6 June 2025

Submission to the Productivity Commission inquiries into Australia's Productivity

Thank you for the opportunity to provide input to the Productivity Commission's inquiries into Australia's productivity.

Pillar 4: Delivering quality care more efficiently

The care economy is vital for the health, wellbeing, and quality of life of millions of Australians, and we have witnessed firsthand the growing pressure related to sustainability and workforce faced by providers.

As an innovative care economy service provider, we deeply appreciate the importance of this pillar and its interconnectedness with the other priority reform areas identified by the Commission. Improving efficiency, as well as effectiveness, in the care economy is not only necessary to alleviate these pressures but is also crucial for enabling improvements in the quality of care delivered and the quality of life experienced by those who access these services.

We support the Commission's prioritisation of Pillar 4: Delivering Quality Care More Efficiently as essential to a sustainable and integrated care economy.

We are strong advocates for the need to look critically at the way we have thought about the care economy in the past, to ensure it can deliver for the millions of Australians who access it now and into the future. There are significant simultaneous reform programs underway currently, and we consider the perspective of the Productivity Commission to be a critical part of this work. The care economy is under pressure, and finding better ways to deliver quality care more efficiently and effectively across all its aspects must be government's priority.

With regards to the policy reforms proposed in Pillar 4, NewDirection Care advocates for:

- a reduced and / or streamlined regulatory system that works alongside providers to protects end users but does not unnecessarily burden them; and,
- greater support for new approaches and innovations to deliver productivity gains.

However, our experience shows these reforms cannot succeed in isolation. Achieving efficiency, effectiveness, integration, and quality requires alignment with other reform areas. The remainder of this submission therefore outlines the interdependencies that must be addressed to fully realise the intent of Pillar 4 and offers practical recommendations based on our operational insights.

Pillar 1: Creating a more dynamic and resilient economy - Regulatory Burden

Pillar 1's focus on reducing the impact of regulation on business dynamism directly relates to the cross-cutting regulatory burden within the care economy identified under Pillar 4. Differing quality and safety regulations across sectors and jurisdictions create significant costs and complexity, hindering the provision of cohesive, integrated care.

NewDirection Care strongly advocates for agnostic funding, regulations and other system architecture to reduce the friction felt by Australians navigating these systems, as well as organisations providing these services.

This should involve standardising funding and costs, centralising regulators and regulatory frameworks to reduce duplication and improve efficiency in care. For example, the merging of Aged Care and NDIS.

Business Investment and Innovation

Pillar 1 aims to support business investment to foster innovation and improve productivity. This is critical for the care economy, which requires investment in innovative care delivery models and practices. While the Commission notes the need for a framework for prevention investment and highlights how reducing regulatory burden can free resources for investment, in our view, Government must also actively support innovation within the care economy. This active support should go beyond just reducing burden and include:

- the introduction of specialised subsidies to offset early-stage operational costs;
- access to grant funding for capital growth;
- pathways to validate ideas; and
- the establishment of a dedicated research and funding body focused on commercialisation and real-world impact.

This targeted approach is essential to expedite the development and adoption of innovative approaches necessary for efficient, effective and integrated quality care.

By contrast, the current system places the onus on the sector to argue why novel ideas warrant funding, system support and research focus. Instead, this submission positions the Government as an active steward, allocating resources towards identified strategic priorities based on current and emerging challenges/opportunities in the Australian care economy. By opening this burdensome framework, we could deliver significantly better outcomes.

Tax Reform and the Level Playing Field

Pillar 1 explores corporate tax reform to incentivise investment and improve productivity. Our commentary approaches this from our personal experience and challenges relating to investment, and in turn productivity.

Within the care economy, achieving efficiency and productivity requires a level playing field for all providers, regardless of their legal structure.

Currently, significant differences exist in tax treatment between not-for-profit and for-profit care providers. Exemptions enjoyed by not-for-profits such as exemptions from duties, land tax, and payroll tax, as well as the ability to offer salary packaging and FBT-exemptions creates an uneven playing field. For-profit providers face higher tax burdens which impact their ability to invest in innovation, workforce development, and service expansion compared to their not-for-profit counterparts.

To support a more dynamic and efficient industry, tax reform should consider harmonising aspects of the tax system to create a level playing field that encourages investment and innovation across *all* provider types delivering care services, potentially by reviewing the rationale and impact of existing exemptions on competition.

Pillar 2: Building a skilled and adaptable workforce - Workforce Adaptability and Occupational Regulation

Pillar 2 focuses on building a skilled and adaptable workforce, crucial for delivering quality care efficiently.

The Commission is examining occupational entry regulations (such as licenses and certifications), which are important for safety but can also act as barriers, limit service availability, increase prices, and hinder workforce mobility.

In the care sector, differing occupational requirements across health, aged care, and disability services significantly impede workforce mobility and the efficient deployment of skilled staff.

Our view is that rigid mandatory qualifications for care and support workers to enter individual sectors should not be supported. We believe such requirements limit each sector's ability to innovate its workforce models and how it delivers care and support services. While having relevant qualifications can be beneficial for performance, they don't guarantee better results.

With regards to the care economy, we propose greater benefit would come from shifting a focus from 'qualifications' to attracting the right talent. A workforce with the right mindset, temperament and alignment to the intention of the sector would deliver greater dividends and importantly, employee satisfaction. In our experience, individuals drawn to the care economy in this way are oftentimes the most successful and the most interested in investing in the sector long-term. These individuals could then be supported to complete ongoing on-the-job training once they have entered the sector to improve expertise and outcomes.

In sectors with significant workforce attraction and retention challenges like the care economy, we see significant benefit in a shift of focus to skills and experience rather than reducing workforces to rigid qualification burdens.

Pillar 3: Harnessing data and digital technology - Prioritising Innovation

While the Commission notes the potential of AI and other digital improvements for productivity, our view contrasts this with a call to champion non-digital innovations as a priority.

In our view, digital tools are often fundamentally limited to the institutionalised sectors they operate in. For the care economy, a critical review of current practices and norms would likely deliver greater benefits and lead to fundamental changes in care systems and service provision.

NewDirection Care believes a focus on redesigning existing architecture and challenging established views is a more foundational path to significant productivity improvements in care. This aligns with the Commission's view on collaborative commissioning but positions it as a more active reimagining of the care economy rather than just improved communication and allocation of resources between siloed existing stakeholders without any reflection on how these agencies and service providers can be transformed in their own right.

Recommendations for overcoming barriers and achieving greater productivity in the care economy
Drawing on the interconnected insights from the Pillars and our unique organisational perspective, we propose the following recommendations to overcome current barriers and successfully achieve greater productivity in the care economy:

1. **Implement Agnostic System Architecture:** Pursue reforms that create agnostic funding, regulations, and other system architecture. This involves standardising funding and costs where appropriate and centralising regulators and regulatory frameworks to significantly reduce the complexity and cost arising from differing quality and safety regulations across sectors and jurisdictions.

2. **Rationalise Occupational Entry Regulations:** Address the barriers to workforce mobility created by differing occupational requirements. The introduction of mandatory qualifications for care and support workers would hinder innovation in workforce models and add unnecessary hurdles across the care economy. Instead, streamline existing regulations and explore alternative approaches that maintain safety without unnecessarily restricting entry and mobility or add to operational complexity.

3. **Actively Support Innovation in the Care Economy:** Go beyond reducing regulatory burden and actively support innovation in care. Provide specialised subsidies, grant funding, pathways to validate ideas, and a dedicated research and funding body focused on commercialisation of novel ideas aligned to Australia's strategic priorities. This is necessary to drive the adoption of new, more efficient care models and practices.

4. **Focus on Fundamental Practice Review and Non-Digital Innovation:** Prioritise a critical review of current practices and 'norms' within the broader care economy as well its respective sectors. We believe this foundational approach can lead to significant changes in service provision and system operations, potentially unlocking greater productivity gains than solely focusing on digital tools.

This view is evidenced by the unique MICRO TOWN® model developed by NewDirection Care, wherein we challenged every aspect of traditional instutionalised aged care to reimagine what was thought to be possible in this sector. This sector specific transformation is now expanding scope to the broader care economy, bringing a fresh perspective and innovative spirit to build a better future for all Australians regardless of care and support needs.

5. **Create a Level Playing Field in Tax Treatment:** As part of corporate tax reform (Pillar 1), examine the tax exemptions (duties, land tax, payroll tax, salary packaging and FBT exemptions) available to not-for-profit care providers. Assess the extent to which these create an uneven playing field compared to for-profit providers and explore options for harmonisation to support investment and competition across the entire care sector.

Conclusion

Delivering quality care more efficiently is a critical challenge for Australia's productivity and the wellbeing of its population. As an innovative provider, our experience demonstrates that achieving this requires a holistic approach. Reforms must extend beyond Pillar 4 to address the fundamental issues of regulatory burden and investment environment (Pillar 1), workforce flexibility and occupational regulation (Pillar 2), and the strategic application of data and technology (Pillar 3).

We urge the Productivity Commission to consider the interconnected themes highlighted in this submission, including the need for agnostic system architecture, rationalised workforce regulation, active government support for innovation (both non-digital and digital), and addressing tax disparities to ensure a level playing field for all care providers. Addressing these areas is key to reimagining care productivity in Australia and delivering quality care more efficiently and effectively for all Australians. We look forward to the opportunity to continue to contribute to the Commission's important work.

Contacts

Natasha Chadwick
Managing Director and Founder

Greg Aleckson
Director

Justin Chadwick
Director