

Inflationary Pressures in Social Care

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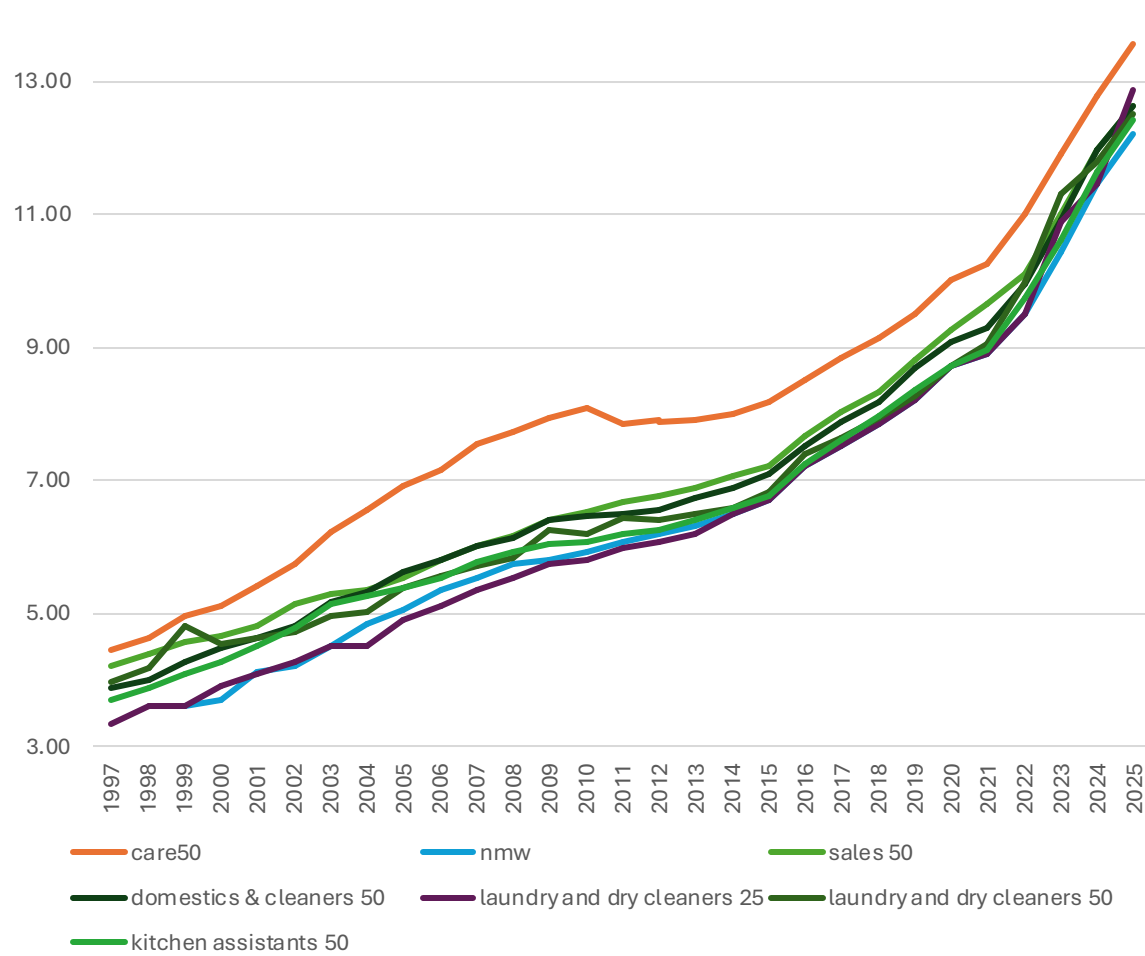
CAVOL York University

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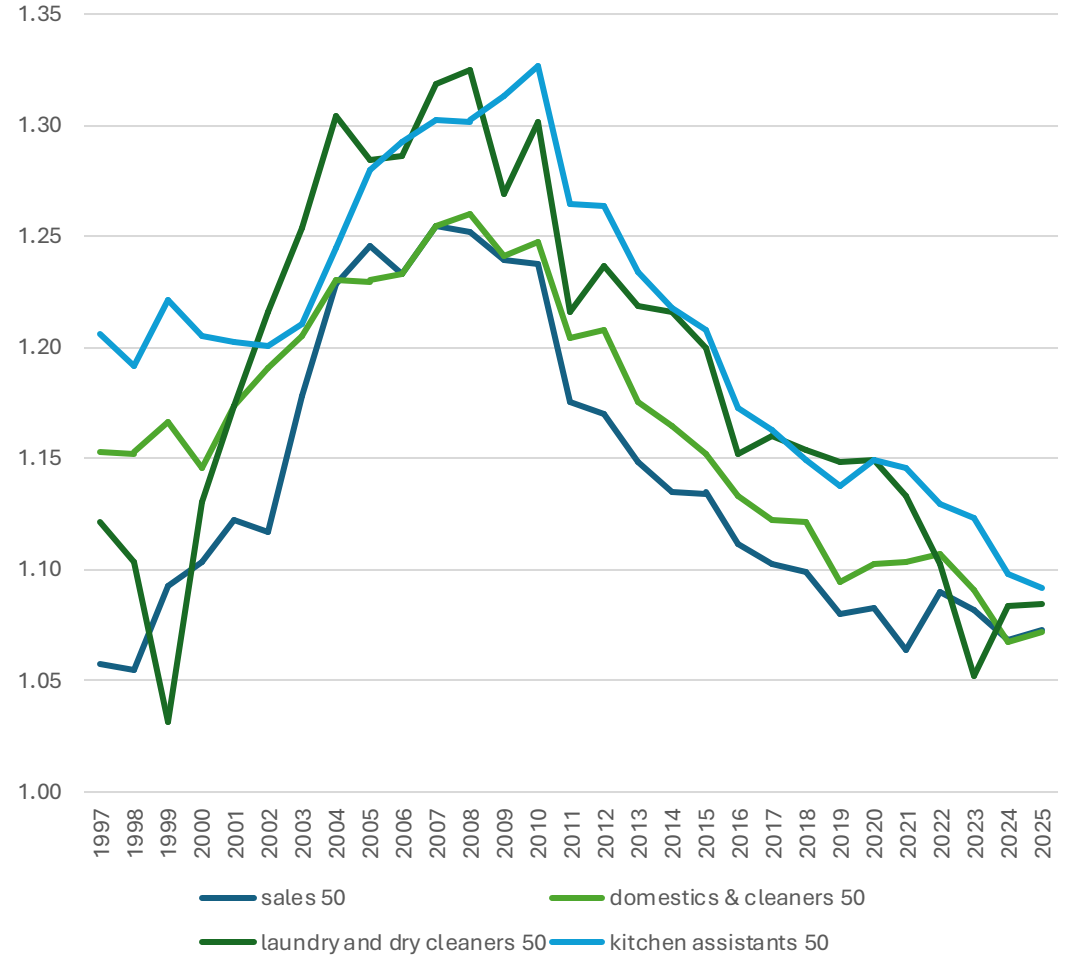
Background to care: crisis and response

- Social care and the NHS
- Reviews of Social Care
- Care Standards Act [2000], Global financial crisis, austerity, Brexit, Health and Care Visa (HCV), HCV stopped
- Migration Advisory Committee Review of Adult Social Care 2022
- National Care Service, Fair Pay Agreement

Hourly wages at median £



Care wage relative to other groups



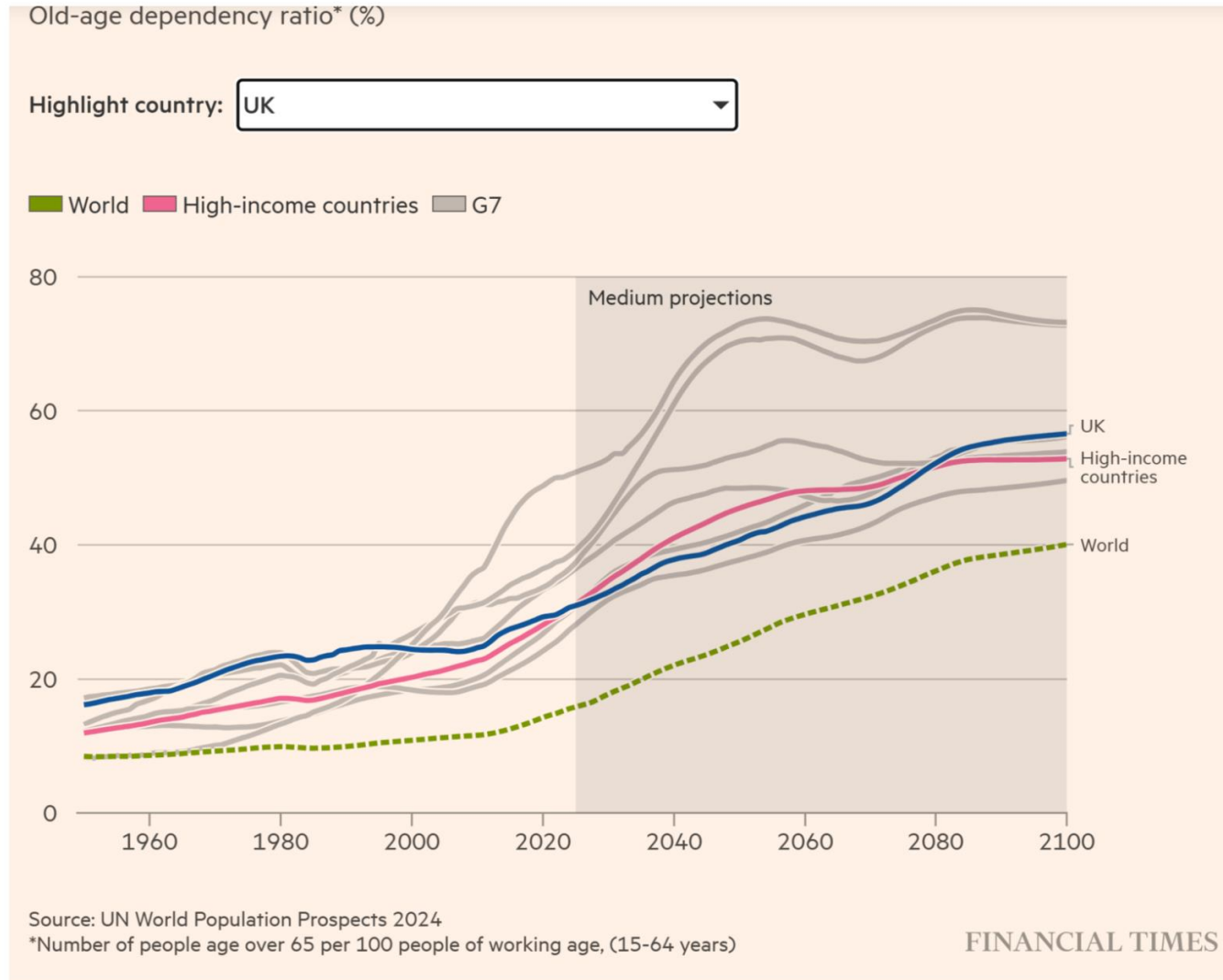
Care wages below market clearing wage

- Local Authority (LA) funding squeeze
- Monopsony power of LAs and care providers
- Above average increase in national living wage (NLW)

Care premium and “catch-up”

- Migration Advisory Committee 2022
- the premium in terms of the additional skills, attributes and responsibilities attached to social care, *“emotional and physical resilience, communication, planning and organisation, problem solving skills and understanding individual needs”* (p6)
- *“differentials across the workforce must increase and the pay premium historically afforded to social care workers over other jobs must be re-instated to increase attractiveness and fairly reward employees for the unique nature of their work”.* (p9)
- 2010-2024 median 13% to 23% (mid-point 19%)
- 2010-2024 75th percentile 8% to 33% (mid-point 20.5%)
- MAC (2022) min wage for care in 2021 10.50 (NMW £8.91) 18% uplift
- *We would also strongly emphasise that an increase of this magnitude is not enough to address the issues presented by low pay in the sector and urge the government to go significantly further as quickly as possible* (p9).

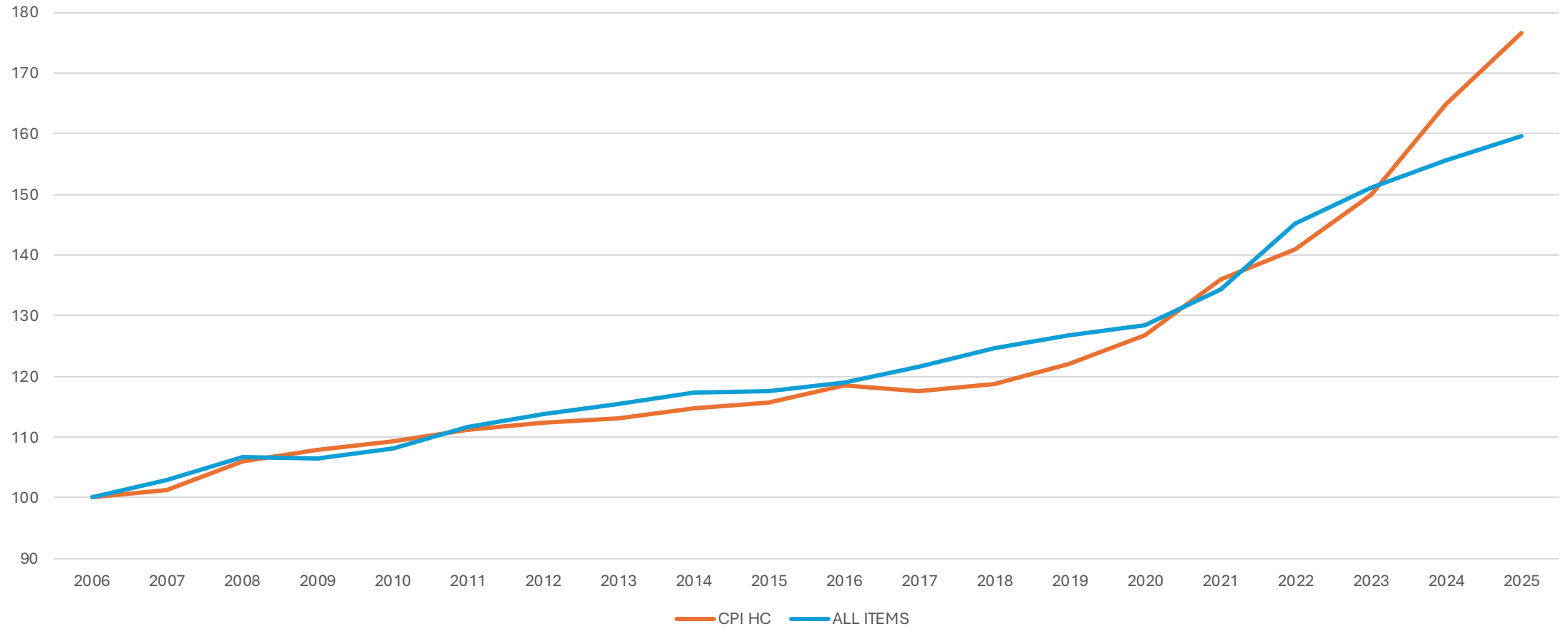
“Catch-up Plus”: increasing old-age dependency



Drivers and brakes (inertia) on care wage inflation

- Current wage gap and carer shortage (catch up)
- Population ageing (catch-up plus)
- Labour intensive
- Insensitive to technological change
- Migration controls
- National Care Service
- Fair Pay Agreement 2028
- Adverse outcomes in the NHS
- Adverse impact of inactivity rates
- Continuing austerity/funding squeeze in care
- Effects of shortages hidden
- Tolerance of unmet care needs
- Continuing monopsony power (weak bargaining position of carers)
- Technological advances
- Political hot potato

US CPI home care



Indexation of care costs: prices or wages

- CPI home care – not available in most countries, excludes price effects of quality change in care, includes effect of productivity change of carer (close match, biased downwards)
- CPI all items – includes impact of economy-wide productivity growth which will overstate productivity growth in care (poor match and downward bias)
- Wages in care – hourly rate for fixed hours no account for productivity change (low but not zero), care experts cannot predict productivity change (close match, biased upwards)
- Aggregate wages – as above but greater bias