ONTARIO NURSES' ASSOCIATION

SUBMISSION

TO

ONTARIO TREASURY BOARD

ON

PUBLIC SECTOR COMPENSATION

PSconsultations@ontario.ca

Toronto, Ontario

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Summary of ONA Recommendations to Government

ONA proposes the following recommendations:

1. ONA recommends that the government reconsider a strategy of achieving cost reductions that impact patient care, such as through impacting wages, scheduling, sick leave or other collective agreement provisions achieved through free collective bargaining, which will certainly have an impact on the retention of nurses and health-care professionals.

2. We also recommend that the government consider implementing a human resources strategy as a key factor to retain and to recruit nurses and health-care professionals, which may include additional one-time funding to avoid layoffs of front-line staff.

3. Because public sector compensation in Ontario has been below inflation for the past five years, we recommend that the government allow a free collective bargaining process to continue, without government intervention, pursuant to our Charter rights.

4. Eliminate the duplication of human resources and unnecessary costs in Ontario's home care system that arise from the management of, and awarding of contracts, primarily to for-profit private home care providers, which will result in efficiencies and cost savings as public funding will shift to front-line care rather than to fund profit margins. These savings, as a result of eliminating profit in the procurement process for home care delivery, can be redirected to more public home care services for Ontarians that are coordinated and delivered in a public, not-for-profit setting as part of the province's transformation of the health-care system.

I. Introduction

The Ontario Nurses' Association (ONA) is the union representing 65,000 registered nurses (RNs) and health-care professionals, as well as 18,000 nursing student affiliates, providing care in hospitals, long-term care facilities, public health, the community, clinics and industry.

On April 4, 2019, Karen Hughes, Deputy Minister, Treasury Board Secretariat, sent an invitation to ONA's President, Vicki McKenna, requesting our "participation in the government's consultation (https://news.ontario.ca/tbs/en) on how to manage Ontario public sector compensation growth."

The invitation explained that "through these consultations, the government is seeking your feedback on how to manage compensation growth in a way that results in wage settlements that are modest, reasonable and sustainable. Feedback received through these discussions will directly inform any next steps taken to manage growth in compensation costs."

The invitation provided four guiding questions for the consultation (see Appendix 1) and provided no further information, financial analysis, options being considered by the government, research, or comparison to other jurisdictions.

ONA is not able to agree to the characterization of this process as a 'consultation' based on our experience. Therefore, ONA refers to this process as a group meeting.

ONA accepted this invitation and attended two separate sector-wide group meetings with several unions: May 1, the Community and Social Services Sector, and May 7, the Health and Long-Term Care Sector. This invitation also said that written feedback could be provided by May 24, 2019.

This submission provides ONA's written feedback. ONA's attendance in the sector-wide group meetings, and by providing this written submission, does not constitute waiver of, and is explicitly without prejudice to, ONA's right to enforce the Charter rights of its members to a meaningful collective bargaining process. Furthermore, ONA and its members are accorded fundamental rights under the Charter of Rights and Freedoms. The Charter protects the right of employees to act collectively through their union to exert meaningful influence over their working conditions through a process of collective bargaining.

The current process with the government does not satisfy these rights. It is essential that the government permit free collective bargaining to continue without interference. ONA has engaged in effective and efficient centralized bargaining and there is no need for alterations to this model.

II. Consultations to Date: Process Without Meaningful Exchange of Proposals or Information

ONA attended two sector-wide group meetings with other unions in good faith. The process for most other consultations we have participated in involves the government releasing a discussion paper with ideas they are considering, background and analysis, and with research from other jurisdictions. When we asked the government-commissioned lawyers if the government would be releasing such a consultation paper, they replied no.

The information provided ty the government was minimal and insufficient. Relevant information was not shared, for ONA to respond in a meaningful manner both in regards to the process and the substantive options under consideration. Nor was sufficient information shared from employers where ONA members are employed and with whom ONA engages in collective bargaining. ONA's attempts to gather further information were not fruitful.

These meetings were led by lawyers appointed by the government and involved multiple unions in a group setting. The meeting started with the lawyers providing an opening statement. There was no real dialogue as key government representatives either did not attend or did not engage in any direct discussion but referred questions to government lawyers. These lawyers did not answer questions posed by ONA and failed to provide any requested information during these meetings. Instead, they repeatedly confirmed that no decision had been made and only repeated the general goal to restrain public sector compensation. There was no meaningful dialogue or exchange of ideas or options. In the context where bargaining agents were uninformed, ONA and other unions provided general statements and comments in turn.

ONA also asked a number of questions in these meetings. The answers we received were vague and not helpful to understanding the specifics of options that the government is considering. The answers simply repeated the broad themes the government had announced. When asked about the measures the government was considering, the representatives simply stated that the government had not made any final decision about what approach it will pursue and referred the parties back to information on the government's website.

ONA asked what specific provisions or elements of the collective agreements that the government think are causing the compensation growth. Answer we received:

> All the information necessary for these consultations is available in the 2019 Ontario Budget which can be found at http://budget.ontario.ca/2019/index.html. As you are aware, this consultation process seeks to gather information from participants about the elements of collective agreements that help or hinder the ability to achieve sustainable levels of compensation growth.

ONA asked about the government's question 1, where the question refers to the unintended consequences of the collective agreement. We asked to provide us with examples? Response is below:

> The intent of the consultation question was to understand if there are aspects of collective agreement(s) in your organization that affect the ability to manage overall compensation costs. Examples of opportunities to manage costs in collective agreements could include changes to job security, assignment of work, workload provisions, contracting out, sick leave and overtime.

ONA asked for information and proposals (including transcripts and specific questions asked and answers received) from the consultations with employers that we negotiate with. The government simply provided a list of seven points as themes from the consultations with employers:

- A one-size fits all model may not be sufficient in respect of managing compensation across the public sector.
- Some employers raised the following concerns if legislated wage caps were to be pursued: perception by public sector employers and bargaining agents that a potential wage cap would be a new minimum that the government is comfortable with; challenging negotiations for non-wage provisions during bargaining; compression with unionized and non-unionized employees; concerns with not capturing total compensation costs if it would only be applicable to wages; and inequities if not equally applicable to both negotiated and arbitrated outcomes.
- The government ought to consider adopting a centralized collective bargaining model in sectors that are not currently centralized.

- There is great variability in operations and compensation including benefits, due to the differences such as degree of unionization in an organization, right-to-strike versus interest arbitration prevalence, size of an organization, regional structure, and nature of the sector (e.g. not for profit).
- There may be opportunities to manage costs via increased flexibility, which could be achieved through changes to non-wage provisions. For example, changes to job security, assignment of work, workload provisions, contracting out, sick leave and overtime.
- Other suggested opportunities for looking at managing costs included pooling of assets across a sector (e.g., consolidation and/or centralization of insured benefit plans).
- If approaches such as productivity or gain-sharing were to be pursued, the criteria and formula must be clearly defined, simple and understandable. It was also noted that that this approach would need to be adapted to an organization's operation and may not be appropriate in certain sectors.

Finally, ONA asked what models has the government looked at in other jurisdictions. No information or specifics were provided. The government responded that it is "aware of different models related to gain sharing, growth sharing and centralized oversight of collective bargaining that are used in other Canadian jurisdictions, including British Columbia and Quebec."

Given the lack of lack of information or specific options with which to respond, ONA is unable to offer any specific response to the government. ONA did say in the consultations, as did other unions, that free collective bargaining is the way to proceed. Not only do legislative wage caps constitute a substantial interference with a core issue for collective bargaining, ONA told the government that we live in a province with the lowest RN to patient ratio.

Wage caps will drive nurses out of the province to other jurisdictions. Any legislative wage caps will drive health-care professionals out of sectors where it's understaffed. In case of nurses, they will go to other provinces or the U.S. As a result, and at a time of massive restructuring in our health-care sector, we do not believe that an attack on the working and practice conditions of registered nurses is either warranted or in the best interests of the people of Ontario.

We also remind the government of the impact the social determinants of health has on broader health costs. For example, when the government reduces funding for programs that affect how people live their lives, leading to further conditions of poverty.

Cutting back on public health services, for example, will cause a backup in accessing care in our hospitals, with the resulting impact on hallway health care. We also advise the government that there should be no further privatization, as others said during the meetings. Every time there is movement or removal of public health-care services to the private sector, while there may be temporary savings this year or next, costs go up for future years and public funding is never recovered to be reinvested into patient care as it has already gone to private profits.

In the sections below, we offer general and preliminary comments to the government.

III. Ontario Finances and Public Sector Compensation

ONA disagrees with the government's premise that there has been growth in the compensation of public sector workers. As well, we submit that Ontario does not have a spending problem but the issue is lack of revenue to fund vital programs in health and social services.

According to the Ontario Ministry of Labour,[1] the average annual increase in compensation in 2018 in health and social services sector was 1.5 per cent. The Consumer Price Index in Ontario in 2018 averaged 2.4 per cent. Wage settlements were well below inflation.

In comparison to the private sector, the public sector annual average wage settlements have been lower for the last five years[2]:

Annual average wage increases in Ontario collective bargaining

Year	Public Sector	Private Sector
2017	1.9%	2.1%
2016	1.4%	1.9%
2015	0.8%	1.7%
2014	1.4%	1.9%
2013	0.5%	2.3%

In fact, an analysis[3] of public sector wage settlements, accounting for inflation, shows three startling findings:

- In the last 10 years, public sector wage settlements have averaged -0.4 per cent. Over that time, public sector employees have seen their real wages cut by 4.3 per cent.
- Since 2015, the average real wage settlement in the public sector has been -0.1 per cent. Real wages during that time have been cut by 0.6 per cent.
- Over the last 10 years, there have only been three years where public employees have received actual pay increases, the largest of which was 0.4 per cent.

Based on this analysis, we question the validity of the government's premise that there has been growth in public sector compensation. Our analysis shows quite the opposite – a cut to real wages by more than 4 per cent.

According to the independent Financial Accountability Office of Ontario (FAO), in 2017, the Ontario provincial government received $10,415 in total revenue per person, which is the lowest in the country.[4]

In addition, in 2017, the Ontario government also spent the lowest amount per person ($9,829) on government programs, the lowest spending amount in the country.[5]

Ontario's program spending per person is more than $2,000 per person below the average of the rest of Canada. Since 2011, Ontario program spending per capita has grown by 0.7 per cent, which is far less than half of the 1.9 per cent growth in the rest of Canada.

In particular, of utmost interest to Ontario patients, in 2017, Ontario spent $3,903 per person on health care, which is the lowest amount in the country, and $487 per person lower than the average of the rest of Canada.

Ontario nurses agree with the FAO's conclusion that "given that Ontario's per capita program spending is already the lowest in Canada, opportunities to restrain or reduce spending further may be limited."

Ontario's tax revenue is above the average of other provinces because of the province's "stronger economic base."[6] However, when Ontario's tax revenues are compared to their economic bases, Ontario's personal income tax is equivalent to 9.9 per cent of labour income, compared to the 11.7 per cent share in the rest of the country. As well, revenue from corporate income tax in Ontario is 11.8 per cent, compared to 12.2 per cent share in the rest of the country. This analysis shows that there is room for Ontario to raise revenue through taxes to improve program spending on vital programs in health and social services.

IV. Retention and Recruitment of Nurses and Health-care Professionals

Ontario's 2019 budget reveals that the health sector expense is projected to increase from $62.2 billion in 2018-19 to $65.3 billion in 2021-22 – representing an annual average growth rate of 1.6 per cent over the period. This growth is unlikely to match the costs of inflationary pressures and will not be sufficient to cover the extra costs from population growth, aging and increased demand for services.

An analysis from the FAO[7] shows that Ontario has just come through five years of restraint in the health-care sector. Between 2011-12 and 2016-17, health spending grew by an annual average of 2.2 per cent. As shown above, Ontario has the lowest program spending on the health sector in the country.

Over the past two years, since the five years of restraint in the health sector, health spending has increased to 4.4 per cent on average. According to the FAO[8] analysis, the major components of this health spending increase include Ontario drug programs (grew by 11.0 per cent), hospitals (by 4.7 per cent), long-term care homes (by 3.2 per cent) and community programs (grew by 7.5 per cent). Hospitals, for example, received over $900 million for base operating funding.

The FAO[9] analysis also notes that the recent Kaplan arbitration decision will increase physician compensation by a net total of $1.5 billion over the four-year term to 2020-2021.

The FAO analysis projects health spending as reflecting three key cost drivers: population growth, population aging and health sector inflation. The projection is based on higher inflation and a higher rate of population growth and aging. The FAO estimates that these core cost drivers project to 4.5 per cent annually from 2019-19 to 2022-23.

Ontario's population grew by 1.8 per cent in 2018, the highest annual growth since 2002. Health inflation is expected to average 2.3 per cent from 2019 to 2022.

As noted above, the 2019 Ontario budget projects increasing health-care spending on average by 1.6 per cent to 2021-2022. This spending is well below the expected costs of 4.5 per cent. The FAO's[10] current projection for revenue growth in Ontario is 3.5 per cent over this period.

As announced in the Ontario budget, one of the ways the government is planning to reduce costs is through initiatives designed to ‘optimize’ the productivity of the health-care workforce, projecting annual savings of $250 million by 2021-2022. These initiatives include such areas as ‘improved scheduling’, attendance management, and reducing the number of overtime and premium rates paid. These are all areas subject to collective bargaining as provisions in collective agreements cover overtime and premium rates, scheduling and sick leave. These provisions are also designed to ensure the right nursing and health-care workforce is available to meet the medical needs of patients at the right time, often in circumstances where overtime is not optional.

The government asserts that such changes, unknown at this time, will have no impact on patient care or on front-line staff. Combined with the reduced funding in 2019 for specific sectors, such as hospitals, compared to the amount received in 2018, we highlight that patient care and front-line staffing is already being impacted.

In the context of current hospital funding in 2019 that is less than half of last year’s allocation, Grand River Hospital in Kitchener is implementing layoffs to deal with a projected deficit of $7.4 million, including 20 full-time and 15 part-time registered nurses from in-patient surgery, adult mental health, renal and adult surgical units and geriatrics.

Similarly, in early May, Orillia Soldier’s Memorial Hospital announced 14 layoffs – 9 full-time RNs in the operating room and emergency departments as well as 5 clinical performance specialists – to achieve the hospital’s budget initiatives. These layoffs will most certainly impact patient care and removes more than 27,000 annual hours of RN care no longer available to patients in the Orillia community.

The Ontario Auditor General's 2016 Annual Report provided strong evidence for the need to improve RN staffing in our hospitals. The Auditor General found that RN patient assignment is heavier in Ontario than what international best practices recommend. As the Auditor’s report notes, comprehensive research shows "that every extra patient beyond four that is added to a nurse's workload results in a 7 per cent increased risk of death."[11]

The working conditions in our collective agreements that apply to nurses and health-care professionals are also the conditions under which nurses and health-care professionals provide care to their patients. Changes to these working conditions impact their ability to provide safe, quality care.

As well, Ontario already has the lowest RN ratio per 100,000 population in the country over the last three years.[12] A health human resources strategy for Ontario is also surely needed to plan to replace the one-quarter of RNs currently at retirement age.[13]
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Restructuring Ontario’s health-care system will not succeed without a plan that provides for an orderly transition and strategy to retain and to recruit nurses and health-care professionals. Achieving a transformation of Ontario’s health sector will not be possible while the government mounts an attack on the working and practice conditions for Ontario’s nurses and health-care professionals.

As a result, we recommend that the government reconsider a strategy of achieving cost reductions that impact patient care such as through wages, scheduling, sick leave or other collective agreement provisions that will certainly have an impact on the retention of nurses and health-care professionals.

With this guidance in mind, we also recommend that the government consider implementing a human resources strategy as a key factor to retain nurses and health-care professionals, which may include additional one-time funding to avoid layoffs of front-line staff.

Finally, because public sector compensation in Ontario has been below inflation for the past five years, we recommend that the government allow a free collective bargaining process to continue, without government intervention, pursuant to our Charter rights.

V. <u>The Efficiency of Public Home Care</u>

The Auditor General noted in her 2015 Annual Report that "home care used to serve primarily clients with low to moderate care needs, but now serves clients with increasingly more complex medical and social-support needs."[14]

The Auditor also documents issues of duplication and omission in the contracts with about 160 private sector service providers who provide home care services, and comments on the resulting commercial confidentiality in the model so that the true costs are left unsubstantiated.

Under the current system, each home care provider must maintain staff and devote resources to manage the procurement process. In addition, at the moment, the Local Health Integration Networks (LHINs) must also engage staff and allocate resources to the awarding of home care contracts and the monitoring of quality and standards.

If the competitive bidding system is dismantled, it would mean a much more efficient use of limited resources and would eliminate the needless and wasteful expenditure of resources and extra costs on the current process of contracting to private sector providers. It would allow for informed public accountability and transparency for clients and families, rather than restrictions and barriers imposed by commercial confidentiality. Ontario's managed competition model siphons profit from public funding that should be designated for care.

We recommend that these procurement staff and savings be reallocated to a public setting in the transformed health-care system.

VI. Conclusion

Unfortunately, the current process has not provided any meaningful exchange of information and/or proposals with which ONA is able to respond. It cannot be taken to serve as a substitute for the meaningful dialogue or discussion, which would take place during bargaining, on behalf of our members in each of the sectors that they work in: hospitals, long-term care, public health, the community, clinics, and industry.

While we disagree with the government’s process and premises with respect to public sector compensation, and we believe that collective bargaining should continue, ONA has provided its preliminary comments. We make three recommendations, outlined above, that we believe are aligned with the government’s objective of quality health-care for Ontario patients.

Endnotes

[1] https://www.labour.gov.on.ca/english/lr/pubs/4thquarter2018.php
[2] https://www.cbc.ca/news/canada/toronto/doug-ford-union-negotiation-wage-cap-legislation-1.5126776
[3] ONA calculations. Source: Weighted average based on Statistics Canada data for agreements covering 500+ employees.
[4] https://www.fao-on.org/en/Blog/Publications/inter-prov-comparisons-feb-2019
[5] Ibid.
[6] Ibid.
[7] https://www.fao-on.org/en/Blog/Publications/health-update-2019
[8] Ibid.
[9] Ibid.
[10] Ibid.
[11] 2016 Auditor's Annual Report, p. 470.
[12] Canadian Institute for Health Information (CIHI). *Regulated Nurses, 2017.* ONA calculations based on CIHI data as CIHI no longer reports nurse to population ratios.
[13] College of Nurses of Ontario. *Membership Statistics Report, 2017.*
[14] 2015 Auditor's Annual Report.

Appendix 1 – Ontario Public Sector Consultations – Government Questions

1. Elements of collective agreements could help or hinder our overall ability to achieve sustainable levels of compensation growth; and collective agreement provisions that work well in one sector may have unintended consequences in another. Are there any aspects of the collective agreement(s) in your organization(s) that affect the ability to manage overall compensation costs?
2. Potential opportunities to manage compensation growth could take different forms, for example, growth-sharing or gains-sharing, as identified in the September 2018 line-by-line review of government spending. Are there any tools to manage compensation costs that you believe the government should consider?
3. While no decisions have been yet made, the government is considering legislated caps on allowable compensation increases that can be negotiated in collective bargaining or imposed in binding arbitration. We wish to engage with you in good faith consultations on this option and invite your feedback. What are your thoughts on this approach?
4. Many different approaches to managing compensation growth and overseeing collective bargaining are in place in other jurisdictions, including other Canadian provinces. Are there any tools applied in other jurisdictions which you think would work in Ontario? If so, what is the proposal and how would it work?