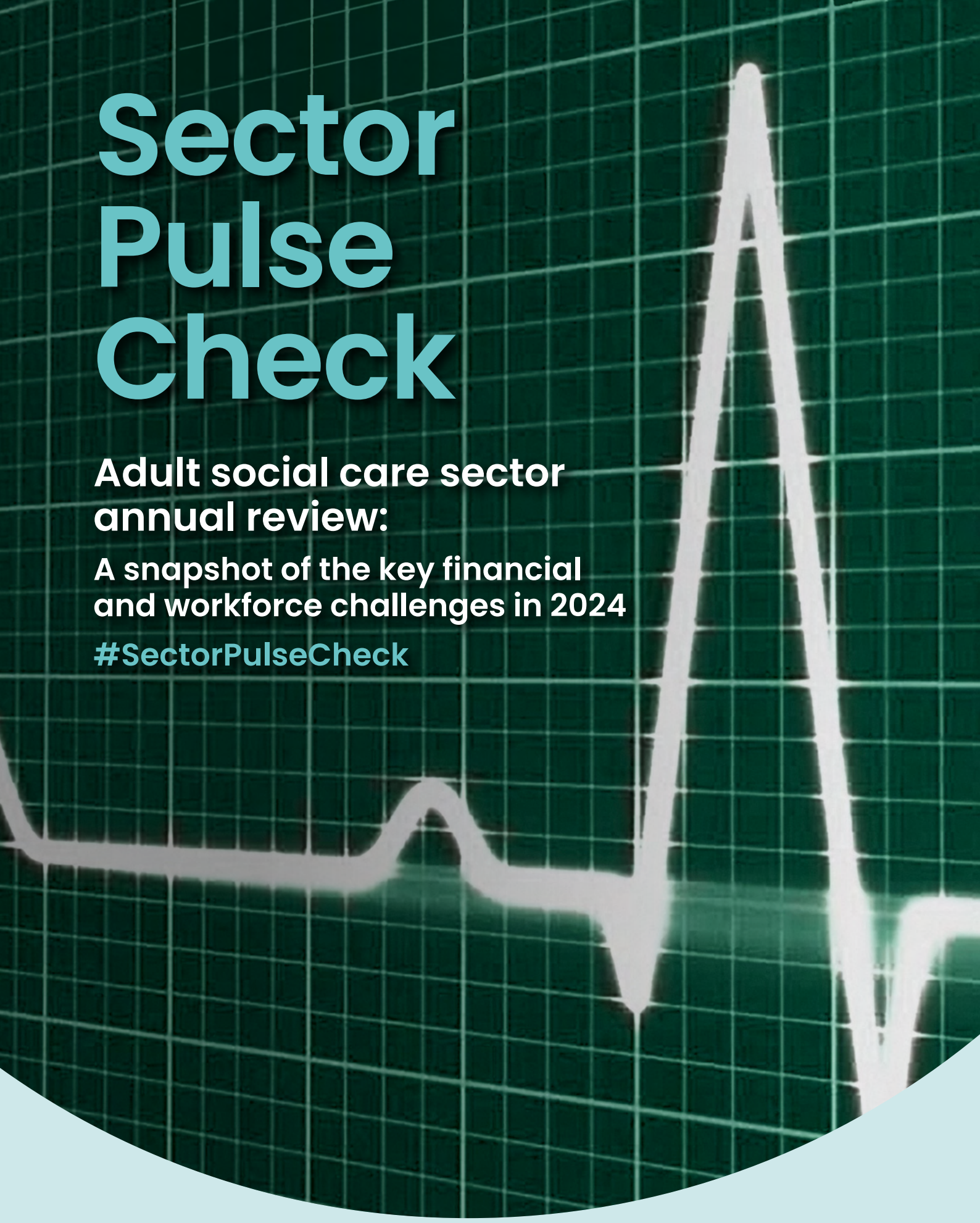

Sector Pulse Check

Adult social care sector annual review:

A snapshot of the key financial and workforce challenges in 2024

#SectorPulseCheck

hft Learning disability allies

CARE ENGLAND
The voice of care

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Hft and Care England
Analysis by CEBR, Jan 2025

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Introduction from our chief executives

Hft and Care England are pleased to have partnered for the third time to deliver the 2024 Sector Pulse Check. The report presents a detailed assessment of the current financial and workforce challenges in adult social care from the perspective of care providers. We are grateful to everyone who contributed to the report, giving us meaningful data to underpin our recommendations.

This is the first Sector Pulse Check to be released since the change of Government in July 2024. We hope the rich and qualitative data, real life case studies, and thoughtful policy recommendations will be instrumental in helping determine the decisive action and systemic change needed to bring the sector back from the brink.

It is beyond doubt that our sector is at a tipping point. Our report was drafted just weeks after the publication of the Lord Darzi investigation into the state of the NHS and social care in England, and it sadly mirrors much of his review. Lord Darzi's view that 'social care has not been valued or resourced sufficiently' is evidenced in our findings – in the last few years, there has been little improvement in the key challenges that adult social care providers are grappling with.

Most concerning is that a third of providers report that they are considering exiting the market. Whilst the number of providers in financial deficit declined for the third consecutive year to 29% – the lowest level since 2019 – this comes hand in hand with tough decisions they have been forced to make.

As a result of cost pressures and long-term financial uncertainties, over two-thirds sought internal efficiencies, a third curbed investment, and three in ten providers closed parts of their organisation or handed back contracts. These measures will undoubtedly impact the 'added value' providers can bring to those they support. The Government needs to move quickly to address and prevent sector failure, which would affect the most vulnerable in society.

Labour's commitments in its first Budget to agree multi-year funding settlements for local authorities and a review of the Carers Allowance are positive and much-needed measures. However, there is widespread concern about the impact that the increase in employers' National Insurance contributions, announced in the Chancellor's Autumn Budget, will have for the sector on top of the statutory increase in the National Living Wage (NLW).

The uplift in the NLW is understandable; however, last year 85% of providers did not experience increases in local authority fees to cover the NLW uplift. Another uplift, without funding, will be devastating for the sector. Workforce related costs are already a top financial pressure for 91% of providers. We urge Government Ministers to reconsider these increases and ensure their treatment and funding of care providers is on par with the NHS.

Around a third of care providers cited late or unpaid bills by local authorities as a top financial pressure. The Government can help address this funding issue by ensuring that local authority and NHS contracts cover the real cost of care and that fees are paid on time.

There are around 1.7 million adult social care filled posts in England, but attracting and retaining a domestic workforce remains an ongoing challenge. The rate of vacancies is significantly higher than that of the NHS, the UK economy as a whole and many other sectors at the time of writing this report. Low pay, challenging conditions, and unfavourable perceptions of the work simply make it unappealing or unaffordable as a career choice.

It is therefore no surprise that two-thirds of providers reported either a decrease or no change in applications of domestic workers in the last year. Whilst there was an overall reduction in agency costs, this hasn't been offset by domestic appointments, and it is only a return to pre-pandemic levels. International recruitment showed an uptake earlier in the year, which saw a reduction in workforce vacancies; however, policy changes around dependency visas have already led to a reduction in international applications, from 26,000 in the first quarter of the calendar year to 8,000 in the quarter beginning 1st April 2024. This represents a severing of the "lifeline" the sector was using to fill chronic vacancies.

It is crystal clear that we need a sustained and supported workforce plan that not only makes sure roles are valued financially but offers clear pathways for development and champions the vital work the sector provides.

We have set out clear asks that will provide the environment we need to deliver a thriving and sustainable social care sector. This will in turn help to alleviate healthcare pressures and ensure the Government is able to deliver on its mission to build 'an NHS fit for the future'.

We are ready to work with the Government and the NHS to get our health and social care provision right and fit for the 21st century. **It is time to act.**

Steve Veevers,
CEO, Hft
and
Professor Martin Green OBE,
Chief Executive, Care England

Executive summary

This annual report provides an overview of the financial and workforce challenges facing the adult social care sector and highlights the most significant and critical issues. It follows an independent national survey with 206 small, medium and large social care providers, representing the care of 128,000 people.

The survey was undertaken on behalf of Hft and Care England by the Centre for Economic and Business Research (Cebr) and considers care provider data for the period from August 2023 to 2024 – prior to the Chancellor's Autumn Budget presented on the 30th October 2024.

The financial position of the adult social care sector

> It feels like we are in survival mode rather than being innovators in social care.

Faced with ongoing and systemic challenges, compounded by an ageing population, increasing demand for support, a limited workforce supply, and persistent underfunding, adult social care providers are continuing to operate in **"survival-mode": sprinting just to stay afloat, being forced to make difficult decisions to survive.**

Whilst the share of providers in deficit fell for the third consecutive year to 29% - down from 40% the previous year - 60% of those in deficit reported that the size of their deficit had increased in the last year. Furthermore, seven in ten providers with decreasing surpluses will be operating at a deficit within three years. This timeline is likely to significantly accelerate if the Government fails to address the financial impact on care providers from changes in Employers' National Insurance Contributions, as announced in the 2024 Autumn Budget.

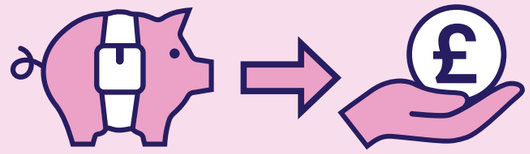
To cope with financial pressures:

Over 2/3rds of providers sought internal efficiency savings, which included changing their model of care or target client group

3 in 10 closed parts of their organisation or handed back care contracts

Of those, large providers were more likely than small providers to scale back their provision. 70% of the organisations that closed parts of their organisation had more than 1,000 employees, compared to only 13% of smaller providers. This reflects that larger providers have more capacity to downsize as a response to cost pressures.

1/3rd of providers curbed investment



Providers of care to older people (OP) were even more likely to undertake this action, with two-fifths reporting having done so. Curbing investment in this way, while tempting for providers as a short-term response to financial headwinds, is likely to impact in future years through missed opportunities for innovation and efficiency.

Overall, the top financial pressures for providers were:

90.9% workforce related costs

38.8% utilities

29.1% unpaid delayed/ bills by Local Authorities

25.5% maintenance costs (increased from 15.6%)

Of the workforce related costs, the biggest challenges were:

95.8% increases in the National Living Wage (NLW)

47.9% increase in spend on agency workers

43% increased costs for permanent recruitment

Further compounding the issue, 85% of providers said that local authority fee increases did not cover the costs of a higher NLW.

> Local authorities' increases have been minimal, only covering contact time… One authority provided only a 10p per hour increase, despite the minimum wage rising by over £1 per hour.

Rising energy prices continue to impact providers' budgets, with 75% saying energy costs had increased in the last year. Smaller organisations were the most impacted by this, with 80% recording a rise in prices, compared to 44% for larger providers.

Workforce position of the adult social care sector

> We must have this sector recognised by the Government to align care work with equivalent roles in the NHS. Social care can reduce the occupancy of hospital beds if we can offer a career with respect and proper pay rates.

Attracting and retaining workers remains a severe problem for the sector. The latest Skills for Care data[1] estimates the sector's turnover rate was 24.8% in the financial year 2023/24, whilst the vacancy rate was 8.3%. Meanwhile, the vacancy rate for the whole UK economy is 2.6%, pointing to acute labour supply shortages specifically within the adult social care sector,[2] which is set to worsen as a result of changes introduced in March 2024 for international recruits.

The main workforce issues identified in this report were:

Domestic applications are not sufficient to fill vacancies. In the last 12 months…

33% of providers reported a decrease in applications

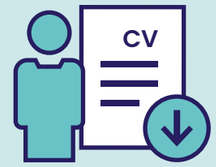
34% reported no change

& those experiencing an increase in domestic applications fell from **43%** in 2023 to **31%**

[1] Skills for Care, *The State of the Adult Social Care Sector and Workforce in England 2024.*
[2] Office for National Statistics, *VACS02: Vacancies by Industry* - Dec 2024.

36.2% of OP social care providers also saw a greater decrease in applications compared to…

28.2% of providers supporting learning disabled (LD) adults



Pay rates were the most cited barrier to recruitment at **85.7%**

followed by **poor perceptions** of the social care sector as a career at **61%**

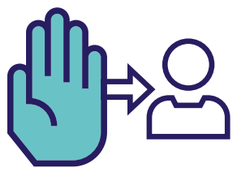
and the **challenging nature of the work** at **57.8%**

Along with higher pay, aligning terms, conditions and benefits to the NHS would make the biggest difference, supporting the findings in the Community Integrated Care report ***'Unfair to Care'.***

International recruitment was the most frequently reported method for filling vacancies, with 40% of organisations employing this strategy. International applications were reported to have increased in the last 12 months, particularly by smaller organisations. However, following new immigration restrictions, providers reported that they are seeing a drop in applications and expect further impact.

Unsurprisingly, the consequences of staff shortages are similar to those arising from the funding gap, namely:

29% of providers reported refusing new admissions to services



23% handed back or renegotiated packages of care

40% increased the use of agency workers to fill workforce gaps.

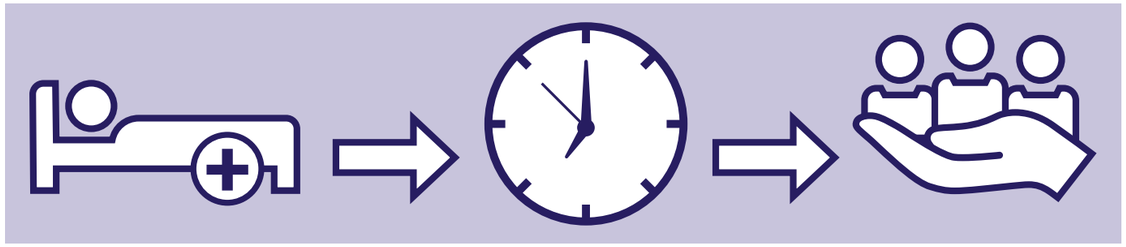
This is seen to be an issue as agency workers are considered more expensive and generally less prepared to deliver quality care compared with their full-time equivalents.[3]

> People don't want unsociable hours on low pay with high responsibilities.

[3] Unfair to Care, *Understanding the Social Care Pay Gap and How to Close It* - Mar 2024.

Government policies and sector recommendations

In his recent review, Lord Darzi revealed the equivalent of 13% of NHS beds were occupied by those waiting for social care support or care.[4]



As this report makes clear, there can be no expansion in the capacity of the social care sector without both more funding and more workers.

A long-term minimum three-year funding settlement and recruitment drive for the social care sector should therefore not be seen as an isolated package for the sole benefit of the care sector, rather an integrated strategy to ease pressures in the wider system.

Membership bodies, charities and providers across the sector provide information on the sector's challenges and what the sector needs. Skills for Care, the strategic workforce and development body for adult social care in England, reported that in 2023/4 there were 1.7 million filled posts in the adult social care sector and 131,000 vacancies – a vacancy rate of just over 8.6%. Hundreds of thousands of staff leave the social care sector every year, representing a turnover rate of nearly 26% in 2023/4. Skills for Care's Workforce Strategy for 2024 makes a corresponding series of policy recommendations for government to attract, retain, train and transform the social care workforce. The Government's ambition to create a "National Care Service" is welcome, but the sector is keen to understand what it would encompass.

Our survey data shows the clear need for long-term, sustainable workforce planning and a care sector which sits alongside the NHS as a genuine partner rather than a poor relation. We welcome the ambitious language from Ministers, but there is no time for further delay – we need to put the social care system back on its feet right now.

[4] Lord Darzi of Denham, *Independent Investigation of the National Health Service in England* - Sept 2024.

Case studies

Will lives by himself in Bedford but is supported by care workers from HFT 25 hours a week. Will is 29 years old and has severe autism.

My name's Will, and I've been supported by Hft for nearly a decade. Their support has transformed my life, helping me live independently and hold down my job as a prep chef. Before Hft, I felt ignored and unsupported. My confidence hit rock bottom, and I nearly lost my job. But when I moved to Kings Valley, Hft's team helped me rebuild my self-belief and stay calm under pressure.

Living in my own flat was a big adjustment, but with Hft's guidance, I surprised myself with how quickly I adapted. My support workers give me the confidence to navigate challenges, both in life and at work. Their advice has been invaluable, and the consistent relationships I've built with them have made all the difference.

Looking ahead, I'm excited to make new plans and keep exploring opportunities. Without Hft, I wouldn't have the independence or confidence I do today. They've been a lifeline, and I'm incredibly grateful for their support.

Sanjay is the Managing Director of the Close Care Home in a rural area outside Oxford.

My name is Sanjay Dhrona, and I'm the Managing Director of The Close Care Home in Oxfordshire. We're a 90-bedded, family-owned care home providing specialist nursing care for people with Alzheimer's, dementia, and complex needs. We've been rated 'Outstanding' by the CQC across all categories twice, but the barriers we face are enormous.

Funding is a constant struggle, worsened by inefficiencies at the local authority level. Just today, I spent five hours on a case where authorities are arguing over who pays for a resident's care. That time and money could have been spent on improving lives. Instead, residents are treated like package numbers, and the people who depend on us suffer.

Staffing is another challenge, especially in rural areas like ours. Rising costs make it harder for staff to afford transport, and while we invest heavily in supporting our team, these costs aren't reflected in local authority funding. The increases in national living wage and national insurance are also crushing small providers like us. Without higher rates from local authorities, we have no way to absorb these costs.

Despite all this, I remain optimistic. We've created a model that works, and our independence allows us to innovate and deliver exceptional care. But for the sector to thrive, the government and local authorities need to listen and fund us properly. We've shown what's possible - now it's time for others to follow.

Policy recommendations

The adult social care sector faces stark challenges. Providers are underfunded and understaffed, with the workforce reporting that they feel underpaid and undervalued for the vital work that they do.

Persistent under-resourcing means that the finances of too many providers remain extremely fragile. Many providers remain in deficit year after year, adding substantial risks to service delivery. Costs, driven by workforce-related pressures and lack of sufficient uplifts from Local Authorities, are forcing providers to reallocate future investment resources into current payroll expenses, a principle only set to worsen due to the changes announced in the 2024 Autumn Budget. This will impact the future potential and capacity of a sector which is already chronically underfunded; the Health Foundation has estimated that the sector will have a funding gap of anywhere between £8bn and £18bn by 2032/3.[5]

A primary consequence of providers being unable to pay their workers higher wages is staff shortages in the sector. Vacancies are far higher than in the NHS and almost three times that of the wider economy. Driving this, low pay and a challenging and pressurised work environment, with little recognition by either the Government or wider society for the crucial contribution these workers make.

[5] The Health Foundation, *Adult social care funding pressures* - Sept 2023.

Key recommendations

We recommend two major policy initiatives for Ministers to consider to restore the sector to long-term financial sustainability and recruit sufficient numbers of care workers:

1. **Commit to a credible, multi-year funding settlement for the adult social care sector when the Spending Review concludes in Summer 2025.** Funding increases must cover future increases in the national living wage, and any changes to Employers National Insurance, and inflation, to avoid real-term pay cuts and the large-scale market exit of care providers.
2. **Create a fully funded roadmap toward parity between care workers and workers in the NHS.** Pay and conditions are central to this, yet the significance of status and respect must not be ignored. This should include adopting the recommendations of the Skills for Care Workforce Strategy to address the high vacancy and turnover rate in the sector.

In support of these main recommendations, Hft and Care England believe that the Government should work with all political parties to:

- Fully fund the increase in Employer National Insurance contributions, or exempt care providers entirely.
- Ensure that local authorities and the NHS are funded sufficiently to reimburse social care providers and prevent cuts to real term pay through the Local Government and NHS funding settlement.
- Remove the ban on dependents for international social care staff.
- Enforce mandatory payment timelines for local authority and Integrated Care Board (ICB) payments, adding penalties for delays.
- Zero rate VAT to allow care providers the parity of a level playing field to both local authority and NHS providers and services to reclaim input VAT on purchased goods and services.
- Move care out of hospital settings to ease the burden on the NHS and into closer-to-home settings. In due course, commence a trial for neighbourhood health centres.
- Establish national commissioning standards for social care.
- Create a national register for social care workers, to professionalise and improve the standing of social care work.

The hour to act is now. Without decisive intervention, we risk leaving the most vulnerable adrift in a system that can no longer stay afloat.

Financial Challenges in Adult Social Care

Overall financial position

In previous years, Government said it would make available up to £2.8 billion in 2023/24 and £4.7 billion in 2024/25, to help support adult social care through improving capacity, increasing fees, improving social care workforce recruitment and retention and contributing to the Fair Cost of Care.[6] Nevertheless, our research reveals that the sector continues to operate at unsustainable levels. Lord Darzi of Denham described its state as 'dire'[7] – with 2 million requests for adult social care support received by local authorities in 2023/24.[8]

Whilst the data reported indicates that there are less providers overall in deficit compared with the previous two years, our research reveals that the majority (55%) of providers continue to operate in a deficit or a declining surplus *(Figure 1)*. It is important to note this data was captured before the October 2024 Budget, which increased Employer National Insurance Contributions (ENICs) from 13.8% to 15% and reduced the threshold at which employers would need to begin to contribute from £9,100 to £5,000. Voices from across the sector are warning about the impact this will have on care providers.

In 2024, 1 in 3 adult social care providers were operating in deficit

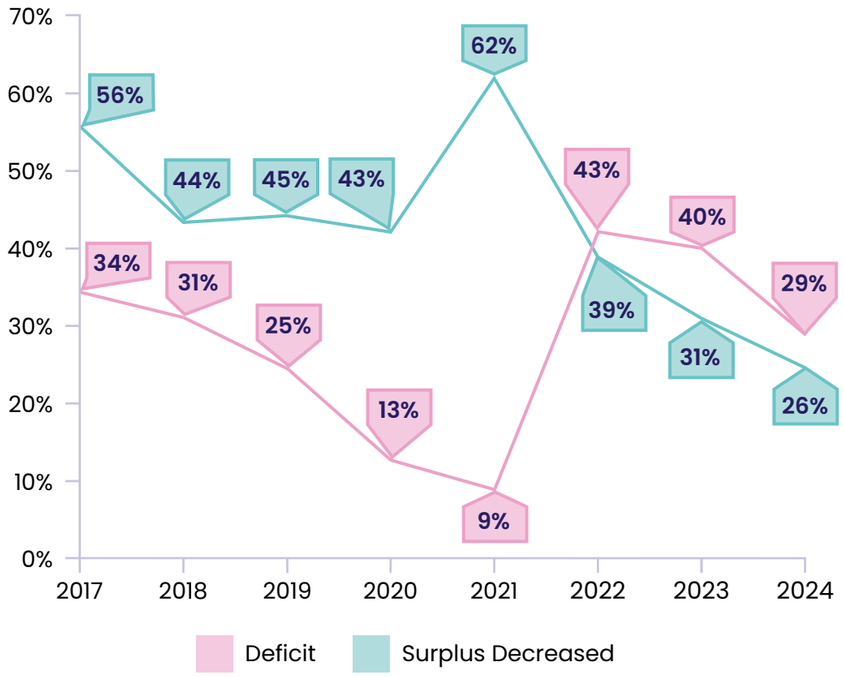
In 2024, 29% of providers reported to be operating in deficit. This is the lowest share of providers in deficit since 2021 – although, as noted previously, this trend may reverse if the changes to ENICs are not fully funded or reversed.[9]

In addition, the share of providers reporting decreasing surpluses declined to a low of 26% in 2024. The improvements come alongside a pickup in economic growth, which rose to 0.7% year-on-year in Q2 2024 – and are concentrated amongst larger providers, who were more likely to report an increasing surplus whilst medium-sized providers in surplus were equally likely to report increases and decreases in their surpluses.

[6] UK Parliament, ***Funding for Adult Social Care in England*** - Feb 2024.
[7] House of Lords, ***Social care in England: Current situation, case for a strategy and further support for unpaid carers*** - Sept 2024.
[8] NHS England, ***Adult Social Care Activity and Finance Report, England*** - Oct 2024.
[9] UK Government, ***Autumn Budget*** - Oct 2024.

Conversely, of the providers operating in deficit, 61% reported that the size of that deficit has *increased* this year.

Figure 1 - Total percentage of providers who have reported their surpluses decreasing slightly or significantly, or being in deficit, 2017-2024 *(Nb. figures for 2021 relate only to LD providers).*
(Source: Hft and Care England Survey, Cebr analysis)



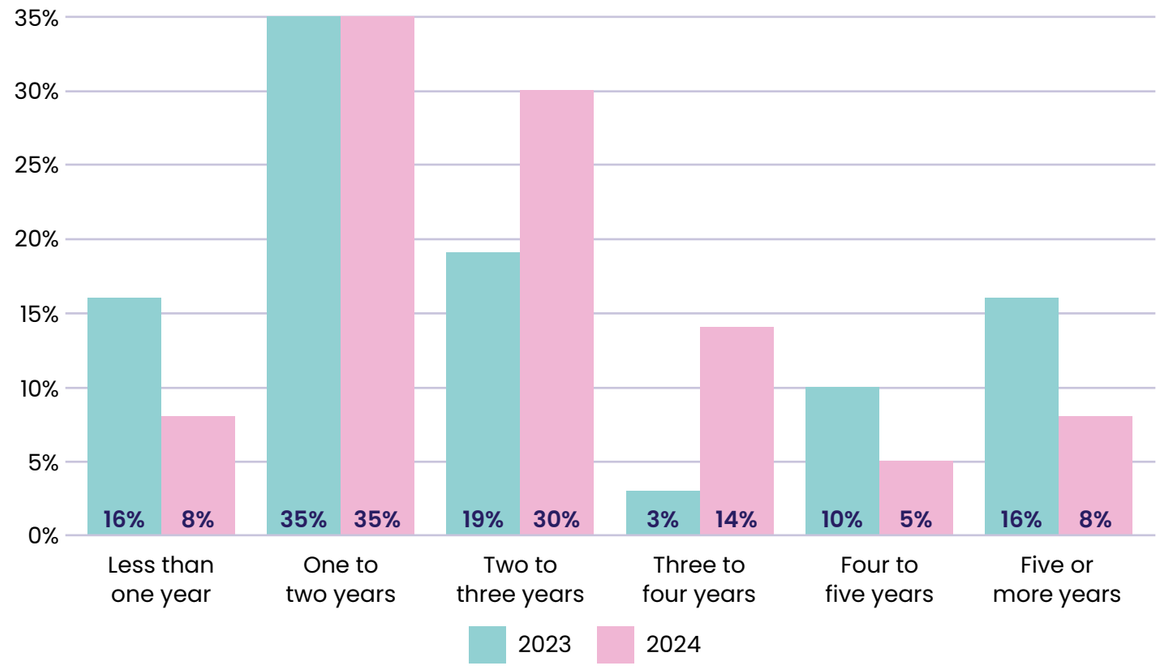
The picture is slightly different when broken down by various types of providers.

For instance, **not-for-profit (NFP) providers** (54%) were more likely to report operating in deficit over the last 12 months than **for-profit (FP) providers** (18%). Conversely, of NFP providers operating in surplus, 48% reported that this surplus increased. This is compared to only a third of FP providers reporting an increased surplus. This is likely due to NFP providers' ability to generate income from sources such as fundraising, which are unavailable to FP providers whom, if operating in deficit, would be more likely to cease or close services.

Moreover, **providers for LD adults** were more likely to report being in deficit than **providers of care to OP**, with 30% and 24% of providers in deficit, respectively.

Of most concern, NFP LD providers reported the greatest strain on their finances than other types of care providers.

Figure 2 - Percentage of providers with decreasing surpluses, who expect to next be in deficit within given timeframes, 2023-2024.
(Source: Hft and Care England Survey, Cebr analysis)



As illustrated in *Figure 2*, providers' expectations of when they expect to deplete their surplus has changed significantly, with more now anticipating entering a deficit in the medium term.

Whilst the number of providers estimating it will be less than a year until they are in deficit has halved, 11% more providers estimate they will enter deficit in two to three years (*Figure 2*).

This illustrates the systemic issue that has plagued social care for decades: **a chronic reliance on short-termism in Government support.** Instead of meaningful, sustained investment, successive Governments have focused on temporary fixes, papering over the cracks of a struggling sector. This evidences a "scraping by" model in which providers are caught between "just enough to get by" and "not enough to address the problem."

This model stifles long-term planning, inhibits innovation, and puts the country's most vulnerable people at risk of not receiving sufficient support.

Without proportional investment, it is expected that the 2024 Autumn Budget changes to Employer's National Insurance Contributions will cost the sector over £900m next year, "more than wiping out the extra funds allocated to social care at the recent Budget."[10] Therefore, it is highly likely it will further increase the short and medium-term deficit of care providers already operating in a deficit and push many of those currently in surplus into a deficit.

Case study

Zak is the CEO of Achieve together, an independent private provider that supports working age adults with particularly complex needs, including autism spectrum conditions, behaviours which may challenge, mental health conditions, profound and multiple learning disabilities, D/deaf and hearing loss and associated complex health needs.

My name's Zak, and I've been CEO of Achieve together for six months now. Growing up, life wasn't easy - poverty and instability shaped much of my early years. Local authority interventions and people who believed in me helped me move forward, and that's why I feel so strongly about providing stability and continuity of care for people we support. Stability and care can be life-changing, and for those we support, our homes are much more than just buildings - they're their entire lives.

Of course, there are challenges. Costs are climbing by 9% to 10%, but fee uplifts from local authorities are lagging far behind at just 5% to 6%. It doesn't add up, but we're meeting these challenges head-on. We've empowered our managers, redesigned how we work, and created clear pathways for our team members to grow. By doing so, we've reduced agency use to just 4%, ensuring the people we support benefit from consistent, familiar faces every day.

What gives me real hope is the collaboration happening across the sector. CEOs from both for-profit and non-profit organisations are coming together, not just to highlight problems but to advocate for solutions. But we can't do it alone - without proper Government investment, some providers will face incredibly difficult decisions. That's why we need sustainable, meaningful support to keep delivering the life-changing care that so many people rely on.

For me, this work is deeply personal. I'm determined to ensure we provide the stability and continuity that can transform lives, no matter the challenges ahead.

[10] Nuffield Trust, ***Social care providers at risk of collapse as analysis reveals cost to sector of employer national insurance hike*** - Nov 2024.

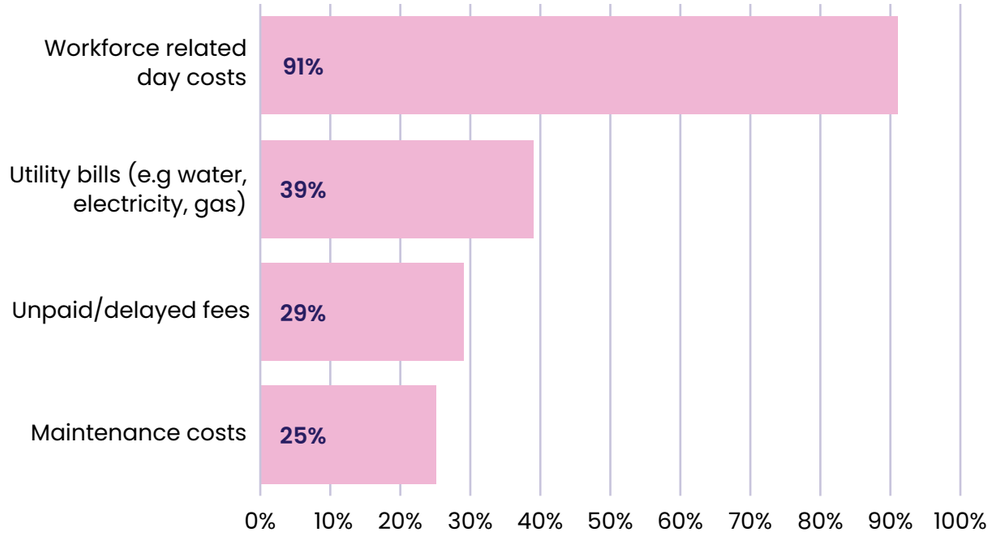
Key Cost Pressures

To understand the drivers of financial instability in social care, providers were asked to report on their most challenging commercial cost pressures over the past 12 months *(Figure 3)*.

Workforce-related costs remain the most reported cost pressure, with 9 in 10 providers identifying it in their top three.

Fewer providers named utilities as one of their top three cost pressures in 2024 compared to last year; however, it remains the second-most reported pressure.

Figure 3 - Top cost pressures, by percentage of providers 2024.
(Source: Hft and Care England Survey, Cebr analysis)



The third largest share of cost pressures can be attributed to unpaid or delayed fees from local authorities. Many care providers rely on timely payments from local authorities to cover operational costs, such as wages and facility maintenance. When these payments are delayed, providers are forced to bridge funding gaps, often by using reserves, taking on debt, or even cutting back on resources essential to delivering high-quality care. Delayed payments have a significant impact on cashflow and will drive down credit ratings which in turn will see care providers with lower credit ratings paying higher costs for utilities, leases, finance, and insurance for example due to a perceived increased credit risk.

The following section will seek to explore each of these areas of significant cost pressure in more detail.

Workforce-related costs

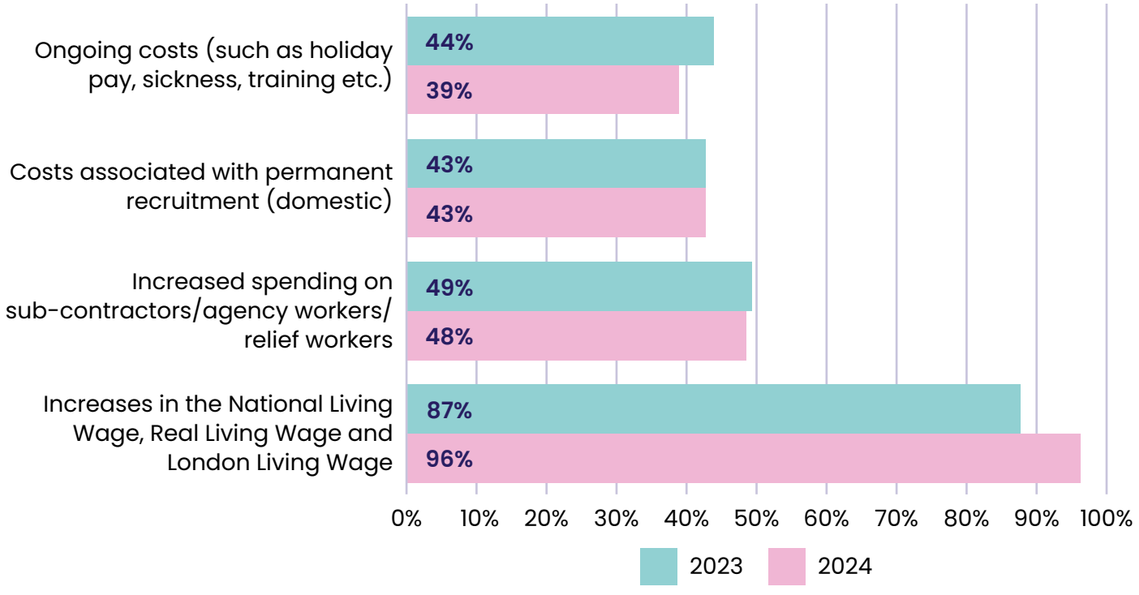
In April 2024, the Government increased the National Living Wage (NLW) to £11.44 per hour - the largest ever increase in the minimum wage in cash terms and the first time it has increased by more than £1.[11] In previous surveys, providers have consistently named salary costs as a leading cost pressure, and indeed this year 96% of providers named the NLW uplift as one their main workforce-related cost pressures *(Figure 4)*.

96% of providers reported the National Living Wage increase as a top cost pressure in 2024

Lack of sufficient uplifts

In 2024, local authority fee uplifts failed to cover the increase in the NLW for the vast majority (85%) of providers. Further unfunded wage increases will mean providers must absorb additional costs without sufficient compensation from local authorities, whilst also being unable to raise fees for publicly funded residents to compensate. This unsustainable dynamic jeopardises their ability to continue operating and impacts the availability and quality of care.

Figure 4 - Top four workforce-related cost pressures, by percentage of providers, 2023-2024. *(Source: Hft and Care England Survey, Cebr analysis)*



[11] Low Pay Commission. *The National Minimum Wage in 2024 and Forecast National Living Wage in 2025* - Mar 2024.

In 2024, just 15% of providers said that fee uplifts fully covered the costs of the NLW increase. Based on responses to the Sector Pulse Check survey, we estimated that the average fee uplift received from local authorities and Integrated Care Boards (ICBs) was 4.9% since April 2024, only half the annual increase in the NLW of 9.8%, which applies to between 70% and 80% of the cost of care.

> **One local authority provided only a 10p per hour increase, despite the minimum wage rising by over £1 per hour.**

The uplifts in local authority fees were broadly similar across different types of providers. LD providers on average received an uplift of 5.2% in fees paid by local authorities and ICBs, compared to 5% for OP providers. However, only 12% of LD providers reported the fee uplift fully covered the increase in the NLW compared to 17% of OP providers.

85% of providers reported that local authority fees failed to increase in line with the rising minimum wage in 2024

These results highlight the fundamental issue in the adult social care sector impacting finances: **continual increases in costs without the requisite equivalent growth in funding.** On the one hand, the Government places pressure on social care providers to increase the wages for staff each year through statutory provisions such as the NLW and ENI threshold freeze in April 2024. On the other, fees paid by local authorities fail to keep pace with the costs of these wage increases. As a result, social care providers have to reallocate resources from other parts of their budget to cover increased payroll costs and subsequently risk impacting the quality of care provided and the number of individuals that they provide care for. It is important to note that the sector has been taking these steps for a number of years with profound impacts on service provision and statutory obligations.

Reliance on Self-Funders

Furthermore, as reported in 2022,[12] this structure drives up the costs for self-funders in the social care sector, as providers are forced to cross-subsidise the Government-funded patients via the self-funders. As a result, providers grow more reliant on self-funders, leaving them exposed to small shifts in demand. If self-funders were to leave the system, the loss of their revenue would greatly impact the care of *government-funded* people drawing on care. For areas of the sector where there are no (or very few) self-funders, such as LD care, providers are unable to cross-subsidise and must draw any shortages in funding from other areas of the organisation or face insolvency.

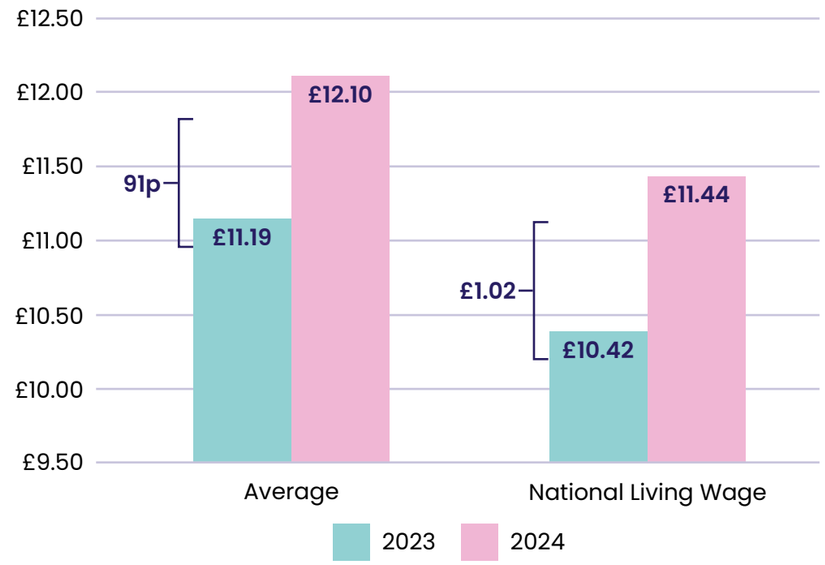
> **Whilst efforts have been made to provide adequate inflationary uplifts in some localities and by some ICBs, there has been an increase in the number of funders providing zero % uplifts and also those providing minimal inflationary adjustments below minimum wage increases and CPI. As well as putting the sustainability of provision at risk it does not address local authority budget pressures, in reality it increases the gap between available funds and actual costs in subsequent years. This in turn drives the sector to cross-subsidise existing provision by accelerating costs for new support packages.**

[12] Hft & Care England, *Sector Pulse Check 2022* - Mar 2023.

Care Worker Wage Rates

Figure 5 - Average pay per hour for care staff compared to National Living Wage, 2023- 2024.

(Source: Hft and Care England Survey, Cebr analysis)



In 2024, the average hourly pay for care staff was £12.10, 8% higher than 2023's average pay of £11.19 *(Figure 5)*. However, this increase was still smaller than the 9.8% annual increase in the NLW. 47% of providers surveyed reported that one of the barriers to recruitment was better job opportunities in other sectors. **Combined, this data evidences the erosion of the premium of care work over NLW jobs in other sectors. This places further strain on the sector's ability to attract staff,** as bringing workers into the social care sector becomes a much harder proposition when workers can be paid similar rates for work elsewhere such as hospitality or retail. Moreover, the shortfall of social care pay - in comparison to working in the NHS - further compounds the issue, as the average carer earns £7,617 less, on average, than their NHS counterparts, illustrating a staggering 35.6% pay gap.[13]

> **Staff need to be rewarded for the job and responsibility they have. If NHS pay keeps going up we will never be able to compete and without social care the NHS itself will ultimately fail too.**

[13] Community Integrated Care, ***Unfair To Care*** - Mar 2024.

The current funding system and lack of sufficient uplifts to cover increases in NLW inhibit providers' ability to pay higher wages, contributing to staff shortages. The ability of care providers to sustain any differentials over and above the NLW levels will be further compromised if the 2024 Autumn Budget Employer National Insurance (ENI) proposals are to be implemented from April 2025.

Agency

Further contributing to workforce-related cost pressures, spending on agency workers remained the second-most common pressure, with nearly half of providers reporting it in the top three. However, there has been a marked decrease in spending on agency staff in 2024 compared to 2022 and 2023. Across all providers, use of agency staff stood at 15.7% in both 2022 and 2023, and has reduced to 7.8% in 2024. This is likely to be because cutting back on agency use is an imperative for many providers due to the higher cost of agency staff. We are concerned, however, that issues with overseas recruitment will force some providers to contemplate additional agency use in the year ahead, which will further compound issues with the cost and quality of care.

Unpaid/delayed payments from local authorities

Not only are local authority fee increases insufficient, but payments are often delayed or unpaid.

3 in 10 providers identified delayed or unpaid fees as one of their main cost pressures

Refer to Figure 3, page 19

These delays force providers to draw on reserves or other sources of short-term cash to finance current expenditures. This uncertainty makes it challenging to plan services, allocate resources, or make strategic investments to support care delivery, contributing to reduced quality of care and lower regulator ratings due to an inability to invest promptly in both staff and services. The irregularity of cash flow also adds to the precarity and insecurity of the sector, compounding providers' struggle to offer competitive salaries, making it harder to attract and retain qualified personnel.

This financial instability forces providers to make difficult operational decisions, potentially reducing services and contributing to delayed transfers of care from hospitals.

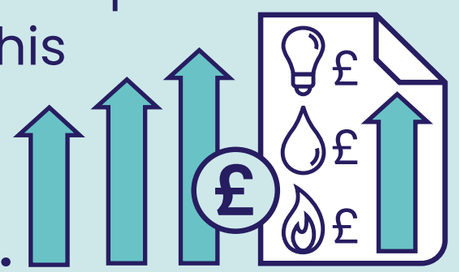
Timely confirmation of an approved uplift beyond February or March, in line with Local Authority Budget-setting timelines, will ensure care providers can plan their operations in a more resilient way, benefiting from the certainty of knowing their cashflow. Integrated Care Boards operate under a similar timeline and we believe they should confirm their uplifts in an equally timely fashion, avoiding harmful delays which make the sector more precarious.

Utilities and energy costs

UK natural gas prices have dropped considerably since their spike following Russia's invasion of Ukraine in 2022 but remain elevated compared with pre-pandemic norms.[14]

In line with this, fewer providers reported utility costs a as a major source of cost pressures. Last year, over half of providers reported utilities in their top three cost pressures, falling from 59% in 2023 to 39% in 2024.

Providers **(76%)** continue to report **energy cost increases** this year, with half **(52%)** of all providers reporting these **increases as 'significant'.**



Refer to Figure 6. page 26

This is likely to be a result of providers coming out of longer-term fixed contracts agreed prior to the increases in 2022. As a result, up to a third of the sector who are still on longer term contracts - which tend to be up to three years - may see a significant increase in 2025.

[14] Trading Economics, *UK Natural Gas Prices* - Dec 2024.

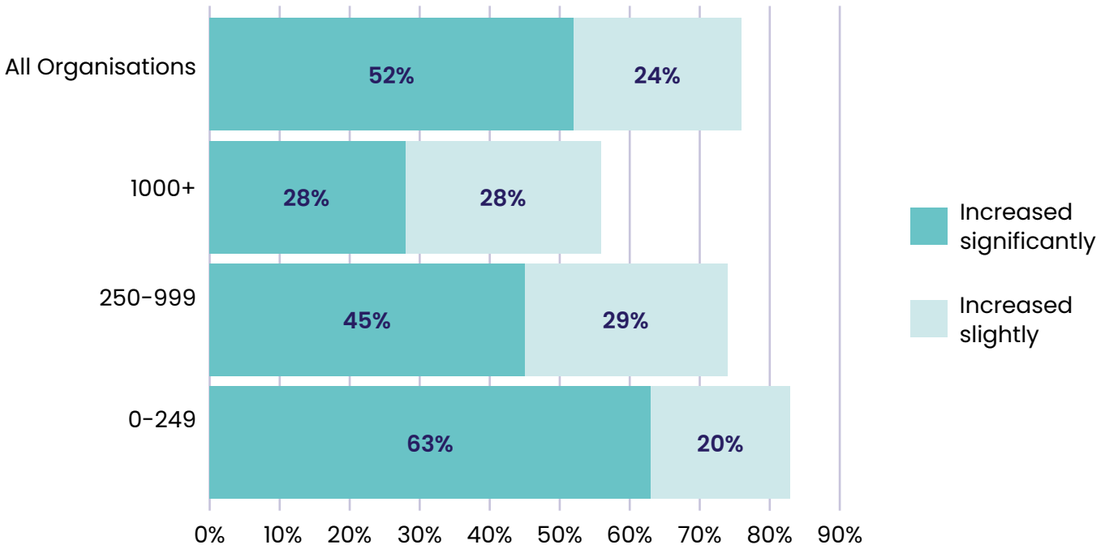
Smaller organisations were especially affected by rising energy costs this year, with...

4 in 5 smaller providers
reported rising energy costs.

In contrast, only 1/2 of large organisations experienced increases in their energy costs,

which may be due to the way in which they forward purchase or hedge parts of their energy procurement via third party specialist consultancies. Medium-sized organisations lay in between the two with three-quarters (74%) experiencing rising energy costs in the last year.

Figure 6 - Percentage of providers with increases in energy costs over last 12 months, by number of employees.
(Source: Hft and Care England Survey, Cebr analysis)



Maintenance costs

Maintenance costs are a relatively greater strain this year, compared to 2023. One in four providers named it as one of their top three cost pressures *(Figure 3)*.

Providers of care for older people (OP) were more likely to report this as one of their cost pressures than providers of care for learning disabled (LD) adults. In our two previous surveys, OP providers were relatively more likely to be curbing investment in response to cost pressures than LD providers. **Our findings suggest the effects of these cuts to investment are being felt today.** LD providers tend to be smaller and more agile and are more likely to hand back packages of care and to close services; therefore, less likely to have reported maintenance as a top cost pressure in the same way as larger OP services.

The increase in reporting of maintenance costs as a top cost pressure could be explained by a combination of reasons.

Firstly, providers likely postponed maintenance tasks during the COVID-19 pandemic to manage immediate financial pressures or the inability to secure maintenance operatives or contractors to work in their services creating a backlog, on which providers are only now catching up.

Secondly, the changes in regulatory standards, particularly following the pandemic, pushed for higher standards in care facilities, such as improved infection control measures and enhanced safely protocols.

Lastly, care providers often operate in older buildings that require more extensive and frequent maintenance, further exacerbating costs.

It is important to note that different types of provider within the sector are more or less likely than each other to own the physical assets (principally buildings) they rely on to operate. Whether a care organisation owns buildings (as opposed to operating within supported accommodation owned by a separate housing provider) impacts its maintenance obligations.

Consequences of Cost Pressures

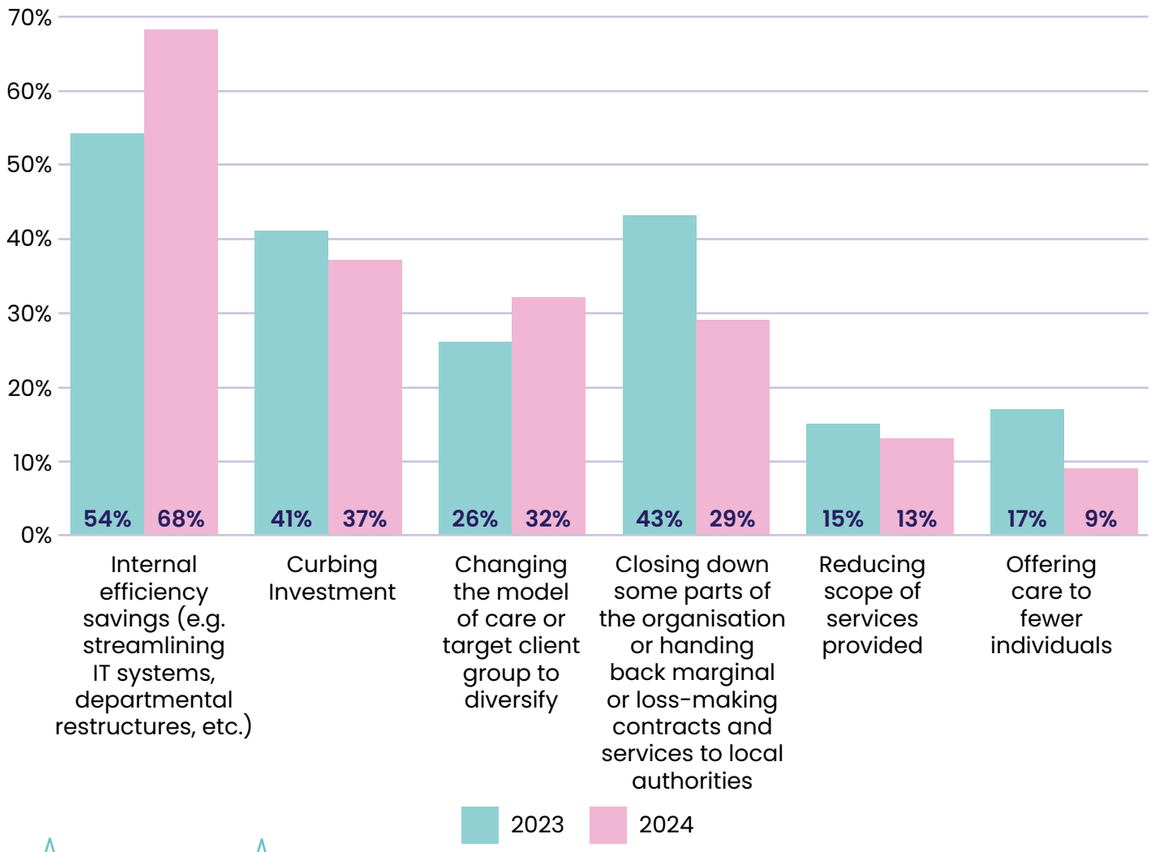
Under the weight of these financial pressures, providers are cutting back on expenditure elsewhere in their business, and scaling back delivery of care.

> It feels like we are in survival mode rather than being innovators in social care.

Figure 7 demonstrates that over two-thirds (68%) of providers sought efficiency savings, such as streamlining IT systems. This is 14% higher than the 54% of providers who reported taking these measures in 2023. In addition, a third (37%) of providers reported curbing investment - a clear sign that short-term finances are impacting on long-term needs.

The scaling-back of organisations has eased slightly since last year but remains a key issue. Despite a sharp fall since last year, still more than a quarter (29%) of providers closed part of their organisation or handed back contracts *(Figure 7)*, and one in eight were reducing the scope of their service offering.

Figure 7 - Adopted measures to deal with cost pressures, by percentage of providers, 2023- 2024. *(Source: Hft and Care England Survey, Cebr analysis)*



Case study

Jacqui is a director of care operations at Abbeyfield Living Society, a not-for-profit care provider based in the West Midlands.

The challenges we're facing in adult social care are mounting; one of the biggest being lack of proper funding. I've seen residents who've used up their savings told they have to leave their homes because local authorities won't cover the costs. Families often can't afford top-ups, and delays in funding assessments leave providers covering thousands in unpaid fees. It's devastating and unsustainable.

We've already had to close several care homes and sheltered housing schemes that weren't financially viable. Without change, more closures will follow, leaving older people with even fewer options. If I could ask the Government for one thing, it would be to fund social care properly. People deserve dignity, choice, and the right support to live full lives.

Despite these challenges, I'm committed to our mission. Abbeyfield has been around for decades, and we'll keep fighting for the people who depend on us. But we need systemic change to secure the future of social care.

Present scaling back of organisations

While different types of services are reducing operations to varying degrees, all service types are being forced to reduce services to some extent, exacerbating strain on the sector. As illustrated in *Figure 7*, a third of providers are closing down parts of their organisation or handing back contracts.

Providers supporting LD adults are more likely to scale back their operations, likely due in part to their reduced ability to cross subsidise funding from those able to fund their own care (due to being almost entirely public-funded). In the last 12 months,

45% of organisations providing care to LD adults reported closing part of their organisation or handing back contracts.

This compares to less than 20% of organisations providing care to OP who are more likely to be able to raise funds from those more able to fund their own care.

The majority of NFP providers (55%) reported closing part of their organisation or handing back contracts, versus only 17% for FP. Meanwhile, 17% of NFPs noted offering fewer individuals care in the last 12 months, versus only 5.5% for FP providers. Conversely, FP providers were more likely (15%) to reduce the scope of services provided to cope with cost pressures, compared to NFP providers at 9.8%.

We can broadly observe from the above data that, whilst the entire sector is clearly in a state of acute precarity, the liquidity of NFP providers in particular is becoming so difficult that service delivery is being substantially impacted. Similarly, due to the lack of access to self-funded income, providers who care for LD adults are experiencing comparably greater financial strain than those who care for OP.

Without urgent intervention to mitigate these cost pressures,

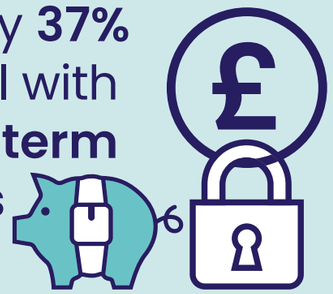
the scaling back of services will continue to **erode the availability and quality of care,** deepening the crisis in adult social care.

These nuances within the sector are understood and steps are taken specifically by the areas of the sector experiencing the most acute challenges to their liquidity and service delivery.

Cutting resources for future provision of care

Of equal concern is the impact that contemporary efficiency savings and cuts to investments will have on the provision of social care in the future.

Curtailing investment, reported by **37% of providers** as a measure to deal with cost pressures, will **limit the long-term capabilities of providers in terms of quality and quantity of care.**



Whilst efficiency savings can be beneficial, if freeing up resources for alternative uses results in worsening care for residents, they do not represent a true long-term saving but a cost to be incurred in the future.

As with the scaling back of provision, NFP and LD providers were also more likely to be seeking efficiency savings. Three quarters of NFP providers undertook efficiency savings this past year compared to two-thirds of FP providers. Similarly, three quarters of LD providers sought efficiency savings, compared to just three in five providers of care for OP. These results confirm that where finances are under the most severe pressure, efficiency savings are being actively sought out.

Providers who curbed investment this past year were less likely to have reported making efficiency savings *(Figure 7)*. This year, 40% of OP providers reported curbing investments, compared to 31.8% of LD providers.

The variance may also reflect differences in operational models, the nature of care packages, and the longer-term planning challenges faced by OP providers. These nuances highlight the complexity of financial decision-making across the sector and underline the need for tailored strategies to address the specific pressures faced by different provider types.

Looking ahead to the future, it is particularly stark that more than a third of providers considered exiting the market for the third year running. (40% OP and 25% LD providers; and 40% FP and 19% NFPs.)

Case study

Sean is the CEO of the Stroud Court Community Trust, which is a not-for-profit care provider in Stroud.

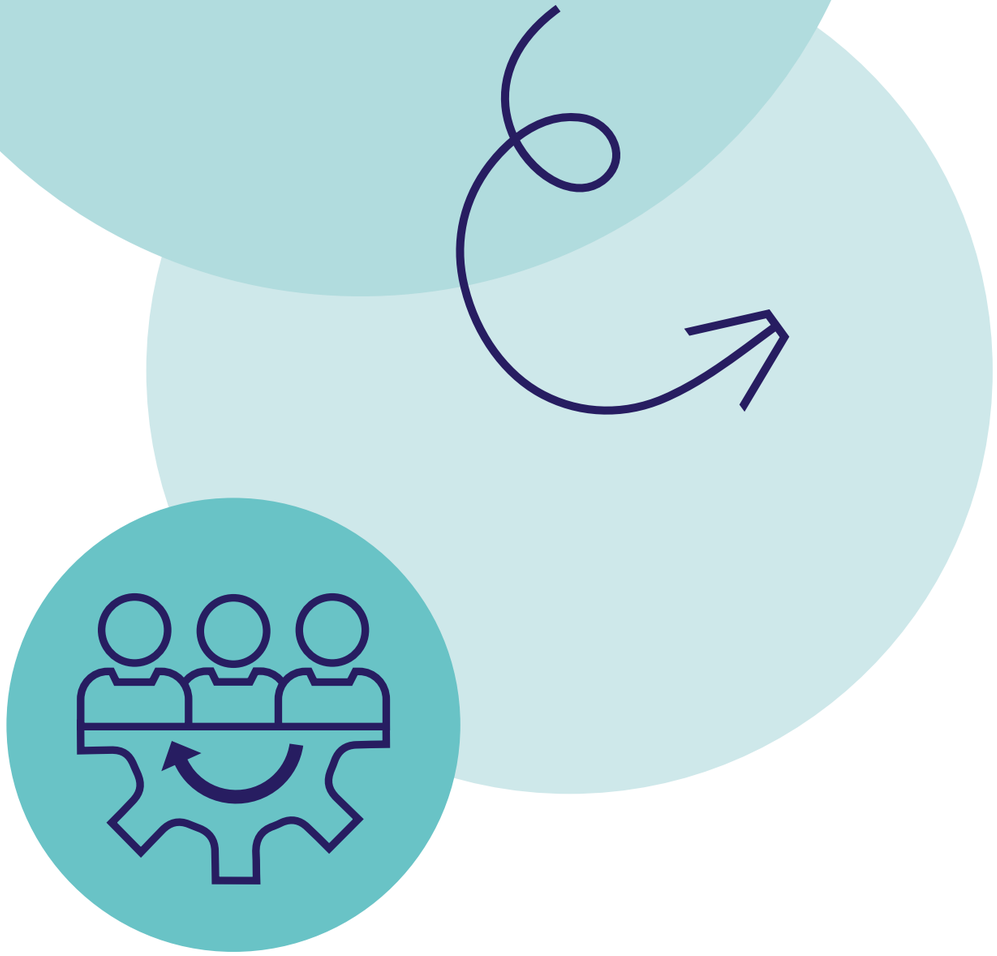
My name is Sean, and I'm the CEO of Stroud Court Community Trust, a specialist residential care home for autistic adults. I've worked in social care for 15 years, and I've never seen it in such a dire state.

Funding is at breaking point. It costs 12% more to provide care than last year, yet many local authorities offer no fee increases. Staffing is another challenge - national living wage rises have erased our competitive edge, leaving fewer staff doing more work under immense pressure.

The impact on residents is devastating. We can no longer subsidise personalised activities, and as residents have just £30 per week for personal expenses, many lose opportunities for joy and growth. Local authorities are failing to meet their responsibilities, ignoring fair fee negotiations and passing the buck.

Stroud Court will use reserves to survive if needed, but that's a stopgap. We need genuine investment in social care. Underfunding our sector adds pressure to the NHS, and without action, the entire system risks collapse. The government must step up now - for providers, councils, and the people who rely on us.

Workforce Challenges in the adult social care sector



The adult social care workforce in 2024

Providers have been calling attention to the growing crisis in the adult social care workforce for several years. Even before the pandemic, the industry's vacancy rate was far above that of the wider UK economy.[15] The landscape remains challenging post-COVID, with...

high staff turnover

stalling domestic applications

and rising recruitment costs

all placing severe strains on providers.

The sector finds itself in a race against time, trying to fill vacancies as the hourglass of available staff continues to empty.

The adult social care sector makes a substantial contribution to the UK economy. The sector currently employs 1.7 million people,[16] accounting for 5.6% of all employed workers in England.[17] In the period 2023/24, the sector paid a total wage bill of £27.9 billion and contributes a total gross valued added (GVA) of £68.1 billion to the UK economy.[18]

Yet, the sector remains severely constrained by a high level of vacancies and turnover. Despite recent minor improvements, largely due to international recruitment prior to April 2024, the number of vacancies in 2023/24 stands at 131k posts – a vacancy rate of 8.3%[19] - up one percentage point compared to before the pandemic. In comparison, the latest Q3 2024 data suggests that the UK- wide vacancy rate is just 2.6%, and that no other sector has a vacancy rate above 4.0%.[20] Meanwhile, the turnover rate fell further to 24.8% for 2023/24, down from a peak of 31.8% for the period 2019/20.[21] Recruitment data for the care sector lags real time activity and the changes to international recruitment in March 2024 are not likely to be felt in totality and evidenced in the data until mid 2025 at the earliest.

As noted previously, average hourly pay increased by 8% from 2023 to 2024, reaching £12.10. Pay growth was faster at the bottom end of the pay scale, with a compression in the range of hourly pay rates. However, these increases in pay feel like patching holes in

[15] Skills for Care, *The State of the Adult Social Care Sector and Workforce in England 2024.*
[16] Ibid.
[17] Office for National Statistics, *Regional Labour Market Summary* - June to August 2024 Headline Estimates.
[18] Ibid.
[19] Skills for Care, *The State of the Adult Social Care Sector and Workforce in England 2024.*
[20] Office for National Statistics, *ACS02: Vacancies by Industry* - Dec 2024.
[21] Skills for Care, *The State of the Adult Social Care Sector and Workforce in England 2024.*

a sinking ship, as providers struggle to keep up with mounting costs and competition from other sectors, namely retail and hospitality. The maximum reported hourly pay rate increased by 77 pence, whereas in line with the increase in the NLW, the minimum reported hourly pay rate increased by £1.02 to reach £11.44.

Overall, whilst there have been marginal improvements in the workforce pressures facing the sector over the past year, there continue to be major structural challenges.

Our 2023 report highlighted the importance of international recruitment to the sector. In 2024, consistent with the latest Skills for Care Report,[22] providers were increasingly reliant on international applicants to fill vacancies. Concerningly, our data show the UK Government's recent tightening of migration rules in March 2024 has already reduced international applications for many providers with Skills for Care reporting applications down from 26,000 per quarter pre-April 2024 to 8,000 per quarter after the 1st of April and a fall in visa applications over the last quarter to June 2024 of 81% lower than the same period in 2023.[23] International recruitment was a lifeline, helping to keep the sector afloat, reducing vacancies and costly agency reliance, but that lifeline has now frayed.

Case study

Colin lives in Hft accommodation near Folkstone, in a residence shared by one other learning-disabled adult. Colin has profound and multiple learning disabilities and struggles to communicate. Thus, Colin's case study is from Adrian's perspective.

My name is Adrian, and I've been working with Colin for the past five years as part of Hft's supported living team. When Colin first came here, he was on a lot of medication, always tired and upset, and very introverted. Today, Colin isn't on any of that medication, and he's living a much happier, more fulfilling life. That's down to Colin's hard work and the support we've built around him.

One of the biggest changes has been Colin reconnecting with his dad and sister. It took a lot of effort to rebuild those relationships, but now he speaks to them every night, and it's been transformative for him. Colin also thrives in our small, quiet setting, where he can make his own choices. Whether it's going swimming or spending time with friends, Colin decides how he wants to spend his day.

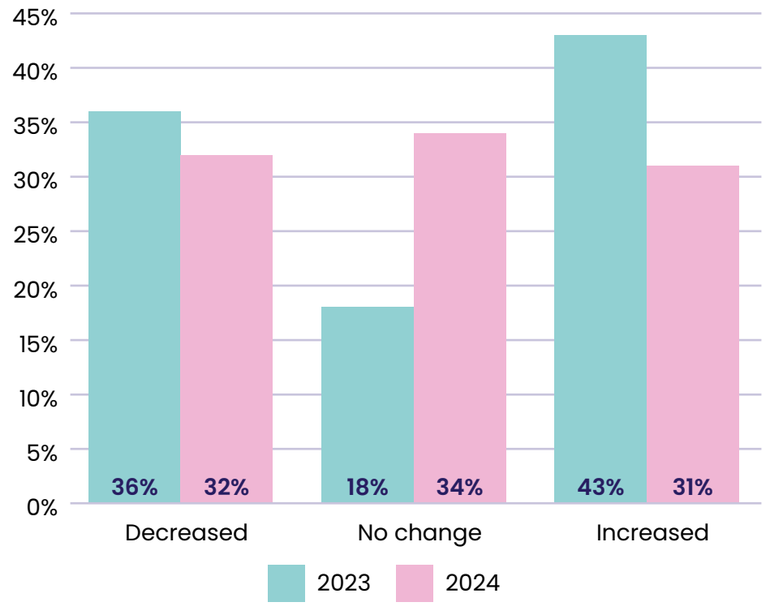
The consistency of our team has been key. Knowing there's always someone he trusts to talk to has made a huge difference. Colin's journey hasn't been without challenges, but seeing him happy, confident, and enjoying life makes it all worthwhile. It's been a privilege to be part of his transformation.

[22] Skills for Care, *The State of the Adult Social Care Sector and Workforce in England 2024.*
[23] Ibid.

Domestic workforce issues

The elevated vacancy rate in adult social care compared to other sectors in the UK economy points to significant labour supply shortages. Disappointingly, the volume of domestic applications to the sector remains insufficient to meet the demand, as UK workers likely favour work in other sectors for higher pay and less responsibility or pressure. The reasons for this - namely low pay, poor perceptions of the sector and challenging nature of the work - remain largely the same as previous years.

Figure 8 - Reported changes in domestic applications for previous 12-month period, by percentage of providers, 2023- 2024.
(Source: Hft and Care England Survey, Cebr analysis)



The share of respondents reporting increases in domestic applications fell 12 percentage points from 43% to 31% and one third of respondents experienced no change in the number of domestic applications received over the last 12 months, compared to fewer than one in five in 2023 *(Figure 8)*. As a result, marginally more providers reported decreasing volumes than increasing volumes of domestic applications, which aligns with wider sector data. These results reaffirm the sustained weakness in domestic labour supply for the adult social care sector.

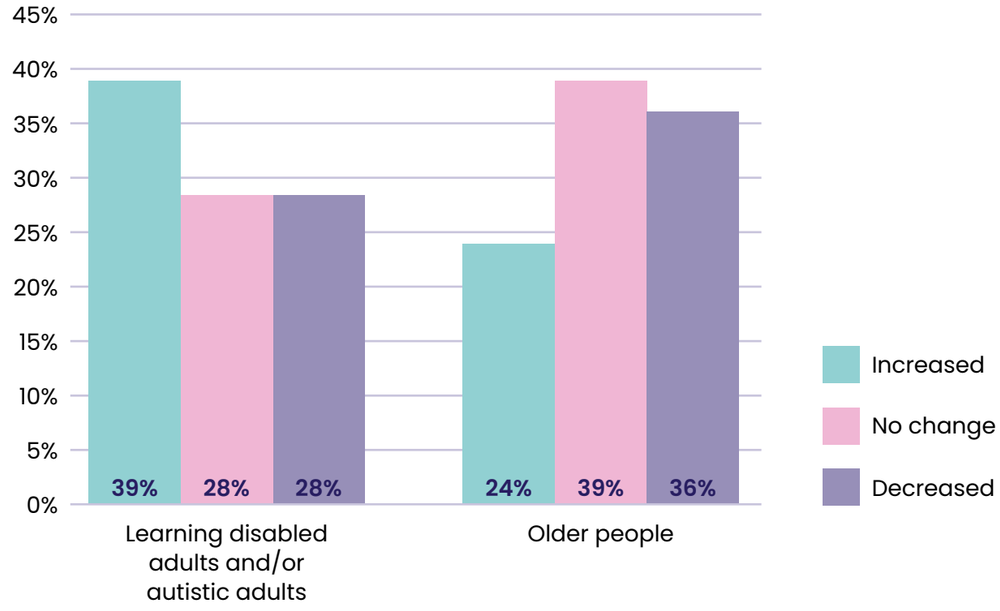
We get very few domestic applicants and of those who apply even fewer turn up for interview.

> Applications from domestic applicants are given priority but the conversion rate is low and the sickness rate is high.

However, we found substantial variation in the types of providers struggling to attract domestic workers. When broken down by type of care provided, OP providers were most likely to report falling numbers of domestic applications *(Figure 9)*. Only a quarter (24%) of providers of care to OP reported increases in domestic applications, 15% lower than the share of providers of care to LD adults (39%).

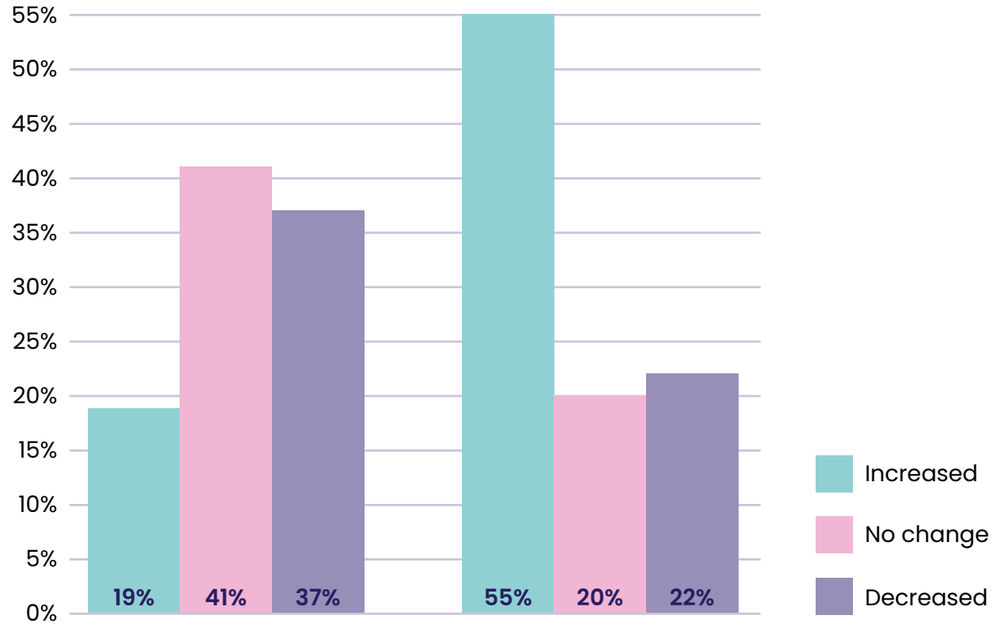
However, these results represent an improvement for providers of care to OP on the past year. Decreases in application are less widely reported than in 2023, as stagnant application volumes have increased dramatically.

Figure 9 - Reported changes in domestic applications for previous 12-month period, by percentage of providers, 2023- 2024. Split by type of care provided.
(Source: Hft and Care England Survey, Cebr analysis)



In a bright spot for the sector, the majority of NFP providers actually experienced increases in domestic applications, despite worsening finances. In contrast, three quarters of FP providers reported falling or stagnant domestic applications *(Figure 10)*.

Figure 10 - Reported changes in domestic applications by percentage of providers, for previous 12-month period, split by funding type. *(Source: Hft and Care England Survey, Cebr analysis)*



Case study

88-year-old Colin Edwards has lived in a residential home for two years following the death of his wife. His experience of care is very positive, but not without its challenges.

My name is Colin Edwards, and I am 88 years old. I live in a care home where I've been for nearly two years. The transition was difficult following the loss of my wife, but the staff's encouragement and the community activities helped me adjust and form friendships.

The care here is excellent, and I consider many of the staff to be extended family. Activities like word games and classical music sessions bring joy and keep us engaged. However, staffing levels, especially at night, can be stretched. The carers work hard, but systemic underinvestment in the sector affects both residents and staff. Better funding could attract more skilled carers and improve overall morale.

Despite the challenges, I feel fortunate to live in a home where I'm treated with dignity. My experience highlights both the strengths and the urgent needs of the care sector, which requires greater investment to support the elderly and their carers.

Case study

Margaret is an elderly resident in a care home in Evesham.

My name is Margaret, and I'm fortunate to live in a care home that has transformed my life. After struggling to manage alone following my husband's passing, my daughter found this home for me, and it's been the perfect choice.

The carers here are professional, kind, and always available, providing me with reassurance and support. The facilities are excellent, and the activities offered - such as music sessions, exercise classes, and Makaton signing - have brought me immense joy. I've even participated in trips and look forward to a singing competition, experiences I never imagined I'd have.

The food is delicious, and the sense of community has allowed me to form strong friendships with both residents and staff. While I feel lucky to live here, I'm aware that many care homes lack the resources and recognition they deserve. Carers work incredibly hard and need better pay and investment.

This home has given me a renewed sense of happiness and belonging. It's a place where I feel valued, supported, and truly at home.

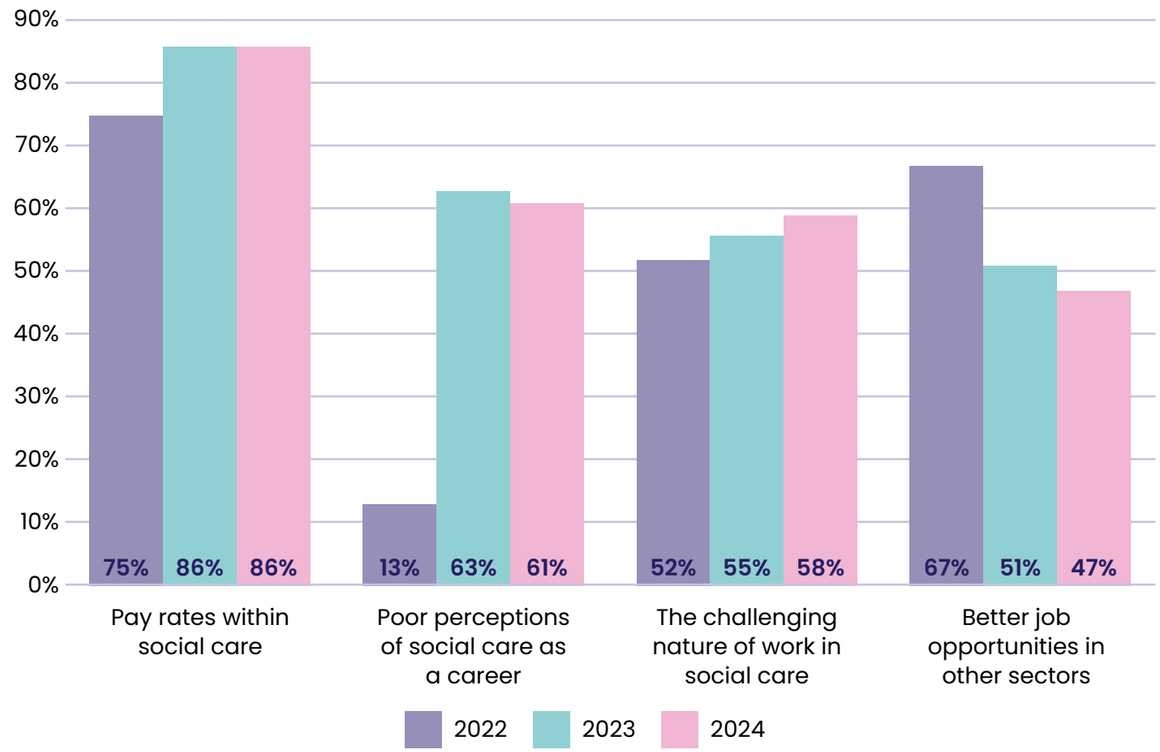
Barriers to recruitment

Providers were asked to elaborate on what they believed the biggest barriers are to recruitment in the sector.

An overwhelming 86% of respondents identified pay as the primary reason for recruitment troubles. The next most common reason was poor perceptions of the sector. The challenging nature of work continued to weigh on recruitment according to 58% of providers – up slightly from 55% last year. On the other hand, in line with the loosening of the UK's labour market over the past year, the share of providers pointing to opportunities in other sectors as a barrier to recruitment fell for the second consecutive year to 47% *(Figure 11)*.

> **We have not been able to recruit the way we use to, and even on the odd occasion where we may have carer vacancies, those that apply are normally international candidates looking to increase their hours as their host employers do not have sufficient hours to give them.**

Figure 11 - Reported reasons for difficulties in recruitment, by percentage of providers, 2022-2024 *(Source: Hft and Care England Survey, Cebr analysis)*



Sectors with high vacancy rates should see wages rise in order to attract more workers into the sector. Indeed, as previously mentioned in this workforce-related costs section, the average pay for care workers increased in 2024 by 8%. However, the structural issue (as noted in the finances section) is the inability of providers to fund these wage increases due to insufficient local authority fee uplifts. Without reform of the funding structure for adult social care providers, recruitment problems will persist as pay will be too low to attract workers into the sector and made worse by changed to ENI from April 2025.

The difficulties with pay are compounded by the wider issues and inequalities across the sector. Social care is relatively disadvantaged in comparison to the wider NHS, with workers in the care sector being paid 35.6% less than their equivalents in the NHS.[24] Part of this also stems from the absence of a professionalised body for care workers, meaning the sector is not perceived as a professional career in the same way as NHS doctors and nurses. Scotland and Wales both have professional registrations for care staff; this is not mandated in England.

[24] Unfair to Care, *Understanding the Social Care Pay Gap and How to Close It* - Mar 2024.

In 2024, 13% of respondents named a lack of clear career progression as one of their top three recruitment challenges. This is partly the product of the compression in pay rates between experienced workers and new starters. In March 2016, the gap in pay between a worker with one year of experience compared to five years was 4.4%. By March 2024, this had fallen to just 0.9%.[25]

Case study

Andy is a member of the marketing team for the Lisieux Trust which is a not-for-profit provider based in Birmingham. Andy has cerebral palsy and his experiences of discrimination inspired him to work in the care sector.

My name's Andy, and I'm the marketing and communications lead for Lisieux Trust, where we support adults with learning disabilities and autism across Birmingham. My job is to tell their stories and highlight the incredible work our team does to enable independence and opportunity.

At Lisieux Trust, we do things differently. We support 56 people across 11 care homes, with over 100 staff. Our team feels valued, with 85% of staff saying they feel respected and 80% proud to work here in a recent survey. That's rare in a sector known for high turnover.

It's not without challenges, though. Recruitment is tough, and there's a misconception that support work is just about personal care. It's so much more. For example, Tom, one of our residents, is a member of the Birmingham Royal Ballet. His success is thanks to the support and advocacy from his family and our team that kept his funding in place. Without it, opportunities like his wouldn't exist.

Looking ahead, I'm optimistic about our trust. We're opening new properties and expanding services. But the wider care sector needs investment to provide the same opportunities we do. Money enables independence - it enables people to thrive. That's what this sector should be about.

For me, this work is deeply personal. I've faced discrimination, and now I get to ensure others don't feel the same. At Lisieux Trust, we're showing what's possible when people are truly supported.

[25] Skills for Care, *The State of the Adult Social Care Sector and Workforce in England 2024.*

Consequences of staff shortages

Providers were asked to elaborate on what they believed the biggest barriers are to recruitment in the sector.

An overwhelming 86% of respondents identified pay as the primary reason for recruitment troubles. The next most common reason was poor perceptions of the sector. The challenging nature of work continued to weigh on recruitment according to 58% of providers – up slightly from 55% last year. On the other hand, in line with the loosening of the UK's labour market over the past year, the share of providers pointing to opportunities in other sectors as a barrier to recruitment fell for the second consecutive year to 47% *(Figure 11)*.

International applications

Earlier this year, the Government introduced tighter immigration rules. In March 2024, overseas health and social care staff were banned from bringing dependents to the UK. Home Office data reports that there were 50,591 'Health and Care Worker' visas granted to main applicants in the year ending September 2024, a 65% decrease compared to the previous year. Further, the number of grants for 'Health and Care Worker' main applicants fell by 84% to 13,131 grants between April and September 2024, compared with the same period in 2023 when there were 80,541 grants.[26] Our research supports this data – although our survey only went into the field in August 2024, we found an overwhelmingly negative effect with two-fifths reporting a decrease in their international applications after rules came into effect.

Prior to these changes, international applications had been rising steadily among providers. This trend was likely driven by the sector's reliance on international recruitment as a vital strategy to address chronic workforce shortages. Indeed, one-third of providers reported using international recruitment as a key measure to fill vacancies - **a lifeline for a sector grappling with domestic recruitment shortfalls.**

However, recent migration law changes have increased the costs of recruiting international workers and imposed further barriers such as the banning of dependents, with 20% of providers reporting barriers to international recruitment as one of their top three challenges to recruitment and retention. Without a viable alternative to international recruitment, these migration changes threaten to undermine the role international recruitment plays in addressing staffing shortages. Providers will subsequently continue to struggle to maintain the quality and quantity of adult social care to attend to the needs of the UK population.

[26] Home Office statistics, *"Why Do People Come to the UK?"* - Sept 2024.

> We are dependent upon the recruitment of visa holders to fill our vacancies and maintain safe and effective standards of service.

> In the last 12 months we have relied on hiring international care staff already in the country and sponsoring them, prior to that any advertisement for any staff produced no results. Our applicants would say they were interested but then not turn up for interviews.

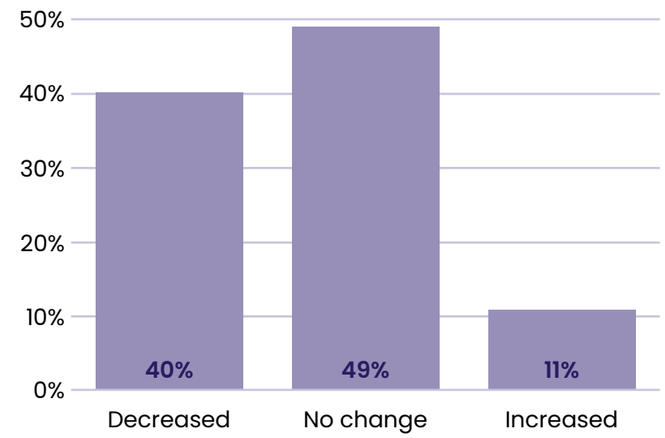
Figure 12 - Reported changes in applications compared to last 12-month period, by percentage of providers, domestic and international.
(Source: Hft and Care England Survey, Cebr analysis)

The disparity between domestic and international recruitment trends is stark. As shown in Figure 12, over half (55%) of providers reported increases in international applications in 2023-2024, 24 percentage points higher than the comparable share for domestic applications (31%)[27] shown in Figure 8.

[27] The changes in the international recruitment immigration rules and the reduction in international workers as a result, are not likely to show their full effects in this data until 2025.

International recruitment has proven especially critical for providers where domestic recruitment is weakest. For example, OP care providers, which were more likely to suffer decreases in domestic applications, are most likely to have experienced increases in international applications. Similarly, 64% of FP providers received more international applications this year than in the previous 12-month period. Meanwhile, under two-fifths (39%) of NFP providers reported more international applications.

Figure 13 - Changes in numbers of international applications since new immigration rules came into force, by percentage of providers.
(Source: Hft and Care England Survey, Cebr analysis)



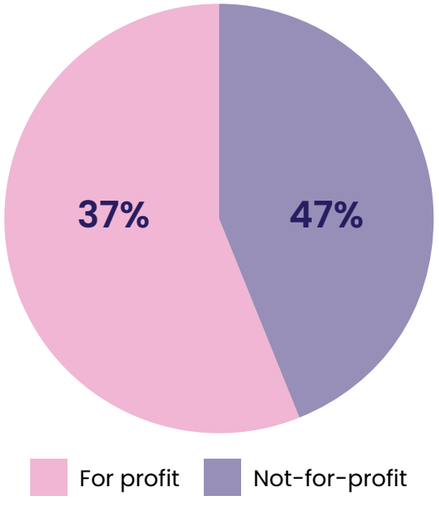
International recruitment was embraced as a lifeline to a sector with well-documented difficulties in domestic recruitment. However, the recent policy changes imposed on social care providers - but not on the NHS - have cut that lifeline. Specifically, from March 2024, only CQC-registered providers can sponsor Health & Care Visa applicants, who are no longer able to bring dependants to the UK, whilst all other occupations can bring dependants as normal. Another change which took effect in April 2024 is an increase to the minimum salary threshold to £23,300; meanwhile the minimum income for a spouse or partner visa rose to £29,000. It is anticipated that this will increase to £38,700 by early 2025. As this threshold is above the annual salary of most care workers, the foreign recruitment avenue has been decisively closed. Without meaningful government intervention to reopen it, the sector is left without the tools or options to meet the rising tide of care demands.

Agency workers

As permanent recruitment becomes more challenging, providers are forced to turn to temporary workers to fill the gaps. In the finances section, we noted that just under half of social care providers named increased spending on temporary workers as one of their three main workforce-related cost pressures, highlighting the growing importance of temporary workers to the sector. This is a concern as agency staff are more expensive and less able to deliver high-quality care than full-time staff.[28]

40% of providers reported increasing agency use in direct response to staff shortages *(Figure 14)*. This was the third most common response, after increasing pay and offering more flexible hours. In both 2022 and 2023, we found roughly the same share of respondents reported increasing agency use as in 2024. Across care types, the turn to agency use was broadly similar. Despite their relatively stronger domestic applications numbers, NFP providers were still more likely to report increasing their agency use over the past year than FP providers.

Figure 14 – Percentage of providers, reporting increasing agency use in response to staff shortages, all providers and split by funding type.
(Source: Hft and Care England Survey, Cebr analysis)



However, the increased use of agency workers did not translate into a greater share of payroll costs, with agency worker costs as a share of payroll costs falling from 15.7% in 2023 to 7.8% in 2024. However, we anticipate that the long-term pressures of strained finances, weak domestic applications and new migration restrictions will ensure providers have little choice but to utilise agency workers going forward.

[28] Unfair to Care, *Understanding the Social Care Pay Gap and How to Close It* - Mar 2024.

Cuts to services and admissions

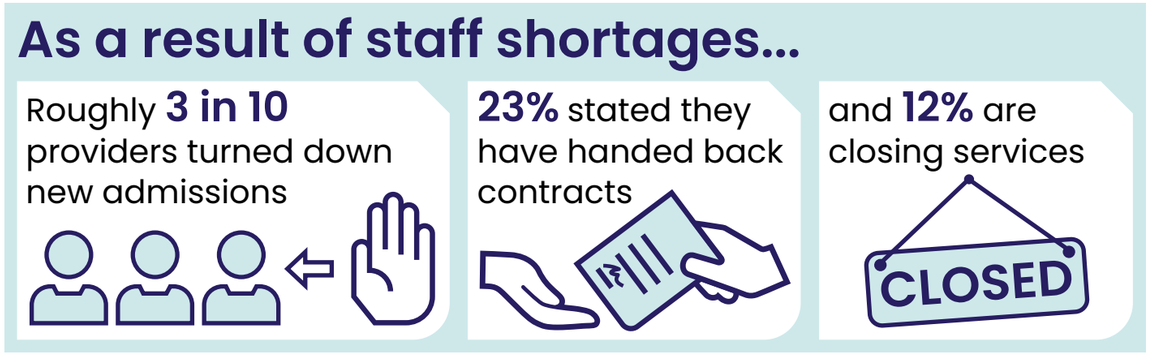
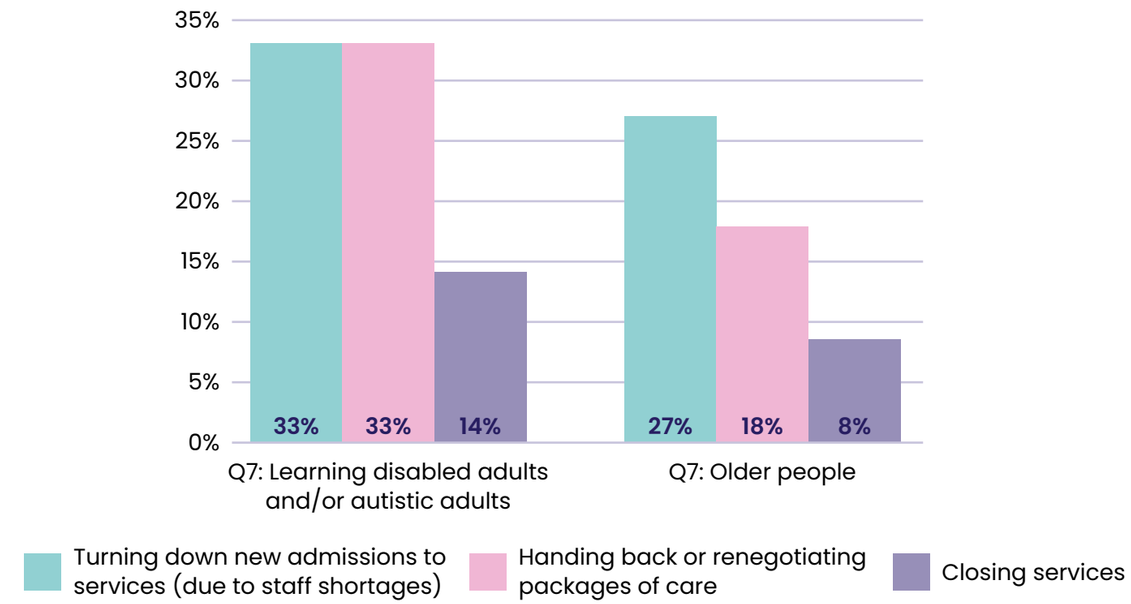


Figure 15 – Percentage of providers, reported measures taken in response to staff shortages, split by care type.
(Source: Hft and Care England Survey, Cebr analysis)



Across care types, LD providers had the highest percentage of respondents stating they would scale back operations because of staff shortages *(figure 15)*. LD providers were both more likely to have increasing domestic applications and less likely to witness increasing international applications than OP providers. Fewer OP providers were forced to take any of the measures noted above in response to staff shortages than LD providers.

With international recruitment continuing to fill vital vacancies in the sector, providers with fewer international applications were more likely to report that they were scaling back operations.

Providers' wish list to address workforce challenges

Providers believe higher pay would make the greatest impact in improving recruitment with four out of every five (84%) providers naming higher pay in their top three wishes to address the recruitment issues *(Figure 16)*. This was followed by two-thirds who named greater alignment in terms and conditions with the NHS, and one-third who named greater respect for the workforce *(Figure 16)*.

Desire for higher pay was especially concentrated among providers of care for LD adults, who are the most likely to be scaling back operations due to staff shortages.

Figure 16 – Percentage of providers, reported measures which would have most impact on recruitment if implemented. *(Source: Hft and Care England Survey, Cebr analysis)*

Case study

Mary is a hardworking, career-minded woman who happens to have a learning disability and draws on social care. Mary lives an active life, with support provided by Achieve Together, an independent sector provider.

My name's Mary, and I live in supported accommodation. I'm really passionate about making sure that people like me, especially those with profound and multiple learning disabilities, can live as freely as possible. When we don't have enough support workers, it directly impacts our quality of life. We're here to gain independence, but many of us need help with achieving our goals, doing activities and practical daily life, and that support isn't always consistent if we have to rely on agency staff.

I believe if support workers were paid more, we'd have more consistent and reliable support, which would help us become even more independent. It's really hard when a support worker you've built a relationship with leaves - they know your routine, and you trust them. Starting over with someone new takes time and can be unsettling.

There's talk of a 10-year plan to improve things, but I think we need action much sooner - now! This is urgent. We all deserve to lead full, independent lives, and that means valuing and supporting the people who make that possible.

Conclusion

To summarise...

The findings presented in the 2024 Sector Pulse Check Report underline the urgent need for systemic change in adult social care in England. To effectively address the sector's challenges, we recommend immediate actions and long-term measures necessary to achieve financial stability and sustainability to enable care providers to provide high quality care and support to England's most vulnerable people. In addition to investing in improvements to meet increasing demand for care, supporting the NHS, and the UK's wider economy.

Immediate Actions

To stabilise the sector in the short term, urgent measures are required. First, the Government must **enforce mandatory payment timelines for local authority and Integrated Care Board (ICB) payments,** adding penalties for delays. Late payments are a critical source of financial instability for providers, and addressing this issue will help stabilise cash flows and maintain service continuity by allowing providers to plan long-term.

Relief from operational costs is also critical. **Introducing VAT exemptions on energy bills for care providers and supporting digital transformation** will alleviate immediate pressures while supporting the efficiency improvements that providers have strived for. These measures will enable providers to free up resources for frontline care and continue to invest in modernisation efforts that can further increase their efficiency and quality of care that they provide.

Based on the projected growth of the over-65s population alone, Skills for Care estimates that the adult social care system in England will need half a million (540,000) more paid care workers by 2040, a growth of 29% from current numbers[29] – this is on top of the existing vacancies that need to be filled - therefore, workforce recruitment and retention must be prioritised. **Implementing the Skills for Care Workforce Strategy** will address current key challenges and help providers to increase their domestic workforce. Moreover, **reinstating the ability for overseas care workers to bring dependents,** simplifying the international recruitment processes, and reducing visa costs, will fill vacancies and reduce the reliance on costly agency staff.

We acknowledge that the Government has attempted to incentivise overseas care workers to continue to come to the UK, with measures such as the Health and Care Worker visa and the listing of care work on the new Immigration Salary List. However, Home Office data suggests that this has not worked. The Government should take steps to allow overseas recruitment into the care sector with a salary threshold that meets the 'going rate' for the sector.

[29] Skills for Care, *The State of the Adult Social Care Sector and Workforce in England 2024.*

Long-Term Actions

Long-term reform is essential to secure the financial sustainability of adult social care. Therefore, **a comprehensive multi-year funding framework must be established, indexed to inflation and statutory wage increases.** This will allow providers to plan strategically, invest in infrastructure, and modernise services. Such a framework will also help prepare for the increasing demand for care, with 29% more working-age adults, and 57% more over-65s in residential care[30], an 87% increase in publicly funded home care, and a 72.5% increase in residential LD care service[31] demand in 2038 compared with 2018.

Achieving workforce parity with the NHS is another critical priority. Aligning pay and terms and conditions with NHS equivalents and funding structured career pathways will address recruitment and retention challenges while promoting job satisfaction and continuity of care. The professional registration for care workers will further enhance the status of the profession, fostering a more skilled and dedicated workforce and raising its profile as a career.

National standards for commissioning are needed to address inconsistencies in local authority practices. Standardised guidance will ensure equitable funding allocations and enable providers to plan and deliver services effectively. This will reduce regional disparities and support providers in meeting local needs.

Finally, **stronger integration between health and social care systems** is essential. Expanding social care representation on Integrated Care Boards will ensure providers influence decision-making and improve coordination between the NHS and social care. This will facilitate smoother hospital discharges, increasing NHS capacity and improving outcomes for individuals.

The immediate and long-term measures outlined here provide a clear path toward stabilising and reforming the adult social care sector, ultimately increasing the capacity and quality for care providers to deliver care. Immediate actions will offer critical relief, helping providers maintain services and navigate current pressures. Long-term measures will build a sustainable, high-quality system capable of meeting the needs of an ageing population, alleviating pressure on the NHS, and contributing to the UK economy.

The Government has an opportunity to act decisively and secure the future of adult social care. By implementing these recommendations, it can create a sector that is resilient, innovative, and prepared to support the health and wellbeing of the UK population for generations to come.

[30] National Audit Office, *The adult social care market in England* - Mar 2021.
[31] Skills for Care, *The State of the Adult Social Care Sector and Workforce in England 2024.*

About this report

This report used survey data to identify the key challenges faced by care providers during 2024. Hft, in partnership with Care England, commissioned the Centre for Economics and Business Research (Cebr) to conduct a survey of CEOs and senior leaders within organisations which provide care and support to adults. The survey ran from August 2024 to September 2024.

In the survey of 206 organisations, 56% provided care for LD adults and/or those with autism, while 63% offered care for older residents. Figure 17 shows the average percentage of supported people who fund their own care, while figure 18 shows their status and size respectively.

The main demographics behind the survey:

26% of patients deemed self-funding

3 in 10 respondents were Chief Executive Officer of their organisation

Respondents care for 128,000 patients

Figure 17 - Percentage of providers, status of organisations surveyed.

(Source: Hft and Care England Survey, Cebr analysis)

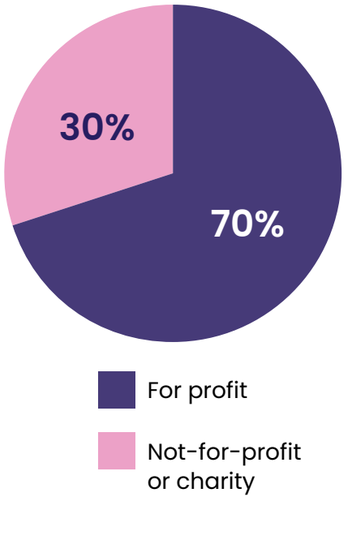
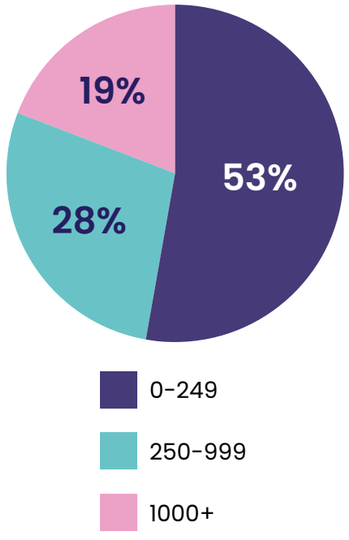


Figure 18 - Percentage of providers, respondents by workforce size.

(Source: Hft and Care England Survey, Cebr analysis)



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The data in this report has been produced by Cebr, an independent economics and business research consultancy established in 1992. The views expressed herein are those of the authors only and are based upon independent research by them. The report does not necessarily reflect the views of Hft or Care England.

London, January 2025

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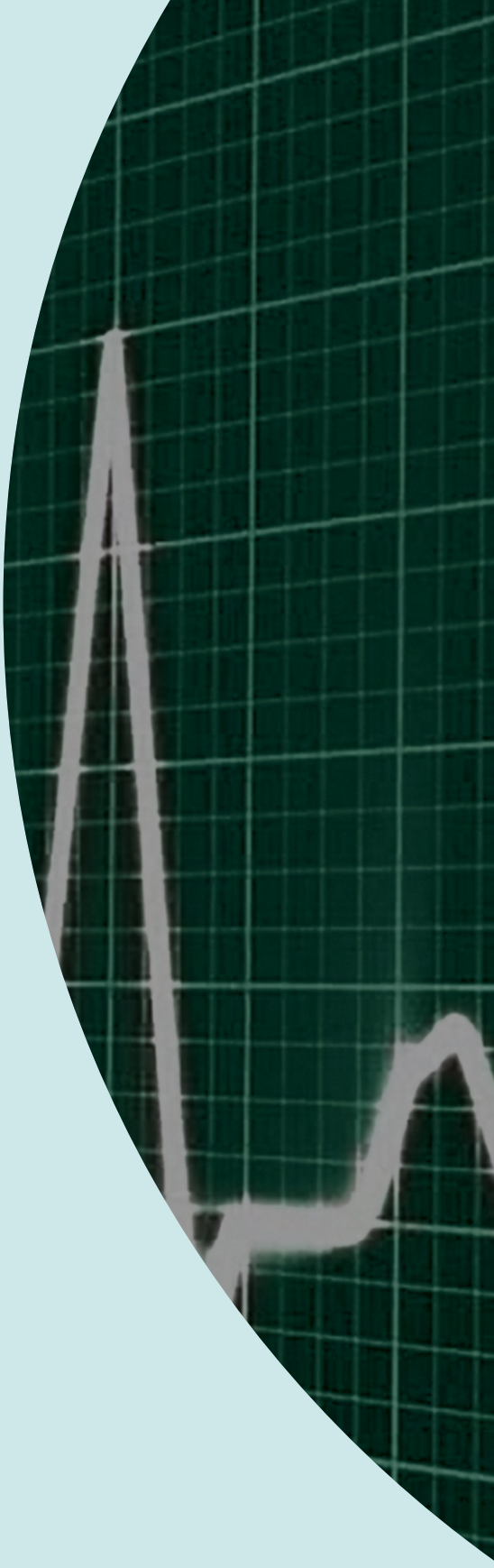

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