Written submission from Social Care Institute for Excellence (SCIE) (ERB0035)

Social Care Institute for Excellence (SCIE) response to the Business and Trade Committee inquiry on 'Make Work Pay: Employment Rights Bill'

Overview

The Social Care Institute for Excellence (SCIE) welcomes the opportunity to respond to the Business and Trade Committee inquiry on 'Make Work Pay: Employment Rights Bill'.

SCIE is a leading independent social care improvement charity working with organisations that support adults, families and children across the UK. Our mission is to improve the lives of people of all ages by co-producing, sharing, and supporting the use of the best available social care evidence about what works in practice. We also work closely with related services such as health care and housing. We improve the quality of care and support services for adults and children by:

- identifying and sharing evidence about what works and what's new;
- supporting people who plan, commission, deliver and use services to put that evidence into practice; and
- informing, influencing and inspiring the direction of future social care practice and policy.

While the Fair Pay Agreement in the Employment Rights Bill represents an opportunity to improve wages and conditions for care workers, it must not disadvantage people who draw on care and support. The Bill should include clear provisions ensuring that funding for personal budgets and direct payments is adjusted in line with any wage increases to ensure that individuals can continue to access the care and support they need without compromising their quality of life or autonomy. It is essential that fairness remains the driving principle in the legislation, and that unintended consequences are carefully considered and addressed to prevent the erosion of care and support quality for those who draw on personal budgets.

Our response focuses on potential weaknesses and unintended consequences in the Employment Rights Bill, particularly related to funding mechanisms for the Fair Pay Agreement due to be introduced for adult social care staff and the impact on people who draw on care and support. We emphasise that fairness must be a guiding principle to ensure that those who self-fund care or use personal budgets are not disproportionately affected.

SCIE's Chief Executive, Kathryn Smith, would be happy to give oral evidence to the Inquiry.

Are there weaknesses or loopholes in the Bill that could be exploited or have unintended consequences?

The introduction of the Fair Pay Agreement within the Employment Rights Bill is an important step towards improving the wages and working conditions for workers in the adult social care sector. The establishment of an Adult Social Care Negotiating Body is also a significant development, aiming to address long-standing issues in the sector. The ambition to improve wages and conditions for staff, particularly in a sector that has been historically undervalued, is commendable. However, there are several areas where care must be taken to avoid unintended consequences, especially for individuals who manage personal budgets and employ personal assistants (PAs).

While the intention of improving pay and working conditions is to be welcomed, the impact of the Fair Pay Agreement on people who draw on care and support must be closely examined. In particular, those who fund their own care or employ their own PAs could find themselves in a precarious position if wage increases are not matched by corresponding funding uplifts. This situation could lead to reductions in care hours or a diminishment in the quality of care, which would be detrimental to the individuals who rely on this support for their autonomy and well-being.

A useful comparison can be drawn from research which followed the implementation of the Care and Support Workers (Pay Equity) 2017 Act in New Zealand. The report from the New Zealand Work Research Institute 'The Impact of the Pay Equity Settlement' showed that care staff experienced difficulties due to wage increases that were not matched by proportional adjustments to the funding for care recipients. As a result, many individuals who employed PAs or funded their own care were forced to make difficult trade-offs, reducing care and support hours or quality to accommodate the increased wage obligations.

If similar discrepancies between wage increases and funding mechanisms occur in the UK, individuals managing personal budgets may be unable to afford the same levels of care and support, undermining their autonomy and potentially leading to a lower quality of life.

To mitigate these risks, the Bill must clarify how funding mechanisms for personal budgets and direct payments will adjust in response to increased wage costs. It is essential that the Fair Pay Agreement does not inadvertently erode the ability of individuals to access the care they require. If wage increases do not come with corresponding funding uplifts for personal budgets, it could place significant strain on individuals who are already managing limited resources.

One of the key challenges that may not have been fully considered in the UK context is the variability in care and support needs and the complex financial landscapes that many people who employ PAs navigate. For example, people with complex care and support needs may draw on multiple PAs, which increases the overall cost of care and support. Without appropriate funding adjustments, these individuals could face a reduction in the care and support hours they draw on or be forced to make difficult choices between paying for care and support or other essential living costs.

The funding mechanisms must be designed in a way that ensures these individuals can continue to afford the care they need, without being forced to make difficult trade-offs. This will be crucial to ensure that the ambition of fair pay for care workers does not result in unintended negative consequences for the very individuals the legislation seeks to support.

Further, the Employment Rights Bill: economic analysis and summary impact assessment makes clear that the government expects that the costs of the Fair Pay Agreement in adult social care will lead to higher costs for local authorities commissioning services and self-funders.

Local authorities are currently unable to pay the true cost of care, according to the Association of Directors of Adult Social Services (ADASS). This inability has resulted in a cross-subsidisation of the state by individuals who self-fund their care. Care staff pay is directly impacted by fees paid for care by local authorities and those who self-fund and, as such, providers who rely more heavily on local authority-funded residents are more restricted in their ability to increase rates of pay without being financially constrained, which has a direct correlation to the recruitment and retention issues experienced by the sector.

Without clear funding pathways, the Fair Pay Agreement will shift financial pressures onto those who draw on care and support, especially self-funders, limiting access to care for those unable to afford rising costs. Investing in higher staff wages cannot be achieved without a concomitant rise in funding to local authorities. As an extremely labour-intensive sector, workforce costs make up a substantial proportion of the total costs of running care services, with care providers extremely sensitive to wage changes and funding pressures.

What impact will these measures have on staff retention, hiring practices, probationary periods and wages?

The social care workforce is fundamentally unsustainable, described as a 'leaky bucket' by Skills for Care, characterised by a significant vacancy rate, high turnover rate and poor retention rate. The current vacancy rate is three times higher than that of the wider economy. High turnover has a knock-on effect on people's care experiences and care outcomes, from poor care coordination to safety risks.

There are a number of factors contributing to this unsustainability ranging from wages, which are amongst the lowest in the economy. Skills for Care in 'The state of the adult social care sector and workforce in England 2024' estimated that 5 years of experience only equates to 10p per hour more than a new starter. Social care is delivered by 18,500 organisations across 40,000 locations across a spectrum of different care needs, and this diversity of provision means social care is not well understood by the public.

Evidence from the Care Quality Commission report 'The state of health care and adult social care in England 2023/24' suggests the high turnover of staff has an adverse effect on the quality and safety of care provision. High turnover disrupts the continuity and quality of care for those in receipt of care services. It also increases the burden on the remainder of the workforce, particularly when vacancies are hard to fill, as well as increasing costs for care providers, who must spend time and money on the recruitment, induction and training of new staff.

As such, the introduction of a Fair Pay Agreement, and investing in staff wages and better working conditions in ways that stabilise the workforce will also reap benefits for people who draw on care and support. This extends to ensuring ethical recruitment practices, underpinned by the principles of the Modern Slavery Act 2015.

The report 'Wages and labour supply in the Adult Social Care sector' from the University of Kent and The London School of Economics and Political Science demonstrated that increasing wages in the adult social care sector can increase employment, with a 5% increase in real wages in the sector likely increasing employment by 9 to 11%.

Measures to improve staff numbers and retention rates in the adult social care sector are crucial as the number of people over 65 in the UK is expected to grow most sharply over the next decade, which means 430,000 extra posts will be needed by 2035, according to the Skills for Care report, 'A Workforce Strategy for Adult Social Care'.

How will the Plan to Make Work Pay impact: Economic growth?

Reducing the turnover by investing in staff wages and better working conditions will not only reap benefits for people who draw on care and support, but it will also have a positive economic benefit for the sector. High turnover increases costs for care providers, who must spend time and money on the recruitment, induction and training of new staff. Skills for Care in their 'Study into the impact of a values based approach to recruitment and retention' show that it costs, on average, £4,000 for hiring and £2,229 for training new employees.

Investment in the social care sector will be offset by the economic growth the investment will create. Skills for Care in 'The state of the adult social care sector and workforce in England 2023' estimates that for every £1 invested in social care, £1.75 would be generated in the wider economy. While Smith Institute in 'The Living Wage Dividend' show that if a quarter of low-paid workers had their pay increased to the real Living Wage, the UK economy would grow by £1.7 billion. This does not take into account the value of unpaid carers; Carers UK in 'Valuing Carers 2021' estimate that unpaid carers in England and Wales contribute £445 million to the economy in England and Wales every day; that's £162 billion per year.

We believe the social care sector can serve as an engine of economic growth. The value of the social care sector to our economy is immense. According to the Skills for Care report 'The state of the adult social care sector and workforce in England 2024' the social care sector contributes £68.1 billion annually to our economy. Supporting the social care workforce will help to improve the sector's substantial contribution to the economy and help people return to work.

If you have any questions regarding this submission, please do not hesitate to contact George Appleton, Head of External Affairs, SCIE.