

Aged Care Workforce Remote Accord Submission on the Productivity Commission Remote Area Tax Concessions and Payments Draft Report

This submission seeks to provide feedback on the Productivity Commission Draft Report '*Remote Area Tax Concessions and Payments*', and particularly on the proposed changes to the Fringe Benefits Tax (FBT) remote area concessions and the impacts this could have on the aged care workforce, as well as broader communities in remote areas.

The Aged Care Workforce Remote Accord

The Aged Care Workforce Remote Accord (the Remote Accord) is a group of service providers delivering aged care services in regional and remote areas of Australia.

The Remote Accord was formed based on the belief that every community—including those in remote and very remote areas of Australia—has an equal right to accessible, high quality aged care services. The Remote Accord saw its genesis in the '*A Matter of Care: Australia's Aged Care Workforce Strategy*' report; Strategic Action 11 recommended that the Government and industry support the establishment of a Remote Accord.

The overall objective of the Remote Accord is to achieve an adequate, robust, and appropriately skilled and supported workforce that meets the current and future care needs of older people living in remote and very remote Australian communities

Impact of FBT changes on aged care providers in remote settings

The Productivity Commission's proposed tightening of remote area concessions, such as the FBT exemption for employer-provided housing, may have a negative impact on workforce and service provision in sectors such as aged care.

Aged care service providers operating in remote and very remote areas have significant difficulty in attracting and retaining appropriately skilled workers. There are often very limited affordable housing options available to remote area aged care workers, and employer-provided housing is seen to be an important part of attracting and retaining workers to remote aged care services.

The viability of the aged care sector already faces significant challenges, with 67% of outer regional, rural and remote facilities operating at a loss (more than 43% recording a cash loss)¹ and signs that an increasing number of smaller providers are seeking to leave the industry.²

The Australian Government Department of Health has acknowledged that these issues need to be addressed, stating in a commissioned report into the Aged Care Workforce that “[skill] shortages are more prevalent outside major cities, and vacancies are harder to fill in remote and very remote areas, especially for RNs in residential facilities”³.

Aged care service providers in remote areas make use of current FBT exemptions in order to provide employees with affordable housing options. The Productivity Commission’s proposed reversion to a 50% concession (as it was prior to 2000), rather than the current 100% exemption may therefore be seen as inconsistent with the Australian Government’s efforts to strengthen the aged care workforce and the viability of the sector in remote areas.

In order to protect the already fragile aged care workforce in remote and very remote communities, the Productivity Commission need to examine the costs that changes to FBT exemptions would have on providers, and consider options for a more targeted approach to FBT changes. Alternatively, the Productivity Commission could consider redirecting the additional projected revenue from the tightening of FBT concessions towards better targeted incentives to address workforce shortages, in order to minimise negative impacts on these communities.

The broader context

Draft Finding 2.4 states ‘*Although life in remote Australia has a unique set of challenges, many Australians choose to live there because of the pace and quality of remote life, or because of close personal or cultural attachments to places or to communities. Others move to remote areas in pursuit of economic opportunity*’. This statement risks dismissing the challenging realities facing many members of remote communities, including the often vulnerable clients of aged care and other health and community services, as well as the already fragile aged care workforce.

¹ *Aged Care Financial Performance Survey Sector Report* (StewartBrown, March 2019)

² *2019 Report on Funding and Financing in the Aged Care Sector* (Aged Care Financing Authority, 2019)

³ Kostas Mavromaras, Genevieve Knight, Linda Isherwood, Angela Crettenden, Joanne Flavel, Tom Karmel, Megan Moskos, Llainey Smith, Helen Walton and Zhang Wei, *THE AGED CARE WORKFORCE, 2016 March 2017*, Pg. xvii

The reality is that a high proportion of the 500,000 people living in MMM6 and 7 communities (as classified under the *Modified Monash Model*⁴, which specifically uses MMM6 and 7 to describe remote and very remote areas) do not have any real choice regarding where they live; any alternatives are either unreachable, or inconsistent with the cultural bond they have with their homeland.

In addition, Draft Finding 2.3 states that “*there is some evidence that the cost of living increases with remoteness*”. This finding seems to understate the dramatic differences noted within the Draft Report when it comes to costs such as groceries, fuel, and car maintenance, as well as the significant costs associated with accessing particular healthcare services. The finding seems partially based on unsubstantial evidence suggesting that housing can be cheaper in remote areas, though the Report notes that this does not consider the standard of housing available. The Remote Accord note that the Productivity Commission plan to further explore the cost of living issue prior to the release of the final report, and suggest that further consultation with aged care services, primary healthcare providers, and community groups will be vital to understanding those costs.

In order to fully understand the consequences of the proposed changes to current FBT exemptions, it is vital that the Productivity Commission consult outside of the mining, agriculture, and local government sectors in preparing their final report. This would provide a richer understanding of remote and very remote communities and the people who live in them.

Principle Recommendations

- In preparation of the final report, the Remote Accord believe it is vital that the authors assess the impact of FBT concessions on aged care and comparable sectors (health care, community services), and suggest surveying these sectors in line with the surveying of the mining, agriculture, and local government sectors that has already been undertaken. This will provide a more complete understanding of remote and very remote communities.
- The Productivity Commission should consider a more targeted approach to FBT changes that takes into account the impact such changes could have on aged care service providers, and the already fragile workforce in remote communities
- The Productivity Commission should consider redirecting the additional projected revenue from the tightening of FBT concessions towards better targeted incentives to address workforce shortages, in order to minimise negative impacts on these communities

⁴ “The Modified Monash Model (MMM) is a recently developed geographical classification system, using up-to-date population data across Australia - Australian Government Department of Health <https://www.health.gov.au/internet/main/publishing.nsf/Content/modified-monash-model>