



# Homecare Association

## Homecare Association's response to LPC Consultation questions June 2024

### 2.1 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.**

2.1.1 The Homecare Association is a national membership body for homecare providers, with over 2,200 members across the UK. Our mission is to ensure society values homecare, and invests in it, so all of us can live well at home and flourish within our communities. We lead the way in shaping homecare and provide practical support for our members. 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.

2.1.2 To provide some context about the homecare workforce:

- In 2022/23 555,000 people were employed in CQC-regulated homecare providers in England. A further 100,000 operated as individual careworkers, also called personal assistants<sup>1</sup>.

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<sup>1</sup> <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>

- Skills for Care also highlighted that, in England, homecare workforce numbers declined sharply after 2020/21. Between 2021/22 and 2022/23, the number of filled posts increased by 10,000 (2%) and the number of vacant posts decreased by 1,000 (-2%).
- International recruitment is the main reason for the 2 percent recovery in the independent sector homecare workforce in 2022/23. The UK's reliance on sponsored workers to meet needs makes it even more important that providers ensure ethical employment. This requires ethical commissioning
- In 2022/23, the vacancy rate of independent sector homecare services was 12.9% falling to 12.7% by August 2023. The vacancy rate in April 2024 was 11.5%<sup>2</sup>.
- Over 70,000 people are estimated to be working in homecare in the Devolved Administrations<sup>3</sup>.
- A high proportion of these jobs is in the independent (i.e. private and third) sector (84% in England<sup>4</sup>, 79.4% in Wales<sup>5</sup>).
- Skills for Care estimated that the median hourly rate for care workers in March 2023 was 61 pence higher than the National Living Wage (NLW). Between March 2016 and March 2023, the nominal median hourly rate increased by an average of 40 pence per year. During this period the NLW also increased by an average of 40 pence per year. This suggests that care worker pay is keeping pace with increases to the NLW. By December 2023, the median hourly rate for a careworker in the independent sector was £11.00 (58 pence above the NLW). Skills for care estimated in December 2023 that 60% of careworkers were paid

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<sup>2</sup> <https://www.skillsforcare.org.uk/Adult-Social-Care-Workforce-Data/Workforce-intelligence/publications/Topics/Monthly-tracking/Recruitment-and-retention.aspx>

<sup>3</sup> In Wales, 19,571 people are estimated to work in homecare. Of those, 4,232 (21.6 per cent) come from local authority-run services and 15,339 (79.4 per cent) come from commissioned service providers. In 2021, 23,108 people were estimated to work in homecare, which shows a drop of 18.1 per cent in the workforce, although this may be partly explained by a change in calculation method. At the end of December 2023, there were 15,212 registered homecare staff, of which 14,750 were careworkers and 462 were managers registered in Northern Ireland. In Scotland, in March 2024, there were 1,645 care at home managers, 2,286 supervisors and 37,029 careworkers registered with SSSC.

Social Care Wales (2022) [Workforce data report 2022 \(socialcare.wales\)](https://socialcare.wales/workforce-data-report-2022)

SSSC (2024) [Registration data | Scottish Social Services Workforce Data \(sssc.uk.com\)](https://www.sssc.uk.com/registration-data)

Homecare Association (2024) [Market Overview 2024 \(homecareassociation.org.uk\)](https://homecareassociation.org.uk/market-overview-2024)

<sup>4</sup> Skills for Care (2022) Domiciliary care services in the adult social care sector 2022/23. Online. Available at: [The state of the adult social care sector and workforce in England \(skillsforcare.org.uk\)](https://www.skillsforcare.org.uk/state-of-the-adult-social-care-sector-and-workforce-in-england)

<sup>5</sup> Social Care Wales (2022) [Workforce data report 2022 \(socialcare.wales\)](https://socialcare.wales/workforce-data-report-2022)

below the next NLW of £11.44 per hour, taking effect from April 2024<sup>6</sup>.

- Influenced by ‘by-the-minute’ commissioning practices, 43% of the workforce in England were on zero hours contracts in the 2022/23 workforce estimates, impacting on some workers’ security of income<sup>7</sup>. The proportion of zero hours contracts has decreased by 3% since 2022/33.
- Average care worker pay is £1 per hour less than healthcare assistants (HCAs) in the NHS that are new to their roles, and 1 penny below sales and retail assistants. However, it is still 15 pence higher than cleaners and domestics, and 36 pence higher than kitchen and catering assistants<sup>8</sup>. Recent research suggests careworkers receive an average of £7617 per year less than equivalent workers in the NHS<sup>9</sup>.
- 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 people<sup>10</sup>.
- Women make up 81% of the workforce in England, 88% in Wales and 77% in Scotland. 19% identified as male<sup>11</sup>. The proportion of male workers was higher in managerial roles (20%) compared to direct care roles (18%).
- Around 27% of the workforce were aged 55 or over in 2022/23, an increase from 2% since 2016/17.<sup>12</sup>

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<sup>6</sup> <https://www.skillsforcare.org.uk/adult-social-care-workforce-data/Workforce-intelligence/publications/Topics/Pay-in-the-adult-social-care-sector.aspx>

<sup>7</sup> Skills for Care (2023) Domiciliary care services in the adult social care sector 2021/22. Online. Available at: [The State of the Adult Social Care Sector and Workforce 2023 \(skillsforcare.org.uk\)](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)

<sup>8</sup> Skills for Care (2022) Pay in the adult social care sector. Online. Available at [Pay rates \(skillsforcare.org.uk\)](https://www.skillsforcare.org.uk/adult-social-care-workforce-data/Workforce-intelligence/publications/national-information/Pay-rates.aspx)

<sup>9</sup> <https://www.unfairtocare.co.uk/>

<sup>10</sup> Skills for Care (2023) [The State of the Adult Social Care Sector and Workforce 2023 \(skillsforcare.org.uk\)](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)

<sup>11</sup> <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>

<sup>12</sup> Skills for Care (2023) [The State of the Adult Social Care Sector and Workforce 2023 \(skillsforcare.org.uk\)](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)

- By point of comparison, the NHS staff headcount in England was estimated to be 1.3 million in February 2024: over twice the size of the homecare workforce<sup>13</sup>.
- NHS funding far outstrips funding to homecare. For 2023/24 around £179 billion was allocated to the NHS<sup>14</sup>. By comparison gross expenditure on adult social care (including homecare) by local authorities in 2022/23 was £23.6 billion<sup>15</sup>.

2.1.3. 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 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 7.5 million<sup>16</sup>) and/or providers being unable to meet all of the regulatory requirements.

## 2.2 The National Living Wage

**2.2.1 What has been the impact of the NLW in the past year, particularly the most recent 9.8 per cent increase to £11.44 in April this year? Our critical interest is in its effects on employment, hours and earnings. We are also interested in the effect of the NLW on any of the areas listed below:**

- Profits
- Prices
- Productivity
- Pay structures and differentials

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<sup>13</sup> NHS (2023) NHS Workforce Statistics. Online. Available at: [NHS Workforce Statistics - February 2024 \(Including selected provisional statistics for March 2024\) - NHS England Digital](#)

<sup>14</sup> NHS England (2024) Our Business Plan. Online. Available at: [NHS England » Our 2023/24 business plan](#)

<sup>15</sup> <https://www.england.nhs.uk/long-read/planning-guidance-and-budget-for-2024-25/>

<sup>16</sup> <https://www.nuffieldtrust.org.uk/qualitywatch/nhs-performance-summary>

- Progression and job moves
- Training
- Investment
- Recruitment
- Job quality and security

## **a. Profits**

- 2.2.1.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%<sup>17</sup>. 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.
- 2.2.1.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 of 0-4%.
- 2.2.1.a.3 In our 2024 Minimum Price for Homecare document (see below) we estimate that 5% is a more representative figure for a sustainable homecare business. Many businesses across the economy expect margins of at least 10% to enable stability and investment.

## **b. Prices**

- 2.2.1.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.

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<sup>17</sup> NAO (2021) The Adult Social Care Market in England. Online. Available at: [The adult social care market in England \(nao.org.uk\)](https://www.nao.org.uk/publications/2021/the-adult-social-care-market-in-england/)

- 2.2.1.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.
- 2.2.1.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 Ireland<sup>18</sup>.
- 2.2.1.b.4 For the 2024/25 financial year we calculated a Minimum Price of **£28.53 per hour**, effective from April 2024 in England. We have consistently called on 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:

## Breakdown of costs

Minimum Price for Homecare in England at the National Living Wage (2024-25)					Costs			
<b>Careworker costs</b>	Gross pay	Hourly rate for contact time	National Living Wage	£11.44	£13.79	£19.90		
	NI & pension	Careworkers' travel time	20.56% of hourly rate for contact time	£2.35	£1.29			
		Employers' National Insurance	6.38% of gross pay	£0.88				
	Other wage related on-costs	Pension contribution	3.00% of gross pay	£0.41	£2.92			
		Holiday pay	12.07% of gross pay, NI & pension	£1.82				
		Training time	2.91% of gross pay, NI & pension	£0.44				
		Sickness pay	4.20% of gross pay, NI & pension	£0.63				
		Notice & suspension pay	0.20% of gross pay, NI & pension	£0.03				
	Mileage	Travel reimbursement	£0.45 per mile for 4.20 miles per hour of contact time	£1.89	£1.89			
	<b>Gross margin</b>	Business costs	Management & supervisors	Estimated fixed cost	£2.47		£7.27	£8.63
Back-office staff			Estimated fixed cost	£0.91				
Staff recruitment			Estimated fixed cost	£0.36				
Training costs			Estimated fixed cost	£0.41				
Regulatory fees			Estimated fixed cost for average-sized provider	£0.07				
Rent, rates and utilities			Estimated fixed cost	£0.47				
IT & telephony			Estimated fixed cost	£0.57				
PPE and consumables			Estimated fixed cost	£0.72				
Finance, legal & professional			Estimated fixed cost	£0.41				
Insurance			Estimated fixed cost	£0.34				
Other business overheads			Estimated fixed cost	£0.52				
Profit			Profit/surplus/investment	5.00% of careworker costs & business costs	£1.36	£1.36		
<b>Total price based on the National Living Wage (2024-25)</b>					<b>£28.53</b>	<b>£28.53</b>		

Figure 1: Minimum Price for Homecare at the National Living Wage (2023-24)

- 2.2.1.b.5 In 2023 we undertook a UK-wide Freedom of Information exercise in which we asked all public sector commissioners of homecare to provide

<sup>18</sup> Homecare Association (2024) [Homecare Association publishes Minimum Price for Homecare 2024-25](#)

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.

- 2.2.1.b.6 We also asked for data on care packages handed back in 2022/23 and found an average of 81 per council or HSC Trust; the average in Northern Ireland was 130. The quality and availability of data on this metric were highly questionable and we believe that the true number of hand-backs could be significantly higher.
- 2.2.1.b.7 The Homecare Association believes that 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.
- 2.2.1.b.8 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. We are thus pleased that the Government required local authorities to conduct Fair Cost of Care exercises<sup>19</sup>,
- 2.2.1.b.9 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.
- 2.2.1.b.10 We support the Health Foundation's conclusion that we need between **£8 billion and £18 billion** extra funding per year for social care<sup>20</sup>.
- 2.2.1.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.

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<sup>19</sup> <https://www.gov.uk/government/publications/market-sustainability-and-fair-cost-of-care-fund-2022-to-2023-guidance/cost-of-care-reports-and-market-sustainability-plans-by-local-authority>

<sup>20</sup> <https://www.health.org.uk/publications/long-reads/social-care-funding-reform-in-england>

## **c. Productivity**

- 2.2.1.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%<sup>21</sup>. 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, or that employers rely on International Recruitment to maintain services.
- 2.2.1.c.2 The Homecare Association published its Overview of the UK Homecare Market in March 2024. We found that 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 reasonable consistent (despite a slight fall from 2021-22). Scotland's figures have oscillated fractionally, but there has been a rise to 0.17 hours most recently. England's numbers reached a low point of below 0.11 weekly hours per adult in the population in 2016-17 but has since recovered to reach 0.14 hours. There are limited published data for Wales<sup>22</sup>.
- 2.2.1.c.3 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.
- 2.2.1.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.

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<sup>21</sup> ADASS (2022). Available at: [adass-survey-waiting-for-care-support-may-2022-final.pdf](#)

<sup>22</sup> Homecare Association (2024) [Market Overview 2024 \(homecareassociation.org.uk\)](#)



#### **d. Pay structures and differentials**

- 2.2.1.d.1 In our answer to question 2.1 we outlined Skills for Care’s data on pay structures. In March 2016, care workers with five or more years of experience in the sector could expect an hourly rate which was 33 pence higher, on average, than a care worker with less than a year of experience. This was equivalent to an increase of 4.4%. However, since March 2016, the experience pay gap had shrunk to just six pence (or 0.6%) per hour as at March 2023<sup>23</sup>.
- 2.2.1.d.2 As in previous years, 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**

- 2.2.1.e.1 The turnover rate for homecare services in England is 30.6% which was lower than that for care homes with nursing (34.9%) but higher than care homes without nursing (27.4%). Skills for Care noted that not all turnover results in workers leaving the sector. Over half the workforce (57%) were recruited from within adult social care, down from 63% in 2021/22 suggesting that workers are often moving between jobs in the sector<sup>24</sup>.
- 2.2.1.e.2 In 2022 the Government consulted on the Care Workforce Pathway<sup>25</sup>.
- 2.2.1.e.3 In its response to the call for evidence the Government, committed to work in partnership with Skills for Care, using the information supplied, alongside wider evidence and research, to shape the policy proposals for the adult social care workforce and to ensure that the pathway:
- reflects the realities of receiving or providing adult social care
  - builds on existing good practice

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<sup>23</sup> Skills for Care (2023) [The State of the Adult Social Care Sector and Workforce 2023 \(skillsforcare.org.uk\)](https://www.skillsforcare.org.uk) [The state of the adult social care sector and workforce 2022 \(skillsforcare.org.uk\)](https://www.skillsforcare.org.uk)

<sup>24</sup> Skills for Care (2023) Domiciliary Care Services in the Adult Social Care Sector. Online. Available at: [Summary of domiciliary care services 2023 \(skillsforcare.org.uk\)](https://www.skillsforcare.org.uk)

<sup>25</sup> See: <https://www.gov.uk/government/consultations/care-workforce-pathway-for-adult-social-care-call-for-evidence>

- can grow and develop as our expectations of adult social care change

2.2.e.1.4 The Government promised a phased development of the pathway including a focus on registered managers, deputy managers, personal assistants and enhanced care worker roles, which it intended to publish in summer 2024. It is not clear whether or how this work will proceed following the upcoming General Election on 4 July 2024.

2.2.1.e.5 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.

2.2.1.e.6 We are supporting Skills for Care's work on developing a workforce strategy and 10-year plan for social care. We shall continue to call on the Government to support a workforce plan for the sector equivalent to the NHS people plan.

## **f. Training**

2.2.1.f.1 Skills for Care identified that establishments with higher CQC scores had a larger proportion of care workers who had undertaken training. 65.6% of care workers at the highest scoring establishments had training records on the ASC-WDS compared with 61.6% of those at the lowest scoring establishments. However, relatively little has changed in terms of training in England in the last 12 months despite the promise of the Care Workforce Pathway, outlined above. The Government has ceased the Workforce Development Fund without yet implementing its proposed new Learning and Development Fund. The latter has been delayed by the General Election.

2.2.1.f.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<sup>26 27</sup>.

## **g. Investment**

- 2.2.1.g.1 The National Audit Office has reflected that the adult social care sector remains challenged by chronic workforce shortages, long waiting lists for care and fragile provider and local authority finances. Funding and system reforms have also been delayed<sup>28</sup>.
- 2.2.1.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.
- 2.2.1.g.3 Achieving the Government's stated aim to have 80% of homecare providers in England using digital care records by March 2024 has not yet been achieved and will require continued financial and other support<sup>29</sup>.

## **h. Recruitment**

- 2.2.1.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 the previous six months. Meanwhile, 87% thought recruitment was harder than before the pandemic.
- 2.2.1.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 in late 2021<sup>30</sup>. Subsequently, the use of Skilled Worker visas for senior careworkers has been increasing.

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<sup>26</sup> SSSC (2024) [SSSC Registration Rules 2024 - Scottish Social Services Council](#)

<sup>27</sup> Social Care Wales (2022) [Social Care Wales | Registration](#)

<sup>28</sup> NAO (2023) [Reforming adult social care in England - NAO report](#)

<sup>29</sup> Department of Health and Social Care (2022) [A plan for digital health and social care - GOV.UK \(www.gov.uk\)](#)

<sup>30</sup> GOV.UK (2021) [Biggest visa boost for social care as Health and Care Visa scheme expanded - GOV.UK \(www.gov.uk\)](#)

- 2.2.1.h.3 In the year ending March 2024 there were 315,018 visas granted to work, more than double (+130%) the number prior to the COVID-19 pandemic in 2019. ‘Skilled Worker – Health and Care’ visas have provided most of the growth in work visas in the last 2 years, following the expansion of the route in late 2021 to include ‘care workers and home carers’, with 118,522 grants to main applicants in the latest year.
- 2.2.1.h.4 In the first quarter of 2024, there were 9,088 ‘Skilled Worker – Health and Care’ visas granted, 75% fewer than the first quarter of 2023 due to a large fall in visas for ‘Care workers and home carers’<sup>31</sup>.

#### **i. Job quality and security**

- 2.2.1.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.
- 2.2.1.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. 43% of the workforce in England were on zero hours contracts in the 2021/22 workforce estimates (a decrease of 3 percentage points since 2021/22)<sup>32</sup>.

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

- 2.2.2.1 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.
- 2.2.2.2 In 2022/23 around 81% of the adult social care workforce had a British nationality, 6% (99,000 filled posts) had an EU nationality and 13%

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<sup>31</sup> GOV.UK (2024) [Summary of latest statistics - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

<sup>32</sup> Workforce Intelligence / Skills for Care (2023) Workforce Intelligence Summary: Domiciliary Care Services in the Adult Social Care Sector 2020/21. Online. Available at [The State of the Adult Social Care Sector and Workforce 2023 \(skillsforcare.org.uk\)](https://www.skillsforcare.org.uk)

(192,000 filled posts) had a non-EU nationality. Therefore, on average, the adult social care sector showed a slightly greater reliance on non-EU workers than EU workers. The adult social care sector was more diverse than the population of England in terms of nationality with 19% being non-British. This compares with 9.7% of the overall population having a non-UK identity, which is an increase from 8.0% of the population in 2011<sup>33</sup>.

2.2.2.3 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<sup>34</sup>. 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.

2.2.2.4 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 a minimum of £11.90 per hour<sup>35</sup>.

## 2.2.3 How has the NLW's impact varied across different areas of the UK?

2.2.3.1 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.

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<sup>33</sup> Ibid

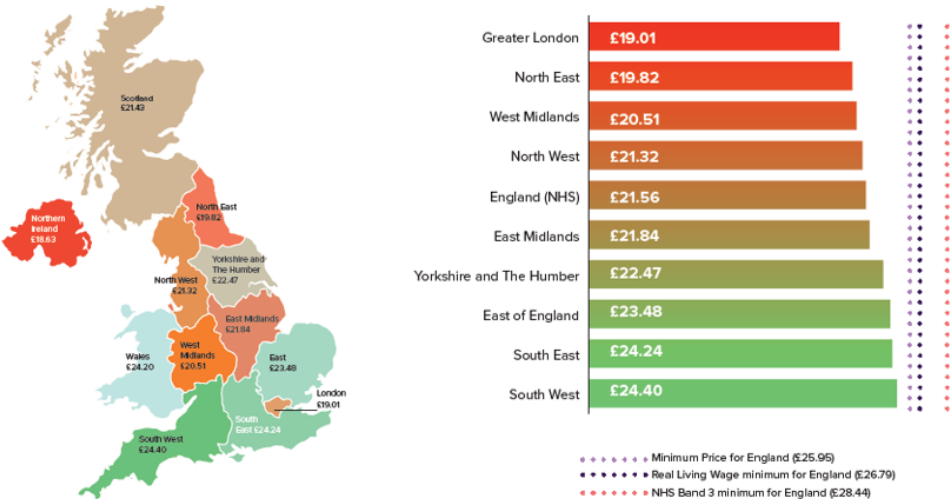
<sup>34</sup> Homecare Association (2023) [The Homecare Deficit 2023 \(homecareassociation.org.uk\)](https://www.homecareassociation.org.uk)

<sup>35</sup> Home Office (2024) [Skilled Worker visa: immigration salary list - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

2.2.3.2 There is some correlation between areas with the highest levels of deprivation and low fee rates. One example is Halton in the City of Liverpool area. Halton is ranked as the **27th most deprived local authority in England** (out of 326 local authorities). The fee rate offered for an hour of homecare in 2023 was £14.32 on average This is clearly inadequate to cover inflationary pressures, including NLW increases.

2.2.3.3 In 2023, we found that the areas paying the lowest prices were Northern Ireland, the North East, the North West, London and the West Midlands<sup>36</sup>.

### Weighted average hourly prices for homecare 2023



**Figure 2. Weighted average 2022-23 fee rate per hour by government region for regular homecare contracts with local authorities**

2.2.3.4 As we have mentioned earlier in our submission (See Figure 1 above) 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

<sup>36</sup> Homecare Association (2021) The Homecare Deficit 2021. Online. Available at: [The Homecare Deficit 2021 \(homecareassociation.org.uk\)](https://homecareassociation.org.uk)

£19.90 per hour<sup>37</sup>. Costs for visits shorter than one hour would be higher than this due to additional travelling time, for example.

- 2.2.3.5 The staff costs are made up as follows:
- Minimum wage for 1 hour of contact time with the person being supported – £11.44
  - Minimum wage for travel time between care visits - £2.35
  - Employer's national insurance - £0.88
  - Pension contribution - £0.41
  - Holiday pay, training time, sick pay, notice and suspension pay - £2.93
  - Milage/transport reimbursement – £1.89

2.2.3.6 A further £7.27 is needed to cover other necessary operating costs, such as the pay of the registered manager and office staff, training, recruitment, regulatory fees, insurance, telecoms and IT equipment, governance and general business administration. This brings the required total to a minimum of **£28.53 per hour**.

2.2.3.7 From our analysis here were 18 public organisations, whose recorded average hourly rate was even lower than the amount required to cover careworker direct costs alone (which vary by nation). In 2021, there were only four such organisations. Of the 18, a third were based in the Greater London government region. (Unsurprisingly, there were no councils in Greater London who were paying an average high enough to support the London Living Wage. According to our Minimum Price 2023-24, this would require a rate of £28.78).

## **2.2.4 At what level should the NLW be set from April 2025?**

2.2.4.1 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.

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<sup>37</sup> 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](#)

- 2.2.4.2 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.
- 2.2.4.3 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 commissioners have a track record of failing to increase fee rates paid to care providers in proportion to NLW increases.
- 2.2.4.4 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 a worsening issue with staff retention. It could also put people using services and people waiting for services at risk and overload the NHS.
- 2.2.4.5 In June 2024 the Homecare Association published a report ***Expecting the Unexpected: Homecare provider's views of hospital discharge***<sup>38</sup>.
- 2.2.4.6 The report draws on findings from focus groups with homecare providers and a survey of 283 members, who represent over 21,000 care workers that provide care and support for over 31,000 people across the UK. The report highlights the importance of getting the discharge process right to minimise stress and prioritise the individual's needs. Key findings from the report include:

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<sup>38</sup> Homecare Association (2024) [Homecare Association publishes report on hospital discharge](#)



- 35% said most discharges they were involved in were not safe
- 55% of providers said discharge paperwork doesn't reflect the person's needs and views
- 63% said people are being discharged from hospital too soon, leading to readmission.

The report also emphasises the crucial role homecare providers can play in improving outcomes and the need for their involvement in short-term and long-term service delivery and development.

2.2.4.7 The Homecare Association has put forward 35 recommendations for NHS leaders, local authorities, and the government to address these issues. These include ensuring hospitals meet people's basic needs when discharged, improving communication, including care providers in needs assessments, paying homecare providers sustainable rates on time, and involving homecare providers in shaping improvements in operations and strategic service development.

2.2.4.8 We have consistently argued 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 and sustain that funding on an ongoing annual basis.

**2.2.5 Where do employers get their information about the NLW and its future path? Now that the NLW has reached its two-thirds target, do you have any comments on how the path was calculated and communicated?**

2.2.5.1 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.

## 2.3 Experience of those on low pay over the past year

### 2.3.1 How has the 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?

2.3.1.1 In 2022/23 turnover rates in homecare, as identified by Skills for Care was 28.2%. The increase in the cost of living during 2023 may be influencing staff turnover. A particular issue for homecare services is the price of car insurance and fuel, highlighted in the Homecare Association as careworkers are required to travel between people's homes.

2.3.1.2 In research we carried out in January 2023 we 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<sup>39</sup>.

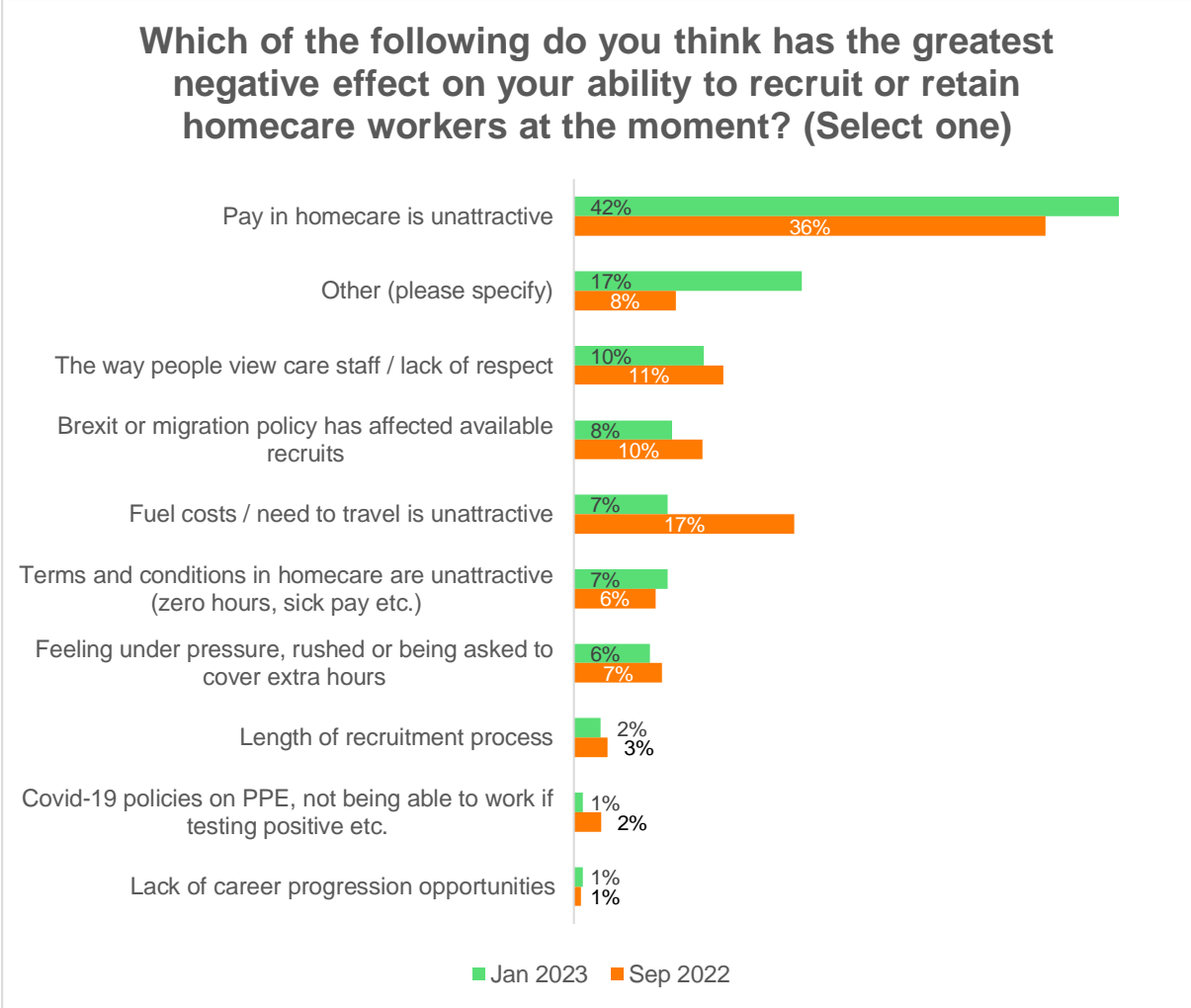
2.3.1.3 17% also selected 'Other' and respondents were invited to express their views. Many thought that all or a combination of the options, while additional factors affecting recruitment and retention included:

- 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.

2.3.1.4 A full breakdown of the responses can be found in Figure 3, below.

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<sup>39</sup> Homecare Association (2023)



**Figure 3: Results of Homecare Association Recruitment and Retention Survey January 2023**

**2.3.2 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).**

2.3.2.1 Unfortunately, we do not have any data on this.

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

2.3.3.1 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.

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

2.3.4.1 In its May 2024 Labour Market Overview the ONS reported that the UK's unemployment rate was 4.3%. This was slightly higher than the rate for the previous year (January to March 2023)

2.3.4.2 In February to April 2024, the estimated number of vacancies in the UK decreased by 26,000 on the quarter to 898,000. Vacancies decreased on the quarter for the 22nd consecutive period but are still above pre-coronavirus (COVID-19) pandemic levels.

2.3.4.3 In January to March 2024, the number of unemployed people per vacancy was 1.6, up from 1.4 the previous quarter (October to December 2023) because of rising unemployment.

2.3.4.4 This would suggest that there are no specific barriers that would prevent workers moving to a new job. As outlined above (2.2.1) Skills for Care noted that for social care not all turnover results in workers leaving the sector. Over half the workforce (57%) were recruited from within adult social care, down from 63% in 2021/22 suggesting that workers are often moving between jobs in the sector.

### **2.3.5 How has access and cost of childcare and transport affected workers' ability to move into work or to a better paying job**

2.3.5.1 Please see our answer to Question 2.3.1.

### **2.3.6 What opportunities are there for progression to better paid work for low paid workers and how common is promotion?**

2.3.6.1 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 care<sup>40</sup>. 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...*”

2.3.6.2 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. As outlined previously in this paper, the Government consulted on a care workforce pathway. The pathway presented is not a substitute for a Workforce Strategy. While it had potential to be a step in the right direction it is absolutely vital that wider issues for the social care workforce are acknowledged. Skills for Care is leading on development of a Workforce Strategy that will be published in July 2024. DHSC made a conscious decision to distance itself from this work.

### **2.3.7 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 and whether they move to another better paying job?**

2.3.7.1 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 received anecdotal reports that some careworkers move into the gig economy, where they are paid in cash and deliver unregulated care.

2.3.7.2 By November 2023, over 5 million households were claiming Universal Credit, compared with 1.66 million claiming the ‘legacy’ benefits it replaced<sup>41</sup>.

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<sup>40</sup> House of Commons (2022) Online. Available at: [Workforce: recruitment, training and retention in health and social care - Health and Social Care Committee \(parliament.uk\)](#)

<sup>41</sup> House of Commons (2023) Online. Available at: [Managed migration: Completing Universal Credit rollout - House of Commons Library \(parliament.uk\)](#)

2.3.7.3 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.

2.3.7.4 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 affected<sup>42</sup>.

## **2.4 Young people**

The NMW youth rates from 1 April 2024 are £8.60 for 18-20 year olds (a 14.8 per cent increase) and £6.40 for 16-17 year olds (a 21.2 per cent increase).

### **2.4.1 How have recent changes in the minimum wages for young people affected their employment prospects?**

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

2.4.1.2 Skills for Care estimates that around 8% of careworkers in England are under the age of 25, as compared with 14% in the wider economy<sup>43</sup>.

### **2.4.2 The NLW age of eligibility came down from 23 to 21 on April 1 2024 – what has been the impact of this?**

2.4.2.1 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.

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<sup>42</sup> See for example: [Implementing the Real Living Wage for social care workers in Wales | GOV.WALES](#)

<sup>43</sup> Skills for Care (2024) [The State of the Adult Social Care Sector and Workforce 2023 \(skillsforcare.org.uk\)](#)

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

2.4.3.1 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.

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

2.4.4.1 The number of young people in employment in January to March 2024 was 248,000 lower than the previous year, to 3.60 million<sup>44</sup>.

2.4.2.2 The number who are economically inactive (not in or looking for work) increased by 297,000 compared to the previous year, to 3.00 million. This is close to the highest recorded level since records began in 1999.

2.4.2.3 Between November 2022 and January 2023, 2.61 million young people were economically inactive according to the Office for National Statistics (ONS) Labour Force survey<sup>45</sup>.

2.4.2.4 Since the COVID-19 pandemic, 62,000 more young people have become economically inactive, an increase of 2%. The inactivity rate for young people has risen from a pre-pandemic rate of 37.1% to 38.2%.

2.4.2.5 In comparison, the youth unemployment rate has fallen from 12.3% in January to March 2020 to 10.8% in November to January 2023. The employment rate has decreased from 55.2% to 55.1% over the same period. There has been an overall decrease of 37,000 in the number of people aged between 16 to 24.

2.4.2.6 Research by the Resolution Foundation found that the main reason for young men aged between 18 to 24 leaving the labour market is ill health, particularly poor mental health. However, there has been a decrease in inactivity due to looking after the family/home among young

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<sup>44</sup> House of Commons Library (2024) [Youth unemployment statistics - House of Commons Library \(parliament.uk\)](#)

<sup>45</sup> House of Commons Library (2024) [Why are young people leaving the labour market? \(parliament.uk\)](#)

women in the long run: young women are becoming less likely to have children and those that do are more likely to be in employment<sup>46</sup>.

**2.4.5 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?**

2.4.5.1 As above, homecare providers do not generally offer different rates of pay for young workers.

**2.4.6 At what level should these rates be set from April 2025?**

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

**2.4.7 Our [advice to the Government on the future of the NMW](#) recommended lowering the threshold for the NLW over time to 18 if the evidence allows. We welcome any comments on these recommendations.**

2.4.7.1 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.

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<sup>46</sup> Resolution Foundation (2023) [Concerning rise in NEETs driven by uptick in youth unemployment • Resolution Foundation](#)



## 2.5 Apprentices

The NMW Apprentice Rate from 1 April 2024 is £6.40 (a 21.2 per cent increase).

### 2.5.1 The Apprentice Rate increased substantially this year. What do you expect the effects of this increase to be?

2.5.1.1 We do not think that the Apprenticeship Rate is widely used in the homecare sector.

### 2.5.2 What is the outlook for the recruitment and employment of apprentices?

2.5.2.1 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. 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.

### 2.5.3 How widely used is the Apprentice Rate (including pay rates above the Apprentice Rate but below the relevant age-related minimum wage rate)? What kind of apprenticeships are paid this rate? What kind of jobs do these apprenticeships (paid at or just above the Apprentice Rate) lead to?

2.5.3.1 As we have not seen widespread use of apprenticeships in the front-line homecare workforce use of the Apprentice Rate is, consequently, less likely to be used.

2.5.3.2 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 different demands in terms of

English and maths skills, learning style and time commitment, for example, than simply doing the Care Certificate.

- 2.5.3.2 Around 28,700 people started a social care apprenticeship in 2021/22, which was 15% less than the previous year, and around 71% less than in 2016/17. Information for the 2022/23 academic year is not yet available. Contributing factors to this decrease include the transition from frameworks to standards, and the changes to apprenticeship funding through the apprenticeship levy.

**2.5.4 Our [advice to the Government on the future of the NMW](#) recommended lowering the threshold for the NLW over time to 18 if the evidence allows. We welcome any comments on these recommendations.**

- 2.5.4.1 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.

## **2.6 Compliance and enforcement**

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

- 2.6.1.1 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 collecting PPE and training as working time, which is unfunded. Public organisations in England, including both councils and NHS Commissioning bodies paid, on average, significantly below the rate we believe is necessary to deliver care.
- 2.6.1.2 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.

2.6.1.3 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.

2.6.1.4 The National Minimum Wage is a complex area of UK law which is often confused by conflicting case law. The Homecare Association wants to support compliance within the homecare sector, so we publish a “National Minimum Wage Toolkit” 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<sup>47</sup>. 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.

## **2.6.2 What comments do you have on HMRC’s enforcement work?**

2.6.2.1 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.

2.6.2.2 More widely, we believe that HMRC needs to conduct more inspections and highlight systemic issues with NLW non-compliance, such as low

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<sup>47</sup> Homecare Association (2023) National Minimum Wage Toolkit. Online. Available at: [Homecare Association's National Minimum Wage Toolkit](#)

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.

- 2.6.2.3 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.

## **2.7 Accommodation Offset**

### **2.7.1 What has been the effect of recent increases in the offset on employers' decisions on the provision of accommodation?**

- 2.7.1.1 Not all providers seem to realise that supporting careworkers with housing can affect NLW calculations<sup>48</sup>. 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.

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

- 2.7.2.1 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

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<sup>48</sup> <https://www.gov.uk/national-minimum-wage-accommodation>

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.

### **2.7.3 Are there particular issues created by the current design of the offset?**

2.7.3.1 The Accommodation Offset is too low to be helpful. This may drive unethical practices such as making numbers of sponsored workers share one room. If it were more generous, though, it could raise issues of inequality for careworkers who are not provided with accommodation.

### **2.7.4 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 effect the accommodation they provide?**

2.7.4.1 As outlined above, the accommodation provided for live-in care workers would be the client's home. This would create problems for an enforcement regime as neither the employer nor careworker would have control over the accommodation.

### **2.7.5 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 hour's requirement?**

2.7.5.1 We believe there is a role for regulators to upskill and communicate with the social care sector in order to encourage compliance. If minimum hours are set before the accommodation offset is deducted, it could exclude careworkers from accepting some lower priced care packages and focusing on those offering higher rates that even allowing for the accommodation offset would afford them a salary that they would deem acceptable.

2.7.5.2 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 Offset<sup>49</sup>. We have also engaged with HMRC with respect to sector-wide guidance on compliance with the rules related to Accommodation Offset.

## 2.8 Economic outlook

### 2.8.1 What are your views on the economic outlook and business conditions in the UK for the period up to April 2025? We are particularly interested in:

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

#### 2.8.1.1 Economic Recovery

In March 2024 KPMG published its Economic Outlook<sup>50</sup>.

It highlighted that UK economy staged an early recovery from a technical recession in the second half of 2023, with real GDP growth expected to be 0.3% in 2024, and to accelerate to 0.9% in 2025. We expect improving incomes to bolster consumer spending, while investment should also benefit from easing credit conditions. The longer-term outlook is for growth of just 1% this decade. Despite this, careworkers fall into low income brackets and the high cost of living remains a problem.

#### 2.8.1.2 Inflation

The outlook for inflation was broadly positive, supported by favourable developments in food and energy prices. KPMG expects inflation to return to its 2% target in the first half of 2024. There are risks to the outlook though. Disruptions in the Red Sea and relatively strong wage growth could see inflation stay higher for longer.

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<sup>49</sup> Homecare Association (2023) National Minimum Wage Toolkit. Online. Available at: [Homecare Association's National Minimum Wage Toolkit \(Members-Only publication\)](#)

<sup>50</sup> KPMG (2023) [UK Economic Outlook - KPMG UK](#)

On interest rates KPMG identified that weakening inflationary pressure should put the Bank of England in a position to begin cutting interest rates this summer. We expect interest rates to fall by 100 basis points this year and to settle at 3% in the second half of 2025.

Overall, the labour market was softening, with employers hesitant to commit to new hires. KPMG expects the unemployment rate to drift upwards from 4% in 2023 to 4.2% in 2024 and 4.5% in 2025. But rising inactivity and a smaller working-age population could curtail labour supply. Across the UK, recruitment in homecare remains challenging and international recruitment is the only way to expand services.

Nominal pay growth was set to moderate further. But was expected to remain well above inflation, improving household purchasing power.

### 2.8.1.3 **Demand for Homecare**

According to Laing Buisson's 2019 estimates, outlined previously, the majority of homecare is purchased by 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.

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.

### 2.8.1.4 **Local Government Finances**

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:

- One in nine councils were granted emergency Government support this year to help them meet their legal obligations to balance their budgets<sup>51</sup>.
- Councils would need an extra £5.4bn this year to meet adult social care demand and cover the full costs of care, according to the Health Foundation<sup>52</sup>.
- The cost for authorities of funding this year's 10% increase in the national living wage for the adult social care sector is £1.6 billion according to the Local Government Association (LGA)<sup>53</sup>.

#### 2.8.1.4 **Impact of General Election**

On 22 May 2024, the Prime Minister called a General Election on 4 July 2024.

The outcome and subsequent policy decisions will, potentially, have a profound impact on the homecare sector.

#### 2.8.1.5 **Manifesto Commitments**

Each of the main parties has made commitments on social care, outlined below.

##### 2.8.1.5.a **Conservative Party**

The Conservative manifesto from 2019 pledged to build a “cross-party consensus” for reforming adult social care. Their goal was to ensure that nobody needing care would be forced to sell their home to pay for it.

The government's chosen vehicle for this reform was the adult social care charging reforms legislated under the Care Act 2014. These reforms included capping lifetime personal care costs at £86,000 and raising the upper asset threshold for council-funded care.

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<sup>51</sup> GOV.UK (2024) [Exceptional financial support for local authorities for 2024-25 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/exceptional-financial-support-for-local-authorities-for-2024-25)

<sup>52</sup> Health Foundation (2024) [Adult social care funding pressures - The Health Foundation](https://www.healthfoundation.org.uk/news/adult-social-care-funding-pressure)

<sup>53</sup> Local Government Association (2024) [Spring Budget 2024: LGA submission | Local Government Association](https://www.local.gov.uk/news/spring-budget-2024-lga-submission)



In his 2022 Autumn Statement the Chancellor announced that the reforms would be delayed until October 2025. It remains uncertain whether they will proceed under the next government<sup>54</sup>.

Similarly, it is not clear whether work on the Care Workforce Pathway (See response to Question 2.2.1) would proceed under a new Government.

#### 2.8.1.5.b **Labour Party**

##### **National Care Service:**

Labour aims to introduce a 'national care service' for adult services over the next decade. However, the specifics of what this entails remain unclear.

Similar initiatives in Scotland and Wales have, as yet failed to deliver.

##### **Fair Pay Agreement:**

In the short term, Labour plans to develop a fair pay agreement for staff working in adult social care. This initiative aims to improve pay and conditions across the sector to enhance recruitment and retention<sup>55</sup>.

#### 2.8.1.5.c **Liberal Democrats**

The Liberal Democrats outlined plans to reform social care in the UK, with a renewed emphasis on helping people live well in their own homes and supporting care workers and unpaid carers.

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<sup>54</sup> GOV.UK (2022) [AUTUMN STATEMENT 2022 \(publishing.service.gov.uk\)](https://www.gov.uk/government/speeches/autumn-statement-2022)

<sup>55</sup> Labour Party (2024) [Labour's Plan to Make Work Pay: Delivering A New Deal for Working People – The Labour Party](#)

Free personal care, based on the model introduced in Scotland was also raised, at an estimated cost of £2.7 billion.

#### 2.8.1.5.d **Devolved Administrations**

The Scottish government renewed its commitment to a National Care Service and a pay uplift to £12 per hour for adult social care workers in commissioned services<sup>56</sup>. However, progress on implementing the National Care Service have been slow and cost estimates have risen to between £664 million and £1.26 billion.

Wales remains committed to introducing a National Care Service<sup>57</sup>.

#### 2.8.1.5.d **CQC oversight of local authority commissioners**

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.

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.

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<sup>56</sup> Scottish government (2024) [Vision for health and social care: Health Secretary speech - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/vision-for-health-and-social-care/paragraphs/100-to-110/pages/100-to-110.pdf)

<sup>57</sup> Welsh Government (2022) [Establishing a national care and support service | GOV.WALES](https://gov.wales/establishing-a-national-care-and-support-service/)

We had hoped that this might highlight issues with commissioning and how this is shaping the market and affecting care. However, reports published so far fail to address these issues and in May 2024 a review of CQC's effectiveness was requested by Government under Public Bodies Review Programme<sup>58</sup>.

**2.8.2 To what extent have employers been affected by other major trends 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?**

2.8.2.1 Please see our response to Question 2.2.1.

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

2.8.3 Please see our response to Questions 2.2.1, 2.2.3, 2.3.1 and 2.3.7.

**2.8.4 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?**

2.8.4.1 As argued throughout this paper, 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, 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<sup>59</sup>.

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<sup>58</sup> GOV.UK (2022) [Public Bodies Review Programme - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

<sup>59</sup> Care Quality Commission (2023) [State of Care 2022/23 - Care Quality Commission \(cqc.org.uk\)](https://www.cqc.org.uk)

## **2.8.5 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?**

- 2.8.5.1 According to Skills for Care, the median hourly rate for careworkers decreased, in real terms, by 3.3% between March 2022 and March 2023. This compares to an average increase of 1.1% per year since March 2016. This decrease was driven by the high cost of living in 2021/22 and 2022/23 with inflation rising to 10.1% in the 12 months to March 2023<sup>60</sup>.
- 2.8.5.2 As we have identified earlier in this paper, Commissioners of state-funded care continue to pay unsustainable rates to providers. We continue to ask 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.

## **2.9 Conclusion**

- 2.9.1 In conclusion, we remain concerned that the NLW increases next year and following the significant increase in the NLW in 2023 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).
- 2.9.2 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.

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<sup>60</sup> Skills for Care (2023) [The State of the Adult Social Care Sector and Workforce 2023 \(skillsforcare.org.uk\)](https://www.skillsforcare.org.uk/The-State-of-the-Adult-Social-Care-Sector-and-Workforce-2023)



