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**Group House, 2<sup>nd</sup> Floor, 52 Sutton Court Road, Sutton,  
Surrey, SM1 4SL**

**Tel: 020 8288 5291 Fax: 020 8288 5290**

**e-mail: [helpline@ukhca.co.uk](mailto:helpline@ukhca.co.uk) [www.ukhca.co.uk](http://www.ukhca.co.uk)**

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Susan Duffy  
Clerk to the Local Government and Communities Committee  
Room T3.40  
The Scottish Parliament  
Edinburgh  
EH99 1SP

11 June 2009

Dear Susan Duffy

### **Home Care Services For The Elderly**

We welcome this opportunity to provide evidence for the inquiry into tendering of home care services. UKHCA is the professional association of homecare providers from the independent, voluntary, not-for-profit and statutory sectors. The association represents nearly 1,700 organisations across the United Kingdom, including 78 in Scotland.

UKHCA believes that the use of reverse e-auctions in state funded social care is shameful. It drives down the price paid to providers therefore making it extremely difficult for them to pay fair wages to their workers, develop the workforce and retain skilled care workers to the detriment of the care of older, frail and disabled people.

Like many others, UKHCA was shocked and appalled by the Panorama programme of 9 April about standards in the homecare sector. However, we need to recognise that the issues identified by the programme of low pay, inadequate training and poor management are the result of local authorities driving down the prices paid to home care providers. Reverse e-auctions exacerbate the squeeze on prices by getting social care providers to undercut each other.

UKHCA believes that to ensure the effectiveness of the independent care at home sector in Scotland, local authorities must pay the fees that reflect the true cost of service provision, including recovery of recruitment costs, workforce development and a sustainable pay-rate that retains skilled and qualified care workers in the sector. Fee increases in contracted business must take full account of inflation and regulatory requirements.



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UNITED KINGDOM HOME CARE ASSOCIATION LIMITED

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## **Scotland's care at home in context**

As in England and Wales, local authorities in Scotland are increasingly purchasing care at home services from the private and voluntary sector rather than providing it themselves. The proportion of services provided solely by Scottish local authorities decreased from 89% in 1998 to 52% in 2008, with the majority of the decrease due to the increase in service provided or purchased solely from the voluntary and private sectors.<sup>1</sup>

Private and voluntary sector providers have far higher levels of contact hours with clients than local authority providers, suggesting that independent sector providers undertake much more complex and difficult types of care than council in-house teams. The average number of contact hours per client in 2008 was 16 hours from the independent sector but just 6.9 hours from local authority providers.<sup>2</sup>

## **Opportunities and threats**

There are clear predictions that demand for home care services in Scotland will increase dramatically over the next 25 years because of the ageing of the population. The number of people in Scotland of pensionable age is projected to rise by around 31 per cent by 2031, while the number of people aged 75 and over is projected to rise by around 81 per cent. This compares to just a 5% growth in the overall population.<sup>3</sup>

A strong stable independent sector in Scotland is therefore essential for the continued delivery of state-funded home care services and for self-funding users,<sup>4</sup> which provide people with the support, practical help and personal care they need to live independently as possible in the community.

In a national survey at the end of 2008, currently being analysed, UKHCA found that providers in Scotland traded with an average of 1.2 authorities, compared with an average of 2.2 authorities in England and Wales. The same survey found that 64% of providers in Scotland were dependent on local authorities for three-quarters of their business. 36% of provider's

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<sup>1</sup> Home care services, Scotland, 2008, Scottish Government National Statistics, November 2008. <http://www.scotland.gov.uk/Resource/Doc/248506/0071243.pdf>.

<sup>2</sup> Home care services, Scotland, 2008, Scottish Government National Statistics, November 2008. <http://www.scotland.gov.uk/Resource/Doc/248506/0071243.pdf>.

<sup>3</sup> Projected Population of Scotland, 2006 based, General Register Office for Scotland, October 2007. <http://www.gro-scotland.gov.uk/files1/stats/projected-population-of-scotland-2006-based/projected-population-of-scotland-2006-based.pdf>.

<sup>4</sup> Although there is no data on numbers of self-funding service users in Scotland, Lord Sutherland's Independent Review of personal and nursing care in Scotland estimates placed private purchase of home care at an estimated £34 million, but added that this should be treated as a lower bound estimate.

businesses were entirely dependent on council commissioned services. Consequently, the home care sector's ability to thrive is heavily influenced by the dominant purchasing power of local authorities in Scotland.

### **What is a fair price for care?**

A fair price for care cannot be calculated as a single price across Scotland, as there is no standard specification for care at home services and prices are highly influenced by conditions in the local supply of labour. However, it must reflect the true cost of service provision. This includes costs such as wages (the biggest component of provider's costs), workforce development and recruitment and retention. In addition, voluntary organisations and independents should expect to receive a reasonable return on their capital investment.

### **Downward pressure on prices**

Providers believe that some commissioners are using their dominant position to put downward pressure on prices. Councils generally contract with the independent sector through 'spot' and 'block' contract arrangements<sup>5</sup> to pre-defined contract terms and specifications. Successful providers are appointed on the basis of lowest price, or on a balance between price and quality.<sup>6</sup> Both systems generate a downward pressure on charge rates. In some instances, council contracts even define not just the terms and specification but also the purchase price, creating a 'take it or leave it' decision for providers.

In addition, councils often award increases below the prevailing inflation rate, and fail to award the cost of regulation in the sector and the labour market; something particularly onerous for providers in Scotland where regulatory fees are approximately double that for England.

Below-inflation increases squeeze providers' margins, an effect that is compounded over successive years of a contract, and can destabilise the system; leading to unplanned exits by providers from the market.

By holding down prices to a level that does not recognise the real costs to providers is, as the Department of Health notes, "*short-sighted and may put*

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<sup>5</sup> The term 'block contract' is often used inappropriately and is rarely seen in practice, although a 2008 Scottish Joint Improvement survey/Association of Directors of Social Work survey found that 40% out of 23 authorities who responded to the survey have block contracts. A block contract requires commissioners to pay for a pre-determined number of hours of care, whether or not the services are requested during the contract time.

<sup>6</sup> A UKHCA survey of Scottish providers in 2008 found that 43% of managers believed that their councils were more interested in low price than high quality; just 16% thought that quality was valued over price.

*individuals at risk.*<sup>7</sup> It also tends to encourage the development of a low paid casualised workforce.<sup>8</sup>

The driving down of prices paid to the independent sector can only be exacerbated by the use of reverse e-auctions. As we pointed out in our letter to the Times published on 3<sup>rd</sup> June 2009:

*"That councils seek further price reductions by getting social care providers to undercut each other during an online auction damages staff wages and discourages experienced staff from working in the sector, to the detriment of older, frail and disabled people most in need of high quality care."*<sup>9</sup>

### **Implications for staff recruitment and retention**

Care at home providers in Scotland report increasing difficulty in recruiting care workers. It is too early to see what impact the economic recession will have on this, but a survey in Scotland carried out by UKHCA in 2008 found that 69% of providers describe recruitment as difficult or very difficult.<sup>10</sup> The most common reason given was a general shortage of available labour in the market.

There is also an element of 'churning' within the workforce, with organisations being forced to recruit from competitors rather than attracting new recruits to the sector for the first time. For example, two-thirds of workers had previously worked for another home care organisation in UKHCA's 2004 survey.<sup>11</sup> This shows that the existing workforce is relatively mobile, which inevitably undermines continuity of care.

Difficulty recruiting and retaining care workers in the sector are exacerbated by commissioning practice that can prevent providers from:

- Paying workers for induction training.
- Offer enhanced pay rates for staff holding vocational qualifications.

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<sup>7</sup> *Building Capacity and Partnership in Care: An Agreement between the statutory and the independent social care, health care and housing sectors*, Department of Health, October 2001. [http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH\\_4006241](http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_4006241)

<sup>8</sup> *Social Care Workforce Development*, SPICe Briefing, The Scottish Parliament, The Information Centre, 10 April 2002. [http://www.scottish.parliament.uk/business/research/pdf\\_res\\_brief/sb02-38.pdf](http://www.scottish.parliament.uk/business/research/pdf_res_brief/sb02-38.pdf)

<sup>9</sup> <http://www.timesonline.co.uk/tol/comment/letters/article6417811.ece>

<sup>10</sup> Overall, 12% described recruitment as very difficult, 57% as difficult, 20% as neither difficult or easy, 6% as easy and 6% as very easy.

<sup>11</sup> *Who Cares Now? An updated profile of the independent sector home care workforce in Scotland*, page 53, UKHCA (2004). [www.ukhca.co.uk/pdfs/whocaresnowscotland.pdf](http://www.ukhca.co.uk/pdfs/whocaresnowscotland.pdf).

- Reducing the migration of careworkers to the more favourable (and more costly) statutory sector - anecdotal reports suggest that there is a continuous migration of careworkers from the independent sector to local authorities, who are often able to offer more favourable terms and conditions.

### **Recommendations to the Local Government and Communities Committee**

The Association would urge the Committee to recommend to the Scottish Government that the use of reverse e-auctions in tendering for social care be prohibited. To reiterate, reverse e-auctions drive down the price paid to providers therefore making it extremely difficult for them to pay fair wages to their workers, develop the workforce and retain skilled care workers to the detriment of the care of older, frail and disabled people.

We also call upon the Committee to recommend to the Scottish Government that local authorities pay fees to providers that reflect the true cost of service provision, including recovery of recruitment costs, workforce development and a sustainable pay-rate that retains skilled and qualified care at home workers in the sector.

Yours sincerely,

**Francis McGlone**  
Senior Policy Officer

Direct line: 020 8288 1712  
E-mail: [francis.mcglone@ukhca.co.uk](mailto:francis.mcglone@ukhca.co.uk)

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