

The horseless carriage

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To say that automobiles play an important role in today's economy is to state the obvious. But just how large is the automotive industry? It is not just the manufacture of automobiles. The manufacturing component also includes trucks, snowmobiles, motorcycles, all-terrain vehicles, trailers, campers, other recreational vehicles, and the parts and accessories for all of them. As well, the automotive industry encompasses the selling and servicing of those vehicles. In 1993, the industry employed more than half a million people with an average weekly payroll of nearly \$300 million.

Using primarily data from the Survey of Employment, Payrolls and Hours (SEPH), this article examines Canada's automotive industry from 1983 to 1993. The industry grouping consists of industries involved in the manufacture or assembly of parts and vehicles, the distribution of vehicles, parts and accessories, and the servicing and maintenance of the finished products (see *Automotive industries*).

Automobiles drive the economy

Automotive products accounted for more than a quarter (\$48 billion) of total Canadian exports in 1993.² The same year, the automotive industry's annual payroll was almost \$15 billion, about 4% of total wages and salaries. These figures, however, understate the real importance of the industry in the economy.

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Automotive manufacturing provides an economic base for many other industries, particularly those processing raw materials. For example, automobiles are a major user of steel, aluminum and copper. The increasing use of plastics and composites in motor vehicles may well have substantial repercussions on firms engaged in the extraction and processing of these metals. Among other industries closely tied to the automotive industry are business services such as advertising and engineering.

The industry also figures prominently in trade, both wholesale and retail. The volume of wholesale trade of motor vehicles, parts and accessories was over \$24 billion in 1992 and represented 8% of all wholesale trade in Canada.³ Retail sales of new and used vehicles, accessories, parts and repair services totalled almost \$64 billion in 1992. This group accounted for 34% of total retail trade, giving it

the largest share of retail sales at the national level, just ahead of food, beverage and drug stores.

A major source of employment

The importance of the automotive industry to the Canadian economy is apparent in the size of its workforce (Table 1). In 1993, the industry had an annual average employment level of more than 520,000 – accounting for 5% of industrial aggregate employment.⁴ Almost three-quarters of the employees in the automotive industry worked in the service side; the remainder were involved in the production of vehicles, parts and accessories.

Approximately 9% of all manufacturing jobs in 1993 were in automotive manufacturing, an increase from 7% in 1983. The other component of the industry, automotive services, made up almost 5% of all service sector employment.

Table 1
Automotive industry employment, 1993

	Total	Manufacturing	Services
	'000		
Canada	522	140	382
Newfoundland	6	--	6
Prince Edward Island	2	--	2
Nova Scotia	13	1	13
New Brunswick	9	--	9
Quebec	103	13	89
Ontario	257	116	141
Manitoba	16	3	13
Saskatchewan	16	1	15
Alberta	40	2	37
British Columbia	60	3	57

Source: Survey of Employment, Payrolls and Hours

Note: See Automotive industries for components of this industry.

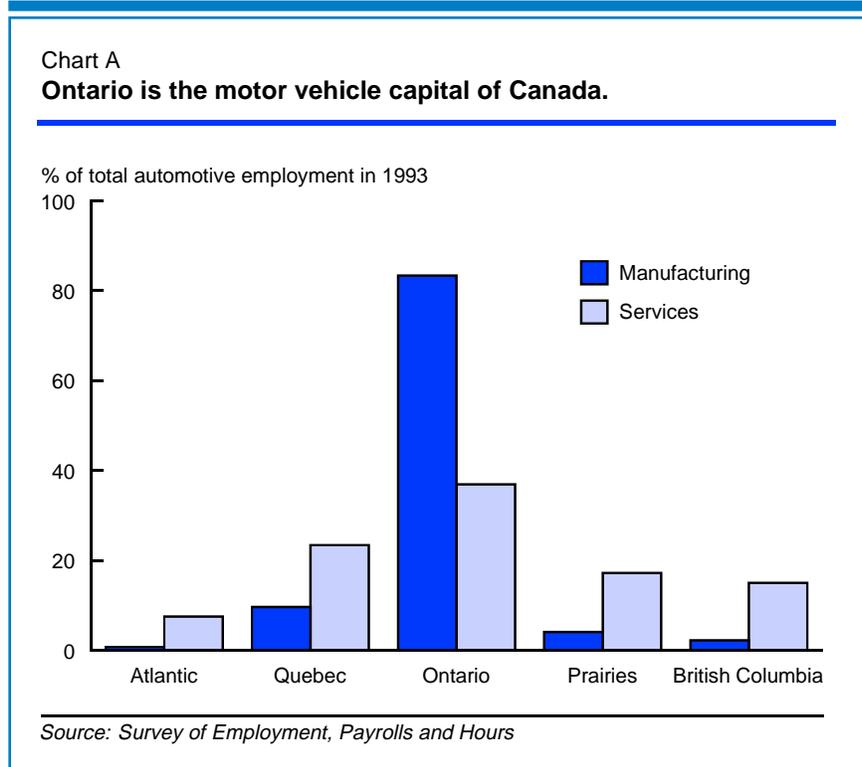
Ontario in the driver's seat

Some provincial economies depend more on the automotive industry than do others. In 1992, almost 70% of the total volume of wholesale trade of motor vehicles, parts and accessories originated in Ontario, followed by Quebec with 11% and British Columbia with 7%. As well, automotive wholesaling had a greater impact on Ontario's trade figures than it had on those of other provinces. For instance, in 1992 it represented 12% of the province's total wholesale trade, compared with 8% in New Brunswick and 6% in British Columbia.

The provincial distribution of retail sales of new and used automotive vehicles, parts, accessories and repair services mirrors the relative size of each province's population. In 1992, Ontario accounted for 38% of automotive retail sales while Quebec claimed 24% and British Columbia 13%. Within each province, automotive sales represented roughly one-third of total retail trade.

On the other hand, the distribution of the automotive industry's total payrolls reflects the concentration of activity in a few provinces. For example, in 1993 three-quarters of total payrolls went to Ontario and Quebec.

In 1993, Ontario employed almost half of all automotive industry employees (49%), somewhat more than its 40% of Canada's workforce. The concentration was even more pronounced in automotive manufacturing. Ontario employed over 80% of all automotive manufacturing workers (Chart A). In fact, Ontario and Quebec accounted for virtually all of the country's automotive manufacturing activity (93%), with vehicle assembly plants and automotive parts plants in the southern Ontario communities of Windsor, Oshawa, St. Catharines, Mississauga, Markham, Scarbor-



ough, and Oakville and in the Quebec communities of Bromont, Sainte-Thérèse, Joliette and Lachine.

The distribution of employment in automotive services more closely reflected the relative populations of the provinces: Ontario had a 37% share, and Quebec, 23%.

Impact of the recent recession

The automotive industry prospered in the 1980s following the 1981-82 recession. Between 1983 and 1990, employment increased by a third (150,000). After the onset of the recession in 1990, however, almost half of this growth was wiped out as employment dropped by over 70,000 (-12%) between 1990 and 1991 and then remained virtually unchanged between 1991 and 1993.

The effect of the recent recession was widespread. Between 1990 and 1992, employment de-

creased or remained static in all 13 component automotive industries. However, in 1993 most of them increased employment.

In 1990, annual average manufacturing employment was down 10,000 from the previous year. Between 1990 and 1992, employment declined a further 17,000 (-11%). There was, however, an increase of approximately 5% between 1992 and 1993.

Whereas manufacturers may curtail production as soon as they see their inventories building, service-oriented establishments do not react as quickly to an economic slowdown. Consequently, employment losses began one year later in automotive services (Chart B), with a 13% decrease between 1990 and 1991. Although manufacturing employment began to grow in 1993, automotive services lagged, with a further slight drop, bringing the total decline between 1990 and 1993 to 63,600.

The recession hit Ontario particularly hard. After climbing from 222,000 in 1983 to 292,400 in 1990, employment in the automotive industry plunged to 250,300 in 1991.⁵ Since then the level has risen only 3%, reaching 257,500 in 1993.

Most automotive employees paid by the hour

In 1993, the majority (64%) of people working in the automotive industry were hourly paid employees (see *Types of employees* and Table 2). They made up 79% of automotive manufacturing employees and 58% of automotive service employees.

Whether they work in manufacturing or in services, hourly paid automotive industry employees earn above-average wages. Average weekly earnings (excluding overtime) for workers in automotive manufacturing were consistently above the average for the total manufacturing sector between 1983 and 1993. By 1993, weekly earnings for workers in automotive manufacturing averaged \$673, compared with \$549 for all manufacturing workers.

The pattern is similar in automotive services, where average weekly earnings of hourly paid

Types of employees

The Survey of Employment, Payrolls and Hours classifies employees into the following categories:

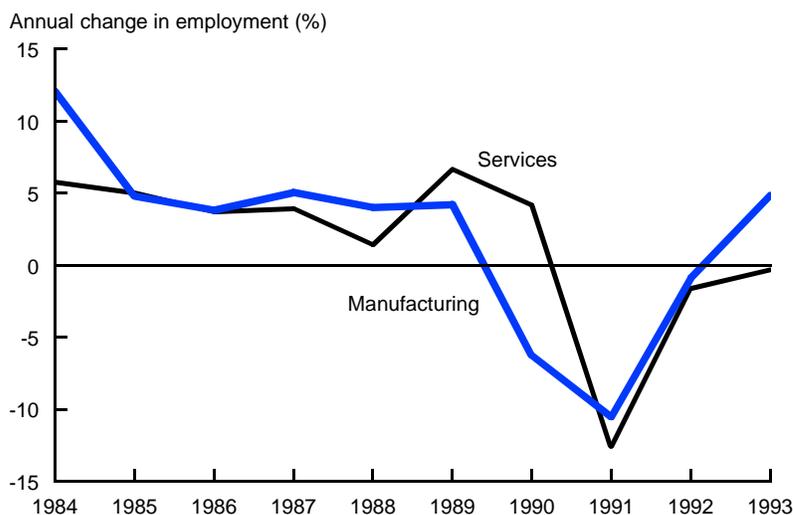
Employees paid by the hour: employees whose basic wage is expressed as an hourly rate

Salaried employees: employees whose basic remuneration is a fixed amount for at least one week

Other employees: employees whose basic remuneration is in the form of commission, piece rates, mileage allowance, etc.

Chart B

The recent recession hit automotive manufacturing earlier than automotive services.



Source: Survey of Employment, Payrolls and Hours

Table 2
Automotive industry employees

	Total	Hourly paid	Salaried	Other*
	'000			
1983	446	278	146	22
1984	479	307	145	27
1985	503	327	146	30
1986	522	334	155	33
1987	544	341	155	48
1988	555	353	157	45
1989	589	372	171	46
1990	597	373	180	44
1991	525	324	158	43
1992	517	327	152	38
1993	523	332	146	45

Source: Survey of Employment, Payrolls and Hours

Note: See Automotive industries for components of this industry.

* Commission and piece work

employees have consistently exceeded those of hourly paid employees in the total service sector. However, the gap is not nearly as large as in manufacturing. In 1993, average weekly earnings of

automotive service workers were \$357, versus \$332 for service sector workers overall.

The large gap in average weekly earnings between employees in automotive manufacturing

Automotive industries

The industries (SICs) are defined in *Standard Industrial Classification 1980*, Catalogue 12-501E.

Manufacturing

Motor vehicle industry (SIC 323): establishments primarily engaged in manufacturing passenger automobiles, buses, truck chassis and truck tractors.

Truck, bus body and trailer industries (SIC 324): establishments primarily engaged in manufacturing truck and bus bodies, commercial and non-commercial trailers and mobile homes.

Motor vehicle parts and accessories industries (SIC 325): establishments primarily engaged in manufacturing motor vehicle engines and engine parts, motor vehicle wiring assemblies, motor vehicle stampings, motor vehicle steering and suspension parts, motor vehicle wheels and brakes, motor vehicle fabric accessories and other motor vehicle parts and assemblies, whether of metal or other materials, including plastic.

Other transportation equipment industries (SIC 329): establishments primarily engaged in manufacturing transportation equipment not elsewhere classified (all-terrain vehicles, amphibious vehicles, snowmobiles, off-highway tracked vehicles).

Distributive services

Motor vehicles, wholesale (SIC 551): establishments primarily engaged in wholesale dealing in motor vehicles and motor vehicle parts and accessories. Includes buses, dump trucks, school buses, truck tractors, recreational vehicles, snowmobiles, campers, motorcycles, travel trailers.

Motor vehicle parts and accessories, wholesale (SIC 552): establishments primarily engaged in

wholesale dealing in tires, tubes and other motor vehicle parts and accessories.

Automobile dealers (SIC 631): establishments primarily engaged in retail dealing in new and/or used automobiles.

Recreational vehicle dealers (SIC 632): establishments primarily engaged in retail dealing in motor homes and travel trailers, boats and outboard motors, motorcycles, snowmobiles and other recreational vehicles. May also be engaged in the sale of parts and accessories for, and in the repair of, the vehicles they sell.

Maintenance services

Gasoline service stations (SIC 633): establishments primarily engaged in retail dealing in gasoline, lubricating oils and greases. Included are industries primarily engaged in lubricating motor vehicles.

Automobile parts and accessories stores (SIC 634): establishments primarily engaged in retail dealing in home and auto supplies, tires, batteries and parts and accessories for motor vehicles.

Motor vehicle repair shops (SIC 635): establishments primarily engaged in motor vehicle general repairs, paint and body work, muffler replacement, glass replacement, transmission repair and replacement and other specialized repair work.

Other motor vehicle services (SIC 639): establishments primarily engaged in car washing and other services. Includes rust proofing, towing, customizing vans, diagnostic centres.

Automobile and truck rental and leasing services (SIC 992): establishments primarily engaged in renting and leasing passenger cars or trucks without drivers.

and those in automotive services is explained partly by their work hours: 37.7 (excluding overtime) compared with 32.0. Hourly paid employees in automotive manufacturing also earn more per hour on average than their counterparts in automotive services (\$18 versus \$11, excluding overtime). This is explained to some extent by the high degree of unionization in the manufacturing sector.⁶ As well, given the profound changes in the manufacturing process, many workers must now have highly specialized skills and can therefore command higher wages.

Nonetheless, average hourly earnings increased 3.6% in 1993 for hourly paid employees in automotive services, compared with 2.7% for those in automotive manufacturing, possibly reflecting the continuing squeeze on manufacturing jobs. By contrast, the inflation rate for 1993 was just 1.8%.

Conclusion

The broadly defined automotive industry is a key sector of the economy in terms of production, trade and employment. This is especially the case in Ontario. The industry makes a significant contribution to the country's gross national product. But the continuing restructuring of the industry both internally, with increased automation, and externally, with increased globalization, will doubtless have a substantial impact on the workers involved and on the economy as a whole. □

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■ Notes

1 A version of this article was released in *Employment, Earnings and Hours*, August 1994, Catalogue 72-002.

2 A significant portion of this is because of the Autopact, which in effect integrated Canadian and American production.

3 The figure would be significantly higher if the wholesale activities of the major manufacturers were included. The major automobile manufacturers all ship directly to their network of dealers, eliminating any intermediate wholesale activity. Automobile wholesalers covered in this industry handle low-volume and used vehicles.

4 SEPH does not survey establishments in agriculture, fishing and trapping, religion, private households or other government (embassies and consulates of foreign governments). The total employment figure estimated by SEPH is labelled the industrial aggregate.

5 Automotive workers and their employers contribute to a special plan, Supplementary Unemployment Benefits (SUB), which tops up their UI benefits to 90% of regular earnings. These SUBs may make employers less reluctant to lay off staff.

6 In 1992, for instance, the unionization rate in motor vehicle manufacturing, SIC 323, was 61% compared with 10% in wholesale trade and 12% in retail trade.

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