

A black and white photograph of two women. The woman in the foreground is wearing a light-colored hijab and is smiling warmly while looking towards the other woman. She is holding a dark-colored book or brochure. The woman in the background is wearing a leopard-print headscarf and is looking towards the first woman. The background is slightly blurred, suggesting an outdoor setting.

The value of adult social care in England

Summary report - October 2021

1. The future we want

Skills for Care's vision is of a fair and just society, where people can access the advice, care and support they need to live their life to the fullest potential.

Social care is an essential part of our society and economy. It supports people to live the lives they want and boosts local economies by providing 5% of all jobs in England, with supply chain effects and wages often spent directly in these communities.

In May 2021, we commissioned economic consultants KDNA to demonstrate the full economic value of the adult social care sector in England. The backdrop to the commission was our understanding that high quality, person-centred care isn't being delivered to everyone in England who needs it, when they need it. Since then, the Government has continued to develop its thinking on reforming adult social care, and we expect a white paper later this year.

There is a high and growing level of unmet care need. Age UK (2019) estimates that 1.5 million older people have unmet care needs, and the Health Survey for England (2018) found that 19% of men and 28% of women aged 65 and over had some unmet need. Also the social care workforce isn't always able to deliver against people's expectations in the way they'd aspire to. The British Social Attitudes Survey (2019) found that just 38% of adult social care users were satisfied with the service they received. Sixteen percent of Care Quality Commission (CQC) rated services are rated as inadequate or requiring improvement (CQC, 2020).

This report argues that as demand continues to rise, the best way to make adult social care sustainable in the long-term is to move from payment for care processes to payment based on the improved outcomes for people, as a result of the care and support received. This should mean that contract prices reflect the true or potential value of the service provided. Prices based on outcome improvement would reward the quality of care and the wellbeing outcome of that care. This would enable wages to better represent the true value of adult social care work.

The report argues that the workforce is central to high quality. We believe investment in the adult social care workforce has significant benefits, both in terms of outcomes for people drawing on care and support, and for the wider economy. These changes and recommendations will be essential to reforming the adult social care system.



2. The economic value of social care

Adult social care contributes at least £50.3 billion to the economy in England and provides significant societal benefits.

This report estimates that adult social care in England had a total economic value in 2020/21 of **£50.3 billion**, made up of £25.6 billion of Gross Value Added (GVA) and a further £12.6 billion of indirect and £12.1 of induced effects.

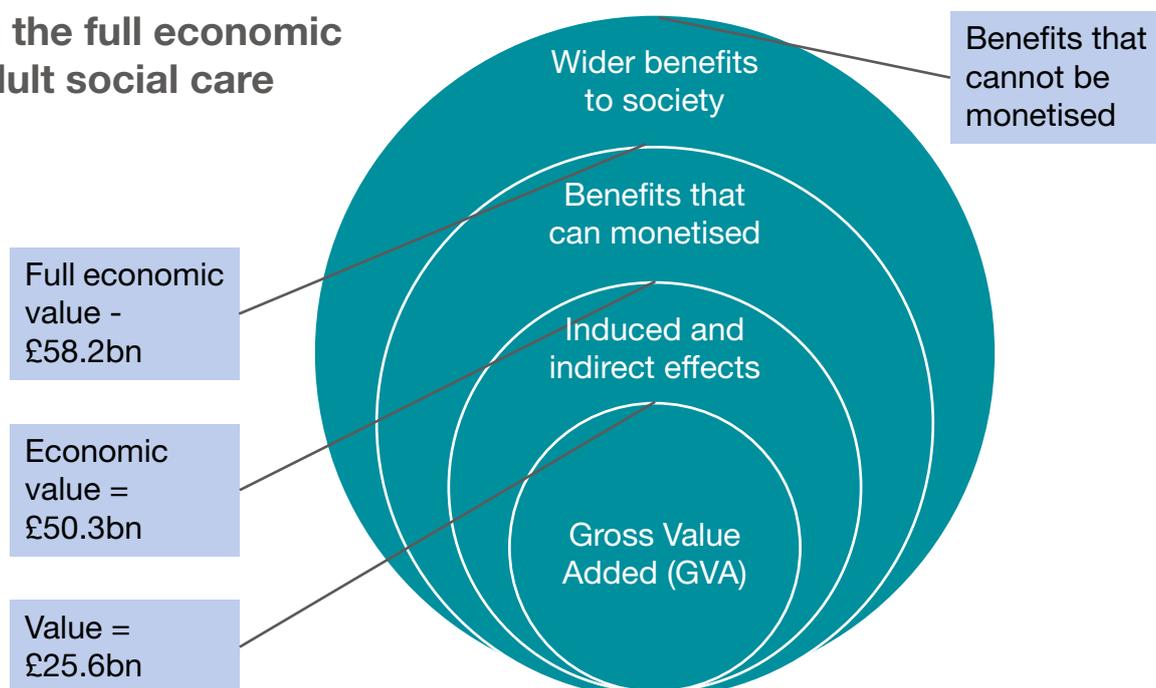
The GVA of the adult social care sector has increased each year since 2016/17, especially during the pandemic. In 2020/21 it increased by 7.7%, to £25.6 billion while other sectors saw activity stall or shrink (decreasing by 4% overall). This resulted in the adult social care contribution to England’s total GVA growing from 1.4% to 1.6%.

The sector’s economic contribution is important because it is carried out across the country and is a higher share of economic activity in the poorest areas, meaning that future investment will automatically support the levelling up agenda. Furthermore, there’s huge potential for innovation and growth to meet rising demand, to improve the quality and outcomes of care, and to increase productivity, when it is measured as improved outcomes per input cost, rather than care packages per hour.

It’s also important to consider the wider societal value. We’ve monetised the benefits of some of these elements, including improved wellbeing of carers, and employment opportunities for carers (up to £1.4 billion) and working age adults (around £4.7 billion). In total we estimate these benefits are worth at least £7.9bn over and above the economic value of £50.3bn.

We’ve also explored the benefits to the NHS. While we’re unable to directly evidence the full scale of these benefits, our quick review showed some of the important interdependencies between NHS and adult social care provision and how cuts in care and unmet needs reduce NHS capacity to work through the COVID-19 backlog of treatments.

Illustrating the full economic value of adult social care



Adult social care market failures

Adult social care market failures reduce the volume and quality of services offered, limiting the economic potential of the sector and negatively impacting the quality of life of care users and the wider workforce.



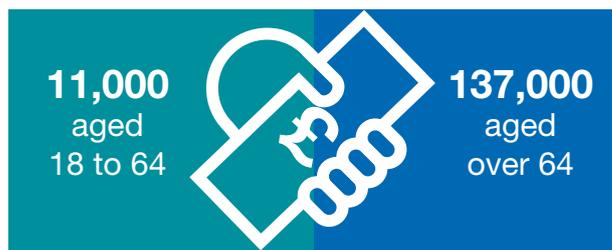
Estimates suggest that **over 6 million** people provide a significant unpaid caring role².

A projected increase of...



...requiring care by 2038, compared with 2018.

Self-funders



in England living in independent sector care homes¹.

In other sectors of the economy that had such certain projections of growth, there would be expansion of provision, rising wages, innovation and competition on quality. In adult social care on the other hand, the provider market is fragile, capacity cannot meet current demand, wages of front line staff follow National Living Wage (NLW) and quality is undervalued and therefore under-produced.

The report explains how market failures lead to this low output, low value, low wage equilibrium. Local authority commissioners can only afford care when the needs are critical and even then must hold down fees below full economic cost. Self-funders pay substantially more but, without an insurance market, pay-as-you-go is inefficient and tends to be delayed until a crisis is reached. ‘Distressed purchases’, when people who need to access care urgently, provide insufficient incentives to drive up quality.

¹ LaingBuisson estimates, as at 31 March 2020

² <https://www.carersuk.org/news-and-campaigns/press-releases/facts-and-figures>

We're seeing the number of people supported by public provision being suppressed, despite rising needs.

In real terms (i.e. adjusting for inflation), total expenditure on adult social care is only £99 million³ (less than half a percent) more than the level it was in 2010/11, despite there being 20% more people aged 65 and over increasing demand for services. This forces local authorities to fund care only for people with the highest levels of need at minimal prices, resulting in increasing levels of unmet need and low pay for care workers. Perversely, this may accelerate loss of independence and increase costs for those not deemed eligible to receive care and support. It will shift average 'case mix' or the acuity of people receiving care upwards, which, in turn, will increase unit costs and create greater pressure on frontline care workers.

Prices are being pushed down by publicly funded commissioners to below cost, making self-funders involuntary subsidisers of local authority funded care. This means private funders might not be receiving the quality of care they might expect, given what they're paying. The link between price and quality in the adult social care market gets further distorted by this cross-subsidisation.

The lack of resource in the system, coupled with cross-subsidisation, results in underinvestment in quality. Wages for care staff don't represent the true value of their work.

The true value of care not being reflected in the contract price, combined with market failures and pressure on keeping publicly funded adult social care costs down, creates two problems in the adult social care labour market:

- Wages are driven down to below the rate at which supply will meet demand, so staff turnover is high and vacancies are persistent.
- The job becomes more demanding because vacancies aren't filled, and there isn't time for delivering a high quality, compassionate service. This may adversely affect care workers with the greatest empathy and vocation for caring.

In labour markets that are working effectively, persistent vacancies force employers to increase wages to fulfil their required labour supply. This hasn't happened in the adult social care labour market, especially for direct care workers. Analysis of labour markets at a local authority level has shown:

- as unemployment goes up, adult social care vacancies go down, showing its counter cyclical nature but also vulnerability to any post COVID-19 boom
- a statistically significant relationship between the lower quartile wages offered in an area, and the adult social care vacancy rate. In other words, as competitor industries offer higher wages, adult social care vacancies increase.

Adult social care will require a growing workforce for the foreseeable future as employers struggle to meet present demand. Staff turnover is currently 30.4% (430,000 leavers in last 12 months), while vacancy rates are 7.3% (112,000 vacancies). Skills for Care's estimates (2020) suggest the workforce will need to grow by 29% by 2035.

³ Kings Fund - Key facts and figures about adult social care, July 2021

3. What needs to change

3.1 We need to value and price for outcomes

To ensure social care is sustainable and delivers what our society needs and expects, we must pay for quality and outcomes.

The quality of adult social care is difficult to observe and measure. Current measures tend to focus on the quantity, or 'unit' of care, such as the time required to do specific tasks, rather than softer aspects of a user's experience. Therefore, quality tends to be under-rewarded and under-produced. This is compounded by the dominant commissioner for adult social care - local authorities - being forced to keep down fees as the only way to meet rising levels of need.

The outcomes of people receiving care and support must be the focus of the funding debate, and we must attach a realistic monetary value to these outcomes. This approach would help increase the focus on quality and improve the experience for the workforce. It could provide the mechanism to pay fair wages and fair prices for quality and improved outcomes.

If we don't recognise the monetary value of the experience of people who use care, it will inevitably be under-rewarded and under-valued by the system.

In the report, we demonstrate how you can measure the outcome of care on people's wellbeing or Social Care Related Quality of Life (SCRQoL) using the Adult Social Care Survey data collected by local authorities of people receiving publicly funded care. This data is used in the Adult Social Care Outcomes Framework (ASCOF) to calculate the average SCRQoL of people receiving care at local authority level. It could be used to help commissioners, providers and people who use care to understand the benefits of the services received.

The anonymised individual level data is held by NHS Digital and was accessed for this study. This enabled a national figure for improved outcomes to be calculated for working age adults and adults 65 and over receiving publicly funded care in residential care or care in their own homes.

The National Institute of Clinical Excellence and Care (NICE) and HM Treasury use different figures for the health equivalent of a SCRQoL - the Quality Adjusted Life Year or QALY. NICE use £25,000 for one year in perfect health as a way to ensure new treatments are cost effective. HM Treasury Green Book recommends using £60,000 per QALY gained for monetising interventions that have significant impacts on health.

Using the HM Treasury Green Book figure of £60k for a QALY applied to the SCRQoL, local authority spending on long-term care in England generates £23 billion of improved wellbeing for people drawing on that care. The wellbeing benefits of self funders will be additional to that. These calculations are illustrative. The actual value of a gain in wellbeing requires information on what outcomes are most important to individuals and society, and how much individuals and society are willing to pay for these outcomes.

The societal ‘value’ of a SCRQoL and improved ways to measure it, is something that needs to be investigated and researched by academics. But we do not need to wait for the outcome of that research before we could use it to help reform the system.

Measuring outcomes will enable us to invest and innovate in new ways to deliver care that has the greatest benefit to those it serves.

It will help to focus the system, commissioners, providers and the care workforce on the things that matter to the people receiving care.

It will help frame the question about how much society is willing to pay for adult social care in terms of what ‘quality of life’ would I want for my grandparents or for my working age adult child with a severe learning difficulty?

We need to identify what matters to people, measure it in terms of outcomes, and embed it at the heart of the adult social care system.

Our ability to consistently measure outcomes for people drawing on care and support is not yet perfect, as not everyone fills in the adult social care outcomes survey. There’s also some debate about what the best measures of outcomes are - the ASCOF itself is currently being updated. However, this report demonstrates the potential of measuring outcomes as a far more useful measure than the outputs and costs of care.

3.2 We need to value and price for outcomes

Workforce and improved outcomes are interlinked. We must pay for quality, and investing in the workforce is key to achieving that.

Adult social care is a people business; more than two thirds of costs are salaries and associated costs. Achieving improvements in the quality of care and better outcomes for the people receiving care requires more skilled and highly trained staff.

Organisations with a higher quality score in terms of CQC ratings tend to have:

- a higher level of pay for care workers (and a lower wage differential with the general labour market)
- a higher ratio of staff to service users (particularly notable in nursing homes)
- a higher proportion of care workers holding the Care Certificate
- more stable management.





Recommendations

1. Introduce processes to measure outcomes consistently, routinely and in all settings.
2. Local authorities should use and strengthen their approach to outcome-based commissioning.
3. Outcomes based on what people want must become the focus of the debate about the level of funding and the means to ensure that funding is well spent.
4. The Government have allocated £500 million across three years to support workforce needs, and should include a focus on:
 - developing a clearly defined career structure linked to training, supported by consistent investment
 - addressing pay differentiation between senior and entry-level care worker roles, linking to career structures
 - recognising and rewarding the central role registered managers play in high quality service delivery
 - incentivising higher overall levels of pay to increase the competitiveness of the market and enable employers to attract - and have more discretion to employ - workers with the right values.
5. Our research has also highlighted areas which would benefit from further research, including improving outcome measures in adult social care, researching societal valuation of these outcomes, and improving ways of collecting outcomes measurement in real time and without biases, using IT.
6. New research exploring the potential integration benefits between adult social care and the NHS, and how to realise them, would also be enormously helpful to the system as a whole.

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