and social decentralization is becoming a subject of great urgency. It has been suggested that a certain uniformity of wage rates and living standards may induce workers to return to rural areas they originally came from so that the heavy burden of social and economic pressure that the great internal migration has created for most of the capital cities of South America may be lightened.

#### DIFFERENCES BY SEX

The question of equal pay for equal work for men and women has acquired considerable importance since the end of World War II as governments as well as employers and employees' organizations have recognised the importance of the working woman in social and economic development. The United Nations set in 1948 the general principle in the Universal Declaration of Human Rights, declaring that « everyone, without any discrimination, has the right to equal pay for equal work »<sup>12</sup> and the International Labour Organization followed suit emphasizing

<sup>11</sup> *Ibid*, pp. 318-323.

the principle of equal pay for men and women performing the same task in its Equal Remuneration Convention of 1951. The effective application of this principle, however, has met numerous obstacles despite its widespread nominal acceptance.<sup>13</sup> As a result, the traditionally wide wage differentials between men and women still persist.

From the available data for the Americas it appears that industries wherein women constitute a high percentage of employees are the industries with the lowest average wages. It also appears that the differentials in wages paid to men and women in various sectors are large varying from levels such as 1:2 up to 1:3.<sup>14</sup> In recent years statistics on wages for females — with very few exceptions — have not been reported separately. There is no indication that the situation has changed much since 1965 although it appears from the statistics of the countries which still report separately on wages for males and females that there has been some tendency for the differentials to narrow.<sup>15</sup> Despite the economic progress which has taken place in recent years in many countries in Central and South America labour organization in many of these countries is still in its early stages. The degree of participation of women in trade unions is generally low. Illiteracy contributes to lack of worker organization and in Latin America as a whole remains common amongst all workers, including many women workers. Also the distinction between women's work and men's work is retained and women have become concentrated principally in the lower paid jobs so that there are relatively few opportunities for paying identical rates to men and women, and thereby recognizing in practice « equal pay for equal work. »

In Canada and the United States considerable developments in equal pay legislation have taken place in recent years both at the federal and the provincial or state level, but they have not been successful in eliminating many existing wage differentials by sex: rather, they have aimed at equalizing opportunity between the sexes in replacing vacancies and in filling new positions.

Besides the problems that persist by defining women's and men's jobs differently, progress towards the implementation of equal opportunities for both sexes has hindered by various obstacles. One is the

<sup>12</sup> *The Universal Declaration of Human Rights*, 12 December 1948, Article 23, Paragraph 2.

<sup>13</sup> *Industry and Labour*, Vol. XXIII, No. 3, 1 February 1960, p. 80.

<sup>14</sup> I.L.O., *Yearbook of Labour Statistics*, 1965, (Geneva, 1966), Table 19B.

<sup>15</sup> I.L.O., *Yearbook of Labour Statistics*, 1972, (Geneva, 1973), pp. 570-571, 582-600, 556-557, and 570-573.



technical difficulty of job classification and evaluation on which much progress has been made in Canada and the United States but very little in the countries of Central and South America. Various other obstacles include the low participation rate of women in trade union activities, hesitancy of women workers to press their claims for equal pay, inadequate enforcement machinery, and women's concentration in unskilled or semi-skilled, low paid jobs. These characteristics make up a self-reinforcing set of disadvantage and inaction. Measures are therefore necessary to eliminate the various obstacles to a full realization of the equal pay principle. These include the promotion of objective job evaluation and job classification irrespective of the sex of the workers, the provision of better opportunities for general education and vocational training and guidance for women, the development of community services to lighten the burden of home responsibilities of women workers, and the strengthening of the machinery for the enforcement of equal pay legislation. Vocational training in Latin America in particular could increase women's productivity and equip them for better paid work and for trades and jobs that are at present chiefly or completely held by men. Attitudes, too, need to be changed about education and through government agencies providing leadership in their own hiring and promotion activity.

#### DIFFERENCES BY SKILL AND OCCUPATION

Wage differentials between skills frequently present a problem of severe magnitude to trade unions, management and government planners. In the Americas, as elsewhere, there is often an apparent clash of interest when the increase of the total wages bill that management is willing to make available is made known. The differential for skill, then, cannot be changed without one of the other of the parties (skilled or unskilled) benefiting to the detriment of the other. In Latin America, the situation is aggravated by the shortage of skilled labour and the critical need to raise the wages of the unskilled.

Owing to the scarcity of skills, employers in most countries of the Americas are competing for the services of trained and experienced workers and are willing to pay them wages involving a considerably higher skill differential than occurred during the late 19th and early 20th century in Argentina, Uruguay, and Chile. For instance, in 1965, in eight Latin American countries (Argentina, Brazil, Chile, Colombia, Dominican Republic, Mexico, Peru and Venezuela) and three of the British Commonwealth Caribbean countries (Guyana, Jamaica, and Trinidad and Tobago) in the metal and metal mining industries of 23

enterprises, there was an average of about 75 per cent to 100 per cent difference between minimum wages paid to unskilled workers and those paid to the skilled, a difference considerably greater than that existing within a given industry in North America where the average annual earnings of a skilled craftsman in the same period was about 40 per cent higher than the average annual earnings of a non-farm labourer.<sup>16</sup> According to the I.L.O., the wages differentials between non-manual and manual occupations in Latin America in the 1960's were very marked. In 26 cases out of 32 covered in a survey, the ratio was equal to or higher than 2:1; and in 13 cases earnings in the non-manual occupations were between 300 and 200 per cent of labourer's wages in contrast to the United States and other industrialized countries where the ratio between the same occupations was between 1 and 1.5:1.<sup>17</sup>

In Canada, the wage differentials between skilled and unskilled workers narrowed considerably during the Second World War and in the immediate post-war period. However, since the early 1950's, the narrowing process has slowed down in some industries, stopped in others, and it has been reversed in still others.<sup>18</sup>

The percentage narrowing of the wage structure has been attributed to the increase in education, and especially technical education, a long-run factor that operates to increase the supply of skilled workers relative to unskilled workers. Government wage policy and union pressures during the war and post-war period resulted in flat cents-per-hour increase across the board, thus narrowing the percentage differential for skills. These actions were supported by a relative increase in the supply of skilled workers, brought about by the rapid upgrading, accelerated training and simplification of many skilled jobs.

Since the early 1950's, however, rapid technological change has created conditions resulting in an excess demand for many types of skills despite an increased supply of skilled labour. This change in structure of the demand for and supply of labour has been given as an

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<sup>16</sup> Cf. statistics compiled by the Latin American and Caribbean Office of the International Metal Workers Federation, Mexico D.F. *Wages and Working Conditions in the Steel Industries of the Free World*, I.M.F. (International Metal Workers Federation), Geneva, 1965.

<sup>17</sup> I.L.O., *Remuneration and Working Conditions*. . . , p. 34.

<sup>18</sup> For skill and occupational differentials in Canada see PEITCHINIS, Stephen G., *Canadian Labour Economics*, Chapters 16 and 17, pages 355-394; and OSTRY, Sylvia and ZAIDI, MAHMOOD A., *Labour Economics in Canada*, Chapters X, XI XII, pages 264-339.

explanation of the arresting of the narrowing of wage differentials since the 1950's and even the widening that is beginning to take place in those industries most affected by technological change. Many trade unions have responded to the realities of the labour market and have increased the bargaining position of skilled workers within their ranks by negotiating for them additional adjustments in new collective agreements or by establishing separate bargaining units.

A similar situation concerning skills has developed in the United States although in that country racial discrimination and the lack of adequate education and training amongst blacks and other minorities have aggravated the problem. « The earnings of black workers », report G. F. Bloom and H. R. Northrup, « are substantially less than those of their white counterparts » although in recent years « where blacks and whites do the same work in the same plant, the racial differential, once prevalent, has been eliminated. » But « blacks are concentrated in the lower paying jobs and in the lower paying industries, have a higher unemployment rate, and receive less pay for the same education. »<sup>19</sup>

Occupational differences among certain groups still persist in North America in spite of the steadily increasing number of people acquiring higher education and specialized training. Substantial differences, for example, still exist between white-collar and blue-collar workers (the median annual earnings of heads of families employed in white-collar jobs was more than \$2,000 the earnings of blue-collar workers in 1969) although certain craft categories of blue-collar workers, earned more than the median for clerical and sales personnel in 1971.<sup>20</sup> Among the professions, the earnings of engineers, lawyers and business executives have increased rapidly in the last two decades and the average net income of practicing physicians has doubled in the last ten years. Such information suggests the maintenance and/or widening of professional-non-professional wage differentials in general.

One conventional opinion has been that a long period of considerable wage differentials has been a necessary condition for the economic development that both Canada and the United States have achieved. However, this poses a question regarding the relationship between economic and social consequences of general progress : what differentials between skilled and unskilled members of the labour force are desirable

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<sup>19</sup> BLOOM, G. F. and NORTHROP, H. R., *Economics of Labour Relations*, R.D. Irwin, 1973, pp. 249-254.

<sup>20</sup> *Ibid*, p. 252.

so that a satisfactory balance is struck between those policy incentives aimed at more rapid economic growth with those policy efforts aimed at raising the living levels of the unskilled to more acceptable minimums? The trade-off between aggregate growth and equitable distribution must be considered by those who are concerned with the formulation of national economic policy. What we have attempted to do is the subsequent section — and within the limited scope of this study — is to suggest policies that may be appropriate for some of the problems discussed above.

### POLICY SUGGESTIONS

We are not concerned with all aspects of wage policy and the institutional instruments which may be used to carry out such policy, but rather the two aspects of equity in income distribution and incentive for increased production.

Most countries of the Americas, including Canada and the United States, have no wage or income policies as such and « there have hitherto been few normal links between those responsible for wage decisions, whether in the public or the private sector, on the one hand, and government departments administering general economic and social policy on the other. »<sup>21</sup> Our suggestions regarding public policy therefore deal with some fairly open questions.

Policy regarding wage differentials amongst employed persons presumably should aim at the elimination of that proportion of observed differentials that are not due to « equalizing differences » reflecting preferences (including the degree of risk preference or avoidance held by individuals and the attractiveness or otherwise of particular occupations to individuals), abilities and productivity. These include particular cases of wages being paid that are far out-of-line from some normal range of rates for basically similar work; anomalies in differentials due to institutional, regional, locational, experiential, training, sex stereotyping, or entry characteristics; and cases of differences between broad category groups or within or between professional or occupational activities that exceed what appears reasonable and acceptable in the light of those social and economic goals of each country that are related to efficiency and equity considerations. Considerations of equity and

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<sup>21</sup> I.L.O., *Remuneration and Conditions of Work in Relation to Economic Development. Including Plant-Level Welfare Facilities and the Workers' Standard of Living*, Ninth Conference on the American States Members of the International Labour Organization, Report IV, I.L.O., Geneva, 1970, p. 100.

fair play will be felt to be honoured in such a framework. Artificially-created differences due to entry restrictions on certain occupations whether by employers, trade unions or professional groups should be eliminated, even if this means constraints on previously publicly granted status for particular institutions or groups. This might take the form of overall wage level ceilings or limits on the rates of increase of wages or prices per annum or per bargaining period.

Appropriate action on differentials between occupations, locations or types of activity requires much better information on aspects of the work environment than is provided by wage rate and fringe benefit economic information alone. The need for policy, and its kind and extent, depends on consideration of such qualitative aspects as the health and safety aspects of different occupations, access to educational and experiential opportunities, and such social costs and benefits associated with different occupations as the extent of independence or subordination that individuals find themselves in, their sense of community, or their degree of alienation, the extent of monetarization of leisure, family and social activities and imputed social advantage and disadvantage to status location and kinship relations. Social indexing of these characteristics will make possible the identification of acceptable and problematic differentials in total living levels. Specification of these characteristics, and their subsequent measurement will service both efficiency and equity ideals.

Between industrial, trade and service employees and self-employed practitioners of many work activities, there is also the need for both measurement of monetary rewards and judgement on social characteristics before there can be relevant determination of whether specific or general policy is needed, what it should be, and what expectations of its realization should be reasonably anticipated.

Indicative general economic planning may suggest or require acceleration of adjustment processes for efficiency and equity end-purposes that utilize differentials in the short-run. Success in achievement of such objectives would return differentials to an appropriate balance between continuing marginal adjustment and general social acceptability of experienced wage differentials. Such circumstances may arise when local upgrading of the quality of labour is necessary to service new or relocated production activities.

Growing interest in distributional questions is inevitable when there are actual or proposed shifts in the focus of overall economic activity

from a « growth in output » ethic to a « maintenance level of output » ethic. Differences that were expected to be eliminated or submerged in the surge of growth are now made very visible. Some may need to be narrowed, some may need no policy attention and some may need even further widening in any transformation to a static society. Needed to be made equally visible are socially credible measurements of the various social characteristics, some mentioned above, that are intrinsically, coincidentally or randomly associated with the measurements in money terms.

Social information and/or education is also needed to clarify the often not very direct relationship between wage rate differentials and realised levels of incomes. This involves appreciation of different conditions of security of employment, time discounting of costs of experience, education and training, comparative measurement of different time lengths of life-time earnings, and attention to evolving standards of labour-leisure time allocation.

A larger set of questions arises when comparisons are made of labour earnings of the employed and the non-corporate self-employed with the level of receipts of income by individuals who are owners of physical and corporate property. If expectations move in the direction of economies looking at stable rather than growing output levels, these differences also become more visible and demands for social reform and control more intractable. Then it may be expected that more steeply progressive taxation on earnings, excess profits taxes, special taxes on profits and dividends, ceilings on interest rates and elimination of regressive taxation measures will be necessary for social equity and harmony.

Whether the future reappears with a growth image or increasingly moves towards the functioning of a stable output with more equitable distribution type of economic system, better information will be required for both the respective incentives and the fairness — and appearance of fairness — of the resulting income earnings. This is needed as part of manpower and training policy which generally is inadequately developed in the Americas whether we look at the more developed or the less developed countries. That area of policy needs to be co-ordinated with wage structure policy, wage rates policy and general incomes policy. Only this — and dependent in addition on a well informed, economic literate work force — will an appropriate balance of incentive effects and equity realizations be approached within the different long-

run economic frameworks that we can expect countries at different levels of development in the Americas to strive for in the next decade.

### **Les facteurs qui agissent sur les différences de salaires en Amérique.**

Cet article a pour objet l'étude des facteurs qui sont à l'origine de la disparité des salaires dans les pays d'Amérique du Nord et du Sud.

À ce propos, l'auteur fait d'abord porter ses observations sur la situation en milieu rural. En Amérique méridionale, l'écart est très marqué entre les revenus des ouvriers agricoles et ceux des travailleurs de l'industrie. Deux causes en seraient responsables : la protection inefficace des lois relatives à la rémunération de cette catégorie de salariés et le mode de concession des terres. Le même phénomène se retrouve en Amérique septentrionale, mais l'impact est moins grand du fait que le pourcentage de la main-d'œuvre agricole dans l'ensemble de la population active est faible.

L'auteur considère ensuite le facteur des disparités géographiques. À cause des barrières physiques et du manque de moyens de communications suffisants en Amérique du Sud, l'économie s'est développée régionalement. Les conditions particulières qui existent au niveau local ont créé naturellement des écarts non seulement d'un pays à l'autre, mais également entre différents territoires d'un même pays. Ceci a eu pour conséquence d'inciter les gouvernements à fixer les taux minimaux de salaire en tenant compte de ce phénomène. De même, syndicats et employeurs préfèrent négocier les conventions collectives à l'échelon de la localité ou de la région plutôt que de s'orienter vers la fixation de taux de rémunération qui s'appliqueraient à la grandeur du pays.

Des écarts régionaux existent aussi en Amérique du Nord, mais ils sont moins considérables. Aux États-Unis, on les note principalement entre les États fortement industrialisés du nord-est et les États agricoles du sud. Au Canada, même phénomène entre les provinces de l'est et celles de l'intérieur et de l'ouest. L'élimination de ces différences est un des enjeux principaux des négociations collectives.

Au Canada, les écarts prononcés des taux de rémunération refléchissent les différences qu'on trouve dans la structure industrielle, la composition de la main-d'œuvre, le degré de syndicalisation, la puissance des syndicats, l'éloignement des marchés et des ports. On y retrouve donc un peu les mêmes conditions qu'en Amérique du Sud quoique, dans certaines industries, abattoires, chemin de fer, papier, sidérurgie, les écarts ont tendance à être beaucoup moins marqués.

Un autre facteur qui a retenu l'attention de l'auteur, ce sont les différences de traitement selon le sexe des employés. L'application du principe « à travail égal, salaire égal » se heurte à de nombreuses difficultés. La disparité entre le taux de salaire du personnel féminin et ceux du personnel masculin est forte. Les industries où le pourcentage de la main-d'œuvre féminine est plus élevé sont celles où on trouve les taux de rémunération le plus bas. Le taux d'adhésion de l'élément féminin aux syndicats est très faible. D'une façon générale, le manque d'écoles de formation professionnelle pour les femmes ainsi que l'insuffisance de services communautaires

qui les libéreraient de certaines charges domestiques constituent des obstacles à l'égalisation du salaire des hommes et des femmes.

Enfin, dernier facteur retenu, l'insuffisance de travailleurs qualifiés. La rareté de travailleurs qualifiés qui encourage la surenchère entre les employeurs, favorise les différences de salaire. En Amérique latine, la situation est d'autant plus grave que s'ajoute à la pénurie de travailleurs qualifiés la nécessité de hausser les salaires des manoeuvres. Dans ces pays, on estime que le taux de salaire de l'ouvrier qualifié peut être parfois le double ou le triple de celui du manoeuvre. En Amérique du Nord, les différences sont loin d'être aussi prononcées, et il y a eu même une tendance vers un resserrement de l'éventail des traitements mais, par suite des changements technologiques rapides des derniers vingt ans, on constate une inversion plus ou moins marquée de ce phénomène. Par ailleurs, il existe des différences substantielles entre les revenus moyens annuels des cols bleus et ceux des cols blancs.

Selon l'auteur, l'analyse précédente permet de constater que la plupart des pays d'Amérique n'ont pas de politique des salaires bien arrêtée et qu'il apparaît n'y avoir guère de collaboration entre les responsables de décisions touchant les salaires et les responsables de l'établissement des décisions générales en matière de politique sociale et économique. La politique salariale devrait tendre à l'élimination des différences artificielles ou arbitraires qui ne sont pas fondées sur des critères objectifs. Le recours à la fiscalité peut aussi contribuer à sa façon à l'égalisation des salaires lorsqu'il s'agit du cas de personnes qui tirent le plus clair de leurs revenus de sources autres que le salaire.

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