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Factors Influencing Employment in the U.S. Auto Industry

Paul S. Davies
Illinois Wesleyan University

Michael Seeborg, Faculty Advisor
Illinois Wesleyan University

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FACTORS INFLUENCING EMPLOYMENT IN THE U.S. AUTO INDUSTRY

Paul S. Davies, Dept. of Economics, IWU, Michael Seeborg*

The purpose of this study is to explain the changes in employment levels in the U.S. automobile industry over the past 30 years. While employment levels were generally increasing from 1960 through 1977 (although experiencing cyclical ups and downs), employment levels have been trending downward over the past 12 years. Specifically, changes in employment levels are hypothesized to have been caused by changes in four areas: 1) international competition (primarily from Japanese auto producers), 2) union (UAW) power, 3) labor-saving and productivity-enhancing technology, and 4) outsourcing arrangements of the Big Three American automobile manufacturers. Theoretically, changes in these areas are shown to effect employment of auto workers by shifting and/or changing the slope of the demand curve for auto workers. Marshall's Laws of Derived Demand for Labor are used in making this demand-side analysis. Empirically, data from the motor vehicles and equipment industry (SIC 371) and OLS regression analysis are used to test the four hypotheses of declining employment in the automobile industry. The results suggest that increasing international competition does indeed negatively effect employment in the U.S. auto industry, while the UAW may not be as powerful in influencing employment levels was originally expected.