

ABSTRACT:

A sample of 11885 wage bargaining agreements, reached in the Canadian unionized sector during 1976-2000, a period of high as well as exceptionally low inflation and substantial fluctuations in nominal and real uncertainty, is used to study the determinants of key provisions of contracts such as their duration, indexation and wage adjustment clauses. Econometric techniques, which account for the interaction between duration, indexation and wage adjustment, the non-linear structure of the wage equation as well as the latent nature of the elasticity of indexation are used. Results obtained suggest that expected inflation, the catch up effect from uncompensated past inflation and the unemployment rate are major determinants of nominal wage adjustment. In turn, nominal wage adjustment plays a major role in the historical evolution of wage indexation and contract duration. Other primary determinants of indexation and duration are measures of nominal and real uncertainty. Different proxies for these (as well as the expected inflation rate) are used to check the robustness of the results.