

# THE HIDDEN COSTS OF HEALTH CARE WAGE CUTS IN BC



By Marc Lee and  
Marcy Cohen



APRIL 2005



**CCPA**  
CANADIAN CENTRE  
for POLICY ALTERNATIVES  
BC Office

# The Hidden Costs of Health Care Wage Cuts in BC

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A companion piece to this paper, *The Pains of Privatization: How Contracting Out Hurts Health Support Workers, Their Families and Health Care* by Jane Stinson, Nancy Pollak and Marcy Cohen, looks at the impact of contracting out on BC health care workers.

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# Summary

This study looks at the personal, family and organizational impacts of wage cuts in British Columbia's health care sector. We report the results of a survey of Hospital Employees' Union workers who received a 15% hourly wage cut in 2004. The survey was conducted by the McIntyre and Mustel Group polling firm, based on a random sample of current HEU workers, about six months after the wage cut came into effect.

The HEU covers a diversity of job categories. Most members are women and many are from visible minority and immigrant backgrounds. Two-thirds of those surveyed have dependents, and 71% report income of less than \$40,000. Thus, our sample includes many for whom a 15% wage cut represents a sizeable share of disposable income.

A growing literature finds that businesses rarely impose wage cuts, even in recessions (layoffs are the preferred option), because doing so hurts the morale of workers. Pay cuts damage morale because of their effect on personal finances and because they are perceived as insults. Negative impacts on morale, in turn, may be detrimental to organizations in terms of increased turnover, higher rates of absenteeism and decreased productivity.

These factors are related to workers' perceptions of fairness. During the same period that health support workers were forced to accept a pay cut, the total health care budget was increasing and groups such as doctors and nurses were receiving pay increases. Although it might be possible to make all workers accept a pay cut without harming morale (if, for example, the health care system were under severe financial stress), this was clearly not the circumstance facing HEU workers.

Our survey results raise some important questions about whether the wage cut — designed to save \$200 million in costs to the health care system — will achieve this objective when a number of "hidden costs" are considered. While we cannot make definitive conclusions, this research does raise concerns about how the wage cut and related policies such as contracting out will affect the quality of service in the health care system. We recommend that the Auditor General of BC do follow-up research to assess the impact of these policies.

## Key Findings

At the level of health care organizations, there are some major implications for morale and quality of care:

- Almost 70% reported that their job satisfaction was negatively affected by the wage cut.
- Two-fifths reported that their organizational commitment had been negatively affected.
- Some 44% responded that quality of care had been affected in some way. A substantial percentage reported seeing increased frictions between workers, increased absenteeism, decreased productivity, and increased staff turnover.
- Workers with higher levels of formal education, such as technicians, were more likely to report adverse impacts on morale.

Recruitment and retention impacts are extremely important in ensuring that there is an experienced, skilled and stable workforce, particularly given skill shortages in health care and in the broader economy (e.g. in skilled trades). Our survey found that:

- Almost half of respondents said they have considered leaving as a result of the wage cut (and this number, by definition, excludes those who have already left).
- When asked if they have considered leaving as a result of the wage cut, 63% of technicians said yes.
- Preliminary reports from colleges suggest that while demand for graduates has not changed, recruitment into training programs for care aides — the largest segment of HEU's workforce — has become more difficult as a result of the wage cut.

The study also looked at impacts on individuals and families. Diminished morale at work is the result of both diminished personal finances and impacts on health and psychological well-being.

In terms of personal and household finances:

- The most pervasive response to the wage cut was reduced or deferred personal expenditures. Other major responses included longer hours of work, higher personal debt and reduced personal savings.
- More than four in five respondents said that they had cancelled or reduced expenditures in their household.
- In most cases, these were discretionary expenditures, such as entertainment and eating out, or family outings and vacations.
- However, one in ten reported that their housing and/or mortgage situations have been adversely affected, and one in six reported they had diminished or eliminated use of their car.
- The wage cut had a greater financial impact in households with more dependents and where a spouse was in an insecure employment situation.

Individuals and their families have also responded by working longer hours:

- One-quarter have responded to the wage cut by working overtime or casual shifts.
- Compared to a survey of HEU workers in 2002 (also by McIntyre and Mustel), about twice as many workers are working additional jobs in health care or jobs outside of health care in response to the wage cut.
- More than a quarter of interviewees reported that their spouses and children are working more to compensate for the impact of the wage cut.

The wage cut has had a notable impact on the health and psychological well-being of workers:

- More than two-thirds of those surveyed reported some effects on their health, or physical and emotional well-being.
- The most frequent response was increased stress. Other responses included feeling depressed, with almost as many reporting feeling devalued, worthless or looked down upon by colleagues. Others reported feeling angry, cranky or bitter.
- In the realm of physical health, the numbers are smaller but interviewees talked about feelings of fatigue, lack of energy, sleep loss, being sick more often, anxiety and high blood pressure.
- The psychological impact on technical workers appears to have been greater, in spite of their higher wages (perhaps *because* they have higher wages and more marketable skills).
- More than two-fifths reported that their family relationships had been affected by the wage cut. Almost one-fifth reported more friction/stress at home.
- More than a third reported that the wage cut affected their ability to participate in community and volunteer activities.

A key policy recommendation arising from this study is to avoid wage cuts in the future. Trust in an employer and high levels of morale take a long time to build among workers, but can be swept away in an instant. Treating workers with respect and providing them with decent pay is a better route to an improved workplace.

The wage cut also raises some important issues with regard to inequality in BC. Why are we willing to cut the wages of workers at the low end of the income ladder, many of whom are among the most vulnerable and marginal workers in the province?

A few months after the HEU strike, the provincial government issued a press release boasting that BC leads the country in the proportion of workers making \$16 per hour or more, an acknowledgement that it takes such a wage to raise a family in an expensive province like BC. Yet the same government used a legislated wage cut to push a large number of HEU workers with earnings above that wage to earnings below it.

As a society, the tax and transfer mechanisms of government can only go so far in combating inequality. The labour market must do more of the heavy lifting. The public sector can contribute by paying higher wages that pull up those in the private sector. Rolling back public sector wages in response to low private sector wages is precisely the wrong move.

# Introduction

For a few days in April 2004, health care facilities in BC were behind picket lines due to a strike led by the Hospital Employees' Union (HEU). At issue was a new collective agreement, unilaterally imposed by the BC government, that cut wages and increased work hours for the lowest paid workers in health care, most of whom are women and many of whom are from visible minority and immigrant backgrounds. HEU workers include licensed practical nurses, care aides, clerical, technical, and support occupations, and tradespeople. With many health support service jobs being contracted out at even lower wages, HEU workers felt they had nothing to lose.

The April job action had an unusual depth of public support, considering that the strike became illegal and disrupted health care, Canada's most treasured social program.<sup>1</sup> Although some British Columbians vocally opposed the union's move, many others were sensitive to the perceived unfairness of the imposed (and retroactive) wage reduction — something that rarely occurs in Canada. It was this public support that forced the government to cut a deal with the union, brokered by the BC Federation of Labour. The deal limited future contracting out and dropped the retroactivity of the wage cut, but did not reverse the 15% cut itself.

Once the picket lines came down, public attention moved on and memories of the strike faded. Many people, especially those with higher paying jobs, seemed prepared to shrug off the impact of a 15% wage cut. But as this study shows, we would be well advised not to ignore such policies: they can and do have real impacts on families, communities and the health care system.

The wage cut deserves greater attention as a policy choice because wage cuts can have adverse effects on individuals and their families, effects that in turn have consequences for the health care system. Pay cuts have both financial and psychological repercussions for workers that can lead to negative impacts on organizational productivity and quality of care. Citing some recent empirical research, *The Economist* (2000) notes:

*[E]mployers resist pay cuts largely because the savings from lower wages are usually outweighed by the cost of denting workers' morale: pay cuts hit workers' standard of living and lower their self-esteem. Falling morale raises staff turnover and reduces productivity. Cheerier workers are more productive workers, not only because they work better, but also because they identify more closely with the company's interests.*

The justification for the wage cut was to save \$200 million per year in operating costs, funds that would be allocated to other needs in the health care system. But these savings would only arise if nothing else in the workplace changed. If second-order impacts of the wage cut cause lower productivity, higher absenteeism or faster turnover, any cost savings may be illusory, even negative. In the health care system — a complex network of services characterized by interactions among various workers and between workers and patients — factors relating to continuity and teamwork have huge implications for quality of care.

Workers' perceptions of fairness can have negative outcomes for organizations. During the same period that HEU workers were forced to accept a pay cut, the total health care budget was increasing and groups such as doctors and nurses were receiving pay increases. Although it might be possible to make all workers

accept a pay cut without harming morale (if, for example, the health care system were under severe financial stress), this was clearly not the circumstance facing HEU workers.

In this paper we report the results of a survey of HEU workers affected by the wage cut. We first look at the microeconomic level of individuals and families to assess how they respond to a decrease in wages. We consider impacts on total household expenditures and various sub-categories of expenditure. We ask whether workers (and their families) are responding to the wage cut by increasing their hours of work or taking on additional jobs. The survey also explores non-financial impacts on workers, including feelings of self-worth, depression, anxiety and

stress, and impacts on relationships with a spouse or children. We then ask questions related to the consequences for health care organizations.

To examine these issues, we used the McIntyre and Mustel Group polling firm to survey HEU workers in November 2004, about six months after the wage cut was implemented. Interviews were completed with a random sample of full-time HEU workers who worked in the Lower Mainland. Prior to implementing the survey, we commissioned a number of focus groups of HEU workers. These group discussions enabled us to clarify the questions to ask in the survey. The survey questions are provided in Appendix A.

We were only able to interview workers who had not left their HEU jobs for other opportunities. Normal worker turnover occurs in any organization, but anecdotally we knew that some workers had left their jobs specifically because of the wage cut. Unfortunately, we do not have any administrative data on turnover following the wage cut. To the extent that turnover rates increased and are significant, our survey results understate the impact of the wage cut.

The following sections of the paper give a detailed consideration of the context and events leading up to the wage cut, followed by an analysis of the survey findings on the financial, psychological and organizational impacts of the wage cut. The paper concludes with some policy recommendations.

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# Prelude to a Wage Cut

## The Role of Government, Multinationals and Unions

Prior to legislating a wage cut in 2004, the BC Liberal government had passed Bill 29 in January 2002, nine months after being elected to office. The legislation unilaterally altered existing collective agreements between employers and unions representing approximately 100,000 workers in the health and social service sectors.<sup>2</sup> It removed negotiated employment security protections and contracting-out protections, and substituted language that allowed employers to lay off the existing workforce with minimum notice and avoid union rights to follow the work (known as successorship). The legislation left health care employers free to restructure the workplace with an entirely new workforce paid at much lower rates and with far fewer benefits.<sup>3</sup>

Even before Bill 29, the government had dramatically reduced the number of regional health authorities, creating more centralized administrative structures and economies of scale that made contracting out more attractive to external vendors. To force cost reductions by health authorities, the provincial government refused to fund the second and third year of collective agreements negotiated by health care workers with the previous New Democratic Party government. This resulted in a funding shortfall for health care employers.

One of the specific requirements outlined by the provincial government in performance contracts with health authorities was that, by 2004/05, administrative and support costs (e.g. housekeeping, food and laundry services) would be 7% lower in 2001/02.<sup>4</sup> Together, the funding shortfall and implementation of Bill 29 led health authorities, primarily in the Lower Mainland and southern Vancouver Island, to begin formal processes for contracting out laundry, housekeeping, food and security services.

To avoid contracting out, the HEU leadership and the Health Employers' Association of BC (HEABC) negotiated a concession package in March 2003. The agreement was subsequently rejected by the HEU

membership, at which time health authorities in southwest BC quickly moved to contract out support services with three multinational private service corporations. By March 2004, approximately 6,000 HEU and 500 BCGEU housekeepers, food service, laundry and security workers had lost their jobs and 2,000 were slated to go by July 2004.

The HEU was in a legal strike position when their master collective agreement (unilaterally altered by Bill 29) expired on March 31, 2004. In contract negotiations, the HEABC put concession demands on the table that were similar to, and in some cases worse than, the concessions rejected by the union the previous year. The HEU called for and received a strong strike mandate from its membership.

HEU workers across the province walked off the job on April 25, 2004. In the early hours of April 29, the BC legislature passed Bill 37 imposing a collective agreement. The union refused to return to work and continued picketing in what was now an illegal strike. Over the next two days, unionists across the public sector and private sector walked out in support of HEU workers.

Four days into the illegal work stoppage, a deal was brokered by the BC Federation of Labour that limited further contracting out to 600 jobs (but did not reverse the contracting out slated for June 2004) and provided severance to workers who would lose their jobs after May 3, 2004. However, the deal did not alter the 15% cut in hourly rates prescribed in Bill 37, though it did remove the cut's retroactivity.<sup>5</sup>

As a result of these events, approximately 8,000 HEU members lost their jobs to contracting out, another 1,000 decertified from the union and about 43,000 were subjected to the wage reduction. This paper specifically examines the experiences of workers who remain directly employed by public health authorities, under reduced wages. A companion study by Stinson, Pollak and Cohen (2005) investigates the experiences of the contracted-out workers whose wage rates, under privatization, fell by 40-50%.

## Pay Comparisons

The principal line of attack by the provincial government during this dispute was that the wage cut and contracting out were justified because HEU workers were overpaid relative to workers in other provinces doing the same work. Arguably, the government won the public relations battle on this front.

In reality, the work performed by the HEU membership is diverse. It includes cleaning, laundry and food services, as well as clerical staff, technicians, skilled tradespeople, and licensed practical nurses. Any wage rate comparisons must take account of this wide range of occupations and the benefits of providing wages and working conditions that support long-term commitment and a stable workforce. Many of the latter professions require specific educational and training qualifications. In the focus groups that preceded our survey, more than one person expressed dismay that HEU members were written off as "toilet bowl cleaners."

Wage rate comparisons must also consider local costs of living, especially housing. BC wages in general are higher than most other parts of Canada (BC and Ontario tend to alternate for top spot in average hourly earnings, depending on the year). These higher rates compensate for higher living costs. As Cohen and Cohen (2004:12) point out:

*[W]hile the wage rates in BC are higher, they are in line with BC's higher general labour costs and higher costs of living. For example, while a hospital cleaner in BC has been paid almost 11% more than a hospital cleaner in Ontario, housing costs are more than 12% higher in BC than in Ontario. Similarly, while a dietary aide in BC was paid 26% more than her counterpart in Alberta, BC housing costs were 34% higher.*

An additional consideration is that workers with more formal education and training are more likely than others to leave the health care system when comparable positions are available in the private sector. This is particularly true for skilled trades (e.g. plumbers and electricians) and technical staff (e.g. information technologists and food service supervisors), whose expertise is readily transferable to a variety of sectors.

# The Sample of HEU Workers

The McIntyre and Mustel polling firm undertook our survey in November 2004. They interviewed a random sample of 505 HEU workers, based on a response rate of 63% (considered to be a high response rate). To put the results into context, this section reviews some of the demographic information from the HEU survey. We also provide a framework for understanding the statistics presented in the next sections.

The HEU sample was predominantly female (82%). The relatively small sub-sample of men, with its higher margin of error, meant that we could not usually find significant differences between men and women. Thus, the survey data did not give much scope for a gender analysis.

Three-fifths of the HEU sample were 45 years old or greater. More than one-third (36%) identified as being visible minority and 45% identified as being immigrant. These distinctions rarely produced statistically significant differences in reported results.

Regarding education, just under one-quarter (24%) of the interviewees had a high school education or less. Most had some higher education: college or vocation courses (20%); college diploma (37%); or university/post-graduate education (19%). The survey also distinguished different job types to some degree: 44% of the sample worked in patient/resident/client care, including licensed practical nurses (9% of the total sample). Clerical staff accounted for 23% of the interviewees, technicians were 14%, and “other” workers such as trades, maintenance and community health workers were 18%. Sorted by type of facility, 59% of the sample worked in hospitals, 36% in long-term care facilities, and 4% in other community health services.

Most interviewees lived in households of two or more persons: 48% lived in two- or three-person households, 36% lived in households of four or more, and 16% lived alone. Most had dependents: about 18% had one dependent, another 18% had two dependents, and the largest percentage, 29%, reported having three or more dependents. Slightly more than one-third (34%) had no dependents.

In terms of personal income, 71% of interviewees earned less than \$40,000 per year, while 40% lived in households with total household income of less than \$50,000 per year.<sup>6</sup> Our sample thus includes many people for whom a 15% wage cut represents a sizeable share of their disposable income.

As a test, we compared these demographic results to a 2002 survey of the HEU membership, also done by the McIntyre and Mustel Group. We found that the demographic details of both surveys were extremely close for the sub-categories mentioned above, and well within the margin of error. Education was the one exception: the 2002 survey allowed more than one answer and appears to give a different distribution of educational backgrounds.

For November 2004 results presented for the entire 505-person sample, numbers are accurate within +/- 4.34 percentage points, 19 times out of 20 (or a 95% confidence interval). The survey also allows us to break down the responses by the characteristics mentioned above, such as number of dependents, job type and education level. These smaller groupings, however, have larger margins of error. For example, Figure 7, which presents results for 361 people, is accurate within +/- 5.15 percentage points, 19 times out of 20. For a sample size of 80, the margin of error jumps to +/-10.95 percentage points, 19 times out of 20. The key question from a statistical perspective is whether the results for a sub-group are significantly different from other sub-groups. For example, when broken down by personal income, we are interested in whether responses are significantly different for those with incomes less than \$40,000 relative to those with higher incomes.

As part of the survey results, McIntyre and Mustel report whether these differences are significant at the 5% level, meaning that 19 times out of 20 the difference between sub-groups would be outside the margin of error. Because margins of error can be quite large for a small sub-group, it is not always possible to say that a difference is statistically significant, even if the numbers are superficially different. *In this study, we only report results for sub-groups when they are statistically significant at the 5% level.*

Many of the interview questions did not provide respondents with a choice of answers, though interviewers could place responses into rough categories developed from our focus groups. Many questions accepted more than one response, so the total number of responses is greater than the 505 total interviews. The same is true for summaries of responses in percentages, as generally reported in this paper.

# Individual and Family Impacts of the Wage Cut

In this section, we present survey results that look at how workers and their families responded to the wage cut in terms of personal finances, hours of work, health and well-being, and family relationships. As far as we can tell, there is no empirical literature in this area that would suggest expected impacts. Standard economic theory only addresses the issue of how workers might respond in terms of hours of work, with ambiguous results.<sup>7</sup>

A smaller literature has looked at how people respond financially to a *job loss*. A relevant study for Human Resources Development Canada (Browning 1998) used data from the 1995 Canadian Out of Employment Panel (COEP) to assess impacts of a job loss. The study finds that family status matters a great deal in terms of impact. Respondents who were single or lone parents were more likely to report hardship as a result of a job loss. In particular, lone parents had a larger drop in expenditures than any other group, while single people or married people with a non-employed spouse also had a large drop in expenditures relative to two-income families. Put differently, a job loss has less financial impact if there is another wage earner in the family and if the income from that source comprises a significant portion of total family income. Families with more income sources are better able to weather economic shocks.

A related study (Browning and Crossley 2001) based on the same COEP survey data finds that, in line with economic theory, families tend to smooth their consumption patterns over time by going into debt or drawing down assets. This means that a \$1 loss in wages translates to a much-less-than \$1 impact on consumption. Indeed, the estimated fall in expenditures was only 14 cents for a \$1 fall in income, on average. Decreases in consumption tend to be delays in the purchases of durables with minimal effect on consumption of necessities.

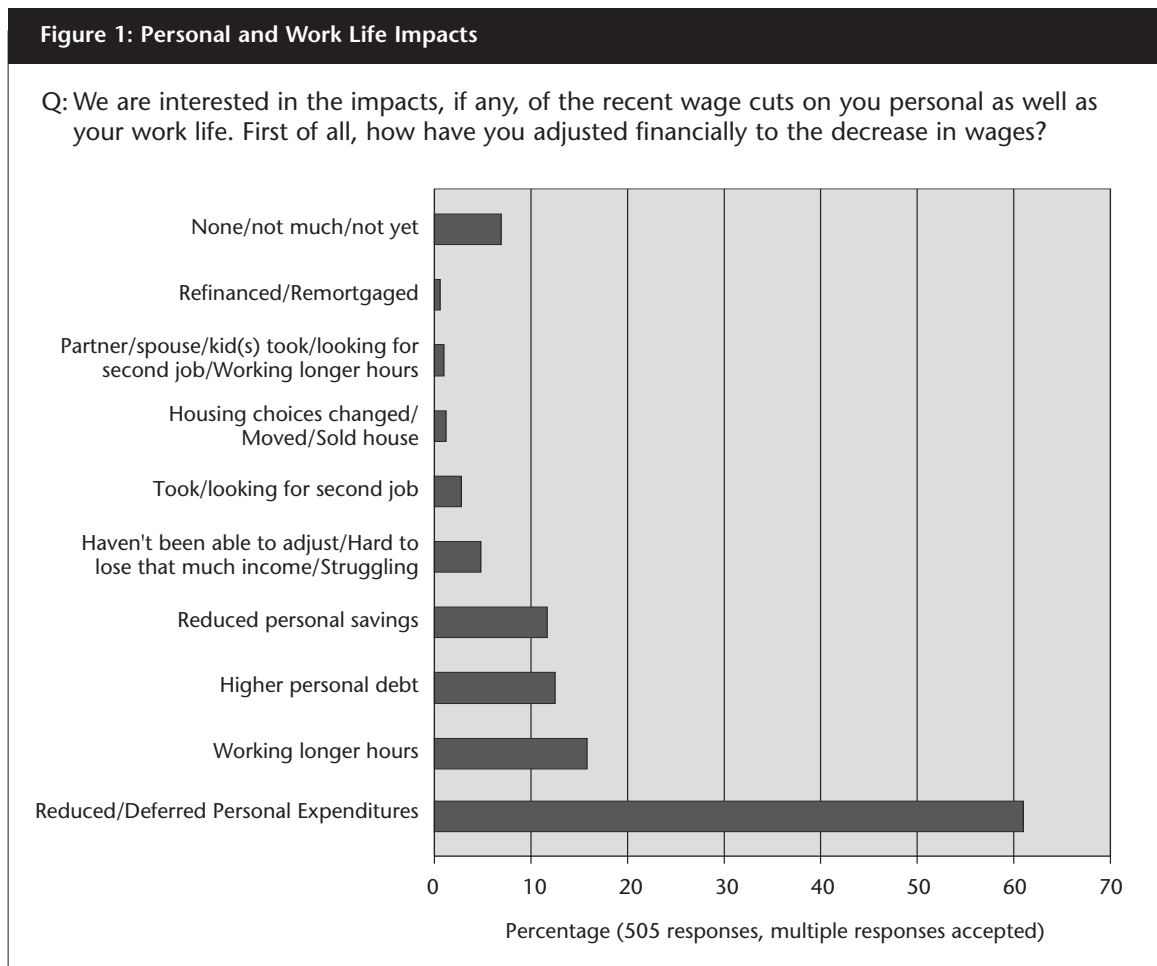
Importantly, a job loss is usually viewed as a temporary matter, with a new job anticipated in the future with the same or higher wages. In our study of a wage cut, however, the drop in income is not a temporary loss but rather a permanent one. Thus, rather than consumption smoothing, as in the case of temporary income loss, we may see real expenditure decreases as the family adjusts its budget.

We might also expect a strong expenditure impact for people with lower incomes, such as many HEU workers. The Browning study did not consider the impacts based on pre-job-loss income level. However, the amount of a family’s assets at the time of the job loss did affect expenditure patterns; people with no or few assets experienced greater hardship than others.

## Personal and Household Finances

In our survey, the examination of household impacts began with an open-ended question (i.e. no prompts or pre-specified categories were provided, and respondents could give more than one answer): “We are interested in the impacts, if any, of the recent wage cuts on your personal as well as your work life. First of all, how have you adjusted financially to the decrease in wages?” The results can be seen in Figure 1.

The single most pervasive impact of the wage cut reported by the majority (61.0%) of respondents was that it forced them to reduce or defer personal expenditures. Other impacts reported by a minority of respondents included: working longer hours (15.8%); higher personal debt (12.5%); and reduced personal savings such as RRSPs and RESPs (11.7%).



Other responses (e.g. refinancing/remortgaging, changed transportation choices, changed educational choices for children, taking or looking for a second job) were reported by a smaller fraction of respondents. Although the percentage responses were quite low in some categories, the impact should not be dismissed. For example, three people reported refinancing their mortgage, and six reported moving or selling their house; this translates into about 800 people when extrapolated to the HEU membership as a whole.

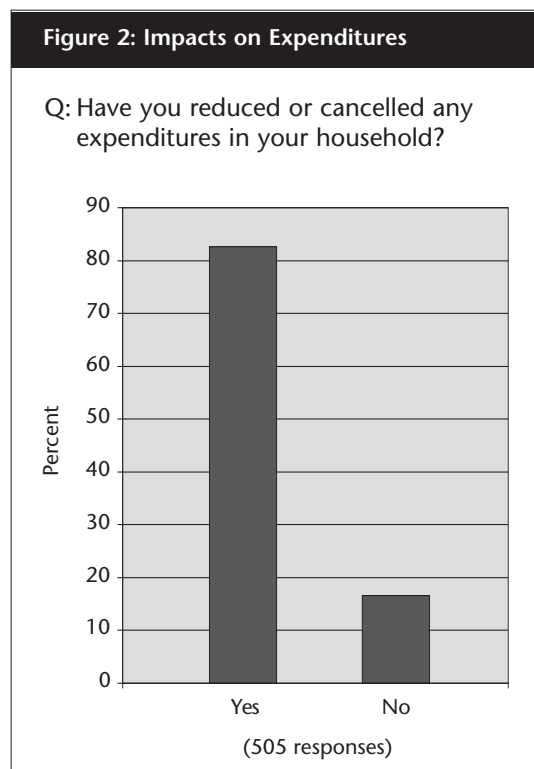
The presence and number of dependents were contributing factors explaining the distribution of financial impacts reported by respondents. In particular, respondents with three or more dependents were significantly more likely than others to report amassing higher personal debt levels (19.9%) and reducing retirement savings (13.7%) due to the wage cut. Conversely, people with no dependents were significantly more likely to report no impact of the wage cut (10.5%) compared with those with dependents.

For those interviewees who lived with a partner, the partner's job security was a strong predictor of how the wage cut affected personal expenditures. Among those with partners in a "very secure" job, 45.5% reported reduced or deferred expenditures; this figure rises to 70.2% for those with partners in a "somewhat secure" or "not secure" job. Respondents with a partner in a "not secure" job were more likely to work longer hours (26.4%) than those with a partner in a "very secure" (11.7%) or "somewhat secure" job (9.2%). Conversely, a significantly larger share of those with partners in a "very secure" job reported no impact of the wage cut (15.6% compared with 5.1% and 1.9% for "somewhat secure" and "not secure," respectively).

Thus, even among those in less stressful situations — with no dependents or with a partner in a secure job — only a small minority reported no financial adjustments in response to the wage cut.

Household and personal income were also contributing factors. A significantly larger share of respondents with household incomes under \$50,000 per year (16.3%) reported higher personal debt compared with those with household incomes over \$50,000 per year (8.9%).

Respondents with three or more dependents were significantly more likely than others to report amassing higher personal debt levels (19.9%) and reducing retirement savings (13.7%) due to the wage cut.



We found that interviewees with higher education were significantly more likely than others to report working additional hours in reaction to the wage cut. Workers with higher education and higher incomes may be more likely to work longer hours because they have a greater capacity to do so. (We return to the hours of work issue below.)

The next question asked directly whether household expenditures were cancelled or deferred. In this case, more than four-fifths (82.6%) said yes (Figure 2) compared with 61.0% in the previous open-ended question. The percentage saying yes dropped to three-quarters (74.4%) for those with no dependents and to under two-thirds (64.9%) for those with partners in "very secure" jobs.

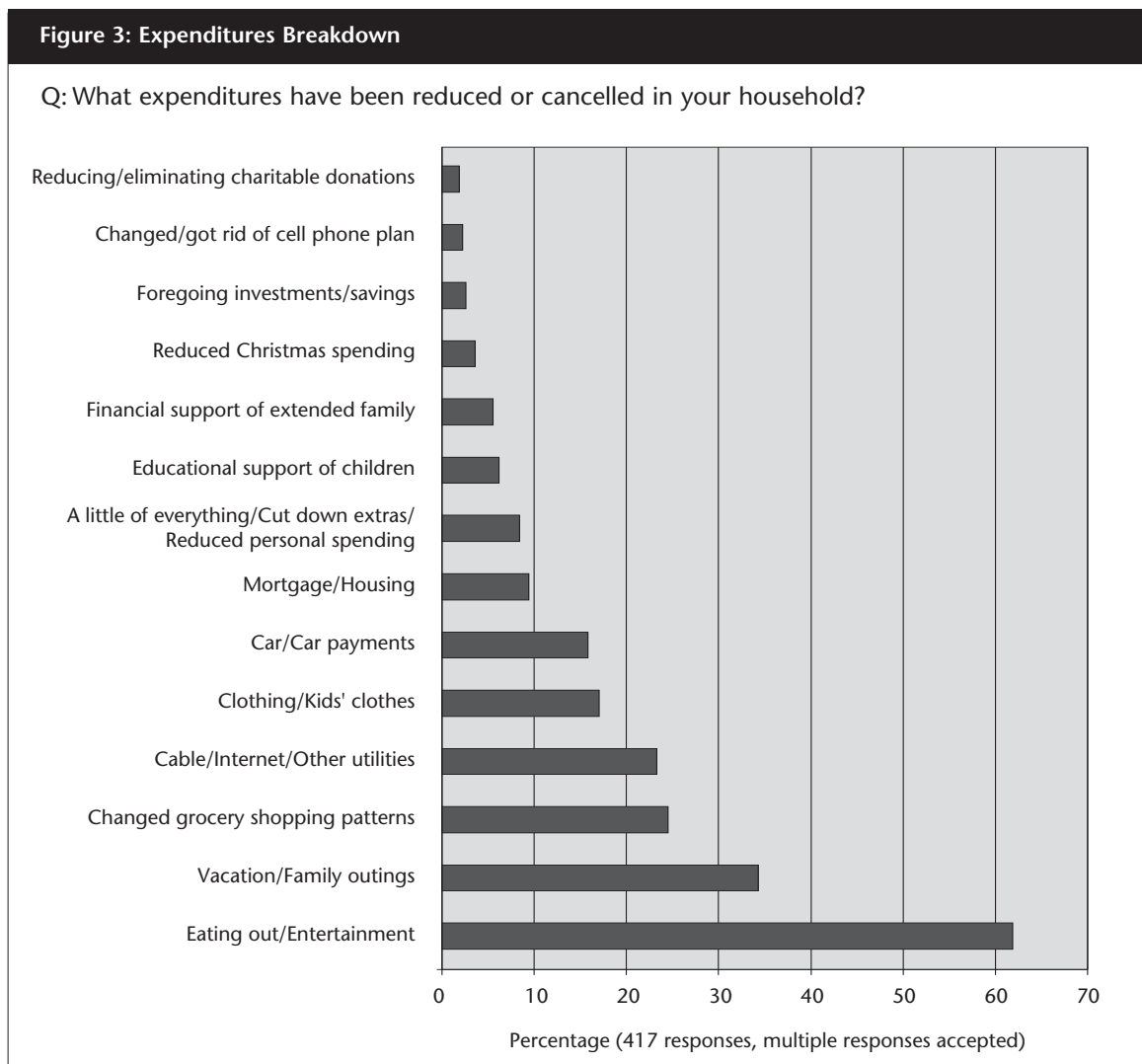
For the total group who responded yes (417 responses), we asked which household expenditures were reduced or cancelled. Results are presented in Figure 3. Respondents could choose more than one option.

The results support the idea that people will cut discretionary expenditures first, protecting the expenditures they view as most important. For example, the majority (61.9%) said they decreased expenditures on eating out and entertainment; fully one-third (34.3%) reduced expenditures on vacations and family outings.

At the same time, a sizeable minority of respondents reported adjustments to essential or non-discretionary expenditures. Almost one in ten reported some changes to their housing and/or mortgage situation (i.e. decisions based on their previous rate of pay were revisited). One in six diminished or eliminated use of their car. One-quarter reported that their grocery shopping patterns had changed.<sup>8</sup>

Number of dependents was a contributing factor for some categories of expenditure decreases. People with two and three dependents were significantly more likely to reduce educational support for their children (10.7% and 11.0% respectively) compared with those with no or one dependent (1.6% and 1.3% respectively). People with three or more dependents were more than twice as likely to report changed grocery shopping patterns than those with no dependents (34.6% and 15.6% respectively) and were also more likely to report decreased spending on “clothes/kids’ clothes.” Half of respondents with no dependents reported reduced expenditures on eating out; this rose to more than two-thirds (67.9%) for those with one dependent and three-quarters (76.2%) for those with two dependents.<sup>9</sup>

It is important to note that reductions in expenditures by HEU families (about 43,000 households)





have adverse impacts on the local economy, due to flows of income throughout the economy. Thus the full impact of lower household spending is greater than the personal impacts cited above.

## Work Hours

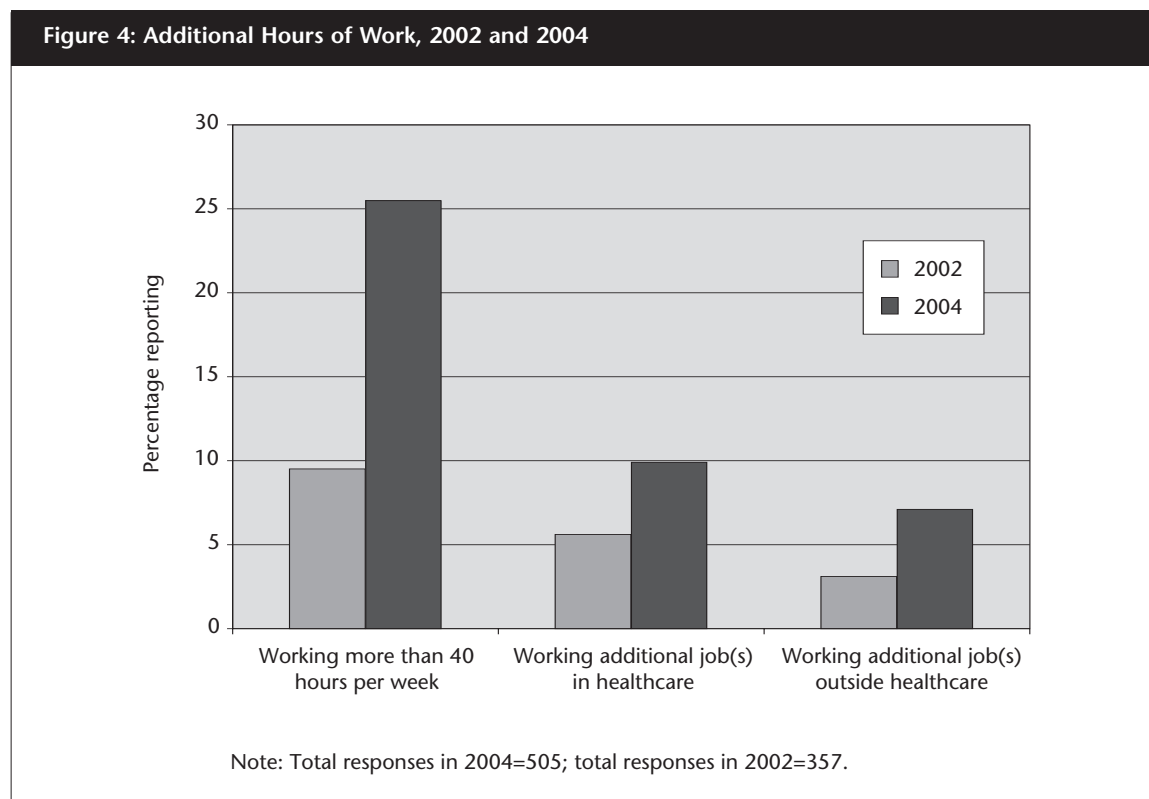
There are a few different channels through which additional work may compensate for a wage cut: increased overtime and casual shifts; working additional jobs in health care; working additional jobs outside of health care; and additional work by other family members. Fully one-quarter of interviewees (25.0%) reported working additional hours in their own job by working overtime or taking on casual shifts.

For this study we repeated questions about additional work from the 2002 HEU workers' survey by McIntyre and Mustel. The results can be seen in Figure 4. Our study shows a large increase in the proportion of workers working longer hours when compared with the previous survey. In 2002, 9.5% of workers reported average hours of 40 hours or more per week compared with 25.5% in 2004. In addition to a regular full-time job, 9.9% said they were working one or more other health care jobs as an HEU member in 2004 compared with 5.6% in 2002; 7.1% said they had another paying job outside health care in 2004 compared with 3.1% in 2002.

Although we cannot tell the degree of overlap (some people in the sample may be working both overtime in their regular job and an additional job), these numbers suggest that taking on extra hours of work is a major way of addressing the wage cut. To the extent that overtime wages are being paid for this work, this will reduce the cost savings of the wage cut.

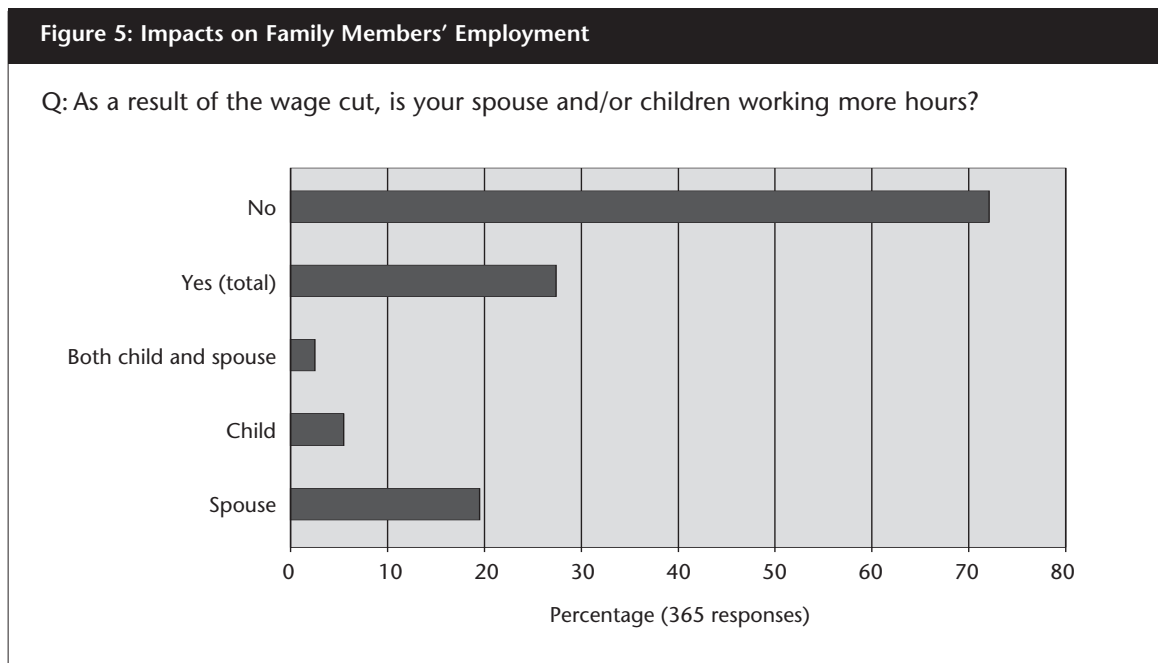
These numbers suggest that taking on extra hours of work is a major way of addressing the wage cut. To the extent that overtime wages are being paid for this work, this will reduce the cost savings of the wage cut.

Figure 4: Additional Hours of Work, 2002 and 2004



Another method of coping is for the spouse or children to find work or work longer hours to compensate for lost household income. In our survey, 27.4% reported that their spouse and/or child was working more hours as a result of the wage cut (Figure 5). The spouse bore most of the burden of additional work: 19.5% reported a spouse working more, 5.5% reported a child working more, and 2.5% said both. The largest jump in total family work hours was among people with three or more dependents: 38.1% had a spouse or child working more hours.

With one in 12 respondents reporting an increase in work by a child, it is worth noting that this shift coincides with provincial legislation that makes it easier for children as young as 12 to take paid employment. Although the new legislation requires parental consent, some BC parents are essentially in a “conflict of interest” due to being financially squeezed by the wage cut.



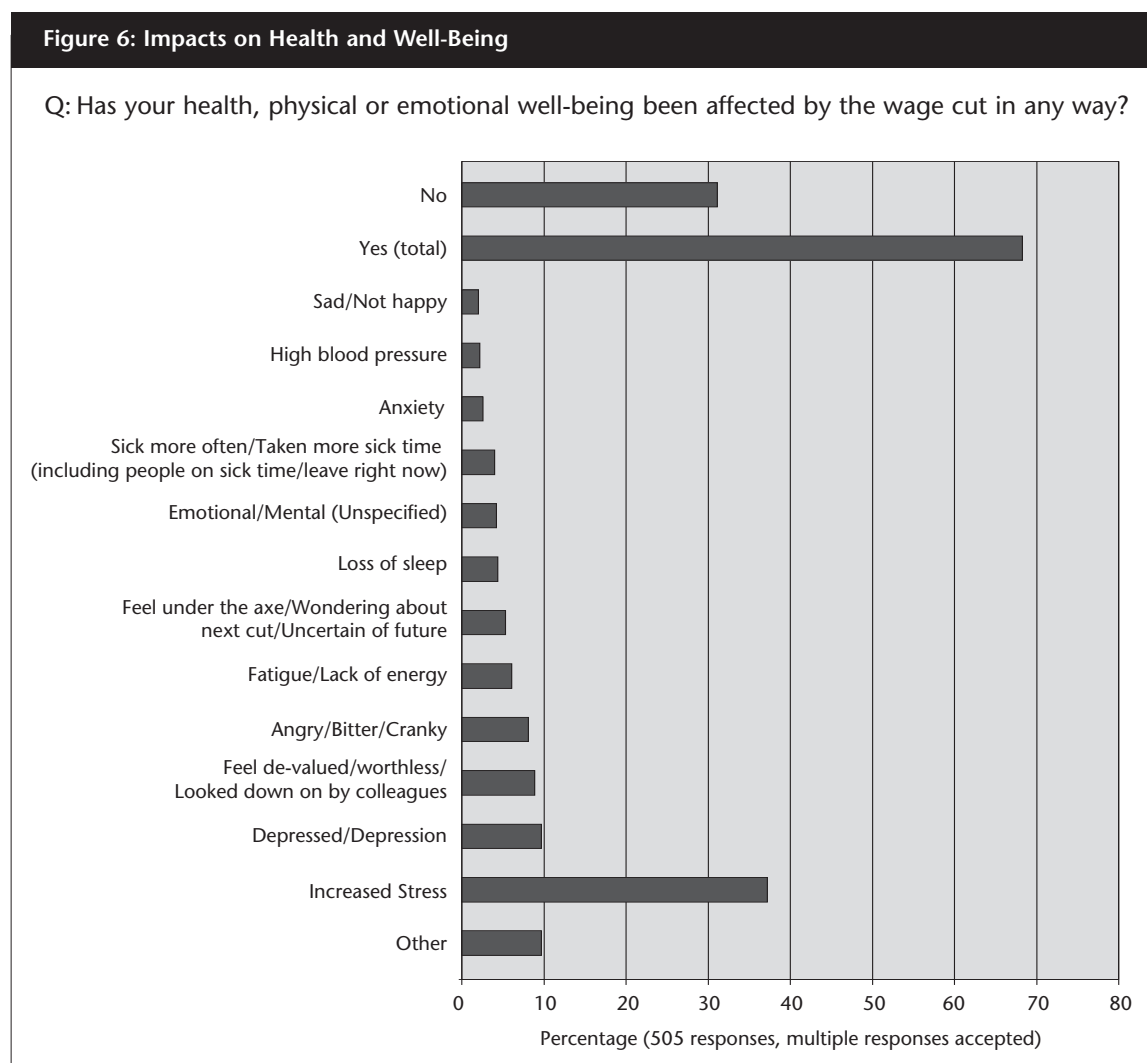
## Health, Well-being and Family Relations

The wage cut may also be expected to affect workers' physical health and emotional well-being. These impacts, in turn, are likely to reverberate within households and, in particular, in relationships with a spouse and/or children. We asked: "Has your health, physical or emotional well-being been affected by the wage cut in any way?" The results can be seen in Figure 6.

More than two-thirds of those surveyed reported some effects on their health, physical and emotional well-being. The most frequent response to the question was increased stress, reported by 37.2% of respondents. This proportion rose to 44.5% for those with three or more dependents and to 43.4% for those with a partner in an insecure job.

Other answers included a variety of related emotional and physical responses. On the emotional side, one in ten reported feeling depressed,<sup>10</sup> with almost as many reporting feeling devalued, worthless or looked down upon by colleagues. Others reported feeling angry, cranky or bitter. In the realm of physical health, the numbers are smaller but interviewees talked about feelings of fatigue, lack of energy, sleep loss, being sick more often, anxiety and high blood pressure.

Technicians, among the most highly skilled HEU workers, reported greater feelings of resentment than others: 16.4% said they felt angry, cranky or bitter, and 9.6% reported falling sick more often than before.



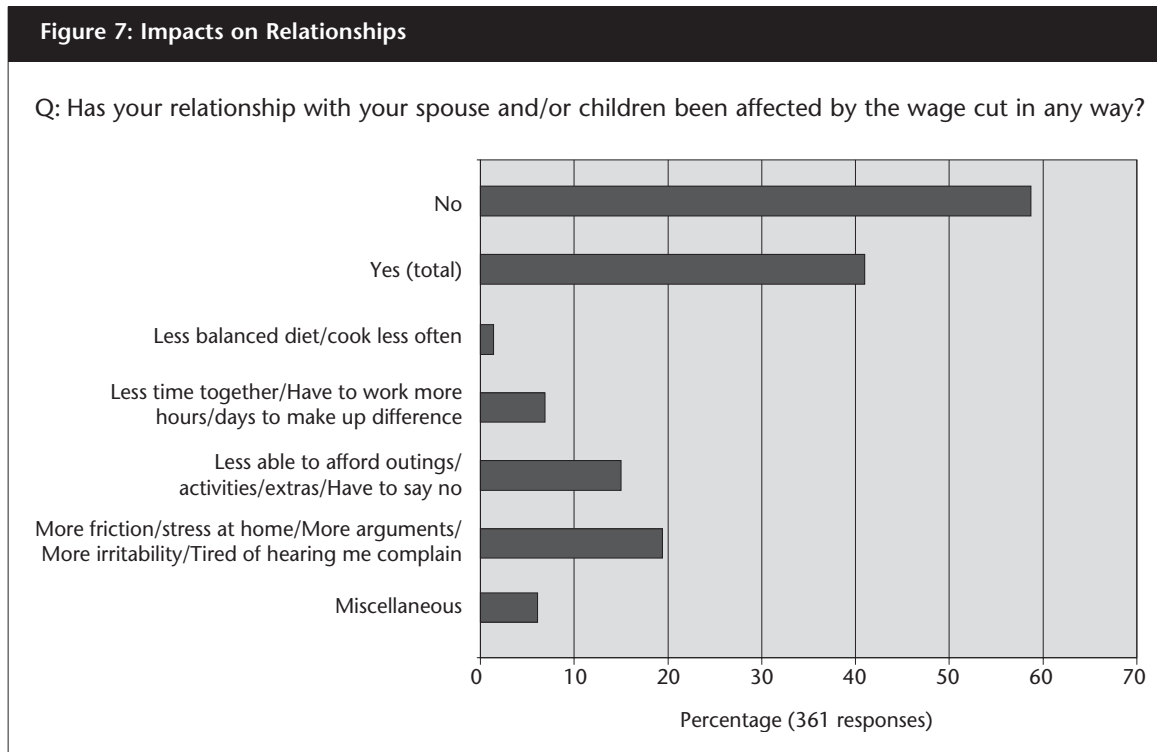
The wage cut also had notable impacts on family relationships (Figure 7). We asked: “Has your relationship with your spouse and/or children been affected by the wage cut in any way?” More than two-fifths (41.0%) reported that their family relationships had been affected by the wage cut. Almost one-fifth (19.4%) reported more friction/stress at home. This rose to 25.5% for those with three or more dependents and to 30.8% for those with partners in an insecure job.

Interestingly, income level had relatively little bearing on these responses, which suggests that the impacts of the wage cut went beyond money. Job security of a partner, however, was a contributing factor. One-quarter of those with partners in “somewhat secure” jobs reported more friction and stress at home, rising to 30.8% for those with partners in “not secure” jobs. Both categories were significantly greater than those with partners in “very secure” jobs (11.7%). Almost three-quarters (74.0%) of those with partners in “very secure” jobs reported no impact on family relationships compared with one-half (50.0%) in the “not secure” category.

For 15.0% of respondents, relationship pressures were related to finances: being less able to afford outings, activities and extras, and having to say “no” to their family. Some 6.9% reported having less time together as a family and that relationships were affected by their need to work longer hours to make up for the wage cut.

Finally, we asked about the impact on community and volunteer activities by the worker whose wage was cut. More than a third (35.2%) reported that the wage cut affected their ability to participate in community and volunteer activities. Those with more dependents and those with a partner in a “not secure” job were significantly more likely to report a negative impact. This suggests that, in some way, society at large also feels the impact of the wage cut.

Taken altogether, these findings indicate that the wage cut had major personal impacts, both in financial consequences and in individual and family well-being. And as we will see in the next section, these personal impacts also have important consequences for health care organizations and for the provision of public health care services.



# Organizational Impacts of the Wage Cut

Two reports by the Auditor General of BC, in 2002 and 2005, note the importance of work environment to the achievement of government objectives. Drawing on research in the private sector that shows that healthy work environments lead to more satisfied customers and greater profits (and in the case of the public sector, to greater confidence in government by citizens), the Auditor General expressed concerns that a poor-quality work environment was affecting the quality of service received by British Columbians.

One point stressed by the Auditor General (2005:3) was the role of “engaged employees” who are:

*passionate about their organization and recommend it to potential clients and employees. They put in extra effort to ensure the success of their organization, and they have an intense desire to remain a member of that organization. Research shows that when organizations have engaged employees the result is increased client satisfaction and loyalty, which ultimately leads to better organizational performance.*

In a survey of public sector employees, the Auditor General found that many were only moderately engaged in their work and were not committed to staying. Although the survey looked at civil servants, the findings have clear applications to health care workers and the quality of service delivery.

At the intersection of psychology and business, a small but compelling management literature suggests that workers with higher measured feelings of well-being (or job satisfaction) are associated with higher

levels of profit, greater customer satisfaction and loyalty, higher rates of employee retention and reduced absenteeism. At the opposite end of the spectrum, employees with depression may be cognitively impaired with regard to processing complex material and memory functions. Indeed, mental illnesses such as depression cost organizations (in the US) billions of dollars a year in lost productivity and insurance claims (Harter et al 2002, Keyes et al 2000, Lowe and Schellenberg 2001).

Employees' well-being and perceptions of job satisfaction are not to be taken lightly, given the connections to the organizational bottom line. Workers are attuned to issues of fairness and fair treatment that, if ignored, can have negative consequences for an organization. Compensation rates are about more than money: they also involve matters of respect and fairness. It is well-known that people dislike losses more than they like gains when it comes to pay. Thus, cuts in pay are potentially explosive to organizations.

A survey by Campbell and Kamlani (1997) of compensation professionals in US businesses provides some important empirical content for understanding the implications of a wage cut. Testing competing economic theories about the relationship between worker effort and wages, the authors found that businesses are generally averse to wage cuts based on fears about a decline in workers' effort, and that firms try to retain experienced workers and thus decrease the hiring and training costs associated with employee turnover.

One question in their survey of businesses is highly relevant to our study: "Suppose you were to cut wages by 10%. By approximately what percentage (if at all) would you expect workers' effort to fall as a result of this cut in wages?" The average scores ranged from a 15.4% decline in predicted effort for white collar jobs, to 19.4% for blue collar jobs and 22.7% for less skilled jobs. The survey's conclusions point to the significance of employee morale to profit-seeking companies and how morale is affected by perceptions of the fairness of wages in relation to past wages, wages of other workers (doing both similar and different jobs), and the firm's profitability.

A similar study by Bewley (1998), which interviewed a wide variety of management and labour specialists, concludes that businesses very rarely impose wage cuts, even in recessions (layoffs are the preferred option), because doing so hurts the morale of workers and increases turnover. Whereas good morale "fosters high productivity, low turnover, and a good company reputation," bad morale "affects turnover, because people try to leave a job they dislike and may quit to retaliate against the employer, even when the job market is bad and they will probably have difficulty finding work." Pay cuts, adds Bewley, "damage morale because adjustment to a sudden decline in living standards distracts, depresses, and antagonizes people and because pay cuts are resented as slights or insults." (p. 476)

Given this theoretical and empirical context,<sup>11</sup> the findings of our survey have strong implications for productivity and quality of care in the health care system. To determine impacts in the workplace, we asked a number of questions about job satisfaction, organizational commitment and observed issues at work.

We asked: "Has your job satisfaction been affected by the wage cut in any way?" The question was open-ended. Almost 70% of respondents reported that their job satisfaction was negatively affected by the wage cut (Figure 8). Although only 14.5% said directly that their morale had declined, several related responses pointed to flagging morale. Technicians were generally more likely than other workers to report negative outcomes; they had significantly higher responses for "feel unappreciated" (26.0%) and "don't take pride in job anymore" (21.9%).

In the focus groups prior to the survey, this sentiment was captured by one worker:

*After job action, I was a totally different person. I used to love my job. I took pride in it and I used to do more than expected in my job description, but I won't do it anymore. I hate my job now and I don't want to be here. I'm angry. I'm mad at my employer. I'm mad at my union. I'm mad at everybody.*

Asked a follow-up question about whether the wage cut affected how workers feel about themselves at work, two-fifths reported being negatively affected. Most of these responses (29.3%) fell into the category of feeling unappreciated/unvalued/unimportant and that their contribution was not recognized. Among technicians, 42.5% reported this response. In smaller numbers but still important in the aggregate were responses such as “unmotivated/not worth doing/no point in excelling,” “insecure/uncertain of future/may have to find other work” and “powerless/being used.”

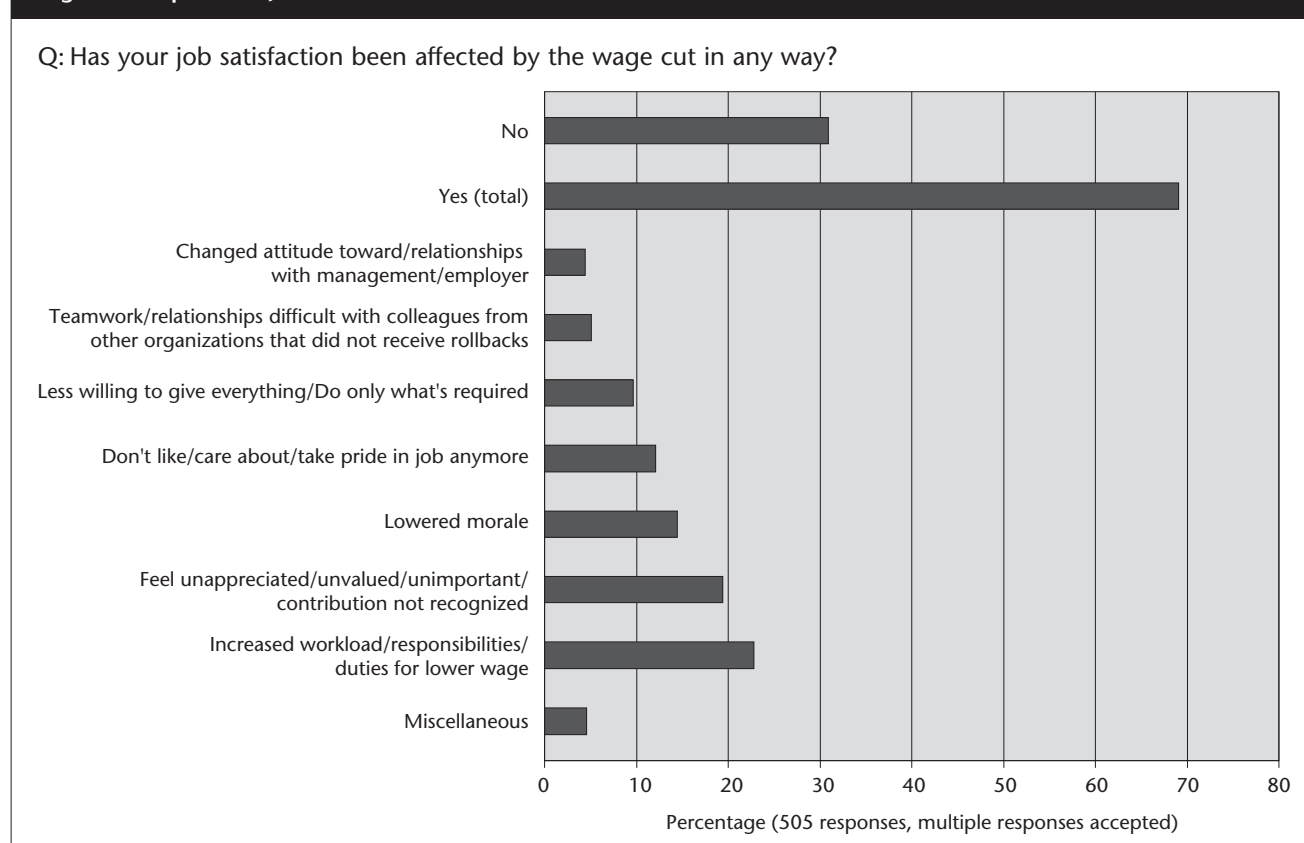
These responses add to previous findings about higher stress levels and, to a lesser extent, depression among interviewees. Overall, these negative descriptions of well-being and job satisfaction should raise a red flag for health care employers.

In an additional question, two-fifths of interviewees agreed that their commitment to the organization had been affected by the wage cut. The most common response was that workers were unwilling to go the extra mile or work overtime and that they just put in their hours and leave.<sup>12</sup> A significantly higher percentage of technicians said the same. On the issue of commitment, a significantly higher proportion of women (61.7%) said no (i.e. their commitment was not affected) compared with men (47.8%).

Workers also reported a decline in the perceived quality of care for patients. Some 44.0% responded that quality of care had been affected in some way (Figure 9). Responses were spread across four broad categories: pressures in their own jobs (less time, always in a rush, always running behind); perceptions of observable service quality (facility was less clean, housekeeping was slow to respond, service had gone down, fewer housekeepers); issues related to worker morale (less enthusiastic, low morale, less personal

It is well-known that people dislike losses more than they like gains when it comes to pay. Thus, cuts in pay are potentially explosive to organizations.

**Figure 8: Impacts on Job Satisfaction**



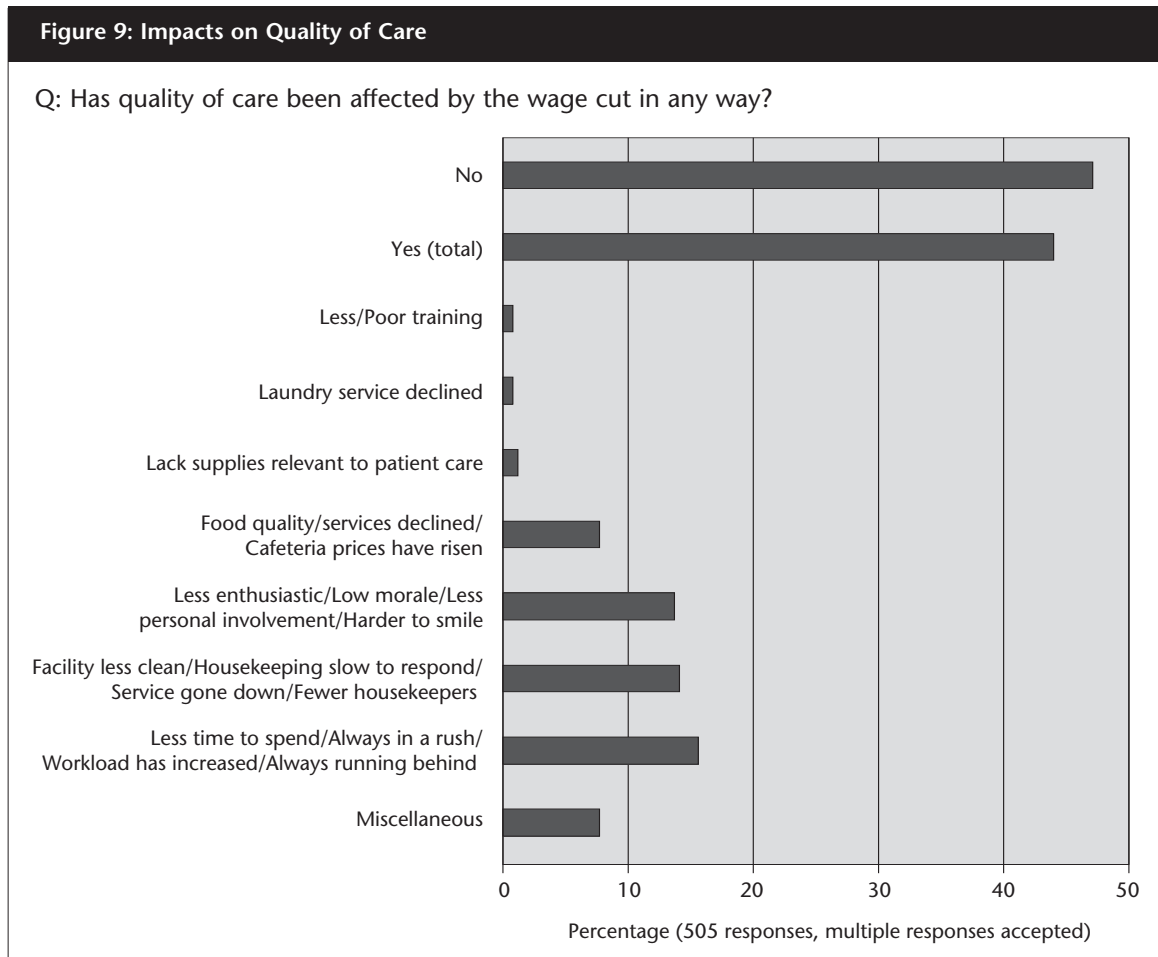
involvement); and declining quality of food and food services, and rising prices. About half of these responses suggest problems related to contracted-out work (rather than the wage cut for HEU workers).

Moreover, since the wage cut many workers observed increased frictions between workers, increased absenteeism, decreased productivity, and increased staff turnover, with a smaller but still important number seeing increased theft of supplies and sabotage (Figure 10). These findings point to unfortunate organizational consequences of the wage cut.

As the literature points out, increased turnover can be a major cost of a wage cut. In our survey this factor was difficult to pin down precisely. In addition to reports of increased turnover, we asked whether workers had themselves considered leaving due to the wage cut. Just under half (47.5%) said they had considered leaving (this figure, by definition, excludes those who have already left). Thus, even among workers who remain, significant employee retention issues may be emerging.

The challenge is exacerbated for more skilled workers. As mentioned above, technicians felt a higher degree of job dissatisfaction. When asked if they considered leaving as a result of the wage cut, 63.0% of technicians said yes.

Recruitment and retention impacts are extremely important, particularly in the case of skilled tradespeople who have the option to perform similar work at higher pay in the private sector. We did not have a large enough sample to break out the responses of skilled tradespeople, but this group is in great demand due to the province's construction boom. A recent letter to the editor of the *Vancouver Sun* from a carpenter/locksmith at Lions Gate Hospital is notable:



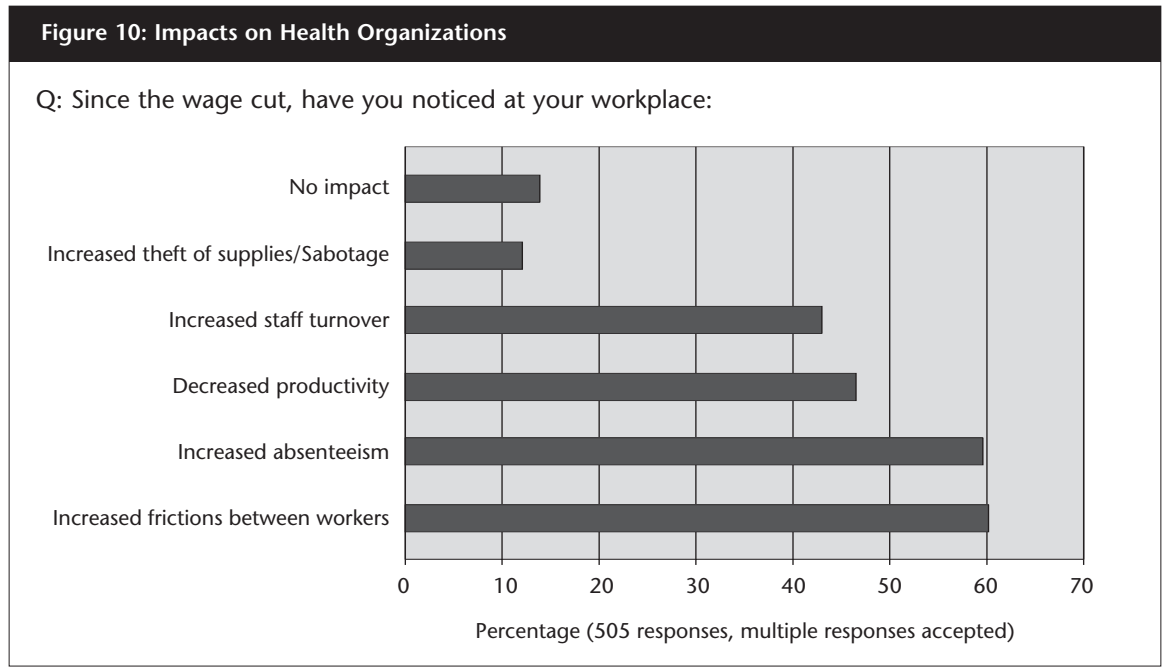


*During the last few months, one-third of my co-workers have resigned. Most of them are trades with one or more tickets. Since the legislature passed Bill 37, our wages have been slashed to 1980s rates. Most of these trades were hired because they were the best of the best, the type that you would want to look after our hospitals. Now, no one is applying for vacant positions and our hospitals are becoming dangerous, to staff, patients and to the public. Unless you have had a tour of the plumbing, electrical, gas, alarms, power plant, etc., you would have no idea how hard it is to keep a hospital running safely. (Hodgson 2005)*

Recruitment is a growing issue not only in highly specialized trades and technical areas, but also among care aides (resident care attendants). Care aides are front-line care workers with seven months of training; they provide the majority of personal care to seniors and people with disabilities in long-term care facilities, peoples' homes, and more recently in acute care hospitals. They are the core of HEU's membership.

In early 2005, the HEU conducted a survey with college instructors of the Resident Care Attendant program, asking them if the wage cut had a negative impact on course enrollment (see Appendix B). Four out of five Lower Mainland colleges responded, and all reported that student recruitment had been significantly more difficult in the last year than in previous years due to uncertainties and turmoil in health care. Three out of four stated specifically that the wage cut had a negative impact on recruitment. All four colleges reported a continuing and strong demand for their graduates, although some jobs, particularly in private long-term care, now only paid \$10 to \$12 per hour.

Since the wage cut many workers observed increased frictions between workers, increased absenteeism, decreased productivity, and increased staff turnover.



# Conclusion

The effects of a wage cut can be multifaceted, and our survey of HEU workers, six months after the wage cut, found a variety of impacts.

First, the wage cut financially affected a large proportion of respondents and their households. This was particularly true in households with more dependents and where a spouse had insecure employment. The wage cut affected household consumption patterns, with a large proportion of interviewees reporting cancelled or deferred expenditures. In most cases, these were discretionary expenditures such as entertainment and eating out, but there were also cases involving housing and/or mortgages.

Second, the survey found a general increase in work hours in response to the wage cut. This took many forms: a large increase in overtime and casual shifts; working additional jobs both in health care and outside of health care; and, an increase in work hours by a spouse and/or child. If these increased work hours are paid at overtime rates, and are accompanied by a more stressed and less productive workforce, the government's goal of cost savings may be thwarted.

Third, the wage cut had a notable impact on the well-being of workers. Higher levels of stress were the most common consequence, but other emotional and physical responses were also apparent. Technical workers reported the greatest negative effects, despite their higher wages (perhaps *because* they have higher wages and more marketable skills).

Fourth, due to a combination of the above, family relationships were adversely affected. More friction and stress in the household were the most common responses, with no significant differences based on income level. Participation in community and volunteer activities was also negatively affected.

Fifth, these interconnected issues have contributed to lower morale in the workplace. Both the empirical literature and our survey point to negative organizational consequences of a wage cut, in terms of higher turnover rates, greater absenteeism, decreased productivity and greater friction among workers. Although our survey covers only those workers who stayed in their job after the wage cut, there is a high risk of many workers quitting in the future. In addition, early results suggest that recruitment problems are

arising for positions where education and training are essential, due to low pay and uncertainties in the health care system.

Although our survey does not lend itself to definitive conclusions, this research does raise concerns about how the wage cut and related policies such as contracting out will affect the quality of service in the health care system. We recommend that the Auditor General of BC do follow-up research to assess the impact of these policies. Workplace surveys and a review of administrative data can be used to determine productivity impacts and costs to health care organizations in areas such as hiring, training and absenteeism. Our concern is that the government chose a policy of wage cuts with the intention of saving \$200 million, but will achieve no such savings when productivity factors are considered.

It is striking that a government so focused on improving the business climate and seeking advice from businesses nevertheless threw aside business wisdom when the wages of workers are concerned. The wage cut was enforced in the context of a growing health care budget and pay increases for physicians and nurses. For health support service workers, the abandonment of collective bargaining and the imposition of a wage cut was an insult. The government may have launched a boomerang that will come back to hurt organizational performance and quality of care.

A key policy recommendation arising from this study is to avoid wage cuts in the future. When public finances are tight, workers may be willing to accept a real wage cut in the form of zero-per-cent nominal increases in the presence of inflation. But nominal wage cuts may bring consequences to organizations that cancel any intended cost savings. Trust in an employer and high levels of morale take a long time to build among workers, but can be swept away in an instant. Treating workers with respect and providing them with decent pay is a better route to an improved workplace.

More fundamentally, this episode in public policy needs to be cast in a broader perspective of rising inequality. British Columbians experienced an increase in income inequality in the 1990s, largely due to increases in market incomes at the top and declines at the bottom (Lee 2004). In the health care system, the already higher paid professional occupations received wage increases, and so the question arises: Why are we willing to cut the wages of workers at the low end of the income ladder, many of whom are among the most vulnerable and marginal workers in the province?

This episode in public policy needs to be cast in a broader perspective of rising inequality. Why are we willing to cut the wages of workers at the low end of the income ladder, many of whom are among the most vulnerable and marginal workers in the province?

A few months after the HEU strike, the provincial government issued a press release boasting that BC leads the country in the proportion of workers making \$16 per hour or more, an acknowledgement that it takes such a wage to raise a family in an expensive province like BC. Yet the same government used a legislated wage cut to push a large number of HEU workers with earnings above that wage to earnings below it.

As a society, the tax and transfer mechanisms of government can only go so far in combating inequality. The labour market must do more of the heavy lifting. Rising minimum wages is one pillar of ensuring fairer outcomes. We need to respect the processes of collective bargaining and provisions that enable unions to be certified. The public sector can also contribute by paying higher wages that pull up wages in the private sector. Rolling back public sector wages in response to low private sector wages is precisely the wrong move.

As our research demonstrates, it is ill advised to treat workers as cogs in the wheel of health care. A wage cut simply cannot be imposed on workers by brute force with the expectation that everything else will stay unchanged. Fairness should be as much a consideration as hard-nosed budget decisions.

# Appendix A: Survey Questions

## A. EMPLOYMENT SITUATION

- A1. First of all, are you currently working full-time, in the Lower Mainland, in the health care field, which includes group homes, mental health and adult day care facilities?  
Yes  
No ‡ TALLY AND END INTERVIEW
- A2. For how long have you been an HEU member?  
\_\_\_\_\_ years  
\_\_\_\_\_ months (if less than 1 year)
- A3. Thinking about your regular full-time job, in what area(s) of healthcare, or type of facility, do you currently work? READ LIST OF NECESSARY. ACCEPT MULTIPLE RESPONSE  
Acute care hospital  
Non-profit / public-funded long-term care  
For-profit long-term care  
Mental health group home  
Community services  
Rehab hospital / facility  
Cancer clinic  
OTHER (SPECIFY) \_\_\_\_\_
- A4. And what kind of work do you do in your regular full-time job?  
Patient / resident / client care ‡ SPECIFY  
LPN (specify): LPN working on an in-patient unit in acute-care hospital  
LPN Other  
Other patient / resident /client care  
  
Laundry  
Dietary  
Maintenance  
Housekeeping  
Trades  
Clerical  
Technician / Technologist  
Supplies distribution  
OTHER (SPECIFY) \_\_\_\_\_
- A5. In a typical week, do you work additional hours in your own job by taking on overtime or casual shifts? IF YES: Approximately how many additional hours do you work in a typical week?
- A6. In addition to you regular full-time job, do you work at one or more other jobs in healthcare as an HEU member?  
Yes: One other job  
More than one other job  
#\_\_\_\_ additional jobs as an HEU member  
No, no other jobs
- A7. IF MORE THAN ONE JOB IN A7: In total, how many hours per week do you spend at your other jobs in healthcare?

- A8. Do you have any paying jobs outside of healthcare?  
 Yes  
 No
- A9. IF YES IN A8: In total, how many hours per week to you spend at your paying jobs outside of healthcare?
- A6. REGULAR HEALTHCARE JOB \_\_\_\_\_ HOURS/WK
- A8. OTHER HEALTHCARE JOBS: \_\_\_\_\_ HOURS/WK
- A10. OTHER JOBS OUTSIDE HEALTHCARE: \_\_\_\_\_ HOURS/WK
- DP DERIVE TOTAL HOURS WORKED: \_\_\_\_\_ TOTAL HOURS/WK

## B. HOUSEHOLD COMPOSITION

- B1. Including yourself, how many adults live in your household?  
 \_\_\_\_\_ adults  
 IF ONE ADULT, SKIP TO QB3
- B2. How many, if any, of these adults are considered dependents, that is you support them financially?  
 \_\_\_\_\_ adults
- B3. And how many dependent children live in your household?  
 \_\_\_\_\_ dependent children
- B4. Outside of your household, how many other adults and children do you support or assist financially?  
 [MAY INCLUDE CHILDREN OR SPOUSE FROM PAST RELATIONSHIP, PARENTS, ADULT CHILDREN AT SCHOOL]  
 \_\_\_\_\_ adults  
 \_\_\_\_\_ children  
 IF ONE ADULT IN HOUSEHOLD, CODE AS SINGLE, AND SKIP TO NEXT SECTION.
- B5. Are you...  
 Attached and living with someone (including married or equivalent)  
 Single (including divorced and widowed)  
 IF SINGLE SKIP TO SKIP TO NEXT SECTION.
- B6. IF ATTACHED: Is your partner employed?  
 Yes, full-time, the full year  
 Yes, full-time, seasonal  
 Yes, part-time, the full year  
 Yes, part-time, seasonal  
 No
- B7. Thinking now about your partner's current employment situation, how secure would you say this job is?  
 Very secure  
 Somewhat secure  
 Not too secure  
 Not at all secure

## C. IMPACT OF WAGE CUT

We are interested in the impacts, if any, of the recent wage cuts on your personal as well as work life.

- C1. First of all, how have you adjusted financially to the decrease in wages? DO NOT READ LIST  
WORKING LONGER HOURS  
REDUCED/DEFERRED PERSONAL EXPENDITURES  
HIGHER PERSONAL DEBT  
REDUCED PERSONAL SAVINGS (RRSPS, RESPS, ETC)  
OTHER: SPECIFY
- C2. IF NOT MENTIONED IN C1: Have you reduced or cancelled any expenditures in your household?  
Yes  
No
- C3. IF YES: What expenditures have been reduced or cancelled in your household? DO NOT READ LIST  
MORTGAGE/HOUSING PROBE: Please describe the changes made.  
CAR/CAR PAYMENTS PROBE: Please describe the changes made.  
CABLE/INTERNET/OTHER UTILITIES  
EATING OUT/ENTERTAINMENT  
VACATION/FAMILY OUTINGS  
FINANCIAL SUPPORT OF EXTENDED FAMILY (E.G. PARENTS OR CHILDREN IN ANOTHER COUNTRY)  
EDUCATIONAL SUPPORT OF CHILDREN  
OTHER: SPECIFY
- C4. Has your health, physical or emotional well-being been affected by the wage cut in any way? IF YES: In what ways? PROBE: Any other ways? PROBE FULLY
- C5. IF ATTACHED AND/OR HAVE CHILDREN IN SECTION B ASK: Has your relationship with your spouse and/or children been affected by the wage cut in any way? IF YES: In what ways? PROBE: Any other ways? PROBE FULLY (*Possible codes: more friction at home, marital breakdown, less time together, less able to afford family outings recreational activities*)
- C6a. IF ATTACHED AND/OR HAVE CHILDREN IN SECTION B ASK: As a result of the wage roll back, is your spouse and/or children working more hours?  
Yes SPECIFY: Spouse  
Child  
Both  
No
- Q6b. Were there any other impacts on family members? (*Possible codes: problems for kids at school, less possible to participate in sporting/community activities, school outings, etc*)
- Q6c. Has the wage cut had an impact on your ability to participate in community/volunteer activities?
- C7a. Has your job satisfaction been affected by the wage cut in any way? IF YES: In what ways? PROBE: Any other ways? PROBE FULLY
- C7b. Did the wage cuts have any impact on how you feel about yourself when at work? IF YES: In what ways? PROBE: Any other ways? PROBE FULLY (*Possible codes: loss of self esteem and feeling humiliated, less valued, and disrespected*)
- C8. Has your commitment to your organization been affected by the wage cut in any way? IF YES: In what ways? PROBE: Any other ways? PROBE FULLY (*Possible codes: unwilling to go the extra mile*)

C9. Has the quality of care for patients been affected by the wage cut in any way? IF YES: In what ways?  
PROBE: Any other ways? PROBE FULLY

C10. Since the wage cut, have you noticed at your workplace:

- Increased absenteeism
- Increased theft of supplies/sabotage
- Decreased productivity
- Increased frictions between workers
- Increased staff turnover

C12. Have you considered leaving the field of health care as a result of the wage cut?

- Yes
- No

#### D. DEMOGRAPHIC DATA

As we near the end of the survey, we have just a few final questions to help us understand the results.

D1. Do you own or rent your home?

- Own
- Rent

D2. IF OWN: Do you have a mortgage on this home?

- Yes
- No

D3. Is your annual personal income before taxes less than \$40,000 per year or \$40,000 or more?

- Less than \$40,000
  - Less than \$20,000
  - \$20,000 to less than \$30,000
  - \$30,000 to less than \$40,000
- \$40,000 or more
  - \$40,000 to less than \$50,000
  - \$50,000 to less than \$60,000
  - \$60,000 or more

D4. IF MORE THAN ONE ADULT IN HOUSEHOLD: Is your annual household income before taxes less than \$50,000 per year or \$50,000 or more?

- Less than \$50,000
  - Less than \$20,000
  - \$20,000 to less than \$30,000
  - \$30,000 to less than \$40,000
  - \$40,000 to less than \$50,000
- \$50,000 or more
  - \$50,000 to less than \$60,000
  - \$60,000 to less than \$70,000
  - \$70,000 to less than \$80,000
  - \$80,000 or more

- D5. Into which of the following broad age categories may I place you?
- Under 45 years ‡ Is that...
    - Under 24 years
    - 25 to 34 years
    - 35 to 39 years
    - 40 to 44 years
    - REFUSED WITHIN CATEGORY
  - 45 years or better ‡ Is that...
    - 45 to 49 years
    - 50 to 54 years
    - 55 to 64 years
    - 65 years or better
    - REFUSED WITHIN CATEGORY
- D6. Please tell me which of the following types of education you have completed.
- Less than high school
  - Completed high school
  - College / vocational / technical course(s):
    - 1-3 months full-time or equivalent
    - 4-6 months full-time or equivalent
    - 7-12 months full-time or equivalent (including LPN diploma)
  - 2-3 year College / vocational / technical diploma
  - Some university
  - Completed university degree
  - Post-graduate
- D7. Were you born outside of Canada?
- D8. Do you identify as a visible minority?
- D9. GENDER (BY OBSERVATION)
- MALE
  - FEMALE

## Appendix B: Recruitment and Retention of Care Aides

Sent: Friday, January 21, 2005

Responses: From 4 out of 5 Colleges in the Lower Mainland

THE QUESTIONS:

1. Can you describe how the wage reductions for the Resident Care Attendants have affected your college RCA training program?
2. Please indicate specifically if, in your view, the wage reduction has had an impact on student recruitment, student attrition rates, practicum placements and/or students' morale.



# Notes

- <sup>1</sup> Technically, the strike was illegal only after the government passed legislation that imposed the new collective agreement. Reporting for the *Vancouver Sun*, Beatty (2004) summarizes the results of a McIntyre and Mustel poll taken a few days after the end of the strike: “Only 30% of British Columbians say they back the government’s position in the week-long dispute that precipitated labour disruptions across the province, while 57% back the hospital support workers’ position. But endorsements for either side are hard to come by. In a poll released Wednesday, 65% of British Columbians disagree with the BC Liberal government’s handling of the dispute, while about 51% of respondents also disagreed with the way the Hospital Employees’ Union handled the dispute.”
- <sup>2</sup> *The Health and Social Service Delivery Improvement Act*, January 28, 2002.
- <sup>3</sup> This legislation was primarily used against the unions representing non-professional direct care and support staff (primarily HEU but also the BC Government and Service Employees’ Union) and not the unions representing professional nurses and para-medical professionals.
- <sup>4</sup> This was stipulated in the “Performance Agreement” for April 2002 to March 2003, prepared by the Ministry of Health Services. Information costs were excluded.
- <sup>5</sup> Part of the 15% wage cut was a 4% increase in required hours of work per week.
- <sup>6</sup> Some caution is merited here, as not all respondents answered the income questions. Out of 505 interviews, 338 people answered the household income question and 464 answered the personal income question.
- <sup>7</sup> In response to lower wages, workers may compensate by choosing to work longer hours. However, because they are being paid less, they also have an incentive to work fewer hours. These income effects and substitution effects move in opposite directions and thus produce ambiguous predictions of the impact.
- <sup>8</sup> Unfortunately, we do not have data that tell us how much expenditures dropped relative to income.
- <sup>9</sup> Those with three or more dependents did not have significantly different results from those with no dependents, perhaps because the latter group eats out less to begin with.
- <sup>10</sup> Population health surveys for Canada find that youth and women have a higher prevalence of depression. For Canadian women aged 45-64 (in our sample, 59.4% are older than 45 and 77.8% older than 40), about 4-6% will have experienced depression in the previous 12 months, depending on the year surveyed (Statistics Canada 1999).
- <sup>11</sup> The idea that nominal wage cuts have a more profound effect on workers than real wage cuts (for example, no change in nominal wages but eroded real wages due to inflation) goes back to John Maynard Keynes. See also a review article by Howitt (2002) that addresses the challenges to economics posed by Bewley’s research and cites studies with similar conclusions from other parts of the world.
- <sup>12</sup> These workers are apparently not the ones who report working longer hours.

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