

Aged Care Reform Series - Workforce

The National Aged Care Alliance (the Alliance) developed this paper to provide additional advice to Government, through The Hon Mark Butler, MP Minister for Mental Health and Ageing, as it considers the proposed aged care reforms from the Productivity Commission's Caring for Older Australians report which was released in August 2011. Workforce is one in a series of six papers available on the Alliance website (www.naca.asn.au), other papers in the series include: Assessment and entitlement (including the Gateway), Financing aged care in Australia, Palliative Care, Quality of care and Wellness.

This report was developed as a result of a series of meetings, conducted under Chatham House rules, with National Aged Care Alliance (the Alliance) members participating as workforce experts rather than as representatives of organisations/positions. Therefore the proposals do not necessarily reflect the views or policy of the individual member organisations.

The Alliance supports the reforms proposed by the Productivity Commission although some members do not believe the report went far enough on workforce issues.

To set the context of what needs to be achieved through workforce reform the Alliance considered:

1. The needs of various stakeholders:

- *Consumers* want a flexible, skilled and stable workforce with individual workers who are respectful and can spend adequate time with them.
- *Informal carers* want skilled and flexible staff who will work in partnership with them.
- *Workers* want secure, stable and satisfying work in safe environments for which they receive fair and competitive remuneration.
- *Providers* want a flexible, skilled, stable and safe workforce that is affordable.

2. The future requirements of the aged care system as it evolves to meet the growing number of consumers, their needs and demands will require:

- an expanded workforce;
- Providers to be more competitive;
- Services to be more consumer focused in delivering support so job design and planning (rostering etc) will support and enable staff to be more responsive and flexible in meeting individual needs; and
- new specialist and short term services - including palliative care, 'reablement'/wellness services, respite care, sub acute care, rehabilitation.

Within this context the Alliance provides the following responses to the questions posed.

A well balanced workforce?

A well balanced workforce comes from a planned approach to aged care where services meet the needs of the community it is serving.

There needs to be a sufficient number of quality, skilled, and well paid workers. Those workers need to feel valued and secure, and have opportunities for ongoing skills and professional development.

Research on quality, safety and positive patient outcomes¹ highlight that all of these elements are essential. Insufficient resources, inadequate support and equipment are all associated with an increase in injuries to nurses, higher nurse turnover and an increase in errors affecting the quality of care provided to older people. It is likely that this would also apply to other care workers.

Changes required in aged care to attract and retain staff

Pay fair and competitive wages

Workers in aged care are not paid fair and competitive wages and this is a major issue in attracting and retaining staff. There has been a reduction in parity of pay with other relevant sectors over recent years, largely as a result of inadequate indexation for aged care services. The aged care sector must be able to pay fair and competitive wages to attract workers in the future as competition for staff gets harder with less people of working age available and other industries able to offer better remunerated and easier work.

Addressing the wages issues will:

- create stability and support longer term planning for jobs and workforce issues. Currently the focus is just on ensuring staff are available to cover each shift. Longer term planning is likely to lead to more workforce innovation;
- reduce turnover of staff which is one third higher than the average for the health care and social assistance industry.² With 25% of the residential and community workforce leaving their jobs each year³ turnover costs are high and represent a significant level of inefficiency. In 2050, assuming the turnover rate remains at 25% and there is demand for 980,000 workers, the annual cost of turnover in the aged care sector (which Government effectively subsidises) is estimated at \$5.39 billion in today's figures;⁴ and
- ensure good quality staff are attracted and retained in aged care. A 2002 report on *Recruitment and Retention of Nurses in Residential Aged Care* for the Department of Health and Ageing indicated that 53.9% of nurses who had previously worked in aged care would be interested in returning if there were improved shifts, increased pay, greater provision of education and training and increased staffing. Similarly the report found that increased pay (along with a range of other factors) would encourage nurses to consider working in aged care. In addition, the 2007 NLS study found that all aged care workers "were strikingly dissatisfied with pay".⁵

Quality of staff is the biggest influence on the quality of care provided to older people. The Federal Government has recently agreed to provide funds to increase wages for employees covered by the SACS Award. The SACS case established that there are whole sectors that are undervalued because the workforce is predominantly female (research shows that on average women are paid nearly 20% less than men) and there are restrictive funding models that have not enabled wages in these industries to keep pace.

¹ Commonwealth Dept of Health & Ageing, *Recruitment and Retention of Nurses in Residential Aged Care*, 2002

² Australian Bureau of Statistics, 2008 Labour Mobility, Australia, February 2008, Cat. No. 6209.0, Canberra

³ Martin, B & King, D 2007, *Who Cares for Older Australians? A Picture of the Residential and Community Based Aged Care Workforce 2007*

⁴ Based on labour costs constituting 70% of the \$10.1 billion government expenditure on aged care in 2008-09 and a net replacement cost of \$22,000 per worker.

⁵ Martin, B & King, D 2007 *Who Cares for Older Australians? A Picture of the Residential & Community Based Aged Care Workforce 2007*pXV.

Aged care is a predominantly female workforce and its funding regime has not enabled wages to keep pace with other industries competing in the same labour market and has resulted in pay inequity. The SACS case provides clear recognition that in these cases the only way to address the wages inequity is for direct Government funding to be provided.

Better designed jobs

The various jobs in aged care need to be better designed so workers have more hours (most workers are part time and want to work more hours) with a flow to the work they perform that better meets consumer needs (including having workers spend more time with them). There should be an innovations funding pool to encourage better designed jobs which would meet the needs of consumers, workers and employers.

Training and skills development in aged care

Training

The Alliance strongly supports the Productivity Commission (the Commission) recommendation to review the VET training arrangements and agrees with the Minister's proposal that this be pursued independently of any Government decision on other recommendations.

Currently, training is variable with lots of initiatives that are not co-ordinated effectively limiting the benefits achieved systemically. Government has provided substantial resources for training, including the 2011 budget initiative creating the National Workforce Development Fund and allocating \$25 million (of the available \$73 million in 2011-12) for aged care, but there is still a need for much better co-ordination and targeting of training to increase the skills of the workforce.

Training in new and emerging areas of speciality and service provision, such as reablement/wellness and quality palliative care models, is also required. The prevalence of people with dementia receiving aged care services means that far more emphasis is required in training to ensure the workforce can respond well to these needs. In the longer term funding for training will need to keep pace with the growth of the workforce.

Workforce development

The Alliance did not specifically consider individual development aspects – such as quality management, career pathways or overseas workers. This is a very large task that cannot be achieved within the time constraints on the provision of this advice.

Therefore the Alliance focussed on creating an approach to workforce development that is ongoing and sustainable. The Alliance believes this would be achieved with the establishment of a Ministerial Task Force which has provider, union and consumer representation. The relationship of this Group to other workforce consultative mechanisms would need to be considered but the Alliance believes that while the current arrangements are extensive they are not effective and the Task force could replace much of the existing arrangements.

This Task Force could consider career pathways, innovations (including the use of technology), industry workforce policy/training schemes (e.g. no lift policy), entitlements portability, creation of learning cultures and develop an overall aged care workforce strategy. The overall aim of the strategy would be to create a well trained and sustainable workforce which provides consistent and continuous quality care to older Australians.

The strategy would give consideration to costs and savings that would improve productivity and the quality of care. Given the nature of the work performed it is harder to achieve sustainable productivity gains. Human services can be distinguished from other industry approaches to achieving productivity on the basis that the relationship between the client and the worker is the key element in quality service delivery.⁶ Because labour costs comprise the majority of the cost of service delivery in human services, there is limited scope to reduce costs without impacting negatively on the quality of the aged care service⁷. The Commission recognises there may be some opportunities to reduce the labour intensity and alter the skill mix involved in delivering aged care through new models of care and the use of assistive and information technologies. This paper has proposed that this issue be further explored as part of the Ministerial Task Force on Workforce Development.

This strategy should be developed during the first stage of reform as it is part of the transition of current workforce arrangements into one that will support aged care reform. Given the challenges facing the aged care workforce its development needs to be driven at a specialised, focussed and high level rather than through existing bodies (such as the HWA) that do not give aged care priority.

Providing fair and competitive wages

Determining fair and competitive wages

Determination of fair and competitive wages must occur in comparison with the industries that aged care competes with for workers. In the case of nurses and other health professionals that is the health and hospital system. For PCAs and support staff, the vast majority of the aged care workforce, the competition is comparable industries outside of the community services and health sector.

Due to the loss of parity which has occurred over recent years the wages gap can only be initially addressed through a separate Federal Government funded bridging supplement. The supplement would be provided as a transition step until proper pricing, based on fair and competitive wages, is established through the AACC. The bridging period would be as long as it takes to implement the pricing arrangements recommended by the Commission. In determining the quantum of the bridging supplement consideration should be given to achieving wage justice and the impact on relativities between different staff working in aged care.

For nurses and allied health staff (e.g. physiotherapists) this requires parity with the public sector and for PCA and support staff an increase of \$1.75⁸ per hour per year over each of 4 years. These figures are before indexation which would need to occur annually over this forward estimates period.

Mechanism

Ultimately the best mechanism for ensuring that employers have the capacity to pay fair and competitive wages in the long term is for the pricing of aged care services to take into account wages and other labour costs in a transparent and accountable process. The proposed cost of care

⁶ Davidson, B "For-profit organisations in managed markets for human services" in King, D & Meagher, G (Eds), 2009, Paid Care in Australia/ Politics, Profits, Practices, p. 48

⁷ Ibid, p.49

⁸ This is an (unindexed) hourly rate of \$26 based on a comparison with the metal trades industry as the qualifications for the personal care and support workforce align to the AQF (reflected in the modern award).

study, and subsequent pricing by the AACC must take this into account to ensure initial prices are reflective of these costs and that there is then adequate monitoring, review and adjustment of prices over time to maintain fair and competitive wages.

In the interim there also needs to be a transparent, accountable and enforceable mechanism to deliver fair and competitive wages through the Government funded bridging supplement.

Use of existing industrial processes, such as certified/enterprise agreements, are the most appropriate mechanism to ensure that fair and competitive wages are established and maintained.

Once an employer or employers/unions have agreed on an enterprise agreement, employers would provide or make the agreement available to the Government and funding would flow through. To give some confidence to employers and unions a 'Heads of Agreement' could be signed by the Government, unions and employer associations setting out the aims and agreed use of the funding. This is a very broad description of the proposed mechanism. The Alliance is fleshing out the details of such a mechanism and further information will be provided as soon as it is available.

While other options were identified the Alliance believes the mechanism it proposes is the most effective way to deliver fair and competitive wages because it:

- is consistent with the existing system of enterprise bargaining in which unions and providers are already engaged;
- clearly ties increased funding to increased wages and will hold providers accountable for the flow on to workers; and
- provides certainty for providers that funding will be made available.

In summary

Addressing the issues facing the aged care workforce is critical. Many of the proposed aged care reforms are predicated on having enough workers to deliver a diverse range of quality care options at a time when the supply of workers is decreasing.

The high turnover rates in aged care and the ageing profile of its workforce must be arrested if the workforce is to deliver on these reforms. Research highlights that better employment conditions, including the payment of fair and competitive wages, is essential to address such issues.

The Governments recent acknowledgement that wage injustice, in and of itself, is unacceptable and that funds must be provided to address it.

Based on these factors the Alliance recommends a number of actions be taken on workforce issues as a priority in stage one of the reforms commencing in 2012:

- introduction of the bridging supplement for payment of fair and competitive wages for nurses, allied health professionals and PCA's, including signing the Heads of Agreement and the mechanism⁹ for payment;
- cost of care study and development of an aged care workforce strategy through a Ministerial Task Force with provider, union and consumer representatives.

It would be useful for modelling to be undertaken on the impacts of addressing the wages issue and other workforce measures. Such modelling is outside of the scope and resources of the Alliance but would be worthwhile Government pursuing.

⁹ The Alliance is continuing to work with Government on the details of how the mechanism would work and a supplementary report will be provided when this work is complete.

These actions are a priority for stage one to achieve genuine efficiencies by ensuring there are sufficient numbers of skilled workers to provide the quality of care so important to consumers, meet increasing workforce demands, address the costly turnover and retention issues – which if left unaddressed is estimated to cost aged care \$5.39 billion between now and 2050 - and ensure changing expectations of care are met.