

Scottish Government Debate: Impact of National Insurance Increase on Public Services

CCPS Parliamentary Briefing

20 November 2024

CCPS is the voice of not-for-profit providers of social care and support in Scotland.

The Chancellor's proposed increase to Employer National Insurance rates and reduction to NI thresholds will have a **catastrophic impact** on Scotland's already stretched **not-for-profit providers of essential social care** and support – **unless an exemption at source is granted to our sector by Westminster.**

CCPS calls on the Chancellor to reverse the National Insurance policy changes announced at the Budget for charitable and not-for-profit organisations providing public service to communities, families and individuals across the country.

Our members provide essential public services to the estimated **1 in 25 people in Scotland who will need social care** this year, whether through public sector contracts or through securing public donations or other income to fill the gaps in community services left by repeated cycles of government austerity.

With **no indication that providers of public services outside the *public sector* will be offered relief** from this policy change, CCPS is gathering data from members. To date, **49 CCPS members** have **estimated a combined increase of nearly £21m in expenditure** for 2025-26 to cover the NI changes set out in the Westminster Budget. The final estimated bill for our sector will be much larger.

Given historic underinvestment, increasing demand and the current cycle of cuts to budgets, providers have no means to pay this from existing budgets. At March 2024, 83% of CCPS charitable members who responded to a survey said they were continuing to deliver a service despite a deficit budget.

If services are not financially viable, providers will have no choice but to reduce or stop them. Even before this announcement on NI, at March 2024, 61% of members were in discussions with one or more local authorities about the viability of their contract(s). Nearly 40% were declining or not taking on new support packages.

Unlike those in the private, for-profit, sector our members cannot increase prices on 'consumers' for the services they deliver to cover additional employee costs due to the Treasury. However, they will have to **pay the increases in costs from suppliers** who can

pass on the impact of additional Employer National Insurance Contributions – such as costs from staffing agencies, landlords, fuel companies, equipment suppliers.

There are no savings left to be made to cover these direct and indirect additional costs which will be held by providers.

This, at a time when in Scotland **over 6100 people are awaiting a care assessment and over 3100 are still waiting for care they are entitled to**. These figures are the tip of the iceberg of unmet need; frequently only those at crisis point are counted.

Our providers are hit particularly hard because **the NI threshold reduction has such a significant impact on organisations with higher proportions of part-time staff on low pay**. The Westminster policy **bakes gender inequality into the workforce**:

- Over 80% of the social care workforce are women
- The majority of respondents to our recent [Benchmarking Survey](#) had more part-time than full-time staff. Women were more likely to work part-time.
- Pay in our sector is set by the Scottish Government. National pay policy depresses support staff salaries, tracking the Real Living Wage and no more for qualified and regulated frontline staff.

Social care is already facing a well-documented crisis of recruitment and retention with a **vacancy rate of 9% (median)** and a **turnover rate of around 24%**. But – alongside fundamental instability of service – next year now comes with the potential that individual employers will have **no latitude at all to negotiate locally for pay uplifts above the basic salary set by the Scottish Government**. This will negatively impact industrial relations and make jobs in this essential sector even less attractive, particularly to equivalent roles in the public sector, which already command higher salaries.

The Chancellor's announcement, which comes without any relief at source for social care and support providers, has profound consequences for the job market and for the people we support.

However, if Westminster does not reverse this deeply regressive policy for our sector, Scotland will have to find the resource or face an even greater crisis in public services.

We are loathe to see the additional funding in Scotland's block grant for 2025-26 spent on offsetting poor policymaking in London. We would prefer, by far, to see this spent on Fair Work and increased service access. But our sector simply cannot afford to shoulder this additional expense and **we will need to see Scotland step in to ensure full cost recovery**. The consequence for employment – particularly for women – and for service delivery to some of our most vulnerable citizens would otherwise be profound.

Contact: anna.tully@ccpscotland.org or chris.small@ccpscotland.org