

No More Pips to Squeak

A UKHCA briefing paper



Realising the potential of the independent homecare sector

The independent homecare sector is under stress as never before. Local authority commissioners are exerting pressure on independent providers to reduce their costs and make efficiency savings while, at the same time, annual contract price reviews barely recognise additional statutory and regulatory costs, thereby limiting providers' ability to reward their staff and develop the workforce. This pressure is likely to grow as central government calls upon local authorities to make large public sector budget cuts. UKHCA believes that, to ensure the continuing effectiveness of the independent homecare sector and to maximise its potential, local authorities must pay fees that reflect the true cost of service provision, including the real cost of regulatory changes, workforce development and a sustainable pay-rate that retains a skilled and qualified workforce.

Recommendations for local authorities

- Pay fees that recognise the real cost of regulatory changes, including the costs associated with the new vetting and barring scheme.
- Ensure that independent and voluntary sector providers are able to pay fair wages to their workers that retain skilled and qualified workers in the sector.
- Recognise that the Gershon review of public sector efficiency was never designed as a way of cutting back on frontline services.
- Be aware that cost saving mechanisms, such as only paying for contact time and E-auctions, make it extremely difficult for providers to pay fair wages to their workers, develop the workforce and retain skilled care workers to the detriment of the care provided.
- Accept that it will not be possible to pass on reductions in social care funding to providers because of the current economic downturn - there are no more pips to squeak.

Homecare providers under pressure

Homecare providers are coming under increasing pressure from local authority commissioners exercised by efficiency savings and reducing costs of services; a pressure likely to grow as local authorities attempt to pass on reductions in social care funding because of the current economic downturn.

If discussions do take place between providers and commissioners, they centre on how providers can aid authorities to achieve annual "Gershon review" savings of 2.5%, rather than how providers can contribute to the personalisation agenda. However, Sir Peter Gershon's review of public sector efficiency was never designed as a way of cutting back on frontline services but rather to set out the scope for further efficiencies within the public sector's back office, procurement, transaction service and policy making functions.¹

Barely recognising additional statutory costs

2010 sees wholesale changes in the way in which England's homecare sector will be regulated. A new health and social care regulator, the Care Quality Commission (CQC), has been operating since April 2009 and by October 2010 it plans to register existing homecare services under a new regulatory framework. These services must subsequently adapt their policies and procedures to comply with the new regulatory regime. While there is no information on what registration costs may be, it is accepted that the scale of regulatory change will inevitably have an associated cost.

A further regulatory change includes the plan to revoke the reduction in the standard rate of VAT on 31 December 2009 from 15% back to 17.5%.

Annual contract price reviews are barely recognising homecare providers' additional statutory costs. In 2007, UKHCA's survey of local authorities indicated that 38% would not be implementing any contract increase, despite new statutory holiday entitlement from October 2007 alone estimated to add 2% to the wage bill.²

A new vetting and barring scheme has been introduced in phases from 12 October 2009. The membership fee will be £64 per careworker with all care staff phased into the scheme over five years from November 2010.³ There was no public consultation on the proposed costs of the scheme.

¹ Releasing resources for the frontline: Independent Review of Public Sector Efficiency, H.M. Treasury (2009). P42. http://www.hm-treasury.gov.uk/d/efficiency_review120704.pdf

² A fair price for homecare, UKHCA media release (2007).

www.ukhca.co.uk/mediastatement_information.aspx?releaseID=22

³ The figure excludes the administrative charge made by Umbrella Bodies for carrying out criminal record checks

It is significant that the costs of joining the Vetting and Barring scheme are payable by the worker themselves. UKHCA estimates that the additional cost to the workforce (or providers who choose to pay the costs on behalf of their workers) is an additional £18 million over five years, above those already incurred.

This is an "individual" one-off registration fee that follows the worker in their career with vulnerable adults and children but is a considerable amount in a low paying sector and staff will inevitably look to their employers to help them pay the fee. We are extremely pessimistic that local authorities will recognise the burden of registration fees in their contract prices, creating a disincentive for employers to pay their workers' costs.

If local authority commissioners do not recognise these costs in their contracts, homecare workers may have to pay for their own registration costs. This has the potential to impact severely on homecare worker recruitment and retention even further and as a "flat fee" unrelated to income will have a greater impact on poorer paid sections of society.

Only paying for contact time

Other "cost saving" mechanisms used by local authority commissioners include only paying for contact time – sometimes only by the minute - or using short care episodes of 15 minutes for personal care. This will inevitably impact on the wellbeing and job satisfaction of the workforce, and satisfaction with care received. These cost saving approaches limit the ability of the workforce to adopt a more proactive and enabling role.

It also limits providers' ability to pass on higher wage costs for careworkers undergoing training, or travelling between clients, as they are only able to derive fees for billing for services provided.

If the price paid genuinely does not take into account the cost of provision, and providers are forced to not pay staff for training or to ask them to pay for their own Criminal Records Bureau disclosure checks (£36 per person), they are then pilloried for being complicit in bad practice or in it "for the money".

A low pay sector

A major reason for low pay in the independent sector is that local authorities act as a near monopsony (a single buyer) for the purchase of homecare in their local area. Because of this they can exert a downward pressure on independent providers' prices.⁴

Also, local authorities do not always increase the prices they pay to homecare providers in line with inflation, new legislation or the minimum wage. A survey by the Low Pay Commission found that social care was the least successful sector providing services to the public sector in negotiating their contracts with local authorities over the October 2007 increases in the minimum wage, with two-thirds reporting an unsuccessful result.⁵

The Low Pay Commission has recommended on four separate occasions that the Government ensures that the commissioning policies of local authorities and the NHS reflect the actual costs of social care, including the National Minimum Wage.⁶ This year, the Government has accepted the recommendation⁷. However, we have yet to hear of any firm proposals from the Department of Health on how this will be taken forward.

The result is a workforce which is typically pay sensitive, characterised by an undesirable "churn" as workers change employers for relatively small increases. This is costly in terms of the recruitment and induction costs for care staff, but also fails to provide the continuity of care which is so valued by service users. It also prejudices the completion of qualifications such as NVQs, thereby reducing the effectiveness of training funding.

The Efficiency agenda

The efficiency agenda also plays out in market management practices with two patterns emerging at odds with the Government's personalisation agenda:

- There has been a distinct trend amongst local authorities re-tendering block contracts to reduce the number of providers with which they

⁴ For more information on the dominant purchasing power of local authorities and the downward pressure on prices see Media Briefing 1: Homecare Providers England.

⁵ *National Minimum Wage Low Pay Commission report 2009* (2009). p.285.

<http://www.lowpay.gov.uk/lowpay/report/pdf/7997-BERR-Low%20Pay%20Commission-WEB.pdf>

⁶ *National Minimum Wage Low Pay Commission report 2009* (2009). p.74.

<http://www.lowpay.gov.uk/lowpay/report/pdf/7997-BERR-Low%20Pay%20Commission-WEB.pdf>

⁷ Press release 12 May 2009. Government Approves New £5.80 Minimum Wage Rate. Department for Business Enterprise and Regulatory Reform.

<http://nds.coi.gov.uk/environment/fullDetail.asp?ReleaseID=401122&NewsAreaID=2&NavigatedFromDepartment=True>

trade and keep a downward pressure on prices, as part of efficiency savings. Ultimately people may find that the suite of services and expertise of workforce available to them are lost under this rationalisation agenda.

- There is a pattern emerging of E-tendering processes, employing a “Dutch auction” approach, where care contracts are won by the lowest bidder. E-auctions are a particular problem for small and medium enterprise homecare providers who may feel that their survival is based entirely on the public sector purchaser and that they are effectively forced into winning the contract at any price, however low. This then impacts on pay levels and exacerbates recruitment and retention difficulties.

Where contracts for homecare services are re-let following re-tenders, there appears to be an unrealistic expectation that careworkers will migrate en masse to employment with successful contractors. This is not necessarily the case, and can be a significant barrier to the retention of workers and has the potential to destabilise the local care economy.

UKHCA’s advice for local authorities

The Association urges local authorities to pay fees that recognise the real cost of regulatory changes, including forthcoming costs associated with the new vetting and barring scheme. Otherwise the fees have the potential to severely impact on homecare sector recruitment and retention.

Also, ensure that independent and voluntary sector providers are able to pay fair wages to their workers. The practice for councils passing on Gershon-type cost reductions directly to frontline services has never been part of government policy.

Cost saving mechanisms, such as only paying for contact time, impacts on workforce wellbeing and job satisfaction, as well as limiting the workforce’s ability to adopt a more proactive and enabling role. It also limits providers’ ability to pass on higher wage costs for careworkers undergoing training or travelling between clients. Similarly, E-auctions run the risk of driving down the prices paid to providers making it extremely difficult for them pay fair wages to their workers, develop the workforce and retain skilled care workers to the detriment of the care provided.

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