centre for **progressive policy**

Pay, productivity and social value

Why key workers deserve a better deal

Working paper 01/2021 – February 2021

Executive Summary

About this report

This paper considers UK key worker pay in the context of the coronavirus pandemic. It reviews some of the mechanisms that determine pay, highlighting the gap between the market and social value of these roles, and the enhanced contribution that key workers have made over the past year. The paper focuses in on adult social carers, making recommendations for better compensating both individuals in this sector, and across all key worker roles.

Summary

Key workers have enabled our country to continue functioning during a health crisis, often at great risk to their own health, yet tend to be lower paid than other members of the workforce. They deserve both better compensation for their contribution to society over the last year and for their longer-term remuneration to be more closely aligned to their social value.

> Society should acknowledge the vital contribution made by key workers and offer a one-off compensation payment

Key worker incomes are not determined by an efficient market; they are subject to power imbalances and policy decisions. In many key worker sectors labour productivity and true 'market' value is difficult to meaningfully quantify, while the wages received by those in key worker roles is at odds with their importance to society.

Care work is a prime example of this. The current crisis has highlighted carers as frontline workers in a global health pandemic and asked them to risk their lives, yet has failed to rectify the fact that in many cases this work does not pay enough to live on. Despite social value being contextual and difficult to quantify, it is clear that the role care workers play in meeting the basic needs of older and vulnerable members of society is both highly skilled and essential. Where wages so clearly and consistently diverge from social value the government should intervene to pay workers a wage that better reflects their contribution.

All key workers have been of heightened value to our society since the start of the pandemic and will continue to be so as we emerge from lockdown. In continuing to attend work while others have been told to stay at home, many have faced increased health risks to themselves and their households which are not reflected in their pay. Society should acknowledge the vital contribution made by these workers and offer a one-off compensation payment which recognises the additional risk that key workers have taken on behalf of society.

Key findings

- On average, the death rate for key workers from coronavirus between March and December 2020 was 40% higher than for the average working age person.[1]
- The key workers at highest risk are also some of the lowest paid. Care workers and home carers had a death rate over three times higher than the average working age person, yet their hourly earnings are nearly 30% below the median and over a third are employed on zero hours contracts, which have been associated with economic insecurity.[2,3]
- The social value of care work appears to exceed its 'market value'. The majority of care workers are paid less than £10 an hour, yet existing research suggests the social return on investment in social care interventions to be between £1.20 and £6.50 for £1 spent. Care work also generates economic activity by enabling unpaid carers to participate in the labour market.
- Health and social care occupations have seen below average increases in pay over the period 2011 to 2020 despite increasing demand.[4] This has coincided with increasing turnover in the sector, which suggests that the current pay model is not working.[5]
- The demand for social care in more deprived places such as Hartlepool, the Isle of Wight, Sefton and Redcar and Cleveland is estimated to be high and growing. Better remuneration for care workers in these places would contribute towards inclusive growth and levelling up.[6]

[1] CPP analysis of ONS data on coronavirus related deaths by occupation, 2020. Rates are age and gender standardised to isolate the impact of occupation on risk. Key workers are identified by individual occupation. CPP cannot guarantee that everyone within every occupation is a key worker, meaning that this difference is likely to be understated.

[2] Annual Survey of Hours and Earnings (ASHE), 2020.

[3] According to ASC Workforce data for 2019-2020, 34% of care workers are on zero hours contracts.

[4] Nominal earnings for Health and social care workers have increased by 8% since 2011, whilst median earnings for all occupations have increased by 22%. Based on ASHE data on median gross annual earnings in 2011 and 2020.

[5] Turnover for all job roles has increased from 22% in 2012/13 to 32% in 2019/20. Skills for Care's weighted workforce estimates 2019/20, based on ASC Workforce data.

[6] Estimated demand is based on dependency ratios in 2020 and 2030 (over 65s per 1,000 if the population aged 20-64) and health deprivation and disability. Figures are drawn from ONS population projections for English upper tier local authorities and the 2019 Index of Multiple Deprivation.

Policy recommendations[7]

1. **Make all key workers eligible for coronavirus compensation.** The UK is in debt to our key workers, yet over half do not feel that their contribution has been recognised by society.[8] To remedy this, central government should fund a tax-free coronavirus compensation payment of between £200 and £1,200 at an estimated one-off cost of between £1.5bn and £4bn.

   Suggested payments are calculated based on the increased fatality risk that key workers have been exposed to at work with eligibility determined based on occupation, industry, time in post and inability to work from home. Key workers could apply to Her Majesty's Revenue and Customs (HMRC) either directly or through their employers, making use of the infrastructure set up for existing support schemes like the Self Employment Income Support Scheme (SEISS). Implementation could build on the experience of similar schemes like the £500 one-off payment for social care workers introduced by the Welsh government in June 2020.

2. **Develop a fairer system for the future**. The Department for Business, Energy, and Industrial Strategy (BEIS) should consult on developing Australian style, sector specific, minimum pay and employment conditions that better reflect the social value and risk associated with key worker roles. This should start with consultation on a better deal for the care sector. As well as promoting social inclusion and inclusive growth, raising the incomes of key workers would improve their health making them more resilient to health risks in the future.[9]

3. **Pay care workers a wage closer to their social value**. The Department of Health and Social Care (DHSC) should provide additional funding for local government to pay care workers a wage closer to their social value. Offering all publicly funded social care workers – including independent sector workers commissioned by local government - a real living wage and a living hours contract should be the minimum standard. To ensure that funding reaches frontline care staff, this should be enforced by a public body and overseen by an Implementation Group which looks to learn from recent experience, including in Scotland.[10,11] Existing cost estimates for paying care workers a living wage range from £800m to £1.4bn per year.[12,13]

4. **Build social care up as a profession by recognising caring skills and providing progression pathways**. The lack of a standardised approach to training and rewarding social care professionals leads to care work being undervalued despite it requiring a high level of skill. The Department for Education (DfE) should work with local government, care workers and care providers to professionalise the sector by developing nationally agreed skills and competencies frameworks and a portable qualification system. This will help to raise wages, reduce turnover and support communities with a higher proportion of care workers.

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[7] For more detail on these recommendations, see the final chapter of the paper: *A better deal starts in 2021.*

[8] RSA (2020) *Frontline Fatigue.* Available at: https://www.thersa.org/reports/frontline-fatigue-keyworkers-lockdown

[9] Franklin, B. et al. (2019*) Beyond the NHS: Addressing the root causes of poor health.* CPP. Available at: https://www.progressive-policy.net/publications/beyond-the-nhs-addressing-the-root-causes-of-poor-health

[10] The Public Accounts Committee, chaired by Meg Hillier, recently identified that the majority of Covid funding given to local authorities did not reach the frontline of care services. Coronavirus has strained local government finances, with CPP finding that more than eight out of ten (131 out of 151) upper tier councils in England do not have sufficient funds to make up for projected increased costs and reduced income due to Covid-19. For more information see: https://www.progressive-policy.net/publications/why-the-government-needs-to-pay-up-before-levelling-up

[11] This means paying care workers £9.50 an hour or £10.85 in London and giving them the right to four weeks' notice for shifts, a contract that reflects the hours they work and to a minimum number of hours. For more information see the Living Wage Foundation's website: https://www.livingwage.org.uk/

[12] ILC-UK (2015) *The Costs and Benefits of Paying All the Lowest-Paid Care Home Workers in the UK the Living Wage.* Available at: https://ilcuk.org.uk/the-costs-and-benefits-of-paying-all-the-lowest-paid-care-home-workers-in-the-uk-the-living-wage/

[13] Resolution Foundation (2015) *As if we cared: the costs and benefits of a living wage for social care workers.* Available at : https://www.resolutionfoundation.org/publications/as-if-we-cared-the-costs-and-benefits-of-a-living-wage-for-social-care-workers/

Why key workers deserve a better deal in 2021

Key workers are the people making products and delivering services that are critical for the country to function. They are care assistants, doctors, waste collectors and supermarket cashiers amongst many others. While some of those identified as essential by the government - like probate lawyers and health consultants – command relatively high salaries, others, particularly those in the food and social care sectors, are paid at or below the minimum wage with key workers overall tending to be lower paid than average.[14] Before the pandemic hit, they did not make headlines or occupy many policy discussions, but this changed when the government was forced to identify those we needed to keep working when it first locked down the economy in March 2020.

> Key workers have been called upon once again to steward our economy, putting themselves and their households at increased risk

As we enter spring of 2021, the country is starting to recover from the second wave of the coronavirus, but the nation remains in lockdown. While most have been instructed to stay at home, key workers, many of whom are already fatigued from carrying the frontline response to the pandemic since March last year, have been called upon once again to steward our society, putting themselves and their households at increased risk. Imperial's REACT survey found that key workers were more likely to test positive for coronavirus than other workers and CPP analysis of ONS mortality data confirms the finding that the majority of key workers have been at greater risk of death (Fig. 1).[15] For the first time, CPP has estimated the mortality rates across key worker occupation groups, comparing these to the average mortality rate for those of working age. Previously the data has only referred to individual occupations, so this new analysis helps to show the risks key workers have faced overall and by occupation group.

The occupational mortality rates in Figure 1 are age and gender standardised but do not control for other factors that might influence the death rate like ethnicity.[16] A report from the Race Disparity Unit found that most of the increased risk experienced by ethnic minorities is explained by factors like occupation, location, household occupancy, and pre-existing health conditions, which themselves are influenced by pay and economic security.[17] The interrelation of these factors makes it difficult to separate the impacts of ethnicity and occupation on health risk.

Figure 1. Death rate involving Covid-19 by key worker occupation group (rate)[18]

Key worker occupation group	Share of all key workers [19]	Covid-19 death rate March to December 2020 (per 100,000)	Difference from average Covid-19 death rate (percent)
Education and childcare	20%	29.3	20%
Food and necessary goods	14%	36.0	47%
Health and social care	31%	46.2	89%
Key public services	5%	21.4	-13%
National and local government	2%	24.7	1%
Public safety and national security	5%	37.9	55%
Transport	6%	35.2	44%
Utilities and communication	16%	18.6	-24%
Weighted average		**33.9**	**39%**

As Figure 2 shows, low paid key worker groups like food and social care are also among those with the highest risk of mortality. These groups are also more likely to experience job insecurity with a recent survey carried out by the RSA finding that one in five supermarket workers felt they were at large or significant risk of becoming unemployed after the pandemic.[20]

Pulling out some of the individual occupations most at risk highlights this trend. The people society has asked to take the greatest risks are our care workers and factory operatives, low earners with insecure incomes who are paid less than the median hourly wage of £13.65 (Fig. 2).

[14] IFS (2020) *Differences between key workers*. Available at: https://www.ifs.org.uk/uploads/BN285-Differences-between-key-workers.pdf
[15] Riley, S. et al. (2021) *REACT-1 round 8 interim report: SARS-CoV-2 prevalence during the initial stages of the third national lockdown in England*. Available at: https://www.imperial.ac.uk/medicine/research-and-impact/groups/react-study/real-time-assessment-of-community-transmission-findings/
[16] According to ONS data on Key workers: Population and Characteristics, UK, 2020, around 14% of key workers are non-white, compared to 12% of non-key workers, although this rises for key worker groups like health and social care (19%). The ONS have found that the death rate for some ethnic groups is much higher. For example the death rate for black African men is five times higher than for white men according to ONS data on rates of deaths involving the coronavirus by ethnic group, England and Wales, released in October 2020.
[17] Race Disparity Unit (2020) *Quarterly report on progress to address COVID-19 health inequalities: October 2020*. Available at: https://www.gov.uk/government/publications/quarterly-report-on-progress-to-address-covid-19-health-inequalities
[18] CPP analysis of ONS data on Coronavirus (COVID-19) deaths by occupation for England and Wales for March to December 2020, published in January 2021. Rates for England and Wales are applied to UK-wide key worker statistics. Death rates are for those aged 20-64 and have been age and gender standardised to isolate the impact of occupation on fatality risk. For more details please refer to the technical appendix, which is available as a separate document.
[19] From ONS Key worker reference tables published in May 2020 which are based on 2019 data.
[20] RSA (2020) *Frontline Fatigue*. Available at: https://www.thersa.org/reports/frontline-fatigue-keyworkers-lockdown

> The people society has asked to take the greatest risks are our care workers and factory operatives, low earners with insecure incomes who are paid less than the median hourly wage

Figure 2. High risk key worker roles

Key worker occupation	Median hourly pay[21]	Covid-19 death rate March to December 2020 (per 100,000) [22]	Difference from average Covid-19 death rate (percent)
Care workers	£9.97	80.0	227%
Food factory operatives	£9.63	73.2	199%
Transport construction	£9.98	62.3	155%
Security guards	£10.75	60.8	149%

Key workers have been invaluable to society over the past year. Without them, supermarket shelves would have been empty, vulnerable people would have gone unsupported and more lives would have been lost. Yet, the RSA found that 67% of female key workers said the pandemic had made maintaining their mental health more difficult as 'tough emotional physical and financial conditions' have interacted with existing economic insecurity.[23] As a nation we are in debt to our key workers and it is neither fair they have had to carry an additional burden, nor that they experienced such economic insecurity before the pandemic. This incongruence has been noticed by the public, with the profile key workers gained leading to widespread support for higher pay.[24]

Former health secretary Jeremy Hunt has called for a '1948 moment' to reform the social care system as we come out of the coronavirus crisis, yet so far, central government has taken little action.[25] It is now time to re-evaluate the contribution of both social care and other key workers to society and consider how their pay can better reflect both the increased risks they have taken during the pandemic and the social value they create.

[21] Hourly pay – excluding overtime (£): UK, 2020. Annual Survey of Hours and Earnings (ASHE).
[22] Age and gender standardised.
[23] Ibid (20).
[24] For examples, see both: WBG Commission on a Gender-Equal Economy (2020) *Final report: Creating a Caring Economy: a call to action.* Available at: https://wbg.org.uk/commission/ and Policy Exchange (2020) *Care after Coronavirus: An Emerging Consensus.* Available at: https://policyexchange.org.uk/care-after-coronavirus-an-emerging-consensus/
[25] The Times (2020) *The Times view on the social care crisis: 1948 Moment.* Available at: https://www.thetimes.co.uk/article/the-times-view-on-the-social-care-crisis-1948-moment-gch7m0cns

Pay, productivity and the (social) value of work

Does the market do a good job of setting key worker wages?

According to mainstream economic theory, the market value of everything, including work and the wages we are paid, is subjective. It depends solely on how much there is to go around and how much people want it. Labour that is more skilled or productive is in higher demand and commands a higher wage. And productivity itself is dependent on the value, or price, that a good or service being produced fetches in the market. But how do we measure the productivity of services where there is no clear measure for 'output', or that of public services, like policing, which are not 'traded' on an open market? Does the price of something always reflect its social value? And if not, is supply and demand an appropriate way to set the value of essential workers and services?

For many key public services, like the police and defence, their output cannot be simply measured and so is assumed in national statistics to be equal to spending on staff, equipment and buildings, rendering productivity figures meaningless.[26] Whilst it is possible to monitor activity in other key worker sectors like health and social care, the data is patchy and where it is missing outputs are once again assumed to be equivalent to spending on inputs. Adjustments for quality - arguably the most important element of occupations such as care – are additionally often based on survey data with a low response rate.[27] Productivity measures are therefore unlikely to be instructive of value or wage in many key worker roles. In fact, while output data does show some relationship between real productivity and real wages, productivity growth is of little value in predicting wage growth across sectors at all.[28]

Instead, public policy sets the wages of a large portion of key workers, either directly or indirectly. Over 50% of key workers work in the public sector and an additional 15% are in scope of the minimum wage increases being consulted on by the Low Pay Commission.[29] Public sector commissioning additionally employs many of the 1.3 million independent sector health and social care workers in England, as well as many public service and transport staff.[30]

> While some key workers are well represented by trade unions, others are disempowered by the prevalence of insecure job contracts and poor enforcement of minimum wage standards

Based on the above, it is difficult to argue that key worker wages are the product of an efficient market (Box 1). Many are set by the government, with economist Paul Gregg arguing that public key worker roles are generally poorly paid compared to their social value, because public sector wages are driven down by government deficit.[31] The productivity of other key worker sectors, such as social care, is difficult to determine and even where it is well documented, power imbalances in the labour market mean that workers do not always share in the proceeds of growth. Instead, the bargaining process that determines key worker wages often depends on labour market legislation and enforcement as well as union membership. While some key workers are well represented by trade unions others are disempowered by the prevalence of insecure job contracts and poor enforcement of minimum wage standards.[32,33] For example, the Low Pay Commission found that 43% of minimum wage employees in childcare and 24% in transport were underpaid in 2018.[34]

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[26] ONS (2020) *Public service productivity: total, UK, 2017.* Available at: https://www.ons.gov.uk/economy/economicoutputandproductivity/publicservicesproductivity/articles/publicservicesproductivityestimatestotalpublicservices/totaluk2017

[27] ONS (2020) *Public service productivity, adult social care, England: financial year ending 2019.* Available at: https://www.ons.gov.uk/economy/economicoutputandproductivity/publicservicesproductivity/articles/publicserviceproductivityadultsocialcareengland/financialyearending2019

[28] Tuckett, A. (2017) *Does productivity drive wages? Evidence from sectoral data.* Bank Underground. Available at: https://bankunderground.co.uk/2017/03/30/does-productivity-drive-wages-evidence-from-sectoral-data/

[29] According to the TUC, 52% of key workers work in the public sector and 1.5 million private sector key workers earn less than £9.21 per hour, the amount being consulted on by the LPC. See: TUC (2020) *Key workers report: Decent pay and secure work for key workers through coronavirus and beyond.* Available at: https://www.tuc.org.uk/research-analysis/reports/key-workers-report

[30] NMDS-SC workforce estimates 2019/20.

[31] Available at: https://theconversation.com/beyond-clapping-for-key-workers-heres-how-to-give-them-the-pay-rise-they-deserve-139800

[32] Stock Jones, R. (2020) *From precarious to prosperous: How we can build back a better labour market.* CPP. Available at: https://www.progressive-policy.net/publications/from-precarious-to-prosperous

[33] Stauss, D. (2020) *Think-tank warns government risks being unable to keep pay pledge.* FT. Available at: https://www.ft.com/content/96831e34-316c-11ea-9703-eea0cae3f0de

[34] Table 4: Underpayment by low-paying occupation, 25+, UK, 2018. Low Pay Commission (2019) *Non-compliance and enforcement of the National Minimum Wage.* Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/797675/Non-compliance_and_enforcement_of_the_National_Minimum_Wage_WEB.pdf

Box 1: Factors affecting key worker wages

1. **Public sector pay freeze** – In November the Chancellor announced a pay freeze for all non-NHS workers, meaning many key workers will experience a real pay cut in 2021. The TUC estimate public policy has led average real public sector pay to be £900 lower today than in 2010.[35]
2. **Public procurement policies** – As a large purchaser of some key worker services the public sector has price setting power and can depress wages. This may have short term public finance benefits but can have longer term quality impacts.
3. **Minimum wage** – According to the Low Pay Commission, 5% of key workers are covered by the minimum wage.[36] Many more are paid less than the long-term National Living Wage target and the TUC estimate that increases would improve the pay of 2 million key workers.[37]
4. **Labour market enforcement** – Poor enforcement means that the economic deterrent for non-compliance with minimum wages and standards is low, reducing the bargaining power of workers. Two in five low paid employees in childcare and one in four in transport were paid below the minimum wage in 2018.
5. **Unionisation** – Over 50% of the public sector but only 13% of private sector employees belong to a union.[38] Key workers in low paid, private roles in childcare, adult social care, transport and food are unlikely to benefit from the increased bargaining power union membership brings.
6. **Skill** – Key workers in highly skilled roles should be paid more, reflecting the demand for their expertise. However, in sectors like adult social care, skills are not easily demonstrable with qualifications, leading to suppressed wages. In addition, key workers with highly sought-after skills, such as doctors or digital specialists, are paid much less if they work in the public sector.
7. **Productivity** – Sectoral data suggest that industries with high productivity have higher wages but there are difficulties determining productivity in many key worker sectors.[39] Productivity improvements within sectors tend to be of little value in predicting real wage growth.
8. **Labour market conditions** – Unemployment and immigration will also affect the wages of key workers. The extent to which they do so depends on demand and entry requirements for key worker roles.

How else could wages be determined?

In his 2020 Reith Lecture, former Governor of the Bank of England Mark Carney chose to talk about values, including why financial values have come to dominate human ones.[40] He states that imperfect competition, incomplete markets and the fact that people do not act like computers means that private and social values are often very different, arguing that the social foundations of the market have been undercut. Survey data indicate that society places a high value on our key workers, with three quarters of the public saying key workers deserved a pay rise, yet key workers are more likely than average to be low paid, suggesting that there is a disconnect between the social value of these roles and the wage they fetch in the 'market'.[41]

Perhaps then, policy should aim to close this gap and pay key workers at their social value. In 2009, the New Economics Foundation compared the societal value and earnings of various professions, starkly contrasting the high social benefit generated by key workers with the social harm created by those in high paid occupations like tax accounting and investment banking. They estimated that hospital cleaners, for example, generate £10 of social value for every £1 they are paid, by contributing to the smooth running of our healthcare system and preventing the spread of deadly diseases like MRSA. Tax accountants, on the other hand, are estimated to destroy £47 for every £1 of value they generate by aiding tax avoidance and reducing the money available to spend on public services.[42]

To suggest that hospital cleaners should be paid £90 an hour rather than £9 is extreme and would be unaffordable from a public finance perspective.[43] There are also unanswered questions around how a social value approach could reflect the difference in values across time or places, and the extent to which an individual should capture the full social value of their work. However, these examples underline that the worth of key workers to society is far greater than their current wage, and it is clear that policy makers could at least get us somewhere closer.

Closing this gap between the market and social value of key worker roles would require market intervention. Yet few would challenge the moral and social value case for paying key workers like carers a higher wage. International examples from other market based economies provide some alternative models to draw upon.

[35] TUC (2020) *Key workers report: Decent pay and secure work for key workers through coronavirus and beyond.* Available at: https://www.tuc.org.uk/research-analysis/reports/key-workers-report
[36] Low Pay Commission (2020) *Low Pay Commission 2020 Report.* Figure 3.4 Available at: https://www.gov.uk/government/publications/low-pay-commission-report-2020
[37] Ibid (35).
[38] BEIS (2020) *Trade union statistics 2019.* Available at: https://www.gov.uk/government/statistics/trade-union-statistics-2019
[39] Tuckett, A. (2017) *Does productivity drive wages? Evidence from sectoral data.* Bank Underground. Available at: https://bankunderground.co.uk/2017/03/30/does-productivity-drive-wages-evidence-from-sectoral-data/
[40] The Reith Lectures (2020) *Mark Carney - How We Get What We Value.* BBC Radio 4. Available at: https://www.bbc.co.uk/programmes/m000py8v
[41] WBG Commission on a Gender-Equal Economy (2020) *Final report: Creating a Caring Economy: a call to action.* Available at: https://wbg.org.uk/commission/
[42] Lawlor, E. et al. (2009) *A BIT RICH: Calculating the real value to society of different professions.* New Economics Foundation. Available at: https://neweconomics.org/2009/12/a-bit-rich
[43] The median hourly wage for cleaners and domestic workers in 2020 was £9.07 according to ASHE data.

> Australia has long operated an 'award' system which aims to ensure that people are equally rewarded for work of equal value

In New Zeland, the government is in the process of designing a 'Fair Pay Agreement' system which will set out minmum wages and standards for specific occupations identified as having poor outcomes for workers.[44] These will be agreed by workers and employers and then enshrined in law. Australia meanwhile, has long operated an 'award' system which aims to ensure that people are equally rewarded for work of equal value and sets out sector specific legal minimums based on job specifications (Box 2). While neither country has particularly high existing trade union membership, under the New Zealand model, workers are to be represented by registered unions in negotiations.[45] This may make something similar to the Australian model more workable in a UK context.

Box 2: The 'modern award' wage system in Australia

Australia has a 'modern award' wage system in place where workers are entitled to sectoral wages and employment rights over and above the minimum National Employment Standards. Both the Aged Care and Social, Community, Home Care and Disability Services sectors have their own specific 'award'.

These awards are designed to promote social inclusion and flexible working, taking into account living standards and the needs of the low paid.[46] In 2018, 16.2% of all adult employees were paid at award level and 14.2% were low paid but only 5.9% were both low paid and award reliant, suggesting that modern awards are effective in reducing low pay in the sectors they cover.[47]

Awards are based on the principle of 'equal remuneration for work of equal or comparable value' with rates being set by the Fair Work Commission and reviewed by an Expert Panel on an annual basis.[48] Employees can seek advice from the Fair Work Ombudsman (FWO) if they think that their employer is not paying them correctly. Each award also includes a dispute resolution process and the FWO also audit employers, who can be ordered to pay backdated wages if they have applied the wrong wage rate.

Research on the impact of the award system has provided mixed results. The system appears to reduce low pay in covered sectors but not eliminate it entirely, although one longitudinal study found that the awards promote skills acquisition among the low paid workforce.[49]

Some have argued that the awards system is too complex and places an unreasonably high burden on SME employers.[50] Should the UK consider replicating this system, starting with a small number of sectors and using simple language to clearly communicate requirements will be important for industry buy in.

That this system has been possible in Australia despite low and declining levels of unionisation amongst workers (14%), suggests that something similar would be possible in the UK, where around 23% of the workforce were estimated to be unionised.[51]

[44] For more information see: https://www.mbie.govt.nz/have-your-say/designing-a-fair-pay-agreements-system-discussion-paper/
[45] Industrial Relations and Labour Law (2020) *New Zealand aims at changing the "Fair Pay Agreement" system*. Available at: https://ioewec.newsletter.ioe-emp.org/industrial-relations-and-labour-law-december-2020/news/article/new-zealand-aims-at-changing-the-fair-pay-agreement-system
[46] Fair Work Act 2009, S.134. Available at: https://www.legislation.gov.au/Details/C2020C00393
[47] Wilkins, R., and Zilio, F. (2020) Research report 1/2020
Prevalence and persistence of low-paid award-reliant
Employment. Fair Work Commission. Available at: https://www.fwc.gov.au/documents/wage-reviews/2019-20/research/rr12020.pdf
[48] See: https://www.fwc.gov.au/
[49] Oliver, D. (2015) *Wage determination in Australia: The impact of qualifications, awards and enterprise agreements*. Journal of Industrial Relations. 2016;58(1):69-92. Available at: https://journals.sagepub.com/doi/abs/10.1177/0022185615598188
[50] Aitken-Fox, E. (2017) *The Transition to Modern Awards: Challenges for Small and Medium Enterprises in Western Australia*. In British University Industrial Relations Association Annual Conference. Available at: https://espace.curtin.edu.au/handle/20.500.11937/79706
[51] OECD Statistics (2020) *Trade union density: 2018*. Available at: www.stats.oecd.org

In focus: Pay in the care sector

Health and social care workers make up 30% of all key workers and are the largest occupational group. In addition, care workers in particular appear to experience the most acute divergence between the social value of the care they provide and their 'market value', or the amount they are paid.[52] No one would dispute the importance of their relatives being well cared for in old age, yet pay in the sector is low and a quarter of all adult social carers and over 40% of domiciliary care workers are on zero hours contracts, which have been associated with economic insecurity, underemployment and in-work poverty.[53,54] This matters because there is unmet need in the sector, particularly in deprived areas, and an ageing population means that this demand will continue to grow.[55]

The majority of adult social care workers in England (78%) work in the independent sector, providing residential care in care homes (51%) or domiciliary care in people's own homes (43%).[56] A further 13% work directly for local authorities or the NHS, largely providing community care (79%) such as social work, advice and outreach services and disability adaptations, while the remainder are directly employed by individuals.

> In deprived places where the health and care sector makes up a large portion of the local economy better remuneration for care workers would also support the local economy and promote inclusive growth

Just over half of local authority expenditure on adult social care is on people aged 65 years or over with rising demand for care services being driven by demographic trends. The population aged 85 years or over is projected to have grown by almost twice as much as the working age population between 2001 and 2030. „.[57] Figure 3 shows the English local authorities where demand for care services is estimated to be the highest, with highlighted authorities having both a high dependency ratio and an above average health deprivation and disability rank.

Places with high and growing dependency ratios – over 65s per 1,000 of the working age population – are likely to see an increasing demand for care workers and their services, with the health and care sector becoming a more significant part of their economies (Fig. 4). In deprived places where the health and care sector makes up a large portion of the local economy, such as Darlington, Middlesbrough, Torbay and Tameside, better remuneration for care workers would also support the local economy and promote inclusive growth.[58]

CPP analysis at the start of the coronavirus crisis correctly predicted that poor quality care in places like Middlesbrough would exacerbate pressures on the healthcare system and make them more vulnerable to the virus.[59] Higher quality care is recognised to be dependent on higher quality jobs in the sector, with the cross party Health and Social Care Committee finding that low pay devalues workers, increasing turnover and undermining resilience.[60] Worryingly, interviews with Scottish care-home workers found that five out of seven job quality factors had worsened during the coronavirus crisis including 'a safe work environment' and 'decent pay.[61]

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[52] While care work could be taken to include childcare and educational support, this discussion focuses on care workers in health and social work occupations. As the paper focuses on key workers, it is also restricted to paid carers, while acknowledging the significant contribution that unpaid carers make to the sector by acting as 'shock absorbers' to cuts in formal provision.

[53] Skills for Care's weighted workforce estimates, 2019/20 based on the ASC Workforce Data Set. This replaced the National Minimum Data Set for Social Care (NMDS-SC) in August 2019.

[54] Stock Jones, R. (2020) *From precarious to prosperous: How we can build back a better labour market.* CPP. Available at: https://www.progressive-policy.net/publications/from-precarious-to-prosperous

[55] Burchardt, T. et al. (2020) *The Conservatives' Record on Adult Social Care: spending, policies and outcomes in England, May 2015 to pre-COVID 2020.* LSE. Available at: https://sticerd.lse.ac.uk/CASE/_NEW/PUBLICATIONS/abstract/?index=7525

[56] ASC workforce estimates, 2019/20.

[57] The Kings Fund (2019) *Key facts and figures about adult social care*. Available at: https://www.kingsfund.org.uk/audio-video/key-facts-figures-adult-social-care

[58] CPP analysis for 2019 publication *Simply the Best: making the NHS a leader in good employment.* Available at: https://www.progressive-policy.net/publications/simply-the-best

[59] Franklin, B. (2020) *COVID-19 local area health risk rating: 6 April 2020.* Centre for Progressive Policy. Available at: https://www.progressive-policy.net/covid-19-local-area-risk-rating-april-6

[60] Health and Social Care Committee (2020) *Social care: funding and workforce.* House of Commons. Available at: https://committees.parliament.uk/publications/3120/documents/29193/default/

[61] Pautz, H. et al. (2020) *Decent Work in Scotland's Care Homes. The impact of Covid-19 on the job quality of front line workers.* University of West Scotland. Available at: https://dwsc-research.org/wp-content/uploads/2020/12/Decent-Work-in-Scottish-Care-Homes-Report-Final.pdf

Fig. 3. English local authorities with the highest dependency ratios, 2020 (health deprivation and disability highlighted)[62]

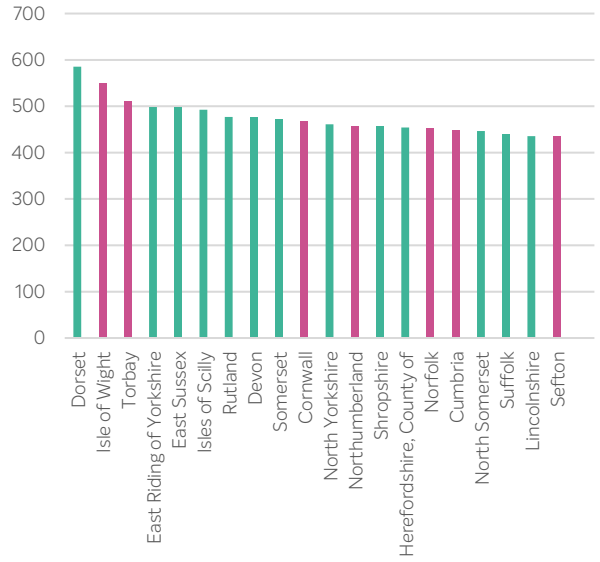
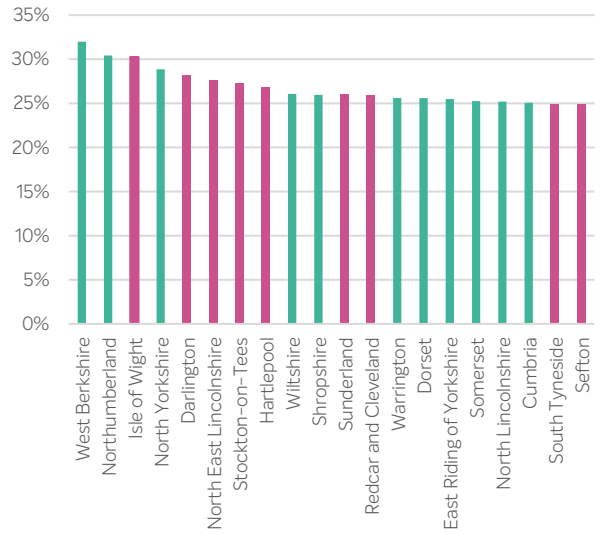


Fig. 4: English local authorities with above average dependency ratios by highest growth between 2020 and 2030 (deprivation highlighted)[63]



> Unmet social care needs, coupled with declining female life expectancy in deprived areas, suggest that the amount and quality of care currently demanded by the public sector is below the socially optimal level

As discussed in the previous chapter, wages are determined by bargaining power and public policy as much as labour productivity and this is particularly true for the care sector (Box 3). One in three independent sector care workers in England were paid at the minimum wage in 2019 compared to 1 in 14 of the wider population, meaning that their income is disproportionally impacted by labour market policies and enforcement.[64] Services provided by many of these independent sector workers are additionally commissioned by local councils who provide a home attendance allowance for people over state pension age and fund personal care and support for those with low savings.

Despite increasing demand for services, health and care occupations have seen below average increases in pay over the period 2011 to 2019.[65] High turnover rates (32%) and a high proportion of unqualified (50%) and inexperienced staff (27%) suggest that the wage and progression opportunities being offered are not sufficient, leading to inefficiencies and sub-optimal quality.[66]

In a 2011 briefing on domestic work, the International Labour Organisation (ILO) discussed the issues around measuring the value of care work according to either wages or productivity. They found that domestic work is systematically undervalued by wages, with domestic workers earning 13.6% less than other employees with the same characteristics. Measuring by output or productivity is equally problematic in a context where the time and care taken per person is part of the service.[67] Instead, they suggest that the social value of care work would be better estimated by the wages of those freed from providing care themselves, or by the amount that governments are willing to spend to provide this care.

[62] Dependency ratio is the population aged 65 and over per 1,000 of the population aged 20 to 64. Calculated using ONS population projections based on 2018 data. Highlighted bars have a higher than average health deprivation and disability rank, based on 2019 IMD data.
[63] Highlighted bars have a higher than average deprivation rank, based on 2019 IMD data.
[64] Ibid (55).
[65] Health and social care workers' nominal earnings have increased by 8% since 2011, whilst median earnings or all occupations have increased by 22%. Based on ASHE data on median gross annual earnings in 2011 and 2020.
[66] Skills for Care's weighted workforce estimates for England, 2019/20 based on ASC Workforce data
[67] Budlender, D. (2011) *Domestic Work Policy Brief no. 3: Measuring the economic and social value of domestic work.* International Labour Office. Available at: https://www.ilo.org/travail/info/publications/WCMS_156071/lang--en/index.htm

Box 3. Productivity and pay in the social care sector

Due to the high proportion of care workers that are either directly or indirectly employed by local governments, the price of care work is primarily determined by public sector demand. As a majority (or monopsony) buyer of care services, the public sector is able to hold down the price of labour in the care sector. A lack of funding for social care has fed through into local government procurement processes, putting pressure on independent providers' budgets and making it difficult for them to sustain contracts with decent pay and conditions.[68]

In addition, despite care work being highly skilled, there are low qualification barriers to entry in the sector which increases the cost of individuals finding work elsewhere.

The prevalence of unmet social care needs coupled with declining female life expectancy in the most deprived areas suggests that the amount and quality of care currently demanded by the public sector is below the socially optimal level.[69] It is within the government's power to shift to a higher pay and higher quality model of social care which would better support our health, something which the coronavirus pandemic has underlined as being of fundamental importance.

Another way of reflecting the individual and wider social benefits of an intervention or programme is to calculate the social return on investment (SROI). This uses a theory of change methodology and values outcomes that may not otherwise be captured.[70] Yet, in part due to practical and ideological barriers, there has been limited uptake of the SROI methodology in the health and care sector since its inception in the early 2000s.[71] Where such evaluations have been carried out, they demonstrate high returns to care interventions, driven by outcomes such as the improved mental and physical health of care recipients (see Fig. 5). However, the majority of care workers are paid less than £10 an hour, around 30% less than the average worker.[72] This suggests that the social value that care workers provide is not reflected in their earnings.

Where SROI evaluations have been carried out, they demonstrate high returns to care interventions, driven by outcomes such as improved mental and physical health

Figure 5: Existing evidence on the social value of care interventions

Social care intervention	Example outcomes	SROI
Peer support for people with dementia[73]	*Improved mental stimulation, reduced loneliness and isolation, reduced stress for carers*	£1.17 – £5.18
Arts intervention for people with dementia[74]	*Improved cognition and reduced social isolation*	£1.20
Social prescribing[75]	*Increased fitness, better health, and reduced spending on medical prescriptions*	£4.28
Home based care for older people[76]	*Reduced need for residential care*	£2.52
Community befriending for families with post-natal depression[77]	*Improvements in mental health (SWEMWBS), reduced use of medication, and long-term behavioural and educational impacts for children*	£6.50

Given that 1) the public sector either directly or indirectly sets wages for a large portion of the adult social care sector, 2) there are high potential gains in terms of care quality, and 3) there is broad public support for increasing the pay of NHS and care staff, there is a strong argument for introducing policies that shift care workers' pay closer to their social value.[78] This is particularly salient in the current context, which has highlighted carers as frontline workers in a global health pandemic and asked them to risk their lives, yet has failed to rectify the fact that in many cases this work does not pay enough to live on.

[68] Fair Work Convention (2019) *Fair Work in Scotland's Social Care Sector 2019.* Available at: https://www.fairworkconvention.scot/our-report-on-fair-work-in-social-care/

[69] Marmot, M. (2020) *Health Equity in England: The Marmot Review 10 Years On.* The Institute of Health Equity. Available at: https://www.health.org.uk/publications/reports/the-marmot-review-10-years-on

[70] Hutchinson, C. et al. (2019) *Valuing the impact of health and social care programs using social return on investment analysis: how have academics advanced the methodology? A systematic review.* BMJ Open. Available at: https://bmjopen.bmj.com/content/9/8/e029789

[71] Ross Millar & Kelly Hall (2013) *Social Return on Investment (SROI) and Performance Measurement*, Public Management Review, 15:6, 923-941. Available at: https://www.tandfonline.com/doi/abs/10.1080/14719037.2012.698857

[72] ASHE Table 14, Median hourly pay – excluding overtime, 2020.

[73] Willis, E., Semple, A.C., de Waal, H. (2016) *Quantifying the benefits of peer support for people with dementia: a social return on investment (SROI) study.* Dementia 2016. Available at: https://journals.sagepub.com/doi/full/10.1177/1471301216640184

[74] Bosco, A. et al. (2019) *The social value of the arts for care home residents in England: A Social Return on Investment (SROI) analysis of the Imagine Arts programme.* Available at: https://www.sciencedirect.com/science/article/abs/pii/S0378512218308375

[75] Social Enterprise Unit (2010) *Measuring social value: How five social enterprises did it.* Department of Health. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/215895/dh_122354.pdf

[76] Ibid (75).

[77] Arvidson, M., Battye, F. and Salisbury, D. (2014), *The social return on investment in community befriending*, International Journal of Public Sector Management, Vol. 27 No. 3, pp.225-240. Available at: https://doi.org/10.1108/IJPSM-03-2013-0045

[78] WBG Commission on a Gender-Equal Economy (2020) *Final report: Creating a Caring Economy: a call to action.* Available at: https://wbg.org.uk/commission/

A better deal starts in 2021

Some of the issues around key worker pay are longstanding, while others have arisen as a result of the coronavirus crisis, which has so far claimed over 100,000 lives in the UK since March last year.[79] The time for action is now.

Economists across the world are agreed on the need for higher government spending in the wake of the pandemic and the UK's cost of borrowing is at an all-time low.[80] Both of these factors make it easier for central government to justify increased spending, as does widespread public support - three quarters of the public said they wanted to see a pay rise for all key workers, including NHS and care staff, and were willing to pay more tax to provide one.[81]

The recommendations below underline what can and should be done immediately to compensate key workers for their contribution to society, as well as what could be put in motion to promote inclusive growth in the longer run.

Make all key workers eligible for coronavirus compensation

> All key workers should be made eligible for a centrally funded tax-free compensation payment between the value of £200 and £1,200 depending on their occupation

All key workers should be made eligible for a centrally funded tax-free compensation payment between the value of £200 and £1,200 depending on their occupation.[82]

While this will neither make up for the thousands of lives lost, nor fully compensate for the additional stress and anxiety experienced by many frontline workers (Box 4), such a payment would demonstrate public recognition of their contribution to society including the increased health risk that they have been exposed to by continuing to attend work (Fig. 6).

The suggested payments are based on the social value of the increased fatality risk that key workers have, on average, been exposed to compared to the wider working age population using the Value of a Prevented Fatality (VPF), which is set by Department for Transport guidance at £2.1m (Box 4).[83]

Key workers could apply to HMRC either directly or through their employers for payment making use of the infrastructure set up for existing support schemes like the Job Retention Scheme (JRS) and Self Employment Income Support Scheme (SEISS). Eligibility would be determined by occupation, industry, ability to work from home, and length of time in the role. Assuming take up rates to be the same as the SEISS, this would cost the taxpayer between approximately £1.5bn and £4bn depending on the occupation mix of applicants.[84,85] This is equivalent to less than 1.5% of the £280bn the government has spent on coronavirus related support for the economy to date.[86]

The Welsh government introduced a similar scheme for the social care workforce in June 2020, making care workers, agency nurses and personal assistants employed between March and May 2020 eligible for a one-off payment of £500.[87] The experience of the Welsh government in administering the payment will be instructive for HMRC; however, this paper argues that all key workers should be eligible for compensation, with care workers eligible for a higher rate. Welsh care workers who have already received an initial payment, should have their payments topped up by HMRC where relevant.

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[79] BBC (2021) *UK Covid deaths: Why the 100,000 toll is so bad.* Available at: https://www.bbc.co.uk/news/health-55757790

[80] Giles, C. (2021) *Rethink public finance rules and live with much higher debt, IMF says.* The Financial Times. Available at: https://www.ft.com/content/4041ea03-996b-468b-a7ab-ee15405505d4

[81] WBG Commission on a Gender-Equal Economy (2020) *Final report: Creating a Caring Economy: a call to action.* Available at: https://wbg.org.uk/commission/

[82] The suggested minimum applies the VPF to the average additional risk experienced by those in key worker occupations. The maximum is based on the highest death rate for an individual occupation. For more details please refer to the technical appendix, which is available as a separate document.

[83] The Value of a Prevented Fatality (VPF) measures the social value of changes in risk to life. See HMT's Green Book guidance on appraisal and evaluation. Available at: https://www.gov.uk/government/collections/the-green-book-and-accompanying-guidance-and-documents

[84] According to HMRC SEISS statistics for October 2020, take up of the scheme has been 67%. Data is available at: https://www.gov.uk/government/statistics/self-employment-income-support-scheme-statistics-october-2020/self-employment-income-support-scheme-statistics-october-2020.

[85] The low estimate assumes a pay-out of £200 per worker. The high cost estimate assumes that all those eligible for a higher rate of compensation are paid the maximum for their occupation group. This will be an overestimate of the true cost. Neither estimate includes the costs of administering the scheme. For more details please refer to the technical appendix.

[86] Parker, G. (2021) *Johnson and Sunak draw up plans for post-Covid recovery.* FT. Available at: https://www.ft.com/content/0d7aace3-1953-489a-9297-ff2493f78ae8

[87] For more information see https://gov.wales/social-care-workforce-special-payment-scheme

> The level of stress, anxiety and fear of death experienced by key workers during the coronavirus pandemic is likely to have been much higher than for other risky jobs

Figure 6: Suggested social compensation for key workers based on a VPF of £2.1m

Key worker occupation group	Minimum (based on average risk across all key worker occupations)	Maximum (based on riskiest individual occupation)
Education and childcare	£200	£700
Food and necessary goods	£200	£1,000
Health and social care	£200	£1,200
Key public services	£200	£900
National and local Government	£200	£400
Public safety and national security	£200	£800
Transport	£200	£800
Utilities and communication	£200	£800

Box 4: Valuing a life and the impact of coronavirus

According to HM Treasury guidance and Department for Transport calculations, the average value of a prevented fatality in 2021 prices and values is £2.1m. This measure is intended to calculate the social value of changes in risk to life and is made up of human costs, lost output and medical costs. It is recommended for use in valuing small changes in fatality risks, where levels of human safety vary.

Whilst this figure does not reflect the impact of coronavirus on surviving key workers, it can be used to represent the risk they took in continuing to attend work. Estimates of the value of life tend to be derived from the high wage premiums of risky occupations, making them relevant for considering the appropriate level of compensation for key workers accepting additional risk.[88]

However, estimates for the value of a life vary and the VPF is relatively low. Economists Jones and Klenow, for example, value the remainder of a 40 year old American's life at $6m, based on a review of the literature.[89] In addition, the level of stress, anxiety and fear of death experienced by key workers during the coronavirus pandemic is likely to have been much higher than for other risky jobs, due to high levels of media coverage on the health risks combined with our cognitive difficulties in evaluating small risks. A survey for the RSA found that nearly one in six key workers have found it more difficult to maintain their mental health as a result of coronavirus.[90]

As such, using the VPF to calculate a social compensation payment will almost certainly understate the amount owed.

[88] See section 3 of Murphy, K. and Topel, R. (2006) *The Value of Health and Longevity.* Journal of Political Economy, vol. 114, no.5. Available at: https://ucema.edu.ar/u/je49/capital_humano/Murphy_Topel_JPE.pdf

[89] Jones, C. and Klenow, P. (2016) *Beyond GDP? Welfare across Countries and Time.* American Economic Review, 106(9): 2426-2457. Available at: https://pubs.aeaweb.org/doi/pdfplus/10.1257/aer.20110236

[90] RSA (2020) *Frontline Fatigue.* Available at: https://www.thersa.org/globalassets/_foundation/new-site-blocks-and-images/reports/2020/12/frontline_fatigue.pdf

Develop a fairer wage system for the future

Evidence from the Australian experience suggests that sector specific deals could help combat low pay and promote skills acquisition (Box 2). However, it also highlights the importance of avoiding complexity and burdening employers.

The Department for Business, Energy, and Industrial Strategy (BEIS) should consult on developing Australian style, sector specific, minimum pay and employment conditions that better reflect the social value and risk associated with key worker roles, starting with a better deal for the care sector.

This is particularly relevant given the evidence to suggest that raising the incomes of key workers would in turn boost health and make them more resilient to health risks in the future.[91]

Implementation would require an updated institutional framework including expert sectoral wage setting panels and an ombudsman to audit employers and provide advice to employees. The new single labour market enforcement body promised by the Conservative Party in their 2019 manifesto could be adapted to act as an ombudsman while expert panels could be modelled on the current Low Pay Commission.

Pay care workers a wage closer to their social value

The Department of Health and Social Care (DHSC) should provide additional funding for local government to pay all publicly funded social care workers a wage closer to their social value, making paying the real living wage and offering a 'living hours' contract an enforceable minimum. To ensure that funding reaches frontline care staff, this should be enforced by a public body, fully funded by DHSC and overseen by an Implementation Group including government officials, care providers and workforce representatives. This group should include Scottish officials and providers who have recent experience with a similar policy.

More work needs to be done to establish the social value of care work, both in terms of individual wellbeing and the wider benefits to the economy and society. For example, the economic contribution of those who would otherwise be unpaid carers and the reduced need for residential care and medication. In the meantime, ensuring that all publicly funded adult social care workers earn enough to live on should be the minimum standard.

According to the Living Wage Foundation, on the eve of the pandemic, 73% of independent sector care workers in England were paid less than the real living wage.[92] In addition, 40% of domiciliary care workers in England were on zero hours contracts, associated with economic insecurity and underemployment.[93]

Given high and rising turnover rates in the sector, coupled with the health consequences of poor-quality care, the government should prioritise ensuring that care staff who are either directly employed or indirectly contracted by local councils receive at least a real living wage (RLW) and a 'living hours' contract. The precise specifications should be subject to sectoral dialogue but as a baseline, this would mean paying care workers £9.50 an hour or £10.85 in London and giving them the right to four weeks' notice for shifts, a contract that reflects the hours they work and to a minimum number of hours.[94]

Central funding for this increase and mandating the offer of secure job contracts in procurement contracts are both essential for ensuring improved job quality for care workers. Previously, independent care providers have used the combination of underfunding and local council commissioning models to justify their increasing use of zero hours contracts and coronavirus has only increased the pressure on local government finances.[95, 96]

The national living wage (NLW) currently mandated by the government is set at £8.72 and is only available to those aged 25 and over, with those aged 18 to 20 only entitled to £6.45 an hour.[97] While the government plans to increase the NLW over time, it is not linked to the cost of living like the RLW, which means that changing prices could make living costs unaffordable on a NMW salary. For this reason, we recommend paying care workers of all ages the RLW to ensure that their job pays enough to live on. Since the start of the pandemic the Living Wage Foundation has accredited 70 social care employers, raising the pay of over 3,800 social care workers.

Cost estimates for publicly funding this policy vary. The Resolution Foundation estimate that the gross cost to the taxpayer of funding a living wage for care workers would have been £1.4bn in 2013-14. A collaborative project by the ILC and Work Foundation estimated that the annual

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[91] Franklin, B. et al. (2019*) Beyond the NHS: Addressing the root causes of poor health.* CPP. Available at: https://www.progressive-policy.net/publications/beyond-the-nhs-addressing-the-root-causes-of-poor-health

[92] Gardner, L. (2020) *NEWS: THREE-QUARTERS OF CARE WORKERS IN ENGLAND WERE PAID LESS THAN THE REAL LIVING WAGE ON THE EVE OF THE PANDEMIC.* Living Wage Foundation. Available at: https://www.livingwage.org.uk/news/news-three-quarters-care-workers-paid-less-real-living-wage

[93] Stock Jones, R. (2020) *From precarious to prosperous: How we can build back a better labour market.* CPP. Available at: https://www.progressive-policy.net/publications/from-precarious-to-prosperous

[94] See: https://www.livingwage.org.uk/living-hours

[95] Adams, A. and Prassi, J. (2018) *Zero hours work in the United Kingdom.* International Labour Office. Available at: https://www.ilo.org/travail/info/working/WCMS_624965/lang--en/index.htm

[96] Billingham, Z. (2020) *Why the government needs to pay up before levelling up.* Available at: https://www.progressive-policy.net/publications/why-the-government-needs-to-pay-up-before-levelling-up

[97] See: https://www.gov.uk/national-minimum-wage-rates

wage cost of paying a living wage to all care home staff in 2014 would have been closer to £830 million, increasing to almost £1 billion with National Insurance and pension contributions.[98,99] As discussed above, recent survey data suggest that there would be public support for increasing taxes to fund this more permanent increase in public spending.

Build social care up as a profession by recognising caring skills and providing progression pathways

The lack of formal qualifications involved in care work lead to it being undervalued despite it requiring a high level of technical and personal skill.[100] According to Skills for Care, 50% of the English adult social care workforce have no relevant social care qualifications, with less than a third (27%) qualified at Level 3 or above.[101] Professionalising the sector by formalising the skills and progression pathways in the sector could help to raise wages, reduce turnover and support communities with a higher proportion of care workers, promoting inclusive growth and levelling up. This is supported by earnings data which shows a high correlation between the proportion of staff holding higher education qualifications and hourly pay across social care occupations.[102]

The Department for Education (DfE) should work with local government, care providers and care workers to develop skills and competencies frameworks and a nationally agreed and portable qualification system. This will help to formalise the skills associated with care and boost pay in the sector.

Where possible, local areas should consider how they can use existing funding for national training programmes like kickstart and apprenticeships to map out progression pathways in the health and care sector and encourage young people into these roles.

Learning from existing pilots in Glasgow suggests that in order to increase earning, training needs to be linked to progression, and to be led by staff, rather than employer, needs.[103]

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[98] Resolution Foundation (2015) *As if we cared: the costs and benefits of a living wage for social care workers*. Available at: https://www.resolutionfoundation.org/publications/as-if-we-cared-the-costs-and-benefits-of-a-living-wage-for-social-care-workers/

[99] ILC-UK (2015) *The Costs and Benefits of Paying All the Lowest-Paid Care Home Workers in the UK the Living Wage*. Available at: https://ilcuk.org.uk/the-costs-and-benefits-of-paying-all-the-lowest-paid-care-home-workers-in-the-uk-the-living-wage/

[100] Rolfe, H. (2020) *Care work is undervalued and underfunded. But this has nothing to do with immigration*. LSE blogs. Available at: https://blogs.lse.ac.uk/brexit/2020/02/24/care-work-is-undervalued-and-underfunded-but-this-has-nothing-to-do-with-immigration/

[101] Skills for Care's weighted workforce estimates, 2019/20.

[102] Based on ASHE data for 2018 on hourly pay and 2018 ONS data on highest qualification by 4-digit occupational coding.

[103] Murphey, H. et al. (2019) *Glasgow In-Work Progression Pilot Evaluation.* Learning and Work Institute. Available at: https://www.glasgow.gov.uk/CHttpHandler.ashx?id=47195&p=0

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Centre for Progressive Policy
27 Great Peter Street
London SW1P 3LN

+44 (0)20 7070 3360
www.progressive-policy.net