

Paying the Real Living Wage to adult social care workers

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Summary

Adult social care is currently one of most poorly paid sectors in the UK, with over half of all care workers earning within 30 pence of the national living wage in 2022 (Bottery 2022). This has direct implications for economic wellbeing, with over one in five estimated to live in poverty (Allen et al 2022). In the same year, one in eight children of residential care workers were ‘materially deprived’, meaning they may not have access to essential resources such as fresh fruit and vegetables or adequate winter clothing (ibid). This low average pay is directly related to poor staff retention across the sector. As one care manager explained, ‘I dread hearing Aldi opening up nearby... I know I will lose staff’ (House of Commons 2022).

Better reward for social care workers is essential to improve the quality of care provided and the wellbeing of workers across the sector. One clear route to raising pay in social care would be through a higher wage floor, which could be delivered by government policy or legislation or by sectoral bargaining, via sector-wide Fair Pay Agreements. The introduction of a wage floor should be part of a wider strategy to create good work in social care – defined as jobs that offer fair compensation, dignity, respect, and opportunities for progression. To deliver against these aims, negotiations to determine the minimum pay rate for the sector should consider both fairness and retention. However, the sustainability of any reform will require informed and disciplined spending. This briefing, commissioned by the Real Living Wage Foundation, takes the Real Living Wage (RLW) as an illustrative wage floor that could be implemented, and the associated costs.

We estimate an annual cost of **£250 million** associated with paying all adult social care workers in England the UK-wide RLW (wages, pension and NI contributions), relative to current salaries, benefitting 400,000 staff across the sector. After factoring in additional income tax and National Insurance this falls to **£200m**. This will benefit an estimated 43 per cent of carers in England.

We also estimate an additional cost of **£165 million** associated with paying the London-specific higher RLW (over and above the UK Real Living Wage) to London’s estimated 130,000 care workers, falling to **£130m** net of additional tax revenue. By paying the London Living Wage over and above the UK RLW will benefit a further 37 per cent of those in Adult Social Care in London for a total of 80 per cent.

Introduction

This briefing paper outlines analysis commissioned by the Living Wage Foundation, which estimates the costs of paying all carers delivering adult social care in England the UK Real Living Wage, net of expected higher tax contributions from higher pay. We also consider the additional costs of paying the higher London Living Wage rate for care workers living in London.

Data Sources

The principal data source for this analysis is the Adult Social Care Workforce Data Set (ASC-WDS), managed by Skills for Care on behalf of the Department of Health and Social Care (Skills for Care 2024). ASC-WDS is the most comprehensive source of data on the social care workforce in England, pooling data from 20,000 care providers covering over 900,000 workers in the sector. Joining this service offers providers access to the Workforce Development Fund, a valuable source of funding for staff training, which supports sector-wide coverage and up-to-date information from employers.

We augment this dataset with the Annual Survey of Hours and Earnings (ASHE) dataset, which collates hourly and weekly pay data from a representative sample of employers across the country (ONS 2023). ASHE data is less comprehensive, but includes key information not available in the ASC-WDS such as the average weekly hours worked and the proportion of the care workforce in part-time versus full-time roles.

However there are some data limitations given that:

- this analysis was completed without access to microdata from either ASC-WDS or ASHE, which would have allowed individual-level analysis of the effect of introducing the RLW for each employee based on their current wage and location. This means in some instances simplifying assumptions have had to be made in order to carry out the analysis.
- Neither ASC-WDS nor ASHE makes a distinction about whether care workers are delivering *publicly funded support*, either through government contracting out or direct LA provision, or whether they are paid by individuals funding their own care. This means further assumptions are required in order to estimate costs borne by government.

Approach to analysis

Wage costs

- We take hourly pay deciles from the 2023 ASC-WDS, making a distinction between two different groups: care workers, and senior care workers.
- At each decile, we calculate the average ratio between the hourly pay rate and the national living wage over the past three years (2021-2023) for both care workers and senior care workers– and then we assume these ratios will continue to apply in April 2024 when the national living wage is increased to £11.44.
- Using this approach, we arrive at the following table of estimated hourly rates for April 2024:

Table 1: Estimated hourly pay distribution in April 2024

	10	20	30	40	Median	60	70	80	90
Care worker	£11.44	£11.52	£11.71	£11.90	£12.06	£12.32	£12.63	£13.01	£13.66
Senior care worker	£11.84	£12.12	£12.42	£12.69	£12.98	£13.33	£13.68	£14.19	£14.95

Source: IPPR analysis of Skills for Care 2024

In order to estimate specific percentiles of hourly pay we interpolate between the available data points. For care workers we assume that everyone at the 10th percentile or under earns the NLW even if under the qualifying age, in line with data from Skills For

Care (Skills for Care 2024). For senior care workers we assume that the poorest paid 10 per cent all earn £11.84 (whilst acknowledging some may earn slightly less).

Workforce numbers

- We take the number of workers in each group from the 2023 ASC-WDS, which records 827,267 care workers and 79,530 senior care workers.
- However, this dataset shows that the size of the social care workforce has varied over recent years. Over the past six years, there was an average annual increase of 10,593 care workers, but an annual decrease of 480 senior care workers.
- We apply this average change over the previous 6 years forward to estimate workforce size in 2024.
- This dataset also does not distinguish between full-time and part-time workers. Our splits are informed by the ratio of full-time to part-time workers in each of these two job roles from the ASHE dataset¹, and apply this to the total number of workers in ASC-WDS to estimate the number of workers in each of the job roles set out below:

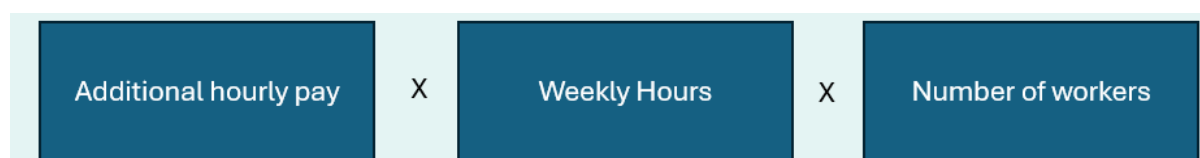
Table 2: estimated social care workforce in April 2024

	2023 workforce (ASC-WDS)	Proportion full-time vs part-time (ASHE)	2023 estimated numbers per group	2024 projected numbers per group (of which London)
Care worker	827,267	Full-time: 48%	398,000	403,000 (57,000)
		Part-time: 52%	429,000	434,000 (61,000)
Senior care worker	79,530	Full-time: 75%	60,000	59,000 (6,000)
		Part-time: 25%	20,000	20,000 (2,000)

Source: IPPR analysis of Skills for Care 2024 and ONS 2023. Figures rounded to nearest 1,000

- Using data from the ASHE hours dataset for full-time and part-time workers, we assume all full-time workers work 37.5 hours, part-time care workers work 19.9 hours and senior care workers work 21.0 hours².
- We then take the UK RLW of £12.00 and calculate total weekly wage costs for each percentile and worker category as follows:

=Fig 1: Approach to estimating additional wage costs



Pension costs

¹ Specifically SOC codes 6135 'Care Workers and Home Carers' and 6136 'Senior Carers'

² We work on the assumption that all travel time is paid and so included in the ASHE estimates which relate to "paid hours", however there are reports that travel time remains unpaid in some instances (see Unison 2023) which may not be captured in the official data – which would lead to a slight under-estimate of costs if hours are under-counted.

In the private sector average employer pension contributions are 6%³, whereas in the public sector they are 18% (Boileau et al 2022). We take a weighted average based on number of filled posts in the independent sector relative to local authority employed carers using Skills for Care workforce data (Skills for Care 2024).

From these calculations we assume 6.5% pension contributions on all additional earnings.

Employer National Insurance

Employers must pay a tax of 13.8% in National Insurance Contributions on all earnings exceeding £175 a week.

- To estimate the proportion of care workers in England whose earnings are over this threshold, we use the ASHE weekly pay data for the four categories (job roles and working hours) as ASC-WDS only includes hourly, not weekly, earnings. However, the hourly data from the entire workforce in ASC-WDS reveals that carers are paid less on average than the ASHE sample suggests. Therefore, as the ASC-WDS data is more reliable, we have scaled the ASHE weekly pay data to the ASC-WDS in order to adjust for the disparity in median pay between these two datasets.
- We then estimate the proportion of care workers in England whose earnings are over this threshold from the adjusted ASHE weekly pay data for the four categories as follows:

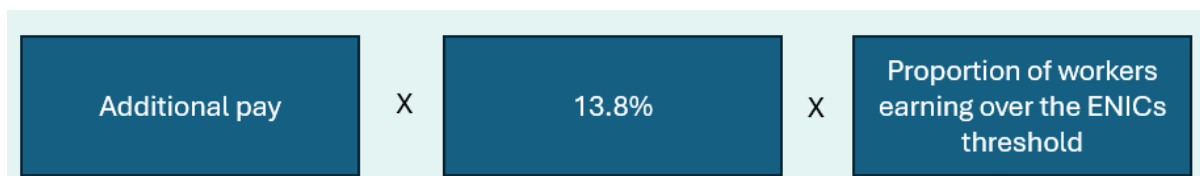
Table 3: Proportions of workers for whom employers are liable to pay Employer National Insurance Contributions

Care workers FT	100%
Care workers PT	70%
Senior care workers FT	100%
Senior care workers PT	83%

Source: IPPR analysis of Skills for Care 2024, ONS 2023 and [HMRC 2024](#)

So for each category of care workers, we calculate:

Fig 2: Approach to estimating additional employer national insurance contributions



Employee Income Tax and national insurance

Employees earning over £12,570 (£241.70/week) but below £50,270 pay 20% on all additional pay in income tax and 8% on national insurance for a total of 28%. As above we use the ASHE weekly pay data to estimate the proportions of workers whose employers would likely be liable to pay tax on this additional pay as follows:

³ This figure factors in people who do not participate in private pensions at all, so we don't need to make additional take-up assumptions.

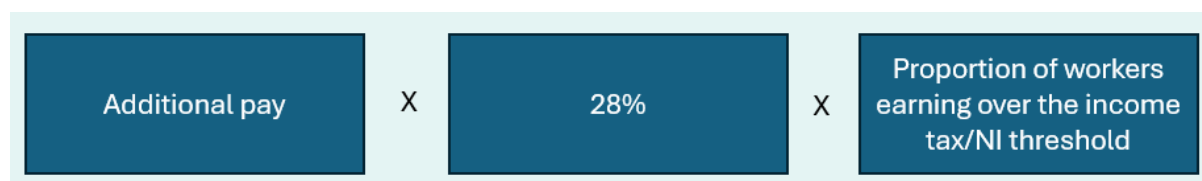
Table 4: Proportions of workers for whom employers are liable to pay National Insurance Contributions and Income Tax.

Care workers FT	100%
Care workers PT	51%
Senior care workers FT	100%
Senior care workers PT	60%

Source: IPPR analysis of ASD-WDS, ASHE, and [HMRCa 2024](#)

And then as above we estimate employee income tax and national insurance paid as follows:

Fig 3: Approach to estimating additional tax payments



Costs

The results are summarised below:

Table 5: Estimated cost of paying the UK Real Living Wage rate across the UK (including London)

Costs	Paying UK 2023/24 RLW in 2024/25 (£m)
Wages	210
Employer NICs	25
Pension contributions (5.5%)	15
Employee NICs and Income Tax (Savings)	50
Net cost	200

Source: IPPR analysis of Skills for Care 2024 and ONS 2023 . Figures rounded to the nearest £5m

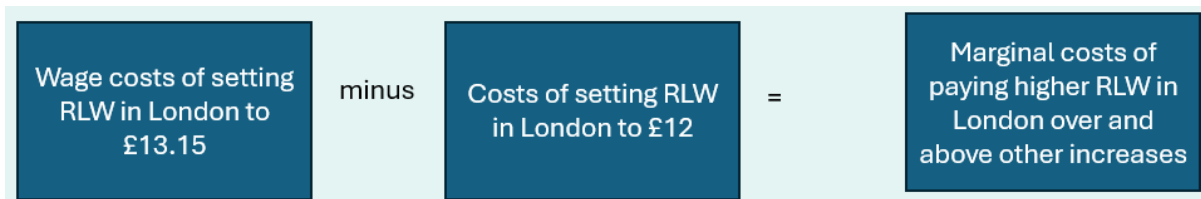
Paying a higher Real Living Wage in London

Neither the ASC-WDS nor the ASHE data tell us specifically about the full pay distribution of London care workers, though data from both ASHE and Skills for Care suggest that the differences between London and England are small on average. We therefore assume the same pay distribution in London as in the England.

We estimate the proportion of care workers who reside in London at 14 per cent and senior care workers at 10 per cent based on available 2022/23 data from the Skills for Care *Regional Comparison* tool (Skills for Care 2023).

- We then use the same methodology as above to estimate two different scenarios – Care workers in London being paid the UK RLW, and care workers being paid the London-specific RLW.
- We take the difference between these two costs to calculate the marginal costs of paying the higher London RLW rate over and above paying the “main” UK real living wage rate.

Fig 4: Approach to costing London-specific Real Living Wage



These additional marginal costs are then estimated as follows:

Table 6: Estimated additional cost of paying the London Real Living Wage rate in London

Costs	...and extending higher RLW to London (£m)
Wages	140
Employer NICs	15
Pension contributions (5.5%)	10
Employee NICs and Income Tax (Savings)	35
Net cost	130

Source: IPPR analysis of Skills for Care 2024 and ONS 2023. Figures rounded to the nearest £5m

Implications of costing analysis

We calculate that increasing the wage floor in line with the Real Living Wage would benefit 435,000 workers across the sector; 390,000 from applying the UK-wide RLW, and an additional 45,000 workers from the higher London-specific RLW.

This wage uplift would be significant, if delivered through public spending through a government compensation mechanism. However, total expenditure on adult social care was £20.5 billion in 2022/23, and the government have committed to an additional £2.8 billion in 2023/24. This amounts to a total of £23.3 billion in spending in 2023/24, with further commitments in 2024/25 including £4.7 billion in additional budget and £600 million for a ring-fenced Social Care Grant (Foster 2024). Therefore, a total cost of £330 million to support fair pay in social care would amount to less than 2% of the social care budget for the coming year.

For comparison, the 2023 pay deal offered to NHS workers including nurses, paramedics and midwives gave a 5% pay increase for 2023/24, estimated to cost £1.3 billion, as well as a one-off payment of 2% and a 4% COVID recovery bonus – jointly costing £2.7 billion (Brown 2023).

Evidence shows that care workforce spending also boosts the economy more widely. Scottish analysis estimates a total economic multiplier effect of 1.51 from adult social care spending, including direct effects and downstream spending (ICF 2018). Simulations in the US and South Africa estimate a GDP multiplier of 1.8 on social care workforce spending, with twice the number of new jobs as by similar spending in construction (Antonopoulos & Kim, 2011).

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