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Autumn Budget 2021 Pre-Budget Briefings

Social care, gender and Covid-19

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WOMEN'S BUDGET GROUP

Social care and gender

A pre-budget briefing from the UK Women's Budget Group - October 2021

Key points:

- The crisis in care is a longstanding one, predating both the pandemic and the financial crash, that now requires urgent reform.
- The Health and Social Care Levy should not be used to tackle the short-term pressures the NHS is facing as a result of the pandemic. These can be financed by borrowing to be paid back over a number of years.
- The long-term funding urgently needed for recurrent expenditure on social care, cannot wait until the NHS no longer needs extra funds. The net costs of a reformed care system must be funded by central government from general taxation.
- Expecting local authorities to increase funding on social care through council tax will inevitably widen regional inequalities. Those with the greatest care needs have the least ability to raise taxes and have already had to make the greatest reductions in services.
- The Government has put forward no clear plan for improving the quality of care and the treatment of care workers and reducing unsustainably long hours of unpaid care.
- The proposed cap and floor model for allocating care costs between individuals and the state will result in many people still going without the care they need to avoid paying its costs. Families, especially women, will continue to be relied on for providing informal and unpaid care.

WBG proposes instead a **high-quality universal care service in which:**

- People's needs would be met in a way which **supports wellbeing and ensures self-determination**.
- Care provided would be of **high quality** and focused on enhancing capabilities.
- The provision of unpaid care would be **genuinely voluntary**.
- Care workers would be **well-trained and paid accordingly**.

Such a system, would begin by:

- making the provision of social care **universally free at the point of need**;
- widening the availability of social care to **all those who meet current eligibility criteria**
- **improving pay and working conditions**, in line with the Real Living Wage.
- This would generate 466,000 jobs in the economy as a whole and cost **£28.9bn** gross annually, 19% of which will be recouped through additional revenues.

It would then move towards improving the social care system by:

- expanding its eligibility criteria **to include people with more moderate care needs**, investing in **preventing their conditions getting worse**.
- improving care quality by providing **improved training** for all social care workers and **increasing wages** in line with their increased qualifications.
- This would generate **1,171,000 jobs** and cost a further additional **£29.5bn** gross annually, 26% of which will be recouped through additional revenues.

Social care in long-term crisis

The crisis in social care didn't start with the pandemic, nor even with the austerity measures brought in after the financial crash. Even before the financial crash, social care was already in poor shape, with underfunding and lack of government attention leading to increasing numbers of people with unmet needs, others paying catastrophic costs for their care, an underpaid and undervalued care workforce and increasingly unsustainable demands being put on unpaid carers.[1]

Social care provision is devolved to local authorities but increasing regional and income-based inequalities in healthy life expectancy meant that the poorest local authorities were the ones with the greatest social care needs, and insufficiently supported by central government and funding in meeting those needs.

The impact of austerity

Austerity measures implemented by the post 2010 Coalition and Conservative governments only exacerbated this situation. Funding from central government to local authorities in England was halved over the decade with an estimated loss of £8 billion to fund their key services, including social care.[2] Differences in *healthy* life expectancies between areas widened to the extent that people living in the most deprived areas could by 2018 expect to enjoy *two decades less* in good health than their counterparts in the least deprived areas.[3] In these areas the need for social care in old age was increasing fastest, yet such local authorities were the least likely to have the funds to provide them with the care they need.

Social care is not only an issue concerning elderly people. At the same time as the needs among people aged over 65 years grew, the percentage of the working-age population reporting a disability increased from 14% in 2008/09 to 19% in 2018/19.[4] Many local authorities now spend more on social care for this group than they do for older people, with the needs of working-age people in accounting for 64% of the demographic pressures on adult social care budgets in 2020/21 compared with 58% in 2019/20.[5]

The Prime Minister's pledge

In July 2019 the Prime Minister pledged on the steps of 10 Downing Street that he had a ready-made plan to "fix social care once and for all".[6] He made clear that what he primarily meant by that was fixing the catastrophic costs paid by some homeowners for residential care, by guaranteeing that no-one would have to sell their home to pay for care. Currently homeowners have the value of their home taken into account when assessed for financial support in paying for residential care.

But we saw no delivery on this promise for over two years. Instead, the Covid-19 pandemic made visible to many the extent to which decades of underfunding and deregulation have undermined the social care system, endangering the health and the lives of thousands of those needing care as well as those providing it, whether paid or unpaid.[7] It was therefore remarkable that the Spring 2021 budget was all but silent on social care, and funding

[1] See Derek Wanless (2006) Social Care Review (https://bit.ly/3aVRoVS) and eg WBG (2021) Social care, Covid-19 and gender: pre budget briefing from the UK Women's Budget Group (https://bit.ly/2XpXx9Q)
[2] LGA (2019) LGA briefing – debate on local government funding (https://bit.ly/37GUsEh)
[3] ONS (2020) Health state life expectancies by national deprivation deciles, England: 2016 to 2018 (https://bit.ly/3pL7XZQ)

[4] DWP (2021) Family Resources Survey 2018/19 – disability (https://bit.ly/3ALccKo)
[5] ADASS (2020) ADASS budget survey 2020 (https://bit.ly/3pLIosP)
[6] FT (2019) Prime Minister vows to fix social care crisis (https://bit.ly/3p8ZOlm)
[7] WBG (2021) Social care, Covid-19 and gender: pre budget briefing from the UK Women's Budget Group (https://bit.ly/2XpXx9Q)

for social care through the Department for Health and Social Care (DHSC) planned to be lower in 2021/22 than in 2020/21.[8]

The Local Government Finance Settlement for 2021-22 included an additional £2.2 billion (4.5%) in core funding for Local Authorities, far short of what is needed. Of this less than £0.3 billion will come from central government[9] with the other £1.9 billion assumed to come from increases in council tax bills of up to 5%. Councils in more deprived areas may not be able to increase council tax in this way, resulting in the communities with greatest needs having the smallest budgets and therefore having had to make the greatest reductions in services.[10] Making the rise in core funding dependent on local tax increases in this way will inevitably widen regional inequalities.

The Health and Social Care levy

In September 2021, the Government published its *Building Back Better: Our Plan for Health and Social Care*[11] which is in essence a plan for *funding* health and social care.

A tax rise of 1.25% on NICs will be paid by employers, employees and the self-employed, with a similar increase in dividend tax. After 2023, the increase in NICs will be renamed a Health and Social Care Levy and also be paid by the over-65s still in employment, who are currently not liable for NICs. The changes to National Insurance were passed into legislation immediately after their proposal in September. The increase in dividend tax will form part of the Finance Bill after this budget. The WBG's pre-budget briefing on tax gives our analysis of the Health and Social Care levy.[12]

Short term and longer term use of those funds

Initially nearly all the revenues gained by the rise in National Insurance (NI) will go to the NHS to address the urgent patient backlog in the healthcare system, with just £5.4bn over three years allocated to adult social care, of which £4.9bn will go to changing the funding model (see below) and just £500 million for professional development of staff, let alone any other reforms to the social care system itself.[13]

The £500 million allocated to the 1.5 million social care workforce over three years will go nowhere to achieving its professionalisation. And it is all for training, nothing is mentioned about improving pay or expanding the workforce, both of which will be necessary if trained staff are to be recruited and retained. The NHS Pay Review Body reported that the Government estimated that £1.2bn would be needed just to bring the pay of the lowest paid care workers in line with their NHS peers.[14]

The Government plans to transfer funding to social care after three years, but the legislation leaves to the Treasury the decision as to how the funds will be split between health and social care, and between the devolved administrations to the Treasury. So there is no guarantee that they will reach social care.

The backlog of routine treatment, surgeries and tests may take 5 to 7 years to resolve,[15] so the NHS is likely to need more than three years of additional funding.

[8] HM Treasury (2021) Budget 2021 Red Book (https://bit.ly/3lVkF9H)
[9] Institute for Fiscal Studies (2020) Assessing England's 2021-22 Local Government Finance Settlement (https://bit.ly/3n1ZhPg)
[10] Innes, D. T. G. (2015) Central cuts, local decision-making: changes in local government spending and revenue in England, 2009-10 to 2014-15 (http://bit.ly/2l6Pi9v)
[11] HM Government (2021) Building back better: our plan for health and social care (https://bit.ly/3juHnUH)
[12] WBG (2021) Autumn 2021 pre-budget briefing: taxation and gender (https://bit.ly/3E64Fry)
[13] Camille Oung (2021) How much of the health and care levy will social care receive and what is this intended to do? (https://bit.ly/3B5wDlB)
[14] NHS Pay Review Body (2021) (https://bit.ly/2Zc3Leh p.165
[15] NHS Confederation (Sept 2021) Government provides welcome NHS budget boost for short term but long-term funding urgently required (https://bit.ly/3BXpGnP)

Moreover, the pressures of an inadequate social care on the NHS will continue. It is short-sighted to see the needs of the NHS as more urgent than those of social care. With an ageing population there will be increasing funding pressures for both health and social care and more will need to be spent even to maintain current inadequate standards.[16]

Short-term funding, to tackle the short-term pressures the NHS is facing as a result of the pandemic and one-off funding to kick start reforms in social care, should not have been conflated with the funding of recurrent expenditure needed in the long-term. Short-term funding needs would be better financed by borrowing and paid back over a number of years as the economy expands. As WBG has shown, investing in care is a good stimulus to the economy and creates nearly three times as many jobs as same investment in construction.[17] Increasing taxes to pay for it now will only slow down the economic recovery.

Taxation to fund the NHS and social care in the longer-term could be done once the economy is back to full capacity. The UK tax system is in need of reform, in particular so that wealth and income from wealth is taxed more fairly.[18]

A somewhat changed funding model

The changes proposed in funding are a cap of £86,000 on the maximum amount anyone will pay for social care during their life. Eligible care needs (as defined in the Care Act 2014), at the price the local authority thinks is reasonable, will count towards the cap.

There is also a floor on assets, below which people are not expected to use them to pay for their social care (although they may still be required to contribute to their care costs from their income). This floor will be raised to £20,000, and those with assets between £20,000 and £100,000 will be required to pay up to 20% of those assets as a contribution towards their care costs.

Charges that are above what are considered eligible care needs would not count towards the cap.[19] Care home residents will also have to pay all hotel (board and lodging) costs. As they stand, the new policy proposals are apparently aimed at one priority, that set out in the Government's manifesto, that no one should have to sell their home to pay for care. Most of the additional funding for social care will be absorbed by the cap and floor model.

However, that model may still involve people running down their assets to below the value of their home, so the system that has been in place since 2015 to give people the flexibility to avoid selling their home within their lifetime will have to continue and the Government promises to increase its flexibility. Further, the changes to the cap and floor model will not apply to eligible care needs incurred before October 2023. This will inevitably lead to people trying to do without the care that they need before then and not help many of those currently paying for care.

There seems to have been an element of apparent dishonesty in the presentation of these proposals. People are not currently routinely forced to sell their homes during their lifetime to pay for their care, but their heirs may well have to. And that system will continue after the implementation of these proposals. It is just that their heirs might get to retain a bit more of the proceeds.

There is a trade-off, in terms of how much the system costs, between lowering the

[16] See Idriss et al. (2021) (https://bit.ly/3C3X5wU)

[17] WBG (2020) A care-led recovery from coronavirus (https://bit.ly/3eqQEuU)

[18] WBG (2021) Autumn 2021 pre-budget briefing: taxation and gender (https://bit.ly/3E64Fry)

[19] HM Government (2021) Building back better: our plan for health and social care (https://bit.ly/3juHnUH)

cap, that benefits only those with assets above the cap, and raising the floor, which is fairer to those with lower assets. But the main decision is about how much is paid for collectively through the state rather than costs being landed on those unfortunate to need care.

The proposals also say that the Government will use provisions in the 2014 Care Act to enable anyone who pays for their own care to ask their Local Authority to arrange their care for them. This is being proposed as a way to end the cross-subsidisation of the care provided for those who receive their care through their Local Authority by people who fund their own care. It is a sensible move but will also increase the cost of the system for Local Authorities.

Any model in which people have to pay for their own care means that many will go without the care they desperately need to avoid paying its costs. Such a model will also continue to rely on families, especially women, providing informal and unpaid care.

WBG believes that any fair adult social care system should share its costs over society as a whole and be paid for not just by those unfortunate enough to need care. Such a system of social insurance, paid for out of taxation that we already have for health care, is necessary if we are to ensure all people get the care they need to lead fulfilled and dignified lives. Social care should therefore be provided free at the point of need, as health care is by the NHS.

A system in urgent need of reform and better resourcing

The Government recognises "that there are a wider set of issues that the adult social care sector faces" but these are not covered in this plan. Instead:

"In England, the Government will work with leaders in Local Government and the social care sector, service users and carers, as well as the NHS Chief Executive and the NHS, to develop and publish a White Paper for reforming adult social care, which will commence a once in a generation transformation to adult social care. It will:

- offer choice, control and independence to care users – so that individuals are empowered to make informed decisions and live happier, healthier and more independent lives for longer;
- provide an outstanding quality of care – where individuals have a seamless experience of an integrated health, care and community system that works together and is delivered by a skilled and valued workforce; and
- be fair and accessible to all who need it, when they need it – ensuring that fees are more transparent, information and advice is user-friendly and easily accessible, and no one is subject to unpredictable and unlimited care costs." [20]

While these aims are laudable, resources are needed to achieve them. Achieving them would require much more than capping care costs over a lifetime. It would require training and improving pay to social care workers, expanding the workforce, and improving access to services and levels of services for the 1.5 million older people and many more working-age adults currently with unmet care needs.

This is quite a remarkable lack of urgency given the current state of social care and the Prime Minister's claim that he already had a well-worked out plan over two years ago. It is however consistent with allocating effectively no resources to such reforms for the next three years.

[20] HM Government (2021) Building back better: our plan for health and social care (https://bit.ly/3juHnUH) p15

However, one thing is clear about plans for the future. The Government does not plan to invest any more funds from central government, saying that they "expect demographic and unit cost pressures will be met through Council Tax, social care precept, and long-term efficiencies".
But unit cost pressures are precisely what a reformed social care system will generate, and collectively we will have to be willing to pay to have it. [21]

Given the absence of clear plans from the Government, we outline below our proposal for a free universal high-quality social care system and our estimates of its costs.

A high-quality universal care service

Meeting the multiple and complex needs of everyone that requires care, as outlined in the Care Act 2014, cannot be done through cost-cutting reform. It requires significant investment to create a high-quality universal service.

We propose a new high quality universal care service with the following features:[22]

- People's needs would be met in a way which supports wellbeing and ensures self-determination. This means going beyond a focus on personal care to cover other activities of daily life including buying and preparing food, maintaining relationships and taking part in the life of the community.
- Care provided would be of high quality and focused on enhancing capabilities. This requires a well-trained workforce with decent pay and conditions. Better rates of pay and improved conditions would also reduce high turnover in the sector, which also impact on the quality of care.
- The provision of unpaid care would be genuinely voluntary, improving the lives of millions of unpaid carers currently facing high levels of stress, difficulties staying in paid work and at increased risk of poverty. Increased formal care could free unpaid carers to spend quality time with the person they care for.

A universal care service would begin with a set of measures that are implementable in the short term:

- making the provision of social care universally free at the point of need, with no means test;
- widening the availability of social care to all those who meet national eligibility criteria as set out in the Care Act;[23] and
- improving working conditions, including introducing a sector minimum wage in line with the Real Living Wage.

It would then move towards:

- widening the availability of social care further, by expanding eligibility criteria to include people with more moderate care needs, investing in preventing their conditions getting worse; and
- improving care quality by providing improved training for all social care workers and increasing wages in line with increased qualifications to meet standards similar to those currently met in Scandinavia.

In the initial phase this would mean annual investment of £49bn (£29bn more than the current £20bn spent on adult social care, in 2021-22 prices). This is assuming a take-up rate of 35% for the over 65s, similar to that found in Scotland for free personal care.

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[21] HM Government (2021) Building back better: our plan for health and social care (https://bit.ly/3juHnUH) p15

[22] This is part of a forthcoming social care paper collaboration between WBG and NEF that will be published in late November.

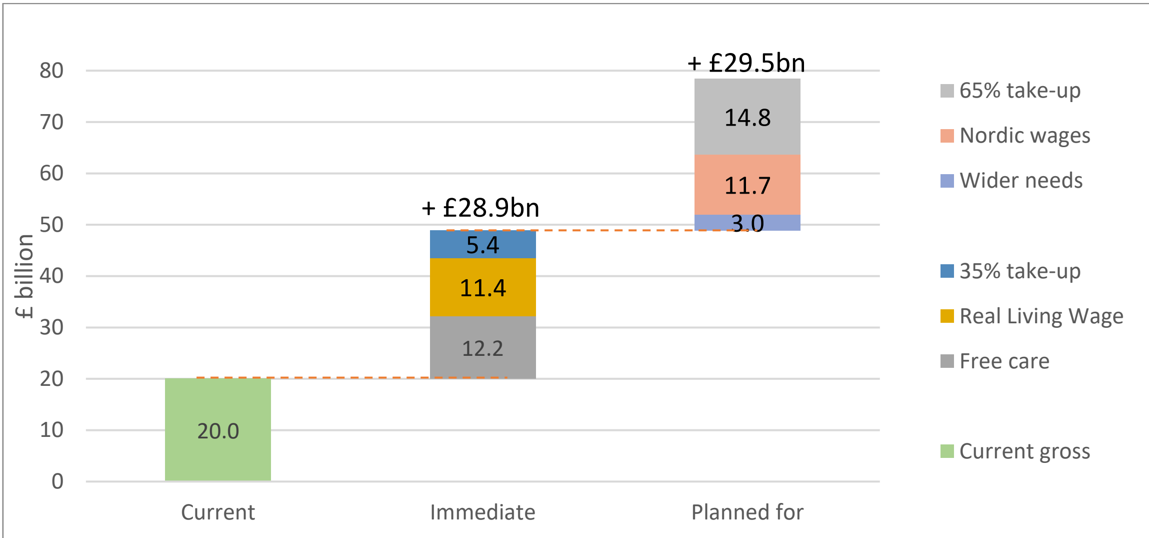
[23] The Care Act 2014 recognises the importance not only of personal care but also helps with what are called incidental activities of Daily Living, such as "making use of necessary facilities or services in the local community, including public transport and recreational facilities or services." However, current social care provision rarely extends to this.

A wider definition of needs and improved quality would lead to higher take up, which we estimate could cost an additional £29bn.

This would bring UK spending on social care in line with that in Denmark and Norway as a share of GDP.

The stages of spending that we advocate are shown in Figure 1.

Figure 1. Cost elements of 'Immediate' and 'Planned for' scenarios for social care - England (2021-22)



Source: Calculations by Jerome De Henau. Figures in 2021-22 prices

Such spending would also stimulate the economy. Table 1 gives estimates of the total number of FTE jobs created by the investment in care required for the two "Immediate" and "Planned for" models outlined above. It takes account of the jobs directly and indirectly created by that investment and also the increase in induced employment in the economy on the whole due to the spending of the wages of those newly employed or with increased wages. The table gives new jobs over and above the number of FTE care workers currently employed.

Table 1 also gives the tax revenue recouped from the employment generated. The planned for investment in a universal care system would stimulate the economy to generate over one million full-time jobs overall, many of which would be filled by people previously unable to take employment because of caring responsibilities.

Table 1. Estimates of employment creation, tax revenue and gross and net cost projections (2021-22)

	Immediate	Planned for
New FTE jobs created		
In economy as a whole	466,000	1,171,000
Currently not in employment		
Long hours carers unable to take employment	515,000	515,000
Unemployed who are not carers for long hours	1,212,000	1,212,000
Spending levels (£bn)		
Gross 2021-22	48.9	78.4
Revenue received through tax	9.2	20.7
Net spending	39.7	57.7
Tax as % of gross spending	19%	26%

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