

Homecare Association response to the Low Pay Commission consultation 2023

About you

1. 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 a member-led professional association, with over 2,400 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 2022, 570,000 people were estimated to be employed in homecare in England. This represented a decrease of 19,000 filled posts compared with 2020/21 and an increase of around 22,500 vacant posts (a 42% increase)¹. Over 100,000 more people are estimated to be working in homecare in the Devolved Administrations².
- A high proportion of these jobs is in the independent (i.e. private and third) sector (97% in England³, 62% in Wales⁴).
- Skills for Care estimated that, as of December 2022, the proportion of care workers being paid on the wage floor (those on or within 9% of the NLW) was 18%, the lowest it has been since 2014⁵.

¹ Skills for Care (2022) Domiciliary care services in the adult social care sector 2021/22. 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-2022.pdf>

² In Wales, 23,108 people are estimated to work in homecare. As of April 2021 there were 17,040 domiciliary care workers and 539 domiciliary care managers registered in Northern Ireland. In Scotland, in March 2023, there were 1,580 care at home managers, 4,029 supervisors and 58,760 careworkers registered with SSSC.

Social Care Wales (2022) [Social care workforce report](#)

SSSC (2023) [Registration data | Scottish Social Services Workforce Data \(sssc.uk.com\)](#)

Homecare Association (2021) [Market Overview 2021 \(homecareassociation.org.uk\)](#)

³ Skills for Care (2022) Domiciliary care services in the adult social care sector 2021/22. 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-2022.pdf>

⁴ Social Care Wales (2022) [Social care workforce report](#)

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

- Influenced by ‘by-the-minute’ commissioning practices, 46% of the workforce in England were on zero hours contracts in the 2021/22 workforce estimates, impacting on some workers’ security of income⁶. The proportion of zero hours contracts has decreased by 7% since 2012/13.
- Employers are unable to significantly reward experience: Skills for Care found that experienced careworkers in the private sector are paid only 10p per hour more on average⁷.
- Other commissioning practices, such as dispersal of work to a large number of providers in a small area based primarily on lowest price, can make it harder for providers to roster calls to make the most efficient use of careworkers’ time. This can result in increased 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 sector.
- Around 89% of employees in non-residential social care are employed by organisations employing 50 or fewer people⁸.
- Women make up 83% of the workforce in England, 88% in Wales and 77% in Scotland. 17% identified as male. The proportion of male workers was higher in managerial roles (20%) compared to direct care roles (16%).
- Around 27% of the workforce were aged 55 or over in 2021/22, an increase from 19% since 2012/13.⁹
- By point of comparison, the NHS staff headcount in England was estimated to be 1.4 million in January 2023: over twice the size of the homecare workforce¹⁰.
- NHS funding far outstrips funding to homecare. For 2022/23 around £152.9 billion was allocated to the NHS¹¹. By comparison gross expenditure on adult social care (including homecare) by local authorities in 2021/22 was £22 billion¹².

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 that the sector is facing significant financial pressures. An increase

⁶ Skills for Care (2022) Domiciliary care services in the adult social care sector 2021/22. 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-2022.pdf>

⁷ Skills for Care (2022) Pay in the adult social care sector. Online. Available at [Pay rates \(skillsforcare.org.uk\)](https://www.skillsforcare.org.uk/Pay-rates)

⁸ Skills for Care (2022) [The state of the adult social care sector and workforce 2022 \(skillsforcare.org.uk\)](https://www.skillsforcare.org.uk/The-state-of-the-adult-social-care-sector-and-workforce-2022)

⁹ Skills for Care (2022) [The state of the adult social care sector and workforce 2022 \(skillsforcare.org.uk\)](https://www.skillsforcare.org.uk/The-state-of-the-adult-social-care-sector-and-workforce-2022)

¹⁰ NHS (2023) NHS Workforce Statistics. Online. Available at: [NHS Workforce Statistics - January 2023 \(Including selected provisional statistics for February 2023\) - NDRS \(digital.nhs.uk\)](https://www.digital.nhs.uk/articles-and-blogposts/nhs-workforce-statistics-january-2023)

¹¹ NHS England (2022) Our Business Plan. Online. Available at: [NHS England » Our funding](https://www.nhs.uk/our-business-plan)

¹² NHS Digital (2022) Online. Available at: [Latest key statistics on adult social care include council spending in 2021-22: statistical press release - NDRS \(digital.nhs.uk\)](https://www.nhs.uk/news/2022/04/latest-key-statistics-on-adult-social-care-include-council-spending-in-2021-22-statistical-press-release)

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 (which are already at a record level of over 7.3 million) and/or providers being unable to meet all of the regulatory requirements.

The National Living Wage

2. What has been the impact of the National Living Wage (NLW) in the past year, including the rise to £10.42? 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 below:

a. Profits

- 2.a.1 We have no recent data on the impact on profits of the NLW. However, the National Audit Office estimated in 2019 that, based on the 38 largest for-profit homecare providers in LaingBuisson's 2019 data set, percentage return on capital varied. 39% reported a return of under 5%, while 44% reported a return of more than 10%¹³. However, these figures pre-date the pandemic and reflect large businesses. As a significant proportion of care is delivered by SMEs, who would not benefit from economies of scale, the results may not be indicative of the wider market.
- 2.a.2 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 that many providers are currently operating on tight margins.
- 2.a.3 In our Minimum Price for Homecare document (see below) we estimate a 4% profit based on feedback from our members.

b. Prices

- 2.b.1 The majority of homecare provision, around 70%, is funded by the public sector (local authorities and NHS). As a result, many providers are unable to raise prices in response to increasing costs.
- 2.b.2 As Commissioners will be aware, we publish an annual Minimum Price for Homecare, which is the rate we calculate to be required for a homecare provider to meet minimum compliance standards and operate sustainably.

¹³ NAO (2021) The Adult Social Care Market in England. Online. Available at: [The adult social care market in England \(nao.org.uk\)](https://nao.org.uk/publications/the-adult-social-care-market-in-england)

2.b.3 Due to the divergence in regulatory policy, and minimum wage rates for social care, we published separate assessments for England, Scotland, Wales and Northern Ireland¹⁴.

2.b.4 For the 2023/24 financial year we calculated a Minimum Price of **£25.95 per hour** in England. 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 in England at the National Living Wage (2023-24)						Costs	
Careworker costs	Gross Pay	Hourly rate for contact time	National Living Wage		£10.42	£12.58	£17.97
		Careworkers' travel time	20.68%	of hourly rate for contact time	£2.16		
	NI & pension	Employers' National Insurance	4.51%	of gross pay	£0.57	£0.94	
		Pension contribution	3.00%	of gross pay	£0.38		
	Other wage related on-costs	Holiday pay	11.25%	of gross pay, NI & pension	£1.52	£2.54	
		Training time	3.45%	of gross pay, NI & pension	£0.47		
		Sickness pay	3.80%	of gross pay, NI & pension	£0.51		
		Notice & suspension pay	0.30%	of gross pay, NI & pension	£0.04		
Mileage	Travel reimbursement	£0.45 per mile for 4.25 miles per hour of contact time			£1.91	£1.91	
Gross margin	Business costs	Management & supervisors		Estimated fixed cost	£2.45	£6.98	£7.98
		Back-office staff		Estimated fixed cost	£1.22		
		Staff recruitment		Estimated fixed cost	£0.36		
		Training costs		Estimated fixed cost	£0.48		
		Regulatory fees		Estimated fixed cost for average-sized provider	£0.09		
		Rent, rates and utilities		Estimated fixed cost	£0.37		
		IT & telephony		Estimated fixed cost	£0.47		
		PPE and consumables		Estimated fixed cost	£0.59		
		Finance, legal & professional		Estimated fixed cost	£0.31		
		Insurance		Estimated fixed cost	£0.31		
		Other business overheads		Estimated fixed cost	£0.34		
	Profit	Profit/surplus/investment	4.00%	of careworker costs & business costs	£1.00	£1.00	
Total price based on the National Living Wage (2023-24)					£25.95	£25.95	£25.95

2.b.5 In 2021 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 13% of commissioners were paying fees at a rate at, or above, our 2020/21 Minimum Price of £21.43 per hour.

2.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 inflationary costs for the 2023/24 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. As a result, despite significant demand for services, it is becoming increasingly difficult for providers to

¹⁴ Homecare Association (2022) [Homecare Association publishes Minimum Price for Homecare 2023-24](#)

meet regulatory requirements and operate a sustainable business. For example, one local authority area with low fee rates for homecare reported in their Market Sustainability Plan that only 30% of providers they contract with are rated Good or Outstanding by CQC, compared with a national average of 82%. Furthermore, the staff vacancy rate in their contracted providers is double that of neighbouring authorities.

- 2.b.7 During 2022, as part of the social care funding reform proposals, the Government requested that local authorities carry out a Fair Cost of Care exercise. Homecare providers were asked to submit data on their operational costs. From this each local authority had to submit the response rate, upper, lower and median value of the cost of delivering care, and the lower quartile, median and upper quartile of the number of visits per length of visit. Councils were required to publish their findings in February 2023.
- 2.b.8 Our analysis of the average rate across all local authorities' cost of care reports found that the cost of delivering care was £23.22. This is not the average fee rate paid by the local authority, but their calculation based on provider returns of the cost of delivering care. It is worth noting that the exercise was carried out at the beginning of 2022, before the significant increases in minimum wage rates and high levels of inflation.
- 2.b.9 Following analysis of the data provided by this exercise and the average fee rates paid by local authorities from the I Better Care Fund data, we found a deficit of £648,150,000 in 2022. This will only have increased with significant wage growth and the high levels of inflation. Alongside an ageing population, the increase in 18-55 years-olds needing domiciliary care and the current 165,000 vacancies across social care, this funding gap hinders the sector's ability to meet with current and future demands for homecare services.
- 2.b.10 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. However, we are concerned that these exercises did not explore the reasons behind different provider costs or look at whether higher business costs might impact on the quality of care delivered.
- 2.b.11 For care provision that is privately funded, we are aware that some providers have substantially increased their prices. However, we do not have new sector-wide data on average charges to provide analysis. Last year, data from a major software supplier to the sector indicated an average private-pay rate of £25 per hour. Some private-pay providers have said publicly that they have had to increase their charges to £30-40 per hour in 2023/24. There appears to be a ceiling for total spend on homecare that citizens are willing or able to pay and

some are reducing the hours they purchase or are moving to cheaper providers.

c. Productivity

- 2.c.1 In May 2022, ADASS reported that the number of hours of homecare that had been delivered in England in 2022 compared with 2021 had increased by 16%¹⁵. However, vacancy rates within the sector have continued to rise, as covered in our response to Question 1.2. This is likely to mean that existing staff work longer hours rather than demonstrating increased productivity.
- 2.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 to delivery models over the last 12 months. In addition, current poor commissioning and procurement practices and low fee rates negatively impact productivity and innovation in the sector.
- 2.c.3 The use of dynamic purchasing by many local authorities, where care packages are 'sold' to the lowest bidder, is an example of a system that negatively impacts productivity. Under such systems five different providers could be providing 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.

d. Pay structures and differentials

- 2.d.1 In our answer to Question 1 we outline Skills for Care's data on pay structures. On average, care workers with five years' (or more) experience in the sector are being paid 10p per hour more than a care worker with less than one year's experience. In addition, 4 out of 5 jobs in the economy pay more than jobs in social care.¹⁶
- 2.d.2 Recruitment and retention remains a challenge within homecare with roles in retail and hospitality and the health service able to offer more competitive pay, terms and conditions of employment.

e. Progression and job moves

- 2.e.1 The turnover rate for homecare services in England is 31.2%. Skills for Care estimate that turnover decreased during the pandemic but has increased in recent months. Most of the homecare workforce is

¹⁵ . [adass-survey-waiting-for-care-support-may-2022-final.pdf](#)

¹⁶ Skills for Care (2022) [The state of the adult social care sector and workforce 2022 \(skillsforcare.org.uk\)](#)

recruited from within adult social care (63%) so workers are often moving between jobs in the sector¹⁷.

- 2.e.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. It was particularly disappointing in the face of a recruitment and retention crisis, that funding has now been scaled back to £250m in the Government's announcement of the Next Steps in the People at the Heart of Care. The government remains committed to a care workforce pathway, a new Care Certificate qualification, funded training for care workers and registered managers, and funded continued professional development training, as well as a digital skills passport.
- 2.e.3 The government recently consulted on the Care Workforce Pathway.¹⁸ The Care Workforce Pathway presented is not a substitute for a Workforce Strategy. While it has potential to be a step in the right direction 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.e.4 We continue to call on the Government to create a workforce plan for the sector equivalent to the NHS people plan.

f. Training

- 2.f.1 Relatively little has changed in terms of training in England in the last 12 months but some changes may be on the horizon. As mentioned above the government has recently consulted on a Care Workforce Pathway.
- 2.f.2 Members in Wales remain concerned that Social Care Wales's Registration requirements 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.
- 2.f.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

¹⁷ Skills for Care (2022) Domiciliary Care Services in the Adult Social Care Sector. Online. Available at: [Summary of domiciliary care services 2022 \(skillsforcare.org.uk\)](https://www.skillsforcare.org.uk/summary-of-domiciliary-care-services-2022)

¹⁸ See: <https://www.gov.uk/government/consultations/care-workforce-pathway-for-adult-social-care-call-for-evidence>

requirements including allowing registration via employers assessing competencies and reducing the CPD requirements¹⁹.

- 2.f.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 costs²⁰.

g. Investment

- 2.g.1 The National Audit Office has reflected 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"²¹.
- 2.g.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.
- 2.g.3 Achieving the Government's stated aim to have 80% of homecare providers in England using digital care records by March 2024 will require various forms of support, including financial²².

h. Recruitment

- 2.h.1 Recruitment and retention remains a key challenge for homecare providers. In a survey in January 2023 around two-thirds (66%) considered recruitment is harder compared to six months ago. Meanwhile, 87% thought recruitment was harder than before the pandemic. More details on recruitment and retention issues are covered in our response to Questions 1, 37 and 38.
- 2.h.2 Changes to immigration policy have had a significant impact on recruitment of the care workforce. Following a recommendation from the MAC the Government extended the Skilled Worker route to careworkers. Subsequently, the use of Skilled Worker visas for senior careworkers has been increasing and the percentage of all new sponsorship applications that were made by employers from the Health

¹⁹ Social Care Wales (2022) Registration is changing. Online. Available at: [Registration is changing | Social Care Wales](#)

²⁰ Homecare Association (2021), Homecare Deficit Report, p. 47. Available at: <https://www.homecareassociation.org.uk/resource/the-homecare-deficit-2021.html>

²¹ [The adult social care market in England - National Audit Office \(NAO\) report](#)

²² 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>

and Social Care Sector increased from 18% to 30% when the Government announced that this route would become available for careworkers.

i. Job quality and security

- 2.i.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.i.2 Due to the ongoing practice of commissioning homecare through time and task (or, in some cases, by the minute), zero hours or guaranteed hours arrangements continue to be common in the independent homecare sector across the UK. 46% 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)²³.

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

- 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 As highlighted earlier in the submission, women make up the majority of the workforce. Skills for Care reported that 23% of the workforce had black, Asian and minority ethnicity and 16% had a non-British nationality.²⁴
- 3.3 From our Homecare Deficit research, we 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. The majority (67%) of careworkers in London are people with minority ethnic backgrounds.

²³ 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>

²⁴ Ibid

- 3.4 With respect to impacts on migrant workers, visa requirements stipulate that they should be paid in line with the Skilled Worker threshold pay rate. This is currently £10.75 per hour²⁵, higher than the current NLW.

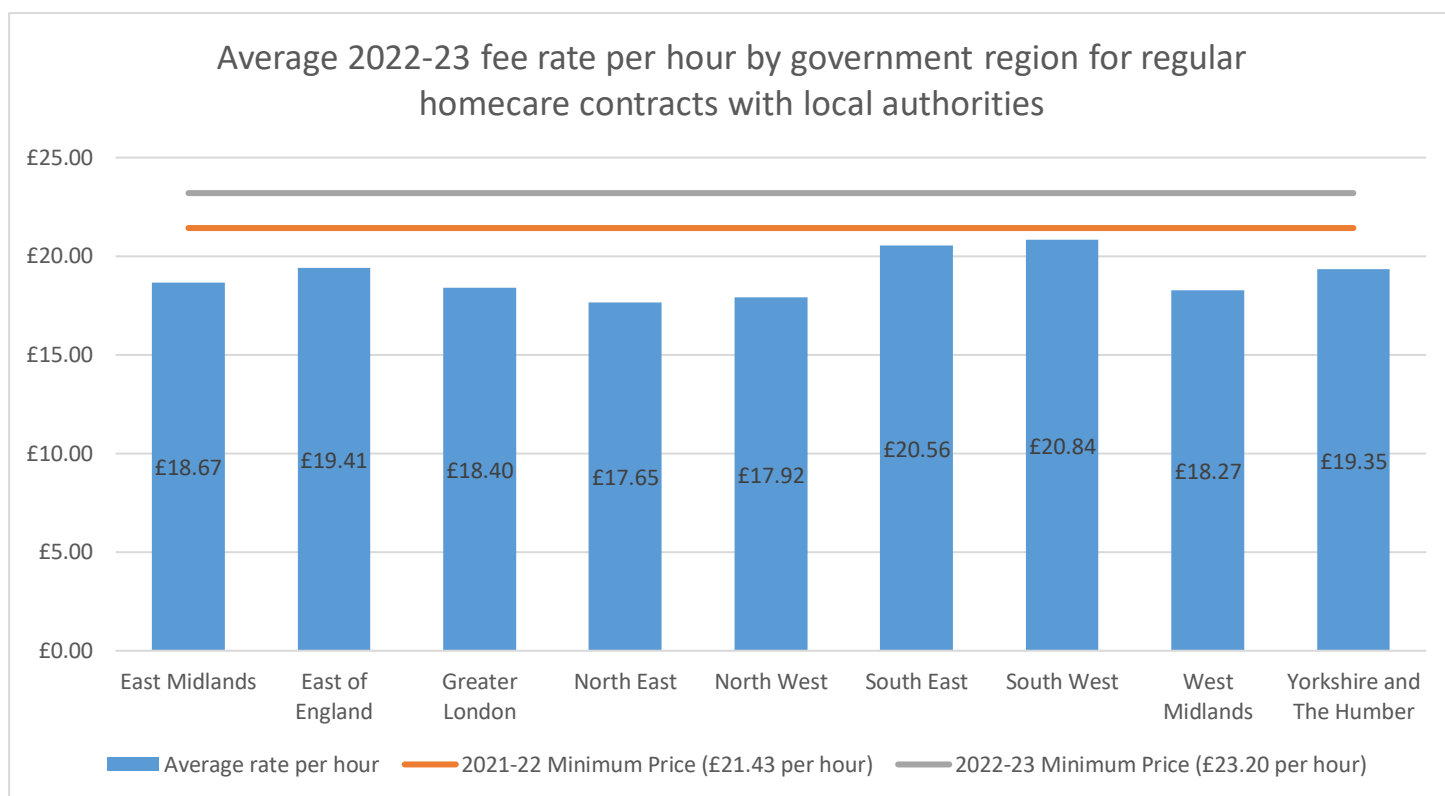
4. How has the NLW's impact varied across the different areas of the UK?

- 4.1 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.
- 4.2 There is some correlation between areas with the highest levels of deprivation and low fee rates. One example is Walsall, in the West Midlands, where we understand that for the 2022/23 financial year the fee rate was increased to £15.80 per hour (a 1.5% increase). This is clearly inadequate to cover inflationary pressures, including NLW increases, even if the original fee rate had been adequate. Walsall Council has now undertaken to pay £18 per hour, which is an improvement but remains inadequate given the NLW increase and wider inflationary increases.
- 4.3 In 2021 we found that the areas paying the lowest prices were Northern Ireland, the North East, the North West and the West Midlands²⁶. We are currently repeating this Freedom of Information exercise, asking all public bodies across the UK about the fee rates they pay for commissioned homecare. We will publish updated figures later in 2023.
- 4.4 Since the data were collected in 2021 the fee rate in Northern Ireland was increased to £18 per hour²⁷. We carried out a smaller exercise in England, asking our members to provide details of the fee rates they were receiving from different councils last year, and we found these remain substantially below the cost of delivering care.

²⁵ Home Office (2023) Skilled Worker Visa. Online. Available at: [Skilled Worker visa: Your job - GOV.UK \(www.gov.uk\)](https://www.gov.uk/skilled-worker-visa)

²⁶ Homecare Association (2021) The Homecare Deficit 2021. Online. Available at: [The Homecare Deficit 2021 \(homecareassociation.org.uk\)](https://homecareassociation.org.uk/the-homecare-deficit-2021)

²⁷ Homecare Association (2022) Homecare in Northern Ireland: The Current State of Play. Online. Available at: [Homecare in Northern Ireland: The current state of play \(homecareassociation.org.uk\)](https://homecareassociation.org.uk/homecare-in-northern-ireland-the-current-state-of-play)



4.5 As we have mentioned earlier in our submission we calculated the Minimum Price we believe is necessary to deliver regulated homecare. Our calculations suggest that in England from April 2023 to March 2024, direct staff costs alone for an hour of care delivered at National Living Wage would require a minimum of rate of £17.97 per hour²⁸. Costs for visits shorter than one hour would be higher than this due to additional travelling time, for example.

4.6 The staff costs are made up as follows:

- Minimum wage for 1 hour of contact time with the person being supported – £10.42
- Minimum wage for travel time between care visits - £2.16
- Employer's national insurance - £0.57
- Pension contribution - £0.38
- Holiday pay, training time, sick pay, notice and suspension pay - £2.54
- Milage/transport reimbursement – £1.91

4.7 A further £6.98 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,

²⁸ Homecare Association (2022) A Minimum Price for Homecare April 2023 to March 2024. Online. Available at: [Homecare Association publishes Minimum Price for Homecare 2023-24](#)

governance and general business administration. This brings the required total to a minimum of **£25.95 per hour**.

- 4.8 Low rates paid in the areas identified in our Homecare Deficit 2021 report are not limited to local authority commissioners. In 2021/22 Walsall NHS CCG advised us that they paid an average rate of £15.52 per hour, marginally above the £15.19 required to cover minimum wage careworker direct employment costs but shockingly inadequate to cover all operating costs, including supervision and office costs.

5. At what level should the NLW be set from April 2024? Our central projection for the on-course rate is £11.16 within a range of £10.90 and £11.43.

- 5.1 From survey data collected by us in March 2022 we concluded that most homecare providers pay slightly above the then minimum wage in order to recruit and retain staff. 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.
- 5.2 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.
- 5.3 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, which is in excess of £10.95 per hour. However, as the Commissioners will appreciate, many care commissioners have a track record of failing to increase fee rates paid to care providers in proportion to NLW increases.
- 5.4 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 worsening issues with staff retention. It could also put people using services and people waiting for services at risk and 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 discharges²⁹. People left in the community without care that they need are also at risk.

- 5.5 The alternative (which we would prefer), is for the Government to vastly increase the amount of money allocated to social care and 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.

Experience of low-paid workers

6. 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 a higher standards etc?)

- 6.1 Skills for Care reported that despite recent increases in pay, the availability of jobs in the wider economy is still at a high level, and these jobs are often higher paid and perceived to be less demanding than social care jobs³⁰.
- 6.2 The decrease in filled posts appears to be due to recruitment and retention difficulties in the sector rather than a decrease in demand. Indeed, the care workforce shrank by 3% from 2020/21 numbers. Employers have not been able to recruit and keep all the staff they need. As a result, an increasing number of posts remain vacant.
- 6.3 In addition, the starter rate has fallen from 37.3% in 2018/19 to 30.8% in 2021/22. The turnover rate for these periods remained at a similar level (29% in 2021/22).³¹ Therefore, around the same proportion of people are leaving their roles, but there are fewer people replacing them.
- 6.4 Changes to immigration policy have had a significant impact on recruitment of the care workforce. Following a recommendation from the MAC the Government extended the Skilled Worker route to careworkers. Subsequently, the use of Skilled Worker visas for senior careworkers has been increasing and 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 this route would become available for careworkers. An estimated 15% of the current care workforce

²⁹ 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>

³⁰ Skills for Care (2022) Online. Available at: [The state of the adult social care sector and workforce in England \(skillsforcare.org.uk\)](https://skillsforcare.org.uk)

³¹ Skills for Care (2022) Online. Available at: [The state of the adult social care sector and workforce in England \(skillsforcare.org.uk\)](https://skillsforcare.org.uk)

was recruited from overseas by 2023, over 90% of which are from outside the EEA. This contrasts with 2% in 2020.

7. What has been workers' experience of the wider benefits available to workers (including premium pay and non-pay benefits across the workforce)

- 7.1 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.
- 7.2 Many of the benefits associated with the COVID-19 pandemic such as the Infection Control and Testing Fund in England were withdrawn during 2022 seeing workers revert to Statutory Sick Pay. We are aware that some care providers have been able to respond to rising staff vacancies by increasing wages to attract and retain more staff. Some have also reported giving bonuses, golden hellos, and incentive payments.

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

- 8.1 As outlined above, Skills for Care reported that despite recent increases in pay, the availability of jobs in the wider economy is still at a high level, and these jobs are often higher paid and perceived to be less demanding than social care jobs³².
- 8.2 This would suggest that there are no specific barriers that would prevent workers moving to a new job. However, the ONS reported in November 2022 that between June and August 2022 around 2.5 million people reported long-term sickness as the main reason for economic inactivity, up from around 2 million in 2019³³.

9. What are workers' views on the recruitment difficulties reported by many employers since the pandemic? Why have employers found it difficult to recruit?

- 9.1 Skills for Care data highlight that the number of people in the social care workforce has shrunk by 50,000. This is despite increasing demand for services.³⁴ Our own research found that 54% of providers said they were

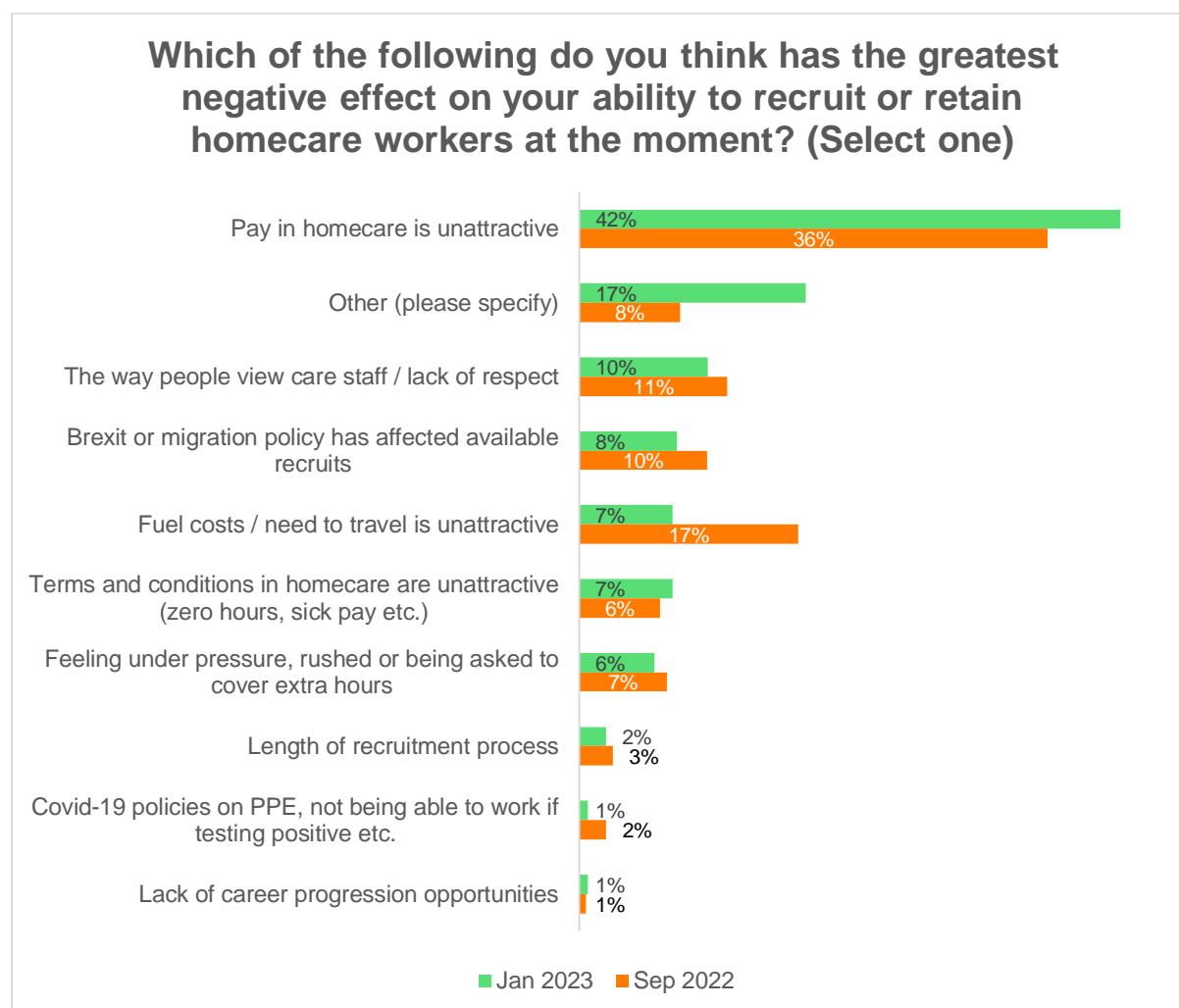
³² Skills for Care (2022) Online. Available at: [The state of the adult social care sector and workforce in England \(skillsforcare.org.uk\)](https://skillsforcare.org.uk)

³³ ONS (2022) Online. Available at: [Half a million more people are out of the labour force because of long-term sickness - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk)

³⁴ Skills for Care (2022) Online, Available at: [The state of the adult social care sector and workforce 2022 \(skillsforcare.org.uk\)](https://skillsforcare.org.uk)

delivering less care at the start of 2023 than they were in 2022. The biggest constraint on growth was the recruitment and retention of staff.³⁵

- 9.2 Our recent research also asked homecare providers, what was the biggest barrier to recruiting and retaining care workers. The single biggest issue identified was inadequate pay, with 42% of members saying this was a challenge.



- 9.3 17% also selected 'Other' and respondents were invited to express their views. Many thought that all or a combination of the options, while additional factors affecting recruitment and retention included:

- Working unsociable hours
- Potential loss of benefit payments by working more hours
- Zero-hours contracts
- Negative portrayal of the sector in the media
- Lengthy DBS process
- Childcare – lack of or costs.

³⁵ Homecare Association (2023) Available at: <https://www.homecareassociation.org.uk/resource/rising-demand-and-hospital-discharge-how-big-are-the-challenges-facing-health-and-social-care.html>

- 9.4 Pay differentials may also be a factor with, on average, care workers with five years' (or more) experience in the sector being paid 10p per hour more than a care worker with less than one year's experience. In addition, 4 out of 5 jobs in the economy pay more than jobs in social care. In addition, an average care worker's pay is £1 per hour less than healthcare assistants in the NHS that are new to their roles.

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

- 10.1 In 2022, we found that more than half of homecare providers said that staff had given notice or already left, whilst 59% said that staff intended to seek work elsewhere, as they cannot afford to pay for petrol or diesel for their cars – a situation that has worsened since our previous survey in March 2022. Nearly all providers asserted that their staff had expressed anxiety about the increase to current or potential future cost of living³⁶.

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

- 11.1 In its 2022 report the Health and Social Care Committee expressed deep concerns as to the lack of progress on a workforce strategy for social care³⁷. It noted that “... *Without the creation of meaningful professional development structures, and better contracts with improved pay and training, social care will remain a career of limited attraction even when it is desperately needed...*”
- 11.2. We have, for many years argued for the need for a workforce strategy for adult social care to encourage people to see social care as a rewarding occupation. The government has recently consulted on a care workforce pathway. The pathway presented is not a substitute for a Workforce Strategy. While it has potential to be a step in the right direction it is absolutely vital that wider issues for the social care workforce are acknowledged.

³⁶ Homecare Association (2022) Online. Available at: [High fuel costs – the ongoing impact on homecare \(homecareassociation.org.uk\)](https://www.homecareassociation.org.uk/high-fuel-costs-the-ongoing-impact-on-homecare)

³⁷ House of Commons (2022) Online. Available at: [Workforce: recruitment, training and retention in health and social care - Health and Social Care Committee \(parliament.uk\)](https://www.parliament.uk/workforce-recruitment-training-and-retention-in-health-and-social-care)

12.What has been workers' experience of the Universal Credit system and how the minimum wage interacts with it? Has this influenced workers' approach to how many hours they work?

- 12.1 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.
- 12.2 By February 2021, over 5 million households were claiming Universal Credit, compared with 3.2 million claiming the 'legacy' benefits it replaced.
- 12.3 The amount of Universal Credit a person receives is based on the number of hours worked during an assessment period. If they are paid more in an assessment period, this can reduce the worker's benefit payment. Taking on extra work during an assessment period could therefore have a detrimental impact on a careworker's income and would, therefore act as a disincentive.
- 12.4 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 affected³⁸.

13.How has the rising cost of living affected workers on or close to the NMW and NLW and how, if at all, has this affected worker needs and expectations from their employment and pay?

- 13.1 As outlined above, vacancy rates in social care have increased to their highest level since 2012/13 with an estimated 159,000 careworkers having left their jobs in 2021/22.
- 13.2 4 out of 5 jobs in the economy (80%) pay more than jobs in social care and equivalent roles in the NHS benefit from higher rates of pay and structured career progression.
- 13.3 Our research shows that inadequate pay and security of income continue to be the biggest barriers to recruiting and retaining homecare workers. We asked providers what the barriers were to recruitment and retention and the single biggest issue identified was inadequate pay, with 42% of members saying this was a challenge³⁹.

³⁸ See for example: [Implementing the Real Living Wage for social care workers in Wales | GOV.WALES](#)

³⁹ Homecare Association (2023) Workforce and Capacity Survey. Available at <https://www.homecareassociation.org.uk/resource/rising-demand-and-hospital-discharge-how-big-are-the-challenges-facing-health-and-social-care.html>

Young people

14. What has been the effect of changes in the minimum wages for young people on their employment prospects?

- 14.1 We have seen no evidence that minimum wage levels have increased recruitment of younger people into the homecare sector.
- 14.2 Skills for Care estimate that about 12% of careworkers in England are under the age of 25⁴⁰ (broadly similar to the wider economy). However, Skills for Care data also suggests that pay for the bottom 10% of careworker roles was being paid a median rate of the National Living Wage in March 2021⁴¹. They also suggested that 86% of those under 23⁴² 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.

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

- 15.1 As outlined previously employers in the homecare sector tend not to set different minimum wage levels based on age of employees.

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

- 16.1 As outlined above, the availability of jobs in the wider economy is still at a high level, and these jobs are often higher paid and perceived to be less demanding than social care jobs⁴³.

17. Why do employers make use of the youth rates? To what extent has this been affected by the recent tight labour market (difficulties in recruiting)?

- 17.1 Young people, employed in the homecare sector tend not to be paid at youth rates.

⁴⁰ 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://careengland.org.uk/wp-content/uploads/2020/11/The-state-of-the-adult-social-care-sector-and-workforce-2020.pdf>

⁴¹ See Chart 70; Skills for Care (2021) The state of the adult social care sector and workforce in England. Online. Available at: <https://careengland.org.uk/wp-content/uploads/2020/11/The-state-of-the-adult-social-care-sector-and-workforce-2020.pdf> (accessed 1 June 2022).

⁴² 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-asc-sector-2021)

⁴³ Skills for Care (2022) Online. Available at: [The state of the adult social care sector and workforce in England \(skillsforcare.org.uk\)](https://skillsforcare.org.uk/the-state-of-the-adult-social-care-sector-and-workforce-in-england)

18.To meet the Government's 2024 target the NLW age threshold would be lowered to 21 in 2024. What impacts do you think this would have, including on employment?

- 18.1 As above, homecare providers do not generally offer different rates of pay for young workers. Lowering the threshold would be unlikely to have a significant impact within the sector.

19.At what level should these rates be set from April 2024?

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

Minimum wages after 2024

Since 2020, our remit for the NLW has been to recommend a rate consistent with reaching the target of two-thirds of median hourly earnings by 2024. We are now gathering evidence to inform the Government's decisions on policy options for the future beyond 2024, We are seeking evidence and views on:

20.The purpose of the NMW and NLW.

- 20.1 We support the NMW and NLW, and have long argued that careworkers should be paid above the NLW. 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. Providers will continue to struggle to maintain services, which may result in increased insolvency and/or withdrawal from the market or the equally undesirable risk of non-compliance with regulatory requirements.
- 20.2 The alternative (which we would prefer), is for the Government to vastly increase the amount of money allocated to social care and to increase the social care budget with a sum specifically designated to pay increases and increased business costs.

21.The role of the Low Pay Commission.

- 21.1 We have long supported the role of the Low Pay Commission and believe that the National Minimum Wage has set consistent wage levels across the country. Annual increases have been logical and fair.

22.The range of policy options and how these might work (for example, a further target; or an approach not driven by targets).

- 22.1 We offer no view on this Question.

23. The potential effects of further minimum wage increases and risks we should consider.

- 23.1 As argued throughout this response, unless a sustainable funding package is agreed for the social care sector, further minimum wage increases will see providers continue to struggle to maintain services. This may result in increased insolvency and/or withdrawal from the market or the equally undesirable risk of non-compliance with regulatory requirements.

24. The levels and existence of different age-related minimum wages.

- 24.1 As noted elsewhere in this response age-related minimum wages do not have a significant impact within the homecare sector.

25. The evidence that should inform future policy decisions.

- 25.1 We offer no view on this Question.

Apprentices

26. What is the outlook for recruitment and employment of apprentices?

- 26.1 Traditionally, we have not seen widespread use of apprenticeships in the front-line homecare workforce and there are 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.
- 26.1 Completion of an apprenticeship is not required in 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 different demands in terms of English and maths skills, learning style and time commitment, for example, than simply doing the Care Certificate.
- 26.2 Skills for Care reported that around 33,900 people started a social care apprenticeship in 2020/21, which was 13% more than in the previous year, but around 66% less than the number that had done so in 2016/17.
- 26.3 Contributing factors to this decrease include the transition from frameworks to standards, and the changes to apprenticeship funding through the apprenticeship levy.
- 26.4 Although the number of starters in other sectors has also fallen, the decrease in adult social care was more pronounced and the 'market share' of adult social care apprenticeship starters decreased from 20% in 2016/17 to 11% in 2020/21.

- 26.5 As few homecare providers have a wage bill of over £3 million, they are unlikely to be contributing to the Apprenticeship Levy. Skills for Care estimated that, across the 17,700 social care providers, 500 organisations crossed this threshold representing around 3% of the total. Many are unable to use the funding as it has been difficult, operationally, to meet the requirements for apprenticeships, namely the out of office requirements. Such businesses will therefore either just regard it as another cost or offer the funding to SMEs to use instead.

27. How widely used is the Apprentice Rate? What kind of apprenticeships are paid this rate? What kind of jobs do these apprentices (paid at the Apprentice Rate) lead to?

- 27.1 As above, we do not think that the Apprenticeship Rate is widely used in the homecare sector. Apprentices filled between 1% and 2.6% of social care jobs across England in 2019/20. We have no data on the distribution between homecare and residential care.

28. The Apprentice rate increases this year to £5.28, the same level as the 16-17 Year Old Rate. What do you expect the effects of this increase to be?

- 28.1 There have, traditionally, been no age-related pay scales within homecare. Employers would be keen to pay apprentices the equivalent of their colleagues, that is at least the National Living Wage, in order to retain the employees. This change would therefore have no significant impact.

29. What criteria should we use when considering whether to keep or remove the Apprentice Rate?

- 29.1 As the Apprenticeship Rate is not widely used within the homecare sector its removal will not have a marked impact.

30. What would be the effect of removing the Apprentice Rate (so that the minimum wages for all apprentices were the same for other workers of the same age)?

- 30.1 As the Apprenticeship Rate is not widely used within the homecare sector there would be little or no effect from this change.

Compliance and enforcement

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

- 31.1 Compliance with the minimum wage is particularly challenging for those businesses reliant on funding from public bodies such as local authorities or Clinical Commissioning Groups. Public organisations

frequently purchase homecare by the minute for contact time only, at fee rates below the cost of good quality care. Many councils do not include 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 Commissioning Groups paid, on average, significantly below the rate we believe is necessary to deliver care.

- 31.2 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 well understood.
- 31.3 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.
- 31.4 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 and 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 workforce⁴⁴. 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 provide free advisory audits to homecare providers on National Living Wage compliance and to help them ensure appropriate records are kept.

32. What comments do you have on HMRC’s enforcement work?

- 32.1 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 do 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.

⁴⁴ Homecare Association (2023) National Minimum Wage Toolkit. Online. Available at: [Homecare Association's National Minimum Wage Toolkit](#)

- 32.2 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 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.
- 32.3 We believe that it is important to build a culture of openness between businesses and regulators enabling compliance through support. Emphasis should be placed on reporting of non-compliance and learning to improve, rather than punitive enforcement. We therefore collaborated with HMRC, in 2022, on a voluntary Social Care Compliance Programme to offer homecare providers the opportunity to have their minimum wage compliance reviewed. The programme aimed 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

33. What has been the effect of recent increases in the offset on employers' decisions over providing accommodation?

- 33.1 Questions 33 to 36 focus on the accommodation offset. As this affects few homecare providers, we have not offered a detailed view on these Questions. However, as the use of international recruitment increases, more homecare providers may choose to offer accommodation to new recruits. As it has not been widely used in the homecare sector, we believe there is a role for regulators to upskill and communicate with the social care sector to encourage compliance.
- 33.2 We also recognise our own role in supporting compliance. As part of our National Minimum Wage Toolkit, available to our members, we offer advice on the Accommodation Offset, including worked examples as to how to calculate the Offset⁴⁵. We have sought to engage with HMRC with respect to sector-wide guidance on compliance with the rules related to Accommodation Offset.

⁴⁵ Homecare Association (2023) National Minimum Wage Toolkit. Online. Available at: [Homecare Association's National Minimum Wage Toolkit \(Members-Only publication\)](#)

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

35. Last year we recommended that a quality standard and suitable enforcement regime are put into place as soon as possible. This would need to be implemented before we could recommend further significant changes to the offset. What would the impact of this policy be for employers and how would it affect the accommodation they provide?

36. We also recommended a minimum hours requirement before accommodation costs can be deducted. If implemented what would the effect of this policy be and what should be considered when setting a minimum hours requirement?

Economic outlook

37. What are your views on the economic outlook and business conditions in the UK for the period up to April 2024? 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, c- the current state of the labour market, recruitment and retention.

- 37.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 for homecare is likely to remain high and increase. In 2022, an ADASS survey suggested that there were half a million people in England waiting for assessment, care, direct payments or reviews⁴⁶. However, inadequate funding and staff availability means that the demand will not necessarily drive growth in the sector.
- 37.a.2 Government decisions over funding and workforce policies can significantly improve or significantly worsen conditions for those people using services and for those working in the sector, as well as for providers of services.
- 37.a.3 The National Audit Office estimated that local government spending power (government funding, council tax and business rates) reduced by 29% in real terms between 2010/11 and 2019/20⁴⁷.
- 37.a.4 However, across the UK we are seeing an increase in the number of commissioners seeking to specify careworker pay as part of the commissioning arrangement.
- 37.a.6 In December 2022 the Welsh Government announced that Welsh local authorities and health boards would be provided with an estimated £70

⁴⁶ ADASS (2022) Waiting for Care and Support May 2022. Online. Available at: [adass-survey-waiting-for-care-support-may-2022-final.pdf](https://www.adass.org.uk/wp-content/uploads/2022/05/adass-survey-waiting-for-care-support-may-2022-final.pdf)

⁴⁷ House of Commons Library (2023) Adult Social Care Funding (England). Online. Available at: [Adult Social Care Funding \(England\) - House of Commons Library \(parliament.uk\)](https://www.parliament.uk/libraries/commons/publications/adult-social-care-funding-england)

million so that they can implement the real living wage uplift - to £10.90 an hour, expected to take effect from June 2023⁴⁸.

37.a.7 In Scotland, the government announced an additional £100 million to support delivery of the £10.90 real living wage for adult social care, building on an increase provided in 2022-23⁴⁹.

37.a.8 In Northern Ireland additional funding was made available to HSC Trusts, but with the expectation that careworkers be paid the Real Living Wage.

37.a.9 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.

37.a.10 If policies of this nature continue to be 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 their 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.

37.a.5 In England, key policy decisions that impact on the market for homecare include:

- Government funding for social care
- CQC oversight of local authority commissioning and Integrated Care Systems.
- Workforce policy

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

37.a.6 Government budgets for social care have been tight over the last decade - we have often seen care commissioning rates being paid below the cost at which we think care can be reasonably delivered.

37.a.7 The Commissioners will be familiar with the work 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.

37.a.8 In 2017 the Competition and Markets Authority estimated that the government needed to allocate £0.9 –1.1 billion per annum in

⁴⁸ Welsh Government (2022) Online. Available at: [Social care workers in Wales to receive real living wage uplift | GOV.WALES](#)

⁴⁹ Scottish Government (2022) Scottish Budget 2023-24. Online. Available at: [Scottish Budget: 2023-24 - gov.scot \(www.gov.scot\)](#)

additional funds to meet the cost of care delivery in care homes alone – a figure one would expect to have risen in the last six years⁵⁰. In 2021, we estimated that in order to guarantee the National Living Wage, the homecare sector would need at least £642 million in additional funding per year with increases in subsequent years. This suggests that the funding allocated in 2022 is ten times too low.

- 37.a.9 It is important to stress we believe that 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 Care Assistant, currently paid at £11.85 per hour⁵¹. In 2022, the funding gap to achieve this was estimated at £1.7 billion per annum, based on a pay rate of £11.14 per hour.
- 37.a.10 We welcomed the substantial investment that the government made at the Autumn Statement in social care. However, the investment covered both children and adults' social care, and came at a time of substantial wage growth and inflation impacting on business growth. We are also concerned that some of the funding is based on increasing Council Tax. Councils in areas of higher deprivation with lower house prices will receive less funding for any increase in the rate. This will increase existing inequalities exacerbating the post code lottery for care.

CQC oversight of local authority commissioners

- 37.a.11 Over many years we have raised concerns that some of the challenges faced by the sector are systemic and are caused by the way care is commissioned. In addition to fee rates, conditions in the homecare market are shaped by per-minute and time and task commissioning which means that providers are paid strictly on the basis of contact time with the client. Zero-hour commissioning leads to an increased use of zero-hour 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 highlighted.
- 37.a.12 As such, we welcomed the fact that Section 31 and Sections 163-164 of the Health and Care Act 2022 contains a duty for CQC to review the commissioning practices of Integrated Care Systems and local authorities respectively. We hope that this might highlight issues with commissioning and how this is shaping the market and affecting care delivery.

⁵⁰ Competition and Markets Authority (2017) Care Homes Market Study Online. Available: [Care homes market study - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/624441/care_homes_market_study_online.pdf)

⁵¹ NHS (2022) [Pay scales for 2022/23 | NHS Employers](https://www.nhs.uk/press-releases/2022/03/23/nhs-pay-scales-for-2022-23/)

- 37.a.13 From April 2023 CQC has begun a series of pilot assessments⁵². These will continue as the Commission continues to roll out plans for its Single Assessment Framework.
- 37.a.14 We agree with CQC that the voice of people supported by services is a vital consideration when considering local authorities' performance in relation to social care. However, the voices of independent providers and careworkers are also key to 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 CQC may not have recognised this.
- 37.a.15 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 supported by homecare services.
- 37.a.16 If the assessments are 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 assessment process highlights systemic issues that limit local authorities' ability to comply with their legal duties – including underfunding.

Workforce policy

- 37.a.17 As outlined earlier in this response, the government has, over the last two years, outlined a number of workforce policies including commitments in the White Paper "People at the Heart of Care". These include a knowledge and skills framework and a career framework.
- 37.a.18 The government has recently consulted on a Care Workforce Pathway. For meaningful career progression, a Care Workforce Pathway for social care professionals should be combined with funding that would support pay increases that recognise the hard work and development care staff undertake to maintain and develop their professional skills.
- 37.a.19 We continue to call on the government to create a workforce plan for the sector, equivalent to the NHS People Plan. This needs to be informed by an understanding of the level of demand, the types of care and specific skills that are needed and how the workforce will need to develop into the future – including how it will interact with the healthcare workforce.

Devolved Administrations

⁵² [Our approach to assessing local authorities - Care Quality Commission \(cqc.org.uk\)](https://www.cqc.org.uk/about-us/how-we-work/assessing-local-authorities)

- 37.a.20 Over the last year Wales and Scotland announced their intention to develop and implement proposals for a National Care Service. In both cases this would affect how care is commissioned by the public sector. Following the election of a new First Minister in Scotland, progress on implementing the National Care Service has been paused. In Wales they are consulting on what the service will look like.

Wage growth

- 37.a.21 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 suggests 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

- 37.a.22 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. The price of fuel has fallen, but even so fuel prices remain high for consumers.
- 37.d.23 For a mobile workforce, the continued high levels of fuel prices have a significant impact on careworkers. Our data from 2022 showed that the mileage rates paid to careworkers did not adequately cover costs. 61% of providers were paying 30p a mile or less.
- 37.a.24 Over the last year many areas have expanded plans to introduce emissions charges to tackle air pollution. In London, the Ultra Low Emissions Zone (ULEZ) covers all areas within the North and South Circular Roads with plans to extend the Zone to all London Boroughs in August 2023.
- 37.a.25 Many careworkers drive vehicles that are not compliant with emissions zones and will therefore be subject to charges if they drive within the designated areas. In London the charge is currently £12.50 per day.⁵³

Other inflationary pressures

- 37.a.26 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 NHS and social care to enable better integration of services. The Department of Health and Social Care in England now requires that social care providers submit data on the operation of their services.

⁵³ Transport for London Paying the ULEZ Charge. Online. Available at: [Paying the ULEZ charge - Transport for London \(tfl.gov.uk\)](https://tfl.gov.uk/road-charges/ulez)

- 37.a.27 Both of these policies could increase operating costs for some providers. While some one-off grant funding has been announced, implementing digital systems could increase recurring operating costs for some providers.

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

- 38.1 The key factors affecting homecare have been:
- Rising fuel costs and Clean Air Zones
 - Recruitment and retention issues
 - Changes in immigration policy

Rising fuel costs and Clean Air Zones

- 38.2 Fuel costs are presenting a significant problem for providers with in-year inflation creating unfunded cost increases, and commissioners wishing to stick to an annual fee-rate uplift.
- 38.3 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 of 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 prices.
- 38.6 We undertook a survey of homecare providers in May 2022. 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 from our research indicate that 61% of employers offer mileage rates below 30p a mile.

Recruitment and retention issues

- 38.7 Recruitment and retention remains a key challenge for homecare providers. In a survey in January 2023 around two-thirds (66%) considered recruitment is harder compared to six months ago. Meanwhile, 87% thought recruitment was harder than before the pandemic. This is five percentage points below that recorded when the Question was asked in a September 2022 survey.
- 38.8 We also asked about the retention of existing careworkers. Overall, 43% of providers said that more people were leaving compared with six months ago. However, when splitting by funding source, the contrast was stark. Indeed, 58% of predominantly state-funded respondents said more careworkers were leaving than before – a substantial 29 percentage points above the respective proportion for private-pay providers.

38.9 54% of providers were delivering less care than this time last year. We asked providers about the potential reasons as to why they had been unable to meet the high level of demand, they told us:

- Not being able to recruit enough new careworkers: 91%
- Existing careworkers are leaving: 69%
- The fee rates being offered are too low: 59%.

Changes in immigration policy

38.10 The Migration Advisory Committee (MAC) produced a comprehensive report on how the end of Freedom of Movement (FoM) affected the social care sector, which we recommended to the Low Pay Commission. The MAC noted 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 might be true on average, Skills for Care data showed marked regional differences, with at least 37% of homecare workers in London and 23% in the South-East identifying as non-British nationals. 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.

38.11 Following the opening of the health and social care visa to careworkers the MAC report that the use of Skilled Worker visas for senior careworkers has increased 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.

38.12 There remain costs and complexities with hiring workers from overseas, however, that make this an unattractive recruitment route for 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-hours commissioning and models of purchase 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.

38.13 We support the MAC’s recommendations, including making careworkers’ access to the Skilled Worker route ‘permanent’ and removing the Skills Surcharge for Health and Social Care workers.

39. 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.

39.1 Please see our responses to Questions 4, 10, 12 and 38.

40. 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?

40.1 The median hourly rate for care workers decreased, in real terms, by 1.5% between March 2021 and March 2022. This compares to an average increase of 1.8% per year since September 2012. This decrease was driven by the high cost of living in 2021/22 with inflation rising to 7.0%.

40.2 As outlined previously in this paper we continue to ask the government to deliver a sustainable funding arrangement for the adult social care sector, if further erosion of careworkers' wages is not to decrease further in real terms in the next couple of years.

41 Conclusion

41.1 In conclusion, we are extremely concerned that the NLW increases at the degree proposed for next year and following the significant increase in the NLW this year will 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).

41.2 We appreciate that the Commission's previous reports demonstrate an understanding of this issue and hope to continue to liaise with the Commission going forwards.