

SUBMISSION FROM THE ACTION GROUP

We refer to the above inquiry and the particular interest expressed by MSPs in the **Social Care** sector. The majority of social care services in Scotland are provided by **private and voluntary** organisations. These services have been put under severe financial pressures by councils over the last 10 years.

This pressure – **funding cuts and price-competition through tendering** - has driven down the hourly-rate paid by councils to providers; which in turn drives down the wages of our employees. The resultant problems of recruitment and retention are now well-known. Councils have been instrumental in this. **It has not been our wish to create a low-paid workforce.**

In brief, we question whether a focus on the Living Wage is the right one when the Chancellor's announcement of a new, **statutory minimum** "national living wage" will be introduced from April 2016 at **£7.20** per hour with predictions that it will rise to **£9.35** by 2020. The Resolution Foundation estimates that this will add **£2 – 3bn** per year to the public costs of social care in the UK by 2020. A "back of a fag packet" estimate for Scotland by 2020 would be **£2-300m. Simply meeting this statutory minimum is a financial bombshell for social care.** The Chancellor said that employers could pass this extra cost on to customers/purchasers. In social care, these purchasers are mostly other parts of government, predominantly councils. Right now, few councils seem to accept the financial consequences of a rising minimum wage on the price they pay for social care. In the light of that unwillingness, discussions about an even higher Living Wage are a bit unreal.

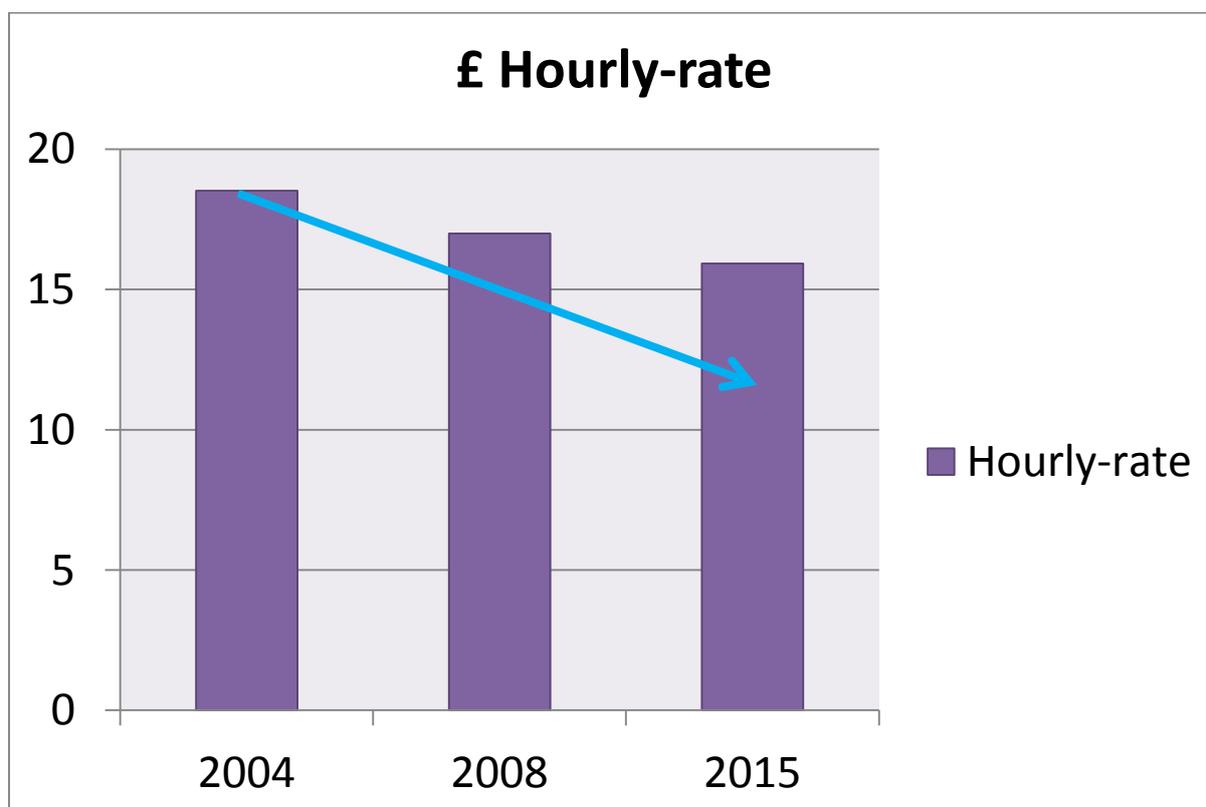
THE ACTION GROUP is a large, regional provider of social care services [Edinburgh, the Lothians, Falkirk]. We work with c. 1,500 children and adults each year who have learning disabilities, autism and other complex support needs. We have nearly 600 staff. Our annual income is over £10m.

This following paper is submitted on behalf of the Chief Executive **and** our trade union representatives [from Unite]. This joint approach reflects the long-standing, constructive relationship that exists between management and the trade union.

The Action Group's experience of the financial challenges over the last 10 years is typical:

- The **real** value of what we receive from councils to deliver a service to vulnerable adults, many with complex needs, has **fallen by one-third** in the last 10 years. [See Diagram 1.]
- In 2004, a front-line Support Worker started on a salary **45%** above the National Minimum Wage [NMW]. At October 2015, when the NMW increases again, this difference will be **less than 7%**. [See Diagram 2.]

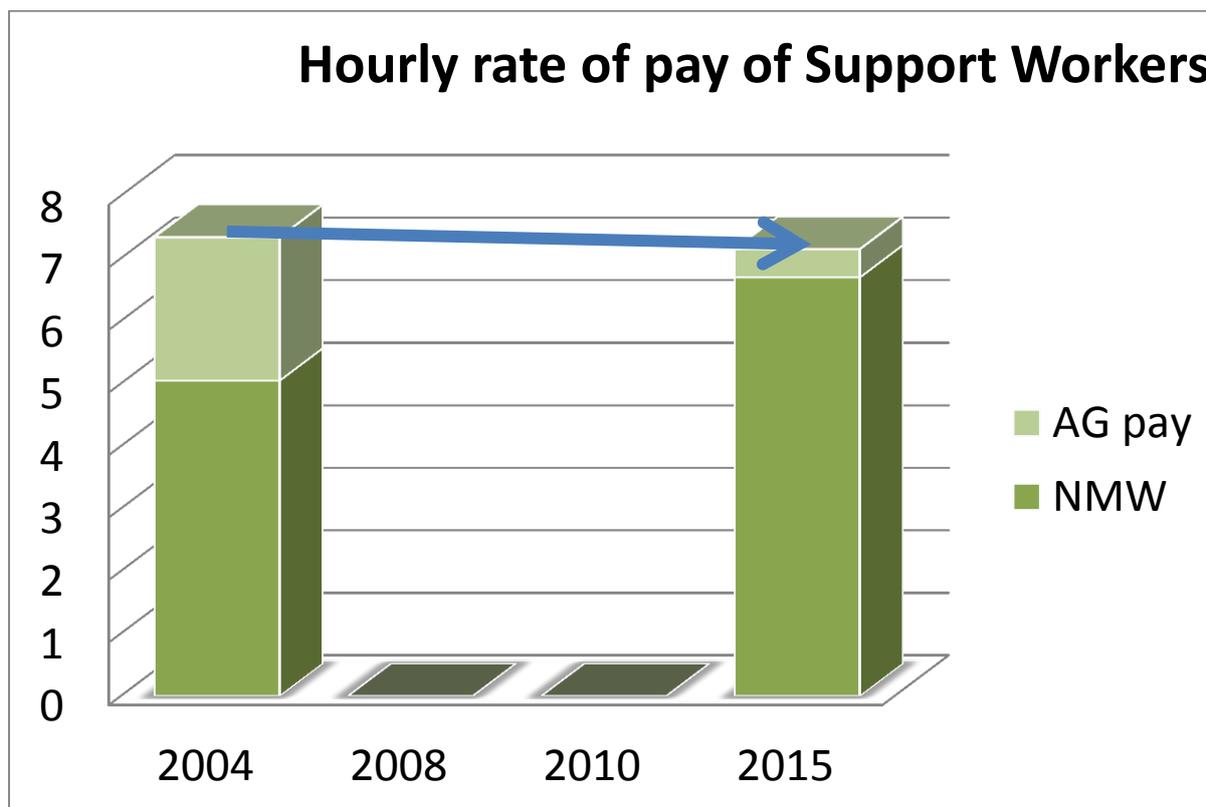
DIAGRAM 1. REDUCTIONS IN HOURLY-RATE PAID BY COUNCIL/ ADJUSTED FOR INFLATION [arrow]



The cost-mix for delivering a social care service is dominated by staff costs [in total about 85%] and most of that is at the front-line. It follows - as night follows day - that a real cut of one-third in what councils pay cannot be absorbed in “back-office” costs – it lands on staff. Pay has flat-lined, while the NMW has steadily risen. If that 45% differential, which we had in 2004, had been maintained our front-line pay would now be £9.70 per hour.

Social care is a heavily-regulated service and council' contracts expect a high level of compliance and quality of delivery. That has not changed since 2004, indeed regulation and expectations have both increased. It is also the case that the delivery has become more complex as it has shifted further to evenings and weekends and [in our case] involves more people with “24/7” needs. So this is a **regulated, professionally-managed service for vulnerable children and adults delivered 24-hours a day, 365 days a year.**

DIAGRAM 2: THE HOURLY RATE OF PAY OF A SUPPORT WORKER IN THE ACTION GROUP RELATIVE TO THE NATIONAL MINIMUM WAGE.



OSBORNE'S NEW "NATIONAL LIVING WAGE"

It is estimated that this may rise to **£9.35** per hour by **2020** and add some **£2 – 3bn.** per annum to the costs of social care across the UK by 2020. From April, 2016, this new statutory minimum will be £7.20. Many social care providers will struggle to pay even this. It will also add further to the costs of "sleepovers". It is hoped that the UK, Scottish Government and COSLA will get to grips with the consequence of this, giving priority to an actual financial solution as opposed to pointless exhortation and encouragement.

Our initial assessment is that, all else being equal, Osborne's new NLW will on its own add 20% to our staff costs by 2020. That means that the hourly-rate paid by the council must rise by around 15% i.e. to £18-19 per hour just to ensure that we [and other providers] can pay the statutory minimum.

Of course, we would agree with the exhortation that paying the [old] Living Wage is the "right thing to do". As evidenced above, The Action Group did pay well-above that equivalent level in the past. ***Our inability to do so now is a direct result of councils' actions since.***

The answer to this is not through a "commitment to encourage", as one council has put it; nor by writing conditions into contracts while making no connection to the price which has to be paid to meet these conditions.

The Scottish Government, its Procurement Directorate, COSLA and councils finally have to get honest about what it actually costs to deliver a good social care service. This is not a mystery: the internal evidence from council-run services must exist [generally thought to be 50 – 100% more expensive]; and third-party providers and their representatives [CCPS, Scottish Care] have made the case for years [but largely been ignored.]

We note and welcome that the Scottish Government, COSLA and council leaders made some progress, prior to the Chancellor’s announcement, with a scheme to increase social care funding. This now needs to be in place for the whole sector in April 2016 when the new statutory minimum wage will be £7.20 per hour. [As already noted, this is predicted to rise to £9.35 per hour by 2020.] There are 3 elements of extra cost introduced by legislation which must be met:

- 1. The new, statutory minimum “national living wage” [at least]**
- 2. The above applied to “sleepovers” [now classed as working time.]**
- 3. The additional costs of paying travel time to and from first and last support sessions. [European Court of Justice decision, September 10th.]**

ZERO-HOURS/CASUAL WORK

Further, the Scottish Government and councils expect [as do regulators and the public] that social care services are person-centred and flexible. In turn, this requires flexibility within the overall workforce that cannot be delivered by standard, full-time contracts alone.

In order to provide that flexibility, and to avoid the high cost of agency staff, we have developed our own pool of “Casual Support Workers”. They provide c. 15% of our total service-delivery.

Our **Casual Support Workers** [CSW] work for the Action Group under a “Mutuality of Obligation”. This means that if they ask for hours, the organisation has no obligation to provide the hours. Likewise, if the organisation asks if a CSW can work any given hours, they have no obligation to accept them. This means that casual staff can offer to work hours that suit them to fit in with their family and other commitments (for example study, working for other organisations or caring for elderly parents). It also means that if they do not want to work for a given period they do not have to.

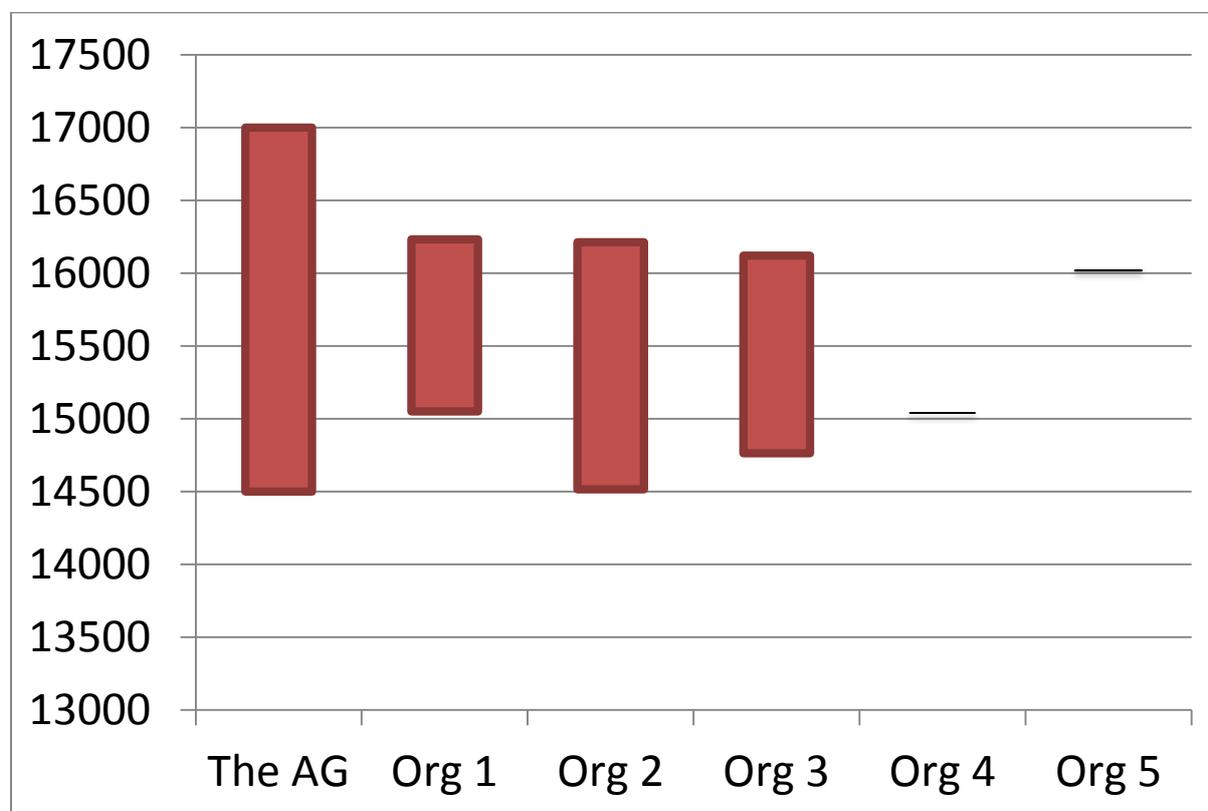
This approach is completely different to an exploitative Zero-Hour employer who has contracted the employee to work the hours they give when they are given, with no guarantee of hours. This is the type of forced contractual arrangement the Government is trying to restrict due to its unfairness and restrictive nature.

INCREMENTAL SCALES AND QUALIFICATIONS

The Scottish Government must also avoid a simplistic approach to the Living Wage. We can provide examples of organisations in social care which “pay the Living

Wage” yet offer no enhancements for qualifications or any incremental movement to reward long service. They have a single pay-point on which workers remain. In contrast, in The Action Group, our salary points mean that many of our front-line Support Workers, with longer service, are currently paid above the Living Wage. [See Diagram 3] A simplistic drive to impose the Living Wage might not recognise the value of incremental points. This could force us to cut the wages of long-serving and qualified staff, a huge detriment to our services, in order to pay for the uplift of others.

DIAGRAM 3: SUPPORT WORKER PAY £ p.a., THE ACTION GROUP AND 5 OTHER NATIONAL VOLUNTARY ORGANISATIONS, BENCHMARKED JULY 2015. Note: Org's 4 and 5 have a single point of pay. In the case of Org 5 this is the "Living Wage". [All adjusted to 39-hour week.]



REWARDS COME IN PACKAGES, NOT SINGLE PAY-POINTS

This may be stating the obvious but, in the context of the severe financial pressure already applied to social care and no sign of significant future change, there seems a real risk that a single determination to encourage/force organisations to pay the Living Wage will come at the expense of other terms and conditions, e.g. annual leave, enhanced sick pay, pension contributions. In respect of all of these there is a statutory minimum which some employers in social care have exceeded. Those benefits are seen by staff as part of the package which makes the work "fairer".

It was the case, 10 or more years ago, that some voluntary organisations [The Action Group included] would try to match the range of benefits enjoyed by public sector staff. Some of this has been lost due to the recent financial pressure but we still exceed the statutory minimum.

There is also difference which matters to employees in respect of how seriously an employer takes Health & Safety. Again, there is a "minimum" but a good employer will try to put resources into more than that.

We would not suggest that other good practice is a substitute for financial reward but we do believe that organisations whose hands are tied financially can still do a great

deal to communicate, engage, encourage, support and develop staff. In The Action Group our efforts have been recognised by **Investors In People Gold** status [a standard achieved by less than 3% of organisations who hold IIP.]

DIFFERENTIALS

Finally, any consideration of the living wage's impact has to factor in that rising front-line pay will eventually create pressure for a pay increase to front-line management and other posts.

CONCLUSION

- 1. Overall, in our view, the biggest obstacle to “fair work” in social care is the mindset within Scottish councils - established over the last 10 years and more - that the price paid for social care never needs to go up. It does, and the Scottish Government and councils simply have to get honest about this.**
- 2. The next biggest obstacle is a simple, serious shortfall of funds: it is surely time for the often-promised yet never-delivered transfer of funds from the relatively well-off NHS, from acute care to community.**
- 3. Fair work and the connection to well-being is based on more than a single pay-point.**
- 4. Certainly, it is not the case in The Action Group, nor in many other voluntary organisations providing social care, that we lack the desire to be a good and fair employer. Just about everything that is in our control is done through a package of measures. The Scottish Government and councils should recognise that and make sure that our employees do not pay for the Living Wage by losing other benefits. [See Point 1.]**