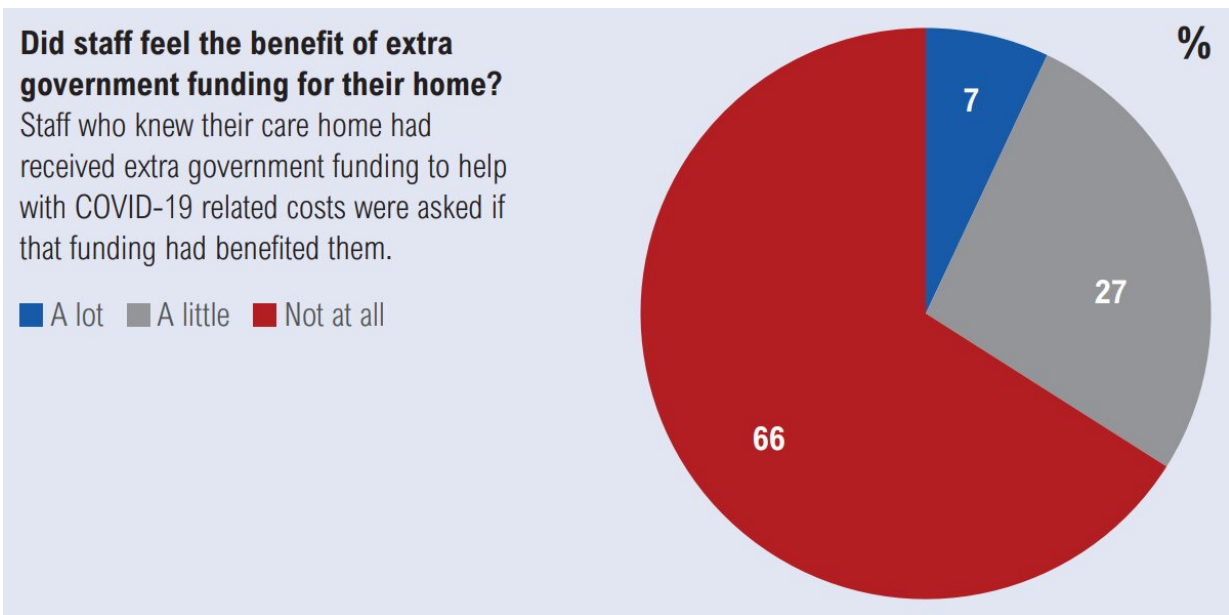


Impact of COVID-19 on UK care homes for older people and workforce revealed

April 14 2023



Credit: University College London

Financial support from the Government postponed, rather than prevented, a financial crisis in the care home sector during the COVID-19 pandemic, finds a new report by researchers at UCL and Warwick Business School.

The four governments of the UK provided £2.1 billion of [financial support](#) to the care home sector during the first year of the [pandemic](#).

This helped to avoid a financial collapse in the care home sector during the first year of the pandemic and prevent mass care home closures.

However, it was not clear that all the emergency funding went to support frontline care or workers during the pandemic, with significant sums 'leaking out' in profit and dividends.

Co-author Dr. Amy Horton (UCL Geography) said, "The emergency funding during the pandemic focused on keeping care homes afloat financially with very little trickling down to many frontline workers. Only a small fraction was spent on directly supporting care staff -through enhanced sick pay and some bonus payments."

"Amid all the clapping for caregivers, this could and should have been the moment to raise wages and conditions for one of the economy's lowest-paid sectors. Better jobs mean more staff, and stronger care services for all of us."

The sector had also faced a renewed [financial crisis](#) since the peak of the pandemic, warned the report, entitled Bailed out and burned out? The two-year study into the financial impact of COVID-19 on the UK care home sector was conducted by Warwick Business School, UCL, and the Centre for Health and the Public Interest (CHPI) and was funded by the Economic Research Council.

Co-author Professor Marianna Fotaki (Warwick Business School) said, "The decision by [government](#) to end financial support for care home companies after the peak of the pandemic had passed, even though the financial impact of the pandemic was clearly not over, has likely contributed to the current financial and operational difficulties experienced by the sector."

"A pandemic does not end when government says that it does."

The report found that the care home sector was hit with a huge economic shock at the start of the pandemic, due to a large drop in income caused by [high mortality rates](#) and reduced admissions as a result of the virus.

Without government support, the study estimates that the fragility of the care home sector going into March 2020 would have placed the businesses that provided 60% of all care home beds at risk of financial collapse.

Because there was no plan in place to deal with the [financial impact](#) of a pandemic on the care home sector, and because government had very poor data about the finances of the care home companies, there was a risk that money which was designed to support the pandemic response would 'leak out' in the form of profits and dividends.

During the first year of the pandemic, aggregate profitability (operating profit) of for-profit care home businesses increased by 3%.

A quarter of the 460 companies in the study paid out £120m in dividends—an increase of £11.7m or 11% on the previous year.

A group of 25 companies that paid out a combined £30.6 million in dividends received a total of £21.7 million in government grants.

To cope with the economic shock of the pandemic, care home businesses reduced their costs, including staff costs. Combined with the lack of direct [government support](#) for care workers, this meant that staff worked longer and harder and some experienced increased financial hardship as a result of their care work.

Some 50% of companies saw a reduction in the number of care staff employed during the first year of the pandemic.

Most care home staff worked harder and longer—95% of survey respondents reported increased workload and 82% said their working hours increased.

Four in 10 of the care home workers surveyed reported financial problems related to working in care during the pandemic.

Although government intervention averted [financial collapse](#) of the care home sector during the first year of the pandemic, this crisis was not averted, merely postponed.

Since the peak of the pandemic, the care home sector has faced a renewed financial crisis due to continuing COVID outbreaks, workforce shortages and inflation but despite this government emergency funding has been removed.

One care home provider told the researchers of agency costs increasing from £420,000 a year to £3.2 million, another of energy costs rising by 200—300% .

Between March 2021 and August 2022, the CQC reported a 2.4% reduction in the number of registered care homes for all people in England meaning 366 fewer care homes providing services.

The report made a number of recommendations, including:

- Improved contingency planning for the financial impacts of future pandemics and the consequence for staffing, including creating a standby emergency social care workforce.
- A plan for restoring services after the peak of the pandemic to prevent significant harm to residents caused by financial instability in [care homes](#) after the peak has passed.
- Government action to ensure that public funding of the care

home sector is used to support the pandemic response, rather than to reward to investors and shareholders, which enhanced financial regulation to ensure [greater transparency](#) and accountability.

- The government and employers should improve pay and conditions for care staff, especially during pandemics (including recognition payments, enhanced sick pay and overtime rates) to recognize the key role played by care home workers in protecting older people from harm over the last three years.

Co-author David Rowland, Director of the Centre for Health and the Public Interest (CHPI), said, "This study shows that there are major lessons which government needs to learn to ensure that the care home sector is much better equipped to respond to future pandemics."

"The lack of planning for the predictable economic shock in the care home sector caused by the COVID virus without doubt impeded the government's response. It also caused additional and unnecessary stress for care home operators, staff, and care home residents at what was an unimaginably traumatic time for everyone involved."

More information: Report: ficch.org.uk/downloads/1196/fi...rt-mar23-highres.pdf

Provided by University College London

Citation: Impact of COVID-19 on UK care homes for older people and workforce revealed (2023, April 14) retrieved 27 April 2024 from <https://medicalxpress.com/news/2023-04-impact-covid-uk-homes-older.html>

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