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DUTY OF CARE: AGED-CARE SECTOR RUNNING ON EMPTY

2023

ABOUT THIS PUBLICATION

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Duty of care: Aged-care sector running on empty (2023)

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Duty of care: Aged-care sector running on empty is the third report in CEDA's series on the workforce challenge facing Australia's aged-care sector.

It focuses on the rising number of beds sitting empty in aged-care homes as well as home closures, especially in regional areas, due to the ongoing worker shortage.

This report outlines the causes and flow-on effects of the worker shortage, in particular low wages, a lack of affordable housing and the impact on the healthcare system.

Across all of its work, CEDA's purpose is to shape economic and social development for the greater good.

Duty of care:

Aged-care sector running on empty

Workforce shortages in the aged-care sector are driving low occupancy rates and many facilities are unable to operate at full capacity.

In March 2023 the average occupancy rate across all residential aged-care places was **86%**

Regional areas are the most affected, with some residential facilities operating at a capacity of just **50%**

At least 18 aged-care homes have closed or are due to close in 2023 – at least half of which have directly noted staff shortages as the reason for closing.

Job vacancies in health care and social services remain the highest of any industry – showing the widespread demand for workers.

The lack of capacity in aged-care facilities is adding pressure to hospitals. In NSW from Dec 2021 to Jun 2022 the number of regional patients awaiting discharge to an aged-care facility nearly tripled.

Industry data shows that agency costs per bed day have more than doubled since 2022 – to **$17.04** per bed day in March 2023 from **$7.18** per bed day in March 2022.

Data from the Department of Health and Aged Care shows that **53%** of all aged-care facilities are operating at a loss.

RECOMMENDATIONS

To meet the **aged-care challenge** we must take steps to **boost the workforce** in the **short term**, while continuing to **improve longer-term workforce outcomes**.

CEDA's first ***Duty of Care*** report set out a comprehensive list of **recommendations** to address **worker shortages**. We should **prioritise** the following measures.

1

ESSENTIAL SKILLS VISA FOR PERSONAL-CARE WORKERS

Recruit personal-care workers directly by introducing a new "essential skills visa" to allow workers to migrate with long-term residency opportunities. This visa would only be for areas of critical need such as aged care, childcare, disability and healthcare.

2

USER-PAYS SYSTEM WITH INCOME OR ASSET THRESHOLDS

Introduce a user-pays system for aged-care clients who meet certain income or asset thresholds, to help ensure the long-term viability of the sector.

3

ADDRESS NATIONWIDE HOUSING SHORTAGES

Additionally, we must address the nationwide housing shortage to allow essential workers to live near their workplace. We must prioritise key worker housing in regional areas under the national Housing Accord and look at options for rental assistance such as the National Rental Affordability Scheme.

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Introduction

Workforce challenges across the aged-care sector are now preventing many providers from operating at full capacity. Those in regional and remote areas are the most affected.

Consultation with a wide range of industry stakeholders including aged-care providers, industry groups and other stakeholders, suggests some homes are now operating at just 50 per cent capacity due to workforce shortages. At the same time, demand is high, with long wait lists.

Previous CEDA research found there would be a shortfall of at least 110,000 direct-care workers by 2030. Not enough has been done to fix this. Further action from government and industry is required to make meaningful progress on closing this workforce gap. New mandated staffing levels mean many facilities are operating significantly below full capacity because they can't get enough workers. Some have closed down altogether.

This is having flow-on effects in the hospital system. Aged-care patients are being kept in hospitals because of the lack of available places in residential care. Regional hospitals are particularly affected amid the growing number of aged-care facilities closing in those areas. From December 2021 through to June 2022, the number of regional patients in NSW awaiting discharge to an aged-care facility nearly tripled. There is no sign that this trend has abated.[1]

Aged-care beds are sitting empty

New regulations require facilities to provide an average of 200 minutes of care per resident per day by October 2023, rising to 215 minutes per day by October 2024. This requires a significant uplift in staffing, with the sector currently only providing on average 190 minutes of care per day.[2]

From July 2023, residential facilities are also required to have a registered nurse on site 24/7. These changes, part of the response to the recommendations of the aged care royal commission, are important to increase the quality of care for older Australians. However, they are adding pressure on providers already struggling to maintain their workforces and come on top of growing demand for home-care services.

Data from March 2023 shows that the average occupancy rate across all residential aged-care places was 86 per cent.[3] But there

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18

aged-care homes have closed or are due to close in 2023 – at least half of these have directly noted staff shortages as the reason for closure.

is no lack of demand. In fact, most providers report having long waitlists.

Consultation with industry suggests the key reason for these low occupancy rates is workforce shortages, which mean facilities cannot operate at full capacity.

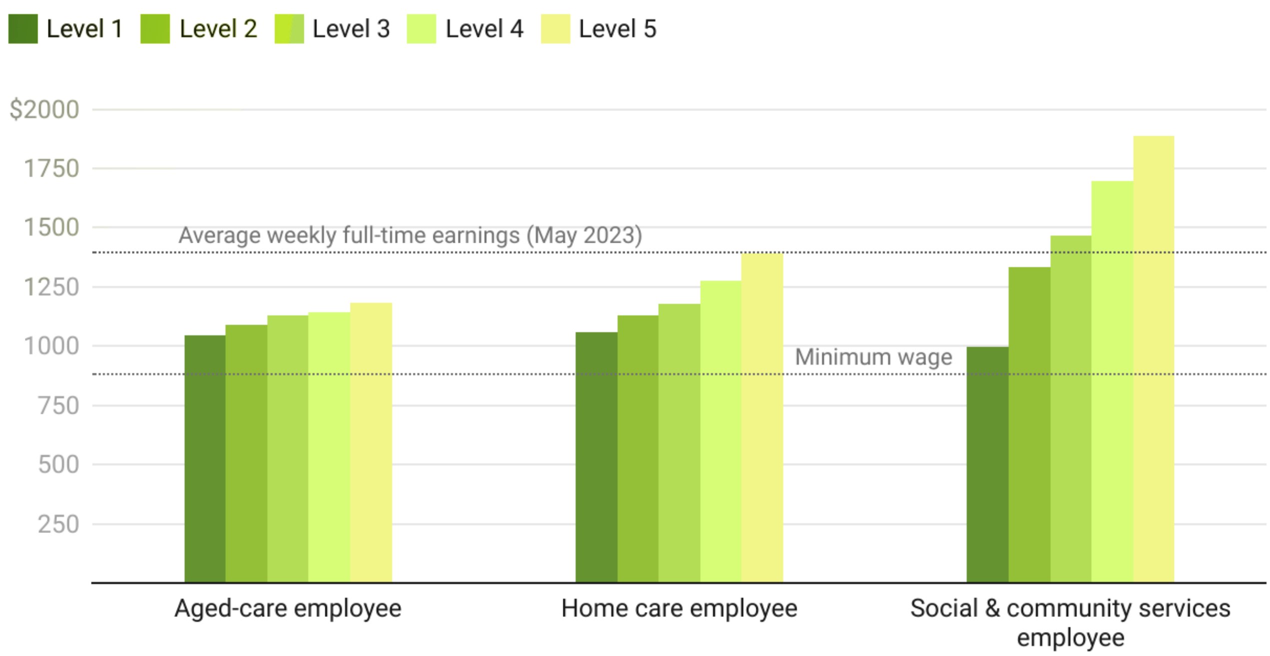
Smaller facilities are finding it particularly difficult to maintain workers and meet the requirements for 24/7 nurses. Media reporting suggests at least 18 homes have closed or are due to close in 2023, at least half of which have directly noted staff shortages as the reason for closing.[4, 5, 6, 7, 8, 9]

This is backed by data that shows that 13 residential providers left the sector in the December 2022 quarter.[10] Many providers also report that they are not investing in new residential facilities due to staff shortages, as well as concerns around funding and financial viability.

FIGURE 1

Comparing award wages

Average weekly earnings



Source: ABS & Fair Work Commission • Created with Datawrapper

Agency costs have more than doubled since 2022, from $7.18 per bed day in March 2022 to $17.04 per bed day in March 2023

Providers are also weathering increased costs for agency staff to fill gaps in their permanent workforces, increasing costs substantially in a sector that is struggling to make ends meet.

Industry data shows that agency costs have more than doubled since 2022, from $7.18 per bed day in March 2022 to $17.04 per bed day in March 2023.[11] This is compounding the financial challenges in the sector.

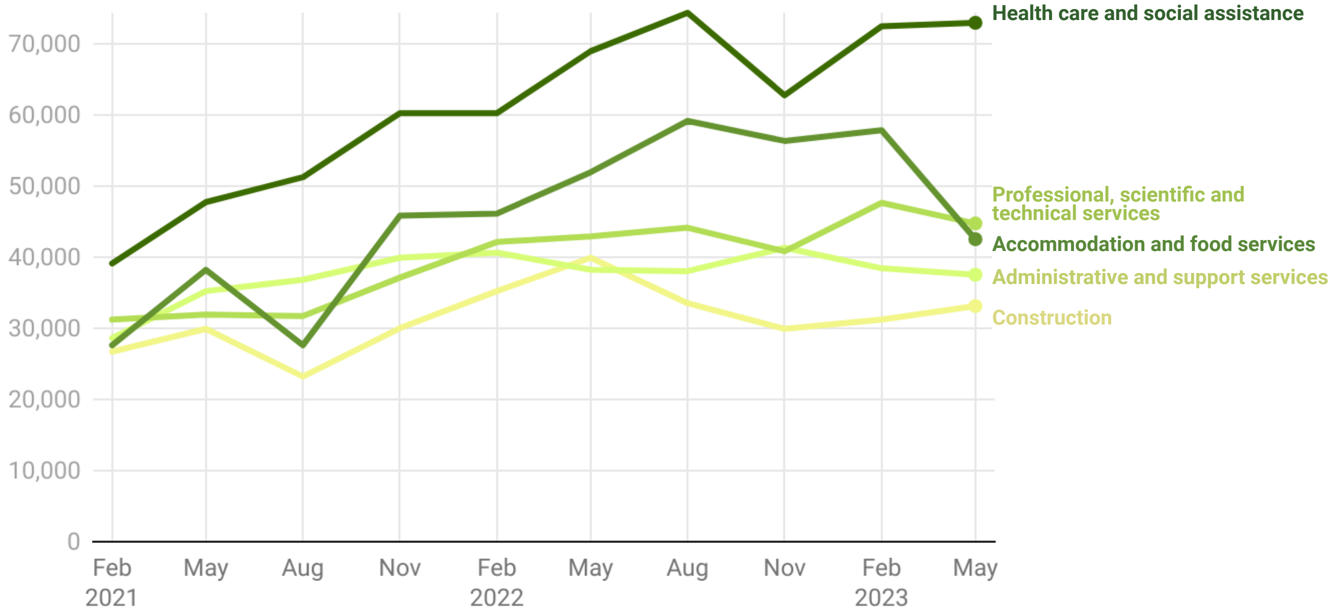
Wage rises are not enough to fix the shortage

The 15 per cent increase in wages for aged-care workers that came through in July 2023 is likely to help retain some workers, but pay still remains lower than equivalent roles in adjacent sectors such as disability and health care, and much lower than average wages for all employees (Figure 1). There is also extremely limited scope for workers to progress their careers and increase their earnings.

FIGURE 2

Job vacancies by industry

Quarterly; Feb 2021 to May 2023



Source: ABS

At a time of stubbornly high inflation, many workers are finding it difficult to remain in the sector, and employers are unable to compete on pay and conditions. And with unemployment remaining low, at 3.7 per cent nationally, workers can find higher paying jobs elsewhere.

Despite job vacancies softening somewhat across the labour force as a whole, vacancies in health care and social assistance continue to rise, and there is little to suggest this will ease in the near term (Figure 2). Job vacancies in health care and social services remain the highest of any industry, showing the widespread demand for workers.

Further wage rises will likely be necessary to attract the required number of workers to aged care. However, working conditions more broadly, such as rostering arrangements, training and career development, also need to change to encourage workers to join the sector.

High housing costs are also a factor

The problem is particularly acute in regional areas where there is low unemployment and high housing costs. It is not uncommon for residential facilities in regional areas to be operating at just 50 per cent capacity due to staffing shortages. This is directly impacting on the availability of care in the regions, as there are often no other facilities or operators in the area.

Competition from higher paying employers, including NDIS providers, is making it difficult to attract new staff. Some facilities are resorting to flying staff in from metropolitan areas or providing their own housing. This is very costly and impacting on the ongoing viability of facilities and the sector in an environment where many providers are not financially sustainable.

For a typical level-three aged-care direct care worker earning the award wage of around $1100[12] per week full time, an affordable rental (30 per cent of income) would cost around $330 per week. There are very few areas with rentals available at this price (Figure 3). Rental vacancy rates are also extraordinarily low in most regional areas, making it difficult for workers to move to the regions (Figure 4). A rental vacancy rate of three per cent is generally considered a balanced market, with current vacancy rates well below this.

There is a role for providers to look at building or providing accommodation for staff, however these shortages are part of a larger housing shortfall across the country.

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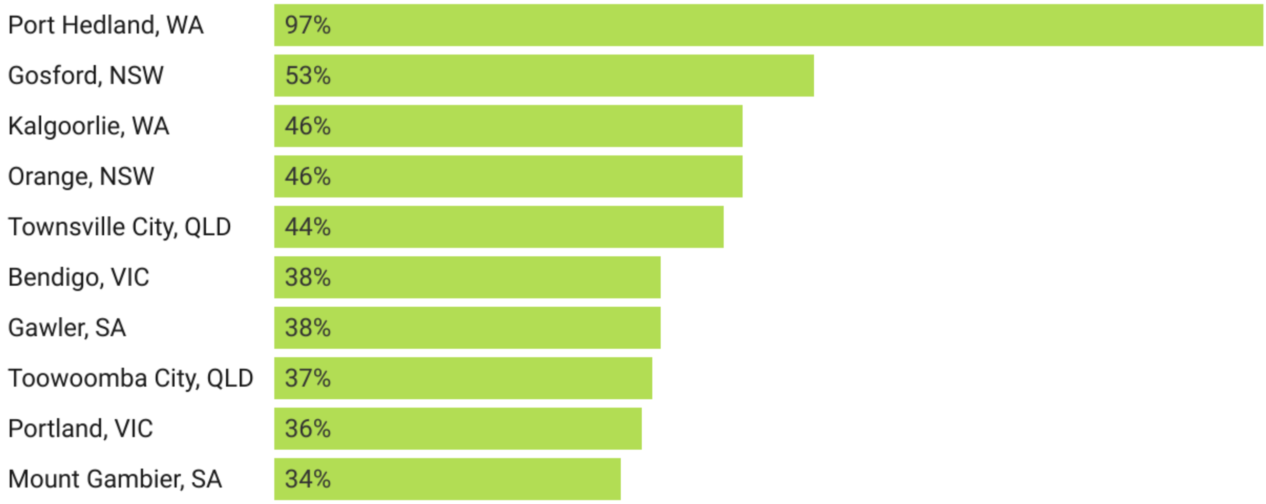
FIGURE 3

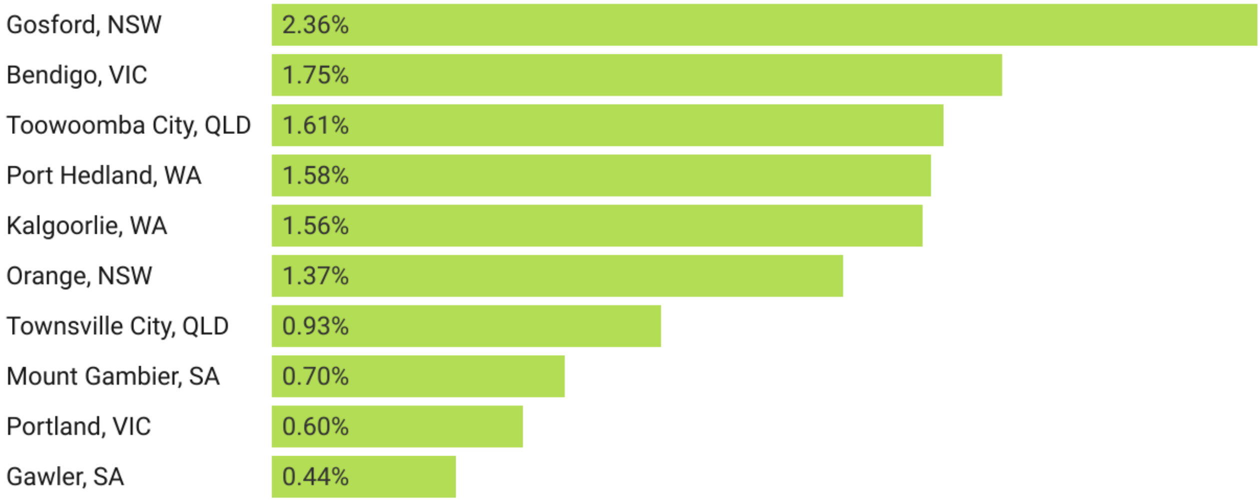
Median rent as percentage of aged-care award wages



Source: Fair Work Ombudsman; REA Group • Created with Datawrapper

FIGURE 4

Regional rental vacancy rates



Source: Real Estate Investar • Created with Datawrapper

Areas needing accommodation for key workers, such as those in aged care, should be prioritised under the Federal Government's Housing Accord, with its target of 1.2 million new well-located homes over five years.[13] The Government has yet to provide detail on this target or what criteria defines "well-located". In the shorter term, the National Rental Affordability Scheme could be revisited to provide targeted help to key workers such as those in the care sector who are struggling to rent in the private market but not eligible for social housing.

Hospitals are bearing the brunt

In regional areas there are few other options for residents if the local aged-care facility closes down or operates at reduced capacity. This lack of capacity is adding pressure on hospitals as the care provider of last resort.

A NSW parliamentary inquiry into ambulance ramping in late 2022[14] highlighted the impact of the lack of capacity in aged-care facilities on the hospital system. Patients are remaining in hospital despite not requiring medical treatment due to a lack of available residential-care places. It noted there was a growing trend of closures in regional and remote areas that was putting particular pressure on regional hospitals.

From December 2021 through to June 2022 the number of regional patients awaiting discharge to an aged-care facility nearly tripled, and there are no signs this has eased.

This is an issue across Australia, with similar problems being raised in the state parliaments of both Queensland[15] and Western Australia[16]. Hospital care is expensive, not fit for purpose and does not provide high quality of life for residents. It should not be an alternative to properly resourced aged-care facilities.

Funding arrangements must be overhauled

Data from the Federal Department of Health and Aged Care shows that more than half of all aged-care facilities are operating at a loss.[17] This is unsustainable and prevents the industry from investing in its workforce and productivity improvements, both of which are sorely needed.

Improving workforce productivity will be critical to help facilities meet their staffing needs and improve care outcomes for patients. However, the industry currently has limited scope to invest in new technology, innovative practices or research.

Government funding will have to rise to meet the challenge of providing high quality care to older Australians. While Australia spends around the OECD average on aged care, it is well below the average of countries known for high-quality care such as the Netherlands, Scandinavian countries and Japan.[18]

Funding arrangements in the sector must be addressed. There must be an expanded role for self-funding and user contributions. While there will always be a need for government funding, and some older Australians will not be able to contribute to their care costs, those who can afford to should contribute more to their care.

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The Federal Government should consider limiting subsidised residential-care places and introduce a user-pays system for aged-care clients who meet certain income or asset thresholds. This will also allow for greater choice and consumer-driven care to meet the changing needs of the population.

Building confidence in the long-term viability of the sector is critical. As well as an increased role for user contributions, we will also need to address government funding through tax revenue as part of a broader tax-reform conversation and effective targeting of aged-care services to the population.

We should not introduce new income-tax levies to fund aged care, despite this being recommended by the royal commission. We cannot keep adding new levies to fund critical services. This increases our reliance on an inefficient tax base and will increase the tax burden on the shrinking proportion of the population that will be of working age in coming decades.

Conclusion

Aged-care providers are developing strategies to increase their workforce where possible.

Overall, they report some improvements in retention, and better use of existing staff. This is not enough to fill the worker shortage that has developed over the past few years, nor to keep pace with growing demands as our population ages and increased care requirements come into effect.

We will need to keep pulling all levers to address these workforce challenges, including by improving pay and conditions, training, technology and productivity and migration, as highlighted in CEDA's first *Duty of Care* report, *Meeting the aged-care workforce challenge*. Current government responses are not enough.

Efficient and fair migration pathways must be part of the solution. CEDA continues to advocate for the creation of an essential skills visa to directly employ personal-care workers in aged care and other parts of the care sector.

The recently introduced Aged Care Industry Labour Agreements have proven difficult for providers to implement and are insufficient for broad application across the industry. But migration alone will not solve the workforce challenge.

Without further action, we will be unable to provide the care that older Australians and the broader community rightfully expect.

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