How can governments seed a sustainable care economy?

Reshaping care for the elderly and vulnerable can create a thriving economy, build social capital and deliver benefits for all

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1

The care economy is of critical importance to global society, and the demands on it will increase in the coming decades as care needs grow.

2

At the same time, fiscal constraints and workforce shortages mean governments are struggling to deliver the best possible outcomes for citizens.

3

A new sustainable care model is needed – one that improves quality, builds workforce capacity and develops community-based models that deliver social value.

Introduction

How would you want to be cared for if the need arises? That's not a question many of us give much thought to when we are physically and mentally fit and healthy, but perhaps we should. Not only because of our own personal preferences and hopes for a decent life but also because of the importance of the care economy as a whole.

The care economy is one of the world's most important and fastest growing sectors. The total number of care recipients globally is projected to rise to 2.3 billion by 2030,[1] a 10% increase from 2015, due in part to aging populations, the increase in long-term conditions such as dementia and growing numbers of people living with disabilities, mental health conditions or cognitive impairments. The public and private cost of all types of care service provision (including early childhood and long-term care, health and social work) is expected to rise from 8.7% of global GDP in 2015 to 14.9% by 2030, with the number of global care workers projected to reach 358 million by 2030.[2]

At present, though, the care economy is simply not fit for purpose and unprepared to meet future needs. The formal care sector suffers from a shortage of workers and poor working conditions, resulting in inadequate care quality and accessibility.[3] Additionally, governments struggle to get the best value from their funding and often prioritize more expensive institutional care over home and community-based services, despite the preferences of most vulnerable adults. Then there is the hidden social and economic burden of unpaid caregiving. Some estimates say unpaid care work should be valued at US$11 trillion or 9% of global GDP.[4]

Even as governments confront the growing demand for care services and the need to fund them, they are doing so while facing mounting fiscal pressures and high levels of debt. Clearly, there is an urgent need to rethink and restructure the care economy if it is to meet the needs of society in the decades to come.

A three-pillar framework for a sustainable care economy

Based on EY research and partner insight, we believe that creating a care economy that is fit for all our futures rests on three core pillars. Each one reinforces the other, but all depend on making care the responsibility of government and the whole of society.

The first is **improving the quality and accessibility of care provided.** This will involve enforcing regulations and policies that uphold quality standards, developing adequate care infrastructure and increasing accountability to vulnerable people, their families and surrounding communities. It will need a data-driven approach to forecast future care requirements, pinpoint areas lacking services, shape policies and allocate budgets for sustained care. And it will be anchored by a person-centered approach — engaging the elderly or vulnerable person in decision-making to ensure that actions align with their needs, and leveraging digital technologies that facilitate access to cost-effective services to help them live with dignity and security within their own homes.

The second is **building workforce capacity and capability.** This will involve positioning the care sector as a prime destination for individuals seeking meaningful and fulfilling careers. It will require reframing the importance of care roles by improving the perception and conditions of paid care workers with enhanced remuneration, work environments, professional qualifications and chances for skill enhancement. And it will involve adopting digital tools to minimize the administrative overload that consumes too much of caregivers' time and diminishes the quality of care they can deliver.

The third is **developing a sustainable model that is fully embedded in local communities** and delivers social value. This means putting the community at the core of the care system — enhancing the quality of care while reinforcing social cohesion and cultural values. By building sustainable care models that engage community groups, cooperatives, social enterprises and faith-based organizations, governments will enhance social capital and invest in care workers who are deeply connected to their localities, thereby strengthening community bonds. By adopting innovative approaches to redistribute caregiving duties, governments also can foster gender equality within both formal and informal care settings.

In the following sections, we outline the strategies, policies and actions that can help to ensure these three pillars are constructed and reinforced to reimagine and support the care economy ecosystem. Our focus is on long-term care services for the elderly, disabled and other vulnerable persons.

1 Improve the quality and accessibility of care

As the modern care economy has grown and developed globally, much of the responsibility for long-term care has shifted to the private sector. Yet the quality of care provided often suffers in the pursuit of profits.[5] This creates a growing imbalance between the costs of providing care and the benefit that society gains – partly because much care work is unregulated and varies widely in terms of quality.

Too often, complex, fragmented care systems leave vulnerable citizens confused and unaware of available care options and how to access them. One low-cost way of improving care for elderly and vulnerable people is to help them find and navigate support services while maintaining their independence.

Investing in technology such as single digital platforms can help vulnerable citizens understand what support is available to them, thus removing the complexity of disjointed care systems. In the US state of New Hampshire, the Bureau of Elderly and Adult Services' ServiceLink initiative is designed to help vulnerable individuals navigate care services more easily, acting as a single point of entry for individuals to access and apply for long-term support and gain referrals to community-based services. They also help to create personalized care plans and connect families with care providers.

Listening to vulnerable citizens to understand their needs, preferences and pain points, then building a person-centered model of care around them, will result in better outcomes. In Scotland, the Self-directed Support program empowers people with a disability and those with long-term conditions by giving them a personal budget and allowing them to tailor care and support to their specific needs.[6]

Allowing people to live independent and fulfilling lives at home and in the community also promotes healthier social interactions and enhances overall wellbeing. In Australia, the National Disability Insurance Scheme provides funding for individuals with disabilities to access a range of support and services. This includes personal care, therapy and home modifications, allowing participants to live more independently and participate in their communities.

Technology, again, has an important role to play in facilitating assisted living and improving wellbeing through video visits with care providers, IoT-enabled devices that monitor health or detect falls, and artificial intelligence (AI) tools that predict when support might be needed and connect with care providers. The Seniors Lab program in Singapore shows how new technologies can help the elderly live more independent lives (see case study box below).

Singapore's Seniors Lab

In 2023, the Singapore government's Sree Narayana Mission launched Seniors Lab, a pilot digital program for integrated senior care. It leverages IoT-enabled sensors installed in seniors' homes, and digitally detects and reports movement, activity levels, falls, social isolation indicators and other medically relevant parameters. Doing so allows the Seniors Lab to create an integrated care delivery system that helps the elderly to lead safer, more comfortable and independent lives.[7]

Better regulation of all care settings is needed to enforce standards and improve accountability, while stronger policy and systems incentives (such as value-based payment models and transparency on performance) can drive the continuous improvement and innovation needed to lift quality beyond minimum acceptable levels. This can be achieved with independent bodies that regulate care quality, develop guidelines, assess compliance against care quality standards and take actions for non-compliance – as the US is putting in place (see case study box on next page).

The US legislates for better care

The US government has implemented reforms to improve the quality and safety of care homes. Developed by the Department of Health and Human Services (HHS), they include adequately funding inspection activities, bolstering scrutiny of the poorest-performing care homes, and expanding financial penalties and other enforcement sanctions to hold owners of poorly performing homes accountable. They have also increased transparency about care home quality, including a rating website designed to help families make better choices on facilities.[8]

Funding arrangements, and the extent to which care recipients contribute to the cost of care, vary significantly between countries. At present, though, the high costs of care services often impose an unsustainable financial strain on the elderly and the vulnerable – leaving many unable to fund long-term care needs and resulting in depleted savings, increased levels of debt and strains on mental health. One solution is to offer greater access to health savings plans and insurance schemes to cover care expenses. Singapore's CareShield Life, for example, is a national disability insurance scheme that provides financial protection to those in need of long-term care.

2 Build care workforce capacity and capability

Currently, there is a glaring mismatch between supply and demand for care. Caregiving work is undervalued, and many workers face a financial penalty for working in low-paid care jobs. There is also considerable movement, not only between care sectors but also between administrative and hospitality jobs with similar qualification profiles and pay rates, leading to high turnover and instability in the system. Those employed in care work also face a demoralizing amount of administrative work that undercuts their effectiveness.

It's time to destigmatize care jobs by elevating the status of paid care workers through better pay and working conditions. Several countries are focusing on raising the pedigree of care work through upskilling, knowledge tools and professional certification, so workers stay current with best practice, legal regulations and emerging technology. Doing so will shift the narrative around caregiving careers, rebranding them as essential and rewarding for a new generation of employees who put a premium on purposeful employment. Crucially, this can also help improve care quality.

The UK's Skills for Care has led the development of a detailed care workforce strategy for adult social care over the next 15 years to help attract and retain care workers. It focuses on improving pay, terms and conditions for care workers; investing consistently in training and clear career pathways; and introducing legislation to mandate strategic workforce planning and create a central body to drive delivery.[9]

In Australia, the federal government has increased funding for care workers following the Fair Work Commission's (FWC) Aged Care Work Value Case Stage 3 (see case study box).

Australia invests in care worker pay rises

The Australian government is making a AUS$3.8 billion investment over four years in Australia's aged care sector, including funding to facilitate pay rises for around 340,000 care workers from January 2025. It builds on a prior commitment of AU$11.3 billion to fund a 15% wage increase for aged care workers, following a landmark ruling by the Fair Work Commission in 2023 on the need for better pay in the sector. The workers benefiting from the wage increase include registered and enrolled nurses, personal care workers and home care workers, and recreational activities officers (lifestyle workers). An additional AU$400 million of new funding is being provided through the Home Care Package Program to manage increased wage costs.[10]

Technology has a key role to play in improving employee capabilities by relieving some of the administrative burden on care workers and ensuring services reach those who need them in a timely and efficient manner. This includes digital tools that reduce travel time and enable case workers to see more clients in a day through better rostering and virtual appointments; support caseload management through smart documentation and case note summaries; improve communication between multidisciplinary care teams, care recipients and their families; and use chatbots to answer general queries, freeing case workers to focus on those who need their personal attention.

Using digital tools to reduce administrative burdens and improve productivity in Canada

PointClickCare is a cloud-based electronic platform leveraged by 27,000 senior care facilities in Canada. It is used for medication administration, clinical documentation, billing incident reporting and resident quality improvement initiatives. It streamlines administrative tasks and provides real-time insights on the care needs of vulnerable people in the facility. In just one of the facilities, PointClickCare has helped reduce hospitalization stays by 20 days.[11]

3 Develop a sustainable model to deliver social value

Transformation of the care economy requires a whole-of-society approach, with all stakeholders coalescing around a common vision. Governments can act as stewards to create the policy settings while harnessing the resources and strengths of the wider care ecosystem — including the not-for-profits, private providers, investors, employers, families, communities and volunteers.

Governments can show the leadership to foster wider societal input through future-back planning — developing a clear vision that will galvanize stakeholders to create the desired care system and then working backward to determine the necessary steps to achieve that future. Data-driven macroeconomic models and statistical tools can help policymakers understand the magnitude of future care needs at a community level and create a systems thinking approach to meet them. Adopting an integrated approach across different agencies, sectors and types of care helps break down siloes in planning and service delivery. Harmonizing care services through standardized pricing models, regulatory requirements and quality standards can address issues such as continuity of care, workforce shortages and service gaps in remote locations, and strengthen the resilience of providers.

Even in our modern, socially fragmented society, caring for the elderly and vulnerable is still often the responsibility of family or local community support systems. Governments can bolster those traditional strengths of community-based care while applying technologies and sustainable strategies to support all those involved in the care economy.

Recognizing the role and wellbeing of informal caregivers is an important first step. Too often, family members take on caregiving responsibilities, exacerbating work-life challenges, incurring heavy financial costs, and impacting physical and emotional wellbeing. To mitigate these costs, governments could fund initiatives that provide direct support to individuals taking on caregiver responsibilities, including tax incentives, subsidies for caregiving expenses, and training programs for caregiver skills. The Australian government has been providing over AU$838m annually over the past four years to support informal and unpaid carers through its Carer Gateway program.[12] In Canada, the federal government has built caregiving benefits into employment insurance.

Place-based care systems that bring together local governments, health care organizations, community groups, cooperatives, faith-based groups and private businesses can also build social capital while investing in care workers who have strong ties to their local community. This can further bolster the social fabric and ensure that at least part of the money invested into paid care stays in that community.

The Netherlands, for example, has implemented the Buurtzog model of care where self-managing teams of 12 nurses work with other health care and personal care providers within their neighborhoods, and are responsible for developing their caseloads within the community. Also in the Netherlands, some students live rent free in nursing homes. In exchange, they volunteer — teaching new skills, such as social media use, and playing musical instruments to entertain residents.

In Singapore, Age Well SG is a national program that supports seniors in their homes and communities. Volunteers and communities collaborate to create common spaces, including coffee shops, parks, pavilions and residents' corners, to engage and deliver services to seniors and strengthen community outreach. And Barcelona's municipal government has created a dedicated community care model known as Vila Veïna, as described in the case study below.

Barcelona's Vila Veïna puts care at the heart of the community

This municipal initiative provides care in small local units, where municipalities, care recipients and communities form part of a network with the aim of collectively providing care. Each Vila Veïna unit has a dedicated team of care specialists to meet the personalized needs of the neighborhood. It transforms public spaces into spaces for care through activities where elderly and vulnerable adults and kids spend time together, outdoor exercises for seniors and spaces for caregivers to take breaks.[13]

Investing in gender equality initiatives can have an outsized impact on improving social value and community-centered care. Women perform 75% of the total unpaid care work globally. This limits their participation in the workforce, career advancement and economic security, and it widens gender disparity in society.

Legislation that recognizes care work as a collective responsibility can play a role. California's Paid Family Leave program (CA-PFL) guarantees all workers access to six weeks of partially paid leave to care for their family members. It also allows caregivers to carry out caregiving duties for their family members or close friends while maintaining a proportion of their earnings.

Education also is critical. Rwanda has implemented the Journeys of Transformation (JoT) program, which is focused on promoting shared household decision-making and men's co-responsibility around caregiving. In Kyrgyzstan, families are receiving hands-on training about the importance of men and women sharing care responsibilities (see case study box below).

Kyrgyzstan provides gender equality training for families

Kyrgyzstan, in partnership with UN Women, is working to bridge the unequal distribution of care work by providing community training sessions. This provides families with a visual representation of how care work is divided between men and women, and opportunities to reassess caregiving responsibilities. Participating in the training has led to increased family incomes by as much as 50%, as care work is more equitably distributed between men and women — thereby freeing up women's time and resources so they can focus on their career development.[14]

How can we finance the sustainable care economy?

There is no shortage of strategies, smart thinking and technological applications to help transform the care economy. But how can we introduce, integrate and successfully scale these solutions at a time when national and regional governments around the world are struggling with fiscal deficits and growing debt burdens?

The International Labour Organization (ILO) estimates that, by 2035, the public spending needed to provide universal long-term care services to all adults and children who require them will amount to US$3.9 trillion (3% of global GDP), of which about US$3.1 trillion would be additional spending.[15] This is way beyond the financial means of most governments today.

However, it's important that governments realize that investing in the care economy isn't just a cost — it's also an opportunity. Investing in care policies, for example, can provide a direct economic dividend and employment stimulus, and a high "social return on investment." Strengthening social care systems can improve mental and physical health outcomes, keeping people well at home and avoiding or delaying the need for care in more costly institutional settings, such as residential aged care. It also extends people's ability to participate in the labor force for longer.

In the absence of sufficient direct funding, several alternative investment models and innovative ways to finance care are already being used by governments. Here are some prominent examples to consider:

Long-term care insurance: In several countries, residents are required to have long-term care insurance cover, which spreads financial risk across a larger pool of payers and ensures that funds are available when individuals need care. Japan's system is a public-private partnership where the government provides a framework, and private companies deliver services. This system is funded by mandatory contributions from individuals aged 40 and above, combined with government subsidies.[16]

Care savings accounts: Like health savings accounts, care savings accounts allow individuals to save tax-free for future care needs. Singapore's MediSave is one example of a national medical savings scheme that can be partly used for long-term care expenses.

Direct taxation to fund individual care: In 2023, Washington became the first US state to independently fund long-term care. Under a scheme called the WA Cares Fund, Washington deducts 0.58% pre-tax from each worker's paycheck and invests the money into a state long-term care insurance fund. Eligibility for benefits will rise in line with inflation and, by 2050, residents should have access to more than US$66,000 in maximum lifetime benefits.

Public-private partnerships (PPPs): National governments sometimes use PPPs to leverage private sector expertise, efficiency and capital. In Australia, for example, the Victoria and New South Wales governments have partnered with private sector entities to build capacity through the construction and operation of aged care facilities.

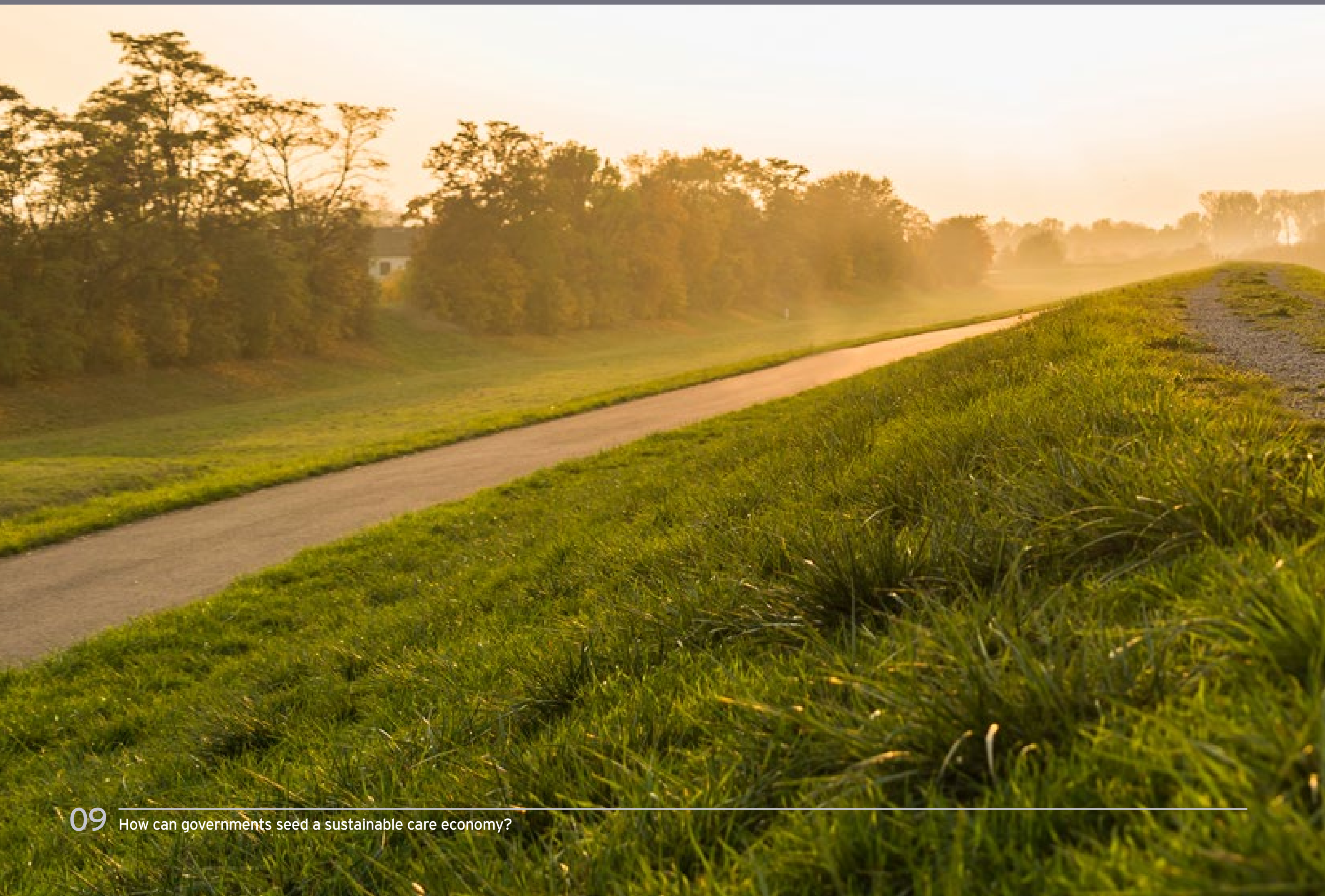
Financing private sector innovation: Some governments are providing subsidies to startup companies to promote technological innovations for expanding care provision, such as telecare platforms and assistive technologies. The Government of India supports startups that develop innovative products, processes and services for the elderly through the Seniorcare Ageing Growth Engine (SAGE) project.

Next steps for building a resilient care ecosystem

The case for change is clear. If governments can improve collaboration and instill a sense of shared accountability for addressing the challenges, better outcomes will follow for all participants in the care economy. This can begin now, with governments taking the following actions:

- Raise the overall quality and safety of care, and drive continuous quality improvement, through better enforcement of regulation, certification and accreditation standards.
- Focus on care strategies that help elderly and vulnerable people to live safely and independently in the home, reducing or delaying the need for more intensive support.
- Explore alternative funding mechanisms to optimize value from publicly funded care, and improve the affordability of care for individuals through vehicles such as long-term care insurance, savings plans, tax incentives and subsidies.
- Embrace and integrate technology to improve efficiency, reduce the administrative burden on caregivers and reduce their travel time.
- Elevate the role of caregiving so that it becomes an attractive career choice for a new generation of employees seeking purposeful work.
- Invest in training and upskilling to elevate the quality of formal and informal care being provided.
- Foster community-based care networks to promote inclusivity and accessibility, and strengthen the social fabric.
- Promote awareness throughout society to reduce the gender imbalance in caregiving.

Together, these steps can create a more productive, empathetic and financially sustainable care economy, capable of supporting a larger section of the elderly and vulnerable care population.



Conclusion

Simply put, the care economy is vital to a well-functioning society, a thriving economy, and a diverse and inclusive workforce. Yet, despite its growing importance to the global society, insufficient attention is being paid to preparing this vital sector for the growing challenges it will face in the years to come.

By focusing on the three key pillars outlined in this paper, and considering innovative new financing models, governments can show leadership by developing a clear vision that will galvanize stakeholders to create the desired future care system – one that involves and works for all of society.

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