Workforce Development Group meeting

18 April 2024

13:00-14:00

Chair: George Appleton (gappleton@careengland.org.uk)
Administrator: Ioan Bishop (ibishop@carengland.org.uk)
Website page: accessible here

CARE ENGLAND
Representing independent care providers

Agenda

Number	Agenda Item	Lead(s)	Time
1	Welcome and introductions	George Appleton	13:00
2	An introduction to the Low Pay Commission (LPC)	Joseph Wilkinson Lai Tuan Loh LPC Commissioners	13:05
3	Overview of policy context	Ioan Bishop	13:15
4	Discussion • April 2024 NLW increase ○ Have fee uplifts been sufficient to cover the April 2024 uplift? ○ Have you experienced delayed uplifts? What impact has this had on your bottom line? • Impact and organisational response ○ Impact on differentials ○ Impact on services, profitability ○ Impact on staff, recruitment and retention ○ What other steps have you taken to manage the rising cost of the NLW? • The projected rate for 2025 is a smaller increase than the previous two years. ○ Is this welcome, as its less of a financial burden? ○ Or are there inadvertent consequences, for example in terms of recruitment and retention? • International recruits - compliance and enforcement of the NLW	George Appleton Joseph Wilkinson Lai Tuan Loh LPC Commissioners	13:20
5	AoB	All	13:50
6	Close	All	14:00

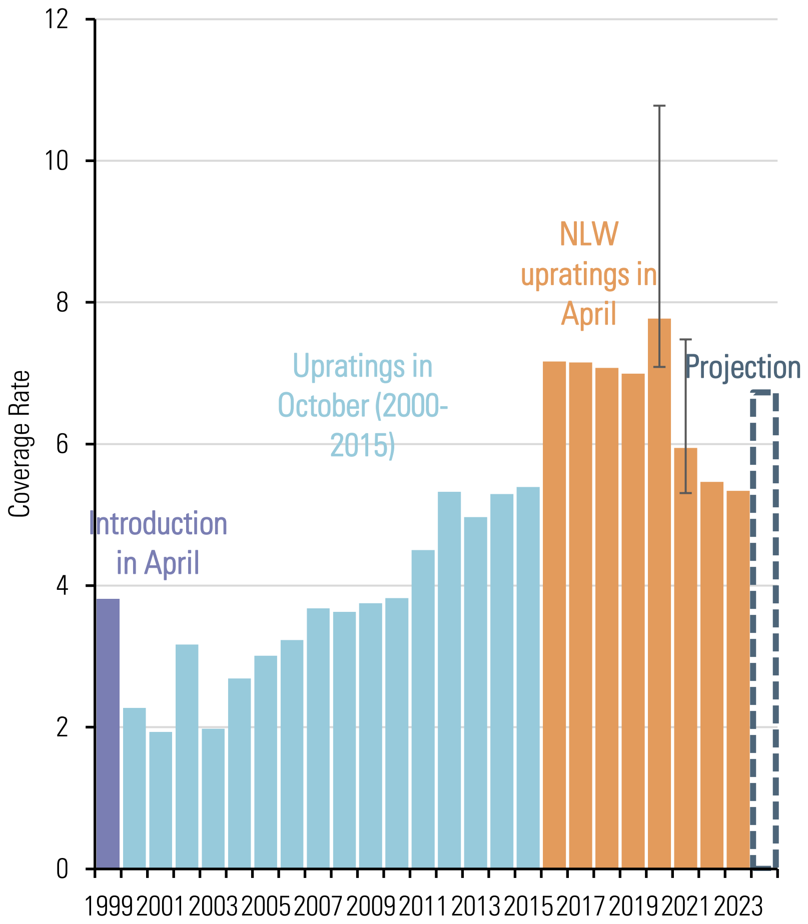
Care England session

18 April 2024

Joseph Wilkinson

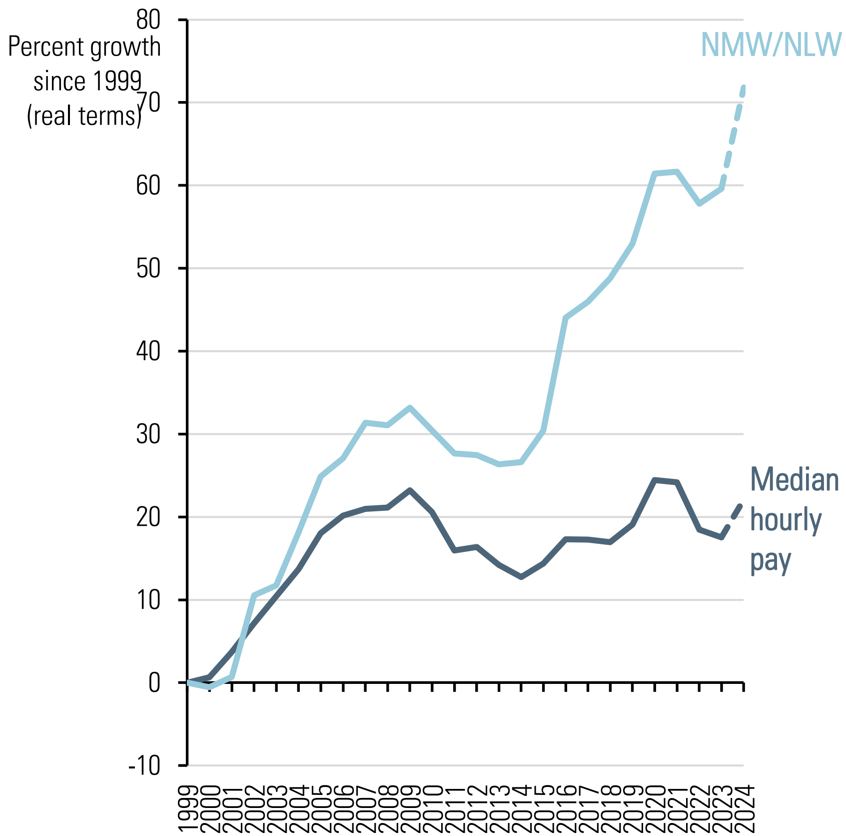
Recent NLW and NMW increases…

	NMW rate	Annual increase (£)	Annual increase (per cent)
National Living Wage (for those aged 21 and over)	£11.44	1.02	9.8
21-22 Year Old Rate	See NLW	1.26	12.4
18-20 Year Old Rate	£8.60	1.11	14.8
16-17 Year Old Rate	£6.40	1.12	21.2
Apprentice Rate	£6.40	1.12	21.2
Accommodation Offset	£9.99	0.89	9.8

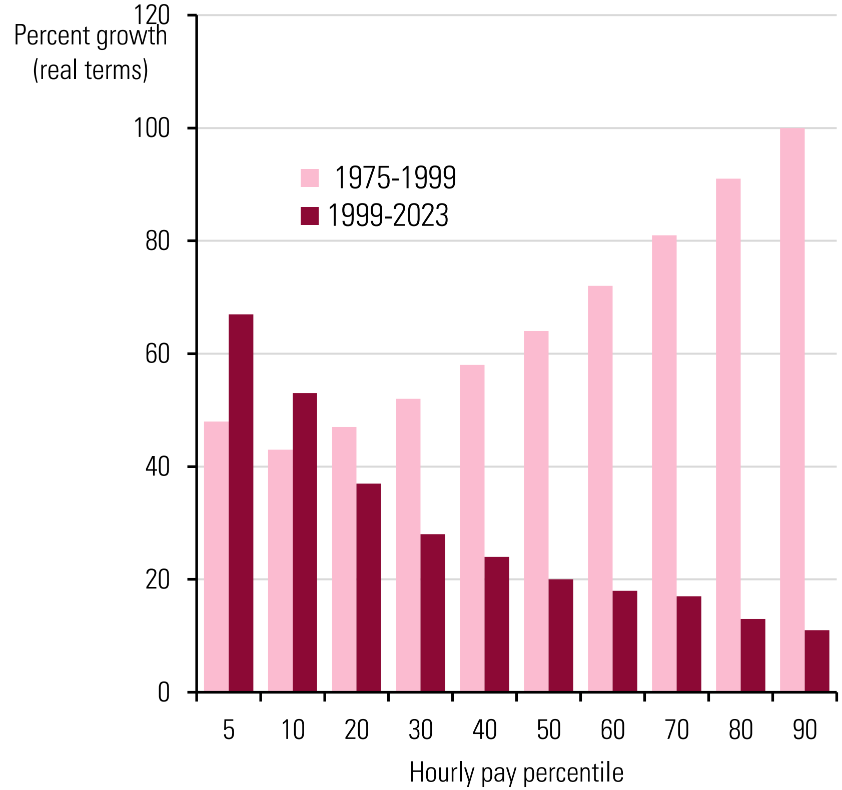


…meant we hit the two-thirds target

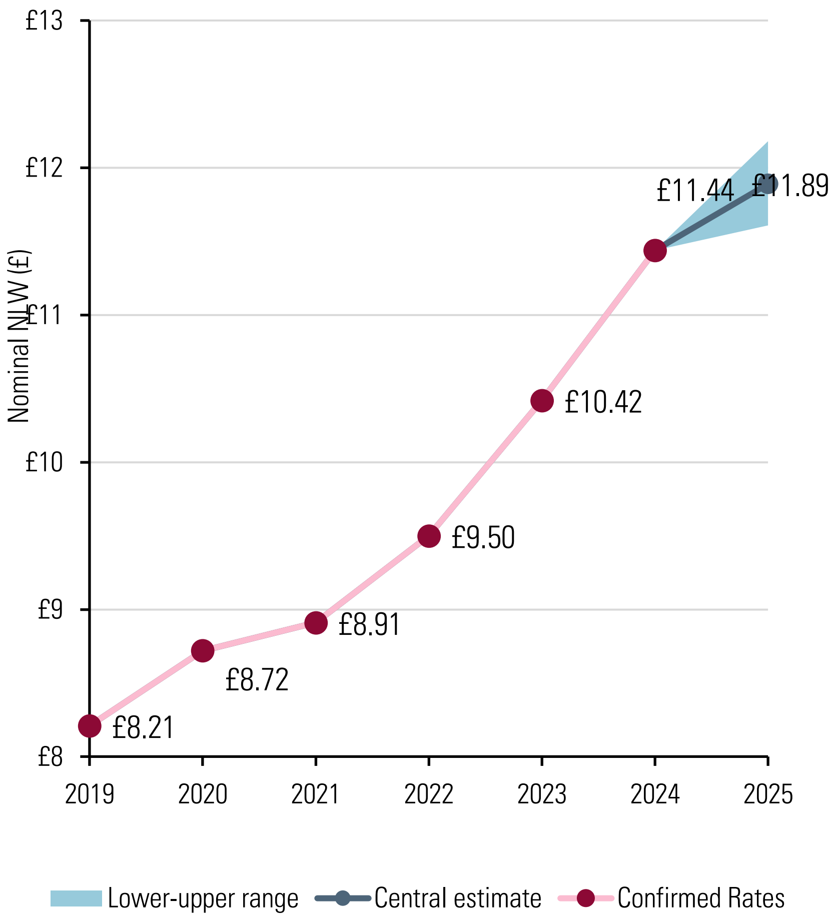
Percent growth in the adult NMW/NLW and median hourly pay, 21+, UK, 1999-2024



Total real terms growth in hourly pay (1975-1999 and 1999-2023) by pay percentile



We have a new remit for 2024…



- "We ask the LPC to recommend the NLW rate which should apply from April 2025 in order to maintain the bite at two-thirds of median earnings, and protect progress made to end low hourly pay for this group, without recommending any further revisions to the age threshold."
- Based on this, we project an NLW remaining at two-thirds of median pay to be £11.61-£12.18 (with a central estimate of £11.89) in April 2025.

…and have submitted advice to the Government on the NMW's future

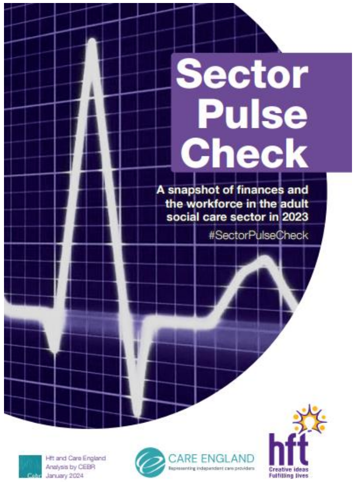
The Government should…

- Decide what policy outcome it wants to achieve with the minimum wage and ensure that it aligns with other policies
- Adopt either a further target or return to a principle-based or qualitative approach.
- Consider the case for lowering the gap between the youth rates and adult rates and for further reducing the NLW age of eligibility, and ask us to take this forward in a future remit
- Consider the case for reforming the Apprentice Rate
- Implement our 2018 recommendations on one-sided flexibility.
- Provide us with better quality and more timely data, so we can better evaluate the effects of the minimum wage.

Overview of policy context

On the whole, adult social care providers continue to face considerable financial challenges.

- 40% reported being in deficit in 2023



Workforce-related costs are overwhelmingly the most significant cost pressure facing providers (81%).

- Rises in the NLW are a standout among these workforce related costs (87%)
- Agency spend, on-costs and recruitment costs are other challenges

In April 2023, the NLW increased from £9.50 to £10.42 (9.7%). In theory, this should be covered by local authority fee uplifts. However, 79% of care providers told us this was not the case in 2023. This means care providers are left to make up the difference, squeezing funding available left for other elements of care provision.

Care providers’ ability to maintain a sizeable gap above the NLW is harmed by unfunded rises

- In 2022, average care worker pay was £1.02 higher than the NLW.
- In 2023, this fell to £0.77 (a 25% decrease).

Differentials have also been impacted by unfunded rises in the NLW in recent years.

- In 2016, care workers with 5+ years experience earned an average of 33p per hour more than new starters.
- In 2023, it was 6p.

Wider impact of financial pressures and staffing shortages in 2023

- 39% of providers considered exiting the market (56% of small organisations)
- 43% closed a part of their organisation or handed back contracts
- Over half (54%) increased agency use

Despite these challenges, care providers are clear that increasing pay should be a priority.

- 86% said ‘staff pay’ was a key barrier to recruitment and retention
- 91% said ‘higher pay’ would be the most impactful measure to improve recruitment and retention.

Discussion

- April 2024 NLW increase
  - Interaction with fee uplifts
  - Impacts and organisational response
- Views on projected rate for 2025 International recruits - compliance and enforcement of the NLW

AoB