

Economic analysis of policy recommendations

Prepared for Skills for Care

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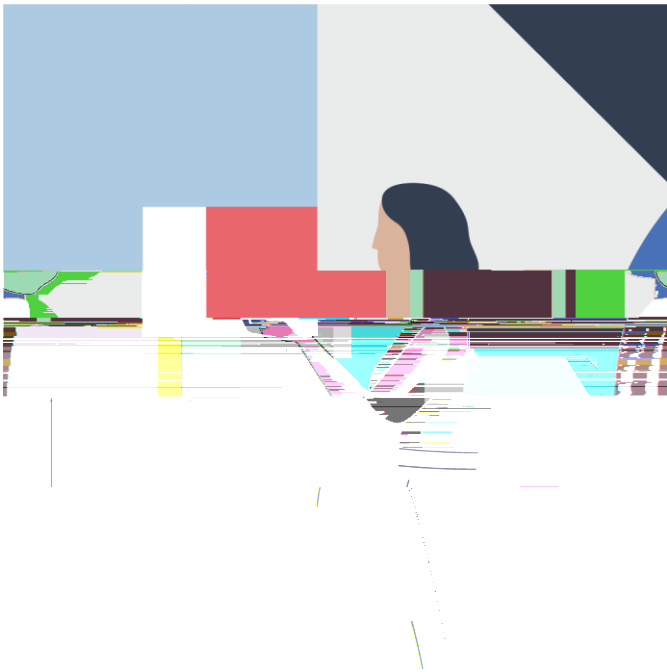


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Abbreviations

List of acronyms

| Acronym | Definition |
|---------|---|
| ASC-WDS | Adult Social Care Workforce Dataset |
| ASYE | Assessed and Supported Year in Employment |
| AP | |

Executive summary

Skills for Care is developing a national workforce strategy for adult social care to improve service delivery. Alma Economics was commissioned to provide costings for some of the proposed recommendations, including workforce training, digitisation, and wellbeing.

It is important to note that the policies proposed are not fully scoped. Therefore, the aim of this work was to provide high-level estimates of likely costs.

Recommendations

Digitisation

Recommendations:

Recommendation 1: Improving digital skills and expanding the use of technology and AI in adult social care

The adult social care workforce continues to lag behind the NHS in digital working, despite significant progress during the COVID-19 pandemic. As a result, adult social care is missing out on the benefits of digitisation, such as facilitating transitions of care, reducing admin costs, expediting discharges, and increasing the quantity and quality of care. To that end, there are proposals to (i) build on and develop the digital skills and confidence of the existing workforce, as well as attract people with expertise in Digital, Data, and Technology and (ii) improve access to and use of technology, data and AI.

Methodology

Our approach to calculating the returns on investment is underpinned by [HM Treasury Green Book](#) guidance and best practice for developing health and social care business cases. We conducted a review of evidence to explore potential digital technologies that could enhance adult social care services. We then identified case studies of technologies with evidenced cost-effectiveness. The costs and benefits of digital adoption were quantified for each case study and were aggregated to produce a range of estimates for each technology. This range of estimates was then used to calculate the return on investment and benefit-cost ratio for each type of technology.

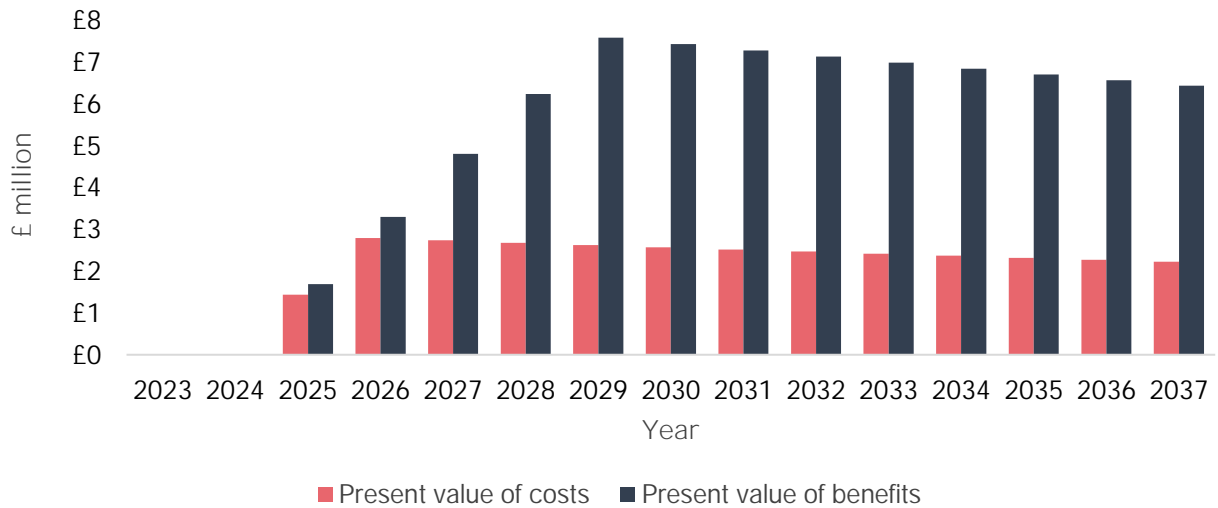
As previously mentioned, there is a wide range of benefits that could be gained from adopting digital ways of working in the adult social care sector. In particular, we identified four broad benefit areas:

- Financial savings and efficiencies accruing to care providers, such as

Findings

The results show that creating AP roles for OT and RNs would achieve a BCR of £2.5. In total, the recommendation would generate approximately £48 million of NPV between 2023-2037 and would allow 1,100 workers in OT and RN roles to remain in employment. As presented in Figure 2, the recommendation will produce higher benefits than costs from the first year of implementation. There will be no costs or benefits for the first two years, while OT and RN entering the system in 2023 gain 3 years of experience to qualify for AP roles.

Figure 2. Present value of costs and benefits of recommendation per year (2023-2037)



Health and wellbeing

Recommendations:

Recommendation 4: Promoting the existing NHS Health Checks

additional numbers of adult social care workers undergoing health checks, as calculated above (Public Health England, 2021).

The main impact of this recommendation is the improvement in wellbeing of workers receiving health checks, as found in the evaluation conducted by NHS England (2016). The evaluation shows how many QALYs are gained through health checks depending on the amount invested in health checks (approximately 1 QALY per £2,458, in 2008 prices).⁴ Health outcomes are typically measured in terms of quality-adjusted life years (QALYs) which can be quantified and monetised. QALYs represent the additional healthy years gained by individuals from an intervention and are monetisable by multiplying the QALY value with £70,000 as per HM Treasury Green Book guidance.

Findings

Promoting the take-up of the existing NHS Health Checks among the adult social care workforce would generate benefits. In particular, our analysis shows that every £1 spent in the sector would generate £2.4 in socioeconomic benefits. As shown below, the benefits outweigh the costs in all years between 2023-2037. In total, this recommendation would create approximately £105 million in NPV across the examined period.

Figure 3. Present value of costs and benefits of the recommendation per year (2023-2037)

absence, as well as offering independent advice on staff unable to work due to illness. The proposal is to extend the enhanced offering to social care staff by using the integrated care systems that promote local collaboration across health and care services.

Methodology

There is a lack of evidence in the literature specific to the NHS enhanced offering. As a result, both the costs and benefits of this recommendation were estimated using evidence from multidisciplinary preventive health and well-being interventions in the workplace, which are similar to the NHS enhanced offering. In particular, the delivery costs were calculated as the average of the costs per person quoted in [Mills, P. et al. \(2007\)](#) and [Knapp, M. et al. \(2011\)](#). The average cost was then multiplied by the number of workers in adult social care that would take-up this offering. To calculate the number of workers taking up the offering, we used the take-up rate of the NHS health checks (40%, see recommendation above for details).

Based on evidence from similar occupational health interventions, we expect one main benefit from this recommendation to be a reduction in absenteeism. The savings due to reduced absenteeism were calculated by multiplying the absenteeism reduction impact (0.36 fewer absenteeism days per month), by the average cost of one day absent (£299), and the number of adult social care workers taking up the offering. The absenteeism reduction impact was sourced from [Mills, P. et al. \(2007\)](#), while the cost of one day absent was calculated by dividing the cost of absenteeism per person per year by the number of sick days per adult social care worker ([Deloitte, 2020](#); [Skills for Care, 2023](#)).

Similar to the one above, this recommendation is likely to have a wider impact on the wellbeing of workers who take up the enhanced offer. For example, there is some evidence that occupational therapy and multidisciplinary health interventions in the workplace can improve the mental health and QALYs of employees ([Lambert, R. et al., 2010](#)). Moreover, according to evidence from [NHS England](#)

calculate the number of underpaid staff. We applied the incidence of underpayment to the care workers in domiciliary care settings, following discussions with SfC. We then used evidence from the [Resolution Foundation \(2023\)](#) showing that if we account for travel time of adult social care workers, they would be paid approximately 3% below the minimum wage. As a result, we used this as a proxy for the magnitude of underpayment for those 15% low-paid workers with earnings below the NLW.

Sector minimum wage: Stakeholders in adult social care have explored several alternative pay targets for the sector. As a result, we modelled the costs and benefits of introducing the following pay targets: (i) RLW; (ii) NLW +£1; and (iii) NLW +£2. To estimate the cost of such pay increases we multiplied the difference in pay between each target and current pay for all job roles and applied this to the affected population (i.e. any staff earning below the target). Both the current pay and the number of staff by job role were sourced from the ASC-WDS. It is important to note that we adjusted the ASC-WDS pay data to reflect the possible incidence and degree of underpayment mentioned above. As a result of this adjustment and following discussions with SfC, care workers in domiciliary care settings will need additional investment to reach each pay target compared to using the ASC-WDS earnings data. Finally, we also included the cost of additional pay increases for senior staff in order to maintain at least part of the wage differentials between seniority levels. In particular, we assumed that social workers with more than 3 years of experience would receive an additional £2 per hour, as discussed with SfC.

Introducing a national pay scale aligning to NHS Band 2 or Band 3: Research by [Community Integrated Care \(2024\)](#) suggests that the average support worker gets paid 10.3% lower than the average NHS Band 3 worker. Another proposal in the sector is increasing the minimum wage to match the pay of NHS staff in Band 3 (or Band 2). Given there is different pay within Band 3 depending on years of experience, we have calculated two different estimates, one aligning with NHS Band three for staff with under 2 years of experience, and one for those with 2 or more years of experience. The costs are calculated as described above.

It is worth noting that the model does not include the costs of producing and enforcing a new regulation. In addition, only part of the above costs would apply to public finances, as a significant share of adults receiving care are self-funders. As a result, we used data from the ONS showing the percentage of self-funders relative to all adults in care homes and community care settings to calculate the cost applicable to the Exchequer and self-funders (ONS [2023a](#), [2023b](#)). We applied the share corresponding to each care setting affected by the recommendation. For instance, if a pay target affected only care workers in care homes, we split the total cost based on the share of self-funders in care home settings.

Key benefits across the three recommendations are presented below. It is worth noting that the benefits are calculated over the total costs. As a result, the benefits are the same regardless of whether the cost applies to self-funders or public finances.

Increase in adult social care labour force: one of the potential benefits is an increase in the supply of adult social care workforce, including both recruitment and retention. There is no consensus in the literature

£3.6 billion per year, respectively (in 2023 prices). The respective total costs to public finances for each target would be £21.0 billion, £30.9 billion, £54.8 billion.

The table below summarises the results of our analysis for each pay target. In particular, we present the cost to public finances, savings, and the impacts on the adult social care workforce over the 15-year horizon of the workforce strategy. The results suggest that introducing any of the proposed pay targets would create benefits ranging from £4.8 to £10.4 billion over the examined period. The recommendations could also lead to recruiting at least 179,800 new social workers and help more than 296,300 social workers remain in employment across care work, support and outreach, and personal assistant roles.

As mentioned above, the impact of this recommendation will depend on how it will be implemented. Future work will need to consider the cost of producing a new regulation for the new sector wage as well as consider the implications of increasing the minimum wage in the social care sector on other sectors of the economy.

Table 2. Impacts on public finances by pay target, 2023-2037

| Pay target | Costs to public finances (m) | Savings (m) | People recruited | Wove |
|------------|------------------------------|-------------|------------------|------|
|------------|------------------------------|-------------|------------------|------|

per year to public finances and £2.3 billion to self-funders, while preventing approximately 850,700 adult social care workers from leaving their job

