Ageing in South Australia 2016
INSIGHTS FROM THE AGED CARE SECTOR

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Foreword

The University of South Australia prides itself in being the University of Enterprise. Its intent is to deliver industry and end-user informed research that is translated into real-world outcomes. The University has committed itself to a thematic approach to research, as a mechanism for building research capability and as a way to deliver innovative and sustainable solutions to some of the most pressing needs of society.

An Age Friendly World is one of these six priority themes, and it is intrinsically interdisciplinary, and open to research that enhances understanding and facilitates evidence-based decision making.

It is my considerable pleasure to welcome you to this report - Ageing in South Australia 2016. The project leading to this publication was established by my office as part of the critical research infrastructure needed to advance knowledge creation in this state and it is pleasing to see such a productive, and end-user focussed outcome from this initiative.

The University of South Australia will sustain and further develop its commitment to the achievement of an Age Friendly World and we can all look forward to impactful outcomes in the near future.

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1. Introduction

This report examines the attitudes, expectations and strategies of agencies working in aged care in South Australia in 2016. It sets out to document the business conditions and perceived opportunities affecting the sector at a time of considerable transition, with a view to establishing a baseline information infrastructure that permits the monitoring of change over time, and helps inform both business growth and the formation of government policy.

This report is the product of financial support from the Office of the Deputy Vice Chancellor at the University of South Australia, and is part of the University’s commitment to both high quality data infrastructure and to work that informs the establishment of an age friendly world – one of the University’s cross-cutting research themes. The report acknowledges the changes taking place across Australia with respect to its older citizens. This includes the structural ageing of the population, the introduction of Consumer Directed Care (CDC) at the national level, the impact of changes to government income support and shifts in the life course after the age of 60 (Beer & Faulkner 2011).

Many of these changes have the potential to exert a disruptive impact on the aged care sector in South Australia: other work has shown that across the country many providers of aged care services have been under-prepared for the introduction of Consumer Directed Care, and may be poorly equipped for future transformations foreshadowed in government policy announcements (Cornell et al. 2015). Change is likely to have impacts in South Australia that differ from those evident in other parts of the nation:

- South Australia has a strong and distinctive history of not-for-profit provision of aged care, resulting in a lower penetration of for-profit providers and a relatively large number of smaller, community focussed organisations;
- The state has the oldest population of mainland Australia;
- There has been an increasing recognition amongst policy makers and key government instrumentalities such as the Economic Development Board that the ageing of the population will be a significant economic driver (Government of South Australia 2013);
- South Australians are, on average, on lower incomes than their peers in other parts of mainland Australia and are more likely to receive an aged pension or other statutory income; and,
- It has a distinctive regulatory and policy regime that is comparable to but different from those evident in other jurisdictions.

The data presented in this report represents a unique set of insights into South Australia’s aged care sector at a time when it prepares for, and experiences, change. The data presented here was collected from February to May 2016 via an on-line survey sent to the CEOs of identifiable providers of aged care services in the state. Organisations included in the data collection:

- Could be drawn from the for-profit, not-for-profit or government sectors;
- Operated in South Australia, but could be headquartered elsewhere, or could be based in this state and work in other jurisdictions; and,
- Provided services – residential care, housing, community care etc – targeted at aged people in South Australia.
Organisations were approached to participate in the survey via email, and were then invited to complete an on-line survey. They also had the option of requesting a hard copy questionnaire. The questionnaire was developed by the research team in the first instance, and then tested in a Reference Group meeting in late 2015. The preliminary results of the research were then presented to senior industry figures at a high-level roundtable in May 2016.

This report examines a number of dimensions of the ageing of South Australia and the role of service providers in meeting their needs. This includes issues of:

- Industry structure, operation and orientation;
- The impact of policy change;
- Labour market processes and training;
- The impact of state, federal and local government policies;
- Likely future trends.

This data collection will be repeated over the coming years to provide a snapshot of both change and emerging issues and accompanies research into the perspectives of aged care consumers in South Australia in 2016.
2. A Shifting Aged Care Landscape: Perceptions of the Current and Future Operating Environment

As noted in the Introduction to this report, the context within which aged care services are provided has changed over recent years and will continue to change (Commonwealth of Australia 2012). Indeed, the pace of change is likely to increase as the Australian Government implements its reform agenda and as the impacts of demographic, economic and social transformation become apparent. This section examines the perspective of aged care providers on this transition, examining their views on what it will mean for consumers and service delivery bodies alike.

Change in any sector is often accompanied by difficulties as organisations are required to re-examine and adjust their business models, ensure their workforce is appropriate for the current environment and reposition themselves with the marketplace.

*Figure 2.1: Has your organisation been challenged by the need to meet the regulatory or policy requirements of the Australian government?*

Figure 2.1 indicates that the policy initiatives implemented by the Australian Government over the past year have had a considerable impact on the aged care sector in South Australia. Only 20% of respondents indicated they had not been challenged by the shifts in Australian Government policy, while 42% indicated that they had, and 23% agreed strongly that change had been a disruptive event for their organisation.

By contrast, only 14% of respondents to the survey indicated change in local government policies had challenged their organisation, while 2% agreed strongly (*Figure 2.2*). Critically, local government regulations
that affect the aged care sector have not reformed over the past year, although substantial change can be expected with the implementation of a new planning system (Government of South Australia 2015).

Figure 2.2: Has your organisation has been challenged in meeting the regulatory or policy requirements of local governments?

Figure 2.3: Over the next decade the sector is likely to experience consolidation

Just over two thirds of respondents to the survey believed that the aged care sector was likely to experience consolidation over the next decade (Figure 2.3), with 48% agreeing and 20% agreeing strongly that
amalgamations were likely. Critically, we can hypothesise that consolidation may well be accompanied by either entry of external organisations into South Australia, or a move by South Australian based organisations into other jurisdictions. As noted earlier, there are a significant number of smaller aged care providers in South Australia and they are the tier of organisation most likely to merge with others.

Aged care executives were evenly divided on the capacity of the sector to meet the needs of an ageing population into the future (Figure 2.4). Some 40% disagreed with the proposition that the sector would be unable to meet the challenges of an ageing population, while 48% either agreed or strongly agreed with that statement.

*Figure 2.4: The sector is unlikely to meet the challenges of an ageing population*
Figure 2.5: Staff shortages will make the operation of agencies more challenging

Staff shortages were identified as one of the key challenges for the sector over the coming decade. More than two thirds of all respondents either agreed or agreed strongly that labour market shortfalls will have an impact on their enterprise (Figure 2.5). Only 14% of organisations disagreed that skill gaps and labour force availability would be a challenge.

Figure 2.6: New technologies will provide innovative solutions to the provision of aged care
On a more positive note, respondents believed that new technologies would provide solutions to many of the challenges confronting aged care now and into the future (Figure 2.6). Some 57% agreed strongly with this statement and 16% agreed very strongly that technological innovation would deliver solutions. We can anticipate, therefore, that some of the problems evident in labour force recruitment and retention may be solved through the addition of new technologies.

Figure 2.7: The sector will be subject to on-going change in government policy

A further reshaping of government aged care policy was expected by all respondents to the survey. Some 52% of executives responding to the survey agreed strongly with the statement that further policy change was coming, while 48% agreed (Figure 2.7). This result represents a strong indication of the awareness of change in the sector and the role of government – and especially the Australian Government – in driving this transformation.

In the opinion of the majority of our respondents, part of this transformation will involve older people being required to pay for some or all of the services and support they require. This outcome in part reflects an awareness of a change in the circumstances of older Australians, but it is also a product of the introduction of CDC and its distinctive marketised model of support provision. Fully 58% agreed strongly that older people will need to pay in the future, while 38% agreed. No respondents disagreed with this proposition (Figure 2.8).
On the other hand, most respondents had a neutral position on whether international investment would be needed to meet aged care demands into the future. Fully 48% indicated a neutral stance on this statement – an outcome of the low priority attached to this issue. Some 27% disagreed or disagreed strongly with this statement, while 23% agreed (Figure 2.9). It is possible that this will emerge as a more important question in the future.

*Figure 2.9: International investment will be needed to meet emerging needs*
Exactly 50% of respondents agreed with the statement that it would be increasingly difficult to differentiate their enterprise from others in the coming years (Figure 2.10). Just 17% of respondents disagreed or disagreed strongly with this statement, while 18% agreed strongly.

*Figure 2.10: It is going to be increasingly difficult to differentiate your enterprise in an increasingly competitive market*

![Pie chart showing the distribution of responses to the statement about differentiating from competitors.]

*Figure 2.11: It is going to be increasingly difficult for your enterprise to grow and increase market share*

![Pie chart showing the distribution of responses to the statement about growing and increasing market share.]

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree
- Not applicable
Finally, it is worth noting that 58% of all respondents agreed or strongly agreed that it will be difficult in the future to grow and/or increase market share (Figure 2.11). Some 23% of respondents disagreed with this statement, while 16% reported a neutral position on this issue. Clearly there is a great deal of uncertainty around this question, and this reflects some of the challenges of planning for a transformed operating environment. Some agencies may already be well placed and have well-articulated strategic plans to deal with change, while others still need to look to this future.

In concluding this section we can only acknowledge that Australian Government initiated change has had a profound impact on the aged care sector in South Australia, with the full implications of this transformation yet to be realised. It is likely that the sector will experience more change over the coming years, and this may include changes in local government planning as new regulatory regimes are introduced. Potentially, this change will help the sector by reducing regulation. Labour market challenges are forecast to remain a significant issue for the sector over coming years, with managers increasingly looking to technology to provide solutions. It is likely that some enterprises will consolidate and merge with others, but all parts of the sector will need to map out a new way of engaging with older South Australians.
3. Perceptions and Attitudes on Financial Literacy, Financial Planning and the Financial Services Industry

As the face of the aged care services industry is changing, so is the financial wellbeing of the consumer base of aged care service providers. According to the Australian Bureau of Statistics (ABS) (2015) the number of aged dependents is increasing while younger dependents are decreasing.

Financial wellness includes a person’s financial perceptions, their attitudes as a measure of subjective financial knowledge and their financial literacy as a measure of their objective financial knowledge. It also includes financial behaviours such as effective retirement planning, estate planning, spending patterns and credit management (Woodyard 2013).

This section examines both the aged care service providers’ perception of their consumers’ financial wellness, as well as the financial perceptions of the consumers of these aged care services. The consumer survey data was obtained from a companion survey to the providers survey. In the consumer-based survey, 400 South Australian consumers over the age of 65 were asked questions to provide a snapshot of consumer attitudes, preferences, perceptions and awareness in several related areas, including the area of financial planning and financial literacy.

Liquidity and having money available to spend is paramount in older age. The ABS (2015) estimated the mean household net worth for Australians over the age of 65 in 2013-2014 was $1.06 million. Average superannuation savings amounted to $169,000, or 16%, of this net worth.

Figure 3.1 shows that aged care service providers in South Australia believe older South Australians have a similar savings component to that of the overall Australians over the age of 65. Only 5% of respondents indicated that their consumers had total savings of more $400,000, whereas almost two thirds of respondents indicated their consumer base had less than $200,000 in savings available. These figures suggest that South Australian consumers may have high net worth but a low liquidity component within their total savings. Unlocking the equity in other more illiquid assets held by older consumers, may become key to their financial wellness through a stronger cash flow.
As noted in the Introduction of this report, the majority of respondents are not-for-profit service providers, more specifically within the areas of residential care, community care and housing. It is therefore important that service providers implement a Code of Conduct in their dealings with older consumers. Figure 3.2 indicates that 91% of the respondents that participated in this survey have a Code of Conduct to guide their operations.

Figure 3.2: Do you have a Code of Conduct on how to deal with older persons?
As part of their Code of Conduct, aged care service providers cannot give financial advice to their consumers. However, this does not prohibit service providers from acquiring or outsourcing skills for the financial education of their older consumers. Figure 3.3 shows that only 2% of respondents offer pre-retirement financial programs to their older consumers, and they do so as part of a broader education program.

Changes in government income support to the aged care service industry are very likely to have an impact on the financial wellness of older Australians, subsequently affecting the sector.

**Figure 3.3: Do you offer pre-retirement financial programs?**

Planning for retirement makes an important contribution to financial wellness in older age. Many people fail to plan for retirement, mainly because of a lack of financial knowledge and the difficulty associated with retirement calculations (Lusardi & Mitchell 2005). In Figure 3.4 two thirds of the aged care service providers surveyed in this report, are of the opinion that their consumers’ likelihood of developing a plan for retirement savings is poor to very poor.
Interestingly, amongst consumers aged over 65, just over half of all respondents indicated that they developed a savings plan prior to retirement (Figure 3.5).

The question that needs to be asked however, is how successful has the implementation of the developed retirement plan been? Figure 3.6 sheds more light on this question. Half of all respondents in the consumer-based survey did not know before retirement how much money they would need to save for once they had permanently left work, although more than half the respondents indicated they developed a pre-retirement savings plan. It may be safe to assume that having a successful plan for retirement would include having knowledge, or an estimate, of the savings needed for retirement. This is not the case for the majority of older South Australians.
Figure 3.5: Have you developed a retirement savings plan prior to retirement?

Figure 3.6: Did you know how much money you would need to save for retirement?
Understanding the concept of risk and diversification is essential for successful financial planning. It also serves as a measure of financial literacy (although not a stand-alone measure). Being financially literate helps the retirement planning process (Lusardi & Mitchell 2005; Gathergood 2012).

Figure 3.7 shows clearly that South Australian aged care providers felt their consumers do not understand the risks involved in investment decision-making. More than half the aged care providers indicated the likelihood of their consumers understanding investment risk is below to far below average.

Figure 3.7: What is the likelihood that your clients understand the risks involved in making investment decisions?

A similar question posed to consumers contradicted the South Australian aged care service providers.

Figure 3.8 indicates that respondents have an understanding of the concept of investment risk. Slightly more than half the respondents correctly indicated "false" to the statement that a single company stock is safer than a diversified investment. It is alarming that a third of respondents did not know, or understand, the concept of single company stock and/or a diversified investment.

Although risk perceptions and having an understanding of risk alone is not an indicator of financial literacy, the results in Figure 3.8 indicate that South Australian consumers over the age of 65 have some objective financial knowledge, which is imperative to overall financial wellness (Woodyard 2013).
The expected increase in the aged population will have an effect on the financial services industry. In a report by PricewaterhouseCoopers (2014) it is argued that the level of financial advice needed by older Australians will increase significantly. Expectations are that the number of older Australians in receipt of the age pension will decline due to superannuation changes and the value of other assets held.

Financial planners/advisers will support their customers in balancing these effects in an overall portfolio, together with associated risks, and will become an important role player in the financial wellness of the older consumer. It is the perception of aged care service providers that their consumers find financial planners of limited value, as shown in Figure 3.9.
The perception of consumers through the consumer-based survey is not as profoundly negative. More than two thirds of respondents viewed financial planners/advisers as average to excellent (Figure 3.10). More disconcerting is that a high number of consumers (23%) were uncertain about the value of financial planners. This uncertainty is carried through to Figure 3.11 where respondents in the consumer-based survey were
asked if they felt that the financial services industry excludes older customers. More than half the respondents were either uncertain, or felt that the financial services industry excludes older customers.

Consumer Choice (2010) highlights the risk of the financial services industry mis-selling financial products to vulnerable older customers. As mentioned earlier, with an increase in older customers the role of financial planners/advisors will become paramount to the financial wellbeing of older Australian consumers.

*Figure 3.11: Do you feel the financial services industry excludes older customers?*

Unlocking home equity as a source of retirement funding can contribute to the financial wellbeing of older Australians and supplement other financial resources such as a government provided age pension, superannuation savings or voluntary savings. Downsizing into retirement villages, or smaller homes, can have significant cost benefits for the federal government, especially in reducing costly residential aged care (Property Council of Australia 2015).

Downsizing by older Australians may also create a greater supply of housing, especially for the first time homebuyers market. However, many older Australians fear their government pension will be diminished by including the proceeds from selling their primary home into the aged pension means test.

Financial products, such as reverse-mortgages, exist as a potential way to assist older people in unlocking the equity in their family homes. Reverse mortgages provide homeowners with loan funding secured against their home equity (Merrill, Finkel & Kutty 1994). Conventional mortgages require monthly repayments including capital repayments and an interest component. Reverse mortgages, on the other hand, unlock the equity in the home without the owner having to move to another form of accommodation. Payment upon the amount borrowed through a reverse mortgage occurs when the borrower dies or sells the property.

Reverse-mortgage products are offered by registered financial institutions and most aged care service providers do not offer such a product as part of their services. More informative is the results shown in *Figure 3.12* and *Figure 3.13.*
Figure 3.12 shows that more than two thirds of older South Australians surveyed were aware that reverse-mortgages are available as an option to finance retirement. However, Figure 3.13 clearly indicates that, of the two thirds of respondents who know about the existence of reverse-mortgage products, more than half had an average to poor knowledge of the product.

Reverse-mortgage products are one of the potential ways of unlocking equity in the home. They are not the definitive answer for every older homeowner. Costa-Font, Gil and Mascarilla (2010) argue that reverse-mortgage products may seem helpful in unlocking home equity, however as households live longer, there is a risk of outliving the loan annuity and moving into aged care at an advanced age. In addition to this risk, set up fees are high. Therefore, options such as reverse-mortgages need to be considered with caution.
The ageing environment in Australia, and South Australia, is changing. With this change the financial services sector is also undergoing transformation. Consumers will be more reliant on financial advice, and proper retirement planning will become increasingly important in future. To this end aged care service providers can play an important role in facilitating financial training and education programs to their older consumers. Such programs may address age specific financial literacy programs and basic retirement planning educational programs.

Financial institutions can assist by adapting training programs for financial planners and advisers to include a component on the treatment and advice to older, vulnerable customers. Furthermore, financial institutions need to re-think and possibly re-design their financial products to also specifically cater for an older consumer base. These products will include low cost, low risk ways of unlocking the equity in the family home.

Finally, governments may constitute positive change by revisiting the age pension means test regarding profit from selling the primary residence by older Australians. Such changes will have a positive impact on the aged care industry and on the financial wellness of their most important asset, namely the older South Australian. Further research into these possibilities may inform all participants in the aged care industry on a better way forward in achieving an age friendly society.
4. Labour Market: The Perception

The aged care workforce has been steadily increasing over time as the industry has expanded. According to the ABS (2016), there are 232,000 workers working in residential care services. Recently, labour shortages in the aged care industry have been a concern of the industry and government. “Crisis” is a term that is frequently used to describe the status of the workforce in the sector (Harrington & Jolly 2013). Rising demand as a result of a fast growing ageing population, relatively low salaries, as well as an ageing workforce have all been cited as reasons that underlie the difficulties in attracting and retaining workers. Among them, rural and regional aged care providers are seen as facing challenges in recruiting and retaining staff (Mesken 2013).

This section investigates providers’ perceptions about the labour market in South Australia. In particular, we seek to answer three questions: what is the general perception regarding their comparative advantage in the labour market relative to recruiters from other sectors and in the same industry? What is their experience in terms of recruiting, retaining and training employees? Which area do providers find the most challenging in terms of managing their workforce?

4.1 Competitiveness

Aged care providers, especially those who offer residential care, have a diversified labour force, and need to compete with other recruiters in multiple markets. To find out how they perceive their competitiveness in the market, and what their strengths and weaknesses are in competing with other recruiters, a set of questions were asked. First, respondents were asked about their opinion on the following statement: “Compared with other sectors, my organisation, as an aged care provider, is disadvantaged in the job market in recruiting staff”. Secondly, respondents were asked to evaluate whether the following factors are the reasons for their lack of competitiveness: total remuneration, training, opportunities for career advancement, work life balance, work environment and job security. In particular, they were asked how those factors influence their competitiveness relative to recruiters from other sectors and other enterprises within the aged care sector.

The majority of respondents did not perceive themselves as being competitive in the market, as more than 55% of respondents agreed or strongly agreed with the statement that they are disadvantaged in seeking employees1. As illustrated in Figure 4.1, remuneration was identified as the most important reason for lack of competitiveness, with more than 65% of respondents agreeing or strongly agreeing that it is the factor most contributing to their disadvantage, followed by limited opportunities for career advancement. Other factors were dismissed by the majority of respondents as a cause of their lack of competitiveness in the labour market.

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1 The percentage is calculated based on the actual responses, that is, those who did not answer the relevant question or selected “not applicable” are not included in the base for calculation. Same for the rest of the section.
The situation becomes more diversified when we take a closer look at the relative competitiveness of different providers. As shown in Table 4.1, there exist distinct differences in terms of reasons for their lack of competitiveness. In general, providers operating in more than one area, regional providers, as well as small and medium sized providers, were more likely to perceive themselves as disadvantaged compared to their counterparts in the industry. They attribute different factors for their lack of competitiveness. Remuneration was identified as the most significant reason that put them in a disadvantaged position: for example, 56% of regional providers agreed that is the reason for their lack of competitiveness, while only 27% of providers who operate in metropolitan areas held the same opinion. Both lack of career opportunities and job security were identified by regional providers and small and medium sized providers as barriers to success in recruitment. However, only a small proportion of providers agreed that work life balance is a factor leading to disadvantage.

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2 We divide the respondents into several groups to see whether there exists systematic difference between groups. Three classifications are used: operating areas, location and size. Providers are classified into two groups: those that operate in a single area (one of the four areas: housing, in home care, out home care and other) or multiple areas (at least two of the four areas); regional and non regional providers, where the former are providers operating in regional areas only; large or small and medium providers: the former has 200 employees or more, while the latter has less than 200.
4.2. Recruitment and Training

Despite somewhat adverse perceptions amongst the respondents regarding their competiveness in the labour market, there exists evidence for us to be optimistic. The next part of the survey asked providers for their experience in recruiting and training. First, the respondents were asked to what extent they agree with the statement “In the last 12 months, my organisation has found it difficult to recruit or retain staff in the following areas”, and seven categories of employees were listed: registered nurse, enrolled nurse, other health care worker, informal carer, non-direct care staff such as cleaning, catering, maintenance, and laundry, as well as other staff.

As depicted in Figure 4.2, the majority of respondents had no difficulty in recruiting most types of employees. The only category of potential concern was that of volunteers, with over 40% of respondents reporting problems. Given that it is a job without pay, this is not surprising.

The other categories that had more than 20% of respondents reporting difficulties in recruitment were registered nurse and other health care worker. The turnover rate for staff has been stable and this was reflected in responses to the statement “In the last 12 months, the turnover rate of our staff in the following areas has been higher than previous years”, with only a small proportion of respondents agreeing with the statement, and over 60% respondents disagreeing or strongly disagreeing (Figure 4.3). Second, over 60% of respondents agreed that the skills of their new recruits were adequate for registered nurse, enrolled nurse and other health workers (Figure 4.4). Carers and volunteers were two categories that providers had concerns in terms of skill adequacy, but this is expected as entry into those jobs requires no qualifications or skills.
Figure 4.2: Difficulty in recruiting or retaining staff in the last 12 months

Figure 4.3: Higher turnover rate compared to 12 months ago
The overall satisfaction of employers with the skills of recruits has not resulted in a reduction in the burden of training. Providers were asked whether they needed to provide extra resources to train new staff, and the answer was overwhelmingly positive, with no single provider disagreeing strongly. The proportion of
respondents who agreed or strongly agreed with the statement was well above 60% for all job categories except for registered nurses (58%). More strikingly, the need for training did not disappear after induction, with providers needing to continue to invest resources to train existing staff in order to update them on regulations and policies. As illustrated in Figure 4.5, there was little difference in training needs amongst new and existing employees. In fact, a greater number and percentage of respondents agreed they need to spend extra resources to train existing staff for virtually all job categories, suggesting that the industry is not dynamic and subject to many challenges.

4.3 Challenges in Workforce Management

To understand the difficulties faced by providers in managing their workforce, we need to look from the perspective of major stakeholders of a typical aged care provider: government, employees and clients. Three statements were presented in the survey: “Adapting our workforce to changing government policy has been a challenge; The expectations of the existing workforce has challenged our organisation; Adapting our workforce to the changing demand for aged care services in recent years has been a challenge.”

As shown in Figure 4.6, respondents overwhelmingly agreed with those statements. All regional and small and medium providers surveyed agreed that adapting the workforce to the changing demand for services is challenging. In addition, providers operating in a single area were more likely to find meeting the clients’ demands a burden, as compared with providers operating in multiple areas. In terms of meeting employees’ expectations, the number of areas providers operate within exerts a difference, but regional and small and medium providers were more likely to find it a major hurdle when compared with their larger counterparts. This, to a certain extent, mirrors the situation in the recruitment market, where regional and small and medium providers also felt they were disadvantaged and struggle to offer a career to job seekers. While the majority of respondents find it challenging to adapt workforce to changing government policy, there are not many variations across different groups of providers: small and medium services and providers operating in single area have a higher propensity to report it as a challenge. A plausible explanation is that those providers are constrained with respect to the resources they can mobilise to prepare and update the workforce to changing regulations.
In summary, the majority of providers perceived themselves as disadvantaged in the labour market, and considered the main cause of their disadvantage the inability to provide attractive remuneration packages. Amongst all providers, regional providers, enterprises operating in multiple areas, and providers with fewer than 200 employees, were more likely to perceive themselves as disadvantaged compared with other providers. As a group they cited remuneration and lack of career opportunities as the main factors hindering their competitiveness. However, these are conservatively optimistic as the turnover rates have been stable across all categories of employees, and the skills of core employees are perceived as adequate by majority of respondents. Considerable resources are required to provide training for both new and existing employees irrespective of the job category they fall in, suggesting a significant resource requirement on aged care services. The optimism in the labour market does not suggest grounds for complacency; on the contrary, providers are facing significant barriers to prepare their workforce for the future. They also struggle to meet the expectations of their workforce.
5. Aged Care Labour Force and Management Practices

There are a number of challenges in the area of the aged care labour force and management practices. In this section, we will demonstrate the survey result first and then elaborate on the possible reasons and suggestions for future improvement.

The first question being asked in this section focusses on staff turnover rate. Figure 5.1 demonstrates that nearly half of all respondents have a staff turnover rate in excess of 10%. This indicates that the workforce in the aged care sector is not very stable and people change jobs frequently.

*Figure 5.1: Please provide your best estimate of the staff turnover rate in your organisation*

The following question is about channels of staff recruitment. The majority of organisations would use their own HR department for recruitment but more than a quarter would use HR agents for their recruitment (Figure 5.2).
The third area of interest is induction programs (Figure 5.3). Most agencies who responded to the survey did not provide extensive induction programs and approximately one quarter provided such programs on occasion. This outcome indicates that most aged care providers are not sufficiently well equipped to guide and integrate new employees into the workplace. There is considerable scope for improvements in this area in the future.
The fourth domain of investigation focussed on whether the organisations provide formal skills training for new staff (Figure 5.4). More than half provided such training, but one quarter only offered such training sometimes or rarely. This dimension of skills enhancement needs further improvement, given skill formation is crucial for employees to carry out their work professionally.

The fifth aspect of skills development is the employees’ opportunities for job rotation (Figure 5.5). Task rotation is important for employees as it allows them to become familiar with the entire operation of the enterprise and by doing so, employees can better fit into any position as needed. In addition, there are more
career opportunities if employees are able to manage the entire range of operational matters. Among our sample organisations, nearly half provided job rotations for their employees, but another half only provided these sometimes or rarely. This is a further aspect of aged care provision that could be addressed by these organisations in the future.

*Figure 5.5: Employees have opportunities for job rotation*

Management practices are the final aspect of development considered (*Figure 5.6*). Career management is a surprisingly weak area in South Australia’s aged care sector with the majority of organisations. Only 10% of companies always make available career management strategies for their staff. Long-term management is better adopted with a higher proportion of companies always having such management practice in place. The majority of companies have clear job designs and descriptions, as well as performance management systems and standards. Performance-based pay has been used but is not always applied. Cross-cultural management is another challenging area, with nearly half of all aged care providers delivering it sometimes or occasionally.
Based on these results, we can conclude there are key areas for improvement. Aged care organisations need to pay more attention on career development, induction and skill training for employees to foster a sense of being looked after by the organisation. This will result in a higher commitment by staff towards the organisation, and a consequent reduction in the staff turnover rate. In addition, the limited adoption of performance-based evaluation and rewards systems should be fully developed among these organisations so clear standards and requirements would encourage individuals to perform well. The final area for improvement is paying more attention to cross-cultural management given an increasingly diverse workforce, as well as clients from different cultural backgrounds. This should also be linked with induction and skill training programs, and management/leadership programs to ensure that both managers and employees are well equipped to manage an increasing multi-cultural work environment.
6. Planning Laws and Regulations

As acknowledged in Section 2 of this report, the context and policy environment within which age care services are provided has significantly changed in recent years and will continue to do so. This is in part influenced by an increasing need for home based aged care and a desire of older Australians to age in place. As the percentage of ‘aged’ people in our communities rises, so too will the demand for a diversity of housing and accommodation options thus necessitating the development of new aged care housing models and products.

The combination of state and local government planning practices, policies and regulations have a significant influence on the way we live. At a time when there is demand for diversity of housing options, urban planning policy and regulations can either enable or impede innovation in land use and building design.

This section examines the perspectives of residential aged care providers on the influence of urban planning and regulations on their business as well as innovation in residential aged care more broadly.

*Figure 6.1: The desire of older Australians to ‘age in place’ necessitates new models of accommodation and housing*

Changing aspirations amongst older Australians to ‘age in place’ are, understandably, seen as necessitating the development of new models of aged care housing models and products. As indicated in *Figure 6.1*, 68.9% of respondents agreed/strongly agreed that such demand required changes beyond the current approach of retirement villages and residential care facilities. While 15.5% of respondents disagreed/strongly disagreed with this statement, it is worth noting that 11.1% of respondents strongly disagreed. Interestingly, 15.6% of respondents were neutral.
The role of local planning laws and policies are, as previously acknowledged, a key factor in the provision of residential care and facilities and retirement villages. While planning laws and policies ideally seek to manage development within the South Australian housing landscape, the majority of respondents contended they inhibit innovation and diversity in the housing market for older Australians (Figure 6.2). Specifically, 29.5% and 22.7% of respondents agreed or strongly agreed respectively that this was the case. Combined, this represents 52.7% of total responses. Conversely, only 2.3% strongly disagreed and 9.1% disagreed with this statement. It is important to note that 34.1% of respondents were neutral. We speculate that these respondents are satisfied with the local planning policy framework within which they operate.
While the planning system in South Australia is framed by larger, macro-scale strategic planning policies, the interpretation and implementation of strategic policy is a significant domain of local government responsibility. Consequently, planning regulations vary across local government authorities. These variations were perceived by the majority of respondents as creating a barrier to the development of innovative, varied and purpose-built housing for older Australians (Figure 6.3). Fully 40.9% of respondents agreed this was the case, while 20.5% strongly agreed with this assertion. Combined, 61.4% of respondents agreed/strongly agreed. A quarter of respondents responded that they were neutral on this question. Respondents disagreeing (6.8%) or strongly disagreed (4.5%) combined accounted for only 11.3% of the sample.
Beyond the scale of local government, respondents were also asked their views concerning the role of federal government policy with regards to their corporate operation. Specifically, they were asked if they felt that the level and complexity of federal government regulation in the aged care sector was an impediment to innovation in the development of new housing options for older Australians. As indicated in Figure 6.4, the overwhelming majority of respondents believed this was the case, with 40% agreeing and 26.7% strongly agreeing. Combined, 66.7% agreed/strongly agreed that complexity and level of federal government regulation was having an adverse effect on the innovative potential of the sector. Respondents who reported being neutral accounted for 31.1% of the total sample. This is a significant percentage of the total sample and indicates that a large segment of the sample group are somewhat satisfied with current federal government policy. However, it must be noted that this interpretation is speculative and that further research is required to explore this issue further. Strikingly, only one organisation disagreed, accounting for 2.2% of the sample, while no respondents strongly disagreed.
Figure 6.5: Current land use planning laws act as a deterrent to older Australians downsizing

Arguably, a cornerstone of private property ownership in Australia is the right, within the limits of planning law and local development policy, to determine how property and land is used and/or exchanged. However, as indicated by Figure 6.5, over 50% of respondents agreed (46.7%) or strongly agreed (4.4%) that current planning laws act as a deterrent to older Australians downsizing their private properties. These policies vary between local government areas. Regardless, the majority of respondents perceived this as an impediment to the capacity of older Australians to age in place. A close inspection of the data in Figure 6.5 reveals that 35.6% of respondents answered as being neutral on this question. This is significant and it may be postulated that this high response rate reflects a tension between the business model of providing older Australians with purpose-built aged care facilities and the increasing trend for these individuals to downsize and age in place.
State planning laws and policies significantly shape the strategic directions for growth and development that are enacted through local planning approaches and development plans. Hence, state-level policies are critical for the nurturing of a vibrant industry sector focused upon the housing needs for older Australians. Respondents were asked the extent to which they felt state planning and development laws and policies are a major impediment to the development of innovative, purpose built housing options for older Australians. As revealed in Figure 6.6, 24.1% of respondents replied as being neutral on this issue. As for many of the questions regarding planning law and policies, the majority of respondents agreed with the proposition. Specifically, 28.6% agreed and 9.1% strongly agreed. Combined this represented of 47.7% of respondents. Persons responding as disagreeing or strongly disagreeing accounted for 9.1% and 4.5% of the sample respectively.
Figure 6.7: There are currently sufficient financial and policy incentives to develop innovative, purpose built housing for older Australians

Strong policy and financial incentives can be considered as integral to the creation and promotion of innovation in any industry. However, the data revealed in Figure 6.7 shows that the majority of respondents do not believe there are sufficient policy and financial incentives to promote the development of innovative, purpose built housing for older Australians. The majority of respondents disagreed/strongly disagreed with the contention that there are sufficient funds and policy incentives to stimulate innovation within this industry sector. Those respondents who strongly disagreed constituted 11.1% of the sample with those disagreeing accounting for 48.9%. Combined, this accounted for 60% of total respondents. Only 8.9% of respondents strongly agreed (2.2%) or agreed (6.7%) that there were sufficient funds and policy incentives in place. Those persons responding as neutral accounted for 26.7% of the total sample.
The importance of developing housing options that promote inter-generational interaction was affirmed by the vast majority of respondents. Figure 6.8 shows that 91.1% agreed/strongly agreed. Only 4.4% of the sample responded that they were neutral, none disagreed and only one respondent strongly disagreed (2.2%).
The role of various tiers of government in the creation of planning laws and policies that promote age friendly cities and housing was affirmed by the majority of respondents (Figure 6.9). Specifically, 53.3% of respondents strongly agreed and 37.8% agreed that state planning laws encourage innovation in housing. Combined, this represented 91.1% of the sample. Those responding as neutral only accounted for 6.7% of the sample, while only one respondent strongly disagreed (2.2%), and no respondents disagreed. These results closely mirror those in the previous figure.
Respondents were optimistic that improvement in these areas was possible. Respondents were invited to consider the degree to which the trend of local government authorities subscribing to the World Health Organisation’s Age Friendly City agenda held the potential to initiate positive policy change. Specifically, whether it could foster a planning system more conducive to the creation of innovative housing options for older Australians. As revealed in Figure 6.10, 56.9% of respondents either agreed (36.4%) or strongly agreed (20.5%), accounting for 56.9% of the total sample. This is an important finding as it suggests that the majority of respondents perceive this framework has the potential to act as a circuit-breaker to stimulate planning law and policy frameworks at the national, state and local scales. Respondents disagreeing or strongly disagreeing with this potential accounted for 4.5% of the sample. Those responding as neutral accounted for 34.1% of the sample. It is possible that these respondents may not be explicitly aware of the detail of the Age Friendly City agenda. Further research is warranted.

The previous data strongly indicates that urban planning and residential care regulations are perceived to be impediments to innovation in the design of residential aged care. It needs to be noted though that there is a diversity of interests and business models within aged care housing providers and what might be perceived as a radical innovation for one business might be incremental to another.

With the growing diversity of user needs as our population ages and lives longer, mobility, suitability and affordability will be of key importance in the design and development of housing options. Purposeful and successful innovations cannot occur in isolation from users. With increasing competition in the market place, service providers that innovate their internal practices to meaningfully engage end users in the co-design of their housing options by utilising the World Health Organisation’s Global Age-Friendly City Guide as a foundation for engagement are likely to reap the benefits.

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7. Conclusion

Australia’s aged care sector is changing as a result of the introduction of personalised care frameworks (Consumer Directed Care (CDC) and Home Care Packages) in ageing. It represents a challenge for the care sector nationally and across Australia. The results of our research suggest that many of the unique features of the aged care sector in this state may make the process of transition more difficult, with the large number of smaller and medium sized care providers – and especially those operating in regional areas – struggling to accommodate this change. These challenges are reflected in the high number of respondents who reported they expect the sector to undergo consolidation in the near future, as well as problems in staff recruitment and training.

Change in the aged care sector is not just a challenge, it represents an important opportunity for South Australia. Aged care providers who embrace change and reconfigure their business models are likely to see the rise of new areas of operations, and new missions, as the burgeoning population of older people calls for a greater volume and sophistication in services. Consumer Directed Care alone will drive much of this change, with the Australian Government budgeting $1.3bn annually for CDC, but in addition an increasing number of non-pension reliant older people willing and able to purchase support privately. Critically, this will not be a short term boom: the ageing of the baby boom generation, followed by the entry of Generation X into the over 65 cohort, means that Australia will have an elevated age profile for at least 50 years. And, it will be a group with higher housing wealth, more superannuation, higher levels of education and higher incomes on retirement than preceding generations.

This report set out to present a snapshot of the state of the aged care sector in South Australia in 2016. We can conclude that the sector is undergoing fundamental change and that shifts in Australian Government policy are driving much of this transformation. We find that the sector:

- Remains troubled by high staff turnover rates;
- Attributes challenges in recruiting high quality staff to low levels of remuneration in the sector;
- Is satisfied with the quality of the employees it recruits;
- Lags behind other sectors in the provision of induction and other training – including cultural awareness training;
- Considers local government planning regulations impede innovation;
- Anticipates a degree of consolidation in the sector over the coming decade;
- Is not focussed on the opportunities for international investment in the sector;
- Expects new technologies to solve many of their contemporary challenges, including those associated with staff shortages; and,
- Believes few older South Australians are appropriately prepared financially for retirement.

This report is intended as the first of a series, with the second contribution expected in 2019/20 by which time many of the challenges working through the sector currently will have exerted their full impact. It will be valuable to map the realised changes evident in three years against those anticipated today.
8. References


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