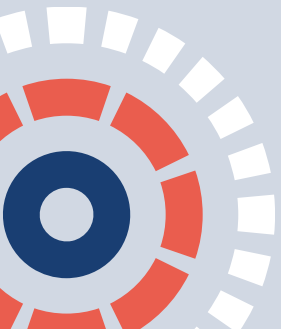




What rate of increase in adult social care pay should be expected in the future?

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Adult Social Care Research Unit



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- The views expressed are those of the authors and are not necessarily those of the NIHR or the Department of Health and Social Care

Policy Rationale

To inform -

1. government spending reviews

2. analyses of the sustainability of public expenditure on social care

3. reviews of how best to reform the funding of care and support

4. planning of adult social care services

ASCRU Projection Models

Long-term care projection models for older people

- Aggregate projections model
- Caresim dynamic microsimulation model

Long-term care projections models for younger adults

- People with learning disability
- People with physical disability
- People with mental health problems

Basis of the Projections

The models do not make forecasts about the future

They make projections of demand rather than supply

The approach involves simulating the impact on demand for care of specified changes in demand drivers or specified changes in policy

The projections are on the basis of specific assumptions about trends in such variables as future mortality rates, disability rates and unit costs of care

Projection Outputs

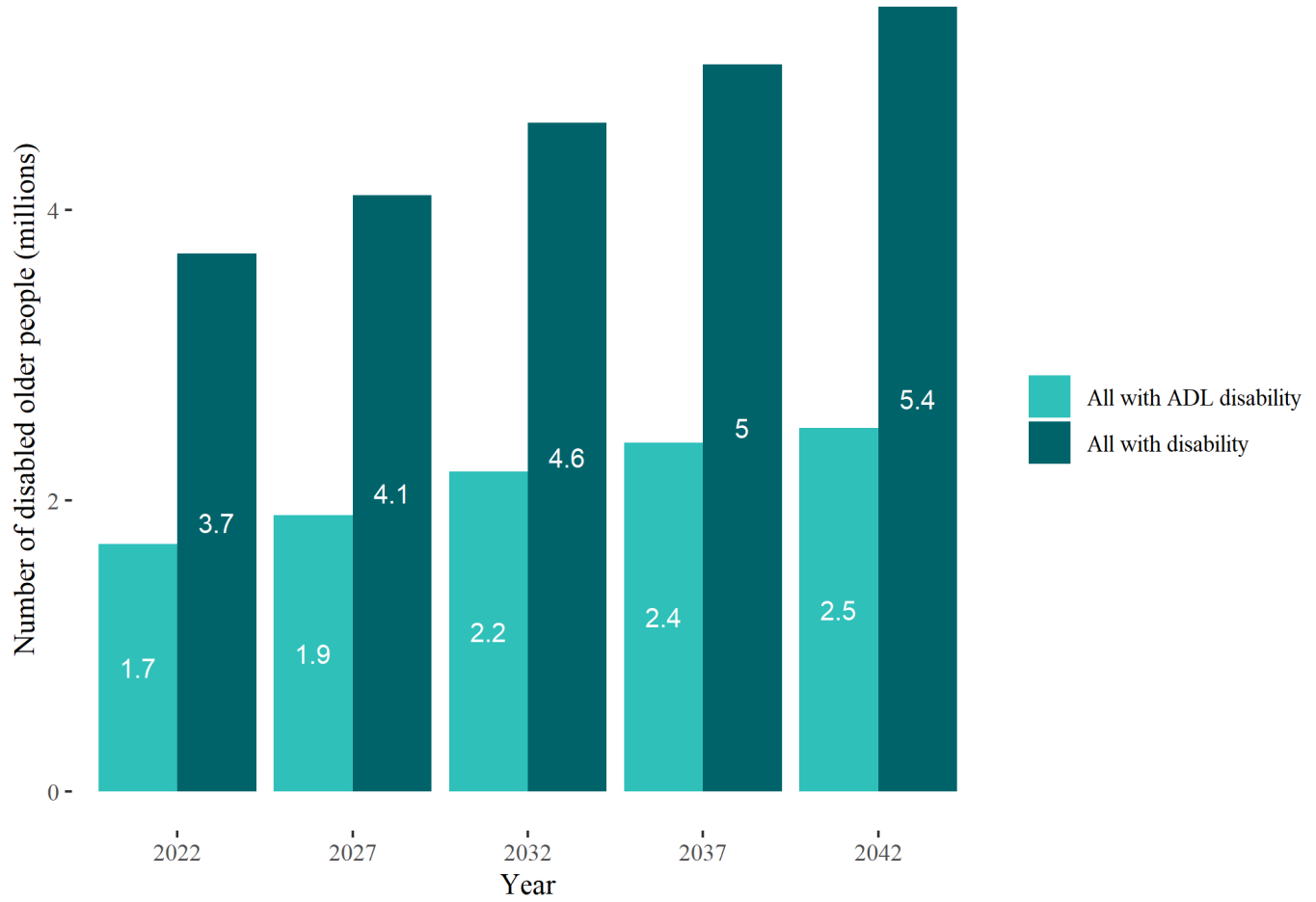
Our models produce projections for a period of 20 years (and beyond, to a higher degree of uncertainty) of:

- Numbers of disabled older and younger people
- Users of unpaid care, formal care services and disability benefits
- Public expenditure on long-term care
- Private expenditure on long-term care for older people
- Workforce providing social care

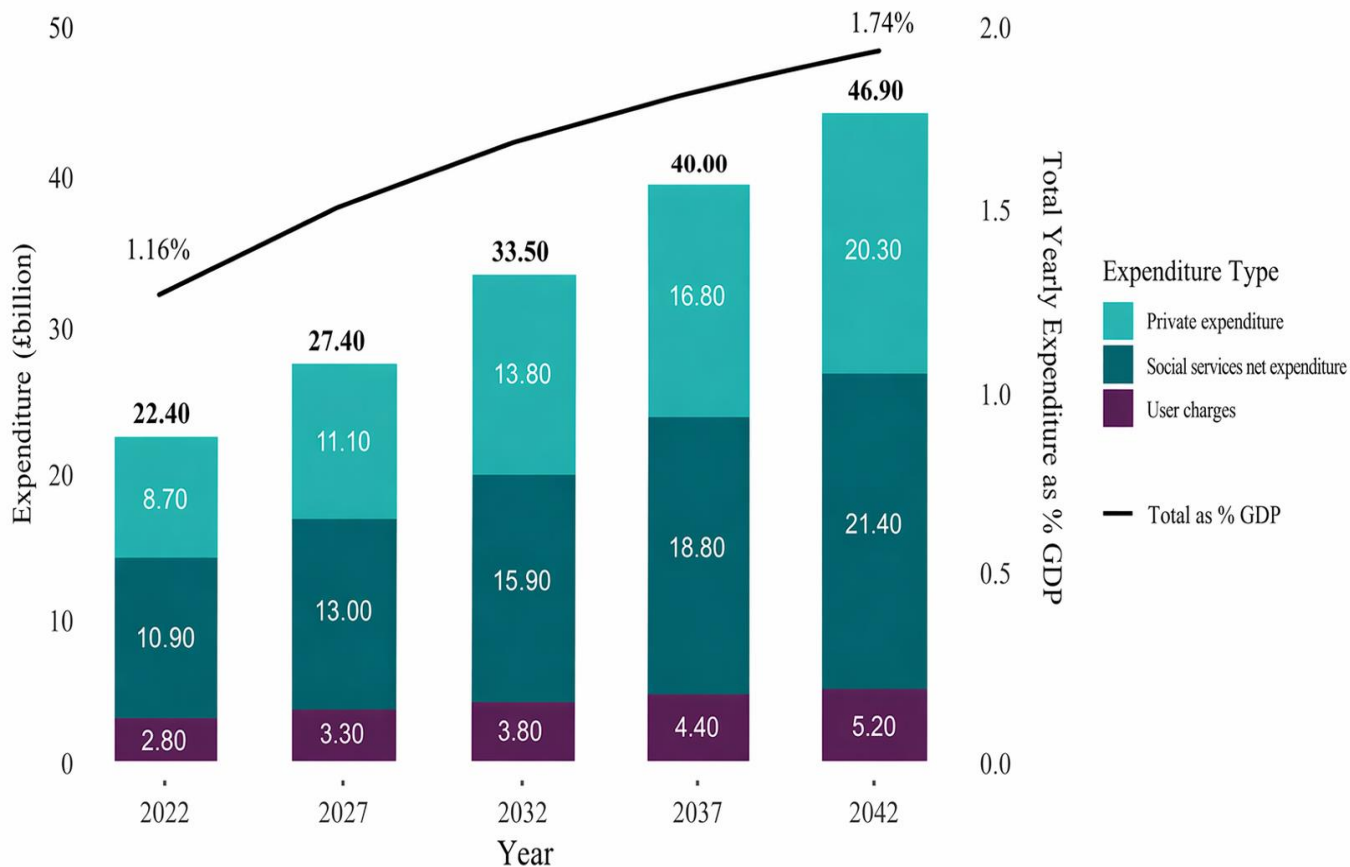
Key Base Case Assumptions

1. Number of people by age, gender and marital status in future years changes in line with official (ONS) projections
2. Prevalence rates of disability in old age remain constant by age and gender
3. Patterns of care – formal and unpaid – remain unchanged by individuals' needs related characteristics
4. Economic assumptions as per latest Office for Budget Responsibility (OBR) assumptions
5. Unit costs rise in real terms in line with OBR assumptions on productivity (plus uplift for the NLW)

Projected number of disabled older people (millions) in England, 2022-2042



Projected expenditure on social care for older people, 2022-2042, £billion at 2022 prices, by expenditure type and as a proportion of GDP



Components of Adult Social Care Costs

- Labour costs – around 85% of costs of community care and 70% of costs of residential care – assumed to rise in line with OBR assumption on productivity
- Capital costs – assumed to rise in line with labour costs
- Other costs – assumed to remain constant in real terms

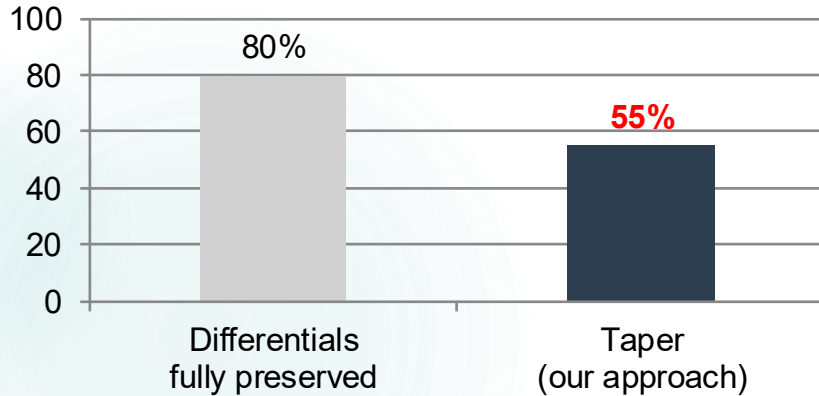
National Living Wage

- The National Living Wage (NLW) has recently been rising faster than OBR productivity assumption
- Adjustment in the short term for announced increases in the NLW
- Most social care staff are paid at or slightly above the NLW
- Uncertain how far differentials will be maintained or eroded

Modelling National Living Wage in Projections

Why model NLW increases?

Government announces future NLW rates that exceed baseline productivity assumptions. We need to account for how these wage floor increases affect unit costs across the care workforce.



Using Skills for Care data

We model differential exposure by pay band:

- Care workers (75% affected)
-closest to NLW floor
- Senior care workers (46%)
-partial exposure
- Managers (0%)
-well above threshold

Result: 55.4% of ASC pay bill affected (vs 80% if differentials fully preserved)

Scope for Debate

- Will social care pay rise by less than economy-wide pay?
 - Technological advance including use of AI may reduce jobs for staff with low qualifications and depress wages in low qualification jobs

OR

- Will social care pay rise by more than economy-wide pay?
 - Wages for carers may need to rise substantially to recruit staff to fill the current substantial numbers of current vacancies
 - Carer wages may need to rise even further to recruit and retain sufficient care staff to meet the rising demand for care