FUNDING TRANSFORMATION IN ADULT SOCIAL CARE AND SUPPORT

End Social Care Disgrace www.endsocialcaredisgrace.org campaigns for a radically transformed social care system.

We want a National Care, Support and Independent Living Service (NaCSILS) which will be publicly funded, free at the point of use and publicly provided, and not for profit. It should be nationally mandated but designed and delivered locally, co-produced with service users and democratically accountable. It must be underpinned by staff whose pay and conditions reflect true value and skills and designed to meet needs of informal carers. It should be informed by a task force on independent living led by user-controlled groups from diverse backgrounds.

We campaign for this model of social care and support for a range of reasons – social, ethical and human rights – but in this short paper we focus solely on *funding* questions. Any debate on the future funding of social care seems to emphasise the costs involved, not the possible gains, which leads to a sense of the 'unaffordability' of change.

This paper builds on work done by one of its members - Ealing Reclaim Social Care Action Group (ERSCAG; www.erscag.org.uk) which brought together expert thinking about funding social care reform (see bibliography at the end). We have used publicly available data to make estimates of costs and benefits. This document applies to Adult Social Care only.

EXECUTIVE SUMMARY

- Transforming social care will bring important economic benefits and make an important contribution to the country's productivity and prosperity.
- The programme advocated by the End Social Care Disgrace campaign has a manageable cost.
- The cost is offset to a very large extent by the increased contribution of extra economic activity and savings in other parts of the economy. If anything, Adult Social Care is a net contributor to the economy, not a drain on it.
- There are ways to cover this extra investment.
- Transforming social care in the way we recommend would be the equivalent to the creation of the NHS – hugely popular, transformational to community, civic life, and the standing of the country internationally.

The economic costs of not offering social care reform:

- Reduction in the potential for economic activity for working age disabled people
- The costs of people giving up economic activity in order to care
- The inability to recruit and retain staff in adequate numbers

- The burden to NHS funding of unplanned admissions to hospital and delayed discharges
- Profits going to companies rather than public service

These total at least £26 billion. Some of these costs have been impossible to quantify.

The contribution of social care and support to the economy
Skills for Care estimates that the economic contribution of adult social care to England was £50.3 bn annually, more than its current cost of provision.

The finances needed for social care transformation
We calculate that the extra cost would be £41.2 billion, as a result of the following changes: ending the dependence on private care; replacing the income from charging; returning funding to 2009 levels; 25% salary and wage increases; Free domiciliary personal care – support for daily living; free residential care; other services; Direct Payments.

<u>This would be offset, as explained above, by:</u>

Increased earning and taxation from increasing wages to £15/hr	£7.7 bn
The economic contribution of adult social care to England	£50.3bn annually
Re-investing profits from the private sector	£1.5 bn
Reducing delayed NHS discharges	£20 billion
There are other savings that are impossible to estimate	

1. THE COSTS OF NOT OFFERING SOCIAL CARE REFORM – AT LEAST £26 BILLION

Government should consider the risks to our individual and national prosperity and economic well-being of NOT offering serious social care reform and change. We provide some financial estimates for some of these issues.

Poor social care reduces the potential of economic activity for working age disabled people as a result of poorer health and less autonomy and independence**,** with reduced taxes to Treasury; increased reliance on more expensive institutionalised care; pauperisation of disabled and older people given inadequate sick pay levels and clawing back of benefits. Institute for Public Policy Research (IPPR) estimate the earnings loss associated with the onset of long-term health conditions at £43 billion in 2021[1]. We have not found an estimate of the savings to be made specifically as a result of improved social care and support but policy makers would be well advised to commission research into this question given the potential savings.

The costs of people giving up economic activity to care with resultant lower taxes being received; more people becoming reliant on benefits and some 16% of informal carers in debt[2]. There was an increase in unpaid carers of 3.7 million between 2011 and 2020 (Office of National Statistics). We know that the costs to the state of young carers being excluded from work were £1.048 billion each year[3]. We cannot find an estimate of the cost to the Treasury of adult carers leaving work, but a conservative estimate might be £5 billion.

The inability to recruit and retain staff in adequate numbers, increasing workforce vacancies leading to economic pressures on those needing care, families, and other workers. Over a quarter of the UK's residential care workers lived in, or were on the brink of, poverty in 2020[4]. This has a considerable cost to the Treasury, and on the country's wider productivity and prosperity.
the Health Foundation has estimated that England needs 627,000 extra social care staff to meet demand by 2030[5]. That staffing gap will not be met even partly without significant increases in pay. 93.8 per cent of GMB's (nearly 2,000) care worker members responding to their Care Survey this year believed that low wages were putting people off working in

care. The staff recruitment/retention crisis in adult social care means that there is no alternative but to reform social care in the way that this paper proposes.

The risk to NHS funding of unplanned admissions to hospital and delayed discharges. 30% of delayed discharges are the result of delays in social care. It was estimated that lack of social care provision led to 2.5 million lost bed days between June 2017 and December 2019, at a cost of £587m to the NHS[6]. IPPR estimates an economic benefit in reducing delayed discharge of around £80bn due to increased productivity and reduced consumption of medical care. A reasonable saving by boosting social care could therefore be £20 billion a year.[7]

Profits going to companies rather than public service. The current fragmentation and highly privatised nature of social care means that monies are currently wasted on poor-quality care home services and are leaking away from public use into large care-home profits[8], The asset value of privately owned care homes amounts to £245 billion. The 784 small to medium-sized care home providers have a leakage rate in profits disguised as rent payments and management fees of £7 out of every £100 of income, and £13 out of every £100 for the largest 26 providers, equating to £1.5 billion a year taken out of the care system.

All of these processes contribute to leaving Local Councils with continually increasing and wasteful administrative costs (in recruitment/setting up/monitoring care charging systems, chasing up debts etc.). Not only does this leave Councils rationing care to only those in the very greatest need of care and support but it also leaves them with inadequate funds to invest in modernisation/tech/care quality standards – pitting short term need versus long term investment in better, and better value-for-money services.

Disabled people are impoverished by social care debt. There are probably more than 100,000 disabled people in social care debt across England[9]. In 2018 over 166,000 people were in arrears on their social care payments, nearly half of whom had debt management procedures started against them for non-payment.

People die when social care needs are not met. Research published in 2021 found that for the five years from 2010, the loss of social care funding caused 23,662 additional deaths[10]. It is likely this trend continued after the years under study up until the pandemic as cuts only worsened over that period.

Levelling up will be impeded, as the economic contribution of the social care sector is notably higher in areas that need levelling up[11].

2. CONTRIBUTION OF SOCIAL CARE TO THE NATIONAL ECONOMY – AT LEAST £50 BILLION

Rather than merely considering the costs of not providing adequate social care, we should also recognise the important contribution social care makes already – and could make in future – to the national economy. Skills for Care estimates that the economic contribution of social care is more than its cost. See the IPPR report[12] and the bibliography for fuller explorations of the contribution made by improvements to the nation's physical and mental health to society's prosperity and well-being.

Contribution of care workers to the economy

Skills for Care in 2018 calculated that[13]:

- Care-workers represent 6% of total employment and have average earnings of £17,300. The average full time equivalent worker generates £19,700 of value towards the economy.
- The indirect effect of the adult social care sector (resulting from the purchase of intermediate goods and services by the adult social care sector in delivering its

services) was estimated to contribute a further 603,500 jobs (424,800 Full Time Equivalents) and £10.8 billion of Gross Value Added to the UK economy.
- The induced effect of the adult social care sector (resulting from purchases made by those directly and indirectly employed in the adult social care sector) was estimated to contribute a further 251,300 jobs (176,100 FTEs) and £11.1 billion of GVA to the UK economy.
- The total direct, indirect and induced value of the adult social care sector in the UK was estimated to be 2.6 million jobs (1.8 million FTEs) and £46.2 billion.

The economic contribution of adult social care to England was £50.3 bn annually, or just over twice its cost of provision[14] [15]

Raising pay for care workers boosts the economy
While the upfront cost to the Treasury of raising pay for all care workers in England to £15ph would be £5.9 billion, doing so would boost England's economy by £7.7 billion and significantly reduce such costs through wider returns to the Treasury in taxation and consumer spending[16]. It is worth noting that the current industry-wide average hourly rate in local authority care is £15.13 an hour. Unions actually believe a minimum of £15/hr is appropriate. Higher pay would presumably result in even more returns.

Unpaid carers contribute to the economy
A lot of care is provided by family and friends. Support for them could help many of them remain economically active, but even in the current situation, it has been estimated that unpaid carers save the Treasury £132 bn a year.[17].

For every £1 invested in social care, £1.75 is generated in the wider economy[18].

3. THE FINANCES NEEDED FOR SOCIAL CARE TRANSFORMATION
Numerous studies have explored these questions in some depth (see bibliography attached in the Appendix) and we can harness them to obtain an estimate of the cost of providing a NaCSILS – that is, a service free at the point of use, publicly funded and with no private provision of services. The key finance issues to consider are:

- Ending the dependence on private care
- Replacing the income from charging
- Returning funding to 2009 levels
- 25% salary and wage increases
- Free domiciliary personal care – support for daily living
- Free residential care
- Other services
- Direct Payments

3.1 THE CURRENT COST OF SOCIAL CARE
The Skills for Care documentation [19] estimates the current cost of social care at just over £30billion. Perhaps the key table is this one:

Table 2.1 Total expenditure by type of provider, England

	Public (£'000)	Voluntary (£'000)	Private (£'000)	Total (£'000)
Residential care	971,010	1,692,411	7,112,360	9,775,781
Nursing care	304,890	556,765	5,148,220	6,009,875
Domiciliary care	273,999	1,416,413	3,814,156	5,504,568
Day care[1]	-	-	-	-
Other services	3,855,108	1,117,513	2,268,889	7,241,510
Direct payments	0	0	1,592,620	1,592,620
Total	**5,405,008**	**4,783,101**	**19,936,245**	**30,124,354**

All values rounded to the nearest £1,000. Totals may not equal the sum of services due to rounding.

In countries with more generous public long-term care systems (Denmark, Netherlands, Sweden, Norway), public expenditure is around 3-4% of GDP [20] [21], which is more than double the current share in the UK. That would equate to about £87 billion.

By 2038, the Dept. of Social Care estimates that costs are likely to rise to £58bn (double current costs), if the current pattern of care continues. This is based on an estimated 29% increase in adults aged 18-64 requiring care with a concomitant rise in costs of 90%. Also an estimated 57% rise in over 65s requiring care with a concomitant rise in costs of 106%.

3.2 THE COSTS OF TRANSFORMING SOCIAL CARE

Replace the income from charging	£1 Billion, based on the costs in the SfC table above
Replace funding to 2009/10 levels:	£8 Billion [22]
25% salary and wage increases in ASC:	£5.9 Billion [23]
Free personal domiciliary care	£5.2 Billion,based on the costs in the SfC table above
Free residential care	£9 Billion, based on the costs in the SfC table above,
Other services	£3.5 billion, based on the costs in the SfC table above
Restore social care to meet current needs	£7 billion [24]
Direct Payments	£1.6 billion, based on the costs in the SfC table above
TOTAL	**£41.2 BILLION**

This would be offset, as explained above, by:

Increased earning and taxation from increasing wages to £15/hr	£7.7 billion
The economic contribution of adult social care to England	£50.3bn p/year
Re-investing profits from the private sector	£1.5 billion
Reducing delayed NHS discharges	£20 billion
And other savings that are impossible to estimate	

3.3 HOW TO FUND THE NECESSARY CHANGES

Firstly, some principles to be considered. The House of Lords Committee[25] argued that social care funding should not be reliant on locally raised revenue which has little connection to local demand for social care and has led to a detrimental 'postcode lottery' in terms of social care provision. Accordingly, they argued (Paras 157-160) that:

- The additional funding needed for adult social care should be provided as a government grant, distributed directly to local authorities according to an appropriate national funding formula which takes into account differences in demand for care and ability to raise funds from local taxation.
- We do not support the introduction of a hypothecated tax/mandatory social insurance system. While some argue that this could help the public trust that extra taxation will be spent on social care, hypothecation could leave the amount of funding more sensitive to the performance of the economy.
- Funding social care should be approached in the same way as any other funding pressure. We recommend that social care is funded largely from general taxation.

Various proposals including from The Pensioners Convention[26] and others, including the new paper from the Future Social Care Coalition[27] have been proffered to cover social care costs:

- **An additional 1% on employees' national insurance contribution** for those aged over 40 (£2 billion)
- **Increasing income tax by 1%** which would raise £5.4 bn in 20/21 at the basic rate, and £1.7bn at the higher rate

- **An increase to 3% in the additional rate of national insurance** for those above the upper earnings limit, timed to match extensions of free social care (£800 million)

- **There is a large literature on wealth taxes.** A comprehensive review of wealth taxation to include possible reforms to inheritance tax, a wealth transfer tax and changes to capital gains and property taxation. A 2% tax on assets above £10m held by all members of the Sunday Times rich list could raise as much as £22bn. Other estimates of proceeds from a wealth tax are £260 billion[28]. Britain's 50 richest families hold more wealth than the entire bottom 50% of the nation's population and must make additional contributions. A wealth tax of 1.7% on people with more than £3m in assets could yield £2.7bn. On assets above £5m the tax rate could rise to 2.1%, raising another £3.2bn. Above the £10m threshold the rate could rise to 3.5 % and raise £4.6bn. That is a total of over £10bn from 140,000 rich individuals[29].

- **Taxing capital gains** at the same rates as earned income and charging national insurance on the same can provide £25bn a year extra.

- **By taxing dividends at the same rate as earned income** another £8bn-£10bn can be raised. Currently, earnings between £12,570 and £50,270 are subjected to a 12% national insurance charge. Incomes above that attract a charge of only 2%. By extending the 12% charge to all income, an additional £15bn a year can be raised[30].

- **The net cost of pension income tax and NICs relief** is estimated to be £48.2 billion in 2020 to 2021. About two-thirds of this goes to wealthy individuals paying income tax at the marginal rate of 40% (on income between £50,271 and £125,140) and 45% (on income over £125,140). People with annual incomes below £12,570 get no pension tax relief. By restricting tax relief/credit to everyone at the rate of 20%, the government can generate £14.5bn a year[31].

- **The purchaser of shares pays a tax or duty of 0.5% on the transaction.** This ought to be extended to all marketable securities, including derivatives. Even at very modest rates it could raise nearly £4.7bn a year.

- **A higher rate of VAT (30%) on luxury goods** could raise £1.6bn a year.

- **More than 93% of the UK estates have zero inheritance tax liability.** In 2022-23, 41,000 estates paid inheritance tax amounting to £7.1bn. Too many are able to avoid it by using trusts. A clampdown on that is long overdue.

- **HMRC has been starved of resources** and has been unable to chase the rich and big corporations. Since 2010, between £450bn and £1,500bn of tax revenue has been lost due to avoidance, evasion and error. For every £1 of investment into large business investigation HMRC has yielded £69 in extra tax revenue. So, greater investment in enforcement is needed.

4. CONCLUSIONS

If these analyses and proposals are collated, there is a strong argument that:

- The programme advocated by the ESCaD campaign has a manageable cost.
- The cost is offset to a very large extent by the increased contribution of extra economic activity and savings in other parts of the economy. If anything, Adult Social Care is a net contributor to the economy, not a drain on it.
- There are ways to cover this extra investment.
- We understand that extra funding for Adult Social Care has to find its place with other demands on the Treasury. However, transforming social care in the way we recommend would be the equivalent to the creation of the NHS – hugely popular, transformational to community, civic life and the standing of the country internationally. This paper also argues that it will bring important economic benefits and make an important contribution to the country's productivity and prosperity.
- We recommend that this investment be made over one Parliament.

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