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Independent Health and Aged Care Pricing Authority
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By email only: submissions.ihacpa@ihacpa.gov.au

To the Proper Officer,

Consultation Paper: Towards an Aged Care Pricing Framework

The United Workers Union (UWU) is a powerful union with 150,000 workers across the country from more than 45 industries and all walks of life, standing together to make a difference. Our work reaches millions of people every single day of their lives – we feed you, educate you, provide care for you, keep your communities safe and get you the goods you need. Without us, everything stops. We are proud of the work we do – our aged care members are the people providing care, support, and dignity to older Australians every day. Our members in aged care are passionate about addressing the crisis in aged care and improving quality of care for older Australians every day.

UWU has significant concerns about the approach to workforce within this paper, which states that the Independent Health and Aged Care Pricing Authority (IHACPA) may consider the impact of wage increases on costs, only where these have been determined by the Fair Work Commission (FWC). Wage rates in aged care are abysmal and this approach would only entrench low pay, with modern award rates, which set *minimum* pay rates, continuing to be the going rate in the sector. Employers would continue to struggle to retain and attract workers to the sector, and there would be no change to the workforce crisis in aged care – which sees 65,000 workers leaving the sector each year.¹ The Aged Care Pricing Framework must consider the true cost of providing quality care, including the cost of adequately staffing services, and of decent wages and conditions for workers.

UWU recommends that the Aged Care Pricing Framework contains a mechanism that explicitly quarantines funding for aged care worker wages, conditions, and other labour costs in line with true costs.

We also advocate for regular review of funding under the AN-ACC model to ensure it is based on the true cost of quality care, and for the principles guiding IHACPA as per Royal Commission guidelines to include *the development and retention of a highly motivated and appropriately skilled and numerous workforce necessary for the provision of high quality and safe aged care services in the long-term interests of people in need of them.*²

Responses to consultation paper questions

What should be considered in the development of an indexation methodology for the residential aged care price? How might workforce challenges present in the implementation and refinement of AN-ACC for the aged care system?

Aged care funding must be directed towards providing high quality services, and the provision of high-quality services requires a well-paid, valued workforce. As the Royal Commission itself acknowledged, *"an aged care workforce which is properly trained, appropriately paid and given the opportunity for professional development will not only provide good care to older people, but also make it easier for employers to attract and retain staff."*³

Current wage rates in aged care are abysmal, with workers responsible for providing care to some of Australia's most valued people – our parents, grandparents, and relatives – some of the lowest paid workers in Australia. Low wage rates have a significant impact on retention.⁴ Workforce turnover disrupts continuity of care for residents, and continuity of care is a key indicator of quality care.⁵ The negative impact of low pay on workforce turnover inhibits the provision of quality aged care.

The Royal Commission was explicit in its view that the Pricing Authority (IHACPA) *"should take into account the need to deliver high quality and safe care, and the need to attract sufficient staff with the appropriate skills to the sector noting that relative remuneration levels are an important driver of employment choice."*⁶

Aged care providers currently face significant difficulty filling vacant positions across the country in aged care.⁷ The National Skills Commission's 2022 Skills Priority List unequivocally shows there is a skills shortage in aged care for the second year in a row and predicts strong demand for workers in this sector into the future.⁸ There is a risk that by not addressing wages (and wage increases) in the pricing framework, the current workforce crisis in aged care will continue. This ultimately impacts the quality of care workers can provide to residents, and will undermine attempts to transform the sector.

IHACPA's consideration of a pricing framework for the aged care sector must consider the impact on the workforce. UWU represents members in disability services in several states and territories, and our members have experienced firsthand the difficulty of enterprise bargaining under the National Disability Insurance Scheme (NDIS). The maximum prices that providers can charge NDIS participants for specific supports (a price cap) is set by the National Disability Insurance Agency (NDIA) in the NDIS Price Guide. Wages for supports within the Price Guide are costed by reference to the Social, Community, Home Care and Disability Services Industry Award 2010 (SCHADS Award).⁹ Many common services require a disability support worker (DSW) level 2. The NDIA costs the price for a DSW level 2 at rate of a social and community services employee 2.4/3.1.¹⁰

Upon implementation of the NDIS, some workers had their classifications downgraded to level 2.4. These workers had a higher level of skill and expertise than the 2.4 classification, but providers wanted to avoid paying wages that were not explicitly costed within the price cap. For this same reason, it has also become difficult for workers to progress through the classification structure.

It is also difficult to bargain when there is a price cap in place based on award rates. The modern award system is meant to represent a minimum safety net of terms and conditions. However, the way price regulation operates under the NDIS ensures that the minimum rate is effectively the going rate in disability services.¹¹

UWU also represents members in early childhood education and care (ECEC). Within the ECEC sector, the government subsidy to providers is set by way of a benchmark price. For centre-based care, the current hourly subsidy is \$12.74.¹² This rate is increased by CPI at the commencement of each financial year.¹³ The benchmark price does not consider professional wages for early childhood educators. Again, UWU members have experienced difficulties in trying to bargain for higher wages within a funding system that does not account for the true value of the work of early childhood educators. The Government, as the funder of disability, aged care and ECEC needs to sit at the bargaining table to ensure a fair deal for workers and high quality social services that taxpayers expect.

It has been recognised by the Royal Commission itself that aged care workers need to be properly paid and that wages in the sector need to be uplifted to improve retention and attraction of workers to the sector. In their final report they stated:

"Wage increases should be an explicit policy objective of aged care funding. As part of the new aged care funding system we propose, we are recommending the establishment of a Pricing Authority to set prices for high quality and safe aged care. We consider that an important part of that work will be to price aged care at a level that enables workers to be remunerated to reflect what similar workers are paid in similar sectors, such as health and disability. In setting prices for aged care, the Pricing Authority should take into account the need to attract sufficient staff with the appropriate skills to the sector, noting that relative remuneration levels are an important driver of employment choice."¹⁴

This approach is not reflected in the consultation paper.

In deciding upon an Aged Care Pricing Framework, IHACPA must consider how to uplift wages and conditions in the sector. Currently, the sector is awaiting the outcome of the Aged Care work value case at the FWC. UWU would welcome an uplift to award wages, but the uplift is unlikely to fully rectify the undervaluation of aged care work and will still only set minimum rates for the sector. A Pricing Framework based on the premise that wages should be paid at award minimum

rates or that otherwise impede the ability of workers to bargain collectively for better wages and conditions should be rejected. Any indexation method for funding must also consider quality wages, working conditions and be designed to avoid creating downward pressure on wages.

UWU recommends that the Pricing Framework contains a mechanism that explicitly allows a government to add in an additional and quarantined component for aged care worker wages, conditions, and labour costs.

How should any adjustments for quality and safety issues be considered in the long-term development path of AN-ACC and the associated adjustments? What, if any, concerns do you have about the proposed pricing approach and level of the residential aged care price?

The Australian National Aged Care Classification (AN-ACC) model has recently been introduced in residential care. UWU has expressed cautious support for the proposed AN-ACC model, but also concerns. One of our main concerns has been that the funding model design is based on current practice within residential aged care facilities, which does not necessarily reflect best practice as it does not adequately consider the social and emotional needs of residents. Staff time data collected for the study to determine fixed and individual costs was based on what happens now in residential facilities, many of whom are struggling to provide quality care. There is a risk that this will result in one flawed system being replaced by another.

UWU recommends that IHACPA reviews the adequacy of pricing under the AN-ACC model on a regular basis, commencing at most from 1 year post implementation. As part of that review, IHACPA should examine the extent to which the true cost of providing quality care, including time to attend to the social and emotional needs of residents and clients, is properly accounted for in the funding model.

What, if any, additional principles should be included in the pricing principles for aged care services?

The Royal Commission recommended that a guiding object of the Pricing Authority be "*promoting the development and retention of a highly motivated and appropriately skilled and numerous workforce necessary for the provision of high quality and safe aged care services in the long-term interests of people in need of them.*"¹⁵ This does not appear as a guiding principle in the consultation paper nor do any of the principles outlined refer to the need for the Pricing Authority to consider workforce issues.

UWU believes that decent wages and good quality working conditions for aged care workers should be an explicit object of the pricing authority. As acknowledged by the Royal Commission, it is in the long-term interests of residents and clients to have a valued, well trained, and well remunerated workforce, and this should be recognised

as an overarching principle when IHACPA is carrying out its functions in respect of aged care.

UWU recommends that the overarching principles be amended to include the Royal Commission's recommendation 115(4)(d).

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Yours sincerely,

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¹ <https://cedakenticomedia.blob.core.windows.net/cedamediacontainer/kentico/media/attachments/duty-of-care-aged-care-sector-in-crisis.pdf>

² Royal Commission into Aged Care Quality and Safety, Final Report: Care, Dignity and Respect, Vol 1, pg. 288, available at: https://agedcare.royalcommission.gov.au/sites/default/files/2021-03/final-report-volume-1_0.pdf

³ Royal Commission into Aged Care Quality and Safety, *Interim Report: Neglect* (2019), Vol 1, pg. 218 available at <https://agedcare.royalcommission.gov.au/publications/Documents/interim-report/interim-report-volume-1.pdf>

⁴ Aged Care Workforce Strategy Taskforce, *A Matter of Care: Australia's Aged Care Workforce Strategy*, June 2018, p. 90-91, available at <https://www.health.gov.au/sites/default/files/a-matter-of-care-australia-s-aged-care-workforce-strategy.pdf>

⁵ G. Meagher et al., 'Meeting the Social and Emotional Support Needs of Older People Using Aged Care Services', October 2019, pg.31, 34 & 66, available at https://research-management.mq.edu.au/ws/portalfiles/portal/108106140/AgedCareReport_MeagherCortisCharlesworthTaylor_Oct2019_Final.pdf

⁶ Royal Commission into Aged Care Quality and Safety, Final Report: Care, Dignity and Respect, Vol 1., pg 263, available at: https://agedcare.royalcommission.gov.au/sites/default/files/2021-03/final-report-volume-1_0.pdf

⁷ <https://www.nationalskillscommission.gov.au/skills-priority-list> using ANZSCO code 423111

⁸ National Skills Commission, 2022 Skills Priority List Key Findings Report, 2022, pg. 14, available at: https://www.nationalskillscommission.gov.au/sites/default/files/2022-10/2022%20SPL%20Key%20Findings%20Report%20-%206%20October%202022_0.pdfv.au

⁹ National Disability Insurance Scheme, Disability Support Worker Cost Model, 2021-22, pg.6-7, available at: <https://www.ndis.gov.au/media/3392/download?attachment>

¹⁰ As above.

¹¹ Note: An Equal Remuneration Order (ERO) currently applies to disability support workers

¹² <https://www.servicesaustralia.gov.au/type-child-care-you-use-can-affect-child-care-subsidy?context=41186>

¹³ <https://guides.dss.gov.au/family-assistance-guide/3/5/3>

¹⁴ Royal Commission into Aged Care Quality and Safety, Final Report: Care, Dignity and Respect, Vol 1, pg. 129, available at: https://agedcare.royalcommission.gov.au/sites/default/files/2021-03/final-report-volume-1_0.pdf

¹⁵ Recommendation 115.