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Differences Matter: The Impact of Social Policy on the Working Poor in Canada and the United States

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It is 5:30 a.m. on an early spring morning in the Pacific Northwest. Pigeons mutter, squawk, and whistle outside bedroom windows on Capitol Hill. One hundred and twenty miles to the north, the sun hits the peaks of the North Shore mountains as the first buses carry drowsy passengers on their way to work. In Seattle and Vancouver, delivery trucks roll down largely empty streets, as the workers on the morning shift prepare for the new day. Both cities are carved out of the Pacific Ocean rainforests—flourishing in frequent misty rains—in valleys surrounded by towering snow-capped mountains.

Sujita Hassam and Karen Hsu are ethnic minority immigrants who work for the Globe Hotel¹—a major multinational hotel chain—in Seattle and Vancouver, respectively. Their stories illuminate some of the major themes of this dissertation. They work at the bottom of the labor markets of each country—in jobs that offer few intrinsic rewards—for the same firm straddling an international border that sharply demarcates two contrasting social policy regimes. The United States, with its comparatively weak welfare state and laissez faire tradition, and Canada, with its history of strong safety nets and interventionist social policy, offer divergent contexts through which the working poor must navigate.

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Sujita's Story

Sujita Hassam is a forty-one-year-old ethnic Indian woman who moved to the United States from Fiji during the fall of 2000. After marrying Amit Hassam in Seattle, Sujita Hassam found work part-time at a very difficult machine operator job in a Tacoma area factory, where her new husband also worked. "Oh it was very hard job," she recalled. "Everything do with the machine. Cut every kind of rubber and everything. Press things and everything they use in the roofs." She earned \$8 per hour for her labor. Her husband continues to work at the factory and also works a second part-time job in a school cafeteria as a custodian. While Sujita Hassam is still "on-call" at the factory, she decided she wanted more hours of work. First, she found a new job as a room attendant for the Low-Cost Motel in Tacoma. She only worked there for three weeks, earning \$6.90 per hour. She disliked this job because she was not able to secure enough hours and did not receive a uniform. She also hated cleaning what she described as really "stinky" rooms, particularly where people had pets living with them. She told me, "They bring dogs and kitties and they put inside the room, and when you go inside it smells very bad. Oh yea." So she felt fortunate to get a new job at the Globe Hotel Seattle, where she said she enjoyed working so far. At the same time, she was frustrated with the low wages paid at her hotel. She said she thought that her job at the Globe Hotel would be better if it was unionized because they would get regular pay increases: "Why I think if union it would be better? If they work hard and after 1 year or 2 and they are only giving you like \$7 and \$7 [per hour], you can probably use union for something like this." Only a small and declining percentage of hotel jobs in Seattle are unionized.

Life for the working poor is stressful in Seattle. Sujita Hassam's family rents a one-bedroom apartment. Maureen Hassam, her husband's daughter, sleeps in the living room. She describes the apartment as "somewhat crowded," with leaks and roaches. The landlord continues to promise, but not deliver, to spray the apartment for insect infestation. He charges them a \$70 fine if they are even one day late on the \$600 monthly rent. In the five months prior to the interview, Sujita Hassam's family have been late paying the rent four out of the last five months—incurring \$350 in fines—and had their phone cut off twice because they could not pay their bill. Their utility bills add up to \$250 or more per month for electricity, garbage service, and water. There is no room in their budget for any unexpected expenses or extravagant expenditures. Sujita Hassam describes paying the household bills as "very difficult." These material hardships land on Sujita Hassam, despite the fact that she and her husband hold multiple jobs. They regularly borrow from Maureen Hassam—her husband's daughter—who works thirty hours per week at Burger Barn, a fast-food

franchise. Amit Hassam also borrows money from Arthur Lowell—a co-worker—although they try their best to pay him back quite quickly. Living on the edge financially was not unusual among workers in Seattle, with many hotel employees reporting difficulties making ends meet.

While her husband commutes to Tacoma by car, Sujita Hassam takes the bus. On a typical day, she gets up at 5:00 a.m. so that she can shower and prepare for her husband and step-daughter to leave for work and school. Last year, Sujita Hassam estimates that she earned only \$7,000 before taxes and her husband \$23,000—working two jobs. Despite their low income, she tries to send money and gifts back to her relatives in Fiji whenever possible. Every few months, they donate a small amount of money to their church and a local hospital.

Sujita Hassam lacks health insurance coverage. Although the Globe Hotel provides health insurance benefits, she is trapped in the new employee waiting period. Her husband, Amit Hassam, pays \$50 per month for health insurance, a limited plan lacking dental coverage. Maureen Hassam, her step-daughter, is covered by a Washington state health program, so she has been to the doctor and dentist in the past year. But Sujita Hassam has no health insurance coverage, which worries her: “Yea, I am worried. Because I am thinking if I haven’t got any [health] insurance and maybe someday I’m gonna sick. And if I go to the doctor, I am going to have pay a lot without the insurance.” The family is very vulnerable to financial catastrophe in the event of a health emergency. Problems with health insurance coverage and accessing health care were much more frequent in Seattle compared to Vancouver. After three months Sujita Hassam qualifies for health insurance coverage benefits for herself but not for the rest of her family. If she switches employers in order to improve her wages—as she and many working poor hope to do—she will likely have to start again in terms of waiting periods for essential benefits such as health insurance coverage. As with most Seattle workers without health and/or dental insurance, Sujita Hassam has not received regular preventative medical checkups. Her job benefits are meager; she is eligible for one week paid vacation and six paid sick days this year. The job benefits are less generous in Seattle than Vancouver in part because of differences in labor policy that set different minimum standards for workers in each city.

Hotel workers in Seattle lived in and around higher poverty neighborhoods compared to those in Vancouver. They experienced more problems with crime and greater feelings of personal insecurity. Sujita Hassam’s family lives southeast of downtown Seattle, close to Rainier Ave. Their neighborhood is close to shops. Sujita Hassam has noticed some “sketchy in and out”

activity next door as well as cars cruising up and down the block (enough to scare her and cause her to bolt the door). In the past few months, Sujita Hassam has been the victim of petty thefts, which have left her feeling personally insecure. Someone stole Maureen Hassam's expensive pants from the dryer in the common laundry room.

Sujita Hassam dreams of buying a two-bedroom home. Her husband thinks they should move to a Tacoma suburb—closer to his job at the factory but much farther for her. Despite their hardships and insecure financial position, Sujita Hassam is still optimistic about her future. Her story illustrates the significant obstacles and hardships facing recent, working, poor immigrant families in U.S. cities.

Karen's Story

Karen Hsu is a forty-nine-year-old mother with two teenage children who lives with her husband and mother-in-law. She was born in Guangdong, China, and moved to Vancouver, Canada, in 1980. In China she had only completed two years of high school. She quickly took advantage of educational opportunities after arriving in Vancouver; she took night courses in English as a Second Language (ESL) at Redlows High School from 1980 to 1985.

Karen Hsu's first job in Vancouver was as a seamstress in a factory. After toiling for several years—earning \$3 per hour—in this difficult, low-paying job, she met her husband, Lee Hsu. Lee Hsu currently works full-time as an electrician and completes occasional handyman jobs. They were married in 1983. Soon after, she was laid off at the garment factory and began collecting unemployment insurance benefits. A Canadian government program—through Human Resources and Development Canada (HRDC)—paid Karen Hsu's tuition and expenses to attend a six-month hospitality training course while she was unemployed. Many immigrant hotel workers I interviewed in Vancouver reported benefiting from these federal training programs. Through the course work and especially internship placements, these training programs lifted many from initial insecure poverty-wage jobs to more secure living-wage jobs.

A close friend of Karen Hsu's, Lucy Chen, had recently begun working at the Globe Hotel Vancouver. She recommended that Karen Hsu apply to the laundry department, where a position had recently opened. She got the job and began working at the Globe Hotel Laundry department at *double* her previous seamstress wage—earning \$6 an hour—and held that job for nine years. During this time, the hotel began outsourcing most of its laundry to subcontractors, and the staff scrambled to find job openings in other departments. Fortunately, Karen Hsu's hospitality certificate and selection privi-

leges under the union contract helped her switch jobs within the hotel and secure a position as a room attendant while maintaining her seven-year seniority. After years of regularly scheduled wage increases, Karen Hsu currently earns \$14.84 per hour and has generous extended health and other benefits, including five weeks of paid vacation per year. Labor policy organizing rules in Canada and British Columbia—in contrast to the United States and Washington State—create a context where a much higher percentage of hotel industry workers are unionized in Vancouver compared to Seattle.

When we met Karen Hsu had worked in this establishment for twenty years and plans to continue until she retires, “maybe work over there five or ten years, retired.” Union-based seniority privileges allow Karen Hsu to work two or three days a week during the winter low season and full-time the rest of the year. She described the job: “Yea, it’s a hard work but it’s okay. If you want the money, it’s okay.” Karen Hsu’s story shows how stable unionized positions in the service sector can provide workers with mainstream, middle-class quality of life and resources.

Karen Hsu estimates she and her husband earn a combined pre-tax annual income of \$45,000. While taxes are higher in general in Canada than the United States, the income tax burden on the working poor is less in Canada, especially for parents, because of generous tax credits. Karen Hsu estimates they paid about \$2,000 in taxes last year and received a \$200 refund. Karen Hsu’s story contrasts with Sujita Hassam’s in ways that reveal how working poor families in Seattle must rely much more heavily on personal resources to make ends meet compared to in Vancouver.

In 1987 Karen Hsu and her husband purchased a large five-bedroom home with a basement apartment, about one block away from where they had been renting. In Vancouver many single-family homes include a basement suite or small apartment, which homeowners rent out in order to help with their mortgage payments. The Hsus used to rent this apartment out for \$600 per month. Today, Karen Hsu’s mother-in-law lives in the apartment. Their neighborhood is located southeast of the downtown core, close to Kingsway—where many other hotel workers interviewed live. The Hsus live in a classic split level, likely built in the late 1960s. The rambling house provided what she describes as “just the right amount of space” for her, her husband, their two teenage children, and her mother-in-law. They have two cars, a 1997 Geo Tracker and an older 1989 Chevy Lumina, though she generally commutes to work by bus—a forty-five-minute trip each way. Karen Hsu appreciates the quality of life in her east side Vancouver neighborhood and considers it a good place to raise her children. The impact of public infrastructure investment is obvious here. Karen Hsu’s neighborhood boasts community centers and other family-friendly institutions. Both Karen Hsu and

her fifteen-year-old son Daniel Hsu think of their neighborhood as safe, and the family has no plans to move in the next several years.

Like many immigrants, the Hsu family relied on their extended family for childcare when their children were young. While Karen Hsu and her husband worked, her mother and mother-in-law as well as other relatives watched after the children. “My mother-in-law, my mother and cousin. My father-in-law. Everyone help. Everybody help me.” When I asked if she paid them, she replied, “No afford to pay. I don’t want to pay.” Daniel chimed in, “Calling favors.”

Karen Hsu’s mother-in-law is unfortunately now quite ill and requires regular dialysis; yet the family has never had to worry about health expenses because of Canada’s universal health insurance. The Canadian universal health insurance system mitigates financial stress that otherwise might be provoked by health crises. The family’s regular doctor’s office is located ten minutes from Karen Hsu’s home by car. She had recently visited because of “shoulder pain” but does not have any major health problems. In the past year she estimated that she visited the doctor four to five times. Her son went to the doctor once and her daughter twice. Although Canada’s publicly financed medical plans do not cover dental work, all of them had recently been to the dentist for a teeth cleaning. The Hsus report making small annual donations to the BC Children’s Hospital.

Though her job is fairly low skilled, Karen Hsu perceived her family as being squarely in the middle of the middle class in Canadian society, reflective of a subjective sense of class location. In 1999 the Hsu family went on a family vacation, touring China for one month. With a paid-off home, rental property, and no credit card debt, the Hsus’ largest regular monthly expenses include \$200 for property taxes, \$700 to \$800 for food, \$220 for hydro (utility bills), \$200 for life insurance, and \$300 for piano lessons. They have about \$3,000 in savings and some retirement savings as well, but the majority of their equity is tied up in their own home. Karen Hsu’s story was not unusual among room attendants and other hourly employees interviewed in Vancouver.

Overview

How do social and labor policy differences affect the quality of life and hardships experienced by the working poor in the United States and Canada? Chapter 2 describes previous research on urban poverty and the working poor as well as findings of U.S.-Canada comparative research. It also contrasts trend data on poverty and inequality between the two countries since the mid-1970s to show how differences in social transfers explain these macrolevel divergences.

Chapter 3 tells the story of my research. It outlines the methodology of the *Comparative Hotel Employee Study*. I begin by explaining why I chose to compare the experiences of workers in Seattle and Vancouver. Then I describe my research design, sampling, and procedures utilized. Descriptions of the four hotel sites studied, and the divisions of each hotel focused on—housekeeping, maintenance engineering, and guest services—set the scene.

Chapter 4 focuses on the differences in labor policy between the United States and Canada and the impact of these differences on hotel industry employees in Seattle and Vancouver. First, labor policy differences, in particular relating to union organizing rules and procedures, are described. These differences have resulted in a dramatic divergence between the two countries in the past forty years. What are the implications of this difference for hotel workers in Seattle and Vancouver? Directly, unionized hotel jobs provided better benefits, job security, and work conditions. Indirectly, higher levels of union coverage in Canada have translated into stronger labor force policy and other social policies that help all low-income workers.

Chapter 5 examines the impact of the differences in the health systems of the United States and Canada on hotel employees and their families. The large and growing percentage of the uninsured in the United States is well established. It stands at 14 percent of the population or over 44 million people. Yet there has been little systematic research on how health care policy differences matter for the working poor. Maintaining continuous health insurance coverage was a problem for many hotel workers in Seattle, despite the provision of health insurance benefits by the hotel. Why? The main culprit is the “waiting period.” The waiting periods for health insurance benefits range from three to six months and were often longer for family coverage. Over 25 percent of the employees in Seattle did not have health insurance at the time of their interview. Even with insurance, many found the employee health benefits inadequate to prevent financial catastrophe. Fewer sought and received preventative care in Seattle. In contrast, the universal health care system in Canada decoupled financial considerations from most health care experiences. The findings suggest that the problems of the current health policy regime in the United States go well beyond individuals simply lacking health insurance.

Chapter 6 focuses on how differences in social welfare policies between the United States and Canada affect the quality of life and material hardships of hotel workers and their families. What differences are most important? In Vancouver unemployment insurance provides the most important protection for hotel employees against material hardship. In Seattle unemployment

programs fail the working poor; low replacement rate of benefits prevented unemployment insurance from acting as an effective social safety net. Unemployment benefits for hotel workers were well below the income that could be earned in a minimum wage job.

Few hotel workers in either city reported relying on public assistance benefits, with the exception of minimal support benefits temporarily received by recently arrived refugees. In Vancouver other government programs prevented hardships by providing financial assistance directly or helping build up financial resources in order to protect workers during economic downturns. These programs include paid maternity leave, government subsidized savings programs, worker's compensation, mandatory vacation benefits, and subsidized daycare. A comparison of income supplements for low-income parents with children, such as the U.S. Earned Income Tax Credit and the Canadian Child Tax Credit, reveals that the current system provides nearly double the supplement to similar families in Vancouver compared to those in Seattle. In Seattle, without government help, employees relied mostly on extended family or personal resources as well as working multiple jobs to make ends meet in difficult economic times. More also live with extended families to make ends meet.

Chapter 7 examines how public infrastructure investment differences—in transit, neighborhood, and community institutions—affect the outside-the-workplace experiences of the hotel workers. The more egalitarian pattern of public investment in Canada compared to the United States means that income differences between families or individuals do not dictate to the same degree the quality of life in Vancouver compared to Seattle. More workers in Vancouver were positive about their neighborhoods, almost uniformly describing them as “nice.” They had access to more institution-rich communities, such as government-funded community centers. Seattle employees did not report utilizing community centers and other neighborhood institutions as much and described more problems with crime such as theft and muggings.

Chapter 7 goes on to describe the cumulative and interactive impact of these differences on how workers saw themselves and their families in society and their perceptions of what the future has in store for them. Fewer hotel workers in Vancouver perceived themselves to be far below the middle rung of the socioeconomic hierarchy compared to Seattle. Workers in Vancouver with children were also somewhat more positive about their children's futures. In Seattle more workers expressed concern about their own place in society as well as hope in their predictions of their children's futures.

Chapter 8 concludes the dissertation with a summary of the main findings and discussion of their theoretical implications. In a global era, where

branches of multinational franchises are opening in cities around the world, it is vitally important to understand the impact of government policy on the lives of low-income service-sector workers and their families. Social policies directly affect the quality of life and levels of material hardship experienced by working poor families. The findings of the *Comparative Hotel Employee Study* reinforce the importance of a multidimensional analysis of equality as involving more than just income and the central role of social policies in social stratification.

Note

1. All names have been changed to protect the study respondents' identities. All names of hotel workers and hotel chains as well as most other corporations and unions discussed have also been changed to pseudonyms. All dollar amounts are listed unadjusted in the currency of the respondent's residence.