



Homecare Association response to the Low Pay Commission consultation 2022

Submitted by email 20/06/2022

About you

1 - Please provide information about yourself or your organisation. If possible, include details about your location, the occupation or sector you are involved in, your workforce if you are an employer (including number of minimum wage workers), and anything else you think is relevant.

1.1 The Homecare Association is a member-led professional association, with over 2,300 homecare provider members across the UK. Our members encompass the diversity of providers in the market: from small to large; predominantly state-funded to predominantly private-pay funded; generalist to specialist; live-in services to visiting services and from start-ups to mature businesses. Our purpose is to enable a strong, sustainable, innovative and person-led homecare sector to grow, representing and supporting members so that we can all live well at home and flourish in our communities.

1.2 To provide some context about the homecare workforce:

- In 2021 590,000 people were estimated to be employed in homecare in England¹. Around 100,000 more are estimated to be working in homecare in the devolved administrations².

¹ Skills for Care (2021) Domiciliary care services in the adult social care sector 2020/21. Online. Available at: <https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/documents/State-of-the-adult-social-care-sector/Summary-of-domiciliary-care-services-2021.pdf>

² In Wales 23,108 people are estimated to work in homecare. There were 17,040 domiciliary care workers and 539 domiciliary care managers on the register in Northern Ireland. In Scotland in March 2022 there were 1507 homecare managers 4186 supervisors and 58421 careworkers on the register. Social Care Wales (2022) [Social care workforce report](#)
SSSC (2022) [Registration data](#)

- A high proportions of these jobs are in the independent (i.e. private and third) sector (97% in England³; 82% in Wales⁴).
- Skills for Care estimated that 30% of careworkers were paid at the wage floor in 2021⁵.
- Influenced by by-the-minute commissioning practices, 47% of the workforce in England were on zero hours contracts in the 2020/21 workforce estimates⁶, meaning that some workers do not have security of income.
- Employers are unable to significantly reward experience: Skills for Care found⁷ that experienced care workers in England who have five or more years experience on the sector are paid only 6p per hour more on average.
- Other commissioning practices, such as the dispersal of work between different providers in a small area based primarily on lowest price can make it harder to roster calls to make efficient use of careworkers time and can increase travel and waiting time.
- Influenced by budgeting disparities and commissioning practices, pay and conditions are typically significantly better for those staff who are directly employed by the public sector⁸.
- Around 89% of employees in the non-residential adult social care are employed by organisations employing 50 or fewer people⁹.

Homecare Association (2021) [Market-Overview-2021](#)

³ Skills for Care (2021) Domiciliary care services in the adult social care sector 2020/21. Online. Available at: <https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/documents/State-of-the-adult-social-care-sector/Summary-of-domiciliary-care-services-2021.pdf>

⁴ Social Care Wales (2022) Social care workforce report. Online. Available at: https://socialcare.wales/cms_assets/file-uploads/Workforce_Report_2021_EN-final.pdf

⁵ Skills for Care (2022) Pay in the adult social care sector. Online. Available at: [Pay in ASC sector 2021 \(skillsforcare.org.uk\)](#);

⁶ Workforce Intelligence / Skills for Care (2021) Workforce Intelligence Summary: Domiciliary Care Services in the Adult Social Care Sector 2020/21. Online. Available at: <https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/documents/State-of-the-adult-social-care-sector/Summary-of-domiciliary-care-services-2021.pdf>

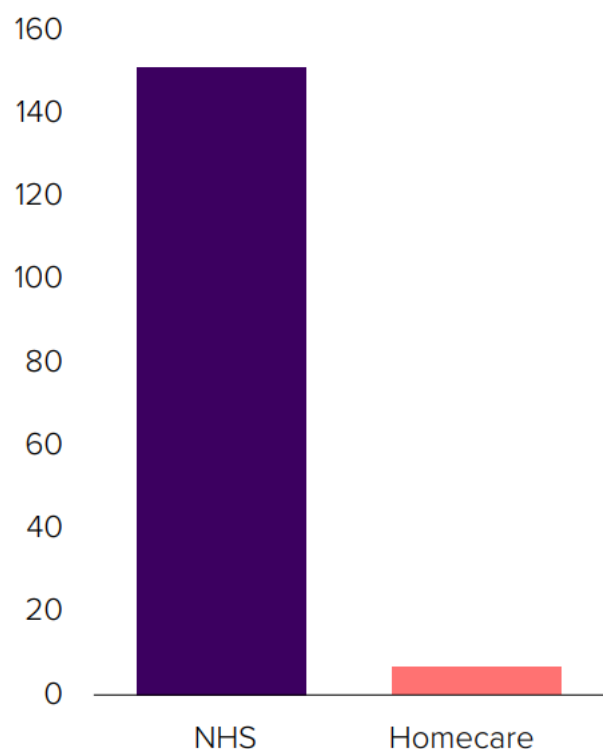
⁷ Skills for Care (2022) Pay in the adult social care sector. Online. Available at: [Pay in ASC sector 2021 \(skillsforcare.org.uk\)](#)

⁸ Skills for Care (2021) Domiciliary care services in the adult social care sector 2020/21. Online. Available at: <https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/documents/State-of-the-adult-social-care-sector/Summary-of-domiciliary-care-services-2021.pdf>

⁹ Skills for Care (2021) The size and structure of the adult social care sector and workforce in England Organisations. Online. Available at: <https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/publications/national-information/The-size-and-structure-of-the-adult-social-care-sector-and-workforce-in-England.aspx>

- Women are over represented in the workforce (making up 84% of the workforce in England¹⁰; 88% in Wales¹¹ and 77% in Scotland¹²).
- People with minority ethnic backgrounds are also over-represented¹³.
- By point of comparison, the NHS staff headcount in England was estimated to be 1.4 million in February 2022¹⁴ about 2.3 times the size of the homecare workforce.
- NHS funding far outstrips funding to homecare; there is a case for recognising that homecare could help to reduce the pressure on the NHS. In 2018/19 around £152.9n billion was spent on the NHS¹⁵ around £6.2 billion was spent on homecare, 25 times as much.

Government spend (£ billion)



¹⁰ Skills for Care (2021) Domiciliary care services in the adult social care sector 2020/21. Online. Available at: <https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/documents/State-of-the-adult-social-care-sector/Summary-of-domiciliary-care-services-2021.pdf>

¹¹ Social Care Wales (2022) Social care workforce report. Online. Available at: https://socialcare.wales/cms_assets/file-uploads/Workforce_Report_2021_EN-final.pdf

¹² SSSC (2021) Scottish Social Service Sector: Report on 2020 Workforce Data. Online. Available at: <https://data.sssc.uk.com/images/WDR/WDR2020.pdf>

¹³ Skills for Care (2021) The state of the adult social care sector and workforce in England. Online. Available at: [The State of the Adult Social Care Sector and Workforce 2021 \(skillsforcare.org.uk\)](https://www.skillsforcare.org.uk/The-State-of-the-Adult-Social-Care-Sector-and-Workforce-2021); Also: Social Care Wales (2022) Social care workforce report. Online. Available at: https://socialcare.wales/cms_assets/file-uploads/Workforce_Report_2021_EN-final.pdf

¹⁴ NHS Digital (2022) NHS workforce statistics. Online. Available at: <https://digital.nhs.uk/data-and-information/publications/statistical/nhs-workforce-statistics/february-2022>

¹⁵ House of Commons Library (2019) NHS Funding and Expenditure. Online Available at: <https://commonslibrary.parliament.uk/research-briefings/sn00724/>

- 1.3 The rest of our submission is structured in line with the specific questions the Commission has asked. As in previous years, our evidence shows that the sector is facing significant financial pressures and an increase in NLW that is not fully funded is likely to increase pressure on providers. This could lead to providers leaving the public-sector funded part of the market, reducing capacity in the sector that ultimately leads to more people waiting for care they need and increased hospital waiting lists, and/or risking issues with meeting all of the regulatory requirements that they face.

Economic outlook

2 - What are your views on the economic outlook and business conditions in the UK over the next 12-24 months? We are particularly interested in:

- a. the conditions in the specific sector(s) in which you operate.**
- b. the effects of Government interventions to support the economy and labour market.**

- 2.a.1 The majority of homecare is purchased by the Government (around 70% according to LaingBuisson's 2019 estimates). As such, Government policy decisions are critical in determining the economic conditions in the sector. Given demographic factors, demand is likely to remain high and increase (a recent ADASS survey suggested that there was half a million people in England waiting for assessment, care, direct payments or reviews¹⁶). However, inadequate funding and staff availability means this will not necessarily drive growth in the sector.
- 2.a.2 Government decisions over the next twelve to twenty-four months could significantly improve or significantly worsen conditions for those drawing on services and for those working in the sector, as well as for provider organisations.
- 2.a.3 Across the UK we are seeing an increase in the number of commissioners seeking to specify careworker pay as part of the commissioning arrangement. This has included an announcement by the Welsh Government that they intend all careworkers to be paid Real Living Wage. Scotland included funds to pay careworkers in services commissioned by the Government £10.50 per hour. In Northern Ireland additional funding was made available to HSC Trusts, but with the

¹⁶ ADASS (2022) Waiting for Care and Support May 2022. Online. Available at: <https://www.adass.org.uk/media/9215/adass-survey-waiting-for-care-support-may-2022-final.pdf>

expectation that careworkers should be paid the Real Living Wage. In England some Councils, such as Hertfordshire, have attempted to require providers to pay staff £13.64; but are not offering commissioning fees high enough to fund this.

2.a.4 If policies of this nature are pursued but are not adequately funded then there is a risk that this could drive market instability or a reduction in care quality as providers are left with little choice but to squeeze funds from other aspects of the business (for example, by changing terms and conditions, flattening pay differentials, reducing training or supervision or not investing in digital solutions for care delivery management) in order to meet the demanded headline wage rates. We estimated that to properly fund the Real Living Wage for Wales £51.4 million would be required for homecare alone, but only £43.2 million was allocated across homecare, care homes and personal assistants¹⁷. Homecare is a highly regulated sector and increasingly, providers will feel that they are unable to meet all the requirements of commissioners and regulators, unless they see funding increases.

2.a.5 In England, key policy decisions will include:

- The implementation of the Fair Cost of Care and extension of use of section 18(3) of the Care Act 2014
- CQC oversight of local authority commissioning and Integrated Care Systems
- Impact of health and care integration and implementation of the Health and Care Act 2022
- COVID-19 related policy decisions, including requirement for vaccination, testing and isolation, the future of PPE and funding of its provision
- How workforce policy is developed
- How the digital agenda is progressed
- Data Strategy and statutory requirements for data submission

¹⁷ Homecare Association (2021) Real Living Wage for careworkers in Wales must be funded. Online. Available at: <https://www.homecareassociation.org.uk/resource/real-living-wage-for-careworkers-in-wales-must-be-funded.html>

Fair Cost of Care and extension of Section 18(3) of the Care Act 2014

- 2.a.6 Government budgets for social care have been tight over the last decade and because of the monopsony effect in the public sector part of the care market, we have often seen commissioning rates being paid at below the cost we think care can be reasonably delivered at.
- 2.a.7 The Low Pay Commission will be familiar with the work that we have undertaken over many years calling for the Government to ensure that commissioning rates do not fall below the basic cost of delivering care and to engage with providers in determining the reasonable costs of delivery.
- 2.a.8 As part of the Government's social care reforms, they intend to extend section 18(3) of the Care Act 2014 to residential care homes. This will mean that privately paying care home residents will be able to ask Councils to purchase care on their behalf at the same rate that the Council purchases care for people whose care is publicly funded. Individuals will be able to choose to make a top up payment in order to receive an upgrade in services or accommodation.
- 2.a.9 There are well documented and long-standing issues with cross-subsidisation in the care home market¹⁸ – essentially people who pay for their own care have been bearing part of the cost of people who are paid for by the Government because public sector rates are too low. Significant concerns have been raised that this policy will lead to financial failure in the care home market unless the Government rates are increased to a level that is sufficient to cover operational costs.
- 2.a.10 While section 18(3) of the Care Act 2014 has been in force in the homecare sector since 2015, its use to date has been limited. In future, more people are likely to seek assessment by local authorities to start the care cap clock ticking and will be made aware of their rights under this legislation to access care at local authority fee rates. This could reduce the proportion of people paying private fee rates, leading to a reduction in provider income and greater market instability.

¹⁸ Competition & Markets Authority (2017) Care homes market study: summary of final report. Online. Available at: <https://www.gov.uk/government/publications/care-homes-market-study-summary-of-final-report>

- 2.a.11 £162 million has been allocated to increase fee rates to a 'fair cost' across social care (i.e. covering care homes and homecare providers) for 2022/23; with £600 million for the following two financial years - £1.36 billion in total¹⁹.
- 2.a.12 In 2017 the Competition & Markets Authority estimated that the Government needed to allocate £0.9-1.1 billion per annum in additional funds to meet the cost of delivery in care homes alone²⁰ (a figure one would expect to have risen in the past five years). We estimated in 2021 that in order to guarantee National Living Wage, the homecare sector needed at least £642 million in additional funding per year – and again, we expect this figure to have risen in 2022. This suggests that the funding allocated this year is ten times too low. Meanwhile, providers are expected to continue to deliver.
- 2.a.13 It is important to stress that we believe provision of care requires a higher level of skill, training and responsibility than other low paid jobs in the economy and should not be viewed as minimum wage work. Instead, we argue that careworker pay rates should be on a par with equivalent roles in the NHS, such as a Band 3 Health Care Assistant at £11.14 per hour. The funding gap to achieve this is estimated at £1.7 billion p.a.
- 2.a.14 At the time of writing the Cost of Care exercises are underway. We welcome the exercises and the fact that local authorities are engaging with providers about their delivery costs.
- 2.a.15 However, there are some risks associated with these exercises. For the exercise to work then a large enough number of providers must be willing to share honest information about their costs with their local authorities. There are risks associated with the interpretation of these costs, especially if those analysing the costs do not fully understand the sector or are undertaking the analysis with a limited budget in mind. We believe that it will be important that providers have the opportunity to have full sight of and to challenge the outcome of the exercises. There is also a risk that the exercises capture the cost of delivering based on current practices, which may need to be improved (for example,

¹⁹ Department of Health and Social Care (2022) Market Sustainability and Fair Cost of Care Fund 2022 to 2023: guidance. Online. Available at: <https://www.gov.uk/government/publications/market-sustainability-and-fair-cost-of-care-fund-2022-to-2023-guidance>

²⁰ Competition & Markets Authority (2017) Care homes market study: summary of final report. Online. Available at: <https://www.gov.uk/government/publications/care-homes-market-study-summary-of-final-report>

if the costing exercise is based on a low supervisor to staff ratio there is a risk that that will be entrenched as the norm).

- 2.a.16 The future sustainability of homecare provision and the future quality of care will depend on whether the cost of care figures calculated are accurate and whether the Government steps up to meet those costs. We urge the Government to do so.

CQC oversight of local authority commissioners

- 2.a.17 Over many years we have raised concerns that some of the challenges that the sector faces are systemic and are caused by the way that care is commissioned. In addition to fee rates, conditions in the homecare sector are shaped by per-minute and time and task commissioning which means that providers get paid strictly on the basis of contact time with the client. Zero-hour commissioning leads to an increased use of zero-hour employment contracts, which whilst offering flexibility to employees, result in income insecurity which can be as much of a problem as low headline pay rates. In itself this is driven by the local authority funding situation after years of real-terms budget cuts in a context of increasing demographic pressures, as the LGA and others have highlighted²¹.
- 2.a.18 As such, we welcomed the fact that section 31 and sections 163-165 of the Health and Care Act 2022²² contains a duty for the CQC to review the commissioning practices of Integrated Care Systems and Local Authorities respectively. We hope that this might highlight systemic issues with commissioning and how this is shaping the market and affecting care delivery.
- 2.a.19 However, we are concerned about aspects of how the CQC envisaged their role as they outlined it in their consultation that was issued earlier this year²³.
- 2.a.20 We agree with the CQC that the voice of people drawing on services is a vital consideration when considering Local Authority's performance in relation to social care. However, the voices of independent providers and careworkers are also key to

²¹ LGA (2022) Get in on the Act: Health and Care Act 2022

²² Health and Care Act 2022. Available at:

<https://www.legislation.gov.uk/ukpga/2022/31/contents/enacted>

²³ Homecare Association (2022) Homecare Association response to the CQC Local Authority Oversight Consultation. Online. Available at:

<https://www.homecareassociation.org.uk/resource/homecare-association-response-to-the-cqc-local-authority-oversight-consultation-pdf.html>

getting a full picture of how the Local Authority and ICS commissioning and behaviour is affecting people's experience of services and the market and to understand systemic issues and how these affect outcomes for individuals. We are concerned that the CQC may not have recognised this.

- 2.a.21 It is unclear from the information provided so far that CQC has thought about defining what good looks like in terms of commissioning and procurement of care. CQC does not appear to be proposing to analyse the impact of commissioning and procurement models on outcomes for people receiving services.
- 2.a.22 If the assurance is to be effective then the care workforce and providers also need to be able to input into the inspection process. Central Government must also be prepared to respond if the assurance process highlights systemic issues that limit local authorities' ability to comply with their legal duties – including with underfunding.

COVID-19 policy

- 2.a.23 There is a risk that the phasing out of some COVID-19 support, whilst other restrictions remain in the Infection Prevention and Control guidance for the sector will lead to increased and unfunded costs. This could happen with testing and PPE and has already happened with regard to isolation. A heightened use of PPE is still required in the sector; but funding has only been agreed until March 2023. If PPE use is still required at increased levels after March 2023, we are concerned that the free PPE supply provided during the pandemic will end and local authority fee rates will not increase proportionately.
- 2.a.24 Another example of this happening is the end of the Infection Control and Testing Fund (ICTF). The ICTF covered some of the costs of undertaking testing and paying staff full wages whilst they were required to isolate. When it was phased out staff were still required to undertake twice weekly asymptomatic testing (taking approximately an hour per staff member per week) and not attend work when they test positive or are symptomatic.
- 2.a.25 Due to financial pressures, we have since seen the number of staff being paid full wages in England while unable to work due to infection control guidance drop from around 85% to around 6% - with employers reverting to Statutory Sick Pay, which is

only available from day 4²⁴. This has effectively worsened conditions in the sector, with some staff saying that they are looking for work elsewhere as a result.

Workforce policy

- 2.a.26 The Government has outlined a number of workforce policy commitments in the White Paper “People at the Heart of Care”, this includes a knowledge and skills framework and a career framework²⁵.
- 2.a.27 The funding allocated to this work totals £500 million over 3 years. With 1.5 million people working in the sector that amounts to the equivalent of about £111 per person per year. Any funding will help to improve the situation. However, this level of funding will not be enough to seriously improve pay, terms and conditions or career progression opportunities across the sector.
- 2.a.28 We continue to call on the Government to create a workforce plan for the sector equivalent to the NHS people plan.
- 2.a.29 We are also concerned that if the new skills framework increases expectations about the level of training and qualifications that the workforce has, then this could, if implemented poorly, aggravate existing recruitment and retention issues and create further unfunded costs for providers. Staff with more qualifications will typically expect to be paid better, without additional funding providers already operating with tight margins are unlikely to be able to cover the pay differentials.

Devolved administrations

- 2.a.30 Wales and Scotland are both in the process of developing and implementing proposals for a ‘National Care Service’²⁶. In both cases this is likely to affect how care is commissioned by the public sector – it is difficult to anticipate how this will impact the operation of the sector in practice, given the policy proposals released so far have been quite high level.

²⁴ Homecare Association (2022) Shortage of homecare and unmet need – impact of cost of living and removal of COVID-19 grants. Online. Available at: <https://www.homecareassociation.org.uk/resource/shortage-of-homecare-and-unmet-need-impact-of-cost-of-living-and-removal-of-covid-19-grants.html>

²⁵ Department of Health and Social Care (2021) Developing the workforce. Online. Available at: <https://engage.dhsc.gov.uk/social-care-reform/developing-the-workforce/>

²⁶ Welsh Government (2021) The Cooperation Agreement: 2021. Online. Available at: <https://gov.wales/co-operation-agreement-2021>
Scottish Government (2022) Social care: National Care Service. Online. Available at: <https://www.gov.scot/policies/social-care/national-care-service/>

- 2.a.31 Northern Ireland and Wales have both established 'Fair Work Forums'²⁷ on a social partnership basis for employer, employee and government representatives to discuss workforce policy. Improvements in working conditions and opportunities for career progression are being discussed.
- 2.a.32 While there is the potential for positive change here, unless changes are sustainably funded and existing commissioning practices are addressed, the implementation of policies that require expenditure, without matched funding, could further contribute to destabilising the sector and leave providers unable to meet all of their regulatory commitments.

c. the state of the labour market, recruitment, and retention.

- 2.c.1 There is some local variation in labour markets across the country, with recruitment more difficult in some regions than others. However, as explained in more detail in our answer to question 3, we undertook four workforce surveys in the past 12 months and in every survey the majority of providers have said that recruitment is the hardest it has ever been and that retention rates are worse than before the pandemic (see paragraph 3.12 onwards below).
- 2.c.2 As mentioned above, we do not believe that the workforce measures the UK Government outlined for England (or any of those so far implemented in the devolved administrations) to date will be sufficient to markedly improve recruitment and retention. While pay increases are needed, these do need to be funded to ensure that working conditions improve.
- 2.c.3 If current trends continue then the vacancy rate (currently 13.4% for homecare²⁸) will continue to rise, meaning more people will find it difficult to access the care that they need.

²⁷ Department of Health (2021) Fair Work Forum planned for Social Care. Online. Available at: <https://www.northernireland.gov.uk/news/fair-work-forum-planned-social-care>

Welsh Government (2021) Social Care Fair Work Forum. Available at: [Social Care Fair Work Forum | GOV.WALES](https://gov.wales/social-care-fair-work-forum)

²⁸ Skills for Care (2022) Vacancy information – monthly tracker. Online. Available at: <https://www.skillsforcare.org.uk/adult-social-care-workforce-data/Workforce-intelligence/publications/Topics/COVID-19/Vacancy-information-monthly-tracking.aspx>

- 2.c.4 Although the latest unemployment figure is marginally up (to 3.8% in Feb-Apr 2022 from 3.7% in Jan-Mar 2022²⁹) it is not clear how the trend will develop.
- 2.c.5 If unemployment rises or staff need to work longer hours in order to meet their household expenses due to issues with the cost of living this could see the social care workforce size and availability grow. However, it is not clear whether any such increase would be sustainable, or if staff recruited under such conditions who are new to the sector will move on or reduce their hours when economic conditions ease and/or before they are required to undertake more lengthy qualifications (in Wales or Scotland).
- 2.c.6 The number of people economically inactive due to sickness has risen compared to pre-pandemic levels and may not resolve quickly³⁰.
- 2.c.7 As noted above, what is required is adequate and funded workforce strategies (equivalent to the NHS people plan) and investment to improve terms and conditions.

d. wage growth and inflation in the last year, and expectations for the next couple of years.

Wage growth

- 2.d.1 In our fourth workforce survey, which took place in January 2022³¹ (responses were received from 296 homecare providers) we asked “*what pay are you finding you need to offer to attract applicants for careworker roles?*”. 34% of respondents said between £10.00-10.99. Only 0.37% of providers reported that they were able to recruit at NLW.
- 2.d.2 Despite this, an increase in the National Living Wage is likely to influence wage growth in the next 12 months. (In the Devolved Administrations, wage growth for commissioned services is likely to be related to government policy on Real Living Wage payments/the Scottish £10.50 rate as outlined in paragraph 2.a.3 above).

²⁹ ONS (2022) Unemployment rate (aged 16 and over, seasonally adjusted): %. Online. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/timeseries/mgsx/lms>

³⁰ ONS (2022) INAC01 SA: Economic inactivity by reason (seasonally adjusted). Online. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/economicinactivity/datasets/economicinactivitybyreasonseasonallyadjusted/inac01sa>

³¹ Homecare Association (2022) Continuing lack of homecare workers. Online. Available at: <https://www.homecareassociation.org.uk/resource/continuing-lack-of-homecare-workers.html>

- 2.d.3 We anticipate that if labour market conditions continue to be as competitive as they are currently, then homecare employers in most regions will need to offer wages that are higher than minimum wage in order to recruit and retain effectively. Indeed, our survey findings suggest this is already happening. However, given minimum wage provides a ‘floor’ for labour market competition, an increase in the minimum wage will drive wages up.

Fuel prices

- 2.d.4 The homecare sector is significantly affected by fuel prices which are exceptionally high at the time of writing due to a number of factors, including the pound being weak and sanctions against Russian fuel exports (see our response to question 3). Even so, per barrel oil prices have been similar in the past without consumer costs being so high. Government intervention could potentially stabilise the situation. However, without this it is possible that this could continue into next financial year.

Other inflationary pressures

- 2.d.5 The Government has a stated intention of ensuring that 80% of care providers are using digital care plans by 2024. This is intended to facilitate data sharing between the NHS and social care to enable better integration of services.
- 2.d.6 The Department of Health and Social Care in England is also working on implementing the new power in the Health and Care Act 2022 for the Secretary of State to be able to require that social care providers submit data on the operation of their services or face a fine.
- 2.d.7 Both of these policies could increase operating costs for some providers. While some one-off grant funding has been announced³², implementing digital systems could increase recurring operating costs for some providers.
- 2.d.8 As mentioned before, we could also see some unfunded expenses coming through as pandemic support is removed while infection prevention and control guidance remains more stringent than it was pre-pandemic.

³² Department of Health and Social Care (2022) New data strategy to drive innovation and improve efficiency. Online. Available at: https://www.gov.uk/government/news/new-data-strategy-to-drive-innovation-and-improve-efficiency?utm_medium=email&utm_campaign=govuk-notifications-topic&utm_source=00e9c48e-4a5d-4cac-8946-7fdc03021287&utm_content=daily

3 - To what extent have employers been affected by other major trends in the economy and labour market: for example, rising energy costs, Brexit, the shift to homeworking or changes in the numbers of migrant workers in the UK.

3.1 The key factors affecting homecare have been:

- Rising fuel costs and Clean Air Zones
- Recruitment and retention issues
- Changes in immigration policy

3.2 A note on homeworking: while a few homecare providers' office staff have worked from home during the pandemic, the vast majority of the independent-sector homecare workforce has needed to continue to manage and deliver care in person. The sector has been significantly affected over the pandemic by social workers, GPs, district nurses and other professionals working remotely, however.

3.3 Whilst COVID-19 travel restrictions were a significant issue for many providers employing workers from overseas in the 2020/21 financial year, these have been less prominent in the 2021/22 financial year mainly because the restrictions have eased.

Rising fuel costs and Clean Air Zones

3.4 Fuel costs are presenting a significant problem for providers with the in-year inflation creating unfunded cost increases, where commissioners wish to stick to an annual fee-rate uplift.

3.5 We estimate that, collectively, homecare workers across the UK travel more than 4 million miles a day visiting people in their own homes. At May 2022 prices we estimate that something in the order of an additional £75 million would be required over a year to provide homecare across the UK compared to the cost at May 2021 prices³³.

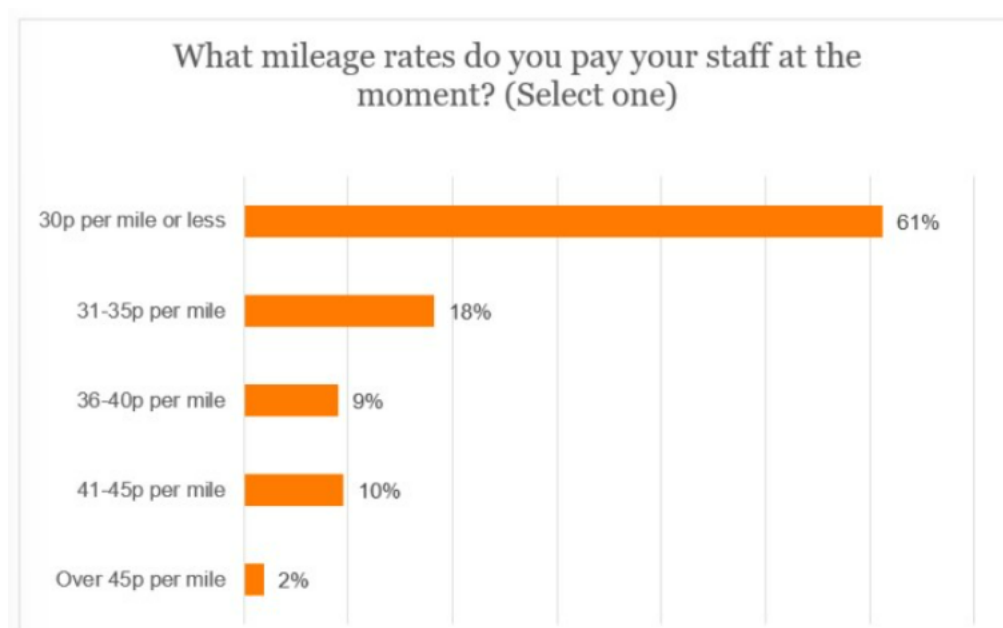
3.6 We undertook a survey of 627 homecare providers in March 2022³⁴. The results of this survey suggested that 90% of homecare workers used their own cars or public transport for work, reclaiming mileage from their employers. Findings of our research indicate that 61% of employers offer

³³ Homecare Association (2022) Fuel costs hit homecare hard. Online. Available at: <https://www.homecareassociation.org.uk/resource/fuel-costs-hit-homecare-hard.html>

³⁴ Homecare Association (2022) Fuel costs and homecare – impact on service capacity. Online. Available at: <https://www.homecareassociation.org.uk/resource/fuel-costs-and-homecare-impact-on-service-capacity.html>

mileage rates below 30p per mile, with many careworkers receiving only 20p per mile.

- 3.7 As at March, 50% of respondents had received requests from careworkers for higher mileage rates. 17% had been told by care staff that they intended to look for work elsewhere due to transport costs. 5% said that staff had actually given notice or left work.



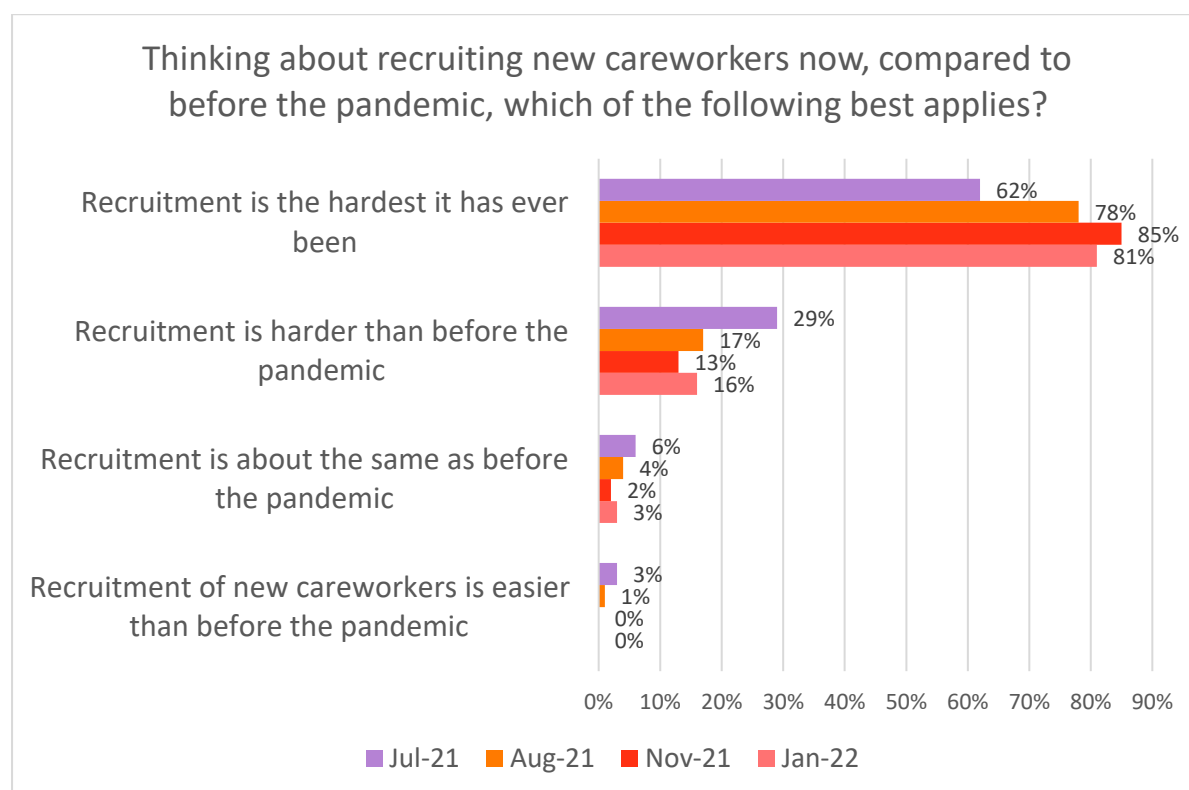
- 3.8 92% of provider respondents were either very concerned or concerned about the effect of the rise in fuel costs on the financial viability of their company.
- 3.9 We have called on the Government to make urgent, temporary, grant funding available as a fuel allowance to cover the costs of delivering homecare; and to ensure that there is adequate baseline funding for homecare in the longer term. The Department of Health and Social Care has, however, deflected responsibility for covering fuel cost increases to local authorities, who claim to have insufficient funds to assist.
- 3.10 While we are aware of 8 cities in England which have, or are planning to introduce, Clean Air Zones; we expect that three of these do and/or will have the potential to lead to additional charges to careworkers driving to visit clients – with a total cost running into 8 figures (we believe in excess of £20 million)³⁵.

³⁵ Homecare Association (2022) Fuel costs hit homecare hard. Online. Available at: <https://www.homecareassociation.org.uk/resource/fuel-costs-hit-homecare-hard.html>

- 3.11 While there have been scrappage schemes and grants to support the purchase of new low-emissions vehicles many careworkers will still not be in a position to purchase a new vehicle. We also do not believe that most of the local authorities involved are increasing fee rates to cover these costs. We are calling on the Government to create a national exemption for health and careworkers.

Recruitment and retention issues

- 3.12 We surveyed our membership on workforce issues in July 2021³⁶, August 2021³⁷, November 2021³⁸ and January 2022³⁹.
- 3.13 In all of our surveys a majority of providers were reporting that ‘recruitment is the hardest it has ever been’ – with this peaking at 85% of providers in the November survey.



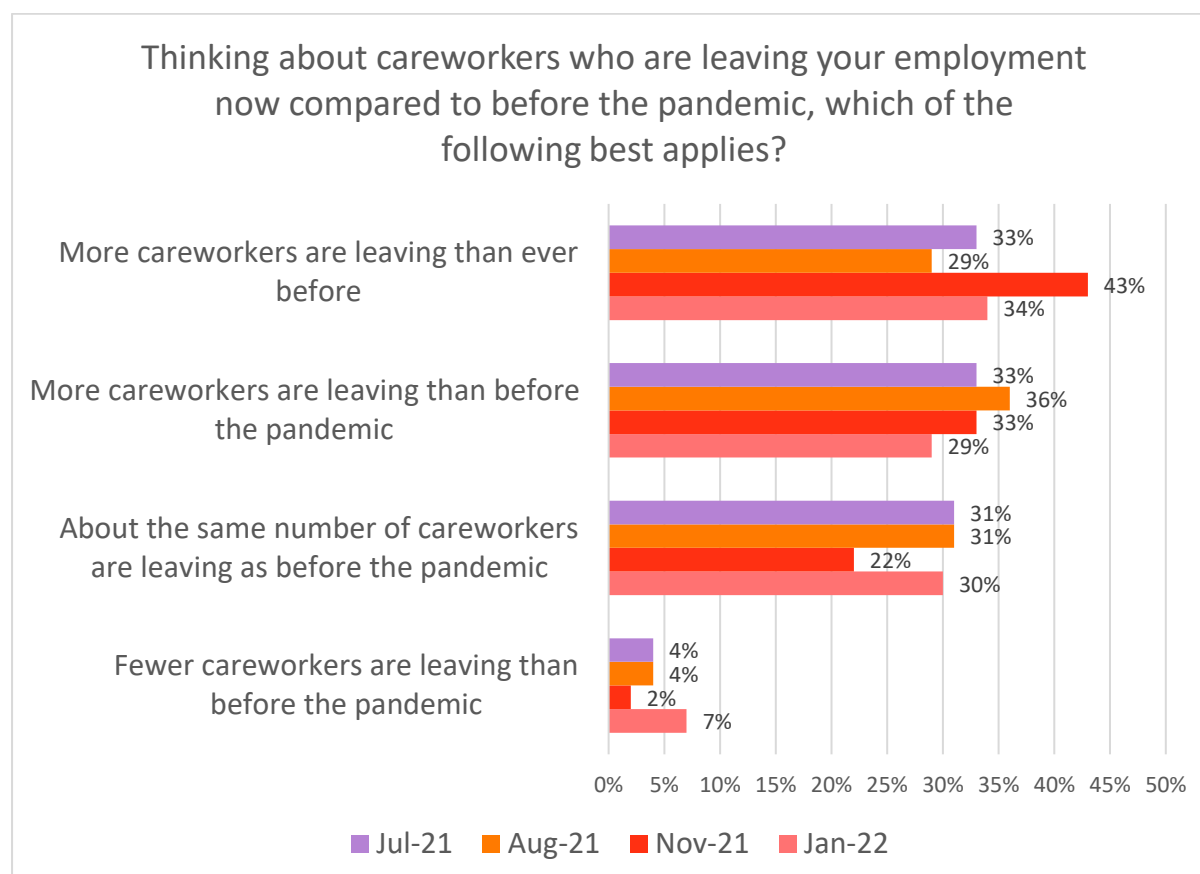
³⁶ Homecare Association (2021) Shortage of careworkers in homecare. Online. Available at: [Shortage of careworkers in homecare \(homecareassociation.org.uk\)](https://www.homecareassociation.org.uk/shortage-of-careworkers-in-homecare)

³⁷ Homecare Association (2021) Homecare workforce shortages continue. Online. Available at: <https://www.homecareassociation.org.uk/resource/homecare-workforce-shortages-continue.html>

³⁸ Homecare Association (2021) Homecare workforce shortages deepen. Online. Available at: <https://www.homecareassociation.org.uk/resource/homecare-workforce-shortages-deepen.html>

³⁹ Homecare Association (2022) Continuing lack of homecare workers. Online. Available at: [Continuing lack of homecare workers \(homecareassociation.org.uk\)](https://www.homecareassociation.org.uk/continuing-lack-of-homecare-workers)

- 3.14 In all of our surveys the majority of homecare providers were saying that more careworkers were leaving than before the pandemic or that more careworkers were leaving than ever before (the average across the surveys was that two thirds - 68% - of providers fell into one of these two categories).



- 3.15 In our January 2022 survey the reason for difficulties with recruitment and retention were varied and included: pay, terms and conditions of employment; competition with other business sectors; staff re-evaluating lifestyle or work/life balance; COVID-19 policy on vaccination and exhaustion and burn-out of careworkers. In all four surveys “pay or other terms and conditions” was most frequently selected as the factor that had the greatest affect on ability to recruit and retain.

- 3.16 The impact of this includes that in January 2022 around a third of providers (28%) were not taking on new packages of care and 67% were taking on some but not all new packages of care. In January 1% of providers were planning to hand back all of their packages of care which were funded by councils or the NHS and a quarter (24%) were planning to hand back some of their packages of care funded by councils and the NHS. 53% of providers were concerned or very concerned about the financial viability of their organisation.

Changes in immigration policy

- 3.17 The Migration Advisory Committee (MAC) has produced a comprehensive report on how the end of Freedom of Movement (FoM) has affected the social care sector, which we recommend to the Low Pay Commission. They note that “during the era of FoM the social care sector has not come to rely on EEA workers in the same way that some other sectors of the economy have”. Whilst this may have been true on average, Skills for Care data show marked regional differences, with at least 37% of homecare workers in London and 23% in the South East identifying as non-British nationals⁴⁰. Social care employers have been impacted by the end of FoM in other ways, however, as local labour pools have not been replenished by people moving to the UK from EU countries, and competition for staff has increased.
- 3.18 Initially, the Skilled Worker route did not allow careworkers to apply for visas on the basis that the work did not meet the skills threshold. Along with the MAC, we “categorically disagree that care work is low-skilled”.
- 3.19 As the workforce pressures in the sector became apparent, and following a recommendation from the MAC the Government temporarily extended the Skilled Worker route to careworkers – initially for a 12 month period from 15 February 2022. Following this, MAC report that the use of Skilled Worker visas for senior careworkers has been increasing and that the percentage of all new sponsorship applications that were made by employers from the Health and Social Care Sector increased from 18% to 30% when the Government announced that the route would become available for careworkers.
- 3.20 There remain costs and complexities with hiring careworkers from overseas, however, that make this an unattractive recruitment route to many homecare employers. Care home providers, especially those serving the private pay market, are finding it easier to meet the full-time work and salary thresholds for eligibility for a Health and Care Visa. In homecare, low fee rates, zero-hour commissioning and models of purchase of homecare which fragment the volume of hours and offer no security of income, make it almost impossible for providers to manage the risks and liabilities associated with international recruitment.

⁴⁰ Skills for Care (2021) The state of the adult social care sector and workforce in England 2021. Online. Available at: <https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/documents/State-of-the-adult-social-care-sector/The-State-of-the-Adult-Social-Care-Sector-and-Workforce-2021.pdf>

- 3.21 In January 2022 we undertook a survey of our members on workforce issues⁴¹. More than half of respondents (58%) said they would continue to focus on local recruitment. Reasons for not seeking overseas recruits included: cost of sponsorship, unable to meet minimum salary requirement, difficulty finding affordable accommodation, potential for language barriers, sponsorship process being long and complicated, overseas workers not having valid driving licence or cars, and visas being temporary.
- 3.22 We support MACs recommendations, including making careworkers access to the Skilled Worker route 'permanent' and removing the Skills Surcharge for Health and Social Care employers.

4 - What is your experience over the past year in the following areas?

a. Profits

- 4.a.1 The National Audit Office estimated that, based on the 38 largest for-profit care at home providers in LaingBuisson's 2019 data set, percentage return on capital varied. 39% of for-profit care at home providers reported a return of under 5% while 44% of for-profit care at home providers reported a return of more than 10%⁴². However, this is based on pre-pandemic 2019 data; excludes the not-for-profit section of the market; it is also a sample of large businesses – a significant proportion of care is delivered by SMEs who do not benefit from economies of scale in the same way as larger providers.
- 4.a.2 We would typically expect providers working for the public sector market to have a lower rate of return (unless providing very specialist care, for example). We believe that many providers are currently operating on tight margins and as reported by ADASS, there are constant issues with small providers ceasing to trade.

⁴¹ Homecare Association (2022) Continuing lack of homecare workers. Online. Available at: <https://www.homecareassociation.org.uk/resource/continuing-lack-of-homecare-workers.html>

⁴² NAO (2021) The Adult Social Care Market in England. Online. Available at: <https://www.nao.org.uk/report/adult-social-care-markets/>

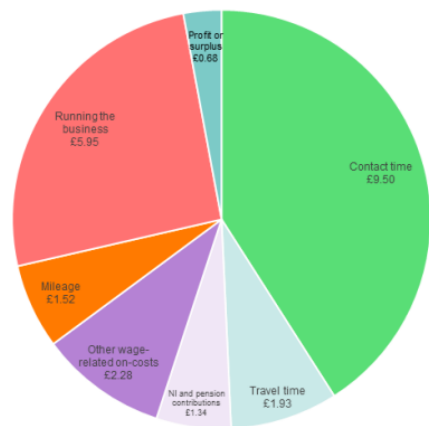
b. Prices

- 4.b.1 In terms of prices charged for homecare services - the majority of homecare provision across the country (around 70%) is paid for by the public sector.
- 4.b.2 As Commissioners will be familiar with from previous years, we calculate an annual 'Minimum Price for Homecare' which is the rate that we think would be required for a homecare provider to meet minimum compliance standards and operate sustainably. For the 2022/23 financial year we calculated a Minimum Price for Care of £23.20⁴³. This is 8.2% higher than our rate last year and was published in December 2021 before inflation reached current levels of 11%.
- 4.b.3 We are calling for the Government to adequately fund pay rates for careworkers that are higher than NLW, but given the Low Pay Commission are primarily interested in NLW, our minimum price, based on NLW is as follows:

Minimum price for homecare at statutory National Living Wage (Apr 2022-Mar 2023)				Costs		
Careworker costs	Gross pay	Hourly rate for contact time	National Living Wage (April 2021- March 2022)	£9.50	£11.43	£16.57
		Careworkers' travel time	20.37% of contact time	£1.93		
	NI & pension	Employer's National Insurance	8.70% of gross pay	£0.99	£1.34	
		Pension contribution	3.00% of gross pay	£0.34		
	Other wage related on-costs	Holiday pay	12.55% of gross pay, NI & pension	£1.60	£2.28	
		Training time	1.73% of gross pay, NI & pension	£0.22		
		Sickness pay	3.30% of gross pay, NI & pension	£0.42		
		Notice & suspension pay	0.30% of gross pay, NI & pension	£0.04		
Travel costs	Mileage reimbursement	£0.35 per mile for 4.33 miles per hour of contact time	£1.52	£1.52		
Gross margin	Business costs	Management & supervisors	18.20% of careworker costs	£3.02	£5.95	£6.63
		Staff recruitment	1.50% of careworker costs	£0.25		
		Training and supervision	2.65% of careworker costs	£0.44		
		Statutory registration fees	1.19% of careworker costs	£0.20		
		Rent, rates and utilities	1.80% of careworker costs	£0.30		
		IT & telephony	2.70% of careworker costs	£0.45		
		PPE and consumables	2.00% of careworker costs	£0.33		
		Stationery and postage	0.90% of careworker costs	£0.15		
		Governance costs	3.50% of careworker costs	£0.58		
		Other business overheads	1.40% of careworker costs	£0.24		
	Profit	Profit / surplus	3.00% of careworker costs & business costs	£0.68	£0.68	
Total price based on the statutory National Living Wage for 2022-2023				£23.20	£23.20	£23.20

⁴³ Homecare Association (2021) Homecare Association Minimum Price for Homecare 2022-2023. Online. Available at: <https://www.homecareassociation.org.uk/resource/homecare-association-minimum-price-for-homecare-2022-2023-pdf.html>

Minimum Price for Homecare at National Living Wage



2022-2023

Careworkers' contact time	£9.50
Careworkers' travel time	£1.93
NI and pension contributions	£1.34
Other wage-related on-costs	£2.28
Mileage	£1.52
Running the business	£5.95
Profit or surplus	£0.68
Minimum hourly price	£23.20

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Price at statutory National Living Wage 2022-23, **excluding** costs of COVID19-specific PPE.

- 4.b.4 Some costs (see comment on fuel below) have risen since we undertook this calculation last autumn.
- 4.b.5 In 2021 we undertook a Freedom of Information request exercise across the UK and asked all public sector commissioners of homecare to provide us with their average hourly fee rates. Only 13% of public sector commissioners were paying a rate at or above our Minimum Price (which in 2021/22 was £21.43 per hour).
- 4.b.6 Based on conversations with our members, we believe that, following the pattern over recent years (as the Low Pay Commission will be aware from our previous submissions) many providers have received fee rate uplifts that are lower than increased annual costs from wage increases and other factors (including inflation) for the 2022/23 financial year. This means that in order to meet wage increases, providers are needing, yet again, to try to reduce costs in an increasingly unforgiving environment. This means that, despite significant demand for services, it is becoming increasingly difficult to meet regulatory requirements and operate a sustainable business.
- 4.b.7 Partly in order to mitigate the risk of expanding section 18(3) of the Care Act 2014 to care homes; Local Governments have been instructed to undertake 'Fair Cost of Care' exercises

across the country. These are in progress at the time of writing⁴⁴.

- 4.b.8 The Homecare Association welcomes Local Government seriously engaging with the question of what care delivery actually costs. However, we have some concerns about these exercises, not least that the amount of funding that appears to have been set aside to increase commissioning rates to the 'fair cost', once calculated, is inadequate (see paragraph 2.a.11 above).
- 4.b.9 For the provision that is privately funded, we are anecdotally aware that some providers have substantially increased their prices. However, we do not have sector-wide data on average charges to provide analysis.
- 4.b.10 In terms of prices paid – the cost of fuel is the primary concern at the moment. This week (6 June 2022) Petrol prices are 175.55p/l; compared to a price last year of 128.69p/l⁴⁵ – a 36% increase. While a small number of care providers operate a fleet of vehicles and pay for petrol directly, careworkers often drive their own cars and claim for costs as mileage. In most cases, Local Authorities seem not to have responded to these in-year cost pressures by increasing fee rates.
- 4.b.11 While we are pleased that the Government has continued to provide free PPE until March 2023, it is unclear what will happen in the next financial year regarding these costs. Other costs, such as insurance, continue to be significantly higher than pre-pandemic levels.

c. Productivity

- 4.c.1 In May 2022, ADASS reported that the number of hours of homecare that had been delivered in England in early 2022 compared to early 2021 had increased by 16%⁴⁶. Over the same time (March 2021-March 2022), filled job posts in domiciliary care in England are down 4.6% according to Skills for Care's monthly

⁴⁴ Department of Health and Social Care (2022) Market Sustainability and Fair Cost of Care Fund 2022 to 2023: guidance. Online. Available at: <https://www.gov.uk/government/publications/market-sustainability-and-fair-cost-of-care-fund-2022-to-2023-guidance>

⁴⁵ BEIS (2022) Weekly Road Fuel Prices. Online. Available at: [Weekly road fuel prices - GOV.UK \(www.gov.uk\)](https://www.gov.uk/weekly-road-fuel-prices)

⁴⁶ ADASS (2022) Waiting for Care and Support, May 2022. Online. Available at: <https://www.adass.org.uk/media/9215/adass-survey-waiting-for-care-support-may-2022-final.pdf>

staffing and occupancy tracker⁴⁷. Due to the nature of the work, this is likely to mean staff are working longer hours rather than increased productivity per se.

- 4.c.2 While we do believe that technology and new ways of working could improve productivity, we do not believe that there have been any substantial changes in delivery models over the last 12 months. In addition current poor commissioning and procurement practices and low fee rates stymie productivity and innovation in the sector. For example, in many local authority areas, homecare is purchased using dynamic purchasing systems, where “care packages” are sold to the lowest bidder. If there were five people requiring “care packages” in a tight geographic area, there could be five different providers delivering these, rather than organising an efficient round where one provider delivers to all five. Practices such as this make it difficult to operate efficiently or to give individual careworkers rotas that maximise client contact time and minimise travel time.

d. Pay structures and differentials

- 4.d.1 Skills for Care found that the proportion of care workers being paid on the wage floor in England has increased since the introduction of the NLW, rising from 22% of careworkers being paid the minimum in 2016 to 30% in March 2021⁴⁸. However, the last 12 months has seen fierce competition for labour and it will be interesting to see the latest data on this.
- 4.d.2 In a Homecare Association members survey in March 2022 the majority of respondents (which comprised 627 homecare providers) suggested that their organisation’s pay for careworkers fell in the £10 and £11.99 per hour range in the 2022/23 financial year⁴⁹ 15% of respondents said they paid less than £10 per hour.
- 4.d.3 On differentials, Skills for Care found⁵⁰ that experienced care workers in England who have five or more years experience on the sector are paid only 6p per hour more on average, than

⁴⁷ Skills for Care (2022) Staffing and occupancy – monthly tracking. Available at: [Staffing and occupancy - monthly tracking \(skillsforcare.org.uk\)](https://skillsforcare.org.uk/staffing-and-occupancy-monthly-tracking/)

⁴⁸ Skills for Care (2022) Pay in the adult social care sector. Online. Available at: [Pay in ASC sector 2021 \(skillsforcare.org.uk\)](https://skillsforcare.org.uk/pay-in-the-adult-social-care-sector-2021/)

⁴⁹ Homecare Association (2022) Fuel costs and homecare – impact on service capacity. Online. Available at: <https://www.homecareassociation.org.uk/resource/fuel-costs-and-homecare-impact-on-service-capacity.html>

⁵⁰ Skills for Care (2022) Pay in the adult social care sector. Online. Available at: [Pay in ASC sector 2021 \(skillsforcare.org.uk\)](https://skillsforcare.org.uk/pay-in-the-adult-social-care-sector-2021/)

careworkers new to the sector. They estimate that prior to March 2017 this gap was between 26 and 37 pence an hour. While experience is no longer rewarded to the same extent, Skills for Care found that the pay differential between careworkers and senior care workers seems to have been more or less maintained as between 8 and 11%⁵¹ over the last ten years or so.

- 4.d.4 This differential is still extremely low, however. In 2021, the median senior care workers earnings were 74p per hour more than the median care workers earnings, despite additional responsibilities⁵².

e. Wider benefits available to workers (including premium pay and non-pay benefits across the workforce)

- 4.e.1 With the loss of the Infection Control and Testing Fund in England, many workers are seeing their pay whilst sick or isolating revert to Statutory Sick Pay (covered in further detail in the next section)⁵³.
- 4.e.2 Careworkers have also been impacted by fuel prices, with some not seeing a matching increase in mileage rates paid (our data suggests that 61% of providers are paying 30p per mile or less; with reports of rates as low as 10p in some instances)⁵⁴.
- 4.e.3 Some regions are also increasing emissions charges to tackle air pollution, which can also affect care providers and care workers (who may drive older vehicles).
- 4.e.4 Unfortunately, we are not aware of any data available on how premium rates for weekend work, for example, have changed over the last year. Some, but not all, employers continue to offer such benefits in order to cover unsocial shifts.
- 4.e.5 Some careworkers in England have received additional lump-sum retention payments from the Workforce Recruitment and

⁵¹ Skills for Care (2022) Pay in the adult social care sector. Online. Available at: [Pay in ASC sector 2021 \(skillsforcare.org.uk\)](https://skillsforcare.org.uk/2021/skillsforcare.org.uk)

⁵² ONS (2021) Earnings and hours worked, occupation by four-digit SOC: ASHE Table 14. Online. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/occupation4digitsoc2010ashtable14>

⁵³ Homecare Association (2022) Shortage of homecare and unmet need – impact of cost of living and removal of COVID-19 grants. Online. Available at: <https://www.homecareassociation.org.uk/resource/shortage-of-homecare-and-unmet-need-impact-of-cost-of-living-and-removal-of-covid-19-grants.html>

⁵⁴ Homecare Association (2022) Fuel costs and homecare – impact on service capacity. Online. Available at: <https://www.homecareassociation.org.uk/resource/fuel-costs-and-homecare-impact-on-service-capacity.html>

Retention Fund during the last 12 months⁵⁵. There have also been bonus/retention payments distributed in Wales (one announced in April 2021⁵⁶ and a second announced in February 2022⁵⁷). In the 2020/21 financial year there were also recognition payments to careworkers in Northern Ireland, Scotland and Wales.

f. Quality of work, including contract types, flexibility and work intensification (e.g. greater expectations for workers to work more flexibly, with greater effort, to higher standard etc)

- 4.f.1 We believe that many staff have been working longer hours to cope with workforce shortages and staff absence levels over the past 12 months (see the point on Productivity, above – number of hours delivered is up but the number of filled job roles is down).
- 4.f.2 COVID-19 policy has had a significant impact on working conditions. This has included requirements for staff to test, which have not been matched with sufficient funding to cover the time staff have spent doing the tests (especially when testing was daily, and, in England, Infection Control and Testing Fund (ICTF) was often used up covering sick pay in the Omicron wave). It has also meant that absence rates are high – in England employers were offered some support with staff pay whilst isolating through the ICTF. This closed on 31 March 2022. Due to financial pressures, we have since seen the number of staff being paid full wages in England while isolating drop from around 85% to around 6% - with employers reverting to Statutory Sick Pay⁵⁸.
- 4.f.3 Due to the testing and isolation policy, as well as the number of staff who have been unwell, average sickness absence in England peaked at 8 days in the last twelve months in December 2021 (it's since come down to 6.1; and was 4.4 pre pandemic)⁵⁹. However, this was not evenly distributed across time or geographies and has led to acute strain during some periods - at the peak of the waves of COVID-19 it was not unusual for us to

⁵⁵ [Workforce Recruitment and Retention Fund for adult social care, round 2 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/workforce-recruitment-and-retention-fund-for-adult-social-care-round-2)

⁵⁶ [NHS and social care financial recognition scheme: guidance for social care workers \[HTML\] | GOV.WALES](https://www.gov.uk/government/news/nhs-and-social-care-financial-recognition-scheme-guidance-for-social-care-workers)

⁵⁷ [£96m investment to give tens of thousands of social care staff a £1,000 extra payment | GOV.WALES](https://www.gov.uk/government/news/96m-investment-to-give-tens-of-thousands-of-social-care-staff-a-1000-extra-payment)

⁵⁸ Homecare Association (2022) Shortage of homecare and unmet need – impact of cost of living and removal of COVID-19 grants. Online. Available at: <https://www.homecareassociation.org.uk/resource/shortage-of-homecare-and-unmet-need-impact-of-cost-of-living-and-removal-of-covid-19-grants.html>

⁵⁹ Skills for Care (2022) Average days lost due to sickness - monthly tracking. Online. Available at: <https://www.skillsforcare.org.uk/adult-social-care-workforce-data/Workforce-intelligence/publications/Topics/COVID-19/days-lost-due-to-sickness.aspx>

receive calls from some providers (across the UK) with 30 or 40% of their workforce unable to work due to COVID-19.

- 4.f.4 Due to the ongoing practice of commissioning homecare through time and task (or, in some cases, by the minute), zero hour or guaranteed hour arrangements continue to be common in the independent homecare sector across the UK. 47% of the workforce in England were on zero hours contracts in the 2020/21 workforce estimates (a decrease of six percentage points since 2012/13)⁶⁰.
- 4.f.5 The attempted introduction of vaccination as a condition of deployment across health and social care in England significantly affected the homecare workforce, and, despite the U-turn likely led to a substantial loss of careworkers. Between spring and autumn 2021, estimates suggests tens of thousands of careworkers left the sector⁶¹.

g. Progression and job moves

- 4.g.1 The turnover rate for homecare services in England is 31.5%. Skills for Care estimate that turnover decreased during the pandemic but has increased in recent months. Most of the homecare workforce is recruited from within adult social care (63%) so workers are often moving between jobs in the sector⁶².
- 4.g.2 In 2021 the *People at the Heart of Care* White Paper outlined that the £500 million allocated to the workforce as part of reforms in England would include the development of a knowledge and skills framework and career pathways. While there is development underway, it has yet to reach implementation (discussed further in question 2).
- 4.g.3 The Scottish Social Services Council have launched a new careers website which outlines a qualifications framework. Discussed further in 4.h. below.
- 4.g.4 A draft workforce plan is under development in Wales, which may lead to some developments over the next 12 months. The

⁶⁰ Workforce Intelligence / Skills for Care (2021) Workforce Intelligence Summary: Domiciliary Care Services in the Adult Social Care Sector 2020/21. Online. Available at: <https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/documents/State-of-the-adult-social-care-sector/Summary-of-domiciliary-care-services-2021.pdf>

⁶¹ Nuffield Trust (2022) Invisible crisis in home care unfolding as social care sector loses up to 50,000 staff in lead up to winter months [Invisible crisis in home care unfolding as social care sector loses up to 50,000 staff in lead up to winter months | The Nuffield Trust](#)

⁶² Skills for Care (2022) Domiciliary Care Services in the Adult Social Care Sector. Online. Available at: [Summary of domiciliary care services 2021 \(skillsforcare.org.uk\)](https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/documents/State-of-the-adult-social-care-sector/Summary-of-domiciliary-care-services-2021.pdf)

Social Care Fair Work Forum have also been considering career progression. It is important that plans are accompanied by funding.

- 4.g.5 We are concerned that without funding to recognise the effort involved in further qualifications and offer better pay to more qualified careworkers, a skills framework in itself will be insufficient.

h. Training

- 4.h.1 Relatively little has changed in terms of training in England in the last 12 months but some changes may be on the horizon with £500 million announced to fund support for careworkers in the *People at the Heart of Care* White Paper. This included a knowledge and skills framework, funding for Care Certificates, and a new digital hub for the workforce, including a portable record of learning and development. This has not reached implementation yet.
- 4.h.2 Members in Wales are concerned that the Registration requirements with Social Care Wales are adversely affecting recruitment and retention. One aspect of this issue is the implications of qualification requirements for more casual workers who are combining care work with other things. There is not a sufficient supply of careworkers to do without these staff at present.
- 4.h.3 Over the pandemic Social Care Wales made some changes including extending timeframes for registration and qualification. Social Care Wales have recently consulted on some changes to registration requirements including allowing registration via employers assessing competencies and reducing the CPD requirements⁶³.
- 4.h.4 We are also concerned that if all staff training time required were to be fully funded in Wales this could add a significant amount to the required minimum fee rate for providers in Wales. (Initial estimates suggest around £1.50 per hour of care delivered extra would be required to pay staff for all the time spent training, taking into account the Welsh Government's Real Living Wage commitment). Providers in Wales are typically not being paid enough to cover these costs⁶⁴.

⁶³ Social Care Wales (2022) Registration is changing. Online. Available at: [Registration is changing | Social Care Wales](#)

⁶⁴ Homecare Association (2021), Homecare Deficit Report, p. 47. Available at: <https://www.homecareassociation.org.uk/resource/the-homecare-deficit-2021.html>

- 4.h.5 The Scottish Social Services Council is undertaking a 'future proofing' programme⁶⁵ including looking at the Register, processes, qualifications and Code of Practice. Streamlining of the Register and greater flexibility in the qualifications required may be welcome. However, there are concerns about the proposed length of time registrants have to complete their qualifications; and the change in the level of qualification required for people working at the Care/Support practitioner level.

i. Investment

- 4.i.1 The National Audit Office commented that “Short-term and one-off funding initiatives for local government and successive one-year spending reviews have hampered local authorities’ ability to plan for care costs beyond the current financial year, constraining much-needed innovation and investment”⁶⁶.
- 4.j.2 While discussion of investment in social care often focuses on capital investment in residential accommodation; business growth, development and innovation in homecare also require investment.
- 4.j.3 Achieving the Governments stated aim to have 80% of homecare providers in England using digital care records by March 2024 will require various forms of support, including financial⁶⁷.

j. Business debt

- 4.j.1 We do not have any more recent data on business debt than that contained in the National Audit Office report: based on LaingBuisson data from 2019, the NAO analysis estimated that 32% of for-profit care at home providers had total debt which is higher than their assets. 34% of for-profit care at home providers

⁶⁵ SSSC (2022) Our future proofing programme is a major piece of work covering three interconnected projects.

⁶⁶ NAO (2021) The Adult Social Care Market in England. Online. Available at: <https://www.nao.org.uk/report/adult-social-care-markets/>

⁶⁷ Department of Health and Social Care (2021) People at the Heart of Care White Paper. Online. Available at: <https://www.gov.uk/government/publications/people-at-the-heart-of-care-adult-social-care-reform-white-paper/people-at-the-heart-of-care-adult-social-care-reform>

had annual interest charges which were higher than their earnings before interest and tax⁶⁸.

- 4.j.2 For care providers to obtain adequate insurance coverage has become more difficult and more expensive during the pandemic, and remains so. It is particularly difficult to stay insured if a providers' CQC rating is Requires Improvement; with some delays in re-rating providers during the pandemic, this has affected some providers⁶⁹.

5 - Apart from the minimum wage, what are the key drivers of pay decisions in low-paying sectors and occupations? For example, this could include the cost of living, availability and retention of staff, changes to Universal credit/other benefits or access to transport.

5.1 We would consider the following to be key factors at the moment:

- Provider organisation's income
- National policies and commissioning requirements
- Labour market competition
- Universal credit thresholds
- Immigration policy

Provider organisation's income

- 5.2 Many homecare providers, especially those who are working with public sector commissioners, are operating on very narrow margins. As we have outlined in section 4.b. above, only 13% of public sector commissioners were paying a rate at or above our Minimum Price for Homecare in the 2021/22 financial year. In the 2022/23 financial year, we are aware of many commissioners increasing fee rates by far less than is required to meet inflationary pressures (including minimum wage uplifts) – for example offering uplifts of 1-3% when inflationary pressures have been more like 8-9% and are increasing.
- 5.3 This effectively means that providers are needing to find ways to make cuts to some parts of their business in order to pay the higher minimum wage rates. The sector is highly regulated and there are risks that some providers will not be able to meet regulatory demands if required to operate on these rates. If

⁶⁸ NAO (2021) The Adult Social Care Market in England. Online. Available at: <https://www.nao.org.uk/report/adult-social-care-markets/>

ABI (2021) Care Sector and COVID-19 Accessing Public Liability and Employer's Liability Insurance. Online. Available at: <https://www.abi.org.uk/globalassets/files/subject/public/care-homes/care-sector-steps-to-access-el-and-pl-cover.pdf>

public sector commissioners continue to pay these rates, some providers will also be likely to hand back care packages and/or assess how much public sector work they are willing to take on.

- 5.4 As outlined in more detail in question 8, we are aware of some regional commissioners who are paying rates lower than £16 per hour (such as Walsall Council who are paying £15.80 per contact hour). This does not cover direct employment costs of careworkers at the NLW, let alone the costs of CQC fees, operating an office or supervising staff.
- 5.5 Working in this operating environment, it becomes difficult to make decisions about increasing pay.

National policies and commissioning requirements

- 5.6 The pandemic has increased public awareness of careworkers pay and has led to some commissioners, and devolved administrations, attempting to use commissioning practices to enforce a minimum pay rate for careworkers which is higher than the NLW. This has included an announcement by the Welsh Government that they intend all careworkers to be paid Real Living Wage⁷⁰. Scotland included funds to pay commissioned careworkers £10.50 per hour⁷¹. In Northern Ireland additional funding was made available to HSC Trusts, but with the expectation that careworkers should be paid the Real Living Wage⁷². In England some Councils, such as Hertfordshire, have attempted to require providers to pay staff £13.64; but are not offering commissioning fees high enough to fund this.
- 5.7 This practice raises a number of questions about the Government's policy position on minimum wage and the degree to which commissioners shape independent employers reward packages.
- 5.8 One critical issue, however, has been that fee rates have typically not been increased proportionally to the pay rates specified – suggesting a lack of

⁷⁰ Welsh Government (2021) Social Care staff to earn the Real Living Wage. Online. Available at : <https://gov.wales/social-care-staff-earn-real-living-wage>

⁷¹ Scottish Government (2022) Budget statement 2022-23. Online. Available at: <https://www.gov.scot/publications/budget-statement-2022-23/>

⁷² Homecare Association (2022) Homecare in Northern Ireland: The current state of play. Online. Available at: <https://www.homecareassociation.org.uk/resource/homecare-in-northern-ireland-current-state-of-play.html#:~:text=In%20November%2C%20funding%20of%20up%20to%20%C2%A323%20million,n ew%20real%20Living%20Wage%20of%20%C2%A39.90%20per%20hour.>

understanding of the sector (see for example our comment on the funding available for the Real Living Wage uplift in Wales⁷³).

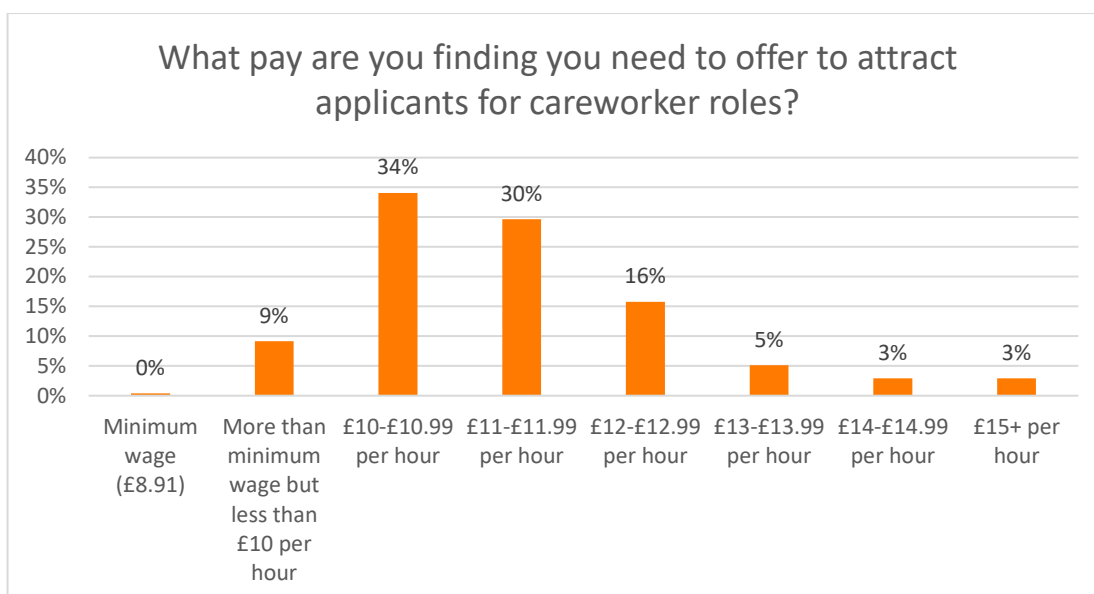
- 5.9 Policies like this also raise a number of additional issues. One example is concerns amongst providers in Wales that the Real Living Wage will be recalculated towards the end of 2022 (mid-financial year). There are doubts about whether adequate funding will be ready to uplift fees mid-year in order to maintain the 'Real Living Wage' pledge.
- 5.10 It is unclear how these will interact with NLW policy in future. In the medium term, it is likely that the pay rates specified by commissioners will exceed NLW in most cases; however, in the long-term it is unclear whether the specified pay rates will be updated

Labour market competition for recruitment and retention

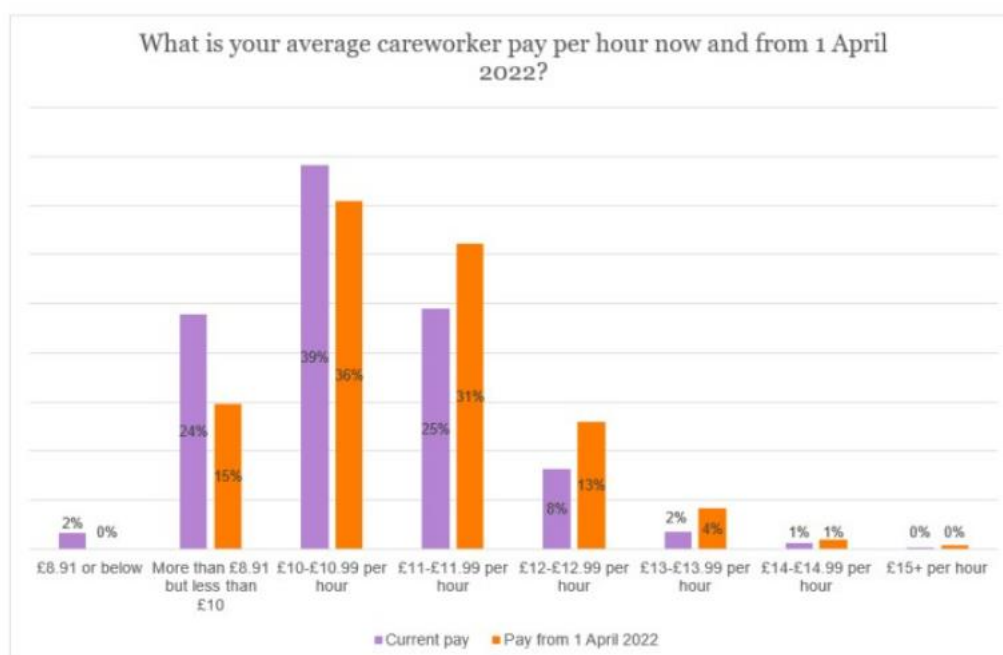
- 5.11 With the combination of Brexit and the reopening of the economy in Spring 2021 (following COVID-19 lockdowns) we saw significant competition for labour coming from the retail, delivery and hospitality sectors in particular – but also from other parts of the services sector. Care providers lost some staff to the alternative employers who were offering slightly higher pay rates and/or golden hellos or other forms of bonus.
- 5.12 This has meant that, over the last 12 months, in some parts of the country, providers are finding that they are unable to recruit if they advertise jobs that are paid at the NLW. For example, we are aware of providers in Oxfordshire that have needed to offer £12.50 per hour to attract suitable candidates.
- 5.13 In our fourth workforce survey, which took place in January 2022⁷⁴ (responses were received from 296 homecare providers) we asked “what pay are you finding you need to offer to attract applicants for careworker roles?”. 34% of respondents said between £10.00-10.99. 0.37% of providers reported that they were able to recruit at NLW.

⁷³ Homecare Association (2021) Real Living Wage for careworkers in Wales must be funded. Online. Available at: <https://www.homecareassociation.org.uk/resource/real-living-wage-for-careworkers-in-wales-must-be-funded.html>

⁷⁴ Homecare Association (2022) Continuing lack of homecare workers. Online. Available at: <https://www.homecareassociation.org.uk/resource/continuing-lack-of-homecare-workers.html>



- 5.14 In our cost of living survey in March 2022 the majority of respondents (which comprised 627 homecare providers) suggested that their organisation's pay for careworkers fell in the £10 and £11.99 per hour range in the 2022/23 financial year⁷⁵.



⁷⁵ Homecare Association (2022) Fuel costs and homecare – impact on service capacity. Online. Available at: <https://www.homecareassociation.org.uk/resource/fuel-costs-and-homecare-impact-on-service-capacity.html>

- 5.15 While many employers are needing to offer more than NLW to recruit staff the NLW rate increases the ‘floor’ from which to compete from and will therefore impact on the level of pay offered.

Universal credit / benefits thresholds

- 5.16 There are obviously multiple and complex interactions between the benefits systems and earnings. One more common scenario will be that some staff will also be claiming Universal Credit or other benefits to cover their families living costs. Where a person has a child or caring responsibilities but also has a mandatory work requirement as part of their Claimant Commitment they will be required to earn the equivalent of NLW multiplied by a specified number of hours in order to avoid sanctions (or undertake equivalent work related activity). If they are on a zero hours agreement and they start to earn more than NLW they may choose to work fewer hours and give more time to their personal caring commitments, for example.
- 5.17 In some cases people’s decisions may also be affected by earnings thresholds that affect the amount of benefit they are getting or their eligibility (even if this leads to the tapering of the benefit rather than a cut off). Due to the fact that levels of work (and, therefore, income) can be insecure on zero-hours arrangements the risk of losing access to benefits for a, potentially, temporary increase in income if more hours become available can be unattractive.
- 5.18 Employers that have a lot of staff who are claiming benefits may consider the impact on staff behaviour of increasing pay rates above NLW before doing so.
- 5.19 Benefits thresholds have proved a particular challenge for payment of bonus or retention lump-sum payments or back-pay. In some cases guidance has been issued to pay these in installments to careworkers who might be affected⁷⁶.

Immigration policy

- 5.20 In spring 2022 careworkers gained access to the shortage occupation list. One of the requirements on employers who recruit staff through the Skilled Worker route is that they pay at least £10.10 per hour⁷⁷ on a full-time basis. While providers tend to prefer to recruit locally where possible for a range of

⁷⁶ See for example: [Implementing the Real Living Wage for social care workers in Wales | GOV.WALES](#)

⁷⁷ [Skilled Worker visa: When you can be paid less - GOV.UK \(www.gov.uk\)](#)

reasons, including the costs of sponsorship licenses, some providers have looked to recruit internationally given the significant workforce shortages the sector has been experiencing. It is, however, difficult for an employer in homecare to guarantee a routine 37 hours per week, as demand depends on multiple factors outside their control, not least the way that local authorities purchase homecare as discussed in an earlier section.

- 5.21 Concerns have been raised that if the minimum rate for international recruits is £10.10 per hour but the minimum rate for local recruits is the NLW then there are risks associated with wage disparities.
- 5.22 The Migration Advisory Committee have recommended that the Government introduce a fully funded minimum rate of pay for all careworkers in England that is above the National Living Wage, where care is being provided through public funds. They recommend this is implemented immediately at £10.50 per hour⁷⁸.

The National Living Wage

6 - What has been the impact of the NLW in the past year? Our critical interest is in its effects on employment, hours and earnings. We are also interested in the effect of the NLW on any of the areas listed in question 3.

- 6.1 As outlined above, the number of homecare hours delivered has actually increased as demands soars – presumably due to staff working exceptionally hard.
- 6.2 Recruitment and retention has become increasingly difficult as the labour market becomes more competitive. As outlined above (see para 5.11 onwards), many employers are needing to offer more than NLW to recruit staff but the higher NLW rate increases the ‘floor’ from which to compete which contributes to cost pressures. Additionally, fee rates from public sector commissioners are often not matching these increased costs raising questions about the sustainability of wage offerings and, indeed, compliance with NLW when all working time is accounted for.
- 6.3 The sector is now facing significant shortages in staff with serious adverse effects for the half a million people waiting for assessment⁷⁹, direct payments,

⁷⁸ Migration Advisory Committee (2022) Review of adult social care 2022: Adult social care and immigration. Online. Available at: [Review of adult social care 2022 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/108444/migration-advisory-committee-review-of-adult-social-care-2022-adult-social-care-and-immigration.pdf)

⁷⁹ ADASS (2022) Waiting for Care and Support May 2022. Online. Available at: <https://www.adass.org.uk/media/9215/adass-survey-waiting-for-care-support-may-2022-final.pdf>

care or review and wider systems effects – for example, in contributing to issues with patient flow in hospitals which is putting people's lives in danger⁸⁰.

- 6.4 Vacancy rates are rising⁸¹ and providers are saying that pay and terms and conditions are the most important factor affecting recruitment and retention⁸².
- 6.5 Also as outlined above (see section 4.d), we are seeing wage differentials being eroded with senior care workers paid little more than careworkers and employers unable to offer more experienced staff higher pay rates.

7 - To what extent has the NLW affected different groups of workers, particularly those with protected characteristics (for example women, ethnic minorities and those with disabilities) and migrant workers?

- 7.1 NLW has contributed to increases in headline pay rates which is positive for workers. It might be adversely affecting working conditions and the sustainability of providers in more subtle ways (such as differentials and career progression opportunities), as discussed above.
- 7.2 As noted above, women are over-represented in the social care workforce as are people from minority ethnic backgrounds⁸³.
- 7.3 Regional disparities (discussed in question 8) could imply differential impacts on particular groups of workers and also care recipients as those employers most likely to struggle to comply with the regulations (and potentially withdraw from the market) may be in areas of the country where there is already significant socio-economic deprivation. Commissioning rates paid to care providers in London are relatively low, where the cost of living is high. The majority (67%) of careworkers in London are people with minority ethnic backgrounds.
- 7.4 At the moment, recently arrived migrant workers should be paid in line with the Skilled Worker threshold minimum pay rate which is £10.10 per hour and

⁸⁰ Gregory (2021) NHS is at breaking point and putting patients at high risk, bosses warn. Online. Available at: <https://www.theguardian.com/society/2021/nov/10/health-service-is-at-breaking-point-and-putting-patients-at-risk-say-nhs-leaders>

⁸¹ Skills for Care (2022) Vacancy information – monthly tracker. Online. Available at: <https://www.skillsforcare.org.uk/adult-social-care-workforce-data/Workforce-intelligence/publications/Topics/COVID-19/Vacancy-information-monthly-tracking.aspx>

⁸² Homecare Association (2022) Continuing lack of homecare workers. Online. Available at: [Continuing lack of homecare workers \(homecareassociation.org.uk\)](https://www.homecareassociation.org.uk/Continuing-lack-of-homecare-workers)

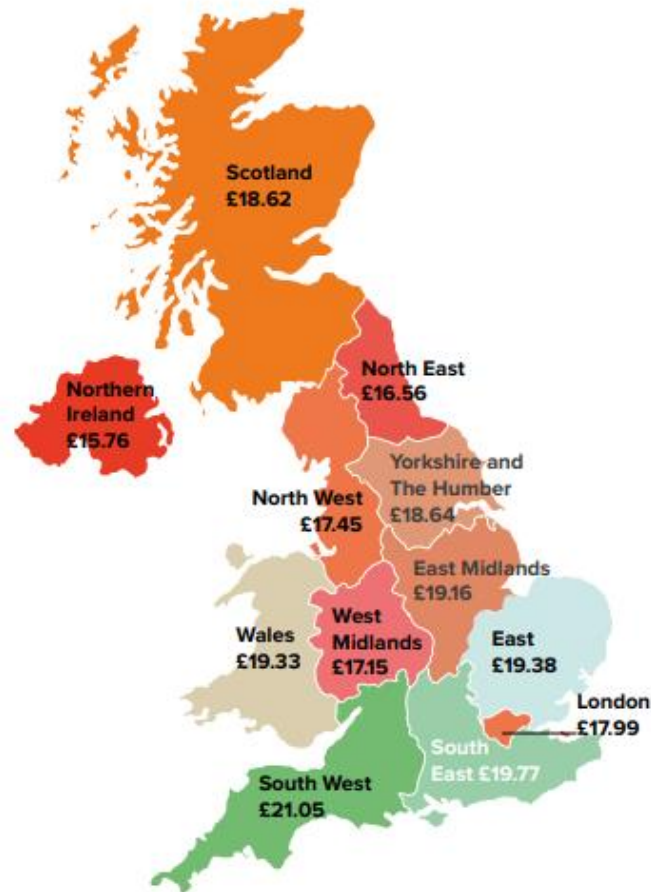
⁸³ Skills for Care (2021) The state of the adult social care sector and workforce in England 2021. Online. Available at: <https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/documents/State-of-the-adult-social-care-sector/The-State-of-the-Adult-Social-Care-Sector-and-Workforce-2021.pdf>

higher than the current NLW – presumably this will be increased to at least NLW if that exceeds £10.10 per hour.

8 - How has the NLW's impact varied across different geographical areas of the UK?

- 8.1 The impact of the NLW increasing is most strongly felt in the homecare sector in regions of the country where fee rates paid by public sector commissioners are lowest. Inflationary increases in these areas are often also vastly inadequate, leaving them progressively further behind their required operating costs. So these providers have the toughest challenge on their hands to meet all of their regulatory requirements on the income they are provided with – including minimum wage compliance. In 2021 we found that the regions paying the lowest prices for homecare were Northern Ireland, the North East, the North West and the West Midlands.
- 8.2 Since this data was collected, we are aware that the fee rate in Northern Ireland has been increased to £18 per hour. We're unaware of any other substantial regional shifts which likely leaves the North West, North East and West Midlands as the most impacted by NLW. Rates in London are obviously a concern also, given the cost of living.

Figure 13. Map showing weighted average hourly prices paid for homecare in England's government regions and the devolved administrations for the 2021 sample week



- 8.3 There is some correlation between areas with higher levels of deprivation and low fee rates⁸⁴. One example of this is Walsall, in the West Midlands, where we understand the fee rate has been increased for the 2022/23 financial year to £15.80 per hour – a 1.5% increase on last year (clearly inadequate to cover inflationary pressures including MLW increases, even if the original fee rate had been adequate).
- 8.4 Our calculations (from last autumn, and fuel prices and other costs have increased since then) suggest that **direct staff costs** alone for an hour of care delivered a **minimum** of £16.57 is required. Costs for visits shorter than an hour would be higher than this due to additional travel time, for example.

⁸⁴ Homecare Association (2021), Homecare Deficit Report, p. 47. Available at: <https://www.homecareassociation.org.uk/resource/the-homecare-deficit-2021.html>

8.5 This is made up as follows:

- Minimum wage for 1 hour contact time with person being supported - £9.50
- Minimum wage for travel time between care visits - £1.93
- Employer's national insurance - £0.99
- Pension contribution - £0.34
- Holiday pay, training time, sick pay, notice and suspension pay - £2.28
- Mileage / transport reimbursement - £1.52

8.6 A further £6.63 is needed to cover other necessary operating costs, such as the pay of the registered manager and office staff, training, recruitment, regulatory fees, insurance, telecoms and IT equipment, governance and general business administration. This brings the required total to a minimum of £23.20 per hour.

8.7 Low rates in these regions often are not limited to Councils only. In 2021/22 Walsall NHS CCG advised us that they paid an average rate of £15.52 per hour (this was, admittedly, marginally above the £15.19 required to cover minimum wage careworker direct employment costs in 2021/22 but still shockingly inadequate to cover all operating costs, including supervision and office costs).

8.8 Regions which we believe were paying average fees in 2021/22 which did not even cover the minimum wage direct employment costs of the careworker (this was £15.19 in 2021/22 - not to imply that covering direct employment costs is sufficient) included⁸⁵:

- Basildon and Brentwood CCG with an average price of £15.11 per hour.
- Ealing with an average price of £15.00 per hour.
- Halton who reported an average price of £12.68 per hour.
- Western HSC Trust (Northern Ireland), who reported an average rate of £14.21 per hour.

8.9 Other areas that paid less than £16 per hour on average in 2021/22 included: Belfast HSC Trust, Birmingham, Blackburn with Darwen, Darlington, Harrow, Peterborough, Salford, Sandwell, South Eastern HSC Trust (Northern Ireland), South Tyneside, Southern HSC Trust (Northern Ireland), Stockton, Sunderland, Waltham Forest and Wolverhampton.

⁸⁵ All data from our Homecare Deficit report available at:
<https://www.homecareassociation.org.uk/resource/the-homecare-deficit-2021.html>

- 8.10 The Social Care Precept in particular has been criticised for unequal outcomes⁸⁶ – wealthier areas with a lower level of need for social care are likely to be able to raise more funds to pay for social care through this route. The last President of ADASS made comments to the effect that “A 1% rise in the precept in Surrey generates £7m compared with £700k in Stoke-on-Trent”. Councils with inadequate funding compared to need will be highly motivated to pay low rates that make it impossible for employers to keep up with inflationary pressures.

9 - The Government’s remit for the NLW is based on achieving a target of two-thirds of median earnings by 2024. Based on forecasts, our current central projection for the April 2024 NLW rate is £10.95. What are your views on this target?

- 9.1 Whilst public sector commissioners are paying inadequate rates per contact hour for care; an NLW rate of £10.95 is not at all realistic.
- 9.2 We believe that care work is skilled work and that careworkers should be paid the equivalent of healthcare assistants in the NHS, which is in excess of £10.95 per hour, with much better associated employment benefits. However, as the Commissioners will appreciate, many commissioners have a track record of failing to increase fee rates paid to care providers in proportion to NLW increases.
- 9.3 There will come a point at which providers can no longer afford to work with the public sector and meet regulatory requirements. If wages must increase and income does not increase proportionately then costs must be saved by, for example reducing levels of training or supervision or pay differentials, or only paying statutory sick pay. It will incentivise providers to try to cut corners that shouldn’t be cut like call clipping or not paying staff for training. This may lead to a worsening issues with staff retention. It could also put people drawing on services and people waiting for services at risk. It could also overload the NHS. The current crisis with ambulance queues at hospitals is not entirely unrelated to the shortage in the supply of social care as patient flow is affected by the availability of services to support timely hospital discharges⁸⁷. People left in the community without care that they need are also at risk.

⁸⁶ David Oliver (2018) England’s social care models harm the poorest areas, British Medical Journal (371). Online. Available at: [David Oliver: England’s social care models harm the poorest areas | The BMJ](#)

⁸⁷ Gregory (2021) NHS is at breaking point and putting patients at high risk, bosses warn. Online. Available at: <https://www.theguardian.com/society/2021/nov/10/health-service-is-at-breaking-point-and-putting-patients-at-risk-say-nhs-leaders>

- 9.4 The alternative (which we would prefer), is for the Government to vastly increase the amount of money allocated to the Fair Cost of Care exercises (as argued before, by a factor of ten this year) and then to commit to increase the social care budget with a sum specifically designated to cover wage increases that result from NLW policy, which will likely be well in excess of £1 billion for the next two years – and sustain that funding on an ongoing annual basis.
- 9.5 See also, our response to question 11.

10 - How have employers responded to the lowering of the NLW age threshold to 23?

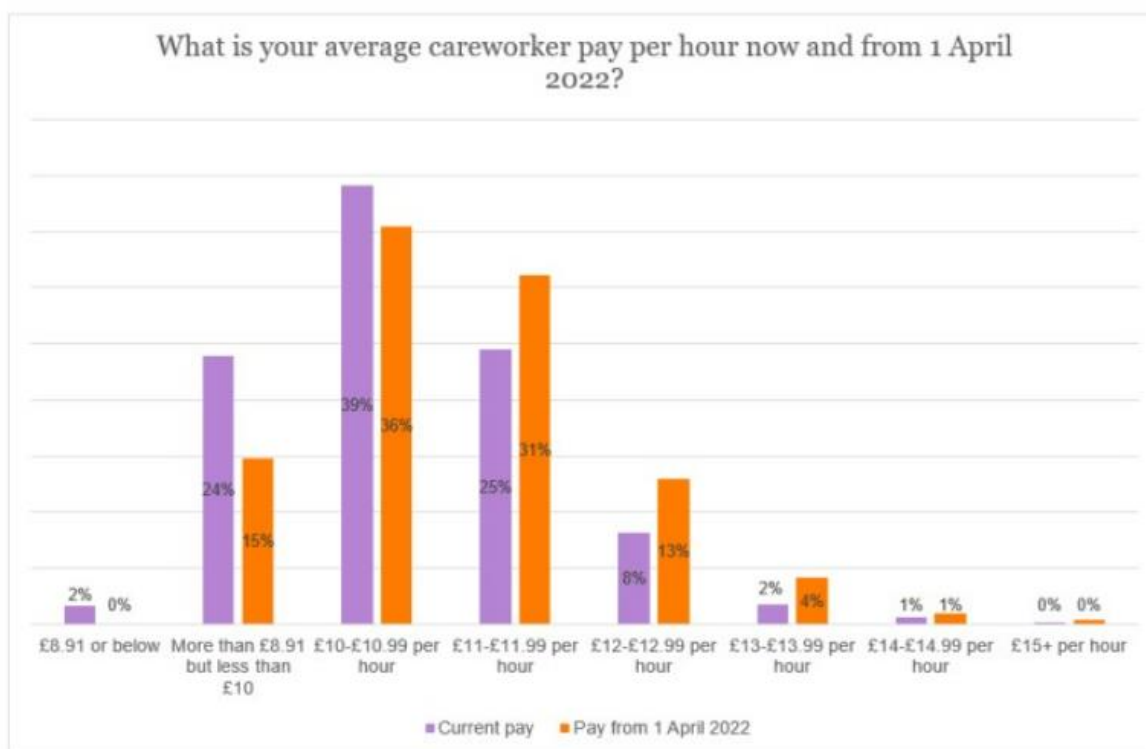
- 10.1 As discussed in the section on young people below, our members have not raised particular concerns with us about this. We have not seen evidence that the lower rates are widely used in homecare, though a few employers might be affected.
- 10.2 There are some younger adults working in homecare, but far fewer (as a proportion of the workforce) than in sectors like retail (ONS figures from 2019 suggest that about 19% of employees in wholesale, retail and repair were under 25; whereas 8% of health and social care sector employees were⁸⁸). Inability to drive or afford car insurance, together with a requirement for line-working, are disincentives for young people working in homecare.
- 10.3 Skills for Care estimate that, in England, 12% of careworkers (9% of the whole social care workforce) are under 25. In 2020/21 around 87% of under 25s were paid the NLW rate or higher. Around 86% of under 23s were paid this⁸⁹.
- 10.4 In most cases employers seeking to recruit will budget for a role at NLW rate or higher, rather than relying on being able to hire younger candidates. Employers may also be concerned about paying less than the NLW to younger workers for the same work if this impacts retention.

11 - At what level should the NLW be set from April 2023? Our current central projection for the on-course rate is £10.32.

⁸⁸ ONS (2020) Employment by age, industry and occupation, UK, 2010, 2015 and 2019. Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/adhocs/12467employmentbyageindustryandoccupationuk20102015and2019>

⁸⁹ Skills for Care (2022) Pay in the adult social care sector. Online. Available at: <https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/documents/Pay-in-ASC-sector-2021.pdf>

- 11.1 If our survey data from March gives a realistic picture⁹⁰, in current labour market conditions, we believe that most employers are being forced to pay slightly above the minimum wage of £9.50 per hour in order to recruit. Providers who work primarily with self-funded clients are more likely to offer better pay.



- 11.2 However, if competition for workers remains high and employers in other sectors (such as hospitality and retail) increase their prices to enable them to recruit at above minimum wage in April 2023, homecare providers will similarly feel that pressure to increase wages to something slightly above minimum wage without being able to increase their prices in the same way (if they accept much work from the public sector).
- 11.3 Consequently, the increase in the National Living Wage will increase cost pressures in the sector even for employers that pay in excess of National Living Wage now.
- 11.4 To truly cover these costs the sector would likely need in excess of £1 billion a year in additional funding. In 2021 we estimated that £1.7 billion would be required to increase wage rates to the equivalent of hourly pay of an NHS

⁹⁰ Homecare Association (2022) Fuel costs and homecare – impact on service capacity. Online. Available at: <https://www.homecareassociation.org.uk/resource/fuel-costs-and-homecare-impact-on-service-capacity.html>

band 3 healthcare assistant at £11.14. Or £1 billion to meet the Real Living Wage⁹¹. This does not include costs of wage increases for workers employed in residential care or other parts of the sector.

- 11.5 The total amount of funding allocated to social care (including care homes) in the social care levy was £5.4 billion over three years (i.e. £1.8 billion per year equivalent), which is mostly to implement the changes to the care cost cap. The social care sector will likely need more funding than this again to sustainably implement the Government's stated policy goal to increase the National Living Wage to two thirds median earnings if the sector is to continue to meet its other regulatory responsibilities.
- 11.6 If the Government doesn't think that a funding increase of that level is feasible, then it should not increase the National Living Wage. If it increases the National Living Wage, the Government must meet the cost of the policy and maintain a genuine 'Fair Cost of Care' or else risk further erosion of the care sector's ability to operate sustainably and meet regulatory requirements. This could result in an exacerbation of the existing shortages in supply of homecare⁹² with providers handing back care packages, as well as affecting quality of provision and increasing pressure on the NHS.

Young People

12 - What do you think has been the effect of the minimum wage on young people and on their employment prospects?

- 12.1 We have seen no evidence that the minimum wage rate for young people has provided a motivation for employers to hire younger workers in itself.
- 12.2 While admittedly anecdotal, we have received a number of enquiries over the last year regarding the regulatory and employment protection implications of employing younger workers (age 16 and 17). From our contextual understanding, we believe this interest to be motivated by the urgent need for more careworkers generally rather than the prospect of paying younger staff a lower pay rate.

⁹¹ Homecare Association (2021), Homecare Deficit Report. Available at: <https://www.homecareassociation.org.uk/resource/the-homecare-deficit-2021.html>

⁹² ADASS (2022) Waiting for Care and Support May 2022. Online. Available at: <https://www.adass.org.uk/media/9215/adass-survey-waiting-for-care-support-may-2022-final.pdf>

13 - Last year saw the creation of a new 21-22 Year Old Rate, to remain in place until the NLW age threshold is lowered again to 21.

- **To what extent do employers use the 21-22 Year Old Rate?**
- **When do you think the NLW age threshold should be lowered to 21? What factors should we consider in making this decision?**
- **At what level should the rate be set from April 2023?**

14 - How widely used are the other NMW youth rates (the 18-20 Year Old Rate and the 16-17 Year Old Rate)?

13.1 In response to questions 13 and 14: Skills for Care estimate that about 12% of careworkers in England are under the age of 25⁹³ (broadly similar to the wider economy). However, Skills for Care data also suggests that pay for the bottom 10% of for careworker roles were being paid a median rate of the National Living Wage in March 2021⁹⁴. They also suggested that 86% of those under 23⁹⁵ were being paid NLW. While we are not aware of figures for the younger age groups, this suggests that few young careworkers are paid at less than the National Living Wage.

13.2 When we have discussed this with providers, some have suggested that they wouldn't want to pay younger staff a lower rate if they are essentially doing the same work, this could adversely affect retention.

13.3 It is possible that rates of young people being employed are higher in some of the devolved administrations. Recent data from Social Care Wales, for example, suggests that the proportion of workers who are 16-25 in commissioned homecare services is closer to 20%⁹⁶. However, given the wage commitments in the devolved administrations we would expect that, for the most part, minimum wage rates would not affect these workers.

⁹³ See chart 50 and chart 49, Skills for Care (2021) The state of the adult social care sector and workforce in England. Online. Available at: <https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/documents/State-of-the-adult-social-care-sector/The-State-of-the-Adult-Social-Care-Sector-and-Workforce-2021.pdf> (accessed 1 June 2022).

⁹⁴ See Chart 70; Skills for Care (2021) The state of the adult social care sector and workforce in England. Online. Available at: <https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/documents/State-of-the-adult-social-care-sector/The-State-of-the-Adult-Social-Care-Sector-and-Workforce-2021.pdf> (accessed 1 June 2022).

⁹⁵ Skills for Care (2022) Pay in the adult social care sector. Online. Available at: [Pay in ASC sector 2021 \(skillsforcare.org.uk\)](https://www.skillsforcare.org.uk/Pay-in-ASC-sector-2021)

⁹⁶ Social Care Wales (2022) Workforce data collection 2021. Online. Available at: https://socialcare.wales/cms_assets/file-uploads/Workforce_Report_2021_EN-final.pdf

15 - At what level should these rates be set from April 2022?

15.1 We do not anticipate that this will significantly affect the homecare sector.

Apprentices

16 - What is the outlook for the recruitment and employment of apprentices?

17 - How widely used is the Apprentice Rate? What are the characteristics of apprentices paid the rate?

18 - How common is it for employers to set the pay of first-year apprentices below the NLW/NMW rates?

16.1 In answer to questions 16-18, which relate to the use of the Apprentice Rate. We do not think that the Apprenticeship Rate is widely used in the homecare sector, based on the evidence we have.

16.2 Across social care in England, apprentices filled between 1% and 2.6% of social care jobs in 2019/20⁹⁷. We do not have data on whether this is distributed more to care homes than homecare.

16.3 Relatively few homecare providers will have a wage bill over £3 million and be contributing to the apprenticeship levy. Across the whole of social care, Skills for Care estimate that 500 organisations cross this threshold⁹⁸ (out of around 17,700⁹⁹, so about 3%). Many of those that do are unable to use the funding as it is difficult operationally to meet the requirements for apprenticeships, so they either just regard it as another cost, or offer the funding to SMEs to use instead.

16.4 Even where homecare providers do use apprenticeships many employers will be keen to pay apprentices the equivalent of their colleagues (i.e. at least National Living Wage) in order to retain them as employees for longer. Completion of an apprenticeship is not required in order to practice in the sector – there are other routes in - and many prospective employees would

⁹⁷ Skills for Care (2022) Apprenticeships in adult social care 2020/21. Online. Available at: [Apprenticeships in social care \(skillsforcare.org.uk\)](https://www.skillsforcare.org.uk/Apprenticeships-in-social-care) (accessed 31 May 2022).

⁹⁸ Skills for Care (2022) Apprenticeships in adult social care 2020/21. Online. Available at: [Apprenticeships in social care \(skillsforcare.org.uk\)](https://www.skillsforcare.org.uk/Apprenticeships-in-social-care) (accessed 31 May 2022).

⁹⁹ Skills for Care (2021) The state of the adult social care sector and workforce. Online. Available at: <https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/documents/State-of-the-adult-social-care-sector/The-State-of-the-Adult-Social-Care-Sector-and-Workforce-2021.pdf> (accessed 31 May 2022).

rather sign up to work and undertake basic training and the care certificate, earning standard wage rates, than to undertake a Level 2 or 3 apprenticeship (which may have different demands in terms of English and Maths skills, learning style and time commitment, for example than simply doing the Care Certificate).

- 16.5 In some cases apprenticeships are offered as development opportunities, which might help to retain staff (at least while they are studying), rather than a precondition for work. Employers often offer apprenticeships alongside standard pay.
- 16.6 Skills for Care data¹⁰⁰ for England from March 2021 suggests that most apprentice care workers had the same median hourly pay rate as non-apprentices of £9 per hour. However, there was a slight difference in the bottom 10% of apprentices who earned a median of £8.21 vs non-apprentices earning £8.72 (at the time the National Living Wage was £8.72; the 21-24 rate was £8.20). Around 24% of care worker apprentices were aged 24 and under compared to 14% of non-apprentices. This suggests that a minority of social care employers may be using the lower statutory rates to offer lower pay to (probably younger) apprentices. It is unclear from the data whether employers are paying the 21-24 minimum wage rate or paying the apprenticeship rate – if the latter, this must be relatively small numbers for the lowest ten percent to average at £8.21. It is not clear from the data whether these are homecare employers or if this relates to care homes.
- 16.7 It is highly likely that, given the demand in the sector, anyone completing an apprenticeship will be offered work.

19 - The Apprentice Rate increases this year to £4.81, the same level as the 16-17 Year Old Rate. What do you expect the effects of this increase to be?

20 - At what level should the Apprentice Rate be set from April 2023?

- 20.1 In answer to questions 19 and 20; we are not especially concerned that the Apprentice Rate may increase, as we do not believe this is very widely used in homecare – even where employers have apprentices.

¹⁰⁰ Skills for Care (2022) Apprenticeships in adult social care 2020/21. Online. Available at: [Apprenticeships in social care \(skillsforcare.org.uk\)](https://skillsforcare.org.uk) (accessed 31 May 2022).

Compliance and enforcement

21 - What issues are there with compliance with the minimum wage and what could be done to address these?

- 21.1 Compliance with the minimum wage is particularly challenging for those businesses reliant on funding from public bodies such as councils or Clinical Commissioning Groups. Public organisations frequently purchase homecare by the minute for contact time only, at fee rates below the cost of delivery of good quality care. Many councils do not include enough extra money to cover costs of travel or waiting time between clients, which counts as working time. HMRC may also regard time spent on activities such as COVID-19 testing, collecting PPE and training as working time, which is unfunded. Public organisations in England including both councils and Clinical Commission Groups in England paid on average £18.66 per hour in 2021/22. This is significantly below the Homecare Association's minimum price for homecare of £21.43 per hour in 2021/22 rising to £23.20 an hour in 2022/23.
- 21.2 In addition, the complex working patterns required for homecare workers, particularly in relation to the payment of travel time and the use of premium payments to incentivise out-of-hours working, are not always well understood.
- 21.3 Without a substantial and sustainable funding settlement across the sector, the fragility of the market will increase as will the risk of non-compliance with minimum wage criteria.
- 21.4 The National Minimum Wage is a complex area of UK law which is often confused by conflicting case law. The Homecare Association wants to support compliance within the homecare sector so we publish a "National Minimum Wage Toolkit"¹⁰¹ to help homecare providers comply with the National Minimum Wage Regulations, particularly in relation to the variable hours usually undertaken by members of our workforce. We continue to keep this document updated and available to our members, the ongoing costs being borne by the Homecare Association. We are also working collaboratively with HMRC on a programme initiated by HMRC to offer free advisory audits to homecare providers on NLW compliance and to help them ensure appropriate records are kept.

¹⁰¹ Homecare Association (2022) National Minimum Wage Toolkit. Online. Available (to members) at: <https://www.homecareassociation.org.uk/resource/homecare-association-national-minimum-wage-toolkit.html>

22 - What comments do you have on HMRC's enforcement work?

- 22.1 We have no direct experience of HMRC's enforcement work, but members have said that some HMRC inspectors make exceptionally high demands for documentation and that the process is lengthy, often with long gaps between activities. Views have also been expressed that HMRC do not always seem to understand how to interpret the Regulations within the context of homecare delivery or that different HMRC inspectors may interpret regulations differently. Application of the regulations often depends on the detail of contracts and working and pay arrangements in a given situation, so we understand the challenges for both employers and HMRC. There are common areas of pitfall and we are seeking to work with HMRC to highlight these to employers to minimise the number of unintentional mistakes that can lead to non-compliance
- 22.2 More widely, we believe that HMRC needs to highlight systemic issues with NLW non-compliance, such as low local authority fee rates and zero-hour commissioning, rather than focusing solely on individual employers. An analogy is CQC's "State of Care" report, where CQC seeks to draw learning from all of its inspections. In our experience, many local authority commissioners have a weak understanding of national minimum wage regulations and their application to homecare. In our view, it should be unlawful for local authority commissioners to purchase homecare in a way that does not enable compliance with the legal minimum wage regulations.
- 22.3 We believe it is important to build a culture of openness between businesses and regulators enabling compliance through support. Emphasis should be placed on the reporting of non-compliance and learning to improve, rather than punitive enforcement. We are therefore pleased to be starting a project with HMRC the Social Care Compliance Program, which will offer homecare providers the opportunity to voluntarily have their minimum wage compliance reviewed. This programme aims to recognise the complexities in compliance with national minimum wage and looks to encourage compliance through supporting employers to learn rather than using punitive enforcement.

Accommodation Offset

- 23.1 Questions 23 to 28 focus on the accommodation offset. As the accommodation offset affects few homecare providers, we have not offered a view on these questions.

Conclusion

- 24.1 In conclusion, we recommends the commissioners take a cautious approach to future rates given the challenges faced by the homecare sector. We are extremely concerned that NLW increases of the degree proposed over the next two years will significantly impact the financial viability of the sector unless the Government commits several billion pounds to cover the cost of this increase, and ringfences the funds for that purpose (as opposed to, for example general funds to meet increased demand for care).
- 24.2 We appreciate that the Commission's previous reports demonstrate an understanding of the issues faced by the homecare sector and hope to continue to liaise with the Commission going forwards.