



Briefing Note

Commission for Labor Cooperation

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BENEFITS IN NORTH AMERICA

Employee compensation in North America has undergone dramatic changes over the years. While employees were once paid only wages, many now have access to a wide array of benefits, which today constitute a substantial portion of compensation and consequently contribute to the overall economic and social well-being of employees. While many benefits have emerged as a result of legislation that mandated benefits to workers, some employees receive additional benefits due to either unilateral decisions by employers or union-management negotiations. This note describes the incidence and distribution of benefits among employees in North America using the most recent year for which data are available. Across the three countries, access to benefits varies according to factors such as income, economic activity, union membership and establishment size.

Canada

In Canada, some benefits—such as annual paid vacation leave, paid holidays and, in some jurisdictions, sick leave—are statutorily mandated. Examined here, however, are those benefits that employees receive over and above the statutory minima, which can include items such as additional paid vacation or sick leave. In some cases, employees may receive supplementary medical and dental insurance, which gives levels of protection above and beyond those provided through the Canadian public health care system. Other benefits

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employees may obtain as a result of employment are extended life/disability insurance, retirement pension or savings plans, and profit-sharing and stock-ownership plans.

In general, public servants and those working for large companies in the private sector are more likely to receive these types of benefits, and employees in high-paying, unionized, full-time or permanent jobs are much more likely to have access to them (Marshall 2003). In 2000, 62% of employees were offered at least one employer-sponsored insurance plan—extended medical, dental, or life/disability. Half were offered all three (see table 1). Coverage rates in the three insurance plans for unionized workers were significantly higher than those for nonunionized workers (70% versus 40%). Almost half of employees (46%) were covered by an employer-sponsored pension plan. The union advantage in pension plan coverage was even more pronounced (79% versus 30%). For unionized workers, the chances of being covered were almost the same in both the public and private sectors. For nonunionized workers, the chances were much higher in the public sector (Marshall 2003).

Only 9% of employees had the opportunity to participate in a stock-purchase or stock-option plan, which gives employees the right to buy company stock at a particular price for a specified period of time. Roughly 1 in 12 employees in 2000 had the chance to participate in a profit-sharing plan, which provides earnings and financial compensation based on the employer's annual profit. Stock-option and profit-sharing plans are found predominantly in the private sector. Only 2% of public sector employers offer this type of benefit, chiefly in the high-tech, finance, professional and managerial services industries (Marshall 2003).

Table 1**Benefits of the Job in Canada by Occupation and Establishment Characteristics, 2000**

(% of employees covered)

	Medical, dental and life/disability insurance (%)	Retirement (%)	Stock options (%)	Profit sharing (%)
All employees	50	46	9	8
Work status				
Full-time	58	52	11	9
Part-time	17	22	3	3
Union status				
Unionized	70	79	8	6
Nonunionized	40	30	10	9
Hourly earnings				
Less than \$10.00	13	12	3	3
\$10.00 to \$19.99	51	46	8	8
\$20.00 or more	77	74	17	12
Sector				
Private	45	38	11	9
Public	67	79	2	2
Company size				
Under 20	27	21	4	4
20 to 99	52	46	8	7
100 or more	71	71	17	10

United States

In the United States, benefits are primarily a result of the employment relationship rather than a legal mandate. Benefits may include one or more of a wide range of time off, life and health insurance, and retirement plans. Paid time off is the most prevalent benefit available to workers in private establishments. In 2003, paid vacations and paid holidays were available to 79% of employees in the private sector. Forty-five percent of employees had elected medical care insurance coverage in 2003, down from 63% in 1992–1993. The overwhelming

majority of employees covered by medical care plans are required to make contributions for both single coverage and family coverage. Since 1992–1993, the average monthly contribution required of employees has risen about 75% for both family and single coverage. Just under half of private sector employees participate in an employer-provided retirement plan (BLS 2003).

Access to and participation in all types of benefit plans vary by occupational group, full- and part-time work schedule, union status, and earnings (see table 2). For example, workers in white-collar

occupations are more likely than other workers to participate in defined contribution plans. Union workers have higher rates of coverage for most benefits. Those in jobs averaging \$15 an hour or more are far more likely to be covered by all benefits.

The incidence of benefits also varies by industry and establishment size. The differences are more pronounced in coverage for retirement and insurance benefits than for paid leave benefits (see table 2).

Results from a 1998 Bureau of Labor Statistics survey show that a substantial majority of full-time state and local government employees received paid time off and participated in employer-sponsored medical care plans as well as one or more employer-sponsored pension plans. The rate of unionized workers receiving benefits was slightly

higher than that for nonunion employees working in state and local governments, although for a number of benefits, such as paid vacations, long-term disability and defined contribution retirement, non-union employees' participation rate was higher than that of their union counterparts. Unionized, full-time teachers, for example, had a much lower rate of paid time off benefits such as vacations and long-term disability than other white-collar workers and blue-collar and service employees (BLS 1998).

Mexico

In Mexico, most benefits are mandated by Article 84 of the Federal Labor Law, which states that the wage constitutes remuneration paid in cash at the daily rate. It includes tips, receipts, housing, bonus-

Table 2
Percent of Workers with Access to Health Care and Retirement Benefits Coverage in the U.S. Private Sector, by Job and Establishment Characteristics, 2003 (% of employees covered)

	Retirement benefits			Health care benefits			
	All plans (%)	Defined benefits (%)	Defined contribution (%)	Medical care (%)	Dental care (%)	Vision care (%)	Plan type not available (%)
All employees	49	20	40	45	32	19	8
Occupation							
White-collar	59	22	51	50	37	21	8
Blue-collar	50	24	38	51	33	20	10
Service occupations	21	7	16	22	15	9	3
Work status							
Full-time	58	24	48	56	40	23	9
Part-time	18	8	14	9	6	5	3
Union status							
Union	83	72	39	60	51	37	23
Nonunion	45	15	40	44	30	17	7
Hourly earnings							
Less than \$15	35	11	29	35	22	12	6
\$15 or higher	70	33	57	61	47	28	12
Sector							
Goods-producing	63	31	49	57	42	25	12
Service-producing	45	16	37	42	29	17	7
Company size							
1-99 workers	35	8	31	36	21	11	6
100 workers or more	65	33	51	55	44	27	10

es, commissions, benefits in kind and any other sum of money or benefit given to the employee as a result of work performed. Additionally, the Federal Labor Law mandates a series of minimum benefits such as paid rest days, a Christmas bonus, profit sharing, annual vacation leave, and a vacation premium. Also, other laws require employers to contribute monies to the Workers' National Housing Fund (INFONAVIT) and to the Mexican Institute of Social Security (IMSS), which provides workers with health and maternity insurance, disability pension and death benefits, old age pension, child care, medical coverage and indemnities for work-related illnesses and accidents.

Employers that have entered into collective bargaining agreements often enhance the legal minima by providing savings funds and bonuses for punctuality and attendance. Some also provide cafeteria and transportation subsidies, as well as enhanced medical coverage (Banco de México 2001, 31).

In 2002, 52.4% of the wage earning population received social security and other benefits (see

table 3). Workers employed in electricity, communications, mining and transformation industries registered the highest rates of coverage at 91%, 88.1%, 68.7% and 71.4% respectively, while those in agriculture and construction received fewer benefits than workers in any other branch of economic activity. Slightly more than 75% of employees in the service of the state in public administration and defense received benefits not from IMSS, but through the Institute of Security and Social Services of State Workers (ISSSTE). As in Canada and the United States, unionized workers received more benefits than their nonunion counterparts, as evidenced in sectors such as public service and heavy industry where unionization rates are higher.¹

Also, as in Canada and the United States, higher pay in Mexico usually means more benefits. In 2002, 80.5% of those earning between 5 and 10 times the minimum wage received social security and other benefits; slightly less than 90% of those earning less than the minimum wage received no benefits; while 34.6% of workers earning between

Table 3
Benefit Coverage in Mexico, by Industry and Income Level, 2002 (% of employees covered)

	No benefits (%)	Social security and other benefits (%)
All employees*	40.8	52.4
Industry		
Agriculture	84.4	9.0
Mining	25.5	68.7
Construction	74.6	22.3
Communications	11.3	88.1
Electricity	3.2	91.0
Other services	38.7	51.7
Public administration and defense	9.3	75.4
Transformation	25.6	71.4
Income level		
Less than one minimum wage	89.6	10.4
More than 1 and up to 2 times minimum wage	57.4	34.6
More than 2 and up to 3 times minimum wage	34.1	59.7
More than 3 and up to 5 times minimum wage	18.6	74.8
More than 5 and up to 10 times minimum wage	12.3	80.5
More than 10 times minimum wage	11.8	79.5

* Working population excluding those beginning a new job.

1 and 2 times the minimum and 79.5% of those earning more than 10 times the minimum wage received social security and other benefits.

Summary

This brief examination of the incidence and distribution of benefits across North America highlights several factors. In all three countries, workers in higher income categories enjoy more benefits. In Canada and Mexico (and, in all likelihood, the United States), workers in the public sector receive a high percentage of benefits. In the United States and Canada, the larger the establishment the more benefits workers receive, and this is also likely to

be the case in Mexico. In all three countries unionized workers tend to receive more benefits than do nonunion workers.

Notes

1 The Encuesta Nacional Ingreso-Gasto de los Hogares (ENIGH) conducted by INEGI for the years 1992, 1994, 1996, 1998 and 2000 show that the branches of economic activity in extraction, electricity, metal products and machinery equipment have higher rates of unionization than most other sectors. Employees working in the service of the state are also more highly unionized. Data from the ENIGH surveys are also found in Herrera and Melgoza (2003), a study about the recent evolution of union membership in Mexico.

Sources and Definitions

Data for Canada are from the Survey of Labour and Income Dynamics (SLID), a household survey conducted every three years, as cited in Marshall (2003). "Medical coverage" refers to employer-sponsored medical insurance or health plans that supplement public health-insurance coverage. Unionized workers include nonunion members whose jobs are covered by collective agreements.

Data for the United States are from the National Compensation Survey, March 2003, as reported by the Bureau of Labor Statistics (2003) and from the BLS survey "Employee Benefits in State and Local Governments, 1998." Employees classified as full-time or part-time are based on the definition of the time schedule used by each establishment. Union workers are defined as those whose

wages are determined through collective bargaining. Defined benefit plans at retirement specify the benefit by a formula, and the employer bears the investment risk to fund the benefit. In defined contribution plans, the employer's current cost (contribution) is specified, but the amount of retirement benefit is not known in advance.

Data for Mexico are from the National Employment Survey, an annual household survey. The data are found in "Población ocupada asalariada excluyendo a los iniciadores de un proximo trabajo por rama de actividad y según tipo de prestaciones" and "Población asalariada excluyendo iniciadores por nivel de ingresos y según tipo de prestaciones."

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