WOMEN'S BUDGET GROUP

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Spring Budget 2022 Pre-Budget Briefings

Social care and gender

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A pre-budget briefing from the UK Women's Budget Group – Spring 2022

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.*
- *Over 90% of the new funding to social care will be absorbed by the new cap-and-floor model, rather than towards improving the system.*

*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 928,000 jobs in the economy as a whole (in care and across the economy from multiplier effect and increased purchasing power) and cost **£31.9bn** gross annually, 44% 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.*

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 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 were 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 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 there was 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] The Spring 2021 Budget was all but silent on social care, and funding for social care through the Department for Health and Social Care (DHSC) was 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

[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)
[8] HM Treasury (2021) Budget 2021 Red Book (https://bit.ly/3lVkF9H)

Authorities, far short of what was needed. Moreover, less than £0.3 billion of this was to 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 are less able to increase council tax in this way, resulting in the communities with greatest needs least able to fund their services.[10] Making the rise in core funding dependent on local tax increases inevitably widens 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 percentage points on National Insurance Contributions (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 was part of the Finance Bill following the 2021 Autumn budget. The WBG's 2021 pre-budget briefing on tax gives our analysis of the Health and Social Care levy.[12]

Short and longer-term use of those funds

Initially nearly all the revenues gained by the rise in NICs 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. At the Spending Review in October, it was announced that of this £3.6 billion would pay for a new funding model for social care (see below) and just £1.7 billion would be used to improve social care in England, including at least £500 million investment in the workforce.[13]

The Government plans to transfer more 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.

At the end of 2021, there were over 6 million people on a waiting list for NHS care (up from 4.43 million in February 2020). The backlog of routine treatment, surgeries and tests may take 5 to 7 years to resolve,[14] so the NHS is likely to need more than three years of additional funding. 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.[15]

Short-term funding, to tackle the short-term pressures in the NHS 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 the same investment in construction.[16]

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[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] Department of Health & Social Care (2021) People at the Heart of Care: adult social care reform, CP 560 (https://bit.ly/3s04mvb)

[14] NHS Confederation (Sep 2021) Government provides welcome NHS budget boost for short term but long-term funding urgently required (https://bit.ly/3BXpGnP)

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

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

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.[17]

A somewhat changed funding model

The funding model for social care will change to include a cap of £86,000 on the maximum amount anyone "will pay" for social care during their life. However, only 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.[18] Care home residents will also have to pay all hotel (board and lodging) costs. This new funding model is 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. Over 90% of the additional funding for social care will be absorbed by the cap and floor model.

However, that model will 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.

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 be able to retain more of the proceeds.

There is a trade-off, in terms of how much the system costs, between lowering the cap, that benefits only those with assets above the cap, and raising the floor, which is fairer to those with lower assets. An amendment to the 2014 Care Act, brought in after the initial legislation for the Health and Social Care levy, made only the amounts paid for by care recipients themselves count towards the cap, excluding any means-tested support from their local authority. As a result, those eligible for means-tested support will make contributions for longer and spend more on their care. Those with wealth of between £83,000 and £183,000 will lose the most from this amendment. Since housing wealth varies greatly across the country, care recipients in poorer areas, the North East, Yorkshire and the Humber, and the Midlands, are likely to experience the biggest erosion of their protection against large care costs.[19] The Government says it will also 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 seen 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

[17] WBG (2022) Spring Budget 2022 pre-budget briefing: taxation and gender (https://bit.ly/3HW5wwu)

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

[19] IFS (2022) Does the cap fit? Analysing the government's proposed amendment to the English social care charging system (https://bit.ly/3BAKxOu)

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 like what 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 it published a White Paper for reforming adult social care, which it claimed would commence a once in a generation transformation to adult social care, by offering a vision that:

- offers people choice and control over the care they receive
- promotes independence and enables people to live well as part of a community
- properly values our exemplary and committed social care workforce, enabling them to deliver the outstanding quality care that they want to provide
- recognises unpaid carers for their contribution and treats them fairly[20]

While these aims are laudable, resources are needed to achieve them. The allocation of just £1.7bn towards them for the next three years is derisory.

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.

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.[21] The latest increase in the National Living Wage, although welcome, will put additional pressure on social care costs.

The Autumn Budget in 2021 included no measures on social care in addition to those already announced following the Health and Social Care Levy. Local authorities (which commission social care) saw an increase in funding of 3% in real terms in the Budget, but this includes the £3.6bn to fund the cap and floor reforms to social care announced in September, leaving only a rise of 1.8% in real terms per year for all other spending.[22] This leaves little left over for any additional spending on care consequent on inevitable increased demand.

The Local Government Association has argued that social care funding will be insufficient,[23] while the Nuffield Trust concluded that 'the sector will face a stark choice between trying to improve access to care and support for people, or simply trying to stabilise the system in which care providers are on their knees hampered by a devastating shortage of staff'.[24]

However, one thing is clear about plans for the future. The Government does not plan to

[20] Department of Health & Social Care (2021) People at the Heart of Care: adult social care reform, CP 560 (https://bit.ly/3s04mvb)
[21] NHS Pay Review Body (2021) (https://bit.ly/2Zc3Leh) p. 165
[22] IFS (2021) Autumn Budget and Spending Review 2021 (https://bit.ly/3bpawfw)
[23] LGA (2021) Councils respond to 2021 Spending Review and Autumn Budget (https://bit.ly/2Y2eQhG)
[24] Nuffield Trust (2021) Spending Review leaves social care the poor relation and facing uncertainty (https://bit.ly/3msJ3Qs)

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. [25]

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:[26]

- 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;[27] 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 £52bn (£32bn 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.

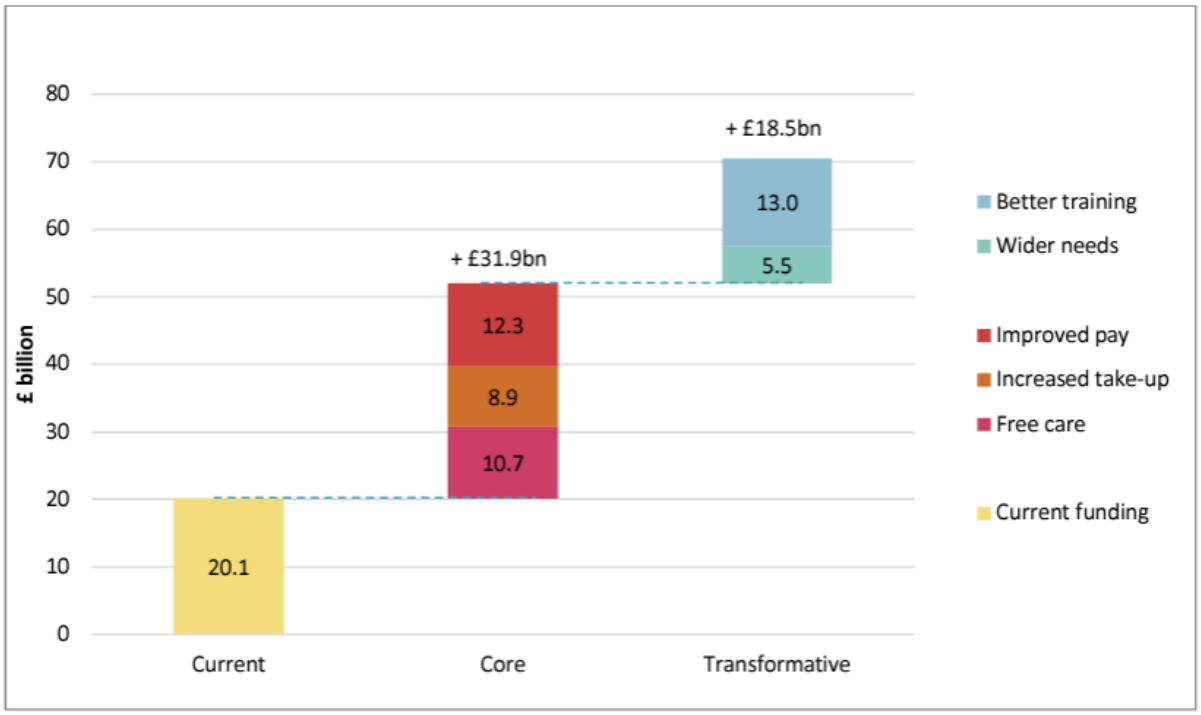
A wider definition of needs and improved quality would lead to higher take up, which we estimate could cost an additional £18.5bn.

[25] HM Government (2021) Building back better: our plan for health and social care (https://bit.ly/3juHnUH) p.15
[26] WBG and NEF (2022) Universal quality social care – transforming adult social care in England (https://bit.ly/3t0LBad)
[27] 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.

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 'Core' and 'Transformative' scenarios for social care - England (2021-22)



Source: Calculations by Jerome De Henau in WBG and NEF (2022) Universal quality social care – transforming adult social care in England (https://bit.ly/3t0LBad). 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 "Core" and "Transformative" 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 transformative 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)

	Core	Transformative
New FTE jobs created		
Total jobs created in the economy	928,000	1,355,000

… of which in care	663,000	888,000
Currently not in employment		
Carers aged 16-64 unable to take employment	509,000	509,000
Unemployed who are not carers for long hours	1,197,000	1,197,000
Additional spending levels (£bn, over current £20.1bn)		
Gross additional spending 2021-22	31.9	50.4
Tax intake	14.0	24.8
Net additional spending	17.9	25.6
Tax as % of gross additional spending	44%	49%

Source: Calculations by Jerome De Henau in WBG and NEF (2022) Universal quality social care – transforming adult social care in England (https://bit.ly/3t0LBad).

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