Written evidence submitted by Women's Budget Group (ASC0045)

Women's Budget Group submission

Adult Social Care Reform: The Cost of Inaction

About Us

The UK Women's Budget Group (WBG) is a feminist think tank that provides evidence and capacity building on women's economic position and that proposes policy alternatives for a gender-equal economy. We act as a link between academia, the women's voluntary sector and the social policy world of think tanks. We benefit hugely from our network of pro-bono experts from academia and the new economics and women's movements, alongside a professional staff team, who are all essential to our work.

Summary

WBG and NEF analysis shows that prior to the Covid-19 pandemic an estimated 1.8 million people aged 65 and over had unmet care needs[1]. The crisis in social care didn't start with the current cost of living crisis, the pandemic, nor with austerity policies imposed in the decade from 2010, but all have exacerbated the challenges. Even before the 2008 financial crash, underfunding was creating an underpaid and undervalued care workforce. Increasing numbers of people were being left with unmet needs, and others were paying catastrophic costs for their care. This resulted in increasingly unsustainable demands being put on unpaid carers, the majority of whom are women[2]. While care provided within families may appear to be free, it has a cost. It has a cost to those needing care and those providing it, to the state indirectly, and to gender equality. Although the situation is now far worse, these are the same issues defining the adult social care crisis today.

The net costs of a reformed care system must be funded by central government. Regional and income-based inequalities mean that the poorest local authorities are the ones with the greatest social care needs. So, expecting local authorities to increase funding for social care through council tax or business rates would inevitably widen regional inequalities. Those areas with the greatest care needs have the least ability to raise taxes and have already had to make the greatest reductions in services.

[1] Women's Budget Group and New Economics Foundation (2022) Universal Quality Social Care: Transforming adult social care in England

[2] ONS (2023) Unpaid care by age, sex and deprivation, England and Wales: Census 2021

The Women's Budget Group proposes moving to a high-quality universal care service that is free at the point of need, supports wellbeing, self-determination and enhances capacities; trains and pays its staff appropriately in line with the Real Living Wage; and ensures that unpaid care is genuinely voluntary. Our modelling estimates that 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). A full breakdown of the costings are provided in the final section of this paper.

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How much is inaction on adult social care reform costing the NHS and local authorities, and what impact does this have on patients and the public?

NHS pressure

According to the Darzi review, the impact of inaction on adult social care reform on the NHS has been more people staying in hospital for longer than their medical needs require them to be there. As a result, older people have been stuck in acute hospital wards rather than in facilities better suited to their needs. The review found that 13% of hospital beds were taken up by people who were fit for discharge but were waiting for social care or other services to be put in place[3].

This is placing particular pressure on women who are the majority of those who work in and rely on NHS services. The NHS workforce is made up of 1.44 million employees. Women comprise three-quarters of the healthcare workforce, and 31% of staff are Black, Asian or ethnic minority[4]. But where people don't have access to adequate healthcare, they rely on the unpaid care of family or loved ones. And of the 8.8million people providing unpaid care, women are the majority[5]. Women also spend a greater proportion of their life in ill health or disability, meaning that they are the majority of those affected by gaps in health services. This has a significant impact on the economy, with over 1.5 million women being economically inactive due to long-term sickness[6].

Local authority pressure

An increasingly large proportion of local government spending is being swallowed by adult social care because local authorities have a statutory responsibility for these services. On average, 40% of local authority spending now goes to adult and children's social care[7]. This is putting local authority budgets under severe strain, impacting the investment in delivery of other vital services such as workforce development, preventive services, and support for unpaid carers [8]. Hampshire County Council recently announced that it now spends 83% of its budget on social care. Their deficit is forecast to be £175mn in 2025-36 because demand and costs have continued "to rise more than anticipated in children's and adults' social care, special educational needs and school transport"[9]. Yet a significant number of councils are being required to make further in-year savings—35%, compared to 19% in 2022[10]. These savings come on top of the highest level of planned spending

[3] Lord Darzi (2024) Independent investigation of the NHS in England
[4] WNG (2024) Health inequalities and gender: Briefing for a new government
[5] Carers UK (2019) Facts about carers
[6] WBG (2024) Women and the Labour Market
[7] IFS (2024) Adult social care in England: what next?
[8] ADASS Autumn Survey 2024 - ADASS
[9] The FT (2024) **The English County facing the biggest financial 'black hole'**

reductions in eight years, and an increasing number of local authorities issuing Section 114 notices (declaring risk of effective bankruptcy)[11].

Despite ever larger proportions of local authority budgets being spent on adult social care, we have seen consistent underfunding by central government since 2010. According to the NAO, total spending power for local authorities fell by 26% between 2010/11 and 2020/21[12]. Spending power funded by the government fell in real terms by more than 50% between 2010 and 2021. In contrast, spending power from council tax rose by 15% between 2010/11 and 2020/21[13].

The Labour Government's first Budget did recognise this immense pressure on local authorities with a welcome announcement of £1.3bn extra for local authorities next year. This includes £600m ringfenced for (adult and children's) social care. As a result, the Treasury estimates local government spending could increase by up to 3.2% in real terms in 2025/26. However, the Health Foundation's previous analysis suggested that more than £1bn extra would be needed next year just to meet growing demand for adult social care. So, £600m for both adult and children's social care is unlikely to be sufficient.

Providers Unite have also calculated that although the increase in the National Living Wage in addition to the rise in Employer National Insurance contributions and the lowered thresholds could see increased costs of between 9.4% and 12%[14]. This far exceeds the £600 million allocated to Local Authorities who must also spread this funding across all their responsibilities under the Care Act 2014, not just adult social care.

This increase in government spending is also reliant on local authorities taking advantage of new flexibilities to increase council tax. This is concerning given the disproportionate benefit to less deprived authorities from raising council tax. Regional and income-based inequalities mean that the poorest local authorities are the ones with the greatest social care needs. 54% of women and 38% of men aged over 65 in the most deprived local authorities need help with activities of daily living, compared to 15% of men and 26% of women in the least deprived local authorities[15]. So, expecting local authorities to increase funding on social care through council tax or business rates would

[10] ADASS (2024) **ADASS Autumn Survey 2024**
[11] Local Government Information Unit (2024) The State of Local Government Finance in England 2024
[12] National Audit Office (2021) The local government finance system in England: Overview and challenges
[13] House of Commons Library (2024) Local government finances: Impact on communities
[14] Providers Unite (2024) Letter to the Chancellor
[15] NHS Digital (2018) *Health Survey for England 2018*

inevitably widen regional inequalities. Those areas with the greatest care needs have the least ability to raise taxes and have already had to make the greatest reductions in services. The net costs of a reformed care system must be funded by central government to prevent a widening of societal inequalities.

But, as the Institute for Government (IfG) concludes, even where local authorities are able to raise their spending power, this will not be enough to return adult care services to pre-pandemic performance levels, to put the provider market on a sustainable long-term footing or to resolve the severe workforce problems facing the sector[16].

What is the cost of inaction to individuals and how might people's lives change with action on adult social care reform?

The inaction on adult social care reform has had a disproportionate impact on women both as those with care needs and those who provide care services – both unpaid and paid.

Unmet care needs

WBG and NEF analysis shows that prior to the Covid-19 pandemic an estimated 1.8 million people aged 65 and over had unmet care needs[17]. Comparable evidence on the unmet needs of younger adults is lacking, although the Health Foundation had found that 18% of people aged between 18 and 64 report a disability, but only 3% receive formal or informal care

The percentage of the working-age population reporting a disability increased to 23% in 2021/22[18]. Yet in 2018 only 3% of disabled working age adults reported receiving formal or informal care[19]. Unmet need is also greater in more deprived areas: around two in five people aged 65 and over living in the most deprived neighbourhoods in England have an unmet need for help compared to one in five in the least deprived[20].

Health costs

This has a significant health costs that impact people's quality of life. This is particularly true for women who, despite living longer than men, spend a greater proportion of their life in ill health or

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[16] Institute for Government (2023) What does the autumn statement mean for public services?

[17] Women's Budget Group and New Economics Foundation (2022) Universal Quality Social Care: Transforming adult social care in England

[18] DWP (2023) Family Resources Survey: financial year 2021 to 2022 – disability.

[19] Health Foundation (2020) Social care for adults aged 18-64

[20] T. Burchardt (2021) Re-thinking unmet need in adult social care

disability[21]. As a result, 1.5 million women are economically inactive due to long-term sickness[22]. Sex and gender are important driver of health inequality. Often it intersects with other inequalities based on class, ethnicity, disability, gender identity and/or sexual orientation and other characteristics to present a widely uneven landscape of access, treatment and health outcomes. However, despite these inequalities, data on women's use of health and social care services is lacking.

Economic costs

Inaction also brings significant financial costs to those who develop care needs because they have to cover care costs themselves. This cost burden can be extremely high. The uncertainty inherent in the risk of needing care makes it difficult for individuals to anticipate if and when they will need care, how extensive and long-lasting their care needs might be, and what kinds of support they might be able to draw on.

Around one in ten people, at age 65, face future lifetime care costs of more than £100,000[23]. As a result, some people lose the majority of their income and assets in paying for care. The average annual cost of living in a residential care home in the UK is more than £36,608, while the equivalent cost of living in a nursing home is £46,176[24].

This is unaffordable for most especially when considering that care needs have increased among those living in the most deprived areas. Their healthy life expectancy in 2021 was nearly two decades lower than those living in the least deprived[25]. Most (80%) of working age adults living with a major illness will be found in the most deprived areas, with fewer community health services[26]. This particularly impacts women who are more likely to become economically inactive due to long-term illness: 1.5 million women are out of the workforce for this reason, over 200,000 more than men[27]. This increase in long-term sickness among women correlates with rising gender pay disparities for women under 40 since 2013[28]. Increases in long-term sickness are therefore impacting women's economic prospects in the immediate and long term.

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[21] DHSC (2024) Women's Health Hub: cost benefit analysis
[22] WBG (2024) Women and the Labour Market
[23] Commission on Funding of Care and Support (2011) *Fairer care funding.*
[24] Berg, V. (2021). *Care home fees and costs*
[25] ONS (22 March 2021) Health state life expectancies by national deprivation deciles, England : 2017-2019.
[26] The Health Foundation (2024) Health inequalities in 2040: current and projected patterns of illness by deprivation in England
[27] WBG (2024) Women and the Labour Market
[28] Society of Occupational Medicine (2023) Understanding recent trends in ill health-driven fallout from the UK job market

The professional social care workforce and unpaid carers.

Economic costs

Inaction on adult social care reform is also having a severe impact on women as the majority of those who provide care – both paid and unpaid. Women make up the majority (79%) of the social care workforce and the majority of the 8.8million people providing unpaid care[29][30]. And many paid care workers will be providing unpaid care at home as well. According to a 2022 NHS staff survey, one in three NHS employees in England also provide unpaid care[31]

Unpaid care is the root cause of women's economic inequality. Women carry out 50% more unpaid work than men on average[32]. As a result, women are more likely to be economically inactive, in low paid, part-time and precarious forms of work. More women (10%) than men (7%) providing unpaid care to family or friends (excluding childcare) leave employment as a result of their caring responsibilities [33]. As a result, 1.2 million unpaid carers across the UK are living in poverty, with 1 in 10 of all carers in deep poverty[34]. Significantly, the rate of poverty amongst unpaid carers is 50% higher in comparison to those who do not provide unpaid care[35]. This impacts people's health, with those who provide high levels of care more than twice as likely to be in poor health than people without caring responsibilities[36].

Reduced entitlements to state benefits is exacerbating the economic costs of providing unpaid care. Carer's Allowance (CA) is restricted to those providing at least 35 hours of care/week and earning less than £151/week. This is one of the lowest benefits in the system, (£81.90/week in 2024/25). It is not possible to claim full Carers Allowance alongside the full state pension. In 2022/23 over 1.3 million people were deemed to be *entitled* to claim CA, but nearly 30% of these were *ineligible* for a payment because of complex interactions with the disability benefits received by the person being cared for and/or other benefits received by themselves or another member of the household[37]. Concerningly, 62% of those receiving Carer's Allowance live in poverty – that's half a million carers[38]

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[29] Skills for Care (2024) The state of the adult social care sector and workforce in England
[30] Carers UK (2019) Facts about carers
[31] Carers UK (2021) **One in three NHS England employees juggle job with caring unpaid for a loved one**
[32] ONS (2023) Time use in the UK: 23 September to 1 October 2023
[33] WBG & NEF (2022) Universal quality social care: transforming adult social care in England
[34] Carers UK and WPI Economics (2024) **Poverty and financial hardship of unpaid carers in the UK**
[35] Ibid
[36] NHS England (2024) *Carer facts – why investing in carers matters*

[37] House of Commons Library (2020) Carers Allowance
[38] Carers UK and WPI Economics (2024) **Poverty and financial hardship of unpaid carers in the UK**

The previous Government's plans to reduce the cost of disability benefits with stricter entitlement rules would therefore have reduced *eligibility* for CA still further. WBG welcomes the increase to the earnings threshold for Carers Allowance announced in the Budget. However the rate of pay remains too low and there is still a payment 'cliff edge', meaning that anyone earning just over the earnings limit loses their allowance in full. The DWP has been criticised for its harsh implementation of these rules, including retrospective claw back from people who have been 'overpaid' carers allowance.

At the same time professional carersexperience insecure conditions of employment with the exception of the minority (7%) employed by local authorities[39]. Their median pay level places them within the bottom 20% of the earnings distribution while 32% are on zero-hours contracts[40]. The average age of care workers is 45 and 28% are over 55 years old, Concerningly, Black, Asian and Minority Ethnic workers are over-represented (26%) among care workers but under-represented among those (17%) in senior and management roles[41].

This undervalueing of care – both paid and unpaid - has long-term economic costs for women especially when taking into account the raising of women's state pension age with very little acknowledgement of their need for care leave and for reform in adult social care services. Although John Cridland's final report in 2017, which reviewed the raising of state pension ages, recognised that 'carers cannot easily work and care' he only suggested they should have five days of paid leave to deal with emergencies[42]. Seven years later, in 2024, carers became entitled to five days of unpaid leave. Part of the £77 billion pension savings to the Exchequer resulting from the equalising of the state pension age between 2010-2020 should have been invested in the social care system, to support older women to juggle caring responsibilities with extended labour market participation.

Health costs

Failure to reform social care is also having a severe impact on the health of carers – both unpaid and paid. And there is evidence that caring whether paid or unpaid is associated with an increased risk of long-term ill-health, especially as many will be combining unpaid care with paid work, including by working nights. Social care workers now account for the largest number (460,000) of female night workers in Britain[43]. Many unpaid carers work nights because they can't leave the person they are

[39] The King's Fund (2024) Key facts and figures about adult social care
[40] Skills for Care (2023) The State of the Adult Social Care Sector and Workforce 2023
[41] Ibid
[42] John Cridland (2017) Smoothing the Transition. Independent Review of the State Pension Age
[43] TUC (2019) Older workers powering an increase in night working, TUC analysis reveals.

caring for during the day. This increases their risks of cardiovascular disease, diabetes and depression[44]. Overall, in England unpaid carers were also more likely to be disabled (27.5%) than non-carers (17.8%)[45].

[44] TUC (2022) TUC: 3 in 10 night-workers earn less than £10/hour.
[45] ONS (2023) Unpaid care and protected characteristics in England and Wales, 2021.

What contribution does adult social care make to the economy and HM Treasury and how might this change with action on reform?

Social care is not just a vital support system for individuals and families—it is foundational to the economy. If the Government is serious about addressing economic and social inequalities that hinder its mission to drive growth and prosperity, investment in social care must be a priority. Much like childcare, social care is an essential part of our social infrastructure.

Direct Economic Benefits of Social Care Investment

Adequate investment in social care has the power to directly transform local economies, particularly in disadvantaged areas where unmet care needs are greatest. Expanding the sector and improving pay and conditions would create high-quality, well-paid jobs across the country, stimulating economic activity in regions that need it most[46].

Research from the Women's Budget Group (WBG) and the New Economics Foundation (NEF) highlights the transformative potential of investing in care[47]:

- **Job Creation**: Investment in care creates 2.7 times as many jobs as the same investment in construction. Specifically, it generates 6.3 times as many jobs for women and 10% more for men.
- **Economic Growth**: If the number of care workers were increased to 10% of the employed population, as seen in Sweden and Denmark, and care workers were paid the real living wage, it would create **2 million jobs**, boost overall employment rates by 5 percentage points, and reduce the gender employment gap by 4 percentage points.
- **Tax Revenue**: Care sector investment generates 50% more direct and indirect tax revenue for the Treasury compared to investment in construction.
- **Environmental Impact**: Social care investment is greener, producing 30% less greenhouse gas emissions than construction, making a care-led recovery a green-led recovery.

Wider Economic Impacts: Tackling Gender Inequality and Unlocking Potential

Beyond its direct contributions, investment in social care addresses systemic issues that hinder economic growth. The detrimental effects of gendered economic inequalities on the wellbeing of women represents a real cost to communities, hindering the accumulation of wealth and autonomy, driving health inequalities, and putting women and their families at a greater risk of isolation, poverty and poor health. By supporting unpaid carers, investment in social care could enable these

[46] WBG (2020) A Care-Led Recovery from Coronavirus
[47] WBG & NEF (2022) Universal quality social care: transforming adult social care in England

individuals to re-enter the workforce, contribute to the wider economy, engage in volunteer work, and enjoy a higher quality of life.

The barriers to paid work encountered by women, and disadvantages including underemployment and lower pay, mean that £88.7bn of Gross Value Added (GVA) is lost to Britain's economy every year – equivalent to the annual contribution of the financial services sector[48]. Regionally, the average regional economy is losing out on £1.68bn per year – in some cases representing nearly 10% of existing annual economic output[49].

By addressing these inequalities through better funding and policy support for social care, the economy could unlock this latent potential. Supporting women into higher-quality employment, particularly in the care sector, would bolster regional economies, reduce gender disparities, and improve societal wellbeing.

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[48] CLES and WBG (2023) Women's work How gender equality can deliver stronger local economies

[49] Calculation of the estimated value of reducing women's economic inactivity level to the same rate as men's - CLES and WBG (2023) New research: prioritising gender inclusion in economic strategies

To what extent are the costs of inaction on adult social care reform considered by the Government when evaluating policies, including within the Budget and Spending Reviews? How should these costs be assessed and evaluated?

Budget documents don't suggest that the secondary costs of inaction by not adequately funding social care are considered; the only costs that are published in the Red Book that accompany each Budget are those directly incurred in funding. This is unlike investments in physical infrastructure where there is guidance as to how to carry out a cost benefit analysis in the Green Book. Similar methods could be developed to evaluate the benefits and costs of funding social care and other social investment programmes.

However such methods would have to take into account some specific features of care. In particular, it would be important to ensure i) that the well-being costs and benefits for all involved are considered and ii) that unpaid care is not considered a free resource but valued properly. The ONS has developed methods of doing this for its Household Satellite account and these methods could be applied[50].

This will also require the undertaking of a comprehensive Equality Impact Assessment (EIA) to ensure there is concerted action to address gender and other inequalities. Some policy proposals may exacerbate existing inequalities unless action is taken to prevent this happening. This is also necessary to ensure the Government fulfils its legal obligations under the Public Sector Equality Duty[51]. Staff responsible for these impact assessments should be trained in equality impact to ensure that assessments are meaningful.

Ensuring the EIAs are meaningful requires the gathering and analysis of data that uncovers inequality patterns and establishes an evidence base for change. The Women's Budget Group along with many others have advocated for the best possible data to be collected and made available. This data should be disaggregated by sex and the other protected characteristics as much as possible. This is to ensure that progress towards gender and other equalities can be measured accurately and to design policies and programs that effectively address inequalities.

[50] ONS (2024) **Household satellite account, UK: 2017 to 2021**

[51] WBG (2024) Equality Impact Assessments and the Public Sector Equality Duty: Briefing for a new government

Recommendation for a Universal Quality Social Care system

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;
- improving working conditions, including introducing a sector minimum wage in line with the Real Living Wage; and
- widening the availability of social care to all those who meet national eligibility criteria as set out in the Care Act[52].

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.

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 would be recouped through additional revenues.

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 better training for all social care workers and increasing wages in line with increased qualifications to meet standards similar to those currently met in Scandinavia.

A wider definition of needs and improved quality would lead to higher take-up, which we estimate could cost an additional £18.5bn. This would bring UK spending on social care in line with that in Denmark and Norway as a share of GDP. This would generate 1,355,000 total jobs and cost a further additional £18.5bn gross annually, 49% of which will be recouped through additional revenues.

[52] 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.

While both steps recoup costs through increased tax revenue, the remaining funds should be raised through progressive taxation, specifically a wealth tax. Analysis shows that £50bn could be raised by introducing a 0.3% tax on wealth above £400k and 0.5% tax on wealth above £1m. This would be enough to pay for the whole of the transformative scenario set out above. Alternatively, £152bn could be raised from introducing a 0.6% tax on wealth above £400k and 1.8% above on wealth above £1m, which could fund the whole of the NHS [53].

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[53] Calculations by Jerome de Hanau, Open University, for WBG