Final stage impact assessment

Title:	Establish a Fair Pay Agreements process in the Adult Social Care sector
Type of measure:	Primary legislation
Department or agency:	Department for Business and Trade
IA number:	DBT-030-24-CMRR
RPC reference number:	…
Contact for enquiries:	ERDAnalysisEnquiries@businessandtrade.gov.uk
Date:	21/10/2024

1. Summary of proposal

1. A Fair Pay Agreement (FPA) is an agreement in a sector, negotiated between relevant employer and worker representatives, which sets out the minimum pay and other terms for relevant workers in the sector. The objective of FPAs is to improve labour market outcomes by enabling employers and workers to negotiate for industry minimum employment terms.

2. The intention is to introduce a series of regulation-making powers in the Employment Rights Bill that would enable the creation of an Adult Social Care Fair Pay Agreement via secondary legislation for the Adult Social Care (ASC) sector. Further primary legislation would be required to bring forward a Fair Pay Agreement process in any other sector. The Government's plan is to make Fair Pay Agreements legally binding.

3. This Impact Assessment (IA) has been produced to accompany the ASC FPA primary legislation framework. The design of the ASC FPA process is still to be determined. Secondary legislation making use of the powers taken in the Employment Rights Bill will also be required before an ASC FPA can be implemented. The analysis in this IA is therefore largely qualitative in nature and any estimates of the potential scale of impacts are intended to be illustrative only. The analysis aims to provide sufficient information on the policy, its intent, and its possible consequences to enable meaningful debate in Parliament. An Impact Assessment will be produced by the Department for Health and Social Care (DHSC) to accompany the ASC FPA secondary legislation.

2. Strategic case for proposed regulation

4. In the UK, the National Living Wage / National Minimum Wage applies to almost every worker across all sectors, including Adult Social Care. The National Minimum Wage regulations are amended every year through secondary legislation. These set a minimum wage floor which employers must pay to employees who qualify for the National Minimum Wage. There are no sector specific wage agreements in Adult Social Care.

5. Current trade union law states that if a trade union is recognised, they are entitled to conduct collective bargaining on behalf of a bargaining unit and the method for the conduct of collective bargaining is specified by the Central Arbitration Committee if necessary. Collective bargaining exists in some sectors (e.g. rail), but the individual frameworks or agreements are not held up by legislation. Some public sectors have Pay Review Bodies which also perform a related role, but their recommendations and agreements are not legally binding.

6. The Welsh and Scottish Governments use the Living Wage Foundation's Voluntary Living Wage to ensure a higher-than-minimum wage in social care, where contracts are engaged by local authorities. The Welsh Government's Programme for Government pledged to pay social care workers in Wales the Voluntary Living Wage (VLW), which was introduced from 1 April 2022. The VLW is independently calculated by the Resolution Foundation and overseen by the Living Wage Commission in an annual process. The Scottish National and local government have a long-standing commitment to the principles of Fair Work for the social care sector. The minimum rate of pay for adult social care workers delivering direct care in Scotland increased from £10.90 to £12 per hour from April 2024.

<u>What is the problem under consideration?</u>

7. As set out in the statutory guidance for the Care Act 2014[1], the core purpose of ASC is to 'help people to achieve the outcomes that matter to them in their life'. Access to ASC services for those who need it depends heavily on having a sufficiently sized, motivated and skilled workforce.

8. The ASC workforce is large, with 1.59 million people working in the sector in England in 2023/24[2], equivalent to 5% of all adults in employment, making it a larger workforce in headcount terms than the NHS, construction, transport, or food and drink industries.

9. However, the sector is characterised by weak domestic recruitment and high turnover, with growth in staff levels driven by international recruitment in the last two years. Evidence presented in this impact assessment shows that low pay and poor terms and conditions are key factors affecting domestic recruitment and retention, alongside factors such as limited career progression and limited access to learning and development.

10. Furthermore, prevailing low pay and relatively poor terms and conditions in the sector result in distributional and equity issues for workers in the sector. This has knock-on effects on living standards, health, and wellbeing.

11. While employment conditions in the ASC sector are linked to Local Government finances, simply increasing Local Government funding would not solve these issues. Briefly, this

[1] Care and support statutory guidance (www.gov.uk)
[2] The state of the adult social care sector and workforce in England 2024 (skillsforcare.org.uk)

increase in funding may not increase the fees which Local Authorities pay social care providers and, in turn, providers may not spend any increased fees on employment conditions. An ASC FPA provides a means to negotiate for better pay and conditions in the ASC sector as a whole and provides levers to ensure the negotiated outcome is honoured. This point is substantiated in this impact assessment.

The need for adult social care within the UK population is growing…

12. The need for adult social care is growing, driving a need for a growing ASC workforce. The UK population is ageing, and the number of people aged 85 and over is projected to increase by 1 million by 2045[3]. Meanwhile, healthy and disability-free life expectancies have not increased at the same rate, driving need for adult social care alongside health services. In addition, care and support needs are becoming more complex and as a result, require more intensive support and therefore a larger workforce per cared for person.

13. Based on population projections for people aged 65 and above, Skills for Care forecast that the sector may need 440,000 additional posts (25% growth) by 2035 to sustain current levels of service[4]. This excludes the workforce which would be needed to improve access to care, for example to help mitigate the impact of care needs on family and friends providing unpaid care.

…but the quantity of labour supplied to the sector is not keeping up

14. The ASC workforce has faced significant challenges with domestic recruitment and retention, particularly since the COVID-19 pandemic. Historically, the ASC workforce in England has grown by 1-2% per year. However, the number of filled posts in the workforce reduced by 4% and the total number of hours worked (measured by Full Time Equivalents) contracted by 2% in 2021/22 (see **Figure *1***). As economic activity resumed post-COVID, the labour market tightened, with more attractive pay offers in other sectors at a time of wage stagnation in ASC.

15. The more recent growth in filled posts and Full Time Equivalents has primarily been driven by international recruitment since February 2022, when care workers were added to the Shortage Occupation List[5]. There were 105,900 entry clearance visas granted for care workers and senior care workers between March 2022 and March 2024[6], helping to offset continuing declines in the number of UK nationals working in the sector. The number of posts filled by people with a British nationality in England has decreased by 70,000 since 2021/22 (by 40,000 in 2022/23 and 30,000 in 2023/24)[7].

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[3] ONS (2024), National population projections: 2021-based interim.

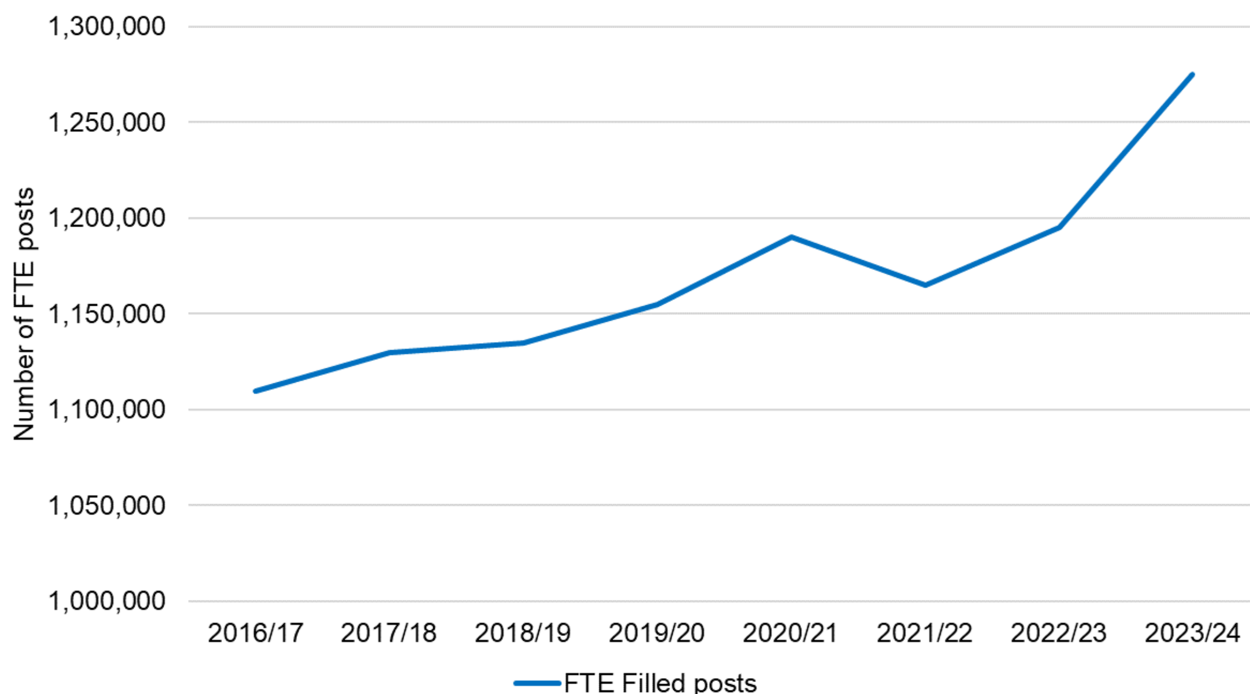
[4] The State of the Adult Social Care Sector and Workforce 2023 (skillsforcare.org.uk)

[5] Replaced by the Immigration Salary List, a list of occupations where the minimum salary required for visa applications is lower than the minimum salary threshold for Skilled Worker visas Skilled Worker visa: immigration salary list - GOV.UK (www.gov.uk)

[6] Immigration system statistics data tables - GOV.UK (www.gov.uk)

[7] The size and structure of the adult social care workforce in England, 2024 (skillsforcare.org.uk)

Figure 1: Trends in Full Time Equivalents in adult social care services in England



Source: Skills for Care, Trended data 2023/24 (skillsforcare.org.uk)

16. International recruitment has acted as a boost to labour supply, increasing the quantity of labour utilised in the sector to meet the excess demand for care (and therefore for care workers). In a well-functioning market, we would expect pay to have risen to address this excess demand – these trends are indicative of a market failure. This market failure is discussed further down in this impact assessment.

17. While international recruitment has been instrumental in stabilising workforce capacity in the short-term, this growth has not been sustained and has resulted in an increase in reports of unethical employment practices within the sector[8], including modern slavery and debt bondage[9]. The number of entry visas granted for care workers and senior care workers was 84% lower in Q1 2024 than in Q4 2023 (see **Figure 2**). The initial fall in applications and grants towards the end of 2023 was likely due to increasing scrutiny applied by the Home Office to employers in the health and social care sector, and compliance activity taken against employers of migrant workers. This reduction would then have been compounded by immigration policy measures affecting care workers introduced in March and April of this year.[10]

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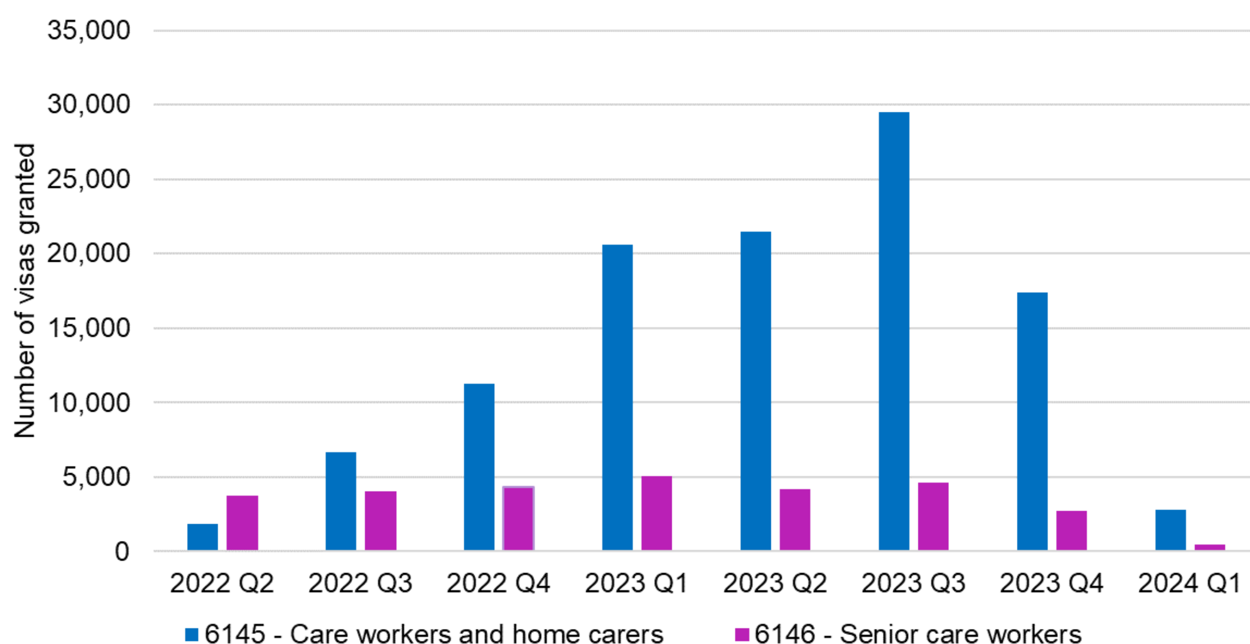
[8] International recruitment fund for the adult social care sector 2024 to 2025: guidance for local authorities – GOV.UK (www.gov.uk)
[9] Unseen (2023) Who cares? A review of reports of exploitation in the care sector (unseenuk.org)
[10] Immigration system statistics, year ending June 2024: Why do people come to the UK? To work - GOV.UK (www.gov.uk)

Figure 2: Entry clearance visas granted for care workers and home carers, and senior care workers



Source: Home Office Immigration statistics, [Immigration system statistics data tables - GOV.UK (www.gov.uk)]

18. Another indicator that the current offer to the sector may be insufficient to recruit and retain sufficient staff to meet need is the high level of staff turnover (see **Figure *3***). The staff turnover rate in independent providers was 25.8% in 2023/24, an improvement since 2022/23 when the turnover rate was 30.4%. Most of this improvement in retention is likely to have been driven by international recruitment, with evidence suggesting that international recruits are likely to remain longer in post than new domestic recruits[11].

19. Turnover rates are also higher for new starters, and for younger workers. Care workers with less than one year of experience had a turnover rate of 47.5% in 2022/23, nearly double the turnover rate of care workers who had worked in the sector for ten years or more (24.0%). Turnover rates were 28.2 percentage points higher for workers aged under 20 compared to those 60 and above in 2022/23[12][13].

20. Despite the improvement, turnover rates remain higher than most sectors and higher than the UK average[14]. Some movement between employers can be healthy as organisations compete to attract workers, but high levels can be disruptive. High turnover rates limit investment in human capital and increase recruitment and training costs for providers, constraining productivity. They also limit continuity of care for people drawing on care services, with consequences for care quality.

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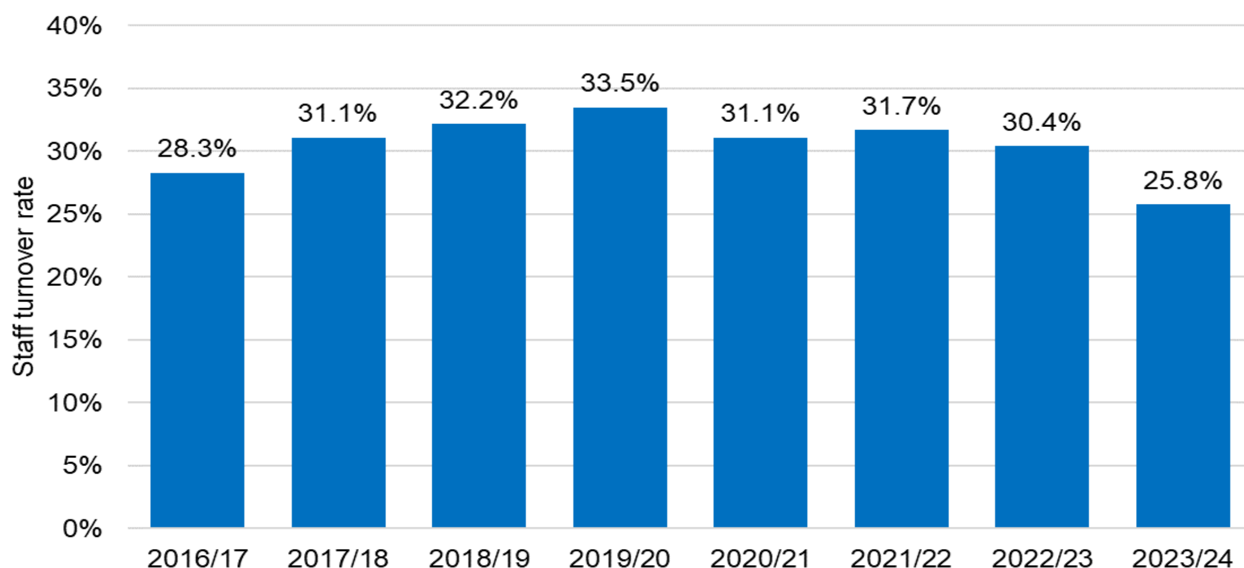
[11] The State of the Adult Social Care Sector and Workforce 2023 (skillsforcare.org.uk)
[12] *ibid.*
[13] Social care also faces particular challenges in attracting younger staff. The adult social care workforce is skewed towards the older age bands, with 29% of workers aged 55 or over in 2022/23, compared to 21% of workers in the economically active population. Under 25s make up 17% of the working-age population but only 8% of workers in adult social care.
[14] CIPD (2024), Benchmarking employee turnover: What are the latest trends and insights?.

Figure 3: Staff turnover rate, independent ASC providers, England



Source: Skills for Care, Recruitment and retention (skillsforcare.org.uk)

21. On average, 1 in 10 workers leave adult social care each year to move to another industry, unemployment or inactivity[15]. Although this is low, the sector commonly cites competition from other sectors as contributing to workforce challenges[16]. The care sector faces competition from health, hospitality, retail and cleaning sectors, and carers are drawn to these because they are considered to be less demanding jobs for the same or better rates of pay[17]. This may particularly impact recruitment, i.e. workers who may have considered working in ASC but who never apply in the first place.

Box 1: Flows to and from adult social care

Adult social care is in direct competition with other low pay sectors to attract and retain staff, including other publicly funded sectors. The chart below presents Health Foundation analysis of data from the Annual Survey of Hours and Earnings. It shows the occupations from which low-pay social care staff (typically care workers) were recruited from or moved to between 2011/12 and 2021/22.

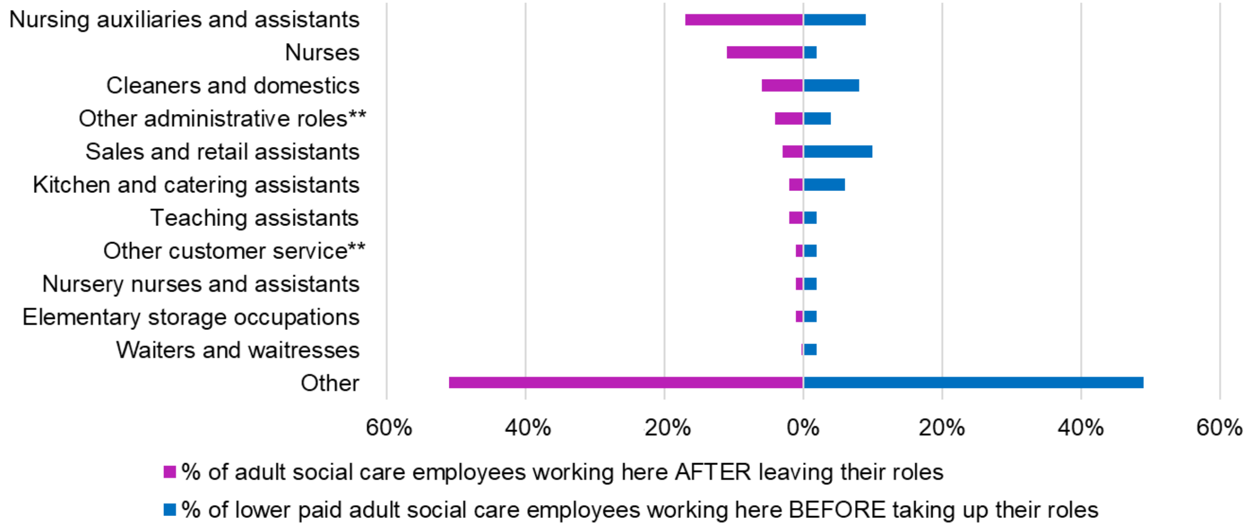
The largest proportion of workers leaving ASC move into health roles. While the NHS Pay Review Body makes recommendations on the pay of NHS staff, no such body exists for Adult Social Care or school support staff.

In addition to legislating powers to create the Adult Social Care Fair Pay Agreement, the Employment Rights Bill will reinstate the School Support Staff Negotiating Body (SSSNB).

The extent to which these policies might work against one another is limited. The flow from ASC to school support staff is balanced and small – only 2% of staff flow from one to the other. If effective, both policies would reduce the flow of labour out of their respective sectors and may increase the flow in from other sectors. The extent to which competition between these two sectors might increase depends on the extent to which one agrees better pay and terms than the other.

[15] DHSC estimate based on Skills for Care data.
[16] For example - Hft-Sector-Pulse-Check-2023-Digital-Singles.pdf
[17] Ekosgen (2019) The Implications of National and Local Labour Markets for the Social Care Workforce: Final Report for Scottish Government and COSLA.

Lower paid adult social care staff



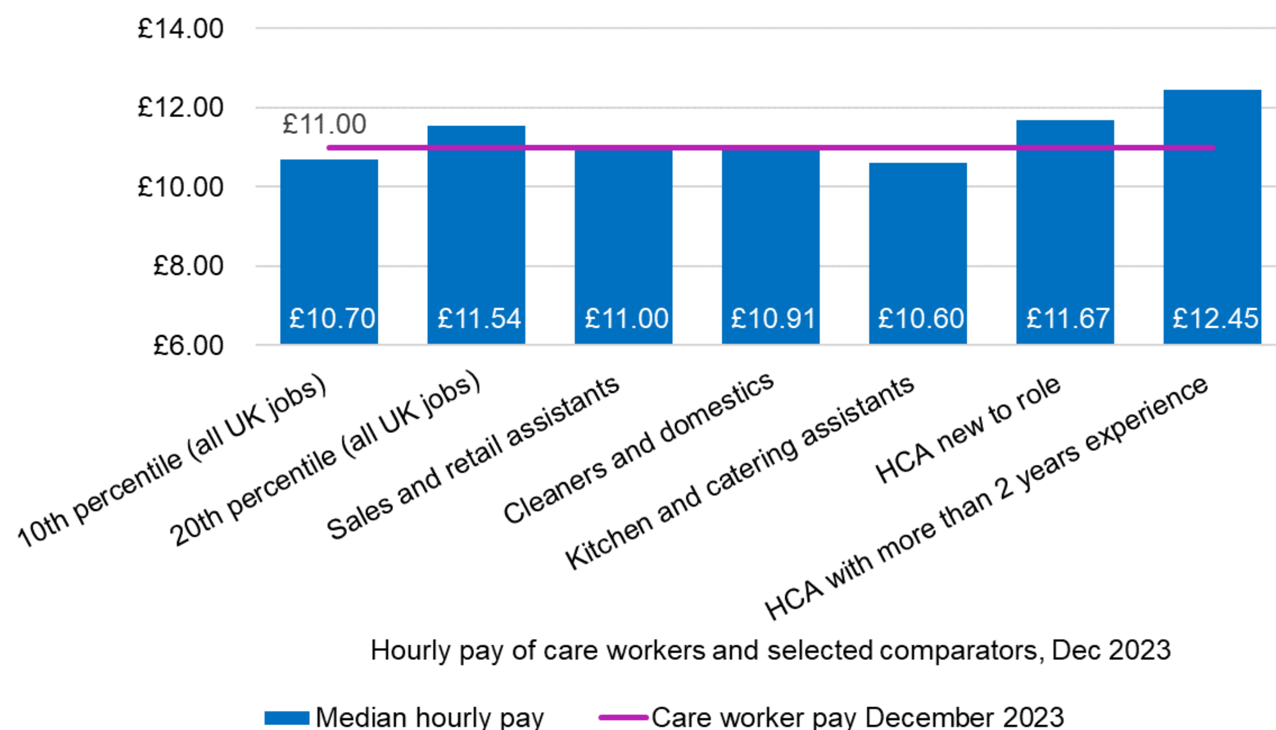
Source: Health Foundation analysis of Annual Survey of Hours and Earnings (2011-21), Office for National Statistics. Hourly pay filter used, lower paid employees defined using the top spine point of Band 4 of the NHS Agenda for Change pay scales. The total excludes those care workers and home carers (SOC 2010 code 6145) and senior care workers (SOC 2010 code 6146) who did not change occupations in the dataset.
** These categories cover roles not otherwise classified.

<u>Risks to the quantity of labour supplied are a function of low pay and reward</u>

22. **Low pay**: Adult social care has been defined as a low-paying industry by the Low Pay Commission (LPC) every year since the ‘First Report of the Low Pay Commission’ on the National Minimum Wage in 1998. Most care workers are paid on or just above the National Living Wage. The median hourly rate for a care worker in the independent sector was £11.00 as at December 2023, with nearly 70% paid within £1 of the 2023 NLW rate of £10.42.

23. ASC is in direct competition for staff with other low pay occupations. Median care worker pay was 67 pence lower than Healthcare Assistants (HCA) who were new to their role and £1.45 lower than HCAs with more than 2 years’ experience. Median hourly care worker pay was 9 pence higher than cleaners and domestics and 40 pence higher than kitchen and catering assistants.

Figure 4: Median hourly pay, care workers and selected comparators as of December 2023



Source: Skills for Care, Pay in the adult social care sector 2024

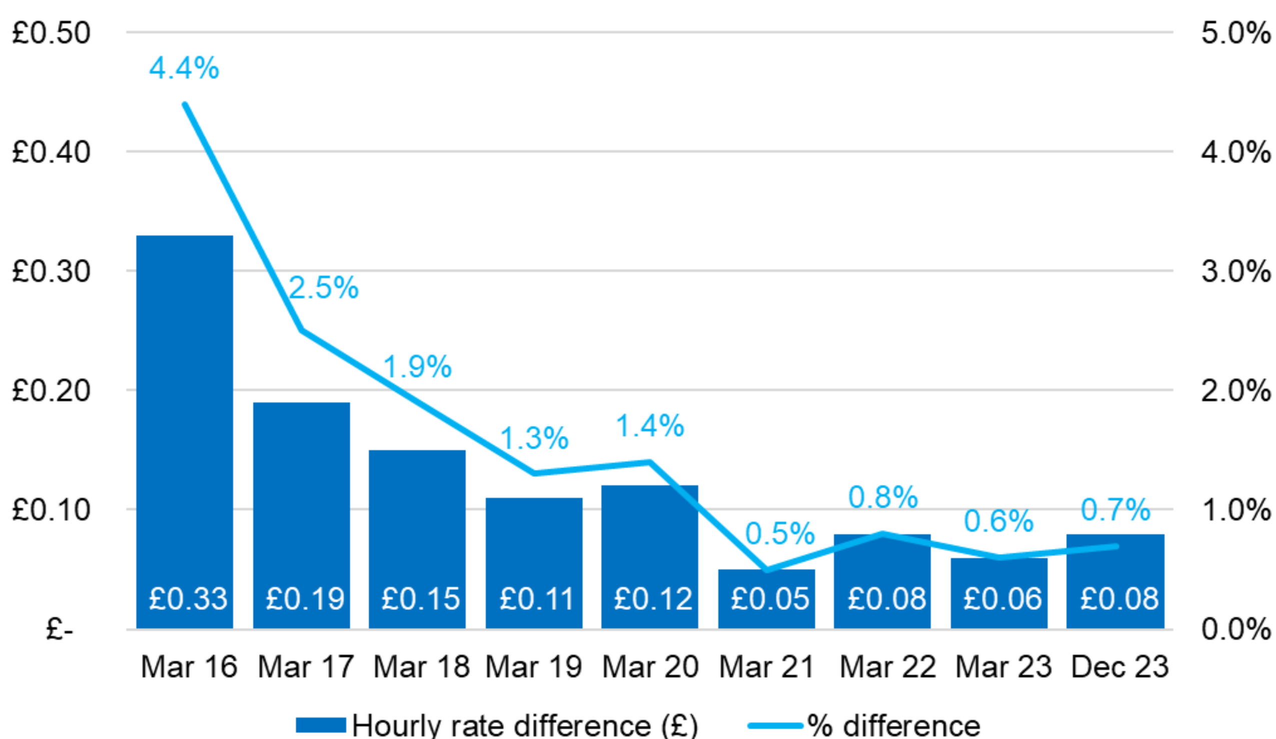
24. Evidence shows that hourly pay is one of the most significant factors in determining variation in staff turnover between care providers. In focus groups conducted by the Resolution Foundation[18], low pay was at the centre of job dissatisfaction in care. Similarly, 86% of ASC providers that responded to an Hft and Care England survey reported that the biggest barrier to recruitment and retention was the pay rates on offer to staff.[19] Skills for Care report that the hourly pay rate is one of the most important features in determining the probability of a worker leaving or staying in their role.[20] The strong relationship between pay in the sector and turnover has also been explored in research from the London School of Economics and the University of Kent.[21] The role of pay in determining the quantity of labour supplied to the sector was also highlighted by the Migration Advisory Committee in their 2022 review of international recruitment to the sector.[22]

25. **Career progression:** Pay differentials within the sector have also eroded over time. Pay differentials for experienced staff have been eroded from 33p per hour in March 2016 to 6p per hour in March 2023 for care workers with 5 years or more of experience relative to those with less than one year's experience.[23] At December 2023, the hourly rate difference between a top 10% earner (£12.16) and a bottom 10% earner (£10.42) was £1.74 per hour, reflecting a very flat pay structure with limited scope for progression.[24] Limited recognition of

[18] Cominetti, N. (2023) Who Cares? The experience of social care workers, and the enforcement of employment rights in the sector. Resolution Foundation Briefing.
[19] Hft-Sector-Pulse-Check-2023-Digital-Singles.pdf
[20] The State of the Adult Social Care Sector and Workforce 2023 (skillsforcare.org.uk)
[21] Vadean, F.; Allan, S. and Teo, H. (2024) Wages and labour supply in the Adult Social Care sector. ASCRU working paper (https://www.ascru.nihr.ac.uk/)
[22] Migration Advisory Committee (2022) Adult Social Care and immigration
[23] The State of the Adult Social Care Sector and Workforce 2023 (skillsforcare.org.uk)
[24] Pay in the adult social care sector 2024 (skillsforcare.org.uk)

staff with more experience or skills can mean that there is reduced incentive for workers to progress or to stay in their roles.

Figure 5: Relative hourly pay for care workers with five or more years of experience and care workers with less than one year of experience



Source: Skills for Care, [Pay in the adult social care sector 2024]

26. **Poor terms & conditions**: Workers in social care are typically employed on statutory minimum terms and conditions, such as statutory sickness and annual leave entitlements. The sector reports that this has been caused by constrained fees which Local Authority pay to providers of care. These have not kept pace with the rising cost of care, leading employers to bring down costs by 'squeezing out' workforce benefits to statutory minimum levels, and sometimes below. The Low Pay Commission 2023 report states that there are still 'significant non-compliance issues' in social care due to lack of payment for travel time. There is a commonly reported practice in domiciliary care where providers do not pay for travel time but pay at a higher rate for contact time[25] [26].

27. Poor terms and conditions are associated with higher staff turnover. For example, the Skills for Care annual report[27] states that care workers were less likely to leave their posts if their employers paid above the 3% auto-enrolment rate for pensions, or if their employers paid more than Statutory Sick Pay if they cannot work due to illness.

28. **Insecure employment:** The ASC sector is also characterised by unstable employment, with 22% of workers in ASC in England on Zero Hours Contracts (ZHCs), including 32% of care workers, compared to 3.4% in the wider economy. This is even more pronounced for domiciliary care workers, where 50% were on ZHCs in 2022/23. The use of agency work and zero hours contracts is partly in response to high vacancy rates.

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[25] Who cares? • Resolution Foundation
[26] Paying for it: the human cost of cut-price care - LGiU
[27] The State of the Adult Social Care Sector and Workforce 2023 (skillsforcare.org.uk)

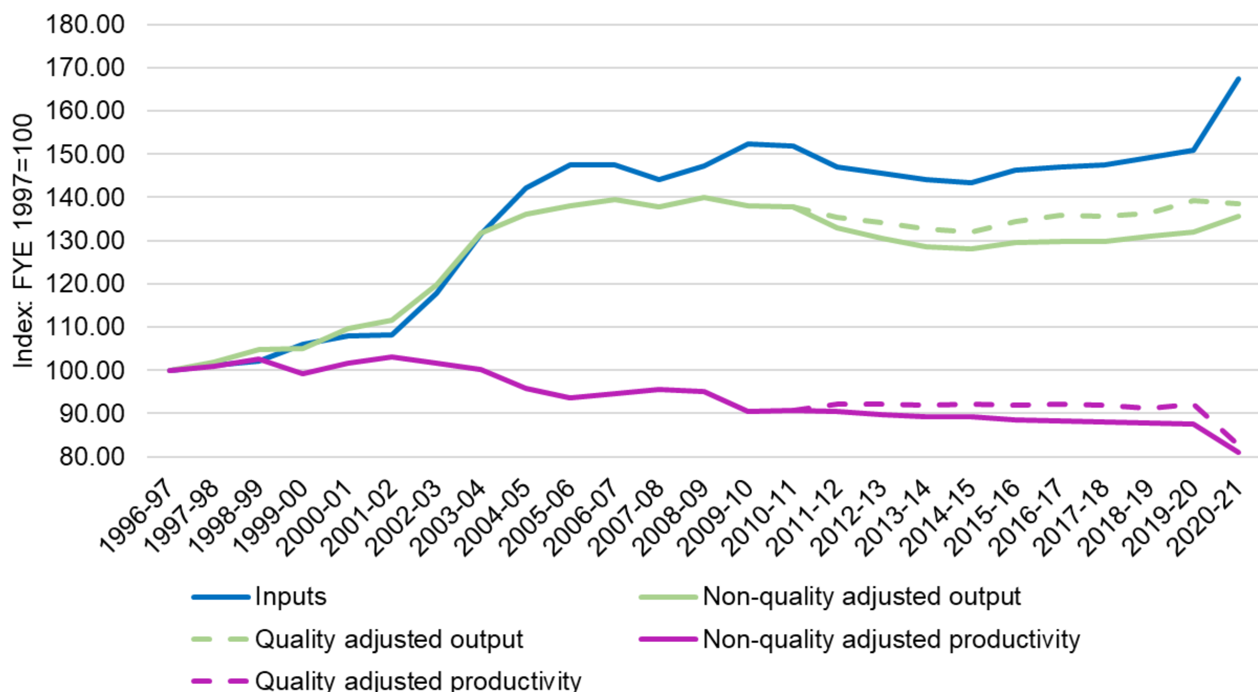
29. Although some workers benefit from the flexibility that ZHCs provide, general employment uncertainty reduces labour supply overall. Furthermore, those on ZHCs have a higher turnover rate than other care workers (38.2% turnover rate in 2022/23 for care workers on a zero-hour contract compared to 31.1% for other care workers).

This results in low productivity and weaker outcomes…

30. Low pay, poor terms & conditions, and insecure employment lead to recruitment challenges and high levels of staff turnover which constrain productivity and result in lost potential output. High turnover rates limit investment in human capital and increase recruitment and training costs for providers, constraining productivity. They also limit continuity of care for people drawing on care services, with consequences for care quality. Furthermore, demand for care is increasing and the supply of carers is not keeping up. These are driving poor care outcomes with subsequent impacts on the health service.

31. ASC has historically seen relatively low productivity growth, with available measures suggesting that productivity in ASC has declined over the last two decades (see **Figure *6***). However, measuring productivity in ASC is difficult. While inputs to the sector are relatively clear, care outcomes are more difficult to measure and are not captured by traditional activity-based metrics.

Figure 6: Public service productivity, adult social care, England



Source: ONS, 2022, [Public service productivity, adult social care, England - Office for National Statistics (ons.gov.uk)]

32. There are significant social benefits to ASC that are not measured by traditional measures of output such as GDP. These include quality of life benefits to care recipients and to unpaid carers (over and above those expressed in the market price for care packages), and savings to the NHS. In addition, there is no market – and therefore no market value which can be captured via the ONS' public service productivity methodology – for a range of ASC activities including statutory assessment and commissioning.

33. Local Authority leaders have reported that their outlook on access to Local Authority-funded adult social care services has improved in 2024 relative to 2023, but their concerns remain historically high[28]. As previously noted, care needs are becoming more complex and as a result, require more intensive support. In combination, high waiting times and increasingly complex needs cause unmet or under met needs. This may also result in family members or friends providing unpaid care in the interim. The space for improvement in outcomes can be easily seen in the Adult Social Care Outcome Framework (ASCOF) [29]. The measure for adjusted social-care related quality of life[30] stood at 0.411 in 2022/23 compared to a theoretical maximum of 1, and this has only improved slightly since it was first estimated (at 0.404) in 2016/17.[31]

34. Problems and delays in adult social care affects the flow to and from the NHS. Access to high-quality and timely social care improves health outcomes and reduces the reliance on more acute NHS services. ASC can also prevent hospital admissions and reduce pressure on hospital beds, by facilitating timely hospital discharge. It can also help to identify and address needs before they escalate, reducing demand for costly NHS healthcare services.

35. Gaughan et al. (2014)[32] and Fernandez and Forder (2008)[33] find that more care home beds could reduce length of stay in hospital by between 1% and 7%. Forder (2009)[34] examined the relationship between care home utilisation data (care home residents per capita) and hospital utilisation data (hospital episodes) in 2004/05 at the ward level. They estimated that an additional £1 spent on care home services results in a £0.35 reduction in hospital expenditure, though this is likely to be an underestimate for the wider impacts of ASC spending on the need for health services. Fernandez and Forder (2008) find that a 1% increase in residential social care services can reduce delayed discharge by 0.5%.[35]

36. The related issues of high turnover and low productivity in ASC mean that some of these social benefits are likely to be lost. Some individuals who are eligible for care may not have access to the high-quality and timely care that they need which could significantly impact on their quality of life. It could mean that they are more dependent on friends and family for support, which impacts on unpaid carers' economic activity and health outcomes. It could

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[28] Adass (2024), 2024 Spring Survey

[29] Measures from the Adult Social Care Outcomes Framework, England, 2022-23 - NHS England Digital

[30] Social-care related quality of life is the average difference between expected and reported quality of life, which can be ascribed to LA-funded ASC services for long-term care users. It is an analogous concept to health-related quality of life and has been shown by contingent valuation studies to be valued in a similar way to individuals: 1 social-care related Quality Adjusted Life Year (QALY) is equivalent to 0.978 health-related QALYs (as estimated in Stevens, K.; Brazier, J. and Rowen, D. (2018) Estimating an exchange rate between the EQ-5D-3L and ASCOT. Eur J Health Econ. 19(5):653-661). Using the concept of Quality Adjusted Life Years (QALY) and the social value of £70,000 recommended in the HMT Green Book guidance, this suggests that the average user of LA-funded long-term experiences a benefit worth the equivalent of £28,000 per year.

[32] Gaughan et al. (2014) '*Testing the bed blocking hypothesis: Does higher supply of nursing and care homes reduce delayed hospital discharges.'*

[33] Fernandez, JL (2008) '*Consequences of local variation in social care on the performance of the acute health care sector.'*

[34] Forder, J (2009) '*Long-term* care *and* hospital utilisation *by* older people*: an* analysis *of* substitution *rates.'* Health Economics, 18(11), 1322-1338

[35] Fernandez, Forder (2008) - Consequences of Local Variations in Social Care on the Performance of the Acute Health Care Sector

also mean that they have poorer health outcomes, including more preventable admissions, escalating conditions, or delays to hospital discharge.

…and an unfair deal for workers

37. Beyond these efficiency arguments, there is an important equity argument for intervention. The Health Foundation has estimated that 18.5% of residential care workers were living in poverty (less income than 60% of the median after housing costs) over the 2017-20 period, compared to 12.5% of all workers; and just over half (51.2%) of residential care workers lived in households in the bottom 50% of households for income, compared with 35.8% of all workers. Nearly 1 in 10 experienced food insecurity (9.6%, double the rate for all workers), and around 1 in 8 children living in a household with a residential care worker were 'materially deprived'[36].

38. Low quality of work and pay within the sector is likely to have knock-on effects for workers' living standards, health, and wellbeing.

Why is government action or intervention necessary?

39. There is strong evidence that addressing pay and terms and conditions can improve recruitment and retention for the ASC workforce. Research commissioned by DHSC has found that a 1% pay increase for all workers can improve labour supply in the sector by 1.8% through a combination of stronger recruitment and retention[37].

40. Most of adult social care is state-funded, predominantly through Local Authorities (LAs) – the ONS estimate 77% of people using community care services[38] and 63% of care home residents were state funded in 2022/23[39]. While services are predominantly delivered through independent providers who set pay rates independent of central government, those wage decisions are highly constrained by the fees paid by Local Authorities[40]. As a result, and despite ongoing concerns with recruitment, retention, and capacity to meet rising demand, there has been no substantial market response to raise pay and conditions in adult social care.

41. Building on this, there are two additional reasons why this government intervention is necessary:

    a) Local government funding for ASC is not fully ringfenced. Therefore, additional funding intended for ASC wages might not be spent in this way. Local Authorities have competing objectives and statutory responsibilities and are legally required to balance their budgets each year. This can result in them placing a lower value on adult social care outcomes than their overall social value, with the result that the total amount of care produced and consumed is below the socially optimal level.

    b) Similarly, without legislation, providers may not choose to spend uplifted fees on higher pay rates. Employees in the sector have limited market power relative to employers.

[36] The cost of caring: poverty and deprivation among residential care workers in the UK - The Health Foundation
[37] Vadean, F.; Allan, S. and Teo, H. (2024) Wages and labour supply in the Adult Social Care sector. ASCRU working paper (https://www.ascru.nihr.ac.uk/)
[38] ONS (2023), Estimating the size of the self-funding population in the community, England: 2022 to 2023
[39] ONS (2023), Care homes and estimating the self-funding population, England: 2022 to 2023
[40] Competition and Markets Authority (2017) Care homes market study – GOV.UK (www.gov.uk)

Union membership in the sector is low relative to other public services, and the workforce is fragmented between tens of thousands of employers who each determine pay, terms and conditions.

42. An Adult Social Care Fair Pay Agreement provides a means to negotiate for better pay and conditions in the ASC sector.

What is the impact of no intervention?

43. The impact of no intervention would exacerbate the existing problems within the ASC workforce, particularly as demand for care is projected to grow in future years.

44. The quantity of domestic workforce supplied to the sector is stagnating and unable to meet growing demand due to low pay and poor employment conditions. Without government intervention addressing these challenges and with reductions in international recruitment, providers will not be able to recruit and retain enough workers to support the growing population of people who rely on care and support.

45. No government intervention would result in a continuation of the pattern described above. Poor employment conditions result in a poor standard of living for care workers, as well as a decreased sense of job satisfaction and stability, making the sector less attractive to work in. This decreases recruitment and retention rates, and subsequently access to care as well as poor quality and continuity of care. Ultimately this is likely to lead to lower social-care-related quality of life for care users and increased demand for healthcare – with an opportunity cost to health in the wider population. Further, it will see the continuation of distributional concerns, including the heightened proportion of care workers and their children living in poverty relative to other workers.

3. SMART objectives for intervention

46. Objectives and intended outcomes: The overarching objective of the ASC FPA is to improve labour market and individual employee outcomes in the ASC sector by enabling employers and workers to negotiate industry minimum employment terms. Specific SMART objectives of an FPA will be informed by engagement with the sector.

47. Objectives could include:
    - Increase the ability of workers to negotiate for pay and employment terms in the adult social care sector.
    - Improve living standards for social care workers, by:
        - Improving employment conditions for workers in ASC (e.g. higher sick pay, greater uptake of training, depending on design of an FPA).
        - Reducing incidence of in-work poverty in ASC.
        - Improving wellbeing of ASC workforce.
    - Making sure that working in ASC is sufficiently attractive so that it can grow in line with expected increases in care need.
    - Improve the quality of care delivered by ASC staff.
    - Over the medium-term, boost the supply of domestic care staff, offsetting the current reliance on international recruitment.
    - Generate cost savings to employers due to improved retention / less repeated recruitment and training costs.

48. SMART: Measures of intended outcomes could include:
    - Increases in the median hourly pay rate within the sector relative to statutory pay i.e. the National Living Wage.
    - Reductions in the incidence of relative poverty amongst workers in the sector and/or increases in workers' perception of their financial security.
    - Increases in the subjective wellbeing of employees within the sector.
    - Increases in the number of full-time equivalents employed within the sector.
    - Improved quality of care measured via improvements in the Quality of Life reported by care users and unpaid carers; and improvement in health outcomes, including reductions in preventable emergency admissions to hospital amongst social care users.
    - Increases in the proportion of staff within the sector who are UK nationals.
    - Departmental Annual Managed Expenditure (AME) savings, measured through reduced expenditure on Universal Credit and increased tax payments amongst workers employed in the industry sectors within scope.
    - Reductions in the rate of staff turnover within the sector and re-training costs or incidence reported by employers.

49. Outcomes for people with care needs and unpaid carers should be considered but this is more indirect.

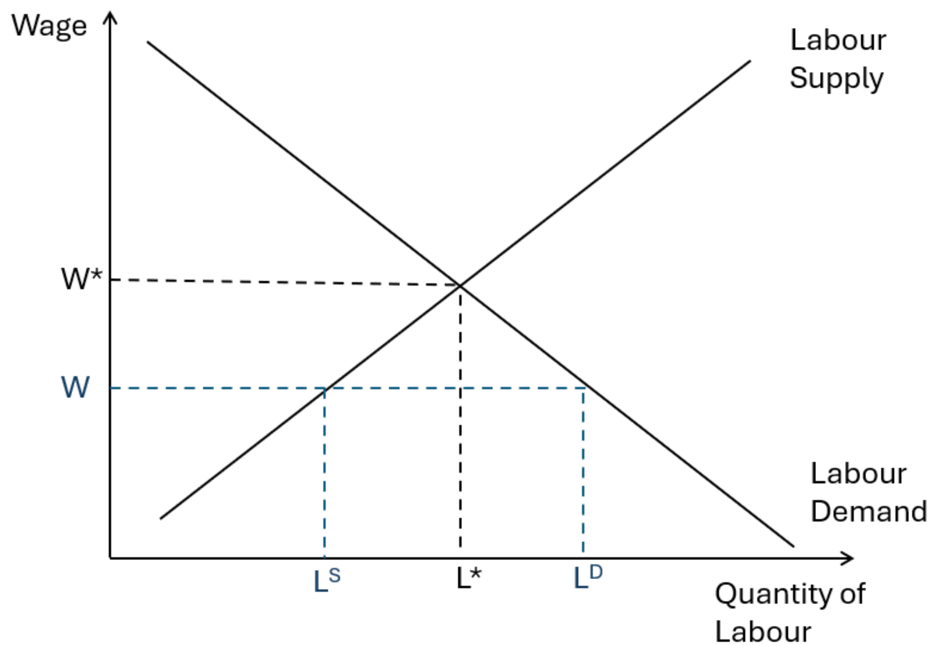
50. Due to the uncertainty around final composition of an ASC FPA, the remit of the negotiating body in terms of matters such as the types of social care workers it will cover will be informed by engagement with the sector. As such we are unable to specify the timelines in which benefits of the policy may be achieved nor all of the potential effects at this time.

51. Link to growth: Low pay constrains economic growth through lowering the consumption of workers, providing insufficient incentives for engagement and effort, and disincentivising investments in human capital. Enacting policies to improve pay in ASC would help to overcome these problems and enhance economic growth. Higher pay would allow the ASC workforce to increase their consumption and improve their standard of living. Low-income groups such as care workers have a higher marginal propensity to consume than the median household. A transfer in the form of additional pay would therefore be expected to generate a more positive effect on overall economic output than the median household. Increasing pay in ASC can have a small but positive effect on productivity through higher motivation, a greater incentive to invest in human capital (and therefore increase productivity) and improved recruitment and retention.

4. Description of proposed intervention options and explanation of the logical change process whereby this achieves SMART objectives

52. This policy will create the powers to set up a process of sectoral bargaining for Adult Social Care. This can be defined as a process of negotiation between the representatives of employers and of workers to agree the terms of employment within the sector.

53. As discussed above, there are issues in ASC pay and working conditions which are contributing to labour shortages. At its most basic, this policy can be thought through a simple supply and demand diagram.



54. In a free market, the supply and demand of labour is brought into balance by wages. The wages of carers would move relative to wages in alternative sectors in a way which seeks to clear the market of either excess demand for care and therefore derived demand for labour (wages would increase) or excess supply of carers (wages would fall). The shortage of ASC labour relative to demand, with salaries failing to respond, hints at the existence of a market failure – the monopsonic power of Local Authorities within care markets and the binding constraint of Local Authority funding.

55. The Adult Social Care Fair Pay Agreement would provide a means to negotiate for better wages and terms in the sector. The extent to which these would move the ASC labour market towards W* will depend on the funding made available.

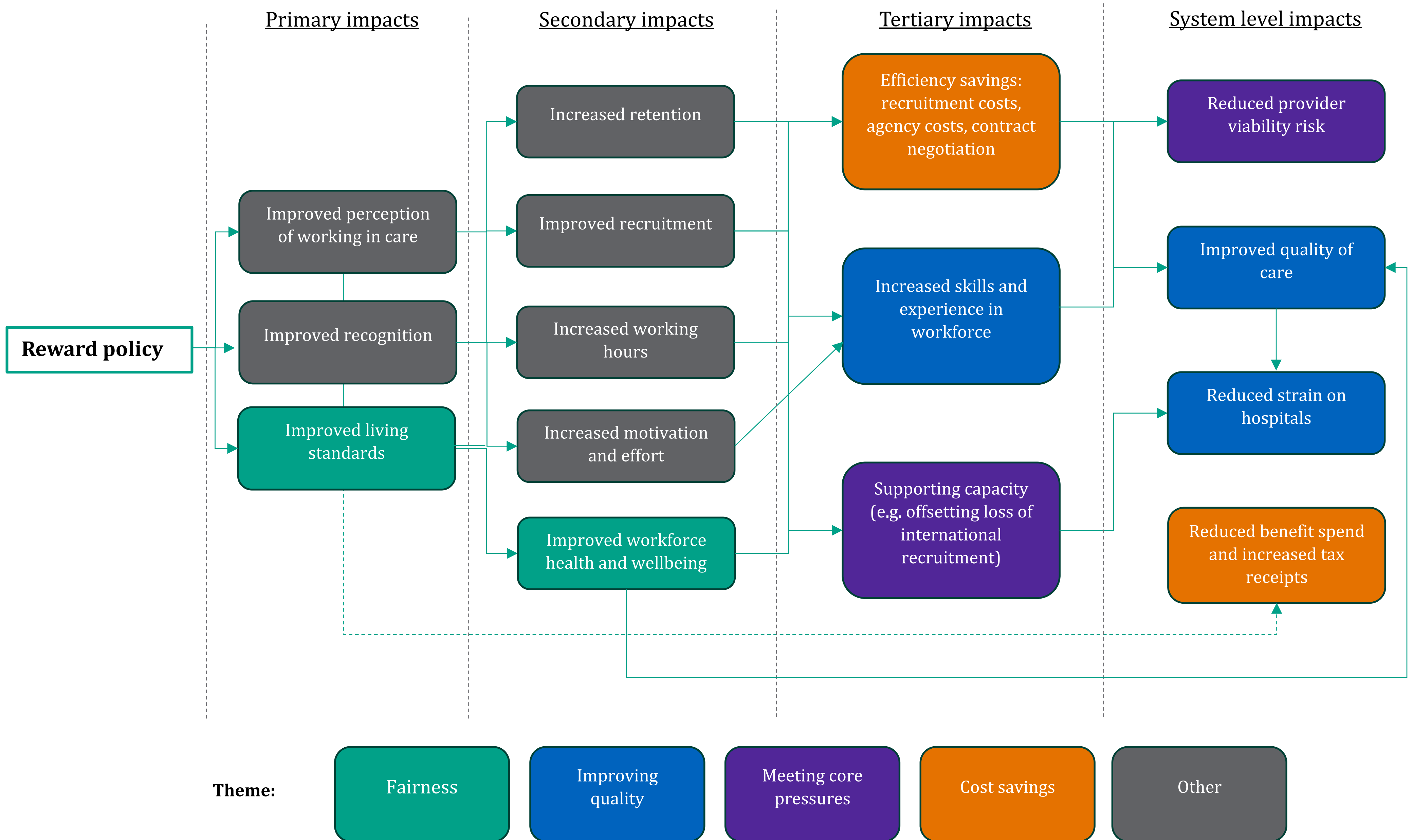
56. **Theory of change**

Input is legislation – both primary and secondary, then set-up of ASC FPA Negotiating Body.

Output is a form of sectoral bargaining in ASC.

Outcomes is on negotiated wages and non-wage working conditions.

Impact is on quality of working environment, wages (levels and distribution), employment, productivity, resilience and adaptability. The below provides a more detailed overview of the expected impacts of an ASC FPA policy.



Primary impacts
Secondary impacts
Tertiary impacts
System level impacts
Reward policy
Improved perception of working in care
Improved recognition
Improved living standards
Increased retention
Improved recruitment
Increased working hours
Increased motivation and effort
Improved workforce health and wellbeing
Efficiency savings: recruitment costs, agency costs, contract negotiation
Increased skills and experience in workforce
Supporting capacity (e.g. offsetting loss of international recruitment)
Reduced provider viability risk
Improved quality of care
Reduced strain on hospitals
Reduced benefit spend and increased tax receipts
Theme:
Fairness
Improving quality
Meeting core pressures
Cost savings
Other

5. Summary of long-list and alternatives

57. Establishing a Fair Pay Agreement in the Adult Social Care sector was a manifesto pledge. The Employment Rights Bill will introduce a series of regulation-making powers, and the design of the Adult Social Care Fair Pay Agreement will be set out in secondary legislation following engagement with sectoral stakeholders. A range of options will be considered during this process, and these will be appraised accordingly.

58. As above, the Adult Social Care Fair Pay Agreement would provide a means to negotiate for better wages and terms in the sector. Adult social care is a labour-intensive and people-facing sector, which limits the potential for capital investment to increase productivity. Even where innovations that could improve productivity in ASC exist, their adoption by providers is often low and slower than it could be; and in many cases implementation would require the sector to attract and retain staff with higher levels of skills and/or responsibilities than is currently the case. Factors such as low fee rates paid by LAs create poor incentives and reduce the ability to invest in new technology. This may be exacerbated by market fragmentation which could limit the deployment of innovation.

6. Description of shortlisted policy options carried forward

59. Two options were shortlisted to be carried forward:

Option 1: Do Nothing

- “Status Quo” or “no change” option from the current system, not introducing an Adult Social Care Fair Pay Agreement. A means to negotiate for better wages and terms in the sector would remain absent, exacerbating the existing problems within the ASC workforce.

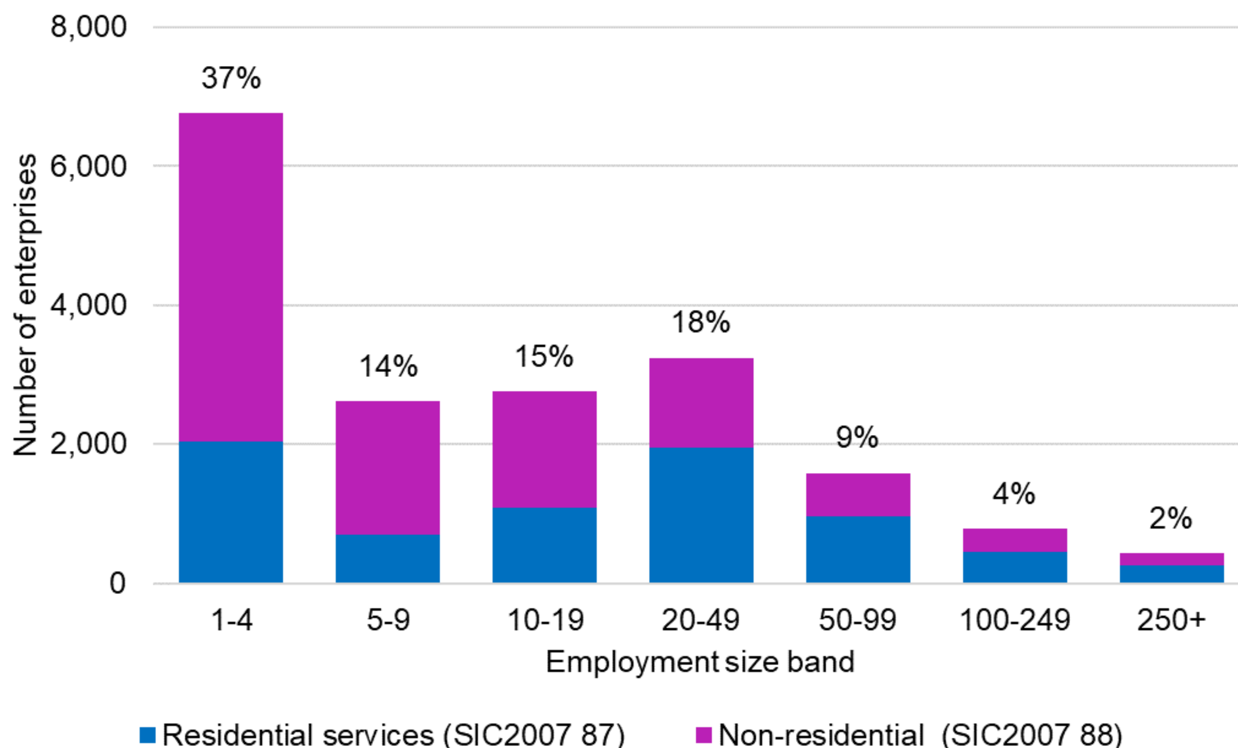
Option 2: Establish a Fair Pay Agreements process in the Adult Social Care sector

- Use the Employment Rights Bill to introduce a series of regulation-making powers, setting out the design in secondary legislation following engagement with sectoral stakeholders.

<u>Small and Micro Business Assessment</u>

60. Almost all ASC employers are small-to-medium sized enterprises (98%), 2% are large employees who employ almost half (47%) of the ASC workforce. Micro businesses account for 51% of employers by count, small businesses account for 33%, medium businesses account for 13%.

Figure 7: Count of businesses in relevant industrial sectors (by Standard Industrial Classification) by size band



Source: Skills for Care (2023), The state of the adult social care sector and workforce in England

61. Smaller businesses are likely to be more exposed to the costs associated with an FPA. They may have smaller profit margins and may be more constrained in their ability to raise prices. They do not benefit from the economies of scale that are possible within the largest businesses that could help them to offset costs. Lower reserves and lower levels of investment may mean there are barriers to investing in any productivity improvements that could help them to manage increased labour costs.

62. As a result, the smallest businesses may be more likely to experience some of the potential negative consequences of higher labour costs in ASC because of an FPA, including lower profitability, having to reduce the number of paid hours, and potentially, market exit.

63. The extent to which the costs of an FPA would be shared between public-sector commissioners and businesses is yet to be determined. However, an exemption for smaller enterprises would be inappropriate. The core objectives of the policy could not be achieved if small, micro, or medium enterprises were exempted from the application of the FPA process or its implementation, given the proportion of the workforce they collectively employ, and could create perverse incentives to break up larger enterprises in the sector.

64. Mitigations of the impact might include measures to ensure that the interests of smaller employers are represented appropriately during the co-design and negotiation of an FPA, for example by mitigating the costs of participating (such as staff time) where these might otherwise be disproportionate. Smaller enterprises are already able to access the public procurement of care and available public support with the costs of training workers, and we do not foresee a Fair Pay Agreement creating additional barriers.

65. The complexity of the ASC sector is a key consideration in the design of the Adult Social Care Fair Pay Agreement policy. There are different types of employers in the social care sector: the private provider, local authorities, and individuals. The Employment Rights Bill provides powers to reach a negotiated agreement in the ASC sector, but the detail and scope of the negotiation process (amongst other matters) will be established in secondary legislation.

7. Regulatory scorecard for preferred option

Part A: Overall and stakeholder impacts

(1) Overall impacts on total welfare		**Directional rating** **Note: Below are examples only**
Description of overall expected impact	The ASC FPA would provide a mechanism to negotiate minimum pay and terms in the adult social care sector. We would expect the agreement reached to provide better pay and/or terms for the ASC workforce. This would increase costs to ASC employers – see section 7, expected impacts to businesses. Workers in the ASC sector would benefit from the improved pay and terms. The cost to employers from increased wages and improved terms will be a benefit to ASC workers – see section on expected impacts to households. This represents an economic transfer from businesses to households. The ASC sector is characteristically unique – it provides a public service through a market of mostly private providers, where the majority of funding comes from local authorities, who receive grants from central government. Fees are therefore dictated by the Local Government Finance Settlement with funds provided by central government. We would expect the costs of the Fair Pay Agreement in ASC will likely lead to higher costs for local authorities' commissioning services and for self-funders. There is limited room for ASC providers to respond through productivity improvements, erosion of pay differentials, or reducing profits. Increased costs may therefore be passed on to local authorities and to self-funders, though the extent of this and how the costs are shared could depend on policy design and the outcome of negotiations. Increased costs to local authorities could result in greater costs to the Exchequer. The policy is expected to improve labour supply and productivity in the ASC sector. This would help meet	**Uncertain** **Based on all impacts (incl. non-monetised)**

	growth in demand for care services, reduce unmet need, and may generate positive spillovers for the NHS. See non-monetised impacts for further discussion. Improved recruitment and retention could reduce the reliance on international recruitment which has been the main driver of workforce growth in the sector since 2022. There are risks associated with relying heavily on immigration to mitigate longstanding problems such as pay and conditions, including higher risk of exploitation of workers. The government has also committed to reducing reliance on international recruitment for the economy as a whole. Overall, it is possible for this policy to generate net economic and social benefits. The direct cost to employers largely represents a transfer to lower-income households as a benefit and there could be additional care-related benefits, largely in terms of higher quality of life for people with care needs and their unpaid carers. However, in terms of financial impact, we would expect the cost of the Fair Pay Agreement in ASC to feed through to higher costs for local authorities' commissioning services and for self-funders. Increased costs to local authorities could in turn create increased costs to the Exchequer. The extent of this, and how the costs are shared, depends on policy design and the outcome of negotiations, taking into account the objective of affordability for businesses, local authorities and self-funders. Some of this funding could be offset by increased tax receipts, as well as savings to the NHS. However, (i) any NHS savings would be comparatively small and (ii) they require decisions on NHS budgets.	
Monetised impacts	Any ASC FPA would be subject to negotiation. We do not want to prejudge or appear to prejudge the outcome of a negotiation. Therefore, until the outcome of negotiation is known, we cannot quantify the costs and benefits of the policy. There are no costs from the primary legislation (inc. familiarisation). Some will be generated by secondary legislation and assessed in the accompanying impact assessment.	**Uncertain**
Non-monetised impacts	The primary cost of a negotiated FPA would be increased labour costs for ASC employers as a result of higher pay. Skills for Care estimate that the total wage bill for employees in ASC was £26.6 billion in 2022/23. This would be expected to increase over time as a result of growth in the size of the workforce in line with	**Uncertain**

demand, and as a result of wage inflation, including increases in the National Living Wage.

However, illustratively, a package equivalent to a 1% increase in wages in 2022/23 (approx. 10p per hour per worker) would have increased the wage bill by £266 million[41].

As discussed above, this would increase cost pressures on providers, and we would expect this to be passed on. This would result in increases in Local Authority fees and in prices for individuals who pay for their own care ("self-funders").

For the Exchequer, any increase in pay would result in increased income tax and national insurance revenue, as well as reduced expenditure on Universal Credit. We estimate, using household income data for workers in the relevant industries, that for each additional £1 that is spent on increased fees for publicly-funded care to raise pay, there would be approximately 40p of this saved through increased tax revenue and saved Universal Credit. The Exchequer would benefit in a similar way if some of the increased cost was passed onto households paying for their own care.

Improved pay and reward would lead to improvements in labour supply to the sector. Research has demonstrated that there is a wage elasticity of 1.8 in the sector, meaning that a 1% increase in pay should increase the number of people willing to work in the sector by 1.8% through a combination of stronger recruitment and retention[42].

An FPA could therefore help ensure sufficient labour supply to meet expected growth in demand for care services. It could also support any policy intended to expand access to care, including to reduce current unmet need.

Higher pay could positively impact on the quality of care services, including via better retention of more experienced staff, workers demonstrating more motivation and effort in response to feeling better recognised, and potentially incentivising uptake of qualifications and training. Research evidence demonstrates that pay has a small but positive effect on care quality.

[41] Based on a total wage bill of £26.6 billion in 2022/23, The State of the Adult Social Care Sector and Workforce 2023 (skillsforcare.org.uk)

[42] NIHR (2024), Wages and Labour Supply in Adult Social Care, www.ascru.nihr.ac.uk/reports

	Furthermore, it could also lead to savings in health spend. Given the close integration of the health and care systems in England, any additional spending on the ASC system is likely to have beneficial impacts for the NHS due to a reduction in preventable admissions and in delays to hospital discharge. The cost of an excess hospital bed day is estimated to be £480[43]. Reducing the number of people who need a hospital bed, including via improved quality of care, or improved access to care, would be expected to lead to some savings in the NHS. A factor affecting patient flow through hospitals is the inability to move patients back into the community once they have been assessed as no longer needing to be an inpatient. As of August 2023, the number of patients waiting in hospital who no longer met the criteria to reside in hospital was nearly 12,000[44]. Increases in the supply of care labour and reduced uncertainty over its availability and cost, might help the flow from hospitals to care homes or to packages of domiciliary care at home at the margin. While the impacts on care could generate cost savings to the NHS, the scale of these savings is uncertain, and they are likely to be smaller than the total cost of the policy. For instance, Skills for Care illustrative modelling estimates NHS savings would offset approximately 10% of the cost of increases in ASC wages[45]. Similarly, Forder (2009) explored the relationship between ASC and the NHS, estimating that an additional £1 spent on care home services results in a £0.35 reduction in hospital expenditure due to fewer admissions as well as reduced length of stay. This estimate is likely an overestimate for this policy because (i) it includes increasing access to care which may generate greater savings than increasing pay and reward, and (ii) an ASC FPA would increase the cost of care packages relative to NHS beds thereby reducing the scale of savings. These are examples to evidence the point. The true benefits remain uncertain and will in part depend on the design of an ASC FPA. To note, providers may choose to manage increased staff costs by reducing paid hours, by reducing the number of staff, by minimising the cost of any employment matters out of scope of any particular FPA,	

[43] *NHS Improvement: Reference costs* GDP deflators at market prices, and money GDP June 2024 (Quarterly National Accounts) - GOV.UK (www.gov.uk) *(£384 for elective and non-elective excess bed days in 2017/18 prices uprated to 2024/25 prices using GDP deflators)*
[44] CQC (2023) State of Care 2022/23
[45] Skills for Care (2024), Attract and retain.

	by increasing costs to self-funders, and by reducing profits. Reductions in hours or employment could negatively impact on access to care. If providers' profits are substantially affected, this could impact on provider viability and market stability, and therefore the availability of care. If there is a net loss of ASC capacity, this could lead to social costs, due to a lower quality of life for people who would otherwise have been able to draw on care services, worsened health outcomes, and a greater reliance on unpaid care.	
Any significant or adverse distributional impacts?	No adverse distributional impacts and we expect positive distributional impacts to households – see below. The policy would predominantly affect employers and workers in the adult social care sector with possible spillovers to (i) care recipients, (ii) the NHS, (iii) sectors in direct competition to attract staff.	**Positive**

(2) Expected impacts on businesses		
Description of overall business impact	The total number of organisations involved in providing or organising adult social care in England was 18,000 in 2022/23. This estimate does not include individuals employing their own care and support staff. 41% of social care organisations are residential services, or care homes. 59% provide non-residential services, including domiciliary or home care. A further 69,000 direct payment recipients were directly employing their own staff in 2022/23[46]. Most pay and reward policies would be expected to increase the labour costs to employers. The impacts of the ASC FPA will depend on the agreement negotiated and agreed. It could include pay policies, such as a pay floor or pay spine. It may involve standard terms and conditions such as sick pay entitlements, and annual leave. Other matters such as training requirements may also be in scope. Employers may seek to respond to increased hourly labour costs by increasing prices, reducing employment or hours, eroding conditions that are out of scope of an FPA, investing in productivity improvements, or reducing profits. There may be some cost savings to employers as a result of higher pay and improved labour supply. This could include savings on recruitment and retraining	**Negative**

[46] The State of the Adult Social Care Sector and Workforce 2023 (skillsforcare.org.uk)

	costs as workers are retained for longer. Providers may be able to reduce reliance on agency staff, which is associated with higher costs.	
Monetised impacts	As above, this impact assessment does not monetise impacts.	**Negative** **Based on likely business £NPV**
Non-monetised impacts	While the ASC FPA itself will be subject to negotiation with representatives, most scenarios would be expected to result in greater labour costs to ASC providers. As above, a package equivalent to a 1% increase in wages in 2022/23 would have increased the wage bill by £266 million[47]. Similarly, enhancements in the terms and conditions which, in addition to pay, could be included within the scope of a particular ASC FPA (e.g. employer sick pay) would likely impact most employers, and costs would likely scale with wages. In response to these costs, providers would seek to increase prices. They may seek to generate productivity improvements, for example by investing in technology or human capital. However, the provision of care is labour intensive and the scope for productivity improvements to respond to these costs is likely limited. As previously set out, providers have limited ability to negotiate with LAs who operate local monopsonies and constrain fees. If providers are unable to increase their income or manage their expenditure in response to rising labour costs, they would see a reduction in profits. This may reduce the viability of operating in the ASC market, leading to market exit and reductions in the number of new businesses. The design of the ASC FPA negotiation process in secondary legislation will determine the extent to which this risk is possible. While an improvement in workforce pay and terms would increase costs to providers, these may be mitigated to a small extent thanks to certain benefits. Improved retention could lead to cost savings at provider level due to reduced recruitment and retraining, with each additional worker retained each year leading to a reduction in the cost of recruitment activities and induction training of approximately £4000 per worker.[48] Furthermore, improved retention also reduces service	**Negative**

[47] Based on a total wage bill of £26.6 billion in 2022/23, The State of the Adult Social Care Sector and Workforce 2023 (skillsforcare.org.uk)
[48] DHSC estimate based on an industry case study.

	volatility and makes it easier for providers to plan how to meet demand and negotiate contracts effectively. Overall, this policy would likely generate a net cost to business.	
Any significant or adverse distributional impacts?	Uncertain distributional impacts to businesses. Sector impacts Increases in ASC pay and terms are likely to increase the attractiveness of ASC relative to other competing sectors such as retail, early years, and potentially the NHS. These sectors may therefore experience greater challenges in attracting and retaining staff as a result of an FPA in ASC. It could lead to greater costs in those sectors if they introduce policies to remain competitive with the ASC offer. Regional impacts The ASC workforce is distributed across England according to where there is demand for care. Partly due to older age groups having the highest care needs, demand for ASC tends to be more concentrated in coastal and post-industrial areas, with 9 of the 10 local authorities with the highest numbers of LA-funded care users per capita being in the bottom half of areas for deprivation[49]. A pay increase in ASC should therefore disproportionately impact on more deprived areas, both in terms of the economic benefits, and any associated risks.	**Uncertain**

(3) Expected impacts on households		
Description of overall household impact	As discussed above, this policy would improve pay and terms for the ASC workforce. This would generate a transfer from employers to workers. The net impact on households would include any universal credit withdrawal. Beyond those working in ASC, we would expect care benefits for those receiving adult social care and possibly those waiting for NHS treatment, with benefits to those providing unpaid care to them. Households who would expect to fund their own care could be negatively affected by the increase in labour costs. However, these represent a minority with 23% of	**Positive**

[49] Adult Social Care Activity and Finance Report, England, 2022-23 - NHS England Digital

	people using community care services[50] and 37% of care home residents self-funded in 2022/23[51].	
Monetised impacts	Not monetised.	**Positive** **Based on likely household £NPV**
Non-monetised impacts	A significant benefit of the ASC FPA policy would be improved pay and terms to workers and their households. This would lead to improvement in their living standards, including reductions in in-work poverty, with a positive impact on their health and wellbeing. People who draw on care may also benefit – both from the additional supply to meet demand and from more productive carers who are retained for longer, with greater experience and skills, and more motivation and effort in their work. This would include quality of life benefits to the individuals receiving care, as well as lower risk of hospitalisation and prevention of conditions worsening. This would have the positive spillover of reducing the burden on unpaid carers and allow them to increase their supply of labour. It can also improve their quality of life and health outcomes. However, increased costs to providers to fund an FPA are likely to result in increased prices to individuals who pay for their own care (self-funders). This may increase unmet need and reliance on unpaid carers. This may also push people from self-funded care to Local Authority funded care with implications for the cost of publicly funded ASC services. In addition, any provider market exit or reduction in provider market entry could negatively impact on individuals' access to care. These impacts depend on the outcome of the ASC FPA negotiation and decisions on how it is funded, including the split between Government and providers. In the instances where domiciliary providers respond to increased labour costs by conducting work intensification (e.g. via "call cramming"), this could negatively impact on the experience of workers and of people drawing on care, because workers may have to provide more care than is feasible, and people drawing on care may not receive the quality care that they need.	**Positive**

[50] ONS (2023), Estimating the size of the self-funding population in the community, England: 2022 to 2023

[51] ONS (2023), Care homes and estimating the self-funding population, England: 2022 to 2023

Any significant or adverse distributional impacts?	Positive distributional impacts to households. Low income The policy will have a positive impact on low-income groups. As discussed in this IA, ASC is a low pay sector with 1 in 5 workers experiencing in-work poverty. Other impacted groups The ASC workforce has a high share of female workers (81% of workers in ASC are female, compared to 47% of the economically active population), older workers (29% of workers in ASC are aged 55 and over, compared to 21% of workers in the economically active population), and workers who are Black, African, Caribbean or Black British (14% in ASC compared to 4% in wider population)[52]. A policy that redistributes funds to the ASC workforce is likely to have significant positive equalities impacts. Regional No significant regional impacts. As above.	**Positive**

Part B: Impacts on wider government priorities

Category	Description of impact	Directional rating
Business environment: **Does the measure impact on the ease of doing business in the UK?**	The impact of an FPA on businesses will depend on its design and how it is implemented. A Fair Pay Agreement would result in increased labour costs for ASC providers. These increased costs could impact on the profitability of delivering care services. If profitability is significantly reduced, providers may decide that it is not viable to deliver care services and may exit the market. This would increase market concentration. A weakened perception of the profitability of the ASC sector could also negatively impact on investment in ASC businesses and dissuade new businesses from entering the market. On the flipside, if an FPA leads to increases in Local Authority fees and greater certainty about income, it may improve the viability of ASC businesses and could lead to business growth and greater investment. The balance and extent of these impacts depend on the design of the policy and on the negotiations.	**May work against**

[52] The State of the Adult Social Care Sector and Workforce 2023 (skillsforcare.org.uk)

International Considerations: **Does the measure support international trade and investment?**	We do not expect this policy to have any direct impact on trade and investment.	**Neutral**
Natural capital and Decarbonisation: **Does the measure support commitments to improve the environment and decarbonise?**	We expect that there is no or negligible impact on the environment, natural capital, and decarbonisation as a result of this policy.	**Neutral**

8. Monitoring and evaluation of preferred option

66. DHSC intend to conduct an evaluation of the implementation of a Fair Pay Agreement, covering the time period before its introduction, and for up to three years after it has been introduced.

67. It could involve mixed methods research to baseline current practice on reward in the sector, prior to the implementation of an FPA, in order to understand how providers make decisions about terms and conditions, and the impact they have on the workforce. This could involve analysis of Skills for Care's Adult Social Care Workforce Dataset (ASC-WDS)[53], which is a worker level dataset that includes information on pay, worker demographics and qualifications. This would build on previous and ongoing research into practices in the sector, including projects funded by the National Institute for Health and Care Research cited in the evidence base above.

68. A second phase could involve an evaluation of changes to pay and conditions as part of a Fair Pay Agreement. It could consider the impact on workers, providers, and the wider social care market and would involve both quantitative and qualitative research. The quantitative component could use methods such as a difference-in-difference analysis (dependent on the design of an FPA, but we would anticipate differences in impact between services and local areas) or regression discontinuity design to estimate the impact of a change in pay and reward policy on outcomes of interest. The qualitative component could involve surveys, interviews and focus groups with care workers, providers and sector representatives.

69. The evaluation could consider the impact that the FPA has on its intended outcomes, i.e. improving pay and reward for ASC workers. It would also consider the impact that the FPA has had on wider social care outcomes, including staff retention, staff subjective wellbeing, and quality of care (e.g. using care users and carer quality of life scores).

70. It could also test whether there are unintended consequences for businesses or households. The before-and-after design could be used to test the impact on provider openings and closures (based on Care Quality Commission data[54]) as a proxy for profitability or could use individual provider data on profits and prices. It could also test whether there is an impact on

[53] Adult Social Care Workforce Data Set (skillsforcare.org.uk)
[54] Using CQC data - Care Quality Commission

access to care, potentially using Client Level Data[55] to explore the impact on activity. It will be important to consider business size as part of this, as well as impacts on self-funders specifically.

71. The research would need to isolate the impact of an FPA from other factors which could impact on the same outcomes, including wider changes to statutory employment minima and increases in the National Living Wage.

72. It could incorporate a process evaluation, to understand how the structure and organisation of an FPA affects the impact on outcomes.

73. The policy could be adjusted as findings from the evaluation emerge, although the mechanism may depend on the design of an FPA including the degree of government involvement. For example, evaluation findings may be considered as part of the negotiation of an FPA.

9. Minimising administrative and compliance costs for preferred option

74. The Bill includes a power which would allow the Secretary of State to require employers to keep records in a specified form which could increase reporting requirements for employers if exercised. However, given the extent of existing and planned data collection from ASC employers, it is unlikely that implementation and enforcement of an FPA would lead to significant additional reporting requirements.

75. While we would anticipate some costs to employers from engaging in an FPA process, depending on the design, and some costs of familiarisation with the outcome, these could potentially be offset by administrative savings as a result of no longer setting the wages, terms and conditions which fall within the scope of an FPA independently.

[55] Adult Social Care Client Level Data - NHS England Digital