



NHI Submission re Sick Pay Proposals

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**Nursing Homes Ireland
Unit A5, Centrepont Business Park, Oak Road, Dublin 12
Tel: 01 429 2570
Email: info@nhi.ie**

PROVIDING LEADERSHIP

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Background

Nursing Homes Ireland is the representative organisation for the private and voluntary nursing home sector. The sector and the care our members provide are key parts of the Irish health service. Private and voluntary nursing homes:

- Care for 21,500+ residents
- Account for more than 75% of all long-term care beds in the country
- Employ more than 22,000 staff

Some 449 private and voluntary nursing homes provide high quality residential care in communities across Ireland. Private and voluntary nursing homes:

- Are integral to the Irish healthcare system, delivering community care in cities, towns and villages throughout Ireland
- Meet the health and social care requirements of the 21,500+ older and dependent persons in their care
- Play lead roles in supporting local business, enterprise and as service providers facilitate and enable job creation
- Are the single largest employer in many communities employing a variety of both healthcare and non-healthcare professionals

Context

Capital expenditure

Cost pressures being brought to bear upon private and voluntary nursing homes are unrelenting. The radically altered regulatory environment, introduced in 2009, has been welcomed by the sector but has given rise to unprecedented costs.

The NHI Cost Pressures Survey 2011 (July 2011, Horwath Bastow Charleton), indicated 76% of private and voluntary nursing homes have incurred capital expenditure to meet the regulatory standards, with the average costing €131,088. A further 65% indicated they would be required to undertake further works, primarily to comply with the new regulatory provisions in respect of the physical environment, with the average amount each respondent expected to incur c. €764,000.

Staffing costs

The most recent NHI annual survey 2009/2010 informs staffing costs account for 61.5% of private and voluntary nursing homes turnover. Staffing levels have increased since the introduction of the national standards. The NHI Cost Pressures Survey indicated the average increase in staffing costs in the year to June 2011 was 15.3%, stating this was most likely due to increased staffing levels.

Cost Pressures

Cost pressures being incurred by nursing homes are unrelenting. The Cost Pressures Survey also confirmed:

- 74% of homes had incurred an increase in energy costs to the year to June 2011. The average increase reported was c. €15,800.
- 25% stated their commercial rates increased over the 12 month period, with the average reported c. €14,200.
- 46% stated that their financing costs had increased in the year, despite no additional borrowings being incurred.

Nursing Home Support Scheme

The Nursing Home Support Scheme (Fair Deal) is designed to meet the cost of care of residents in nursing homes but it operates under a serious anomaly. The NTPF is placing private and voluntary nursing homes under severe pressure to drive down costs without giving due consideration to the true costs required to meet HIQA's National Quality Standards for Residential Care Settings for Older People in Ireland. This significant anomaly has been highlighted by the National Economic and Social Council and the Office of the Ombudsman, both of whom have expressed concerns regarding it.

Sick Pay Proposals

The draft proposals as outlined by Minister Burton, to introduce statutory sick pay upon employers, will have very serious and damaging repercussions for the private and voluntary nursing home sector, as a whole, and its ability to meet the care requirements of an ageing population.

It must be brought to your attention the scenario for nursing homes regarding sick leave is different than that of most other businesses. Nursing homes are statutorily obliged to ensure appropriate staffing levels are in place on a round-the-clock basis. Staff on sick leave must be replaced for the duration of their sick leave. The introduction of this proposal will result in nursing homes having to pay two salaries, one for the staff person on sick leave and another salary for the individual that replaces them. Very few other businesses would have this situation to countenance as in other employments the remaining staff could provide cover and/or management could undertake a reorganisation of the workload and priorities. In the event agency staff are required to replace a sick employee, additional costings are incurred by the nursing home.

Nursing homes are small and medium sized businesses operating to tight margins. This submission advises of just some of the cost pressures being incurred upon nursing homes. As well as encountering the significant challenges that small and medium sized businesses are being faced with in the current business environment on a daily basis, additional and unique cost pressures are being incurred by private and voluntary nursing homes.

Conclusion

We advise of a recent pronouncement by Minister for Jobs Richard Bruton, who stated: *“With over 300,000 job losses since a flawed economic model collapsed in 2008, and more than 315,000 people currently unemployed, job-creation is this Government’s top priority.”*

Private and voluntary nursing homes are highly significant providers of direct and indirect employment within the Irish healthcare system. The thousands of direct jobs the private and voluntary nursing home sector provides, together with the large and very significant number of indirect jobs sustained by it, are of critical importance within Irish villages, towns and communities, and to the national economy.

Simply put, Minister Burton’s proposed changes to sick pay cannot be absorbed:

- Private and voluntary nursing homes are presently not supported in meeting the true cost of the 21,500 complex care requirements of residents in their care because of the limitation of the Nursing Home Support Scheme.
- Nursing homes have had to absorb unrelenting cost pressures: energy, commercial rates, financing, the day-to-day living requirements of residents
- Unlike other businesses, staff on sick leave must be replaced in nursing homes. The proposed measure will effectively require nursing homes to pay two salaries should a member of staff be absent due to illness. Nursing homes are simply not in a position to incur the significant costs that will be incurred should the proposed measure come into effect.

We reiterate our members cannot absorb the costs that will be incurred because of a change re sick pay. Introducing such a measure will:

- Threaten the viability of nursing homes that are providing specialist care in 440+ settings across Ireland,
- Threaten current pay levels,
- Act as a strong disincentive to job creation,
- Seriously impact upon the sector’s ability to meet the significant growing demand for long-term residential care.*

Nursing Homes already incur significant costs when employees are absent, including voluntary sick-pay top-up where it’s given, the cost of medical referrals, overtime payments or the indirect costs such as the effect on productivity and quality.

Research from the OECD shows that an increase in taxes on labour of 1% reduces an economy's employment rate by 0.4% and the proposed measure will particularly hit small, vulnerable employers such as private and voluntary nursing homes, who are operating low-margin businesses.

NHI homes are members of the Small Firms Association and we point to a 2010 SFA Survey** which showed absence in small firms was 2.6% or 5 days annually, compared to 4.9% or 11.3% in the public sector, costing the State between €400m - €500m. It is also important to note employers paid €5 billion or 75% of total contributions to the Social Insurance Fund in 2010.

This proposal will add significantly to the cost of employment in the nursing home sector and for many homes we fear it will prove unsustainable. This measure will undoubtedly threaten the future viability of nursing homes in communities across Ireland that are providing care to our most vulnerable.

Nursing Homes Ireland
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*The Centre for Ageing and Research Development in Ireland projects the number of persons requiring nursing home care will increase by at least 12,270 by 2021, an increase of 59% from 2006, and the increasing numbers could amount to 14,502, an increase of 65% (*Future demand for long-term care in Ireland*, 2012). The ESRI projects an additional 13,324 long-term residential care places will be required to meet demand up to 2021 (*Projecting the impact of demographic change on the demand for and delivery of healthcare in Ireland*, 2009).

**SFA National Absenteeism Report (2010)