



DUTY OF CARE:
AGED CARE
SECTOR
IN CRISIS

2022



Duty of care: Aged care sector in crisis

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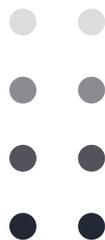
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ABOUT THIS PUBLICATION

Duty of care: Aged care sector in crisis

Less than a year ago, CEDA released research estimating the need for an additional 17,000 aged care workers each year. Skills shortages and challenging circumstances have prompted CEDA to revisit these projections, with the result that we now expect an annual shortfall of 30,000 to 35,000 direct care workers.



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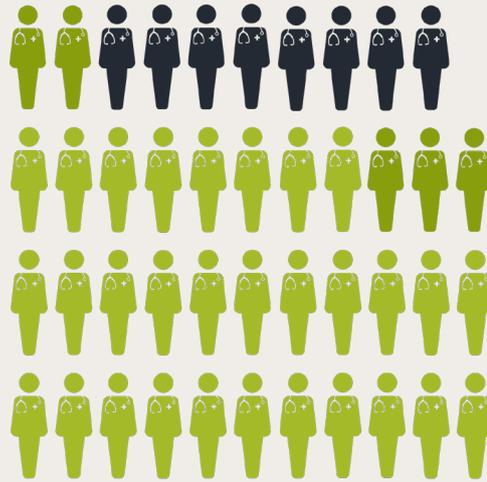
65K

**WORKERS LEAVING
THE SECTOR EACH YEAR**

INCREASED RATES OF ATTRITION MEAN WE ARE LIKELY TO BE LOSING AROUND 65,000 WORKERS A YEAR FROM THE SECTOR



WORKFORCE SHORTAGE



= 1000 WORKERS

8,000

**ADDITIONAL WORKERS
NEEDED TO MEET
INTERNATIONAL BEST
PRACTICE STANDARDS**

35,000

**WORKER SHORTFALL
PER YEAR**

DUTY OF CARE: AGED CARE SECTOR IN CRISIS



20%

**WORKERS LEAVING
IN THE NEXT 12 MONTHS**

38%

**WORKERS LEAVING
IN THE NEXT 1-5 YEARS**

RECOMMENDATIONS

Unions, employers and the Federal Government should collaborate to substantially increase award wages in the sector in the Fair Work Commission's work value case, as recommended by the Royal Commission.

Recruit personal-care workers directly by adding them to the temporary or permanent skilled-migration lists, or introduce a new 'essential skills visa'.

Industry and governments should develop low-cost retraining options for those returning to the industry to boost skills and attract workers.



Cassandra Winzar

Senior Economist (WA) at CEDA

Prior to joining CEDA Cassandra was Principal Economist at the WA Department of Communities (Housing Authority) where she focused on WA economic conditions and housing related research, including running the state government's Housing Industry Forecasting Group. Cassandra has also held roles as the WA-based Economist for the Reserve Bank of Australia and in Transfer Pricing at EY.

\$22
BILLION

In government funding per year for the aged care sector

1.3
MILLION

People receiving some form of care service

360k
EMPLOYEES

In the aged care sector

When CEDA last looked at the aged care workforce, we forecast there would be a need for an additional 17,000 direct care workers each year over the coming decade. Less than a year later, this annual shortfall has doubled due to a combination of challenging circumstances and a lack of action. Now we are expecting an annual shortfall of 30,000 to 35,000 direct care workers. If workforce shortages at this level continue, we will not have enough workers to meet the basic standards of care recommended by the Royal Commission.¹ Miniscule levels of migration and increased levels of attrition in the sector, estimated to be around 65,000 workers a year, have exacerbated existing shortages. This is no longer a problem for the future, it is a critical issue that needs to be tackled immediately.

This paper updates the workforce projections of CEDA's *Duty of Care* report, released in August 2021, based on the latest information and industry consultation. It finds that filling the growing shortfall in the aged care workforce is a task that is escalating each day. Filling this shortfall will not be achieved without determined and consistent effort. Urgent implementation of the recommendations made in CEDA's *Duty of Care* report is necessary.

Improving the quality of care for older generations is a social imperative as well as an economic one. The sector receives more than \$22 billion of government funding per year, supports more than 1.3 million people receiving some form of care service and employs more than 360,000 people.²

The new Albanese government has made commitments towards increasing the quality of aged care,³ including 24/7 registered nurses in residential aged care and longer mandated care time. These commitments will be difficult to achieve without a turnaround in the workforce numbers. The new government's commitment to support and fund a pay rise for aged care workers as part of the Fair Work Commission's work value case is a step in the right direction but pay alone will not be enough to solve the workforce challenge.

What has changed?

The aged care workforce was already under significant pressure with staff shortages, low pay, poor working conditions and increased negative attention through the Royal Commission. Over the past year, these issues have been amplified by the impacts of COVID-19. Aged care has been at the centre of many COVID-19 outbreaks, resulting in even more difficult working conditions and staff themselves becoming sick. For a workforce that was already burnt out prior to COVID-19, this has been the breaking point for many. During a time where unemployment is low, many have chosen to leave the sector.

The Australian Nursing and Midwifery Federation undertook a survey of workers in early 2022 on the impact of COVID-19 on the aged care workforce. It found that 20 per cent of workers intended to leave their employment within the next 12 months, and 38 per cent within the next one to five years.⁴ The survey also asked workers what the most challenging aspect of dealing with COVID-19 in aged care has been – the answer to this was overwhelmingly staff shortages. A survey done by SkillsIQ of recent students in the aged care space found that 13 per cent of those surveyed planned to train or reskill into another industry directly due to the impact of COVID-19 and/or the 2019-20 bushfires.⁵

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**“
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worst-case scenarios.**

”

"Care time per client in home care has actually decreased – a continuing trend over the past five years."

A UTS report into the aged care sector found that staffing levels in residential care remain well below that required to meet the basic standards of care (200 minutes of care per resident per day) that the industry should be working towards. The rate of growth in direct care staffing time has slowed at a time when it should be accelerating. Care time per client in home care has actually decreased – a continuing trend over the past five years. This is attributed to the difficulty in finding workers.⁶

Some stopgap measures were put in place by the previous Federal Government, including bonus payments (up to a maximum of \$800 per worker) and even the Australian Defence Force being deployed to support the aged care workforce during the COVID-19 wave earlier this year. But there has been little to no progress on addressing the underlying factors that are causing the workforce shortages.

Given the immediate nature of the workforce challenge, priority must be given to actions that will boost the workforce in the short term, while continuing to improve longer-term workforce outcomes. This should include the following recommendations from *Duty of Care*:

- Unions, employers and the Federal Government should collaborate to increase award wages in the sector, as recommended by the Royal Commission.
- Recruit personal-care workers directly by adding them to the temporary or permanent skilled-migration lists, or introduce a new 'essential skills visa'.
- Industry and governments should develop low-cost retraining options for those returning to the industry to boost skills and attract workers.

How many workers do we need?

Our 2021 research found that Australia needed a net increase of 17,000 direct care workers per year from 2020 through to 2030, and that doing so would require significant changes within the industry.

In the year since the estimate was published, not only has no progress been made, but the circumstances have significantly worsened.

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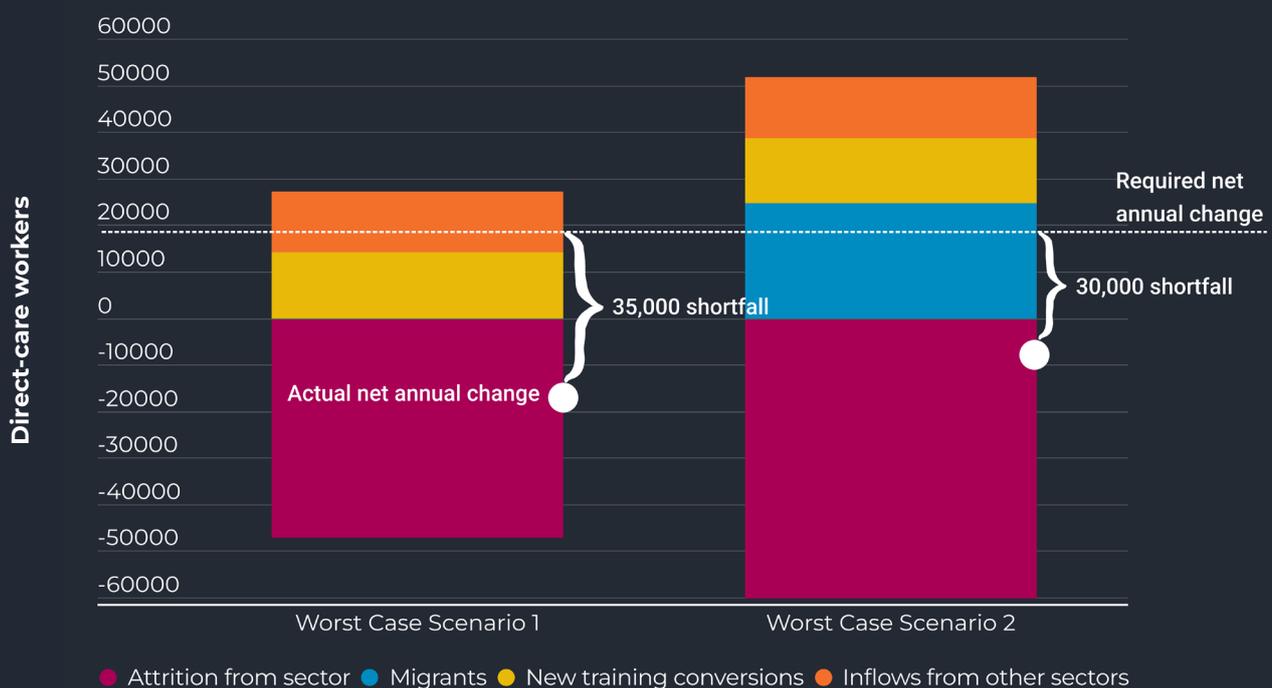
Industry consultation suggests that attrition has increased substantially over the past two years, due to staff burnout and the availability of jobs elsewhere. Migration levels have not yet returned to pre-pandemic levels, let alone increased. Training levels have remained relatively steady. If this is not turned around quickly, CEDA's 2021 forecasts of a cumulative shortfall of 110,000 workers by 2030 will look like a significant underestimate of the workforce shortages facing the sector.

In our previous report we provided a number of scenarios of workforce trends.⁷ The latest evidence suggests we are tracking towards the worst-case scenarios. The graph below shows the two worst case scenarios from our previous report – one with no workers coming in through migration, and one with more workers leaving through increased attrition.⁸ These scenarios now reflect current conditions – we are likely somewhere in between the two. Increased rates of attrition mean we are likely to be losing around 65,000 workers a year from the sector. Replacing these people is no easy task and takes up significant time and resources for providers.

With more workers leaving the sector and fewer coming in through migration, the gap between where we need to be to meet demand and where we are currently has essentially doubled. If current conditions continued, we would have a shortfall of around 30,000-35,000 direct care workers a year.

FIGURE 1

Workforce growth scenarios





Without substantial growth in the workforce, not only will we fail to meet the aspiration of improved care (as called for in the Royal Commission) but our levels of care will likely deteriorate.

These scenarios are not inevitable. The trends can be reversed but this will require determined and consistent effort. It is critical we take action now to ensure these scenarios don't play out.

Importantly, meeting this goal will only get Australian aged care to basic levels of care. Providing care levels at an international best practice standard would require a further increase in the workforce. This would require at least an additional 8,000 workers every year, on top of filling the 30,000-35,000 shortfall. We are a long way from getting there.

Pay rises are not enough

Wages levels and relativities are part of the problem in attracting and retaining workers. Workers in the sector make substantially less than those working in similar roles and with similar qualifications in adjacent industries such as disability and health care. As per our recommendation in *Duty of Care*, we continue to support unions and stakeholders in working together on the work value case currently before the Fair Work Commission to increase wages in aged care awards.⁹ The recent decision to increase the modern award minimum wage will benefit many aged care workers but a more substantive increase is still required to bring pay rates into line with adjacent care sectors. The new Albanese government has committed to make a submission to support and fund higher wages in the sector. This is a good first step.

As important as increasing wages is, this alone will not solve the aged care workforce problem. While it may go some way to stemming the tide of workers leaving, the industry must also address other working conditions, such as hours and rostering, training and career progression. CEDA made 18 recommendations in *Duty of Care* showing the magnitude of the problem means that all levers must be pulled to make headway on this challenge.



Recommendation 1

Unions, employers and the Federal Government should collaborate to substantially increase award wages in the sector in the Fair Work Commission's work value case, as recommended by the Royal Commission.



Recommendation 2

Recruit personal-care workers directly by adding them to the temporary or permanent skilled-migration lists, or introduce a new 'essential skills visa'.



Recommendation 3

Industry and governments should develop low-cost retraining options for those returning to the industry to boost skills and attract workers.

The role of migration

Migration is crucial to rebuilding the aged care workforce. Prior to COVID-19, we estimated around 30 per cent (nearly 80,000 workers) of the workforce were migrants. While borders re-opened in 2022, numbers of migrants remain low and visa processing times are long. There is also significant competition for migrants in a range of sectors, which means aged care may miss out. In order to meet the demand for workers, migration will need to return to at least previous levels, if not more. We need to make Australia and the industry more attractive for potential migrants.

Personal care workers, who make up most of the aged care workforce, are not currently eligible for a skilled migration visa. Most of these workers come to Australia on a working holiday, international student or partner visa. Prioritising an essential skills visa would allow these workers to directly enter Australia to work in the industry. This targeted migration would focus on trained and motivated staff who want to work in the sector. There should be a pathway to permanent residency for these workers – as demand for workers in this sector will be with us for the long term. Other countries such as Canada and New Zealand have piloted programs to directly recruit migrant workers for their care sectors.¹⁰

"By pulling all the available levers we can start to make progress on building the caring workforce that Australia needs to provide the high level of care we all expect for ourselves and our families."

We will also need more migration at the registered nurse level. The Albanese government has committed to having 24/7 registered nurses in all facilities. It is difficult to see a pathway to fulfilling this commitment without a significant increase in migration, as acknowledged by the new Minister for Aged Care, the Hon Anika Wells.¹¹

Where to from here?

The situation is not all doom and gloom. Aged care is a rewarding career, with high levels of job satisfaction. If we can start to rebuild the workforce, lift wages and conditions, and improve the reputation of the industry we could see a virtuous cycle where increased attractiveness and job satisfaction encourage more and more people to enter the industry.

But this won't occur without significant effort. Addressing pay and migration should be the immediate priorities, however we also need to look at improving training options, career pathways and investing in new technologies to improve productivity. By pulling all the available levers we can start to make progress on building the caring workforce that Australia needs to provide the high level of care we all expect for ourselves and our families.

Key recommendations from *Duty of Care* that have seen some movement:

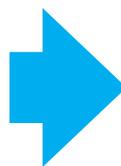
While there has been no substantial action on the recommendations from *Duty of Care*, there have been some small movements in the right direction:



Recommendation 2: Unions, employers and the Federal Government should collaborate to increase award wages in the sector, as recommended by the Royal Commission. They should also consider remuneration and award structures that allow pay to rise with increased responsibility, to better enable long-term career progression.

Recommendation 4: Industry, unions and the Federal Government should review and revise conditions around minimum shift lengths, paid travel time and the cancellation of shifts under the relevant awards.

Recommendation 13: Recruit personal-care workers directly by adding them to the temporary or permanent skilled-migration lists, or introduce a new 'essential skills visa'.



WORK VALUE CASE

The work value case with the Fair Work Commission is currently underway. The new Albanese government has committed to making a submission, and to support and fund the outcome of this case.^{12,13}



MINIMUM SHIFT LENGTHS

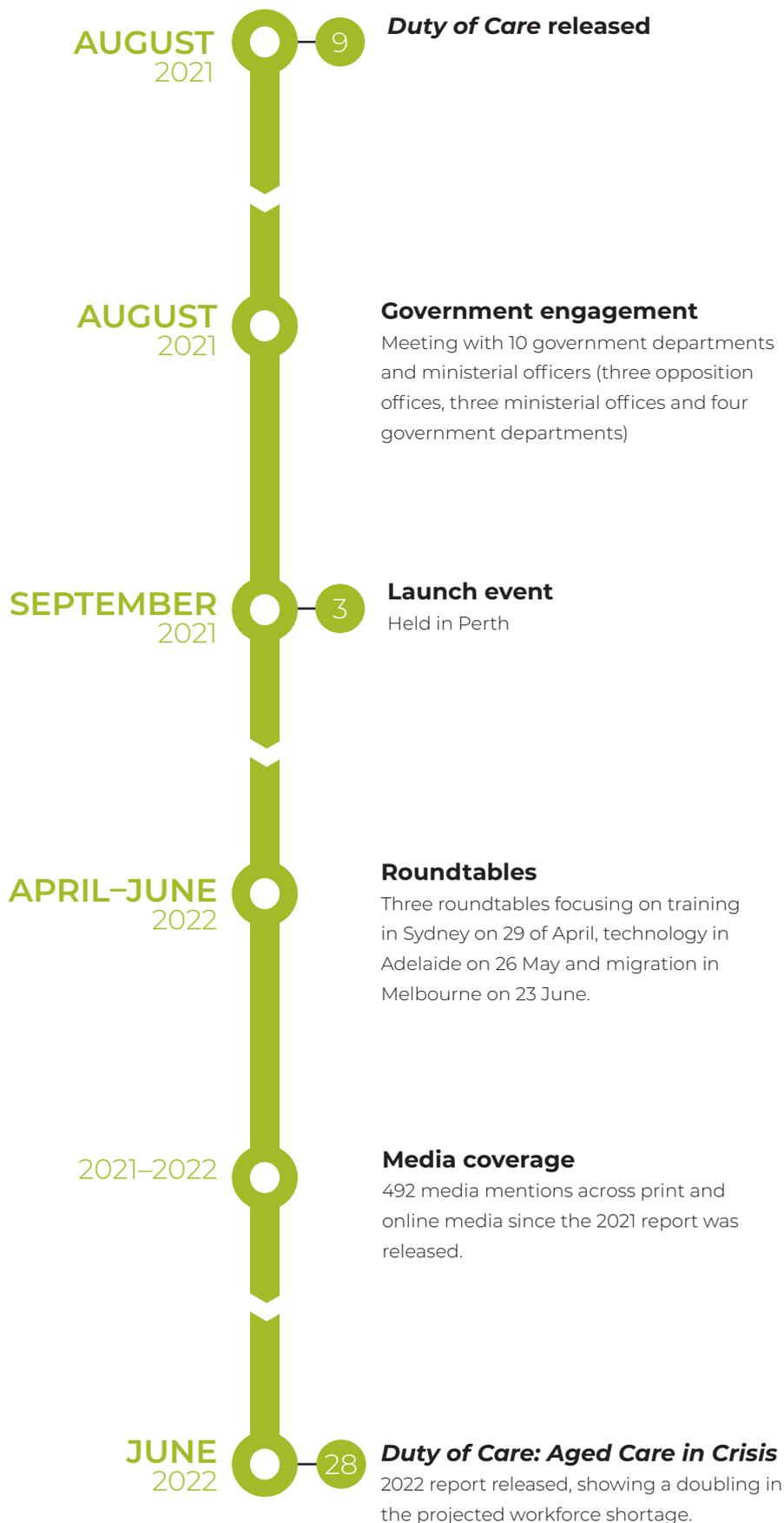
The minimum shift lengths for home care workers under the Social, Community, Home Care and Disability Services Award has been increased to two hours.¹⁴



SKILLED MIGRATION

New Minister for Aged Care, the Hon Anika Wells has acknowledged the need for more migrants in the sector.¹⁵

CEDA'S ADVOCACY ON AGED CARE



References

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- 2** <https://www.ceda.com.au/ResearchAndPolicies/Research/Health-Ageing/Duty-of-care-Meeting-the-aged-care-workforce-chall>
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- 5** <https://www.skillsiq.com.au/ResourcesResearchandSubmissions/Longitudinalstudy>
- 6** https://opus.lib.uts.edu.au/bitstream/10453/157405/2/UARC_Aged%20Care%20Sector%20Mid%20Year%20Report%202021-22.pdf
- 7** See Appendix A – Methodology and Assumptions in Duty of care for explanation of scenarios and data sources.
- 8** An attrition rate of 25% is used in this scenario, up from 18% used in the baseline.
- 9** <https://www.fwc.gov.au/hearings-decisions/major-cases/work-value-case-aged-care-industry>
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About CEDA

CEDA – the Committee for Economic Development of Australia – is an independent, membership-based think tank.

CEDA's purpose is to improve the lives of Australians by enabling a dynamic economy and vibrant society.

Through independent research and frank debate, we influence policy and collaborate to disrupt for good, and are currently focused on tackling five critical questions:

- How can Australia develop and grow a more dynamic economy?
- How can we build vibrant Australian communities?
- How can Australia develop leading workforces and workplaces?
- How can Australia leverage the benefits of technology?
- How can Australia achieve climate resilience and regain our energy advantage?

CEDA was founded in 1960 by leading economist Sir Douglas Copland. His legacy of applying economic analysis to practical problems to aid the development of Australia continues to drive our work today.

CEDA has more than 620 members representing a broad cross-section of Australian businesses, community organisations, government departments and academic institutions. Through their annual membership, CEDA members support our research both financially and by contributing their expertise, insight and experience.

CEDA's independence and nationally dispersed, diverse membership makes us unique in the Australian policy landscape, and enables us to bring together and harness the insights and ideas of a broad representation of our society and economy.

A full list of CEDA members is available at ceda.com.au.