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# Real Living Wage for Social Care Workers: Rapid Evidence Review



Mae'r ddogfen yma hefyd ar gael yn Gymraeg.

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## Real living wage for social care workers: rapid evidence review.

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Views expressed in this report are those of the researcher and not necessarily those of the Welsh Government

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# **Glossary**

## **Ancillary staff**

Ancillary staff are those who provide help within a care service but generally do not provide care to service users directly, such as cleaners or cooks.

## **Fair Work Wales**

Fair Work Wales is the commitment to ensure that working conditions in Wales are fair.

“Fair work is where workers are fairly rewarded, heard and represented, secure and able to progress in a healthy, inclusive environment where rights are respected.” (Fair Work Commission, 2019)

The Social Care Fair Work Forum brings together government, employers and unions in a partnership to work towards improving working conditions in social care.

## **National Living Wage (NLW)**

The NLW is the minimum wage for those aged 21 and over (as of 2024). Rates change every year on 1 April. At the time of writing the NLW is currently £11.44. In the year prior, the NLW was £10.18 for those aged 21-22 and £10.42 for those aged 23 and over.

## **National Minimum Wage (NMW)**

The NMW is the minimum wage for those of at least school leaving age. Rates change every year on 1 April. At the time of writing the NMW for Apprentices and those under 18 is currently £6.40 and £8.60 for those aged 18-20. In the year prior, it was £5.28 for Apprentices and those under 18 and £7.49 for those aged 18-20.

## **Real Living Wage (RLW)**

The Real Living Wage is an hourly rate of pay calculated by an independent body, called the Living Wage Commission. It is based on the cost of living and is paid voluntarily by employers.

The Real Living Wage is updated annually and there is an expectation that employers who commit to it should implement the new hourly rate within six months of the annual announcement. The Real Living Wage was increased to £10.90 in September 2022 and raised again to £12.00 in October 2023 (excluding London, which has a higher rate).

## **Revenue Support Grant (RSG)**

The RSG is funding provided to each local authority to spend on key services, such as social care, and is distributed according to a needs-based formula.

## **Scottish Living Wage**

This is the term used to describe the RLW implemented in Scotland.

## **Theory of Change (ToC)**

A theory of change is a tool used to depict the theory behind the policy and “how an intervention is expected to work in practice” to deliver its desired goals (HM Treasury, 2020). It helps to describe a policy, service, or programme, and provides important details about why an intervention is necessary, who it is intended to affect, how it will work, and what it will ultimately achieve.

A theory of change can be used to establish the theoretical basis for evaluations. By setting out the nature of the problem, what intervention will be delivered, and the impact we are expecting, this provides a benchmark against which we might judge a policy, service or programme’s implementation and effectiveness.

A strong theory of change will be based in evidence, which provides credibility for the key assumptions or mechanisms that explain how or why a particular intervention will result in the anticipated changes.

# **1. Introduction**

## **1.1 Overview**

This rapid evidence review aims to inform the development of a Theory of Change for the Welsh Government's policy to pay the Real Living Wage (RLW) to social care workers in Wales. It forms part of an implementation and impact evaluation of the policy.

The focus of the review was agreed by the Welsh Government, and covers:

- how have people put into place the RLW in the context of social care?
- what types of activities and resources has this included?
- what impact does increased/additional pay have on the social care workforce?
- what outcomes do employees being paid the RLW experience?
- what outcomes result or might result from paying the RLW?
- what outcomes do employers, the wider workforce and users experience?

## **1.2 Definitions**

The RLW is a non-statutory, independently calculated rate of pay, which seeks to calculate the minimum hourly rate of pay required to meet the costs of living. It takes into consideration the cost of living through public consensus to identify a wage that reflects the expenditure needs of low-wage families.

The rate is calculated annually by Resolution Foundation and overseen by the Living Wage Commission. The RLW has no formal basis in law, but employers can voluntarily become a RLW employer, by offering all staff over the age of 18 a salary commensurate with the rate set by the Living Wage Commission. In return, the employers receive accreditation as a RLW employer.

The RLW for 2023-24 has been set at £12.00 per hour outside of London and will be revised again in October 2024. Employers have six months to update their pay scales from the announcement of the latest RLW if they wish to retain their status as a RLW employer.

### **1.2.1 Note on Terminology**

In addition to the non-statutory RLW, there is a statutory minimum wage, set by the UK Government, and applied in Wales. It varies based on age:

- National Minimum Wage (NMW) (16 to 22 years of age): The NMW is the minimum wage rate of pay for young people aged 16 to 22. It varies by age and in 2023 is set at £5.28 per hour for 16 and 17 year olds, up to £10.18 per hour for 21 to 22 year olds. It is obligatory and the rates change every year in April.
- National Living Wage (NLW) (over 23 years of age): The NLW was introduced by the central government in March 2016 and is a continuation of the National Minimum Wage for all workers over the age of 23. From April 2024, the NLW will be extended to all workers aged 21 and above.

## **1.3 Developing a theory of change for the Real Living Wage for social care workers**

This rapid evidence review will inform the development of a Theory of Change for the policy on the commitment to pay the RLW to social care workers in Wales. The methods used to develop the Theory of Change include:

- a review of relevant documentation on the implementation and monitoring of the commitment to pay the Real Living Wage to social care workers in Wales
- this rapid evidence review of up to 40 scholarly, policy, and grey literature articles on the influence of salary on the social care workforce
- stakeholder interviews with eleven national strategic stakeholders to help identify inputs, activities, outputs and outcomes for the policy
- online workshops with Local Authorities and Health Boards in Wales to gather feedback on the drafted Theory of Change

This rapid evidence review provides broader insight into the impact of wage on social care workers and the wider social care system in the UK, as well as drawing on information from other similar policies such as that which has been implemented in Scotland. A review of relevant documentation and consultation with key strategic stakeholders will provide information specific to the policy in Wales. Feedback on the Theory of Change developed by these methods will also be sought through workshops with Local Authority and Health Board stakeholders.

These methods were developed and agreed in collaboration with the Welsh Government.

## **1.4 Evidence base**

This review draws on 40 sources. These included a range of peer-reviewed journal articles, other published articles, grey literature, and policy documents. The review protocol can be seen in [Annex A](#) and the bibliography is in the [reference section](#).

## **1.5 Overview of evidence base**

The commitment to pay the RLW for social care workers is a relatively novel policy and there are few examples of where this has been implemented in a similar context. Therefore, a range of literature was sought to gain insight more generally on the impact of pay on social care workers and the wider social care system. In particular, the example of the implementation of the Scottish Living Wage is discussed.

Although existing research provides insight into the implementation of similar policy and what the possible outcomes and impacts might be, there are some limitations of these findings:

### **1.5.1 Focus on residential care for older people**

Social care workers in Wales work in a diverse range of services, serving people with different needs and who receive their support in a myriad of settings. The research reviewed



for this report, however, often was primarily focused on residential care homes for older people.

### **1.5.2 Limited evidence about the causal relationship between wages and outcomes**

There are few quantitative studies which measure the relationship between changes in social care workers' wages and outcomes for the workers, sector, or service users. The evidence base is characterised by qualitative studies, often of relatively small sample sizes, and case study approaches.

### **1.5.3 Focus on the devolved Scottish Government's experience of implementing a wage policy for social care workers**

This is the most directly comparable policy to the Welsh Government identified within the literature. However, the policy context and precise implementation does differ, and therefore while it is an important point of reference, caution should be applied when drawing direct comparisons.

### **1.5.4 Limited studies from Wales**

The regulatory landscape for social care in Wales varies from the rest of the UK. There are few reports that were reviewed – particularly academic studies – which specifically focused on the challenges of low pay in the context of social care in Wales, or the relationship between low pay and outcomes.

## **1.6 Review structure**

The rapid evidence review is structured as follows:

- Chapter 2: Implementation of the Real Living Wage – this chapter outlines the rationale to increase wages for social care workers and discusses the policy implementation of a relevant example, the Scottish Living Wage.
- Chapter 3: Outcomes for social care workers – this chapter reports findings on the potential benefits of increased pay for social care workers and focuses on frontline staff financial rewards and feeling valued.
- Chapter 4: Wider outcomes for social care – this chapter highlights findings on the potential benefits and challenges of pay increases for the wider social care sector including employers, the wider workforce and service users.
- Chapter 5: Discussion – this chapter provides a discussion of the anticipated benefits and possible unintended negative impacts that the implementation of the RLW for social care workers may have in Wales. Contextual factors that may challenge the sustainability of the policy are also discussed.

## 2. Implementation of Real Living Wage

### 2.1 Why pay a Real Living Wage to social care workers

The rationale to pay social care workers a Living Wage is predominantly linked to the objective of making social care a more attractive sector of employment and improving recruitment and retention.

A range of studies identified that the social care sector across the UK is characterised by the use of low paid workers. This is true of a range of settings and services. An estimated 55,000 social care workers in Wales were paid below the living wage in 2022, including personal assistants ([Welsh Government, 2022](#)).

The social care sector also has one of the highest vacancy and turnover rates. For instance, in 2022, Social Care Wales's survey of the social care workforce found that almost one in 10 posts were vacant ([Social Care Wales, 2022](#)). A number of studies highlight that low pay is often reported to be the most common reason for difficulties in recruitment and retention (Moriarity et al., 2018; Mulholland et al., 2016, please see the [reference section](#)).

Other studies note that healthcare assistants and social care workers have differences in their pay and working conditions (with healthcare assistants often paid more), despite doing a similar job. As a result, the social care sector often loses staff to other sectors, such as the NHS, where the pay for a similar role is better (Werner, 2021; Evans, 2018, please see the [reference section](#)).

While low pay (overall and relative to other roles) is often cited as an important push factor that drives people away from the sector, it is not the only reason that people choose not to work in the social care sector. For example, social care staff also reported the lack of career progression (Moriarity et al., 2018). Other factors include shortfalls in local authority funding, competition with other sectors for the same staff and antisocial hours ([Mulholland et al., 2016](#)). Additionally, challenges such as changes to immigration policy following the UK's exit from the European Union reportedly also have reduced the pool of staff from which employers can recruit (Allen et al., 2022; Georgiadis and Franco Gavonel, 2021, please see the [reference section](#)).

However, this is not the only reason that employers and policy makers have decided to implement a Living Wage policy. The literature also identifies that it is often a matter of values (i.e. paying people at least a Living Wage because it is seen as the morally right thing to do), and that this justification is further strengthened by the experience of social care workers during the Covid-19 pandemic which was a particularly difficult time. Indeed, a wider study of RLW employers found that the key justification for signing up to be a RLW employer was based on values or mission (Heery et al., 2017).

## **2.2 Implementing a Living Wage policy**

### **2.2.1 Implementation by individual employer**

The evidence available about individual employers who have chosen to introduce a RLW policy includes a mix of studies which focus on social care providers (predominantly in England) and non-social care providers across the UK. It is important to note that these studies are focusing on organisations that have voluntarily introduced a RLW policy without external encouragement or support and therefore is less likely to be comparable to the situation in Wales.

Nevertheless, a study commissioned on behalf of the Living Well Foundation and Citizens UK found that for the most part “organisations are not having to make large-scale changes as a result of Living Wage accreditation” and that the vast majority of organisations have “managed to absorb the higher costs without making any major changes to the wider work practices” (Heery et al., 2017).

A minority of employers had made changes in employment practices to accommodate becoming a RLW employer: for example, one in three employers made changes to preserve wage differentials; roughly one in five employers introduced a new pay structure entirely; and roughly one in six employers increased staff responsibilities for those being paid a Living Wage (LW) (Heery et al., 2017).

There is reason to be sceptical of the generalisability of other sectors’ experiences directly onto social care because other businesses are likely to have much greater flexibility to raise their prices than social care providers, whose funding is tied into local authority commissioning.

There is also likely to be a material difference between organisations choosing proactively to become a RLW employer and the situation in Wales where providers are being asked to pay an RLW. Employers who choose to become a RLW employer can do so at a moment of their own choosing, when they feel financially and organisationally prepared, whereas in Wales care providers are being asked to change within a very specific timeframe.

## **2.3 Implementation at a sector level**

### **2.3.1 Implementing a Living Wage for social care workers in Scotland**

In 2016, the Scottish Government announced its intention to implement a LW for social care workers in Scotland. This announcement was made after a long period where the Scottish Government had been exploring how to use public procurement to advance social objectives, in this case to use the procurement process for promoting the work conditions of social care workers (James et al., 2021).

Initially, the Scottish Government had explored putting a legal condition in that all social care providers commissioned via public funding must pay its workforce a LW. Initially it sought to achieve its goals through a legislative process, via the unsuccessful amendment to the Procurement Reform Act Scotland, to add the LW as a requirement of all public commissioning authorities.

However, because the NLW is a non-devolved matter and, under EU law, commissioners could not make payment of the LW a mandatory condition, the Scottish Government introduced the policy without a legal framework through so-called 'soft regulation'. This involved a mix of guidance, regulation, and voluntary agreements negotiated by the devolved Scottish Government, local authority commissioners and their providers (Cunningham et al., 2022; Cunningham et al. 2018; James et al., 2022, please see the [reference section](#)).

It put into place The Fair Work Framework, which spelt out that public commissioning authorities ought to have consideration for bidders' approach to reward, training and other staff matters (Cunningham et al., 2018).

Within this context, in 2016 the Scottish Government and the Confederation of Scottish Local Authorities (COSLA) also jointly agreed that frontline care staff working on publicly funded adult social care should be paid at a minimum the Scottish Living Wage (SLW), then set at £8.25 per hour, with effect from 1st October of that year.

To help with this, a total of £56m was provided by the Scottish Government to fund the change in salaries, distributed to the local authorities. It was left to providers and local authority commissioners to negotiate changes to fee rates to reflect the new costs of staff. It should also be noted that to pay for the cost of the LW, guidance was explicit that providers were expected to contribute towards the uplift in salary to SLW.

## **2.4 How effectively was the policy implemented?**

Despite the lack of legal teeth, there is little evidence that providers did not move towards wide-spread payment of the SLW, and equally limited evidence that the cost of such increases were offset by weakening other terms and conditions. In this context, implementation can be broadly considered as effective.

What made the policy effective, studies argued, is that local authorities hold a central position in local markets, which gives them strong market shaping powers to encourage adoption of LW, even when there is not sufficient funding made available to cover the whole cost of the policy (James et al., 2021).

Furthermore, in many respects the policy found a receptive audience in social care providers, who recognised that low pay is an issue, and both on value and pragmatic recruitment and retention grounds were willing to support the policy, even though they could not technically be compelled to do so.

Although the implementation process was deemed largely successful, there were a number of practical critiques of the approach. These included:

### **2.4.1 Effective budget planning**

At the time of COSLA and the Scottish Government's agreement that the SLW should be paid to all frontline staff, there was no cost analysis of how this affected local authorities differently depending on their commissioning practice. Further, by unilaterally agreeing that providers would make a contribution, the policy was never funded at the level required to

cover the whole cost. As a result, providers reported significant variation in how the policy was implemented and the generosity of funding (Cunningham et al., 2022; James et al., 2021).

#### **2.4.2 Varied local approach to negotiation**

Some places consulted collectively, others made agreements on a case-by-case basis. There were challenges for providers operating in multiple areas that arose from the different approaches that different local authorities alighted on, and the variable processes and timescales for making changes. Uncertainty around funding values and timings also made implementation difficult initially (Cunningham et al., 2022; James et al., 2021).

#### **2.4.3 Approach to monitoring**

Some authorities effectively did not monitor the policies implementation and others monitored payment through visits by quality assurance officers and spot checks (James et al., 2021). As a result, evidence that the funds reached the intended audience is less strong than it might have been.

#### **2.4.4 Sustainability**

Lastly, studies raised concerns about the sustainability of the policy. It was noted that without funding for the policy, as the Living Wage increases without commensurate uplifts in support, providers will be required to pay a larger and larger sum to cover the costs. Other reports have observed the same dynamic with the legally enforceable NLW ([Bottery, 2020](#)) as providers have been squeezed by wage pressures. The studies warn of the potential that either providers become unable to deliver publicly commissioned care contracts or choose not to pay the LW to all employees.

### 3. Outcomes for social care workers

This section outlines evidence on outcomes associated with pay increases, with a focus on social care workers.

#### 3.1 Note on terminology

- outputs are the things that the policy or intervention delivers
- outcomes are the immediate and medium-term changes resulting from the policy or intervention
- impacts are the higher level and longer-term results of the policy or intervention

#### 3.2 Improved rates of pay

The first and clearest outcome for social care workers is an increase in the base rate of pay, which results in frontline social care workers receiving an increase in their salaries.

There is evidence from a range of studies examining different policy choices. Whether the policy is implementing a sector-wide floor such as in Scotland (Cunningham et al., 2022; James et al., 2021); increases in the NLW (Vadean and Allan, 2021) or individual employers adopting the RLW (Werner, 2021), each policy has resulted in an improvement in the financial rewards received by staff.

This suggests that whether or not paying additional salary is legislated for (e.g. NLW); strongly encouraged (SLW) or voluntary (RLW), the effect is similar that employees see a benefit.

The scale of the financial benefits varies across different social care settings and is a reflection of the number of staff who were being paid below the RLW (or below the new lowest salary rate). For example, some domiciliary care workers experienced particularly large increases when their employer volunteered to become a RLW employer because they increased their hourly rate and the rate of pay for travel time up to the RLW. The increase in pay for travel time was particularly significant for these workers based in the UK (Werner, 2021). In Wales, homecare workers are entitled to at least the NMW or NLW for time worked, including travel time, however this may be calculated on average ([Unison, Care workers: your rights](#)).

Outcomes vary by setting, but also by gender. Several studies highlight that the social care workforce has an overrepresentation of women, including in frontline social care worker roles. In 2022, Social Care Wales (2022) reported that 82% of the workforce are female, and by extension it can be suggested that any increase in the wages of social care workers is likely to be largely accumulated by women (Charlesworth, 2015, for example in New Zealand, Australian and Scottish contexts).

### **3.3 Mixed evidence on impact of wage increases on contract type and hours worked**

The relationship between increased wages and working hours is complex, and evidence is mixed about the extent to which financial benefits that accrue from a salary increase are offset by voluntary or enforced changes to hours.

Three studies, focused on the implementation of NLW in the UK, draw slightly differing conclusions about the policies impact on social care workers' hours.

Vadean (2021) suggests that, in some cases such as residential and domiciliary care establishments, the NLW accompanied an increase in the proportion of staff working on Zero-Hour contracts. The authors speculate this is likely to be a short-term response to "keep labour input more flexible".

Gardiner (2021), by comparison, reports that there is no evidence that working hours have been reduced to offset NLW costs. The authors argue that, based on analysis of the National Minimum Data Set for Social Care (NMDS-SC) gathered by Skills for Care, the average hours for workers previously paid below the NLW have risen very slightly faster than the increase in hours for higher-paid workers. Werner (2021) highlights that paying additional wages means that some staff can afford to choose to work fewer hours, for instance, to spend more time with family. It is unclear what proportion of staff would make such a choice. This may be particularly pertinent, given the overrepresentation of older workers and female workers, who may take on non-paid care giving roles (Larkin, Henwood and Milne, 2018).

### **3.4 Staff feel more valued**

The relationship between pay and satisfaction in work is well established, in social care and in the wider workforce, and therefore it is not surprising that research that examined the outcome of paying a living wage to social care workers identified that this has led to an increase in staff reported satisfaction.

The perception by staff that there is an "imbalance in effort and reward (e.g. in pay levels) has been linked to increased stress, which has been found to be an important factor in job satisfaction and in intention to leave" (Stevens et al., 2021). Therefore, it stands to reason that addressing this imbalance through higher wages should improve staffs' feelings of satisfaction.

Studies of the implementation of the RLW in England support this, such as Werner's report (2021), which was produced on behalf of the Living Wage Foundation. Interviewed social care workers reported that being paid a Living Wage made them feel more valued.

Providers interviewed in the same study reported similar conclusions, suggesting that they felt their staff had responded positively to being paid the RLW and that this was evident in improved retention (discussed further in Section 4).

### **3.5 Mixed evidence on staff motivation and performance**

An area of some debate was the extent to which improved motivation was a driver of improved personal performance at work. As discussed further in Section 4, there is some evidence to suggest that there is a relationship between wages and quality (Allan and Vadean, 2023).

However, certain studies argue that what motivates social care workers is often an intrinsic desire to do well by their service users, and therefore pay may be important, but other factors such as supportive management and funding of services are more likely to result in improvements in performance (Stevens et al., 2021). This is reflected in comments made by social care workers who highlighted that they would always try their best irrespective of the salary (Werner 2021).

Nevertheless, employers did link the question of morale to staff's ability to give good quality of care (Werner, 2021).

The extent to which care quality is being impact by wage setting policy is discussed further in Section 4.



## **4. Wider outcomes for social care**

### **4.1 Outcomes for social care employers**

#### **4.1.1 Recruiting social care workers**

The evidence about whether or not paying a RLW across social care will improve or resolve recruitment challenges of frontline social care workers is mixed. There are a number of studies which indicate a connection between higher pay, and likelihood that employers will successfully recruit and retain staff. However, evidence of employers from a range of industries and studies of the Scottish experience in social care would appear to suggest impact is limited, and the pay increases may not be sufficient to move the dial on recruitment and retention (Cunningham et al., 2022; Heery et al., 2017).

Studies highlighted the view of social care employers that an improvement in the wages of social care workers should reinforce their efforts to recruit and retain the staff that they need (James et al., 2021). The following quote in Werner (2021), made by a care provider, is typical of the logic that low pay is a reason that people can be recruited or will not stay working in social care, and therefore it is necessary to pay them more.

“Everything comes back to the quality of your frontline care workers. And their reliability and our ability to recruit them and retain them is in no small part, not entirely, but in no small part based on the levels of remuneration.. but overall, it’s worth it because it gives them that peace of mind, it gives them that economic security, which in turn helps with our retention and with our recruitment too and it helps. And anything that slows the churn rate means that we then are able to provide a more reliable, consistent level of service.”

Other studies highlighted the positive reputational benefits that employers seek by being a RLW employer ([Mahmoudi et al., 2022](#)). In Wales, where all social care employers will be asked to pay the RLW, we can assume that employers will not achieve a positive competitive benefit between social care employers, but there may be the possibility that the sector as a whole is regarded more positively as a result.

A study by Heery et al. (2017) which surveyed a variety of RLW employers (not limited to the social care sector) found that there were a variety of experiences in relation to the extent to which paying the RLW improved recruitment and retention, with just over a third reporting that it had made a “major” or “moderate” difference – the majority reported it had not made a difference. The authors indicate that the identification of Human Resources benefits (including recruitment and retention) were more likely to be reported by low-wage industries (retail, hospitality, construction, entertainment and public sector) and organisations which had a larger proportion of people who benefited from the uplift, however they do not specify social care.

This is further reinforced by studies of the Scottish experience of implementing a LW for social care, which was found not to have achieved a positive impact on recruitment and retention. Critically, it was reported that the move to pay a LW did not represent a sufficiently significant increase in pay to improve perceptions of the social care sector, and

social care providers reported that they still felt that they were unable to compete with other sectors.

“The level of the SLW, as well as the sizes of the pay increases it generated, were insufficient to significantly change the dynamics surrounding the conditions of care work. Providers continued to compare care work unfavourably with other competing sectors in the economy.” (Cunningham et al., 2022)

#### **4.1.2 Recruiting and retaining team leaders**

One area that the literature agrees on more strongly, is that raising the salary floor has placed pressure on employers in relation to pay differentials between frontline staff and team leaders.

It highlights that, due to the pay gap closing between staff of different levels, the incentives for senior staff are eroded. As one provider summarised, staff are left in the position of thinking that there is no great benefit to progressing within social care.

“Because there’s been nothing in terms of differential, there’s a whole thing about morale, with people in management levels saying ‘why am I managing for effectively the same money or very little difference?’” (Cunningham 2022)

This is particularly a challenge due to the relative attractiveness of NHS social care roles, in terms of higher rates of pay and opportunities for progression (Evans, 2018).

Several studies were clear that the reason for pay differentials being eroded, whether by NLW increases or RLW, is that providers are not in a strong position to negotiate for funding to cover the increased costs of staff.

However, there is little quantitative evidence to support this concern, and so the scale of the challenge that it causes it is not clear.

#### **4.1.3 Financial cost of the RLW and market stability**

The greatest challenge for employers paying the RLW are the financial pressures of increasing pay without sufficient funding (Low Pay Commission, 2016).

In the example of Scotland, while additional funding was provided by the Scottish Government, an assessment of the variable financial impact on providers was not carried out, and the process for distributing additional funds lacked consistency between places and did not cover the basic cost of the increase, and certainly not the additional knock-on costs to pay differentials (Cunningham et al., 2018; James et al., 2021, please see [reference section](#)).

Multiple studies highlighted that the period of austerity since the early 2010’s has led to reductions in funding for social care relative to the needs, and as such there are strong downward pressures on the price that social care providers can negotiate with local authorities (Cunningham et al., 2022; Moriarty et al., 2018).

Without recourse to additional public funds, and in the context of funding scarcity, there is the potential for a larger and larger financial burden falling directly onto providers. Some authors suggested that this increased the likelihood of providers returning financially unviable contracts to the local authority, undermining any intentions improve the stability of the care market (Cunningham et al., 2022; Moriarty et al., 2018).

## **4.2 Outcomes for Service Users**

The literature available on the link between wages and outcomes for service users, such as quality of care (see example: Allan and Vadean, 2023; Heery et al., 2017) was somewhat mixed. For example, one study identified that wages positively impact on care home quality ratings in England, from which we might anticipate that an increase in the floor rate of payment may make a positive difference (Allan and Vadean, 2023).

However, other studies, such as the survey of LW employers (not limited to social care) suggested fewer than a quarter of respondents felt that paying the LW was of “major” or “moderate” significance to improving the quality goods of services they provided (Heery et al., 2017).

This also corresponds to evidence discussed by Werner (2021), which suggested that social care workers themselves did not strongly link increased pay to additional effort or performance, highlighting the intrinsic motivation rather than financial benefits as key drivers.

Lastly, we may consider that, if recruitment and retention have been improved by paying the RLW (which is at the very least contested in the literature), then we might reasonably expect to see an improvement in the continuity of care. However, the evidence for this in the literature is lacking. No evidence was found to suggest that higher wages resulted in negative outcomes for service users.

## **5. Discussion**

### **5.1 Overview**

Studies illustrate that the Welsh Government is taking a novel approach to raising the floor of salaries for social care workers, with the Scottish example the only close direct comparator. This means that there is a degree of uncertainty about what the impact of this policy is likely to be.

Nevertheless, there are lessons from the literature that can be drawn from studies of the Scottish Policy, but also individual social care employers' experience of applying the RLW and the sectors' experience of the introduction and subsequent increases of the NLW, which both provide a degree of comparability.

### **5.2 The likely positive impact of a RLW for social care workers**

The central lesson of relevance to the Welsh Government is that, by promoting a higher wage threshold, it is highly likely that social care workers paid below the RLW will experience an uplift in salary.

The Scottish experience has demonstrated that, even when providers are asked to make a voluntary contribution to a salary increase, they are highly likely to follow the directive. Therefore, it is likely that providers in Wales will do the same and workers will receive an uplift, even without the legislative teeth required to make policy into hard legislation, as local authorities have a strong market shaping role through which to drive changes.

There is some mixed evidence about the extent to which financial benefits for individuals of increased pay may be offset by losses elsewhere (such as weakening of other terms and conditions; limiting hours; etc.) as providers may reduce hours, for example, to mitigate costs. However, broadly speaking, the evidence suggests that salaries are increased.

The Welsh Government can anticipate certain benefits to the individuals who have received an increase in pay, including personal financial wellbeing and greater work satisfaction. This may lead to improved performance, although the relationship between pay and effort was somewhat contested.

While there are likely to be benefits at the level of the individual, the evidence available suggests that the likelihood of significant improvement in recruiting and retaining the frontline workforce may be unlikely. The jump to RLW may be insufficient to significantly move the dial on the sectors competitiveness or attractiveness relative to other sectors. The extent to which the policy leads to improvements in recruitment and retention of social care staff, and in turn continuity of care, would likely determine whether service users benefit.

### **5.3 Possible unintended (negative) consequences of a RLW for social care workers**

While the literature is broadly positive about the impact of raising the minimum rate of pay to social workers, it does highlight that there are a number of challenges that have played out in Scotland and more widely as the NLW has increased.

The key challenge is that raising the floor has resulted in 'bunching' of salaries at the lower end of the pay scales, with many social care employers ultimately finding that they cannot maintain pay differentials between roles. This is especially true when additional funding to meet (a proportion of the) costs of salaries is not sufficient to cover employees who were already earning above the floor rate.

The literature is unclear about the scale of this problem, but it does seem to suggest that the policy of paying the RLW without increasing other staff pay means that the recruitment and retention challenge is displaced from frontline staff to first-line managers, as limited pay progression make jobs unappealing for staff seeking progression opportunities and who may look to the NHS or other sectors for better opportunities.

### **5.4 Contextual factors which may challenge the sustainability of paying a RLW to social care workers**

Many made the link between the progressive objective of improving salaries for social care workers whilst at the same time there has been a reduction in funding for local authorities, which mean there is less resources available to pay for salary increases.

In Scotland, where the most comparable policy to date was implemented, research noted that despite the absence of both 'hard' legislation to enforce the LW and sufficient funds to cover the costs, employers did adopt the LW (Cunningham et al., 2022).

Nevertheless, it raises a question about how much of the cost providers can sustainability bear. While this question is not fully explored in the literature, the recent rapid rises in RLW due to inflation, does pose a question about how much funding will be required to support providers before they start to consider handing back contracts.

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## **7. Annex A – Search Protocol**

### **7.1 Overview**

The aim of this evidence review is to inform the development of a Theory of Change (ToC) for the RLW for social care workers in Wales. The review will help to root the ToC in evidence and help to inform process and impact evaluation.

We understand that there is extensive literature on the impact of pay on workforce recruitment, retention, and performance which will help to identify the possible outcomes and impacts of paying the RLW to social care workers, including the causal linkages and theoretical assumptions. The search seeks to answer the following questions:

- how have people put into place the RLW in the context of social care?
- what types of activities and resources has this included?
- what impact does increased/additional pay have on the social care workforce?
- what outcomes do employers and employees experience?
- what outcomes result/might result from paying the RLW?
- how does increased/additional pay impact outcomes?

### **7.2 Search Terms**

We will search for each primary term in combination with each of the secondary and tertiary terms until all combinations have been carried out (e.g. 'Real Living Wage' + 'Social care' + 'Impact'; 'Real Living Wage' + 'Social care' + 'Motivat\*').

Please note (\*) indicates that the search will include multiple suffixes e.g. motivate, motivation, etc

Primary search terms:

- Real Living Wage
- Living Wages
- pay

Secondary search terms:

- social care
- care work\*
- social services

Tertiary search terms:

- impact
- motivat\*
- perform\*
- recruit\*
- retention

- effect

### 7.3 Inclusion criteria

The following inclusion criteria will be used when selecting the evidence to review:

- focused on implementation of paying the Real Living Wage and impact and outcomes of pay on employees and employers in the social care sector
- published in English
- publication date:
  - from 2015 to current
  - earlier publications (only if presented with a shortage of good quality studies)
- countries (in order of priority):
  - undertaken in UK
  - any other high-quality studies in English
- literature type (in order of priority):
  - meta-analyses and systematic reviews
  - RCT/QED studies
  - other academic research
  - policy reports and grey literature
- articles which are publicly available or can be access via 'DeepDyve' (see: <https://www.deepdyve.com/>) which gives Cordis Bright access to a selection of journal articles. If articles are considered to be particularly relevant but are not available via DeepDyve we will pay to access them or contact authors directly.

### 7.4 Sources

To capture the most relevant research and 'grey literature' (e.g. policy papers, research by VCSE and public sector agencies, etc.), we will conduct a full search (outlined above) using DeepDyve and supplementary pragmatic searches in Google/Google Scholar to help identify any additional documents. We recognise that some of the most relevant literature will pertain to the Scottish experience of implementing similar but different changes – we will capture these through the grey literature.

We will limit each search to the first 20 results.

We will include up to 40 of the most relevant articles in the final review, prioritised on the basis outlined above. We will share the proposed bibliography of sources with you to ensure that there are no key documents that you are aware of that have been missed and to agree the final list, before we begin the review.