



# DRAFT NATIONAL CARE AND SUPPORT ECONOMY STRATEGY 2023



SUBMISSION TO:  
**THE CARE AND SUPPORT ECONOMY TASKFORCE**  
DEPARTMENT OF THE PRIME MINISTER AND CABINET

JUNE 2023

# Submission to the Draft National Care and Support Economy Strategy 2023

**The Academy of the Social Sciences in Australia (the Academy) is an independent, not-for-profit organisation that brings together the multidisciplinary expertise of our nation's leading thinkers to provide practical, evidence-based advice on important social issues facing society.**

**As the pre-eminent organisation in Australia representing excellence across the social science disciplines, we welcome the opportunity to respond to the Draft National Care and Support Economy Strategy 2023 (the draft Strategy).**

## Introduction

All Australians will give and receive care over the course of their life. Formal systems of care and support play a vital complementary role to the social care relations within our community.

The draft Strategy significantly elevates and advances the national conversation on four of our formal systems of care and support: aged care, disability care and support, veterans' care and early childhood education and care (ECEC). The recognition of the value of decent work and its critical connection to care quality, along with commitment to delivering appropriate pay, conditions and career prospects for care and support workers are developments we strongly support.

This submission outlines our substantive feedback on goal 3: productive and sustainable. The critical foundation for how our care and support systems are conceptualised and organised is established by this goal, with significant implications for delivering high-quality care and support and decent work. As currently drafted, goal 3 misses an important opportunity to reflect on the effectiveness of market-based service delivery and think broadly about 'system design' rather than just 'market design'.

Two recent publications [Designing Social Service Markets](#) and [The Careless State: Reforming Australia's Social Services](#) elaborate on many issues identified here and provide original case study examinations of various Australian social service markets from which additional insights can be gleaned.

We make six recommendations:

- **Recommendation 1:** Examine the effectiveness of current market-based practices such as contracting, outsourcing and demand-side funding and their implications for delivering high-quality care and support and decent work.
- **Recommendation 2:** Expand the scope of goal 3 to consider systems design, not just market design, and explore the full range of organising principles and delivery models for care and support systems.
- **Recommendation 3:** Recognise formal systems of care and support play a vital complementary role to the social care relations within communities; they are

relationship-based, grounded in community values and trust and responsive to people's needs and preferences within their social context.

- **Recommendation 4:** Explore currently underutilised system stewardship levers that could be deployed by governments to drive up quality and equity across care and support systems.
- **Recommendation 5:** Invest in dedicated measurement of the economy-wide value of care and support systems, including positive externalities and implications for wellbeing.
- **Recommendation 6:** Explore opportunities to improve productivity associated with service quality, service mix and work design, in addition to technology.

## Predictable problems in market-based care and support systems

### The nature of care and support

The draft Strategy lists several similarities between care and support systems such as the major funding and regulating roles of government, growing demand, workforce demographics and wage penalties for workers. Other important shared characteristics are central to the way that we understand care and support and its economic dynamics.

Care and support systems typically involve complex and multi-faceted interpersonal interactions. They are largely 'intangible' in the sense that 'producing' and 'consuming' the service happen simultaneously, and people who need these services are not able to see them in advance of choosing a provider.

In most systems, these interactions occur repeatedly over time, are grounded in ongoing relationships and address evolving and fluctuating needs. This means that care and support are also 'heterogeneous', such that the services delivered by different providers and by a single provider over time will vary, for example 'each doctor's consultation, carer's act of bathing an aged person, and lesson by a teacher will be distinct in some way'.<sup>1</sup>

Some people who need care and support do not make decisions for themselves about their own care; for example, young children do not choose their ECEC provider, and people with high cognitive support needs may require significant supported decision-making assistance from a guardian. In these situations, the interests of all parties involved may not be aligned, introducing further complexity and risk into market transactions.

### Market failures and predictable problems

When the characteristics of care and support systems outlined above come face-to-face with market practices such as contracting, outsourcing and demand-side funding some predictable market failures and problems emerge.<sup>2,3</sup> Even in regulated market settings, incomplete contracts

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<sup>1</sup> Davidson (2009) [For-profit organisations in managed markets for human services](#)

<sup>2</sup> See [Gingrich \(2011\)](#) who identifies market failures including externalities, multiple principles, information asymmetries and incomplete contracts and summarises their implications.

<sup>3</sup> See Considine (2022) [The Careless State: Reforming Australia's Social Services](#) and Meagher et al. (2022) [Designing Social Service Markets](#).

and information asymmetries often lead to dysfunctional outcomes.<sup>4,5</sup> Research consistently finds:

- Choice of provider is a weak mechanism for empowering people who need care and support. There are high switching costs associated with changing providers, and evidence shows that people rarely change. When they do, it is often for reasons such as maintaining a relationship with a care worker who has moved to a new employer.
- External, low trust regulation of providers on a compliance logic is a weak mechanism for ensuring quality and driving improvement. It is ineffective in ensuring high quality, undermines professionalism and promotes gaming by providers.
- Reliance on private service development and private investment leads to geographically inequitable distribution of services and lower average quality.<sup>6,7</sup> There is overwhelming evidence that for-profit organisations offer services of lower average quality across care and support sectors.<sup>8,9</sup>
- Systems that combine user choice with reliance on private service development drive inequality in access to high-quality services, because people with social and economic advantages find it easier to navigate markets and to select the best services.<sup>10,11,12</sup>

The [Competition Policy Review](#) (2015) recognised that access to quality services and relevant information were prerequisites for user choice models. It suggested, 'it will be easier to apply user choice where users can easily switch between service providers' (p. 235) and 'in different circumstances, choice may need to be balanced against other factors, including access to high-quality services and social equity' (p. 235).

## Implications for the organisation and delivery of care and support systems

Care and support systems have a lasting impact on people's lives and wellbeing, increasing the importance of 'getting it right' when designing and implementing policy changes that address people's needs and complement their informal care arrangements.

The draft Strategy presents the opportunity to reflect on the effectiveness of over 30 years of market-based practices in care and support systems and consider which models might work best for which services. This opportunity has been missed. Instead, the draft Strategy preserves the core of our market-based system and simply aims to improve its functionality, 'through use of technology, better regulation and market design' (p. 2). For reasons outlined in this submission, that approach is unlikely to succeed, resulting in continued leakage of public resources and ongoing failure to meet community expectations about care and support services.

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<sup>4</sup> Meagher et al. (2022) [Designing Social Service Markets](#).

<sup>5</sup> Hart et al. (1997) [The proper scope of government: Theory and an application to prisons](#).

<sup>6</sup> Hurley et al. (2022) [Deserts and oases: How accessible is childcare?](#)

<sup>7</sup> Australian Children's Education and Care Quality Authority (ACECQA) (2022a), [National Quality Framework Annual Performance Report](#)

<sup>8</sup> Yang and Yong (2023) [Ownership Status, Prices and Quality of Nursing Homes: Evidence from Australia](#).

<sup>9</sup> See Bach-Mortensen and Movsisyan (2021) [Ownership Variation in Violated Regulations and National Care Standards: Evidence From Social Care Providers](#) and Bach-Mortensen et al. (2023) [For-profit outsourcing and its effects on placement stability and locality for children in care in England, 2011–2022: A longitudinal ecological analysis](#).

<sup>10</sup> Cloney et al. (2016) [The selection of ECEC programs by Australian families: Quality, availability, usage and family demographics](#).

<sup>11</sup> Jorgensen et al. (2020) [The effect of home care package allocation reforms on service uptake, use and cessation at a large Australian aged care provider](#).

<sup>12</sup> Malbon et al. (2022) [How personalisation programs can exacerbate socio-economic inequities: findings from budget utilisation in the Australian National Disability Insurance Scheme](#).



There are many ways to organise and deliver care and support systems. As the ‘majority funder, program designer and regulator’ (p. 2) the government can influence market functionality, which is important, but it can also consider if market practices such as contracting, outsourcing and demand-side funding are the best options to organise and deliver care and support services.

The scope of goal 3 should be expanded to consider ‘system design’ more broadly including the role of government in service provision and more open and integrated models of service delivery.<sup>13</sup>

**Recommendation 1:** Examine the effectiveness of current market-based practices such as contracting, outsourcing and demand-side funding and their implication for delivering high-quality care and support and decent work.

**Recommendation 2:** Expand the scope of goal 3 to consider systems design, not just market design, and explore the full range of organising principles and delivery models for care and support systems.

## Attributes of systems that effectively deliver high-quality care and decent work

### Effective systems strengthen social connections and are responsive to people's needs and preferences within their social context

Care is central to the human condition, the foundation of a good society and prosperous economy. The draft Strategy currently suggests ‘informal care ... plays a vital complementary role to formal care and support services’ (p. 25). Ethics of care theory suggests this relationship is reversed: formal systems of care and support play a vital complementary role to the social care relations within our community.

This conceptual framing is critical to the draft Strategy as a whole but particularly to goal 3. A care and support system that first prioritises how the person in their social context needs and prefers care is a system that seeks to strengthen people’s social and community connections.

This is particularly important in First Nations and culturally diverse communities, but equally important for all people who give and receive care and support informally from their social connections. As clearly set out in the Aged Care Royal Commission Interim Report:

Aged care is all about people, and relationships are the foundation of all human engagement. High quality care requires social connection as well as professional health and personal care. Strong relationships built on dignity, trust and respect are central to physical and emotional wellbeing. Such relationships make a huge difference to older people’s happiness, quality of life and care outcomes. (vol 2. p. 32)

**Recommendation 3:** Recognise formal systems of care and support play a vital complementary role to the social care relations within communities, they are relationship-based, grounded in community values and trust and responsive to people's needs and preferences within their social context.

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<sup>13</sup> Considine (2022) [The Careless State: Reforming Australia's Social Services](#)

Effective systems are organised around transparency, professionalism, collaboration, and commitment to the public interest.

Government has ultimate control over a variety of settings that influence care and support systems. There are eight important, but currently underutilised, system stewardship levers that can be deployed by governments to deliver high-quality care and decent work across care and support systems:

1. **Planning the distribution of services** to ensure that care and support services are accessible to all who need them. Collaborative planning should replace the current approach that leaves providers to decide where to locate and leaves government to manage ‘thin markets’ after the fact. Collaborative planning should occur within and between care and support sectors, to improve service integration and to remedy pernicious incentives for cost-shifting that currently exist.
2. **Providing services themselves.** The presence of well-functioning public providers in mixed systems represents a powerful policy instrument. Public providers can improve a social service market, by providing high-quality and efficient services to a significant proportion of people; by acting as a provider of last resort for people and regions poorly or not serviced by private providers; and by setting sectoral norms that other providers must follow to remain competitive.<sup>14</sup>
3. **Preferencing direct employment** in *all* publicly funded care and support systems. As noted in the draft Strategy, the Australian Government has committed to preferencing direct employment in aged care (p. 39).<sup>15</sup> Direct employment improves attraction and retention. It plays a key role in ensuring the continuity of care and support and meaningful relationships between workers and service users which is crucial to the delivery of high-quality care services. The kind of collegial supervision that all care and support workers need to maintain the quality of their work and working lives is much more difficult to deliver outside stable employment relationships.
4. **Developing and adequately funding organisational infrastructure for collaboration** between care and support providers within and across sectors in communities/regions. For example, collaboration between aged care and health care providers enables service integration, and between aged care providers and local educational institutions can support workforce development.<sup>16</sup> Research shows that place-based initiatives which co-locate health and other services for children and families with ECEC services can increase collaboration. Yet, colocation is not enough: such centres ‘need governance that better integrates service policies, systems and processes that explicitly support collaborative practice’.<sup>17</sup>
5. **Adequately funding structures that create trusted sources of information** for individuals who are planning or receiving support. Systems designed to guide people’s choice of provider, such as star-ratings, are inadequate. Research shows these can be

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<sup>14</sup> Davidson (2022) [Public providers: making human service markets work](#)

<sup>15</sup> Butler (2022) ‘[Budget October 2022–23: Restoring dignity to aged care](#)’ Press Release.

<sup>16</sup> See for example a small case study of [New Zealand Government Alliance Contracts](#), which highlights decentralised government-facilitated cooperation between local home care providers.

<sup>17</sup> Jose et al. (2021) [The impact on service collaboration of co-location of early childhood services in Tasmanian child and family Centres: An ethnographic study.](#)

gamed by providers,<sup>18</sup> and contribute to socioeconomic sorting whereby relatively advantaged people gain access to better services than disadvantaged people. Resources such as advocates, peers, organisations or support coordination are better able to support equity of access as people navigate access and receipt of services.<sup>19</sup>

6. **Requiring transparency about financial and operational matters** from all providers receiving public funding to deliver care and support. Provider discretion needs to be transparent and subject to review. Transparency deters opportunistic behaviour and ensures innovations that improve quality and efficiency can be shared as widely as possible. Treating providers' business methods as private commercial property undermines trust, innovation and efficiency in publicly funded systems that deliver services to vulnerable groups.
7. **Using models of regulation that promote high-quality services and decent work** (Objective 3.2). Such models rely less on post-hoc management of non-compliance and more on the virtuous circle engendered by transparency, decent work for care and support workers, trust in professional expertise, and empowered service users. Sanctions for unremediated poor-quality should be strong.<sup>20</sup>
8. **Developing and mandating the use of public, open source, interoperable system-wide IT infrastructure** that interfaces with existing systems to facilitate providers' reporting requirements (Objective 3.5). Once established, this infrastructure would enable real-time collection of data on system operation, reduce reporting costs for providers, improve care quality and drive efficiencies across care and support sub-sectors.<sup>21</sup>

**Recommendation 4:** Explore currently underutilised system stewardship levers that could be deployed by governments to drive up quality and equity across care and support systems.

## Productivity in care and support systems

### Productivity gains will require new ways of recognising and measuring value

Early sections of the draft strategy rightly recognise the economy- and society-wide contributions of care and support services, noting that these are an 'investment in social infrastructure and provides long-term benefits (returns) as well as wider public benefits that accrue beyond the direct users (infrastructure)' (p.11).

<sup>18</sup> See Sharma et al. (2019) [The relationship between reported staffing and expenditures in nursing homes](#) and Perrailon et al. (2019) [Nursing home response to nursing home compare: the provider perspective](#).

<sup>19</sup> See Fisher et al. (2023) [Factors that help people with disability to self-manage their support](#); Meltzer et al. (2021) [Why is lived experience important for market stewardship? A proposed framework for why and how lived experience should be included in stewarding disability markets](#) and Green et al. (2022) [Advocacy as market stewardship in social care quasi-markets](#).

<sup>20</sup> Braithwaite, Makkai and Braithwaite (2007) [Regulating Aged Care: Ritualism and the New Pyramid](#)

<sup>21</sup> Currently, providers who use electronic tools purchase from a wide array of proprietary, commercial IT systems using public funds and/or client fees. Staff who move employers can encounter different IT systems, and proprietary systems have different levels of interoperability with each other and public reporting systems.

Despite this, the market-frame of goal 3 positions care and support systems as a drag on the economy, and the concept of social infrastructure as a social safety net; a necessary cost on a civilised society that does not bring ongoing wider economic and social benefits.

Productivity measures in the care and support sector provide an incomplete picture of the sector's performance. The reference to the Productivity Commission's assertion about the productivity growth in the non-market sector 'being close to zero' (p. 11) simply highlights an outdated input-output analysis that bears no relation to the underlying aim of each care and support system of providing good quality services and an enabler of workforce participation.

Measuring the value of care services involves appraising a human interaction where benefits flow beyond the point of delivery. Academic research identifies potential ways to innovate our conventional economic systems to value the foundational importance of the care sector as enabler of workforce participation, human capital development and efficient skill allocation across the economy.<sup>22</sup> In general, properly recognising the *full value* of care requires taking a longer-term horizon and treating the provision of care as a long-term investment.

**Recommendation 5:** Invest in dedicated measurement of the economy-wide value of care and support systems, including the positive externalities and implications for wellbeing.

### Service quality, service mix and work design are important levers to improve productivity

Given the relationship-based nature of care and support, improving service quality is the most important mode of increasing productivity. Higher quality care and support improves the standard of living of people who need these services and can enhance future achievement and earnings of some social groups. For example, in addition to enabling their parents to engage in paid employment, a child's access to high quality early childhood education and care leads to better health outcomes, labour market earnings, and financial and personal independence later in life.

Getting the mix and quality of services right within the care and support system and between sectors is also a lever for productivity improvement, because prevention and early intervention are better-and cheaper-than 'cure'. In aged care, high quality care in home and community-based care significantly delays entry into much more costly residential care.<sup>23</sup> Similarly, high quality residential aged care can reduce health costs, for example, from unnecessary hospital admissions.

Productivity gains can also be achieved through work design and organisation, particularly ensuring that workers have *enough time* to provide care and support and to exercise their skills. In aged care, along with low rates of pay, lack of adequate time to care has been a longstanding concern of workers in both residential and home care services.<sup>24</sup> Time to care is also integral to service users' perceptions of what constitutes good quality care.<sup>25</sup>

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<sup>22</sup> see Mazzucato (2019) [The Value of Everything](#), Waring (1999) [Counting for Nothing: What Men Value and What Women are Worth](#) and Waring (2018) [Still Counting: Wellbeing, Women's Work and Policy-making](#).

<sup>23</sup> Jorgensen et. al (2018) [Modeling the association between home care service use and entry into residential aged care: a cohort study using routinely collected data](#).

<sup>24</sup> See for example the [2016 National Aged Care Workforce Census & Survey](#).

<sup>25</sup> Meagher et al. (2019) [Meeting the social and emotional support needs of older people using aged care services](#).



While mandating hours of care per resident per day is a focus of recent reforms in residential aged care, it is vital that work organisation and design builds in enough time for workers to attend to the social, emotional, personal and clinical needs of individual residents as they fluctuate across a day, a week or a year. Adequate time must be factored into home care visits (and the packages that provide for them) so that relationship aspects of home care workers' interactions with clients can flourish and so that the time necessary for personal care can ensure dignity for individual clients.<sup>26</sup>

**Recommendation 6:** Explore opportunities to improve productivity associated with service quality, service mix and work design, in addition to technology.

## Fiscal sustainability and consumer contributions

The draft Strategy starts an important national conversation about the long-term sustainability of care and support services and the relative contributions between governments and individuals. The draft Strategy rightly recognises 'these are complex questions that cannot be answered quickly or easily' (p. 50). However, we note:

- In ECEC, universal or low-cost provision of high-quality services is necessary to achieve the goals of maximising women's labour supply and economic independence and of enabling the best start in life for all Australian children.<sup>27</sup>
- In disability support and care, Australia has committed to an insurance model without means-testing.
- In aged care, government uses means-testing to supplement government funding with service user contributions, which are substantial in residential care.<sup>28</sup> An Aged Care Taskforce has been established to provide advice to government on existing options for funding a fair and equitable aged care system. Options should include those presented through the Royal Commission into Aged Care Quality and Safety, alongside other proposals, such as social insurance models.<sup>29</sup>

To discuss any matters raised in this submission or our survey response, please contact Andrea Verdich, Policy Director on 0438 218 352, or [andrea.verdich@socialsciences.org.au](mailto:andrea.verdich@socialsciences.org.au).

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<sup>26</sup> Charlesworth and Taylor (2020) Submission on workforce issues: [Royal Commission into Aged Care Quality and Safety](#).

<sup>27</sup> Academy of the Social Sciences in Australia (2023) [Submission to the Productivity Commission inquiry into early childhood education and care](#).

<sup>28</sup> In 2020/21 residential aged care service users contributed \$5,100 million (outside of refundable accommodation deposits) and the government \$14,100 million, 73% of total residential aged care provider revenue. In the Home Care Packages Program, service users contributed \$96 million to their use of the Home Care packages program and the government \$4, 200 million, 97.8% of home care provider revenue. See: [Australian Institute of Health & Welfare: Spending on aged care](#).

<sup>29</sup> Howe and Spies-Butcher (2022) [Integrating the retirement income system and aged care funding in Australia: An Aged Care Levy as a social insurance option](#).