

Adult Social Care: some economic considerations

May 2023

This paper is drawn up by Ealing Reclaim Social Care Action Group (ERSCAG) to bring together some expert thinking about funding social care reform – see the detailed bibliography in Appendix – and was submitted to one of our local MPs, James Murray (Ealing North and Shadow Financial Secretary to the Treasury). We hope that this will allow our elected politicians to reflect upon the *economic* imperatives of developing a better social care system. It is our view that any political party hoping to be elected at the next general election should develop a vision, and a pragmatic operational plan, for organising social care in England. Nothing less is acceptable.

Vision for the future of social care in England

All political parties should commit to create:

- A National Care Support and Independent Living Service to complement the National Health Service;
- This Service will be nationally mandated, but designed and delivered locally;
- Like the NHS, the Service will be democratically accountable, publicly funded, free at the point of use, and not-for-profit;
- The Service will be co-produced with service users and informed by a task force on independent living;
- And the Service will be underpinned by staff whose pay and conditions reflect their true value and skills and will be framed to meet the needs of informal carers.

What does this mean in practice?

If this vision is to be operationalised, a detailed financial plan needs to be evolved. Whilst there are some ‘short-term’ measures that could be introduced immediately to assist people currently at the sharp end of the social care crisis (see Appendix One), any incoming government needs to have a financial plan to deliver the overall vision. Whilst there are many important social, moral and human rights arguments to be made for addressing the social care crisis, the main emphasis in this paper is on the *economic* arguments for change. ERSCAG believes that it is unacceptable for elected politicians to continue asserting that “*we cannot afford a good social care system*”. We believe that the country cannot afford NOT to have a good social care system.

1. Social care users

A briefing entitled “The value of investing in social care” (2021)¹ reported that around 840,000 people received publicly-funded long-term care in 2019/2020, and there are 168,000 self-funders in care homes alone. Accordingly, the report concludes that adult social care “*plays a significant role in local economies*” with 14,000 different (mostly private sector)

¹ “The value of investing in social care: what are the benefits of further funding for reform to adult social care in England?”, by The Health Foundation, The Kings Fund, and the Nuffield Trust, October 2021 (hereinafter referenced as the Kings Fund 2021 paper).

organisations; 450,000 beds in residential care (three times the number of NHS beds); and with Local Authorities alone funding over 100m hours of homecare a year.

Moreover, these statistics under-state the extent that social care and support, if properly delivered, would contribute to local economies. For example, the Association of Directors of Adult Social Services (ADASS)² identified a number of lacunae in current provision i.e. some 1.5m hours of commissioned home care that could *not* be provided between August and October 2021, because of a lack of staff and service backlogs, and 300,000 people were left without care as they awaited care assessments. Nor do these statistics take into account the number of people who have opted out of a social care package because they have gotten into debt (or fear doing so);³ nor the ‘wasted’ public resources due to Local Authorities having to administer means-testing for social care packages;⁴ nor the overall benefits that would accrue to the local economy if care-users had more autonomy and independence as ‘consumers’ alongside fellow citizens, rather than being treated as passive recipients of minimal personal care.

2. Social care workforce

TUC analysis⁵ shows seven out of 10 care workers earn less than £10 p.h. and 24% of the sector are employed on zero-hours contracts, and this increases to 43% when talking solely of the domiciliary care workforce. Turnover in the sector is high at 30.4%, equivalent to approx. 430,000 leavers a year, which makes for a cumulative loss of experienced, skilled and compassionate staff, and in October 2022 staff vacancies amounted to 165,000. The workforce is predominantly female (80%) and is racialised in many parts of the country. Addressing the pay and conditions of the workforce would have several positive economic consequences in terms of contributing to the local (and national) economy, as well as adding to the tax revenues that would be raised:

- Social care already contributes at least £46.2bn to the economy and represents 6% of total UK employment so, with an ageing population and the increase in care needs stemming from the pandemic, it is an area with huge potential for job growth and national productivity.
- Improving the pay and status of the paid workforce would attract and retain the necessary staff - the 2021 Kings Fund report records that social care employed 1.54m staff in 1.19m full-time equivalent jobs (which was around the same number as work in the NHS), and the sector also indirectly creates a further 600,000 jobs.
- Improved pay and conditions would also disproportionately benefit women and ethnic minority workers and therefore contribute to more equality in society.

3. Informal/family/unpaid carers

The Kings Fund 2021 paper⁶ also notes that *“most social care is informal and unpaid, provided by the family and friends of people with care needs. There were 5.8m unpaid carers recorded*

² Statistics from ADASS May 2022 report “Waiting for care and support”.

³ In 2018 – i.e. before covid and the cost-of-living crisis – a survey carried out by the Independent Living Strategy Group found that *“one in five reported that they had gone into debt by borrowing to pay for care and support. Informal debt was even more common, with 52% saying they had relied on family or friends to meet the cost of care and support”*.

⁴ When Hammersmith and Fulham Council decided to abolish charges for home care in 2015, they noted that there would be a net loss of income (to be recouped on other efficiency savings), but that they would also be saving £117,000 annually with the reduced administrative costs involved (Council website documentation - <https://www.lbhf.gov.uk/>).

⁵ See “A new deal for Social Care: A new deal for the workforce”, TUC report, 5 September 2021.

⁶ Ibid. see above and footnote 1

at the last census, and that figure is likely to have increased since. It is estimated that more than half of us will become carers at some point in our lifetime". Estimates from Alzheimers Society suggest that there are 770,000 people in the UK who care for somebody living with dementia. The Kings Fund 2021 paper, drawing on census data, reports that:

- Unpaid carers provide an estimated £59.5bn worth of care a year – equal to four million paid staff working median weekly hours.
- Carers who provide more than 50 hours a week of unpaid care costs the equivalent of 18 fewer days a year in full health, and reduced access to support for carers particularly disadvantages women who provide most unpaid care.
- Many care-workers (including one third of NHS staff) are also carers, so publicly funded social care would also allow them to better balance caring responsibilities with paid work and avoid losing them to the general workforce.

Carers UK⁷ have calculated that unpaid carers save the economy £132bn each year, but the number of carers accessing support has decreased by 35% in recent years, despite more and more people seeking support because of care breakdown, sickness or lack of availability of care staff. The Kings Fund briefing notes that grants, services and advice aimed at carers would also prevent caring from causing or worsening a household's financial difficulties, or individual physical/mental health problems.

4. Social care provision and its impact on the wider economy and other public services

Skills for Care commissioned a study to look at the full economic value of the adult social care sector in England and the resultant report⁸ estimated that *"adult social care in England had a minimum total economic value in 2020/21 of £50.3bn, made up of £25.6bn of Gross Value Added, and a further £12.6bn of indirect and £12.1bn induced efforts"*.

Numerous reports in the bibliography discuss how funding social care is an investment rather than a drain on the public purse. For example, a report by the IPPR (Institute for Public Policy Research) Commission on Health and Prosperity⁹ concluded that *"good health is a crucial determinant of our economic prospects, both at an individual and a national level"*. The report provides data about the drop in an individual's annual earnings that flows from physical or mental health conditions; the earnings that are lost to the UK economy by long term sickness (approx. 2% of GDP); and the fact that poor health was associated with over half of the 3.3 million exits from the workforce in the five years running up to the pandemic. Again, the impact of health on employment exit was most pronounced among lower earners and women, so *"better health could also help tackle the interplay between health inequalities and economic disadvantage"*. The report asserts that if the UK became healthier, it would be more prosperous, and – to that end – they argue the need for *"faster access to care"*.

The 2021 Kings Fund report notes a variety of cross-cutting links – for example:

⁷ See 'facts and figures' on Carers UK website, wherein they note that *"a quarter (26%) of respondents said they needed affordable and accessible alternative care in order to work. A further 15% said they were at risk or reducing their hours at work, or of giving up work completely without access (to such care)"*. Note that they also estimate that carers contribute a staggering £445m to the economy every day, citing research by Petrillo and Bennett. <https://www.carersuk.org/>

⁸ Skills for Care "The value of adult social care in England" (published October 2021)

⁹ "Healthy People, Prosperous Lives" – the first Interim Report of the IPPR Commission on Health and Prosperity", IPPR, April 2023.

- The “*greater availability of nursing and residential care is associated with fewer hospital admissions, fewer delayed discharges, reduced length of stay and reduced expenditure on secondary health care services*”; and goes on to argue that “*social care is a vital support to other public services like the NHS, but it must be properly funded for those services to fully benefit*”.
- The same report noted that interventions like ‘re-ablement’ have the potential to prolong people’s ability to live at home and reduce or even remove the need for care entirely.
- The practice of ‘delayed discharges’ from hospital is one of the few issues that draws public attention, but perhaps the public are less aware of the human and economic costs created by the finding that: “*long stays in hospital can damage people’s confidence to live independently as well as their health – risking particularly rapid deterioration among older people who quickly lose muscle tone*”.
- The Cavendish report¹⁰ drawing on examples from other countries sets out a variety of cost saving options which could allow for better care, less demands on the NHS, and better pay and conditions for staff.

A parliamentary Health and Social Care Committee study¹¹ concluded “*Providing adequate funding for social care will also help the NHS and may itself have positive economic and long-term social impacts, given that social care is an important part of the economy*”. The Kings Fund paper about the value of investing in social care concluded that “*A well-funded and effective care market could address (many) failings and could strengthen communities by creating more jobs in care and related sectors.*”

A detailed scientific study¹² on the return on investment of public health interventions concluded “*This systematic review suggests that local and national public health interventions are highly cost-saving. Cuts to public health budgets in high income countries therefore represent a false economy and are likely to generate billions of pounds of additional costs to health services and the wider economy*”. Whilst the study focused on a cost/benefit analysis of a very wide range of public health interventions, rather than the provision of social care specifically, it would be surprising if the same lessons did not arise?

5. Marketisation/Privatisation/Public sector provision

The reliance on market forces to provide much of the country’s social care in care homes or via domiciliary care agencies is worrying. The Health Foundation¹³ cited a 2017 Competition and Markets Authority (CMA) report that explained the problems of a privatised and highly fragmented care home market, and argued for changes which would better match supply and

¹⁰ “Social care: Independent report by Baroness Cavendish – how can we lock in the lessons of the crisis to build a more robust, sustainable, joined-up system of health and social care?” (February 2022). Baroness Cavendish argues cogently against the NHS ‘taking over’ social care, but proposes that commissioning remains with local authorities and a focus on the individual - “*giving Mrs Jones a life, not just getting her dressed, can have significant impact on costs and wellbeing*”. Cavendish cites examples such as giving home care staff more autonomy (the Dutch have reduced costs by 30-40%); commissioning for outcomes has reduced some care packages by 50%; supported living efforts have reduced hospital stays etc.

¹¹ “Social care: funding and workforce”, report of the Health and Social Care Committee, House of Commons, 22 October 2020.

¹² “Return on investment of public health interventions: a systematic review”, from the Journal of Epidemiology & Community Health, Volume 71, Issue 8.

¹³ The Health Foundation paper (26 February 2021) entitled - [Why the market matters in adult social care \(and what we can do about it\) - The Health Foundation](#)

demand; help people make better-informed choices about how their care needs should be met; and ensure financial sustainability. The CMA report in turn cited the 2016 annual assessment of the quality of health and adult social care in England carried out by the Care Quality Commission (CQC) saying that the sustainability of the adult social care market was approaching a tipping point.¹⁴ The Health Foundation has similarly identified issues with access, quality, workforce resilience and provider sustainability.¹⁵ Care England released a report in March 2023¹⁶ urging government to work with adult social care providers to put the sector on a sustainable footing and reported that one third of providers, including half of smaller organisations, have considered exiting the market in the past 12 months.

The move to privatisation has been extensive - whereas in 1979, 64% of residential and nursing home beds were still provided by Local Authorities or the NHS, by 2012 it was 6%. In the case of domiciliary care, 95% was directly provided by Local Authorities as late as 1993; by 2012 it was just 11%. The Unite trade union has argued that if social care providers are unable to keep service users and staff safe and well-treated, there is a strong case to bring these services into public ownership. A parliamentary committee in 2020¹⁷ concluded *“an immediate funding increase is needed to avoid the risk of market collapse”*. A New Economics Foundation report¹⁸ argues that *“for those using local authority commissioned services, market competition has not achieved its intended aims. Local authorities are pushed towards a short-termist approach of purchasing care packages via competition between providers based on price. To keep prices down, staff-to-client ratios are kept to a minimum, tasks and working practices are standardised, and workforce pay and conditions are suppressed. The quality of care suffers”*.

Steps need to be taken to reduce the role of the market in social care, and ideally get rid of it entirely. At the very least, an incoming government must –

- Recognise the current market failures and make a public commitment to a policy of public, not-for-profit, and/or cooperative provision in preference to private provision.
- Insist that Councils introduce a rolling calendar review of all outsourced council funded services and consider investing to provide alternative provision in-house or via not-for-profit co-operatives and peer led services.
- Ensure that all local authority funding, grants and contracts are subject to ethical procurement standards placing enforceable conditions on providers to meet high service, employment, equality and other ethical standards including union recognition and access.¹⁹
- Insist that Councils end contracts for failing services when providers go bust or exit the market, and that they use the opportunity to explore public alternatives.²⁰

¹⁴ Cited in “Care Homes market study, final report”, by the Competition and Markets Authority, 30 November 2017 (para 33)

¹⁵ Examples cited include: care deserts in some parts of England and an undersupply of services (such as housing with care); worrying rates of providers going out of business or leaving the market, including some high profile and hard-to-replace providers, with implications for continuity of care; problems in quality of care, as CQC has judged one in six services still fall below the required quality standard, with a residue of providers that neither improve nor exit the market; high turnover and vacancy rates amongst the workforce; and additional pressure on NHS services and family carers arising from under-provision of social care services.

¹⁶ The Sector Pulse 2022 (www.careengland.org.uk/wp-content/uploads/2023/03/Hft-Sector-Pulse-Check-2022-Single-Pages-Digital.pdf)

¹⁷ Ibid. Para 32 of “Social Care: funding and workforce”, Health & Social Care Committee, House of Commons, October 2020

¹⁸ “Universal Quality Social Care: Transforming Adult Social Care in England”, by the New Economics Foundation and the Women’s Budget Group, published in January 2022.

¹⁹ See for example UNISON’s Ethical Care Charter.

²⁰ Briefing by End Social Care Disgrace (for the Local Government elections 2023) refers positively to the experience of the Trafford Council.

- Insist upon more financial transparency in the operation of government procurement guidance at Council level.
- Encourage Councils to ensure more investment in services and to commit to democratically designing and delivering not-for-profit services in partnership with disabled and older people and their representative organisations.

If the incoming government established a National Care Support and Independent Living Service (NaCSILS), most of these principles could be written into law at the national level and operationalised by close cooperation between NaCSILS and individual Councils.

Various financial options – is good social care provision “affordable”?

As noted at the outset, Ealing Reclaim Social Care Action Group has no particular economic expertise, but is reassured that many think tanks and other expert bodies have examined the issue in such detail. The bibliography attached brings some of this material together. We definitely believe that it is not affordable to continue as we are.

For example, a report in 2019²¹ devotes a chapter to the costs of producing a social care service worthy of the name and argues for an end to means testing; increased salary levels and reduced pay inequalities; and a commitment to progressive taxation. Their ‘rough estimate’ means a total cost increase after 5 years of £22bn bringing the overall cost up to 2% of GDP; that *“the figure is completely affordable and is funded by providing a clear entitlement for a universal service to people who are currently having to either pay for that service or who should plan to pay for it in the future”*.

A National Pensioners Convention booklet²² notes *“The budget needed for the establishment of a National Care Service would have to take account of currently unmet needs. This would involve extending provision to over 1.4m older people with relatively low and moderate level needs, which would involve extending home care services and other preventive services rather than residential or nursing care”*. Consequently, they conclude *“The choice we face as a society is to therefore find the additional funding, either by diverting existing spending from one area to another, or accepting the need to pay additional tax, or a combination of the two”*. They go on to talk about options such as increasing income tax and/or increasing national insurance; abolishing the upper earnings limit on national insurance contributions; reducing pension tax relief for higher earners etc. The booklet concludes *“There is no evidence that today’s workers are not willing to pay sufficient taxes to fund the kind of system that they wish for their parents, their partners and themselves as they get older, but government has to make the case for doing so and any additional taxation must be progressively applied”*.

A more recent report from the Women’s Budget Group and New Economics Foundation²³ proposes several broad policy solutions. The first – *“a generous new funding arrangement ...should be an immediate priority”*. Whilst recognising that their proposals are more expensive than other (more incremental) reforms being proposed, they argue against an

²¹ “Fully Funded Social Care”, by Simon Duffy and Gordon Peters, 2019.

²² “Goodbye Cinderella – A new settlement for care services, moving forward from the pandemic”, NPC, May 2020.

²³ “Universal Quality Social Care”, January 2022.

incremental approach, but also argue that *“the revenue is raisable”*. Indeed, they talk of options that would boost tax receipts by some £14bn and explore a range of tax options.

The Labour Party’s National Policy Forum²⁴ was encouraged to discuss how best to strengthen the ‘Everyday Economy’ i.e. *“those parts of the economy which keep our country moving and society functioning. It is made up of the private and public sectors and includes health, social care, retail, utilities, transport, post, childcare, construction, education and food’* (emphasis added). In the party’s Mission Based Industrial Strategy paper a few months earlier, reference is made to *“high-quality care sector providing good jobs in all communities. Labour’s industrial strategy will seek to harness our economic strengths to drive up standards and create long-term value in social care, boosting innovation, skills and job quality. Care under a Labour government will mean skilled carers paid fairly, equipped and able to provide better care, with a wider ecosystem that is resilient to growing needs”*.²⁵ For many communities, especially in the poorer parts of the country, such as found in the post-industrial areas, the ‘everyday economy’ IS the economy.

Conclusions

Like others, ERSCAG believes that the country *“must start to see Social Care and Support as an economic investment (not merely a cost). It is a way of creating a better society and its benefits are multiple and much greater than its costs. We need to see that people who receive Social Care and Support are citizens and those who support them are also making a vital contribution to the health and well-being of the whole community”*.²⁶ Care and support must change. That change is affordable and indeed any failure to radically reform the current social care arrangements will only add to the country’s economic woes.

This ERSCAG paper argues that by investing in the everyday economy of social care - by increasing the quality of social care provision to care-users and carers, and improving the wages, skills and terms and conditions of the care workforce - the wealth of local economies is increased and the health and wellbeing of communities across the whole country are improved.

We believe that transforming our social care arrangements is not only necessary on social, moral and human rights terms, but would contribute to both improving people’s economic well-being as well as greater national growth and productivity.

²⁴ See page 7 of the National Policy Forum Consultation document ‘Better jobs and better work’ (2023).

²⁵ pp 13-14 in the Labour Party’s “Mission Based Industrial Strategy” published in September 2022

²⁶ See “Fully Funded Social Care” by Simon Duffy and Gordon Peters.

Appendix One:

Some short term measures that would earn support whilst not adequately addressing the long term and fundamental problems facing social care in England. They are listed in no order of importance:

- End social care charging in England
- Cancel existing care charge debts
- End Council debt recovery proceedings for delays or non-payment of care charges
- Freeze year on year rises in care charges in Local Authority budgets
- Encourage Councils to raise the discretionary Minimum Income Guarantee that is used when charging people for support in their own homes; the Personal Expenses Allowance for care home residents; the calculation of, and flexibility of use of Disability Related Expenditures which are offset against care charges
- Support Councils in efforts, with user-led groups, to develop and run their social care services based on the principles of co-production and independent living
- Insist upon Real Living Wage for care workers – raise sectoral minimum pay rate
- More support for advocacy around social care, inc. advice and guidance to users on DREs, Direct Payment packages etc.
- Local Authorities should review their equality impact assessments to ensure that they are engaging with the people most directly affected by their policies; amend good practice guidance on financial assessment procedures; improve information on rights to appeal and complain and access advocacy support; introduce an ‘early warning’ system for identifying people getting into charge-related debt; monitor the proportion of people who do not go on to have, or cease having, care following a charge being made or increased etc. (See Charging for Social Care, a tax on the need for care, by ILSG in bibliography)
- Uplift of carer’s allowance; introduction of a carer’s income

Appendix Two: Bibliography

ADASS - Association of Directors of Adult Social Services – see <https://www.adass.org.uk/waiting-for-care-adass-report-may-2022>

Care England - <https://www.careengland.org.uk/wp-content/uploads/2023/03/Hft-Sector-Pulse-Check-2022-Single-Pages-Digital.pdf>

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Reclaim Social Care: “Fully Funded Social Care” by Simon Duffy and Gordon Peters, 2019, see - <https://citizen-network.org/uploads/attachment/660/fully-funded-social-care.pdf>

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UNISON Ethical Care Charter (date?), see - <https://www.unison.org.uk/care-workers-your-rights/the-ethical-care-charter/>

Women’s Budget Group: “Social care and gender – Spring Budget 2023 pre-budget briefings”, see - <https://wbg.org.uk/analysis/spring-budget-2023-social-care-and-gender/>

For other resources on social care more generally, see “Helpful Resources” section of the Ealing Reclaim Social Care Action Group website
<https://erscag.org.uk/index.php/articles-reports-research-resources/>

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