

Key Policy in discussion

Employment – The Care Sector Workforce

Portfolio and or agency

**Department of the Prime Minister and Cabinet;
Department of Health and Aged Care, Social
Services and Services Australia**

Date Issued

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Key Portfolio Issues

At long last, government has begun to grapple with both the inequities and the serious labour supply issues in the care economy. It has proposed that this work be guided by a strategic approach, rather than by the one-off incentive payments [NFAW has criticised](#) in the past. The October 2022 Budget (Budget Paper No 2, p. 172) provided funding to support the development of a National Strategy for the Care and Support Economy, defined to include aged care, disability care and support, care for veterans and early childhood education and care. The 2023-24 Budget commits further funding for the development of the Strategy.

The work of carers has been repeatedly undervalued by both industrial tribunals and budgets in the past, and new cases are inevitable if the sector is to function in future. The \$515.0 million package for aged carers in this Budget only addresses a part of that historic undervaluation.

Implementing a National Strategy for the Care and Support Economy will depend on implementing broad and strategic tax reform.

Budget measures

Funding Pay Increases for Aged Care Workers

	2022-23	2023-24	2024-25	2025-26	2026-27
Services Australia	0.8	8.3	1.3	0.8	0.8
Department of Health and Aged Care	-	246.3	105.4	73.3	76.7
Department of Veterans' Affairs	-	1.1	-	-	-
Total – Payments	0.8	255.7	106.7	74.1	77.6

[2023-24 Budget Paper No 2](#), p. 131

The Government will provide \$515.0 million over 5 years from 2022–23 (and \$956.9 million over 10 years from 2022–23) to fund the outcome of the Fair Work Commission's (FWC) decision on the Aged Care Work Value Case. The FWC's decision was to increase award wages

by 15 per cent from 30 June 2023 for many aged care workers including registered nurses, enrolled nurses, assistants in nursing, personal care workers, home care workers, recreational activity officers, and some head chefs and cooks. Funding includes:

- \$311.2 million for a new grant program for *Commonwealth Home Support Programme* providers to cover the cost of the increase in award wages
- \$98.7 million for a new grant program to fund historical leave provisions for Commonwealth-funded aged care providers
- \$58.9 million for a targeted indexation boost to funding for the *Indigenous Employment Initiative, Multi-Purpose Service Program, National Aboriginal and Torres Strait Islander Flexible Aged Care Program, and Trusted Indigenous Facilitators* program (2023-24 Budget Paper No 2, pp. 131-32).

The Budget also includes \$10.9 billion over 5 years from 2022–23 (and \$29.2 billion over 10 years from 2022–23) to meet the cost of the Aged Care Work Value case with funding to other aged care programs including residential aged care and the *Home Care Packages Program*, which will be delivered through increases that will flow through program indexation (2023-24 Budget Paper No 2, p. 32).

Over \$15 million has been allocated over two years from 2022–23 to support the establishment of the Y Careers Agency to provide young people with employment opportunities in the care economy, including the early childhood education and care, disability and aged care sectors (2023-24 Budget Paper No 2, p. 105).

More broadly, the Government has also extended the resourcing for the development of the National Strategy for the Care and Support Economy. The relevant funds are an unspecified part of a larger \$18.7m bucket for additional resourcing for the Department of Prime Minister and Cabinet for the delivery of key priorities and reforms (2023-24 Budget Paper No 2, p. 193).

Background: current circumstances of women in this portfolio

The care workforce is highly feminised: women represent 76.2 per cent of the overall health care and social assistance industry, about 86 per cent of residential aged care workers, about 70% of NDIS workers, and 97 per cent of childcare workers. Workers in care sectors are paid 33 per cent less, on average, than workers in other sectors. Unsurprisingly, the supply of care workers is inadequate. The Department of Health and Aged Care is predicting that by 2024-25, there will be a shortage of 39,738 registered nurses and personal carers. Analysts have estimated the shortage of childcare workers in 2022 as 16,000. The NDIS workforce will need an additional 83 000 full time equivalent staff by June 2024.

At long last, government has begun to grapple with both the inequities and the serious labour supply issues in the sector. It has proposed that this work be guided by a strategic approach, rather than by the one-off incentive payments NFAW has criticised in the past. The October

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2022 Budget (Budget Paper No 2, p. 172) provided funding to support the development of a National Strategy for the Care and Support Economy, defined to include aged care, disability care and support, care for veterans and early childhood education and care.

The Strategy is meant to address both care delivery and care employment, and should be delivered to government very soon -- by [30 June 2023](#). It is being developed in consultation with state and territory governments and will include a road map of early actions to be built on over time in a coordinated reform agenda.

Sector-wide reform is also being underpinned by industrial relations reform. In the October 2022 Budget (2022 Budget Paper No 2) the Government provided funding to implement a suite of measures aimed at a rebalancing of industrial relations provisions with direct and positive impacts on women. This included the establishment of the Pay Equity and Community Care Sector Expert Panels and support for equal pay research (p. 103). The panels will specialise in decision-making for care sector workers and awards. The current Budget has provided additional funding of \$0.8 m to support the conduct a review of modern awards in the context of the recent changes to the Fair Work Act, including the new gender equality and job security objects and minimum wages objectives (2023-24 Budget Paper No 2, p. 109).

While both the National Strategy for the Care and Support Economy and its Commonwealth-state-territory links are being finalised, industry-specific developments continued:

- In 2021 the Fair Work Commission decided that early childhood teachers employed under the Educational Services (Teachers) Award in early childhood services were underpaid and made an equal remuneration order raising their minimum rates. This decision did not extend to all educators working in child care.
- In 2022 the current Government supported a work value case seeking wage increases for aged care workers, and made an election commitment to fund the outcome. The Fair Work Commission accepted that the workforce had been historically undervalued for gender-based reasons and awarded the carers a 15 per cent interim wage increase.
- Also in 2022, the government announced a [review of the NDIS](#) to report by October 2023. Part 2 of the report will focus on market and workforce issues.
- The Government has also legislated for a multi-employer bargaining, and in particular for a new Supported Bargaining Stream, which is likely to be of more use to workers in the care sector than the very tightly defined Low-Paid Bargaining Stream provisions which it replaces. The legislation provides for multi-employer bargaining coupled with protected industrial action and, if the parties are unable to reach agreement, scope for the Fair Work Commission to make a binding workplace determination. These measures have the capacity over time to affect both the nature and the costs of care sector employment.

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Gender implications of this budget measure

The Australia Institute [recently calculated](#) that every million dollars spent on hard infrastructure creates one direct job for men and 0.2 jobs for women. Every million on health care and social assistance, by comparison, creates 7.9 direct jobs for women and 2.3 jobs for men. NFAW has argued strenuously in the past that budgets should treat the care economy as an investment rather than as a cost. We have also argued that for reasons of prudence and of equity government should provide care sector workers with wages that adequately reflect their work value. This Budget has begun that process.

The \$11.3bn provided in the 2023-24 Budget will fund the 15 per cent pay rise for carers over the next four years, starting from June 30. [As a result of this funding](#):

- a registered nurse on a level 2.3 award wage will be paid an additional \$196.08 a week (more than \$10,000 a year)
- an enrolled nurse on a level 2 award wage will be paid an additional \$145.54 a week (more than \$7,500 a year)
- an assistant in nursing on a level 3 award wage will be paid an additional \$136.68 a week (more than \$7,100 a year)
- a personal care worker on a level 4 (aged care award) or a home care worker on a level 3.1 (SCHADS award) will be paid an additional \$141.10 a week (more than \$7,300 a year)
- a recreational activity officer on a level 3 (aged care award) will be paid an additional \$139.54 a week (more than \$7,200 a year), and
- a head chef/cook on a level 4 (aged care award) will be paid an additional \$141.12 a week (more than \$7,300 a year).

Funding to increase aged carers' wages has been sought by the Royal Commission on Aged Care, employers, unions and NGOs. It is essential to the functional staffing of the sector. It meets an election commitment. It is also a critical acknowledgement of the gendered undervaluation of care work.

While NFAW welcomes the pay increase, we note that it may push some aged care workers into a higher tax bracket, reducing their prospective take home pay. Current high levels of inflation will also blunt the impact of this increase. Additionally, workers in administrative positions and some chefs and cooks will not be covered by this increase.

The FWC's aged care decision was only an interim finding. The Commission is still considering the unions' claim for an overall 25% rise in the aged care sector, so further pay rises are possible. Further rises are also on the table for child care workers – especially those left out of the 2021 FWC decision -- as the Women's Economic Equality Taskforce [has noted](#). The ongoing review of the NDIS will have funding implications for workforce sustainability which may also find their way into the Fair Work Commission.

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In addition to direct wage increases, changes to awards resulting from recent legislative activity may have a positive impact on earnings in the care sector. The Government has met its election commitment to require employers to preference direct employment in the aged care, and there remain commitments to address exploitative practices built around casual and gig work in the sector.

All of this means that the Community Care Expert Panel of the Fair Work Commission funded in the October 2022 Budget is likely to be busy, as is the Fair Work Commission more generally. Over the years the work of carers has been repeatedly undervalued by both industrial tribunals and budgets, and new cases are inevitable if the sector is to function in future. The question now is not what the funding should be for, but where it is coming from.

NFAW's analysis (see **Fiscal Outlook** and **Personal Tax**) shows that as women's labour force participation and wages continue to rise growth in taxes paid by women will be contributing more heavily to the substantial rate of growth forecast in overall income tax receipts, adding to government revenues.

Implementing a National Strategy for the Care and Support Economy will depend on implementing broad and strategic tax reform (see **Fiscal Outlook** and **Personal Tax**).