Homecare Association's response to LPC Consultation questions June 2025

Daisy Cooney, Head of Policy, Practice and Innovation

1. About you

Please provide information about yourself or your organisation. If possible, include details about your location, the type of job or business (occupation and/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 the UK's membership body for homecare providers, with over 2,200 members nationally. Its mission is to ensure society values and invests in homecare, so we can all live well at home and flourish in our communities. The Homecare Association acts as a trusted voice, taking a lead in shaping homecare, in collaboration with partners across the care sector. It also provides hands-on support and practical tools for its members. The Homecare Association's members agree to abide by the Association's Code of Practice.

1.2 To provide some context about the homecare workforce:

1.2.1 In 2023/24, 580,000 people were employed in CQC regulated homecare providers in England. This is made up of an estimated 505,000 direct care providing filled posts, 46,000 managerial filled posts, 1,700 regulated professionals and 28,000 other filled posts, including ancillary non-care-providing roles. A further 123,000 operated as individual careworkers, also called personal assistants[1].

1.2.2 Over 70,000 people are estimated to work in homecare in the Devolved Administrations[2].

1.2.3 Filled posts for domiciliary care service in the independent sector in England increased by 43,000 (8%) between 2022/23 and 2023/24, whilst the number of vacant posts decreased by 550 (1%) [3].

1.2.4 In 2023/24, the vacancy rate of independent sector domiciliary care services in England was 11.9%, equivalent to 70,000 vacant posts. The vacancy rate increased sharply in 2021/22 and has decreased each year since.

1.2.5 According to the Labour Force Survey, England had an economically active population of around 34.7 million at the start of 2025[4]. Therefore, because the adult social care sector employed an estimated 1.59 million people, it's estimated that 4.5% of the economically active population worked within adult social care[5].

---

[1] 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-in-England-2024.pdf
[2] Social Care Wales (2022) Workforce data report 2022 (socialcare.wales) SSSC (2024) Registration data | Scottish Social Services Workforce Data (sssc.uk.com) Homecare Association (2024) Market Overview 2024 (homecareassociation.org.uk)
[3] https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/documents/State-of-the-adult-social-care-sector/Summary-of-domicliary-care-services-2024.pdf
[4]https://www.nomisweb.co.uk/reports/lmp/gor/2092957698/report.aspx#:~:text=Table_title:%20Labour%20Supply%20Table_content:%20header:%20%7C%20%7C,1%2C624%2C000%20%7C%20United%20Kingdom%20(level):%201%2C640%2C000%20%7C
[5] 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-in-England-2024.pdf

1.2.6 Around 37% of organisations in England were micro (1 to 4 employees), and 85% had fewer than 50 employees. Large organisations (250+ employees) made up just 2% of the total number of organisations but employed almost half (46%) of the total adult social care workforce as at 2023/24[6].

1.2.7 Influenced by 'by-the-minute' commissioning practices, around 38% of the domiciliary care workforce in England were employed on zero-hours contracts. This proportion has decreased by six percentage points since last year and nine percentage points since 2021/22. Across all care service types, 23% of the independent sector workforce were employed on zero-hours contracts.

1.2.8 Over half of the staff in domiciliary care services in England were employed on a full-time basis (54%) and 46% employed part time.

1.2.9 The turnover rate in England for domiciliary care services was 25.3%. This equates to an estimated 131,000 workers leaving their role in the previous 12 months. The starters rate has consistently been higher than the turnover rate over time, which highlights the growing domiciliary care workforce.

1.2.10 Not all turnover results in workers leaving the sector in England. Over half of the domiciliary care workforce were recruited from within adult social care (51%). This means that although the high turnover rate results in

[6] 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-in-England-2024.pdf

employers going through the recruitment process, with its associated costs, the skills and experience of many workers are retained by the sector.

1.2.11 The proportion of British workers in domiciliary care services in England remained similar between 2017/18 and 2021/22, however, since 2021/22 the proportion of British workers has decreased from 83% to 70% in 2023/24, this equates to a decrease of around 35,000 workers. Over the same period, the proportion of non-EU workers increased from 10% to 25%, an increase of around 90,000 workers.

1.2.12 International recruitment has been vital in addressing the severe workforce shortages in homecare. Between 2021/22 and 2023/24, more than 185,000 international recruits joined adult social care, helping to stabilise a sector that continues to face over 130,000 vacancies and persistent recruitment challenges[7].

1.2.13 The median hourly rate for a care worker in the independent sector in England was £12.00, as at December 2024 (56 pence above the NLW). This varies across the regions, with the highest median hourly pay rates recorded in London (£12.19) and the lowest in the West Midlands (£11.75)[8].

1.2.14 In December 2024, the nominal median care worker pay in England had increased by 9.1% (£1.00 per hour) since March 2024. The average care

[7] Skills for Care report: international recruitment helps social care workforce grow – but domestic recruitment and retention struggles persist

[8] https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/documents/Pay-in-the-adult-social-care-sector-in-England-as-at-December-2024.pdf

worker was better off, in real terms, by 78 pence per hour (7.0%) than they were in March 2024[9].

1.2.15 The proportion of care workers being paid on the wage floor (those on or within 10 pence of the NLW) in England was 23%. This proportion had been decreasing from 34% since March 2020. However, between March 2024 and December 2024, the proportion of workers on the wage floor increased from 18% to 23%[10].

1.2.16 48% of care workers in England were paid below the Real Living Wage (£12.00 outside London / £13.50 in London) in December 2024[11].

1.2.17 As at December 2024, over half (58%) of all independent sector workers in England were paid less than the April 2025 mandatory NLW rate (£12.21). This equated to around 575,000 filled posts being directly affected by the April 2025 increase in the NLW[12].

1.2.18 93% of adult social care providers in the independent sector in England in December 2024 were paying at least some of their workers below the April 2025 mandatory NLW (£12.21) and were directly affected by its introduction[13].

1.2.19 As at December 2024, median care worker pay in England was 4 pence higher than median hourly pay for sales and retail assistants. It was

[9] https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/documents/Pay-in-the-adult-social-care-sector-in-England-as-at-December-2024.pdf
[10] https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/documents/Pay-in-the-adult-social-care-sector-in-England-as-at-December-2024.pdf
[11] https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/documents/Pay-in-the-adult-social-care-sector-in-England-as-at-December-2024.pdf
[12] https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/documents/Pay-in-the-adult-social-care-sector-in-England-as-at-December-2024.pdf
[13] https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/documents/Pay-in-the-adult-social-care-sector-in-England-as-at-December-2024.pdf

also 3 pence higher than cleaners and domestics and 36 pence higher than kitchen and catering assistants.

1.2.20 Median care worker pay in England was 8 pence lower than Band 2 HCAs both new to the role and with more than 2 years' experience, while it was 31 pence lower than Band 3 HCAs who were new to their role and £1.13 lower than Band 3 HCAs with more than 2 years' experience.

1.2.21 Other commissioning practices, including the fragmentation of work to many providers in a small area, primarily based on the lowest price, can make it hard for providers to plan client calls in an efficient way for their careworkers. This can result in increased travel and waiting time.

1.2.22 Around 79% of workers in domiciliary care services identified as female and 21% identified as male.

1.2.23 Around 24% of the workforce were aged 55 and above in 2023/24, and this proportion has increased from 22% in 2017/18. The average age of workers in domiciliary care services in 2023/24 was 43.0.

1.3 The remainder of this submission is structured in line with the specific questions the Commission has asked. As in previous years, our evidence shows the sector is facing significant financial pressures. 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. Ultimately, this risks more people waiting for the care they need, increased ambulance response times, increased hospital waiting lists, and/or providers being unable to meet all the regulatory requirements.

Homecare Association

2. **What has been the impact of the NLW in the past year, particularly the most recent 6.7 per cent increase to £12.21 in April this year?** *We are interested in the effect of the NLW on any of the areas listed below:*

    - *Employment*
    - *Hours*
    - *Earnings*
    - *Profits*
    - *Prices*
    - *Productivity*
    - *Pay structures and differentials*
    - *Other employee benefits*
    - *Progression and job moves*
    - *Training*
    - *Investment*
    - *Recruitment*
    - *Job quality and security*
    - *Demand in the economy*

2.1 Profits

2.1.1 We have no recent data on the impact on profits of the NLW.

Homecare Association

2.1.2 The preferred measure of underlying profitability for asset-light businesses like homecare and supported living is EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation of goodwill).

2.1.3 LaingBuisson maintains information spanning more than two decades from the statutory accounts of independent health and social care providers which are sufficiently large to post profit and loss at Companies House.

2.1.4 Homecare average EBITDA margins have fallen from 10.8% to a low of 5.2% in 2019, with some recovery to 7.6% in 2024.

2.1.5 It is important to note these figures reflect a small number of large businesses in homecare. A significant proportion of homecare is delivered by SME business, who not not benefit from volumes of commissioned hours or economies of scale and therefore this is not indicative of the wider market.

2.1.6 We would typically expect providers working in the public sector market to have a lower rate of return, unless providing very specialist care, which would attract a higher premium. We believe many providers are currently operating on tight margins of 0-4%. This is because between 70-90% of their cost relates to employment and low fee rates from state purchasers leave providers operating on less than nothing.

2.1.7 In our 2025-26 Minimum Price for Homecare (more information follows) we estimate 7% profit is a representative figure for a sustainable homecare business. Many businesses across the economy expect margins of at least 10% to enable stability and investment.

Homecare Association

2.2 Prices

2.2.1 Local authorities and the NHS purchase 79% of homecare[14]. Unlike other businesses in the economy, when costs increase, providers are unable to raise prices.

2.2.2 Annually, the Homecare Association calculates the Minimum Price for Homecare, which is the amount required to ensure compliance with NLW (excluding any enhancements for unsocial hours working), travel time, mileage, and wage-related on-costs. The rate also includes the minimum contribution towards the costs of running a care business, which complies with quality and other legal requirements.

2.2.3 Due to the divergence in regulatory policy, and national living wage rates across the UK, we publish separate Minimum Price for Homecare calculations for England, Scotland, Wales and Northern Ireland[15].

2.2.4 For 2025/26, we calculate the Minimum Price for Homecare at £32.14 per hour. The minimum price has increased from last year (£28.53 per hour). This is mainly because of the 6.7% rise in the National Living Wage and substantial additional costs imposed by recent Autumn Budget 2024 measures. These include an increase in employers' National Insurance contributions from 13.8% to 15% and a significant reduction in the National Insurance threshold.

[14] https://www.nomisweb.co.uk/reports/lmp/gor/2092957698/report
[15] https://www.homecareassociation.org.uk/resource/the-homecare-association-releases-its-minimum-price-for-homecare-2025-26.html

Homecare Association

2.2.5 We have consistently called on successive governments to adequately fund pay rates for careworkers, which are higher than NLW.

2.2.6 As the Low Pay Commission is primarily interested in NLW, which we base the Minimum Price for Homecare on, the breakdown is as follows:

Minimum Price for Homecare in England at the National Living Wage (2025-26)				Costs per hour		
Careworker costs	Gross pay	Hourly rate for contact time	National Living Wage	£12.21	£14.96	£22.71
		Travel time	Average travel time of 8.09 minutes per visit	£2.75		
	Mileage	Travel reimbursement	Average travel distance of 2.70 miles per visit	£2.02	£2.02	
	Other wage related on-costs	Training time	Based on 2,620 training hours per year	£0.41	£3.18	
		Sick/Maternity & paternity pay	5.32% of contact & travel hours	£0.80		
		Notice & suspension pay	0.14% of contact & travel hours	£0.02		
		Holiday pay	12.07% of contact, travel & other non-contact related hours	£1.95		
	NI & pension	Employers' National Insurance	15% liability above the threshold of £5,000 per employee	£2.00	£2.54	
		Pension contribution	Minimum pension contribution of 3%	£0.54		
Gross margin	Business costs	Management & supervisors	Estimated fixed cost	£2.75	£7.33	£9.44
		Back-office staff	Estimated fixed cost	£0.93		
		Staff recruitment	Estimated fixed cost	£0.40		
		Training costs	Estimated fixed cost	£0.52		
		Regulatory fees	Estimated fixed cost	£0.08		
		Rent, rates & utilities	Estimated fixed cost	£0.52		
		IT & telephony	Estimated fixed cost	£0.51		
		PPE & consumables	Estimated fixed cost	£0.36		
		Finance, legal & professional	Estimated fixed cost	£0.36		
		Insurance	Estimated fixed cost	£0.20		
		Other business overheads	Estimated fixed cost	£0.70		
	Profit	Profit/surplus/investment	7% of careworker costs & business costs	£2.10	£2.10	
Total price based on the National Living Wage (2025-26)				£32.14	£32.14	£32.14

Figure 1: Breakdown of costs - Minimum Price for Homecare 2025-26

2.2.7 In 2023, we undertook a UK-wide Freedom of Information exercise in which we asked all public sector commissioners of homecare to provide us with average hourly fee rates for within a given time period.

- Only 5% of UK public organisations paid the minimum price for homecare (£28.53 per hour) as calculated by the Homecare Association.

2.2.8 In 2024, we conducted extensive analysis of fee rates paid for homecare by public organisations across the United Kingdom for the 2024-25 financial year. The study examined data from local authorities, Health and Social Care (HSC) Trusts, and NHS bodies.

- The average fee rate for regular homecare contracts with local authorities/HSC Trusts in 2024-25 was £23.26 per hour, far below the Minimum Price for Homecare in all UK nations.
- Only 1% of contracts with local authorities/HSC Trusts met the Minimum Price for Homecare in their respective nation.
- 6% of regular homecare contracts paid rates that didn't even cover careworker direct costs.
- Just 7% of contracts had a fee increase that kept up with the 9.8% rise in the National Living Wage.

2.2.9 In 2025, we conducted an analysis of fee rates paid for homecare by local authorities in England for the 2025-26 financial year.

- The average council fee rate was just £24.10/hour, compared to the Homecare Association's Minimum Price of £32.14/hour.
- 27% of contracts fall below the minimum cost of employing a careworker at £12.21/hour, including travel and training.
- Six councils in England, including Labour-led authorities, offered 0% uplift in 2025–26, despite 10–12% cost pressures on providers.
- Only 1% of contracts meet or exceed the legal and operational threshold for sustainable, safe care.

2.2.10 We worked with the Care Provider Alliance after the Autumn Budget 2024 measures to understand more about the impact of low fee rates and increasing costs on providers. We asked providers what actions they'd need to take in the coming year to manage the changes.

- 73% will have to refuse new care packages from local authorities or the NHS.
- 57% will hand back existing contracts to local authorities or the NHS.
- 77% will have to draw on reserves.
- 64% will have to make staff redundant.

2.2.11 The Homecare Association believes it should be unlawful for public bodies to purchase care at fee rates, which do not enable compliance with employment and care regulations. This leads to high staff turnover, poor quality care, and unsustainable services. We go as far as to say the state is sponsoring labour market exploitation.

2.2.12 We have long called for local authorities and providers to enter into transparent, open-book costing exercises to assess the actual costs of care in the local area, taking into account wage expectations of the local labour market and actual business costs.

2.2.13 We recognise local authorities remain under considerable financial pressure. The ADASS Autumn Survey 2024 found 81% of councils expect to overspend their adult social care budgets this year, up from 72% in 2023/24, with an estimated total overspend of £564 million[16].

2.2.14 Local authorities have a legal duty to set a balanced budget, and that has meant less money available to spend on meeting the increasing levels of

[16] https://www.adass.org.uk/documents/adass-autumn-survey-2024/

Homecare Association

demand. As pay has increased in the sector, the number of people receiving care from local authorities has decreased. Between 2015/16 and 2021/22 the number of people receiving long-term care declined from 873,000 to 818,000. The loss was largely felt by older people: the number receiving long-term care fell from 587,000 to 529,000[17].

2.2.15 There needs to be much higher investment in social care. The goal is to improve employment conditions and ensure high standards of accessibility, quality, and safety.

2.2.16 We support the Health Foundation's conclusion to meet demand, cover rising costs, improve access and boost pay to bring careworkers in line with NHS Agenda for Change Band 3 staff. An extra £8.7bn would be needed in 2028/29. Additionally, an extra £15.4bn would be needed in 2034/35, requiring a 4.5% annual real-terms increase[18].

2.2.17 For privately funded homecare, we are aware some providers have substantially increased their prices. Typical increases are 8-12%. In fact, in the Care Provider Alliance survey of the impact of Autumn Budget 2024 measures, 92% of providers with private paying customers said they would be forced to increase rates.

2.2.18 We do not have new sector-wide data on average charges to provide analysis.

[17] https://www.kingsfund.org.uk/insight-and-analysis/long-reads/social-care-360
[18] https://www.health.org.uk/reports-and-analysis/analysis/adult-social-care-funding-pressures-2023-35

2.3 Productivity

2.3.1 In 2024, ADASS released their Autumn Survey. In it, they reported the number of people awaiting an assessment of their needs, care or direct payments to begin or for a review of their care plan had increased by 8% since March 2023. While this remained at a slightly lower level than the same time last year, there were still nearly half a million people who are not getting the support they need or whose needs may have changed since their last review. There were 470,576 people waiting and some of those individuals will inevitably deteriorate, need hospital care as a result or have to rely on unpaid carers to support them[19].

2.3.2 The Homecare Association published its Overview of the UK Homecare Market in March 2024. We found the nation with the largest estimated quantity of contact hours delivered each week per population member aged 18+ was Northern Ireland (currently 0.20 hours) and has been reasonably consistent (despite a slight fall from 2021-22).

2.3.3 While we do believe technology and new ways of working could improve productivity, we do not believe there have been any substantial changes to delivery models over the last 12 months.

2.3.4 In addition, poor commissioning and procurement practices and low fee rates negatively impact productivity and innovation in the sector. In our recent survey of providers with the Care Provider Alliance:

- 71% are abandoning growth plans.

[19] https://www.adass.org.uk/documents/adass-autumn-survey-2023-part-2/

Homecare Association

- 75% will reduce or stop digital transformation projects.
- 78% will cut service development initiatives.

2.3.5 The use of dynamic purchasing by many local authorities, where care packages are 'auctioned' to the lowest bidder, is an example of a system negatively impacting productivity. Under such systems, five different providers can provide care to five individuals in the same geographical area, rather than one provider delivering properly rostered care to all five individuals, maximising contact time and minimising travel time.

2.3.6 AI Dimension[20], an organisation looking at optimising care planning in the community, has been able to demonstrate the significant impact of limiting provision of care to one provider, in improving pay, terms and conditions for careworkers. To illustrate this, the figure below shows the routes of homecare workers from six (of c. 60) providers in Bristol on one day[21]. These providers deliver c.50% of the homecare purchased by Bristol Council. You can see the complex tangle of journeys made.

[20] https://aidimension.com/how-it-works-2/
[21] Homecare route optimisation

Homecare Association

Figure 2: Homecare workers' routes on one day in Bristol.

2.3.7 During the day, there was unused capacity, and homecare workers lacked sufficient time to travel between visits (not shown). Councils pay providers for client contact time only, not for shifts. With random allocation of clients, which occurs with framework contracts and dynamic purchasing systems, providers cannot plan rotas efficiently. This leads to poor worker utilisation and poor income in relation to hours on the road.

2.3.8 Reorganising the routes into three tighter geographic zones, reduced mileage by 65% and the number of careworkers needed by 35%. This led to fairer, more efficient schedules with a higher ratio of client contact time to travel time. This resulted in higher income, less travel and less stress for the homecare workers. At scale, this approach would increase retention and free up substantial resource to support others in need.

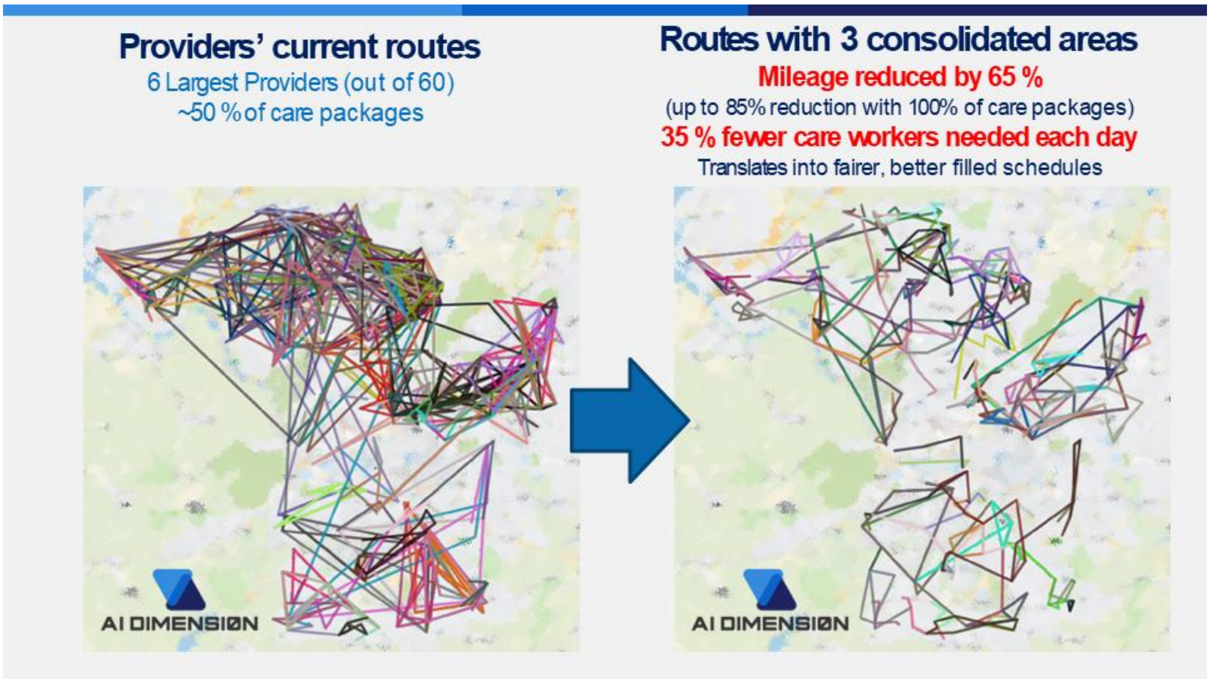

Figure 3: Impact of optimising homecare workers' routes.

2.4 Pay structures and differentials

2.4.1 In our answer to question 1, we outline Skills for Care data on pay structures.

2.4.2 Over the period from March 2016 to December 2024, care workers in England received an hourly rate increase of 65%, while senior care worker hourly rates increased by 59%. The difference in pay peaked at 11% in 2017 but has decreased to 6% as at December 2024[22].

2.4.3 In December 2024, the experience pay gap in England between a careworker with less than one years experience, and a careworker with five

[22] https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/documents/Pay-in-the-adult-social-care-sector-in-England-as-at-December-2024.pdf

years + experience was 4p per hour. This has shrunk significantly since March 2016, when the difference was 33p per hour[23].

2.5 Progression and job moves

2.5.1 The turnover rate for domiciliary care services in England was 25.3% in 2023/24, which was lower than that of care homes with nursing (29.8%) but higher than care homes without nursing (26.0%). This equates to an estimated 131,000 workers leaving their role in the previous 12 months.

2.5.2 Care workers had a turnover rate of 29.3%, which equates to an estimated 116,000 leavers.

2.5.3 The starters rate has consistently been higher than the turnover rate over time, which highlights the growing domiciliary care workforce.

2.5.4 Not all turnover results in workers leaving the sector. Over half of the domiciliary care workforce were recruited from within adult social care (51%). This means that although the high turnover rate results in employers going through the recruitment process, with its associated costs, the skills and experience of many workers are retained by the sector.

2.5.5 The workforce had an average of 8.3 years of experience working in social care. The average length of time in current role was 4.2 years[24].

2.5.6 According to Skills for Care, for care worker roles, the most common career pathway was to progress to senior care worker, or supervisory roles.

[23] https://www.skillsforcare.org.uk/adult-social-care-workforce-data/Workforce-intelligence/publications/Topics/Pay-in-the-adult-social-care-sector.aspx
[24] https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/documents/State-of-the-adult-social-care-sector/Summary-of-domicliary-care-services-2024.pdf

Homecare Association

Senior care workers or supervisors were most likely to move into first-line manager or registered manager roles[25].

2.5.7 In 2024, the previous government introduced the Care Workforce Pathway following consultation with the sector with the aim of setting up a career development framework for social care roles. This pathway has expanded as recently as April 2025 to include new categories.

2.5.8 However, the Care Workforce Pathway, as presented, is not a substitute for a Workforce Strategy for Social Care. It is absolutely vital that wider issues for the social care workforce are acknowledged. In particular, meaningful career progression for social care professionals should be combined with funding that would support pay increases that recognise the hard work and development that care staff undertake to maintain and develop their professional skills.

2.5.9 Skills for Care, along with partners across health and social care, including ourselves, developed a social care workforce strategy. While some commitments within the strategy can be delivered without a government mandate, most recommendations act as best advice to the government on helping establish fair, sustainable and essential measures to maintain the social care service.

2.5.10 This strategy has not been mandated or supported by the central government.

[25] 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-in-England-2024.pdf#page=107

2.5.11 We continue to call on the Government to support a workforce plan for the sector equivalent to the NHS people plan.

2.6 Training

2.6.1 Approximately half of the direct-care workforce in England 51% did not hold a relevant social care qualification in 2023/24. However, of those, 67% had engaged with the Care Certificate Standards, 44% had five years or more experience in the adult social care sector, and 73% had completed training[26].

2.6.2 In Wales and Scotland, training and development is a requirement for Registration. Although we have seen no data on the impact of these requirements, although concerns have been raised as to adverse effects on recruitment and training, particularly with respect to older staff members.

2.7 Investment

2.7.1 The Health and Social Care Select Committee has recently concluded the funding structure for adult social care, rising costs and the inability to make long-term investment, is creating an unstable and unsustainable care market. Providers are making losses, creating inequities by charging more to self-funders or even planning to close entirely[27].

2.7.2 Since 2022/23, the government has allocated an additional £28.5 billion to the NHS, more than the entire social care budget for all English local

[26] 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-in-England-2024.pdf#page=107
[27] https://committees.parliament.uk/publications/47713/documents/249329/default/

authorities combined (£26.9 billion in 2022/23). Meanwhile, homecare providers are being asked to shoulder rising wage and tax costs with no matching investment.

2.7.3 *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. As LaingBuisson state "there are significant investment needs relating to consolidation and the development of operational systems (in homecare)."*

2.8 Recruitment

2.8.1 The Homecare Association regularly surveys its members to explore progress and issues in homecare. In January 2023, a survey highlighted major workforce challenges.

2.8.2 In 2024, we asked small, medium and large providers serving both self-funded clients and state-funded clients about their current workforce challenges.

- 52% of respondents said they can meet current demand for homecare services.
- 48% said they cannot meet demand, with 84% citing recruitment difficulties as the primary reason.

2.8.3 International recruitment has been vital in addressing the severe workforce shortages in homecare. Between 2021/22 and 2023/24, more than 185,000 international recruits joined adult social care, helping to stabilise a sector that continues to face over 130,000 vacancies and persistent recruitment challenges.

2.8.4 Changes to immigration processes and rules in 2023 led to a dramatic 70% fall in international recruitment in just one quarter.

2.8.5 The Migration Advisory Committee has repeatedly highlighted workforce challenges in social care stem from "persistent underfunding…by successive governments." Although the government has promised a Fair Pay Agreement for careworkers, there is still no funding allocation and implementation remains a distant prospect.

2.8.6 In May 2025, the new government pledged to end care worker recruitment from abroad, ahead of the publication of a White Paper on immigration in the coming days.

2.8.7 The new measures include cutting the number of visas for lower-skilled workers by up to 50,000, ending the recruitment of care workers from abroad and ramping up standards on graduate visas.

2.8.8 Without access to international talent, there is a real risk of extreme workforce shortages, threatening the ability of providers to meet the growing demand for homecare and undermining the quality and continuity of care for thousands of people across the UK.

2.9 Job quality and security

2.9.1 The homecare workforce is highly skilled, responsible and committed. Supporting people in their own homes can be rewarding and varied; and we need more people to do it.

2.9.2 Influenced by 'by-the-minute' commissioning practices, around 38% of the domiciliary care workforce in England were employed on zero-hours contracts. This proportion has decreased by six percentage points since last year and nine percentage points since 2021/22. Across all care service types, 23% of the independent sector workforce were employed on zero-hours contracts.

3. **To what extent has the NLW affected different groups of workers? In particular, are migrant workers affected differently or do effects differ by protected characteristics?** *(For example, are there differences by sex, race/ethnicity or disability?)*

3.1 NLW has contributed to increases in headline pay rates, which is positive for workers. It might be affecting working conditions and the sustainability of providers in more subtle ways, such as differentials and career progression opportunities.

3.2 The proportion of British workers in domiciliary care services in England remained similar between 2017/18 and 2021/22, however, since 2021/22 the proportion of British workers has decreased from 83% to 70% in 2023/24, this equates to a decrease of around 35,000 workers. Over the same period, the proportion of non-EU workers increased from 10% to 25%, an increase of around 90,000 workers. This means generally the sector is reliant on non-EU workers.

3.3 From our Homecare Deficit research, we have identified that council areas with significant socio-economic deprivation tended to pay lower rates for homecare than other parts of the country. Regional disparities 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, whereas the cost of living is high. Skills for Care have identified that a higher percentage of careworkers in London and the South-East are people with minority ethnic backgrounds as compared with other English Regions.

3.4 With respect to migrant workers in care, visa requirements stipulate a 2025/26 salary threshold of £25,000 or £12.82 per hour based on a 37.5 hour week, whichever is higher. (For 2024/25, this was £23,200 or £11.90).

3.5 We recognise and agree with the need to ensure ethical recruitment and employment of sponsored overseas workers. The Homecare Association condemns all forms of labour exploitation and supports robust measures and enforcement to protect the rights and wellbeing of all homecare workers.

4. **Employer National Insurance (NICs) has risen at the same time as the NLW. How have employers responded to this, and how has this interacted with the NLW change? Which is the bigger impact?**

4.1 We have referred in several places to the impact of unfunded NICS and NLW increases to the adult social care, and specifically homecare sector.

4.2 The Homecare Association remains deeply worried about the impact of these unfunded increases on homecare services. We calculate we need an extra £1.6 billion per year for homecare alone to cover new increases and fix historic deficits.

4.3 Our calculations show the announced changes together add approximately £2.04 per hour to direct staff costs in homecare. This is a 9.9% increase in employment costs over 2024/25, before we account for inflation in other running costs.

4.4 Total direct staff costs, therefore, become around £22.71 per hour. This is a 9.9% increase in employment costs over 2024/25, before we account for inflation in other running costs.

4.5 The Office for Budget Responsibility (OBR) estimates these changes will cost providers £800 per employee, though industry analysis suggests the actual impact could be substantially higher, exceeding OBR projections by over £1 billion.

4.6 In 2024-25, an employee paid at the National Living Wage (then £11.44 per hour) could work up to around 15.3 hours a week across the year before the employer had to pay National Insurance. In 2025-26, this figure drops to around 7.9 hours a week. This profoundly affects the sector, especially as there are many part-time workers that now fall within the new threshold. According to Skills for Care, 45% of the adult social care sector in England works part time – a figure that rises to 51% among care workers in the registered, independent non-residential sector[28].

5. How has the NLW's impact varied across different areas of the UK?

5.1 The impact of increasing the NLW is most strongly felt in those areas of the country where public sector commissioners pay the lowest fees. Inflationary increases in fee rates are often inadequate in covering the additional costs, especially the increases in the NLW, leaving providers falling further behind with their required operating costs and making it challenging for them to meet regulatory requirements, including minimum wage compliance.

5.2 There is some correlation between areas with the highest levels of deprivation and low fee rates. One example is Liverpool. Liverpool is ranked as the 4th most deprived local authority in England (out of 326 local authorities). The fee rate offered for an hour of homecare in 2025 was around £19.00. This is clearly inadequate for covering inflationary pressures, including NLW increases.

5.3 As outlined in 2.2, our recent research shows just 1% (2 contracts) met or exceeded the relevant Minimum Price. Most contracts are still priced well below this. This underfunding is not confined to particular regions, as set out in Figure 4.

[28] https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/publications/national-information/The-state-of-the-adult-social-care-sector-and-workforce-in-England.aspx

Homecare Association

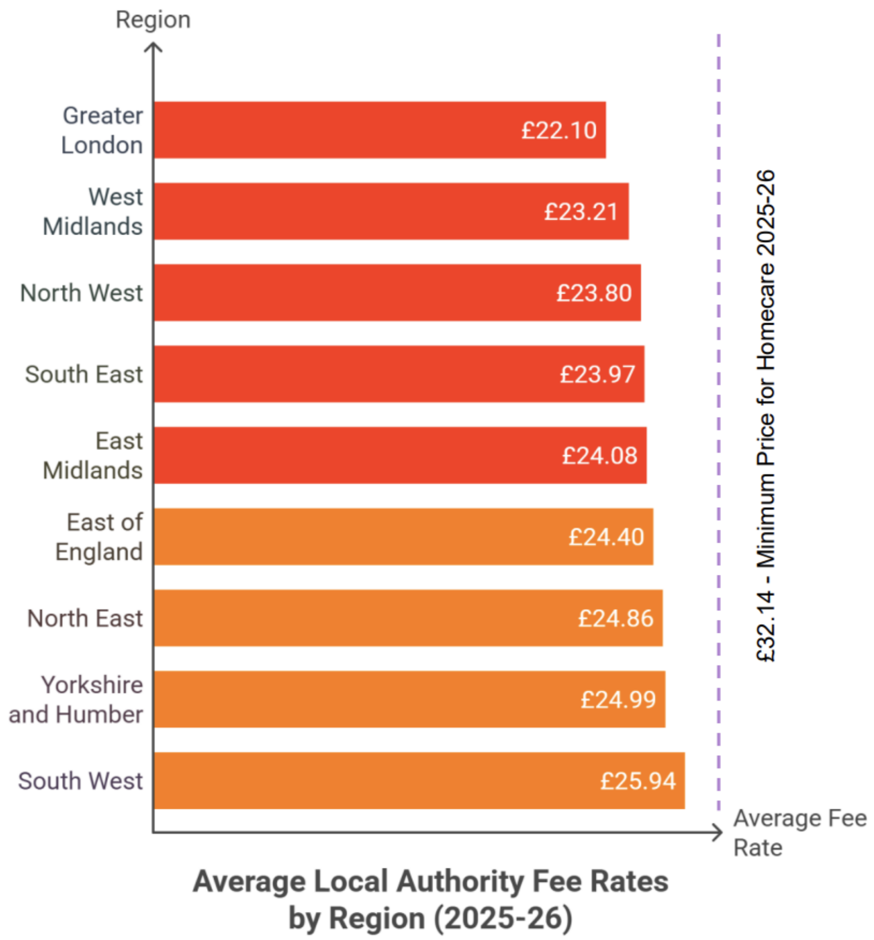

Figure 4: Average Local Authority Fee Rate by Region 2025-26 compared to Homecare Association Minimum Price for Homecare 2025-26

6. At what level should the NLW be set from April 2026?

6.1 From survey data collected by us in 2024, we concluded that most homecare providers pay slightly above the then minimum wage in order to recruit and retain staff. 88% of respondents said they offer pay of £12 per hour or more, with 6% offering £15 per hour or more.

6.2 Those providers who work primarily with self-funding clients are more likely to offer better rates of pay than those reliant on publicly funded clients.

6.3 As in previous years, competition for workers remains high and employers in other sectors such as hospitality and retail are now often offering higher rates of pay to enable them to recruit above the minimum wage. Homecare providers are constrained, in the case of publicly funded care packages, in their ability to raise prices to fund enhanced rates of pay.

6.4 Consequently, further increases in the National Living Wage will increase cost pressures in the sector, even for those employers currently paying above the NLW. We believe that care work is skilled work and that careworkers should be paid the equivalent of healthcare assistants in the NHS. 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.

6.5 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 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 issue with staff retention. It could also put people using services and people waiting for services at risk and overload the NHS.

6.6 With the incoming Employment Rights Bill and the promised Fair Pay Agreement for careworkers, due consideration should be given to how the NLW interacts with the care workforce.

Homecare Association

7. **Where do employers get their information about the NLW and future projections?**

7.1 Employers get information about NLW from official government websites, information provided by representative organisations, such as the Homecare Association and news media and social media channels.

Experience of those on low pay over the past year

8. **Recent increases in the NLW have exceeded increases in average prices. How far has this helped workers at or close to the minimum wage to meet their living costs?**

8.1 The Careworkers Charity says low pay, limited access to sick pay, the increasing effects of the cost-of-living crisis and a lack of comprehensive financial support remain a consistent challenge for care workers.

8.2 Their recent research[29] shows:

- 72.06% (1132 respondents) do not feel financially secure, rarely feel financially secure, or do not have any financial security at all.
- 59.03% (912 respondents) cited petrol costs as an additional monthly cost
- 55.47% (857 respondents) cited car maintenance as an additional monthly cost
- 54.82% (847 respondents) cited car insurance costs as an additional monthly cost

[29] https://www.thecareworkerscharity.org.uk/wp-content/uploads/2025/05/Wellbeing-Report-2025-2.pdf

8.3 In research we carried out in 2024, 25% of homecare providers told us current fee rates are too low to attract and retain UK staff, and pay remained a challenge.

9. **What has happened to quality of work recently?** *For example, have workers experienced changes in contract types, flexibility, workplace harassment and work intensification (e.g. greater expectations for workers to work more flexibly, with greater effort, to higher standard etc)?*

9.1 The increased number of sponsored workers in the sector has meant more staff on full-time contracts. In 2024, the Homecare Association asked members about employment contracts for their workforce. 65% of respondents reported offering zero-hours contracts, with 54% offering guaranteed hours contracts. Mant employers offer both contracts to staff.

9.2 The Homecare Association is currently undertaking a 2025 workforce survey which will report in September 2025.

10. **What has happened to wider benefits available to workers (including premium pay and non-pay benefits across the workforce)?**

10.1 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.

11. **What are the barriers preventing workers from moving to a new job, particularly one that is better-paid?**

11.1 We don't have any specific data on this.

11.2 As previously referenced, over half of the domiciliary care workforce were recruited from within adult social care (51%). This means the skills and experience of many workers are retained by the sector.

12. How has access and cost of childcare and transport affected workers' ability to move into work or to a better-paying job?

12.1 Please see our answer to Question 8.

13. What opportunities are there for progression to better-paid work for low paid workers and how common is promotion?

13.1 Please see our answer to Question 2 on pay and progression.

14. What has been workers' experience of the Universal Credit system and how the minimum wage interacts with it? Have these influenced workers' approach to how many hours they work and whether they move to another better-paying job?

14.1 We do not have data on this but, anecdotally, have received reports about workers who, whilst willing to take on additional work, do not do so due to concerns around the impact on benefit payments. We have also increasingly received anecdotal reports that some careworkers move into the gig economy, where they are paid in cash and deliver unregulated care.

14.2 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 instalments to careworkers who might be affected.

Lowering the age of entitlement to the National Living Wage to 18

15. According to Skills for Care, younger workers (those under 25) are less likely to work in adult social care (8%) compared to the rest of the economically active population (12%)[30]. Furthermore, at most, 1% of works in any one region are aged 19 and under[31]. We therefore do not have anything specific to add to this.

Young People

16. The 18-20 Year Old Rate increased by 16.3 per cent in April to £10.00. The 16-17 Year Old Rate increased by 18 per cent, to £7.55. How have recent changes in the minimum wages for young people affected their employment prospects?

16.1 The majority of all care workers are 25-54. Only 11% of all care workers in England are under 25.

16.2 We have seen no evidence that minimum wage levels have increased recruitment of younger people into the homecare sector.

17. How do the youth minimum wage rates influence employers' decisions about hiring and pay, and young people's decisions about employment?

[30] 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-in-England-2024.pdf#page=71
[31] https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/documents/Raw-data/2024/ASC-Workforce-Statistical-Appendix-2024-For-Website.xlsx

17.1 Homecare providers do not generally offer different rates of pay for young workers and therefore this is unlikely to influence employers' decisions about employing young people.

18. What other factors determine pay for young people aside from the rates? For example, job role, skills or length of time in the job.

18.1 We don't have any specific data on this.

19. Why do employers make use of the youth rates (including pay rates above the youth minimum wages, but below the NLW)? To what extent has this been affected by the recent tight labour market?

19.1 We don't have any specific data on this. Homecare providers do not generally offer different rates of pay for young workers.

20. Employer National Insurance has risen at the same time as the NLW, but workers below 21 do not attract employer NICs. Has this affected employers' recruitment decisions?

20.1 We don't have any specific data on this.

21. At what level should the youth rates be set from April 2026?

21.1 We have seen no evidence increased minimum wage levels have a significant impact on recruitment of young workers to the homecare sector.

Homecare Association

Apprentices

22. The Apprentice Rate increased in April by 18 per cent, to £7.55. What do you expect the effects of this increase to be?

22.1 We do not think the Apprentice Rate is widely used in the homecare sector.

23. What is the outlook for the recruitment and employment of apprentices? What are the drivers of employers' decisions on this?

23.1 There were around 24,600 adult social care apprenticeship starts in 2022/23, 14% less than in 2021/22. Across all apprenticeships, the overall number of starts decreased by 3%[32].

23.2 Traditionally, we have not seen widespread use of apprenticeships in the front-line homecare workforce and there is no sufficiently granular data to show whether the apprenticeships currently being undertaken are in homecare. Our impression is that within the adult social care sector, apprenticeships are more likely to be used in the residential care sector. In homecare, the requirement for lone working and ability to drive makes apprenticeships harder to implement. The time required for studying is also an issue.

23.3 Completion of an apprenticeship is not required in order to practise in the sector as there are many routes in. Many prospective employees would rather sign up and undertake basic training and the Care Certificate, earning standard wage rates rather than undertake a Level 2 or 3 apprenticeship, which may have

[32] 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-in-England-2024.pdf

different demands in terms of English and maths skills, learning style and time commitment.

24. How do employers set pay for apprentices? How does this differ from other parts of the workforce?

24.1 As we have not seen widespread use of apprenticeships in the front-line homecare workforce, we do not have specific data on this.

25. Our advice to the Government on the future of the NMW recommended significant changes to the treatment of apprentices, including the replacement of the Apprentice Rate by a discount against the relevant NMW age rate. We welcome any comments on these recommendations.

25.1 As we have not seen widespread use of apprenticeships in the front-line homecare workforce, we do not comment on these recommendations.

Compliance and Enforcement

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

26.1 Homecare workers must receive at least the Minimum Wage for all working time, including travel and training. Employers must pay overseas recruits at least the minimum salary threshold and protect them from modern slavery. Enforcing accurate holiday pay, sick pay, and gender pay parity is vital. Changing the way public bodies buy care is key. Zero-hours commissioning for contact time only at low fee rates leads to zero-hours employment for contact time only at low wage rates. Unregulated care is growing because of a loophole that lets individual care workers avoid oversight. A review of the care regulatory framework is necessary.

26.2 Poor treatment of staff is unacceptable. It is clear this is happening as a consequence of the economic conditions and commissioning practices. We receive concerns from providers about being undercut by others who adopt practices such as:

- Not paying staff for travel time, training time or sick leave.
- Not paying for short gaps between calls.
- Not paying adequate mileage rates.
- Asking staff to pay for their own uniforms.
- Asking staff to cover work related costs incurred through using their own mobile phone for work.
- Not giving internationally recruited staff the number of hours they need to meet the salary requirements.
- Staff being asked to work too many hours, not being given compensatory rest breaks or be constantly on standby.
- Other modern slavery concerns – including provision of poor housing; threats of deportation; demanding international recruits repay costs which should fall to the employer, etc.

26.3 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” 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 the Toolkit updated and available to our members for free, with the ongoing costs being borne by the Homecare Association. We also worked collaboratively with HMRC to inform homecare providers on National Living Wage compliance and to help them ensure appropriate records are kept.

26.4 In our submission to the Director of Labour Market Enforcement’s call for evidence, we put forward several priorities for enforcement bodies to address these issues.

26.5 Short-term priorities:

26.5.1 Councils and NHS bodies purchase 79% of homecare and 96% of supported living services. The fee rates they pay must be enough to cover the costs of fair pay and other employment rights. The government must implement a National Contract for Care Services with minimum fee rates for homecare. There must be enough funding for this.

26.5.2 Improve guidance on NMW compliance specific to homecare sector working patterns, including live-in care.

26.5.3 Establish clear protocols for handling sleep-in shift payment compliance.

26.5.4 Create sector-specific support for holiday pay calculations.

26.5.5 Develop mechanisms to monitor employment status compliance. Ensure the responsible agencies act on reports of concerns.

26.5.6 Reform regulatory framework to focus on care activities rather than employment status.

26.6 Medium to long-term priorities:

26.6.1 Develop integrated approaches to tackle systematic underpayment arising from public sector commissioning practices.

26.6.2 Establish mechanisms to monitor and enforce employment rights in digital platform-based care provision.

26.6.3 Create specialised investigation teams with sector-specific expertise.

26.6.4 Implement activity-based regulation across all forms of care provision.

26.6.5 Build a framework for comprehensive workforce oversight regardless of employment model. This may include care worker registration, which is already in place in the devolved administrations.

26.6.6 Consider further development of working time regulation protections.

26.6.7 Develop recommendations on how to ensure international workers have effective proactive protection and access to justice without facing risk of deportation or destitution.

27. What comments do you have on HMRC's enforcement work?

27.1 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 inspection process is lengthy, often with long gaps between activities. Views have also been expressed that HMRC does not always seem to understand how to interpret the Regulations within the context of homecare delivery or that different inspectors may interpret the 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 worked with HMRC to highlight these to employers to minimise the number of unintentional mistakes that can lead to non-compliance.

27.2 More widely, we believe that HMRC needs to conduct more inspections and highlight systemic issues with NLW non-compliance, such as low local authority fee rates and zero-hour commissioning, rather than focusing on individual employers. An analogy is the Care Quality Commission's (CQC) annual "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 providers to comply with the legal Minimum Wage Regulations.

Accommodation Offset

28. The Accommodation Offset increased by 6.7 per cent in April, to £10.66. What has been the effect of recent increases in the offset on employers' decisions on the provision of accommodation?

28.1 Not all providers seem to realise that supporting careworkers with housing can affect NLW calculations. Provision of accommodation has increased with the increase in sponsored workers arriving from overseas. The Accommodation Offset has not increased enough to reduce the potential for non-compliance with NLW.

29. What impact does the offset have on workers? What are the hours, pay and working conditions of workers for whom the offset is deducted?

29.1 Employers often provide accommodation for live-in care workers when they are not on placement. Employers also provide accommodation for sponsored workers, especially when they first arrive in the UK. We are unsure whether all employers are properly accounting for the costs to ensure compliance with sponsorship licence conditions and NLW. In general, accommodation costs in the UK are very high and adversely affect all workers.

Economic Outlook

30. What are your views on the economic outlook and business conditions in the UK for the period up to April 2026? *We are particularly interested in:*

- *the conditions in the specific sector(s) in which you operate.*
- *the effects of Government policies and interventions.*
- *the current state of the labour market, recruitment and retention*

Demand for Homecare

30.1 Most homecare is purchased by the government. As such, government policy decisions are critical in determining the economic conditions in the sector. Given demographic factors, demand for homecare is likely to remain high and increase. However, inadequate funding and staff availability means that demand will not necessarily drive growth in the sector.

30.2 Government decisions over funding and workforce policies can significantly improve or significantly worsen conditions for those people drawing on services and for those working in the homecare sector as well as for providers of services.

Local Government Finances

30.3 Local Authorities commission the highest proportion of homecare and many councils have described the parlous state of their finances and the implications of this for their ability to fulfil their social care duties and ensure good services to their communities. Recent published statistics include:

30.3.1 The National Audit Office determine while real terms funding for local government has grown by 4% between 2015-16 and 2023-24, it has not kept pace with population growth or the demand for services, the complexity of need, or the cost of delivering services to people most in need of support[33].

30.3.2 In 2024, ADASS reported 81% of councils expected to overspend their adult social care budgets, with an estimated total overspend of £564 million. The report also indicates councils are required to make further in-year

[33] https://www.nao.org.uk/reports/local-government-financial-sustainability-2025/

savings. These savings come on top of the highest level of planned reductions in eight years.

30.3.3 The Local Government Association estimates that ENICs changes create £1.77 billion in additional costs for councils; £637 million for directly employed staff and £1.13 billion through indirect costs via commissioned providers, including £628 million for adult social care alone. This pressure is not the only one bearing down on councils and their partners. In adult social care, increases to the National Living Wage, inflation and demography create a further pressure of well over another £1 billion[34].

30.3.4 To meet the growing demand for social care and cover rising costs to employers, the Health Foundation estimates an extra £3.4bn would be needed in 2028/29, towards the end of this parliament. An extra £9.1bn would be needed in 2034/35, requiring a 3.1% annual real-terms increase in overall funding[35].

Unfunded increases in National Living Wage and ENICs

1.1.1 In section 2.2, we set out the impact of unfunded increases in the National Living Wages and ENICs changes, including risk the collapse of homecare service. Providers are struggling to deliver services to people with increasing needs with fees that don't even cover the National Living Wage now.

[34] https://www.local.gov.uk/joint-statement-strengthening-adult-social-care
[35] https://www.health.org.uk/reports-and-analysis/analysis/adult-social-care-funding-pressures-2023-35

Homecare Association

The Employment Rights Bill and Fair Pay Agreement

1.1.2 We have consistently called on successive governments to adequately fund pay rates for careworkers, which are higher than NLW and commission services in a way which allow care providers to improve terms and conditions.

1.1.3 The Employment Rights Bill and the Fair Pay Agreement are likely to increase cost pressures for homecare providers. Unless the Fair Pay Agreement is accompanied by reform of local authority commissioning and contracting, and closure of the current £1.6 billion funding gap in England to pay the legal minimum wage, labour exploitation and workforce shortages will persist.

1.1.4 We estimate if the Fair Pay Agreement brings careworker pay inline with NHS Band 3 (2+ years experience), the total funding deficit for homecare increases to £1.97 billion. If careworker pay increases to £15 per hour, the total funding deficit in homecare is likely to increases to £2.67 billion.

1.1.5 Without Government funding, this is likely to have a significant impact on an already unsustainable market. We remain deeply concerned about the viability of these policy decisions in homecare.

2. To what extent have employers been affected by other major trends in the economy and labour market: for example, tariffs, inflation, Brexit, the shift to homeworking or changes in the numbers of migrant workers in the UK?

2.1 Please see our response to Question 30.

3. **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, demand, changes to Universal Credit/other benefits, access to transport or homeworking.*

3.1 Please see our response to Question 30.

4. **How do employers balance pay pressures for low-paid workers with those for others higher up pay scales? In this context, how do employers decide the money available for their pay bill? Is this based on wages as a share of profits and, if so, has this changed over time?**

4.1 Providers in the state-funded homecare sector are constrained by the decisions made by central and local government. This limits providers' scope to address pay differentials. Providers in the private-pay homecare sector can and have increased rates to recruit and retain staff but over the last few years. However, the CQC has noted that the cost-of-living crisis has led to people drawing on services who self-fund their homecare have reduced their care packages, impacting on their quality of life.

5. **How has inflation and the cost of living factored into wage setting? What has been your experience of wage growth and inflation in the last year, and what are your views on forecasts for the next couple of years?**

5.1 In December 2024, the nominal median care worker pay in England had increased by 9.1% (£1.00 per hour) since March 2024. The average care worker was better off, in real terms, by 78 pence per hour (7.0%) than they were in March 2024[36].

5.2 This is despite commissioners of state-funded care continuing to pay unsustainable rates to providers. We urge the government to deliver a sustainable funding arrangement for the adult social care sector, if further erosion of careworkers' wages are not to decrease further in real terms in the next couple of years.

[36] https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/documents/Pay-in-the-adult-social-care-sector-in-England-as-at-December-2024.pdf