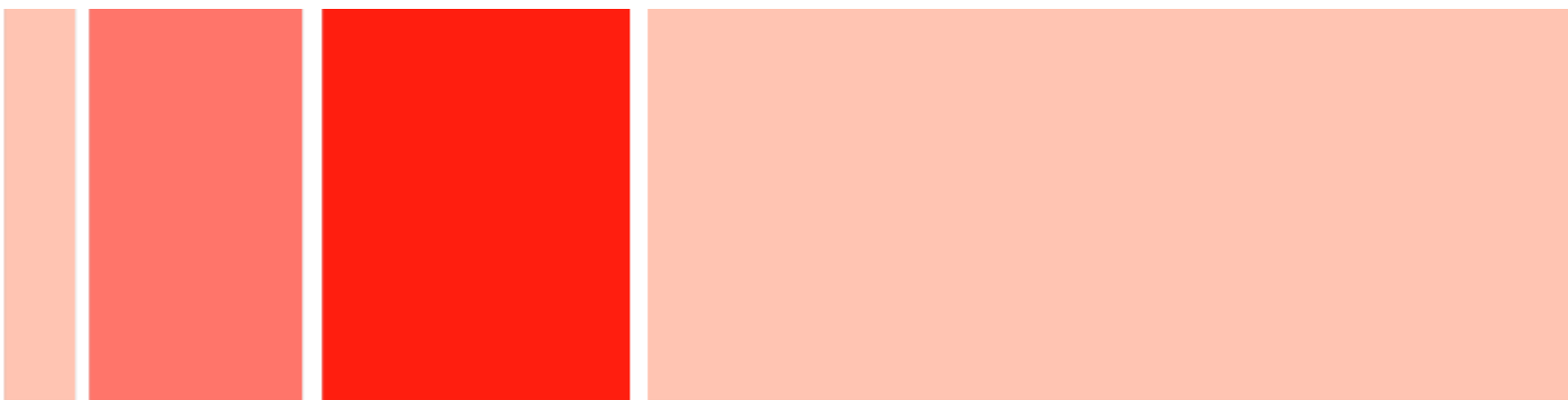


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Real Living Wage for social care workers: Theory of Change



Mae'r ddogfen yma hefyd ar gael yn Gymraeg.

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Real Living Wage for social care workers: Theory of Change

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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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Table of contents

Glossary.....	5
Ancillary staff.....	5
Fair Work Wales.....	5
National Living Wage (NLW)	5
National Minimum Wage (NMW)	5
Real Living Wage (RLW).....	5
Revenue Support Grant (RSG)	5
Scottish Living Wage.....	5
Theory of Change (ToC)	6
1. Introduction	7
1.1 Overview	7
1.1.1 About the Real Living Wage for social care workers.....	7
1.1.2 What is the Real Living Wage?	7
1.2 Approach to developing a Theory of Change	8
1.2.1 A project launch meeting	8
1.2.2 A review of relevant documentation.....	8
1.2.3 Interviews with 11 key stakeholders.....	8
1.2.4 Rapid review of academic and policy literature.....	8
1.2.5 Workshops with commissioners from local authorities and health boards in Wales	9
1.3 Report structure	9
2. About the Real Living Wage for social care workers in Wales	10
2.1 Overview	10
2.2 Context.....	10
2.3 Rationale: why is paying the RLW to social care workers in Wales needed?	11
2.4 Scale of low pay in the Welsh social care sector.....	11
2.5 Lack of recognition and reward	11
2.6 Difficulties with recruitment and retention of staff	12
2.7 Aims of the Real Living Wage policy	13
2.8 Who is the policy aimed at?.....	14
2.9 How will the RLW be delivered?	14
2.9.1 Inputs.....	14
2.9.2 Financial resources.....	15

2.9.3 Legislative position of RLW.....	16
2.9.4 Non-financial resources	16
2.10 Key deliverables	16
2.10.1 Phase 1: initial implementation (2022-23).....	16
2.10.2 Phase 2: continued implementation (2023-24):	17
2.10.3 Evidence from relevant literature	18
2.10.4 Monitoring implementation	18
2.10.5 Gaps in data collection.....	19
2.11 What will paying the RLW to social care workers in Wales achieve?	19
2.12 Outcomes and impacts for social care workers	20
2.12.1 Workers receive higher pay	20
2.12.2 Improved morale among social care workers	20
2.12.3 Greater recognition of the value of social care work by the sector.....	20
2.12.4 Less in-work poverty	20
2.12.5 Improved health and wellbeing	20
2.12.6 Evidence from the literature	21
2.13 Outcomes and impacts for the wider system.....	22
2.13.1 Retain current social care professionals in the workforce	22
2.13.2 Attract more people to work in the social care sector.....	22
2.13.3 Improved reputation of social care careers as desirable and attractive professions	22
2.13.4 Greater efficiency due to reduced costs associated with high employee turnover	23
2.13.5 Improved quality of social care service provided to users.....	23
2.13.6 Benefit to local economies	23
2.13.7 Evidence from the literature	23
2.14 Possible negative or unintended consequences	24
2.14.1 Reduced pay differentials	24
2.14.2 Potential problems around benefit top ups.....	25
2.14.3 Costs falling on providers.....	25
2.14.4 Increased costs for privately paying service users.....	25
2.14.5 Increased shortage of ancillary care workers and staff not eligible for the RLW	25
2.15 Implementation progress	26
2.16 Key achievements and milestones	26
2.17 Implementation challenges.....	26

2.17.1 The RLW is not enforceable	27
2.17.2 Eligibility for the RLW	27
2.17.3 Inflationary pressures on local authorities	27
2.17.4 Border issues in implementing the RLW policy	27
2.17.5 Disadvantaging providers that already pay the RLW	27
2.17.6 Lack of data available on the payment of the uplift	28
3. Theory of Change	29
3.1 Theory of change for the Real Living Wage for social care workers	29
3.2 Theory of Change for the commitment to pay the Real Living Wage to social care workers	29
3.2.1 Why	29
3.2.2 Who (evidence-based assumptions)	30
3.2.3 How (based on 2023-24)	30
3.2.4 What will the policy achieve?	30
3.2.5 Assumptions	31
3.2.6 External factors	31
3.2 Key assumptions	31
3.2.1 Assumption 1: The RLW pay rate is high enough to create change in the social care sector	32
3.2.2 Assumption 2: Improved staff retention will result in better care	32
3.3 External factors	33
3.4 Areas of uncertainty within the Theory of Change	33
3.4.1 Monitoring the distribution of funds	33
3.4.2 Expected scale of improvements in the short, medium, and long-term	33
3.4.3 Universality of impact across Wales	34
3.5 Outcomes for social care workers	34
4. Annex A: Reference list of reviewed programme documentation	36
5. Annex B: Rapid evidence review	38
5.1 Overview	38
5.2 How have people put into place the RLW in the context of social care? What types of activities and resources has this included?	38
5.3 What impact does increased/additional pay have on the social care workforce? What outcomes do employees being paid the RLW experience?	39
5.4 What outcomes result/might result from paying the RLW? What outcomes do employers, the wider workforce, and users experience?	39

5.4.1 Employers.....	39
5.4.2 Service users	40
6. Annex C: Academic literature bibliography.....	41
7. Annex D: Insights from commissioner workshops.....	44
7.1 Introduction.....	44
7.2 Rationale and aims.....	44
7.2.1 Qualification and registration requirements.....	44
7.2.2 Terms and conditions of care roles.....	44
7.2.3 Providers already paying the RLW and above.....	45
7.3 Who will be affected	45
7.4 Outcomes for the wider care system	45
7.5 Implementation	45

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 to 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 to 20. In the year prior, it was £5.28 for Apprentices and those under 18 and £7.49 for those aged 18 to 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

The Welsh Government has commissioned Cordis Bright to provide an independent evaluation of the implementation and impact of its policy commitment that social care workers in Wales should be paid the Real Living Wage.

This report includes a theory of change for the Real Living Wage (RLW) for social care workers policy. It also includes emerging findings regarding the implementation of the policy.

This evaluation is organised into three stages: theory of change development; process evaluation, and impact evaluation. The timeline for the evaluation was:

- Phase 1: Theory of change development between January to May 2024.
- Phase 2: Process evaluation between January to August 2024
- Phase 3: Impact evaluation between September 2024 to August 2025

1.1.1 About the Real Living Wage for social care workers

Paying social care workers the RLW was a key pledge in the [Programme for Government 2021-26](#), in line with the [Wellbeing of Future Generations \(Wales\) Act 2015](#) (Morgan, 2021; Welsh Government, 2022a; Welsh Government, 2023a, please see the [reference section](#)).

The Welsh Government committed to providing additional financial resources required to bridge the gap between the National Living Wage and the RLW to enable social care workers to receive at least the RLW in March 2022 ([Welsh Government, 2022a](#)). This includes all registered workers in care homes and domiciliary care in both adults and children's services; registered domiciliary care workers in supported living settings; and all personal assistants funded through a local authority direct payment ([Welsh Government, 2022a](#)).

The RLW policy represents an ongoing commitment from the Welsh Government. The policy was first introduced from April 2022, with the intention for workers to receive their first uplift by June 2022. Similarly, in 2023 funding was made available from April with workers expected to receive the pay increase by June ([Welsh Government, 2022a](#)). Since then Welsh Government has continued to meet the cost to uplift to the RLW.

1.1.2 What is the Real Living Wage?

The RLW 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 RLW 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 RLW was increased to £10.90 per hour in September 2022 and raised again to £12 per hour in October 2023 (excluding London, which has a higher rate).

1.2 Approach to developing a Theory of Change

This report and theory of change have been developed in collaboration between Cordis Bright and the Welsh Government. It is based on research activities, including:

1.2.1 A project launch meeting

An initial project launch meeting was held between Cordis Bright and the Welsh Government to discuss the project's key objectives and priorities.

1.2.2 A review of relevant documentation

Documentation about the RLW policy was reviewed, including documents which outline the original policy intent, the rationale, the planned approach to implementation, and details of the progress to date. A full list of the reviewed documentation can be viewed at Annex A.

1.2.3 Interviews with 11 key stakeholders

Interviews were conducted between February and March 2024 with eleven stakeholders, each of whom holds a position providing a national perspective on the development and implementation of the RLW for social care workers policy commitment. Stakeholders included representatives from:

- Welsh Government
- National Commissioning Board
- Welsh Local Government Association
- Unison trade union
- Children's Commissioning Consortium Cymru
- Care Forum Wales

1.2.4 Rapid review of academic and policy literature

A targeted review of the available academic and policy literature was conducted, with a focus on the research questions, which were:

- 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 or additional pay have on the social care workforce?
- what outcomes do employees experience?
- what outcomes might result from paying the RLW?
- what outcomes do employers, the wider workforce, and users experience?

A total of 40 reports were included in the review. Key messages can be seen in [Annex B](#) and the full bibliography reviewed in [Annex C](#). Findings of the evidence review have been used to compliment primary evidence from documentation and interviews about the likely impact of the policy, and the factors which may influence its efficacy.

1.2.5 Workshops with commissioners from local authorities and health boards in Wales

The draft Theory of Change was sense checked with commissioners via four online workshops carried out in early May 2024. Commissioners from all 22 local authorities and 7 health boards were invited to attend. A total of 21 commissioners attended, including 17 commissioners representing 15 local authorities, and 4 commissioners representing 3 health boards. This resulted in attendance from 68% of local authorities, and 57% of health boards.

Their views have been incorporated into this report and a full analysis is presented in Annex D: Insights from commissioner workshops.

Findings from the workshops relating to commissioners' reflections on the impact of the RLW policy to date will be reported in the evaluation report.

1.3 Report structure

The remainder of the report is structured as follows:

Chapter 2. About the Real Living Wage for social care workers: An overview of the policy, including the background and rationale, the inputs and activities, and the intended impact and outcomes. A brief summary of progress highlights is also provided.

Chapter 3. Theory of Change: A Theory of Change and logic model for the RLW for social care workers policy, including key assumptions.

2. About the Real Living Wage for social care workers in Wales

2.1 Overview

This chapter summarises the key components of the Welsh Government's policy to pay the RLW to social care workers. It outlines the policy background, aims and rationale; how it will be implemented; and the intended impact and outcomes.

It also includes initial findings regarding the implementation of the policy to date.

This chapter is based on a review of policy documentation provided by the Welsh Government, consultation with key stakeholders and the review of academic and policy literature.

2.2 Context

Paying social care workers in Wales the RLW responds to a long-standing and widely recognised need to pay social care workers better and fits into a wider policy agenda in Wales that is concerned with fair work ([Fair Work Commission, 2019](#)). The Welsh Government's Fair Work policy agenda is primarily driven by the principles of ensuring workers are fairly rewarded, represented, and secure within a healthy and inclusive working environment where rights are respected.

The RLW policy is just one plank of this agenda, which is focused more broadly on ensuring that all organisations which receive public funds have consideration for supporting fair work practices.

Stakeholders identified that, in the context of challenging fiscal conditions for local authorities and rising costs in social care, the sector was unlikely to be able to deliver higher salaries to staff without intervention by the Welsh Government.

One stakeholder, described:

“Social care is a very expensive part of local government’s expenditure and the view was that local government would not be able to afford to raise its rates sufficiently to afford [the RLW] without significant impacts on its other responsibilities.” (Key stakeholder)

Improving the financial reward for social care workers should also be placed within a wider context of professionalisation within the social care workforce. The Welsh Government has implemented a range of policies, including professional registration, and supporting on-going professional development, as part of a wider agenda to enhance the skills and the standing of social care as a career (Socia Care Wales, 2023; 2024, please see the [reference section](#)).

2.3 Rationale: why is paying the RLW to social care workers in Wales needed?

There is a clear and shared understanding of the policy rationale to pay social care workers the RLW. Documentary evidence (for example, Fair Work Commission, 2019; Welsh Government, 2022b, please see the [reference section](#)) and stakeholders agreed that the Welsh Government is seeking to address challenges, including:

- social care as a sector has endemic low pay;
- this represents an inherent unfairness given the foundational importance of the work that those staff do;
- low pay has negative consequences for the competitiveness of the sector to attract and retain the staff that it needs.

Paying the RLW to social care workers is therefore intended to positively improve the social care sectors' competitiveness in the job market and better recognise and reward the work of social care workers.

2.4 Scale of low pay in the Welsh social care sector

The social care sector in Wales has been a historic challenge of low pay across the sector. An estimated 55,000 social care workers in Wales were paid below the living wage in 2022, including personal assistants ([Welsh Government, 2022b](#)).

It was recognised by stakeholders and in the policy documentation ([Social Care Wales, 2022](#)) that the social care workforce has a disproportionate number of female, part-time, and migrant workers, and that these groups are therefore particularly negatively affected by the policy of low pay in the social care sector.

Stakeholders reported that, prior to the RLW policy, the challenge of low pay was so great that some social care workers struggled to make ends meet and took second jobs or needed to claim additional financial benefits to support their salary.

Research by the Low Pay Commission also raised concerns about underpay in the social care sector and estimated that a 'significant minority' of social care jobs across the United Kingdom pay effectively less than the National Living Wage (NLW), due to practices such as only paying for contact hours, which may not cover working time spent travelling, training, or "on-call" hours ([Gardiner, 2015](#)).

2.5 Lack of recognition and reward

A consequence of endemic low pay across social care has been the perception, by social care workers and others, that despite the widely acknowledged difficulty of the role and the skills required to deliver support well, that care work is a low-skilled job that is poorly valued by society and badly rewarded financially.

This is recognised in the academic literature, which suggests “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).

While the academic literature is clear that pay is not the sole reason, and often not even the primary reason, that someone chooses whether or not to work in social care, it does nevertheless corroborate stakeholders’ views that low pay is an unfair reflection or reward for the work that social care workers do.

This is also the position of the Welsh Government. In [Fair Work Wales \(2019\)](#) it identified social care as a sector in need of fair pay and recommended the ring-fencing of wage subsidies for social care workers.

Stakeholders identified that following the Covid-19 pandemic the perception of unfairness has only grown. The Covid-19 pandemic was particularly tough for those working in social care and this led to low morale and exacerbated challenges around high turnover of staff.

At the time of the policy’s development, there was a strong sense of a moral case for improved pay and conditions following the pressures of the pandemic, and the service that social care workers provided under extremely challenging conditions:

“[There is] a moral argument, post-pandemic to reward care workers after what they have been through.” (Key stakeholder)

2.6 Difficulties with recruitment and retention of staff

Furthermore, the social care sector has struggled for many years to attract and retain the staff that it requires, in part due to low pay.

Documentation, stakeholders, and commissioners report that low pay and poor working conditions have resulted in the social care system struggling to maintain a professional, stable, well-qualified workforce, particularly in the face of competition from sectors such as retail, leisure and tourism where people are often paid more and have less challenging working conditions (Fair Work Commission, 2019; Wales COVID-19 Evidence Centre, 2021, please see the [reference section](#)).

Academic and other policy literature supported this: in 2022, Social Care Wales’s survey of the social care workforce found that almost one in 10 posts were vacant ([Morgan, 2021](#)). This suggests that social care is understaffed, and existing staff have to work hard to meet the needs of service users. Ultimately, if providers cannot recruit and retain sufficient staff, they will be unable to meet the growing demand for high quality social care.

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 [academic literature section](#)). According to stakeholders, the lack of a clear route to career progression and increased pay has also made the social care sector unattractive to jobseekers, and data from the 2023 Social Care Wales pilot workforce survey ([Opinion Research Services, 2023](#)) indicates that about 15% of social care respondents expect they will leave the sector because there are ‘no prospects of career progression’.

During workshops, some commissioners also indicated that they felt the professionalisation of the social care workforce has had unintended consequences for recruitment in some instances. They perceived that it had created additional barriers to potential entrants to the workforce, although policy stakeholders disputed this. Some commissioners reported that the need for certain qualifications, training and to pay for registration are barriers to those starting work in this sector.

Stakeholders also reflected that NHS workers, who may do very similar work to registered social care workers, are often paid at higher rates, and can have better working conditions.

“NHS workers who do similar work aren’t required to be registered, aren’t required to undertake the same amount of CPD, and are much more sheltered, much more supported in terms of organisational structure.” (Key stakeholder)

Furthermore, the decision of the UK to withdraw from the European Union (Brexit), which took place in January 2020, may have meant that it has become harder for the social care sector to recruit workers from abroad, though the literature is inconclusive as it may be too early to see the full impact (Allen et al., 2022; Georgiadis and Franco Gavonel, 2021, please see the [academic literature section](#)).

“Brexit [had an] impact on overseas workers working in the sector. Less overseas workers are now coming here to work and it’s also more controlled.” (Key stakeholder)

2.7 Aims of the Real Living Wage policy

The aims of the RLW, as outlined in policy document and articulated by stakeholders, are a logical extension of the policy rationale. Key aims are to:

- improve financial reward of social care workers. Stakeholders reflected a moral duty to improve pay for social care workers and in turn they expected that social care workers would benefit more widely from the additional financial security, for example, in terms of reduced numbers of social care workers living in poverty
- improve recruitment and retention of staff. The RLW policy is also aiming to help address the challenges faced by social care providers in recruiting and retaining skilled staff, with rising living costs and pay disparity having been identified as key factors in recruitment and retention (Morgan, 2021; Welsh Government, 2022b, please see the [reference section](#))

However, in addition to these aims, stakeholders and policy documentation also outlined that there was a third priority, which is to improve quality of care. Stakeholders argued that, under conditions of greater workforce stability and fewer vacancies, services would be more resilient and consistent, with the potential to benefit the health and wellbeing of people using care services.

Quality of care was not necessarily identified as one of the key challenges in the sector or one of the issues that was driving the rationale for this policy, but nevertheless,

stakeholders and policy documentation were clear that the policy should also seek to have a positive impact for the people using social care services.

2.8 Who is the policy aimed at?

The policy applies to registered workers in care homes and domiciliary care in both adults and children's services; registered domiciliary care workers in supported living settings; and all personal assistants funded through a Local authority direct payment ([Welsh Government, 2022a](#)).

Stakeholders reported that, whilst some providers may become RLW employers and pay all staff at least the RLW, they are currently not required to do so. The Social Care Fair Work Forum has proposed that the policy also apply to further groups of workers not currently included in the commitment, such as ancillary employees working in care homes (Morgan, 2021; Welsh Government, 2022b; 2023a, please see the [reference section](#)).

Stakeholders and commissioners who took part in workshops suggested that some people with care responsibilities do sit outside the policy, including ancillary staff and foster carers.

"I have an issue with the fact there are people working in residential care homes who haven't benefitted. Cooks, kitchen assistants, domestic staff, laundry – carers couldn't do what they do without those staff. It caused so much bad feeling in care homes. One care home in [my locality] lost three staff over this."
(Commissioner)

Commissioners confirmed this challenge and reported that some care homes have lost non-care staff due to the lack of uplift for this group. Commissioners also said during the interviews that the policy will have an impact on:

- **health colleagues** as if recruitment improves in the care sector, the flow of patients out of hospital and into care settings will improve and reduce pressure on hospitals and health colleagues.
- **care managers** as the uplift may disincentive care staff to seek progression and greater responsibility in care manager roles, unless pay differentials are maintained.

2.9 How will the RLW be delivered?

2.9.1 Inputs

The primary input to deliver this policy is the financial resources provided by the Welsh Government to local authorities and health boards, which should be distributed to providers and subsequently social care providers. This is an on-going commitment.

In addition, there have been several non-financial inputs, which are principally related to the input of commissioners and providers to facilitate the changes required to distribute the funds to the appropriate individuals.

2.9.2 Financial resources

The Welsh Government has committed to providing the additional funding required for providers of social care services to pay eligible social care workers the RLW.

This commitment extends to providing the financial resources necessary to:

- directly cover the increase in workers' wages from the NLW to the RLW rate
- meet additional associated on-costs incurred by the uplift, such as National Insurance contributions, employer pension contributions, travel time allowances and holiday pay
- support providers to protect the pay differentials between social care workers and their managers or supervisors

This, it should be noted, is a more generous arrangement than, for example, the similar policy pursued by the Scottish Government, which was explicit in its guidance that providers were expected to contribute towards the uplift in salary to the RLW and that funding did not cover the full costs of implementation.

Welsh Government provided funding of approximately £113 million across 2022-23 and 2023-24, intended to support this commitment.

This funding is divided between health boards and local authorities. Of the £70m provided in 2023-24 met from Welsh Government's health budget, £15m was for care commissioned by health boards; while the remaining £55m was for care commissioned by local authorities and was provided via an uplift to the Revenue Support Grant (RSG) as part of mainstream funding.

The precise means of calculating how much funding each local authority would need to meet the costs of the RLW for their providers has not been shared with the research team, but documentation (see [Annex A](#) for a list of all the documentation reviewed) reported to an approach based on economic, demographic, physical and social characteristics of each area. The mechanism to allocate and distribute the funds is discussed further in 2.10.

Stakeholders expressed a degree of scepticism about the availability of resources and whether sufficient resources have been provided to meet the ambitions of the policy – including all 'on-costs' and any associated changes to pay scales.

The majority of funds have been provided via the local authority RSG, as part of the overall funding package and without ring-fencing around the funding. Local authorities must then make decisions about how the money is spent and, for example, negotiate fees with social care providers (outlined in section 2.10).

As such, from a national perspective and locally, it is not easy to trace what funding is specifically provided to fund the RLW and whether this is what it has been spent on. For commissioners who receive the funding as part of a wider funding settlement, they cannot distinguish the funds for RLW from all other funding – including to fund social care more widely. As a result, if the RSG is deemed insufficient to meet the total costs of social care

provision, commissioners' experience is akin to if there has not been enough funding for the RLW.

Initial monitoring data gathered from local authorities expressed the same concern that funding did not meet the required levels. Stakeholders were concerned that it could become more challenging in the future if overall funding is reduced for local authorities and there is not strong accountability to make sure that funding goes to paying the RLW and is not spent on other costs.

2.9.3 Legislative position of RLW

It is important to note that the setting of minimum wage policy (i.e. the National Minimum Wage and National Living Wage) is a reserved matter for the UK Government and therefore the Welsh Government, if it wishes to influence a higher floor rate of payment is limited in the legislative mechanisms available to achieve this. It cannot legislate a new floor rate of pay, and therefore the primary tool available is to offer additional funding to commissioners, which they pass onto to providers to pay staff. However, this process is all undertaken on a voluntary rather than statutory basis.

2.9.4 Non-financial resources

In addition to the financial resources required to cover the associated costs of an increase in the salaries from NLW to RLW, documentary evidence and stakeholders also identified non-financial resources that are required to deliver the policy:

- development of guidance materials for local authorities, health boards and care providers to understand the ask of the commitment to pay the RLW and the preferred approach to commissioning
- administrative and commissioning support to distribute funds, including human resources within Welsh Government, local commissioners, and the individual employer providers
- governance and oversight of the RLW for social care workers policy by a steering group, made up of key individuals from various relevant organisations including from the Welsh Government, local authorities, health boards and unions
- policy monitoring, including Welsh Government coordinating and gathering data from local authorities and health boards regarding implementation, and overseeing an independent commissioned process and impact evaluation

2.10 Key deliverables

2.10.1 Phase 1: initial implementation (2022-23)

In the first phase of implementation, a range of work was undertaken to prepare for and organise the delivery of the RLW. This included guidance for commissioners and providers, and a process where the local authorities and health boards were working with the Welsh Government to identify and agree the costs of implementing the RLW commitment.

In the first year of implementation, local authorities and health boards were required to work with providers to determine how much funding was required to deliver the commitment, taking into consideration local circumstances and market dynamics.

Guidance set out the criteria for a social care worker to be eligible for the RLW, what financial support would be available and what it could be used for. Guidance also set out what evidence providers required to claim payment for the RLW and the associated on-costs, as well as guidance for specific scenarios such as for services operating across local authority boundaries.

This additional funding for the RLW for social care workers was included in the RSG. Since the RSG is a non-hypothecated grant, the funding for the policy is also not ringfenced – although there was clear expectation about how the funding should be used.

2.10.2 Phase 2: continued implementation (2023-24):

Following the initial phase of implementation, the RLW funding has remained part of the overall RSG funding and Health Budget. Since it is not a specific, separate fund it is challenging to trace if or how resources have been distributed for the intended purpose of funding RLW.

Some stakeholders also suggested that it is better to combine the funding with the RSG as it gives local authorities control over how they utilise the funding as part of their overall settlement:

“[The RLW] could have been done through a specific grant, but this would have been laborious and administratively burdensome... you don’t want to set a precedent where you pay for something that specifically which is actually a core function of local government.” (Key stakeholder)

In terms of administration, the Welsh Government calculated the estimated cost of the RLW, based on the formula used in the first year of implementation, and allocated the funds to local authorities and health boards accordingly. The funding was increased from the first year to the second year for a number of reasons including the annual adjustment of the RLW rate, increased understanding of costs based on the first year of implementation, and the wider economic context.

Further details about implementation to date are included in sections 2.16 and 2.17.

The Welsh Government has encouraged commissioners and providers to seek a negotiated settlement, whereby they seek to agree what rates are required to fund the RLW uplift. It was recommended that commissioners and providers enter the negotiation in the spirit of “let’s agree to agree” that should result in:

“Rates that, by mutual agreement, are fair, transparent and achieve ‘buy-in’ from providers [and] will increase the likelihood of successful delivery of the RLW commitment.” ([Welsh Government, 2022a](#))

Guidance suggested that financial provision has been made to cover the cost of the RLW, including the on-costs and to protect pay differentials within organisations, as in Year 1, and that this will be captured within uplifts to commissioning costs ([Welsh Government, 2022a](#)).

Guidance also sets out actions to be undertaken in the event agreement is not achieved and if the uplift provided through the commission fee is deemed insufficient by providers to uplift salaries to the RLW for all workers in scope of this commitment. The Welsh Government expect:

- employers to discuss with the relevant commissioners or funders the importance of fair work principles
- employers and commissioners or funders to work jointly towards a solution

If this does not produce a positive outcome, there is not a mechanism that ensures that the RLW will be paid. Stakeholders highlighted how this emphasises the essentially voluntary nature of the RLW policy, and its reliance on the commitment and goodwill of all involved to ensure that funds are used to achieve the aims as intended:

“The Welsh Government hasn’t been able to mandate the Real Living Wage – instead it’s reliant on a trusting relationship with local authorities and providers.... The challenge is that this is a voluntary commitment.” (Key stakeholder)

Stakeholders did highlight that a reliance on the shared commitment of providers and commissioners may be difficult to maintain, especially under conditions where commissioners and providers are experiencing financial restrictions.

Stakeholders raised concerns that funds intended to pay the costs of the RLW may be diverted to other priorities. Challenges related to implementation, including agreeing up-lifts, are discussed at section 2.17.

2.10.3 Evidence from relevant literature

The Scottish Living Wage provides the closest comparison to the RLW for social care workers in Wales. This was implemented by the Scottish Government in 2016 using what is described as ‘soft regulation’ due to being unable to introduce a legal framework to enforce the change.

Guidance was provided to commissioners and providers through the Fair Work Framework and they were left to negotiate changes to fee rates (Cunningham et al., 2018), with providers expected to contribute towards the uplift in salary to the Scottish Living Wage.

Despite the lack of a legal framework and the expectation that providers may need to cover some costs themselves, research found extensive voluntary compliance and that a vast majority of providers have agreed to pay the Scottish Living Wage.

2.10.4 Monitoring implementation

Local authorities and health boards were asked to collect quarterly data on how much funding was allocated and passed on to providers and directly employed staff to meet the

RLW commitment. This was intended to provide policy makers with an ongoing understanding of the progress and cost of the policy. This quarterly monitoring also asked about:

- commissioning rates and how these are calculated
- where and how much funding has been passed on
- where and how many staff have received an uplift
- challenges with implementing the RLW policy

More broadly, stakeholders reported concerns that the monitoring form did not capture enough in-depth information. They highlighted that the policy monitoring process is both more important and more difficult now the funding for the RLW is not drawn from a hypothecated grant fund but rather administered within the RSG and health budget.

2.10.5 Gaps in data collection

Stakeholders indicated that there may currently be some gaps in available data that could be used to assess the implementation of the RLW policy. In particular, they highlighted:

- the social care workforce where several stakeholders raised concerns about the lack of data on the social care workforce, and the size of the workforce to whom the RLW policy applies.
- cost of implementation of the RLW to local authorities and Welsh Government where stakeholders indicated that they were not clear how much the RLW policy is expected to cost.
- how effectively the additional funding for the RLW uplift is getting into the pockets of social care workers where stakeholders reflected that there is a lack of data around the flow of the money from local authorities to care providers to social care workers.
- staff outcomes where stakeholders were not aware of available data that could be used to track improved morale and well-being of social care workers who have received a pay rise to the RLW.

2.11 What will paying the RLW to social care workers in Wales achieve?

Stakeholders and policy documentation are clear about the expected outcomes of the RLW policy, including for:

- social care workers
- the wider care system

However, stakeholders and documentation are not clear about the scale of impact that the policy will have. This is especially true of the impact on the wider care system and changes that are expected to be realised over a longer-period of time.

Academic literature, which we reference throughout this section, also provides evidence to suggest that the Welsh Government should expect that the RLW may contribute towards incremental improvements in system outcomes rather than catalyse significant transformation.

Nevertheless, stakeholders remained convinced that even if the system impacts are more limited this is the right thing to do from a moral standpoint, and the literature does suggest that the Welsh Government can have confidence that providing funding for providers to pay a RLW will likely lead to an increase in pay for eligible social care workers.

2.12 Outcomes and impacts for social care workers

Stakeholders and documentary evidence set out the expected outcomes for social care workers clearly. Anticipated immediate outcomes for social care workers include:

2.12.1 Workers receive higher pay

It is anticipated that the RLW policy should result in social care workers receiving an overall higher salary. This is particularly important due to the current levels of inflation and the cost-of-living crisis. Increased satisfaction with pay should in turn result in greater job satisfaction among social care workers who receive the pay uplift.

2.12.2 Improved morale among social care workers

Stakeholders reflected that morale is likely low among the social care workforce, particularly following several difficult years during the pandemic. It is hoped that the RLW uplift will contribute to raising morale among staff.

Anticipated medium/longer-term outcomes include:

2.12.3 Greater recognition of the value of social care work by the sector.

Social care staff work very hard, in a physically and mentally demanding job. The pandemic helped to raise the profile of the social care workforce as the public saw the value and intensity of the work, some stakeholders indicated the RLW should be a continuation of this recognition.

“We hope staff would feel that they are more valued by those who commission services.” (Key Stakeholder)

2.12.4 Less in-work poverty

It is hoped that the RLW will help towards bringing social care workers out of in-work poverty caused by low wages and the cost-of-living crisis. Higher pay may also mean that some workers will not need to rely on having a second job and may reduce reliance of benefits top-up.

“The ideal would be that RLW could replace the reliance on benefit top ups for some social care workers.” (Key Stakeholder)

2.12.5 Improved health and wellbeing

The eventual potential outcome of the RLW uplift is to improve the wellbeing of the workforce.

“Higher wages could have positive impacts on health inequalities, including life expectancy, mental wellbeing, and activity limiting illnesses.” (Key Stakeholder)

There is an expectation that approximately 55,000 social care workers should receive an increase in pay, and that this will, over-time and with future increases, positively contribute to reductions in the number of social care workers living in poverty and improve their health and well-being as a result.

Stakeholders were nevertheless cautious about the scale of impact they expect to see, reflecting that there will be a complex mix of other factors and policies that may positively or negatively impact on outcomes such as social care workers health and well-being.

“We don’t want to hang our hat on the Real Living Wage as it’s only a start for improving working conditions.” (Key stakeholder)

Commissioners in general agreed with the outcomes, but echoed caution over the achievability of these outcomes. Commissioners also raised concerns around how outcomes could be measured, particularly in terms of the ability to measure changes in poverty and health and wellbeing.

“It would be interesting to see how many people are still claiming universal credit. How do you measure that? Same for improved health and wellbeing – how do we measure that retrospectively as it’s been several years now.” (Commissioner)

2.12.6 Evidence from the literature

The evidence from academic literature suggests that the expected outcomes for social care workers are realistic, particularly in the immediate and short-term. There is positive evidence of increased salaries, even for policies such as this, where pay increases are done voluntarily by care providers and where there may not necessarily be sufficient funding to cover all associated costs (Cunningham et al., 2022; James et al., 2021; Vadean and Allan, 2021, please see the [academic literature section](#)). The scale of the financial benefit varies but is greatest for those receiving the lowest rate and may be more impactful if, for example, travel time is included in the uplift (Werner, 2021).

When it comes to whether staff feel more valued if they are paid the living wage, the evidence is somewhat more mixed but suggests that it does have a positive impact on staff morale (

satisfaction and be more inclined to leave the role or social care altogether (Stevens et al., 2021). Other factors such as working conditions and support from employers also impact on staff wellbeing and job satisfaction (Werner, 2021).

Additionally, the extent to which any improvement in morale or motivation translates into improved performance is also unclear (Allan and Vadean, 2023; Werner, 2021, please see the [academic literature section](#)).

2.13 Outcomes and impacts for the wider system

Stakeholders and documentation were, again, in alignment regarding the expected outcomes of the RLW for social care workers on the wider system, beyond the immediate beneficiaries of the policy who receive a pay rise.

However, they were also cautious about the scale of the impact and were more uncertain about the likely scale of impact on the system than on individuals, highlighting the multi-faceted nature of the challenges that social care is faced with and the need for multiple policy interventions to address those challenges.

“It’s hard to see [the] impact when so many other things are going on.” (Key stakeholder)

The academic literature also paints a mixed picture, with evidence from Scotland’s RLW policy in social care not showing strong evidence that it has made a significant and positive impact on the structural workforce issues that exist there.

Stakeholders identified several immediate impacts:

2.13.1 Retain current social care professionals in the workforce

Paying the RLW to social care workers reduces the financial incentive to leave social care for other sectors such as retail where wages are often higher.

“Currently, it’s a less attractive role and you can earn similar or better at supermarkets. [We] want to retain the workforce and make the career more attractive”. (Key stakeholder)

2.13.2 Attract more people to work in the social care sector

Raising the profile of social care work as a desirable and respected profession. This will help to combat the lower levels of overseas workers now entering the workforce post-Brexit.

“Welsh Government assessed [that Wales] would need another 20,000 care workers to meet demand by 2030. Everyone knew this would be a big ask unless [social care jobs were made] more attractive...one [way to do this] was the Real Living Wage.” (Key stakeholder)

In the medium to long-term stakeholders identified outcomes, including:

2.13.3 Improved reputation of social care careers as desirable and attractive professions

Stakeholders reflected that the RLW should contribute to improving the public view of social care careers as being desirable, and in turn attract high quality candidates for job roles, particularly among young people choosing their career.

“There needs to be an emphasis on social care work as a career pathway. We need to attract young people finishing school or university. How do we attract graduates?” (Key stakeholder)

2.13.4 Greater efficiency due to reduced costs associated with high employee turnover

Replacing staff who leave is expensive, in terms of advertising roles, recruitment and training. The RLW should increase staff retention and longevity, contributing to reduced costs for social care providers associated with regularly hiring new staff.

“[The Real Living Wage] would hopefully reduce churn cost. When we lose someone, we have to find a new person and train them. [This brings] cost and a risk to business.” (Key stakeholder)

2.13.5 Improved quality of social care service provided to users

If the RLW helps to improve staff retention, then there is an incentive for employers to train their staff and focus on professional development within the workforce. This will contribute to improved quality of service. Greater staff retention will also mean that services can offer more consistent continuity of care to service users, as social care staff are able to work with the same service users over a longer period of time.

“[The Real Living Wage uplift will] encourage staff to move up, train and stay in the job, doing what they might love rather than going into management.” (Key stakeholder)

2.13.6 Benefit to local economies

When social care workers have more disposable income, this will likely be spent locally and contribute to the local economy. This fits in with the Welsh Government’s plan for a foundational economy in Wales.

“If someone earns more, they can spend more and put more money into the local economy.” (Key stakeholder)

During workshops, commissioners tended to agree with the proposed outcomes for the wider system in theory but were doubtful of their achievability in practice. Commissioners were particularly doubtful of the benefit to local economies, suggesting that any uplift in pay would be offset by inflation.

“Any extra money in people’s pockets will be swallowed up by the cost of living, won’t go to the foundational economy.” (Commissioner)

2.13.7 Evidence from the literature

2.13.7.1 Outcomes for social care recruitment and retention

Increased pay is believed to logically lead to improved recruitment and retention in social care (James et al., 2021; Werner, 2021, please see the [academic literature section](#)) and becoming a RLW employer should positively impact employers’ reputation and in turn the sector (Mahmoudi et al., 2022).

However, evidence, including findings from the Scottish Living Wage policy, suggests that the impact of pay increases on recruitment and retention of staff is limited (Cunningham et

al., 2022; Heery, 2017, please see the [academic literature section](#)). This may in part be because the increase was not sufficient to change people's perceptions of social care as an attractive sector to work in (Cunningham et al., 2022; Heery, 2017, please see the [academic literature section](#)).

2.13.7.2 Outcomes for service users

Evidence of the impact of pay on the quality of service is mixed. For example, a survey of Living Wage employers (not limited to social care) found just around a third of respondents felt that paying the Living Wage improved the quality of good or services.

While care workers may be intrinsically motivated to provide good care rather than being motivated by money (Werner, 2021), it is often believed that retaining care staff should logically lead to better continuity of care and, in-turn, better quality of care, but there is a lack of strong evidence to support available to link this to paying the RLW.

2.14 Possible negative or unintended consequences

Stakeholders and documentation highlighted some concerns that the commitment to pay the RLW to social care workers may also lead to some unintended negative outcomes. Many of the hypothetical negative or unintended consequences would stem from whether there is adequate funding available to pay for the RLW, and what funding decisions providers might take in response.

Possible challenges that were identified included:

2.14.1 Reduced pay differentials

It has been suggested that reduced pay differentials between care staff at different levels, such as between frontline delivery staff and those in supervisor positions, may negatively impact ability to recruit into these jobs as the additional pay may not be seen as sufficient reward for roles with greater responsibilities. This is despite the commitment by Welsh Government to meet the costs of protecting pay differentials.

The policy may also unintentionally disincentivise upskilling or professional development with the aim of moving into a supervisory or management role if the pay rise between grades is not as significant as prior to the RLW policy.

“Can you get supervisors or more complex carers [into roles], if you can't pay sufficient differentials?” (Key stakeholder)

“What you can pay staff for getting additional qualifications, may not seem worth it [after the uplift].” (Key stakeholder)

2.14.1.1 Evidence from the literature

Raising wages of those receiving the lowest income reduces pay differentials unless the wages of more senior staff are also raised.

Reflections on the Scottish Living Wage policy highlight that because the funding provided to boost wages was insufficient to maintain pay differentials, incentives to take on higher

responsibility roles were eroded. This is reported to have negatively impacted recruitment and retention of team leaders or line managers (Cunningham et al., 2022; James et al., 2021, please see the [academic literature section](#)). Due to a lack of quantitative evidence, the scale of the issue is unclear.

This issue is also exacerbated by the period of austerity since the early 2010's, which has led to reductions in funding for social care and pressures to keep prices down in negotiations with local authorities. Without sufficient funding, there is the potential that the financial burden of raising wages will fall onto providers directly and may lead to an increased likelihood of providers withdrawing from unsustainable contracts (Cunningham et al., 2022; Moriarty et al., 2018, please see the [academic literature section](#)).

2.14.2 Potential problems around benefit top ups

Stakeholders raised concerns that the RLW could potentially reduce the overall income for some social care workers who rely on benefits to top up their income as they may earn just enough to be unable to claim their existing benefit entitlement. Some stakeholders raised concerns that if this was the case some workers may reduce their hours so as to not reduce their income.

“Workers may lose out as they may lose benefits from the pay increase – a benefits trap.” (Key stakeholder)

2.14.3 Costs falling on providers

2.121 Stakeholders suggested that, if paying the RLW became an additional cost for providers, it may place some in a position where contracts are no-longer viable. This could result in contract hand-backs, when a provider returns a contract or chooses not to renew to the commissioner, rather than continuing to operate a service.

2.14.4 Increased costs for privately paying service users.

Stakeholders reflected that some organisations that provide care to private paying service users may increase their fees to enable them to pay the RLW and meet costs that are not being covered by state funding.

“We are getting queries from people asking, ‘why have my care charges gone up by 10%?’. Care users will be paying a bit more now.” (Commissioner)

2.14.5 Increased shortage of ancillary care workers and staff not eligible for the RLW

It may become harder to recruit to roles within care services that are not eligible to receive the RLW, and morale of existing workers not eligible for the uplift may be negatively impacted.

It has also been reflected that the RLW may not be sufficient to create the positive changes that the policy aims to achieve. This is discussed further in section 3.4.

Commissioners consistently raised all of these possible unintended outcomes in workshops. In particular, issues around pay differentials and the impact of the policy on staff working in care settings who are not eligible for the uplift were highlighted.

2.15 Implementation progress

Stakeholders were cautiously positive about the progress made to implement the RLW to date: they were confident that significant resources have been made available and that these have been used to raise the pay of likely tens of thousands of social care workers.

However, as the implementation has progressed, they have identified emerging challenges, including around the extent to which there is adequate accountability and transparency for how funds are being used.

2.16 Key achievements and milestones

Stakeholders agreed that, in broad terms, the RLW has so far been implemented as it was intended and were confident that significant funds have been deployed to increase the salaries of social care workers around Wales.

Stakeholders were not able to quantify precisely the numbers of beneficiaries or the precise amount of funding that will have been received by individuals (as opposed to covering on-costs and other expenses), but nevertheless, the anecdotal evidence of stakeholders who operate at a national policy level was that implementation has been mostly a success.

Stakeholders believed that the RLW uplift has been successfully passed on to social care staff in most cases and a lot more workers will be receiving a higher wage because of the policy. While some reflected that, due to inflation, the policy may not be having as large an impact as hoped, many more should be better off than they would have been without its implementation.

“Most care workers [are] being paid more than they would have been otherwise... Inflation means this has maybe been less impactful than hoped but would have been even worse off if it had not been implemented.” (Key stakeholder)

A key factor outlined as an enabler in the implementation of the policy to date is the collaboration between stakeholders from different organisations, such as government, trade unions, local authorities, and care providers, which has ensured that different views and perspective have shaped the policy and its implementation. In particular, the RLW Steering Group meets to discuss and problem solve around the policy.

“Getting everyone in the room from all sides and having discussions that are courteous – [there was] consensus that it was important to do this, even in the face of difficulties.” (Key stakeholder)

2.17 Implementation challenges

Stakeholders recognised that there are challenges to the implementation of this policy, and going forward some of these challenges may grow. Many of these challenges relate to

whether there is sufficient funding for the policy, and what choices may be required by commissioners or providers if it is not: These include:

2.17.1 The RLW is not enforceable

Wales does not have devolved responsibility for employment law, therefore the RLW for social care workers policy is more of a promise to workers rather than a right. Employers are asked to voluntarily agree to pay staff the RLW but employers who do not pass on the uplift cannot be held accountable at employment tribunal and are not legally required to pay the RLW.

2.17.2 Eligibility for the RLW

Not everyone who works in social care is eligible to receive the RLW. While some providers may decide to become RLW employers and pay all staff at this rate, the funds provided through the policy are not intended to cover ineligible staff. Stakeholders reflected that there had initially been debate around who should be eligible and some questioned whether not providing the pay uplift to some staff may have a detrimental impact.

2.17.3 Inflationary pressures on local authorities

Stakeholders noted the significant pressure on local authorities as a result of inflation, and that overall funding for social care and other services has not kept pace. Within this context, some local authorities may not be able to guarantee that funds intended to pay RLW would not be used for other priorities. Since the funds are not ringfenced and monitoring is relatively limited, we cannot tell whether this has already happened.

2.17.4 Border issues in implementing the RLW policy

Several stakeholders raised concerns that providers who work across England and Wales may be reluctant to pay the RLW as it is not currently a requirement in England. Providers also working in England may be hesitant to pay the RLW to staff in Wales as this might cause friction with their staff employed in England where there is no such policy and funds have not been provided to raise their wages.

Stakeholders also discussed challenges in children's services, in particular when children from England are placed in social care services in Wales, and how the original guidance did not specify if the policy applied to social care staff in Wales who are providing care to children from England. Whilst this particular issue is thought to have been resolved with updated guidance, it may be that the issue of providers working across borders or other cross border issues become more apparent as implementation continues into the third year.

2.17.5 Disadvantaging providers that already pay the RLW

Guidance has highlighted the importance of not disadvantaging providers who previously paid their staff the RLW, possibly by making cuts in other areas such as building maintenance in order to pay staff the higher wages. Despite this being flagged early on it is unclear exactly how this will be prevented.

2.17.6 Lack of data available on the payment of the uplift

Stakeholders reported difficulties around collecting data on the extent to which the RLW uplift is actually being passed on to social care workers. Anecdotally, stakeholders reported that some providers have not passed on the uplift, but they were not aware of there being sufficient data collected on this.

“There are a lack of data sets available on what is happening with the payment of the Real Living Wage and how it is moving through the system at each level – we have not got a transparent picture.” (Key stakeholder)

In workshops, commissioners raised all of these challenges to implementation. In addition, they consistently raised the issue of funding. Across all workshops and localities, stakeholders reported a significant shortfall in the amount of funding given by the Welsh Government to fund the policy. They reported that responsibility had fallen on local authorities to pick up the extra costs, which has resulted in cuts to budgets for other areas.

3. Theory of Change

3.1 Theory of change for the Real Living Wage for social care workers

The theory of change for the RLW for social care workers in Wales policy is based on evidence gathered through the review of documentation, the consultation with stakeholders, and with regard to the relevant academic and other policy literature. It sets out:

- why? The evidence of need for this policy, and the evidence-based observation about why this particular policy is the policy to address the need. As detailed in section 2.3.
- who? The evidence-based assumptions about who will be affected, both directly and indirectly, by the implementation of this policy. As detailed in section 2.8.
- how? What will the intervention be? How much intervention will be delivered and how will it be administered? As detailed in section 2.9.1.
- what will the intervention achieve? What do we expect to be the short, medium and long term outcomes of the intervention? As detailed in section 2.10.

Also included are assumptions and external factors, which are explored in sections 3.2 and 3.3.

3.2 Theory of Change for the commitment to pay the Real Living Wage to social care workers

3.2.1 Why

3.2.1.1 Evidence-based need

The social care workforce in Wales includes a significant proportion of staff who are earning the NLW, and possibly less, after factoring travel time and other factors.

Social care worker roles are difficult to recruit for and employers struggle to retain their staff. Competition with the NHS as well as other, easier, low-paid sectors is a challenge.

It is recognised that the current workforce feels under-appreciated and poorly rewarded relative the challenges and importance of their work.

A workforce characterised by high vacancies and turnover is unlikely to provide good continuity of care and therefore contributes to suboptimal care outcomes for service users.

3.2.1.2 Evidence-based observation

An improvement to the basic rate of pay of social care workers should:

- improve the sectors competitiveness for new staff
- better reward current staff and incentivise their continued employment

Better financial incentives will result in improvements to recruitment and retainment.

3.2.2 Who (evidence-based assumptions)

Direct beneficiaries:

- registered social care workers who have been paid below the rate of the RLW

Indirect beneficiaries:

- social care managers who also receive uplifts to maintain existing salary differentials
- users of social care services, who receive greater continuity of care
- social care providers, who benefit from improved recruitment and retention of staff
- the local foundational economy, which benefits from local expenditure

3.2.3 How (based on 2023-24)

Inputs:

- the Welsh Government will provide additional funding to local authorities and health boards as part of mainstream budgets

Activities:

- local authorities and health boards will be responsible to distribute funds to providers via commissioning. This should cover the salary increase, 'on-costs', and associated knock-on costs
- providers of social care will pass on the negotiated settlements to eligible staff members
- local authorities will pass on additional funding directly to people with Personal Budgets who employ a Personal Assistant

3.2.4 What will the policy achieve?

3.2.4.1 Short-term outcomes

For social care workers

- workers receive higher pay
- increased satisfaction with pay
- improved morale among social care workers

For the wider care system

- retain current social care professionals
- attract more people to work in the social care sector

3.2.4.2 Medium-term outcomes

For social care workers

- greater recognition of the value of social care work
- in-work poverty is eliminated, with nobody paid below a living wage
- improved health and wellbeing

For the wider care system

- improved reputation of social care careers as desirable and attractive professions
- greater efficiency due to reduced costs associated with high employee turnover
- improved quality of social care service provided to users, benefiting from greater continuity of care
- benefit to local economies, due to greater spending power of social care workers

3.2.4.3 Long-term outcomes

A strong and stable social care workforce that is happy, healthy, and fairly paid.

Social care work perceived as a viable and desirable career.

The sector has the skilled workforce it needs to deliver high-quality care.

High quality of care is delivered by professional and esteemed workforce.

3.2.5 Assumptions

The Real Living Wage pay rate is high enough to:

- raise living standards for social care workers
- disincentivise social care workers to leave the sector in favour of other sectors
- attract new staff to the sector
- ensure social care workers feel valued and rewarded.

Sufficient funding will be provided on an ongoing basis to meet the costs of the RLW for social care workers and the funding is correctly allocated to its intended cohort.

Recruitment and retention of social care workers can improve quality of care.

3.2.6 External factors

Wage increases in other sectors such as retail, hospitality, and the NHS, which may or may not erode the competitive advantages sought by the paying the RLW.

Social Care budgets do not meet increasing demand, resulting in negative pressures on quality of care.

Other measures taken by Welsh Government, commissioners, or individual employers to improve the attractiveness of working in social care.

3.2 Key assumptions

While there is an evidence basis for the proposed intervention of paying social care workers the RLW – as well as the more general moral imperative expressed by many that greater reward should be available for this work – there are a number of assumptions that underpinned the rationale, and which may be subject to uncertainty.

3.2.1 Assumption 1: The RLW pay rate is high enough to create change in the social care sector

There is a relatively robust evidence base that suggests that employers and employees in the social care sector believe that rates of pay are an obstacle to effective recruitment. However, there is less strong evidence base that an increase from the NLW to the RLW is definitively a large enough increase to:

- raise living standards for social care workers;
- disincentivise social care workers leaving the sector in favour of other sectors, and;
- ensure social care workers feel valued and rewarded for their work, and therefore choose to continue their careers in social care

In workshops, commissioners were doubtful that the rise from the NLW to the RLW was high enough to result in the expected outcomes. This was mainly due to other sectors competing for the same pool of staff, such as retail and hospitality, where staff are often paid in excess of the RLW rate, and in lots of cases also receive better terms and conditions.

3.2.2 Assumption 2: Improved staff retention will result in better care

It has been suggested that improved staff retention will result in more experienced staff and better continuity of care, which is associated with better quality care for people receiving care and support. The drivers of care quality are complex, and it is not clear whether the RLW will:

- attract and retain a more skilled workforce to the sector;
- allow employers to recruit permanent staff rather than temporary agency staff; and;
- that other factors such as staff professional development, funding for the sector, etc. will not offset any possible gains

Stakeholders were aware of these assumptions and highlighted that they felt uncertainty about the robustness of them. For instance, the majority of stakeholders emphasised that wages are only one part of a much wider issue within social care that determines recruitment and retention rates. Factors such as working conditions and the potential for career progression will likely also influence whether people are attracted to roles in social care and stay in them, neither of which is directly addressed by the RLW policy. Commissioners echoed this during workshops.

Stakeholders also raised concerns about whether the RLW rate is actually high enough to disincentivise staff from leaving the social care sector for other sectors, such as hospitality, retail and jobs within the NHS, that are already paying wages at or higher than the RLW. A stakeholder described:

“This is a skilled workforce. We expect people to come in with certain principles and values, we are looking for the kind of people that bring empathy with them ... Is the Real Living Wage still too low to deliver some of those ambitions?” Key stakeholder

3.3 External factors

Stakeholders have identified that the RLW policy is being and will continue to be implemented into a highly complex sector, and the workforce market is itself a multifaceted and adaptive system.

As such, stakeholders recognised that it is difficult to predict the ways in which this policy will interact with other policies which may positively reinforce its aims (such as policies to improve professional development opportunities in social care) or mitigate its effectiveness (e.g. if the NLW were increased at a faster rate than the RLW, closing the gap between them). The policy backdrop to the RLW will not remain static, even in the short-term, and this is likely to have significant bearing on the RLW's overall effectiveness in ways which may not yet be apparent.

Indeed, it may be that the RLW policy results in specific reactions from it, such as competitors raising their salary rates in other sectors or industries. This again may result in a scenario where the effectiveness of the RLW is diminished against in ways that are outside the scope of the policies intentions.

3.4 Areas of uncertainty within the Theory of Change

There remain several areas of uncertainty within the Theory of Change, which will be areas for further exploration as part of the future evaluation activities. The three most significant areas of uncertainty that we have identified are:

3.4.1 Monitoring the distribution of funds

As the funding for the RLW policy is amalgamated into the Local Government RSGs, it is difficult to monitor the distribution of funds.

This is likely to become a more pressing challenge if there is an increase in the RLW at the same time as a real terms cut in the RSG for local authorities. In these conditions it will be difficult to verify if the Welsh Government has maintained the level of funding necessary to meet the full costs of the policy, and if that funding reaches the intended targets or if it is allocated differently.

This links into the difficulties discussed earlier in section 2.10.5 with data collection on implementation of the RLW from local authorities and health boards.

3.4.2 Expected scale of improvements in the short, medium, and long-term

Stakeholders were keen to not overstate their expectations about the likely impact of the RLW policy on outcomes such as, for example, social care worker recruitment and retention.

The academic literature would support a cautious approach, given the mixed evidence from the Scottish Government's experience. Nevertheless, it is not clear what level of impact is anticipated at a sector-wide level.

Furthermore, it may be the case that as external factors change, the effectiveness of the policy is impacted, and what is perceived as 'good' performance may well change over time.

3.4.3 Universality of impact across Wales

Several stakeholders suggested that there is potential for the RLW policy to impact differently across the country and different parts of the social care workforce – for example, some local authorities have already experimented with paying RLW as a plank of their recruitment and retention workforce strategies, and therefore there will be fewer direct beneficiaries. The research did not identify that a comprehensive needs assessment has been undertaken which articulates the distinctive regional or intra-sector differences, or how this might influence the impact-fullness of RLW policy.

These will be areas for further interrogation through the process and impact evaluations.

Next steps as of Spring and Summer 2024 included:

- **workshops with local authority and health board care commissioners:** These workshops considered:
 - approaches to policy implementation
 - feedback on the Theory of Change.
- **workshops with care providers:** These workshops considered approaches to policy implementation.
- **survey with direct payment recipients:** This survey considered:
 - the process of the policy
 - the impact of the policy.

In the autumn of 2024, as part of the impact evaluation, we have conducted:

- **interviews with national strategic stakeholders:** These interviews considered the impact of the policy from a national perspective.
- **interviews with local authority and health board care commissioners:** These interviews considered the impact of the policy including on funding and services.
- **interviews with care providers:** These interviews considered the impact of the policy including recruitment and retention of staff.
- **survey with registered workforce & personal assistants:** This survey considered the impact of the policy including wellbeing, future work plans, and career progression.

3.5 Outcomes for social care workers

Commissioners agreed in theory with the anticipated outcomes for social care workers but said that some outcomes were unachievable or unlikely in practice. For example, several recommended the removal of reference to improved conditions of work, noting that increased pay will not affect terms and conditions of employment.

Concerns were also raised over the ability to measure the proposed outcomes, particularly as they were not aware of any baseline measures being taken prior to implementation of the RLW.

“It would be interesting to see how many people are still claiming universal credit. How do you measure that? Same for improved health and wellbeing – how do we measure that retrospectively, as it’s been several years now.” (Commissioner)

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Welsh Government (2023e) Summary notes from RLW Monitoring Form Workshop
December 2023

5. Annex B: Rapid evidence review

5.1 Overview

This following is a summary of the key messages from an evidence review, which forms part of an evaluation of the Welsh Government's policy to fund the Real Living Wage (RLW) for registered social care workers in Wales, as part of a process to develop a Theory of Change.

The research questions for this evidence review are:

- 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 employees experience?
- what outcomes result/might result from paying the RLW?
- what outcomes do employers, the wider workforce, and users experience?

5.2 How have people put into place the RLW in the context of social care? What types of activities and resources has this included?

Studies outline several examples of where the RLW or similar policies have been applied and the reasons why different organisations or policy makers have sought to introduce the RLW (or an increase to the base-level salary). The studies reported that:

- low pay contributed to a range of challenges in the social care sector, such as weak recruitment, workforce shortages, attrition of staff, and regular churn. These result in poor continuity of care, negatively impacting on service users.
- policies to raise basic pay have predominantly been implemented to reduce the impact of low pay on recruitment and retention challenges, although other motivations – such as a perception that is the morally right thing to do – have also featured.

The most prominent example of introducing a living wage in social care is in Scotland, where the devolved administration set a Scottish Living Wage (SLW) for Social Care Workers. Key findings regarding the implementation of the SLW included:

- there was not a legal framework to compel providers of social care to pay workers a specific minimum wage above that of the NLW but, “despite being under no explicit contractual obligations to pay the SLW, [most providers] had generally responded positively to the Scottish Government's policy.”
- local authorities position as a main funder gave them strong market shaping powers to encourage adoption of the SLW, however, insufficient assessment of the cost of the increase and an explicit expectation that providers contributed to the increase in wage, meant some providers had concerns about implementation.
- a risk identified in the literature is that, in the absence of a legal framework and sufficient funding, a possible consequence could be that there are a larger number of

contracts handed back or not tendered by providers, building on an already present trend in the UK care market. This highlights how unfunded pay increases may contribute to rather than resolve issues of market instability.

5.3 What impact does increased/additional pay have on the social care workforce? What outcomes do employees being paid the RLW experience?

Two main positive outcomes for social care workers who received either the RLW or a pay increase were identified from the literature:

Improved financial reward. Policy which increases the minimum pay generally results in frontline social care workers receiving an overall increase in their salaries (as they are the ones who tend to receive the lowest pay). As expected, the scale of the improvement in pay depends on how much employees were paid prior to the policy/change in pay rate and can be particularly significant if changes include increased pay for travel time for example (Werner, 2021). As a larger proportion of frontline workers in social care are women, an increase in minimum social care pay will therefore likely have a larger impact on women. The impact of pay increases on the number of hours social care staff work is unclear, with some evidence of a switch to more Zero-Hour contracts (Vadean, 2021) or suggesting that staff may decide they can afford to work fewer hours (Werner, 2021), and other research suggesting a slight rise in average hours worked (Gardiner, 2021).

Greater job satisfaction. When workers feel that their effort is not rewarded, this can lead to stress, poorer job satisfaction, and intentions to leave their role (Stevens et al., 2021). In turn, social care workers have reported feeling more valued when their wage was increased to the Living Wage and employers echoed this saying that staff retention improved (Werner, 2021). Whether this has an impact on the quality of work being undertaken is unclear. While evidence suggests that social care workers are likely to feel more valued due to implementation of the RLW, existing evidence for this is somewhat limited, and involved qualitative research and a small-scale survey.

5.4 What outcomes result/might result from paying the RLW? What outcomes do employers, the wider workforce, and users experience?

Research suggests that wage increases in social care have led to some benefits but also some challenges for the wider social care sector including employers, the wider workforce and service users.

5.4.1 Employers

The impact that minimum pay wage increases have had for employers is complex. Some evidence indicates that improving social care workers' pay resulted in greater staff retention which may in turn result in greater continuity of care (Werner, 2021); however, other broader research that considers employers from a range of sectors presents a more mixed picture (Heery, Nash and Hann, 2017), suggesting that simply increasing wages may not always improve recruitment and retention of staff. In Scotland, studies suggest that the introduction

of a sector-wide Living Wage did not materially improve recruitment and retention (Cunningham et al., 2022).

While increasing the minimum amount paid to social care workers is likely to increase those staff's wages, it is less likely to directly impact the wages of those in managerial positions. For example, in Scotland additional funding did not cover costs to cover pay differentials (Cunningham et al., 2022).

Without sufficient funding there is the potential that social care providers will end up taking on the financial burden of additional costs to keep pay differentials in place. If this becomes overly burdensome, there is the potential to introduce additional instability into the market, contrary to the aims of various policies (Cunningham et al., 2022).

5.4.2 Service users

The research into the impact of changes in social care worker pay on service users is limited. A minority of studies proposed a possible link between quality and higher wages. However, social care workers themselves report that they would deliver care to the best of their ability regardless of wage (Werner, 2021). Whilst evidence is lacking, it could reasonably be expected that improved recruitment and retention of frontline staff would result in greater continuity of care, which would likely equate to better quality of care for service users – however there is a lack of available evidence to test this theory. As noted, the evidence about whether a pay increase will translate into improved recruitment and retention is mixed.

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7. Annex D: Insights from commissioner workshops

7.1 Introduction

This annex presents findings from four workshops carried out with commissioners from local authorities and health boards across Wales.

Commissioners from all 22 local authorities and 7 health boards were invited to attend. A total of 21 commissioners attended, including 17 commissioners representing 15 local authorities, and 4 commissioners representing 3 health boards. This resulted in attendance from 68% of local authorities, and 57% of health boards.

Commissioners provided their feedback on a draft Theory of Change. Additionally, they provided feedback on the implementation of the policy to date and the emerging evidence of impact.

7.2 Rationale and aims

Commissioners across all workshops agreed that the rationale for the RLW policy outlined in the Theory of Change was broadly correct (i.e. the policy aims to raise the wages of social care workers to improve the sectors competitiveness for new staff and better reward current staff and incentivise their continued employment in social care).

They recognised that wages for social care workers were low and there are often issues in recruiting and retaining staff and were supportive of the policy's aim to deliver increased wages for social care workers.

Nevertheless, commissioners also highlighted several potential barriers that might prevent the policy achieving its desired effect, including:

7.2.1 Qualification and registration requirements

Stakeholders reported that requirements for specific qualifications and registration with Social Care Wales mean that it is not so simple as raising salaries to attract new staff, because they need to be suitably qualified and registered to take on specific roles.

Commissioners were not critical of the importance of measures to professionalise the social care workforce but highlighted that they do create barriers to new staff that are not resolved by pay policy.

7.2.2 Terms and conditions of care roles.

Stakeholders reported that a major cause of recruitment and retention difficulties in social care is the relatively poor terms and conditions that often come with these roles.

Stakeholders noted that care work can be physically and emotionally demanding, and involve long and potentially unsociable hours, and these factors will not be improved by the RLW uplift.

7.2.3 Providers already paying the RLW and above.

Many stakeholders said that providers in their areas were already paying the RLW or above prior to the policy being implemented and still struggled to recruit. The policy is unlikely to have much impact for those providers.

7.3 Who will be affected

Commissioners generally agreed with the list of direct (registered care workers) and indirect beneficiaries (managers, providers, service users and the local economy) outlined in the Theory of Change. In practice, stakeholders disagreed that care managers are beneficiaries, and instead said they may have experienced negative impacts from the implementation of the policy, as some providers are unable to sufficiently fund the maintenance of meaningful pay differentials between delivery staff and managers.

“This makes workers think, ‘what’s the point in taking on extra responsibility for hardly any more salary’. The longer this goes on, the more of an issue it will be.”
(Commissioner)

7.4 Outcomes for the wider care system

Although commissioners agreed in theory with the proposed outcomes for the wider care system, they often believed that the RLW is not enough to resolve difficulties with recruitment and retention of social care workers. The main reasons for this were competition with other sectors that offer less demanding roles and/or pay above the RLW rate, and the tendency for terms and conditions of care roles to be poor, including unsociable hours and emotional stress.

“In winter, people would prefer to work in Marks and Spencer’s, inside and warm, and get 20% off their bills.” (Commissioner)

7.5 Implementation

Commissioners agreed that activities outlined in the Theory of Change were correct and reported that implementation of the RLW policy for social care workers is generally going as planned.

However, they also reported that there were challenges to implement the policy relating to how funding of the RLW intersects with funding to pay for uplifts in the NLW.

The Welsh Government policy takes as given that all providers must pay the NLW, and therefore provides additional funding to meet the gap between NLW and RLW.

However, for commissioners, they reported that the increases in their funding have not kept pace with increases in the NLW. As a result, they have been offering up-lifts to care providers which do not cover the costs of the increases in the NLW and the RLW combined, especially when considering wider costs such as protecting salary differentials.

Commissioners reported that for local authorities there are two responses that they can take.

First, they can cut from other budgets to direct a greater proportion of their resources towards social care provision. Most commissioners suggested that this is something that has happened, but increasingly, cuts to other budgets are not sufficient to meet shortfalls in social care budgets.

Second, commissioners can offer uplifts to providers that are below the rate of increase in NLW and RLW. Where this happens, commissioners recognised that it places a choice on providers about how it responds to a cut in funding relative to the cost of staff.

Commissioners identified that some providers have been able to absorb some of the additional costs, but also some providers were not able to do so.

Commissioners identified that this means some providers have considered options such as reducing what services they can offer.

Several commissioners identified examples in their areas of providers who reported that they did not plan to pay a RLW because the funding settlement they had been offered would not be sufficient to cover the increase from the previous NLW level to the current RLW.

As a result, some commissioners raised doubts that additional funding was resulting in all staff being paid the RLW.

Given that the policy is not enforceable by law, commissioners felt that there was little that they could do to hold providers to account. Many were sympathetic towards the providers, recognising that taken in the round, increases in staff costs have not been reflected in the payment most providers receive.

Further information on the implementation of the RLW policy will be detailed in the process evaluation report.