Poverty, pay and the case for change in social care

Levels of poverty among the UK residential care workforce and the impact of raising the wage floor

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Building a healthier UK

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Key points

- 1.6 million people work in social care in England alone – around 1 in 20 of all workers. They provide vital care and support to older people and disabled people. But our analysis finds persistently high levels of poverty and deprivation among residential care workers and their families, partly down to years of political neglect and underfunding. Poverty worsens people's health and cuts lives short.
- We analysed national survey data from 2021/22 to 2023/24 on poverty and deprivation among residential care workers in the UK. 1 in 5 residential care workers lived in poverty, over 1 in 10 experienced food insecurity, over 1 in 10 relied on Universal Credit and 1 in 20 could not afford basic expenses like keeping up with bills. 1 in 10 children of residential care workers went without essentials like a warm winter coat.
- Residential care workers and their families are nearly twice as likely to live in poverty as the average UK worker. They are also more likely to experience food insecurity, use a food bank, go without basic items and services, and rely on Universal Credit. This has not improved compared to before the pandemic.
- There are concerning inequalities affecting migrant workers in social care, which relies heavily on international recruitment. More than 1 in 3 residential care workers born outside the UK lived in poverty, compared to 1 in 10 born in the UK.
- Our findings likely underestimate poverty rates for the whole care workforce, since we focus on staff working in residential care (in care homes, for example) and problems with insecure employment and underpayment are even greater in home care.
- Low pay contributes to high levels of poverty and deprivation. We estimate the impact of increasing the wage floor in social care to level with NHS workers on Agenda for Change Upper Band 3 (which includes roles like clinical support workers and administrative workers). This could mean a 6.6% rise on average in household income for residential care staff and their families, accounting for changes to benefits and tax contributions. This would likely result in a modest but important reduction in poverty.

- Our analysis strengthens the case for government plans to improve pay in social care. Raising the sector-specific minimum wage as part of new 'Fair Pay Agreements' would improve thousands of lives and support government targets on child poverty and economic growth. Government should use its influence on sectors reliant on state funding to reduce poverty and protect people's health. Meaningful improvements to pay and conditions in social care require extra funding above the Spending Review settlement – unfunded wage rises could put people's care at risk.
- Beyond social care, bold policy action is needed to tackle poverty, including on education, transport and social security. Getting rid of the two-child limit and boosting the standard element of Universal Credit would make a dramatic difference. The Spending Review provided welcome investment in affordable housing. But the priority afforded to the NHS and defence leaves limited room for investment in other areas that reduce poverty. Currently, government actions do not match up to its targets on child poverty and economic growth.

Introduction

Adult social care is an essential service that many of us will need at some point in our lives. But there are wide-ranging problems with care and support services in the UK, including chronic workforce issues. Those working in social care are among the lowest paid in society and often experience insecure employment conditions. In 2024, 80% of UK jobs paid more than the average hourly rate of £12 for care workers in England.[1] 21% of the care workforce is employed on zero-hours contracts, compared with 3.5% of the wider UK workforce.[2] This is driven in part by successive governments failing to adequately invest in state-funded social care. Public spending on means-tested care and support has not kept pace with the sector's rising wage bill.[3]

This could soon change. The government is currently legislating to establish three new social care bodies – in England, Scotland and Wales – to negotiate national 'Fair Pay Agreements' for the sector. From next year, these agreements should set improved pay, terms and conditions for workers in social care. Alongside this, the government is taking broader action to restrict the use of zero-hours contracts and improve access to sick pay for all workers. Taken together, these policies could transform work in the care sector and reduce levels of poverty. But how these policies will work in practice remains undetermined, with the government planning to consult publicly on the scope and process for Fair Pay Agreements later in 2025. The Spending Review 2025 reiterated the government's commitment to Fair Pay Agreements in social care[4] but was unclear about the level of investment set aside to support it.

The case for workforce reform in social care is strong. Poor pay, terms and conditions contribute to chronic staffing gaps, impacting people's care. They also affect the lives of people working in care and their families. Our previous analysis of survey data from 2017/18 to 2019/20 found people working in residential care and their families were more likely to live in poverty and deprivation than the average UK worker and health workers.[5] Since then, the UK has been affected by Brexit, the COVID-19 pandemic and sharp rises in inflation.

Our analysis provides an up-to-date picture of poverty and deprivation among the residential care workforce in the UK, to help inform the government's approach to social care workforce policy and tackling poverty. As the government looks to boost economic growth, we also explore the implications of wage increases in social care for household incomes.

About this report

In this analysis, we use national survey data to look at poverty and deprivation among residential care workers and estimate the impact of increasing social care pay on household incomes.

We begin by setting out our approach and methods, before briefly outlining the context for this report. We describe the findings from our analysis of the latest data on levels of poverty and deprivation among residential care workers and explore some of the factors affecting these. We then model the possible effect on household incomes of increasing the wage floor for residential care workers. Finally, we discuss the implications of our findings for care workforce policy and wider government policy on poverty.

Data and approach

Our analysis uses national survey data to compare rates of poverty and deprivation among residential care workers to those working in other sectors. We use data from the Households Below Average Income (HBAI) and the Family Resources Survey (FRS) – a UK government survey of private households used to produce official poverty estimates for the UK. The analysis looked at individuals aged 16 years and older.

First, we looked at the latest data on poverty and deprivation among residential care workers in the UK, compared with workers in health, retail, hospitality and the overall working population. We chose these sectors since they compete for a similar pool of workers,[6] are also defined as low-paying industries or include low-paying occupations,[7] and given that workers in health work closely with those in social care.

We focused on 2021/22 to 2023/24, pooling 3 years of data to increase the sample size, allowing for meaningful comparisons between the residential care workforce and other sectors. We compared levels of poverty and deprivation during this period to those between 2017/18 and 2019/20 where possible – but questions on food bank use and working-age adult material deprivation were only introduced in 2021/22. For 2021/22 to 2023/24, the sample size for residential care workers was 1,320.

Measuring poverty and deprivation

We used the standard UK measure of poverty, defined as living in a household with below 60% of the average income after housing costs. To explore experiences of deprivation among workers and their families, we looked at:

- food bank use and food insecurity, based on questions about buying and preparing food
- a combined measure of low income and working-age adult material deprivation, based on questions about affording basic expenses like replacing broken goods and keeping up with bills
- a combined measure of low income and child material deprivation, based on questions about dependent children's access to essentials like fresh fruit and vegetables and a warm winter coat.[8]

We also looked at a range of factors affecting poverty (see Background section) and we report on benefit receipt among residential care workers, since we saw a statistically significant change over time. We explored inequalities in experiences within the care workforce and we report on differences in poverty levels by country of birth and ethnicity, since these are statistically significant.

Estimating the impact of increasing wages

We then estimated the potential impact of increasing the wages of residential care workers on their household income after housing costs, accounting for likely changes to people's benefit receipt and tax contributions.

To do this, we analysed FRS survey data using the UKMOD tax-benefit microsimulation model, which reflects the tax-benefit system as at 2022/23.[9] It uses FRS data from 2019/20, 2021/22 and 2022/23 to increase the sample size but applies adjustment factors to monetary values in the earlier years to reflect 2022/23 price levels. The sample size for residential care workers for this period is 1,390. In 2022/23, the National Living Wage (the statutory minimum wage for most workers in the UK) was £9.50 an hour[10] and the mean hourly wage for direct care workers in residential care in England was £10.30 an hour.[2] We look at the impact of increasing the sector wage floor to £11.85 per hour – the 2022/23 rate for NHS Agenda for Change Upper Band 3 (including roles like clinical support workers and administrative workers). This is a common proposal for the level of a sector-specific minimum wage in social care.[3]

In April 2025, we held a workshop to shape this research with nine care workers and former care workers on the Care Worker Advisory Board.[11] Their insights informed our approach, interpretation and recommendations. The views of these care workers are not representative of the whole workforce but reflect their individual experiences of working in the sector.

Box 1: Limitations

The study has several limitations. First, the sample size for each employment sector is small, particularly for child material deprivation since only around two-fifths of households have children. Some groups of the population are under-represented in the survey, such as migrants. To help address this, we pooled 3 years of data where possible. We report statistically significant differences.

Second, our analysis covers a period marked by significant change (see Background section), using data on income and poverty from the period from 2017/18 to 2022/23. We exclude data from 2020/21, since these have a reduced sample size. Furlough and other pandemic measures affecting income and living standards also make the data complex to interpret. Material deprivation measures are not comparable over time due to government policies introduced in response to the pandemic.[12]

Third, all sector groups include a mix of occupations with a range of employment conditions (due to the definition of employment sectors in the survey data, using the UK Standard Industrial Classification).[13] We focused on people employed in 'residential care', which includes care for older people and disabled people in nursing homes, care homes and assisted-living housing. This group also includes a small proportion of workers employed in children's residential care. We excluded people working in domiciliary and community care for older people and disabled adults from our analysis, since the employment sector grouping that covers these services also includes nurseries and child adoption activities. This means that our analysis does not cover the whole of the adult social care workforce. Focusing on residential care means that we likely underestimate the poverty rate for the sector overall, since insecure employment conditions and underpayment are more prevalent in domiciliary care.[2,14]

Finally, modelling the impact of wage changes on incomes does not fully reflect the implications of increasing wages in the current context. This is because the UKMOD microsimulation model simulates the tax-benefit policies as at 2022/23, and we use data and wage rates from 2022/23. The main changes not reflected compared with 2025/26 policy are the freeze on income tax thresholds and changes to employee national insurance rates. The model also cannot account for behavioural responses to changes in income, taxes or benefits, such as an individual reducing their working hours. Despite this, it provides an indication of potential impacts of introducing a sector-specific wage.

Background: poverty, deprivation and the social care workforce

In this section, we set out the context on poverty and deprivation in the UK and the social care workforce, focusing on changes during the period covered in our analysis. Our previous analysis sets out more detail on what we already know about poverty among social care workers.[5]

Living in poverty and material deprivation

Experiencing relative poverty, material deprivation and food insecurity means not having enough household income to afford an acceptable standard of living and access to essentials. It also means a greater likelihood of having poor mental and physical health[15] and a lower life expectancy.[16]

Overall, 21% of people in the UK lived in poverty in 2023/24, compared to 22% in 2019/20.[17] The proportion of people living in food insecurity rose slightly from 8% in 2019/20 to 10% in 2023/24.[18] National statistics on material deprivation are not directly comparable for this period but in 2023/24, the proportion of children in combined relative low income and child material deprivation was 16%. The proportion of working-age adults experiencing combined relative low income and material deprivation was 10%.

Since 2019, the COVID-19 pandemic, Brexit and the invasion of Ukraine have had a significant impact on people's lives and livelihoods. These factors have contributed to high levels of inflation since 2021 – the 'cost-of-living crisis'. Adjusting for rising living costs, median UK income before housing costs fell by 3.6% from 2019/20 to 2023/24.[18] The poorest households were the worst affected by rising inflation.[19] But the UK poverty rate decreased between 2019/20 and 2020/21, since the relative poverty line dropped as average income fell and the government introduced pandemic-related support, including a £20 uplift to Universal Credit (which remained in place until October 2021). As the government removed its temporary support and middle-income household incomes increased, poverty then returned to pre-pandemic levels.[20]

A range of factors shape people's experiences of poverty and deprivation. Sources of income include state benefits and investment returns, but most of people's incomes come from employment, meaning earnings are a key determinant of poverty. Over half of all families in poverty include at least one adult in work.[21] Low pay and part-time employment increase the likelihood of living in poverty and deprivation in the UK.[21,22,23] There are also significant inequalities in experiences of poverty depending on gender, disability status, age and ethnicity. For example, poverty is consistently highest for people in Bangladeshi and Pakistani households compared with people from other minority ethnic groups.[23]

The care workforce

Social care is a large source of employment in the UK. 1.6 million people work in the sector in England alone, employed by 18,500 (mostly private) organisations or directly by people with care needs.[2] Workers care for older people and disabled people in their own homes, care homes, nursing homes, day care centres and other settings. Workers in residential care settings – the focus of our analysis – make up just under half the sector.[24]

Care work – mostly undertaken by women and more likely than other work in the UK to be carried out by people from minority ethnic backgrounds – is highly skilled but undervalued. Social care has been defined as a low-paying industry by the Low Pay Commission every year since 1998, and employment conditions are poor relative to the wider UK labour market. Compared with many low-paid sectors, government plays a significant role in shaping social care wages as it determines funding for local authorities responsible for commissioning publicly funded social care. The level of government spending significantly impacts the pay, terms and conditions that social care providers offer their staff.[3]

Poor pay and conditions in the sector have long contributed to above-average vacancy and turnover rates.[2,3] COVID-19 and Brexit helped to cause particularly critical staffing problems in social care in 2021, when the workforce shrank despite growing demand.[25] In response, government eased international recruitment into the sector and a significant proportion of new starters in 2022 and 2023 came from outside the UK.[26] Since then, there have been a series of restrictions to this international recruitment route, aiming to reduce immigration levels and the exploitation of workers.

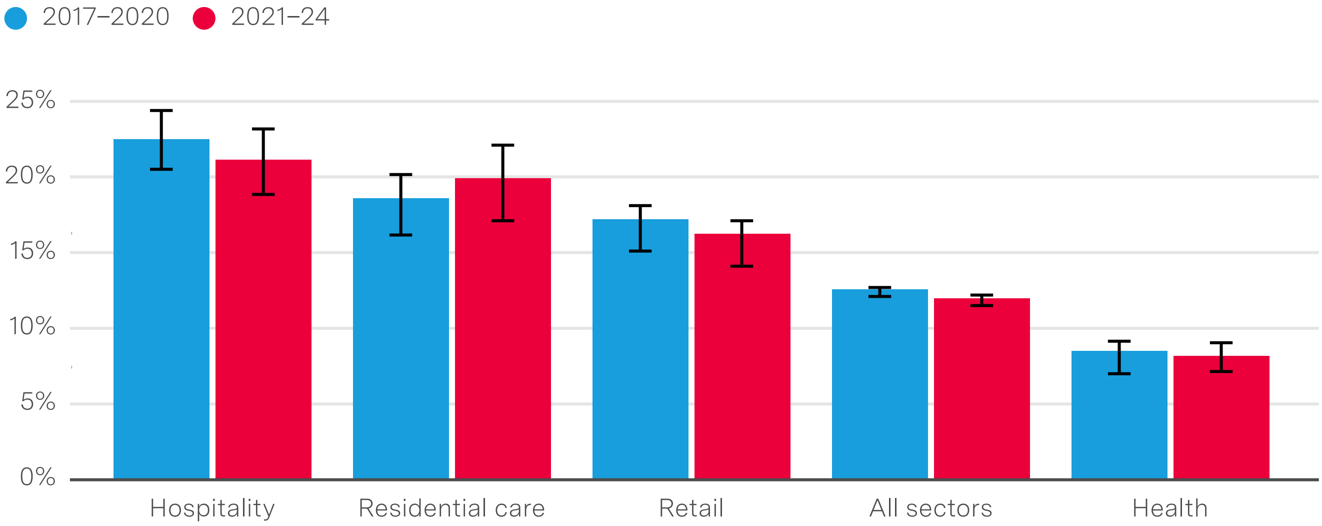
Social care is a devolved matter and policy approaches vary across the UK. Most of the UK care workforce is employed in England, where there were no long-term national policy attempts to improve pay and conditions in the sector during the period considered in our analysis. In 2020, Wales set up a Fair Work Forum for social care made up of government, trade union and employer representatives to determine a new sector minimum wage. Wales then introduced the Real Living Wage for social care in April 2022; Scotland has had a similar policy in place since 2016.[3] Northern Ireland established a similar Fair Work Forum in late 2023, committing to developing the evidence base to support a Real Living Wage sector.[27]

Findings on poverty and deprivation

1 in 5 residential care workers (19.9%) in the UK lived in poverty from 2021/22 to 2023/24 (Figure 1). The poverty rate for residential care staff was higher than for all UK workers (11.9%) and health workers (8.2%). The risk of living in poverty for residential care staff in 2021–24 is similar to 2017–20 – the apparent rise does not represent a statistically significant change.

Figure 1: 1 in 5 residential care workers are living in poverty

Percentage of workers in households in poverty after housing costs by industry, UK, 2017/18–2019/20 and 2021/22–2023/24



Source: Health Foundation analysis of Households Below Average Income and Family Resource Survey, Department for Work and Pensions, 2023 · Note: changes over time are not statistically significant.

1 in 5

residential care workers (19.9%) in the UK lived in poverty

14.5%

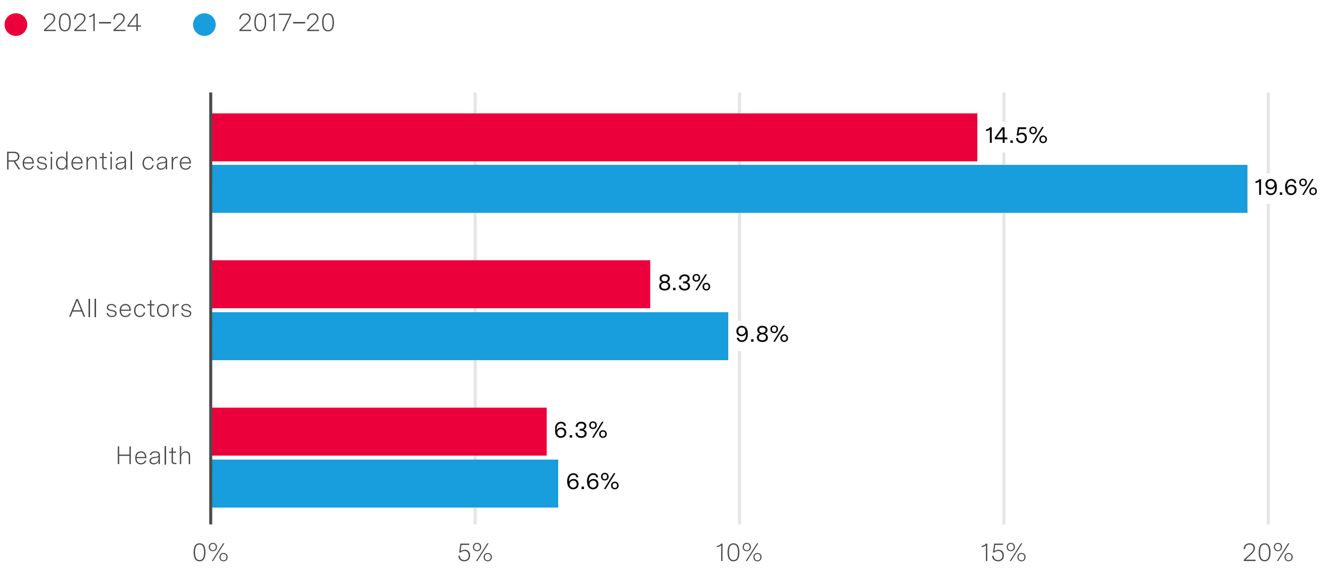
of the residential care workforce drew on Universal Credit

12.2%

of children in families containing residential care workers were materially deprived

At a household level, people experience poverty because the combined incomes of individuals in their household are not enough to afford an acceptable standard of living. While most household income comes from employment, it also includes state support, such as Universal Credit for people on low incomes or those out of work. We found that 14.5% of the residential care workforce drew on Universal Credit from 2021/22 to 2023/24, compared with 19.6% from 2017/18 to 2019/20. Despite a significant drop in Universal Credit receipt among residential care workers, it remains higher than the average UK worker.

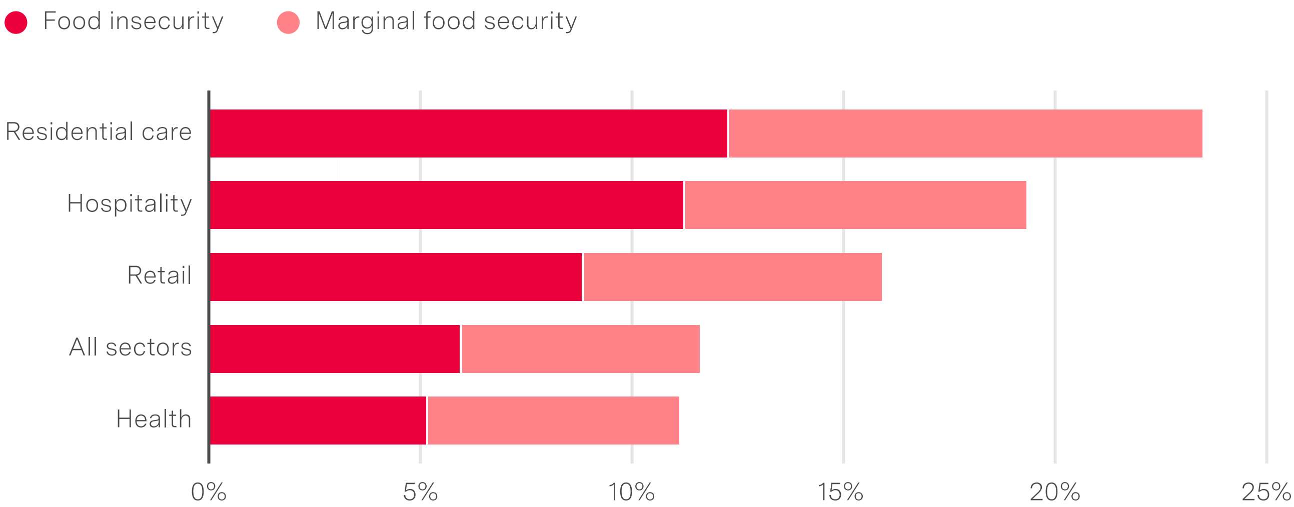
Figure 2: Fewer residential care workers received Universal Credit after the COVID-19 pandemic
Percentage of workers in households receiving Universal Credit or similar benefits by industry, UK, 2017/18–2019/20 and 2021/22–2023/24



Source: Health Foundation analysis of Households Below Average Income and Family Resource Survey, Department for Work and Pensions, 2023 · Note: Benefits include Universal Credit and household income-based Jobseeker's Allowance, household income-related Employment Support Allowance, Income Support, Housing Benefit, Child Tax Credits, Working Tax Credits.

To explore workers' experiences of deprivation, we first looked at access to food for their families (Figure 3). In 2021–24, more than 1 in 10 (12.3%) residential care workers experienced food insecurity, meaning they lacked or risked lacking enough food. A further 11.2% of residential care staff experienced marginal food security, meaning they sometimes had problems accessing enough food. For all sectors, there are no significant changes over time.

Figure 3: In 2021–24, more than 1 in 10 residential care workers lacked or risked lacking enough food
Percentage of workers in households experiencing food insecurity and marginal food security by industry, UK, 2021/22–2023/24



Source: Health Foundation analysis of Households Below Average Income and Family Resource Survey, Department for Work and Pensions, 2023.

Rates of food insecurity and marginal food security among residential care workers have remained high. In 2021–24, a person working in residential care was twice as likely to live in a food-insecure household as the average UK worker. We also found that workers in residential care were twice as likely to have used a food bank in the past year compared with other workers: 2.9% of workers in residential care had used a food bank compared with 1.5% of all workers.

For people working in the UK, working in residential care doubles the risk of going without enough food

Our analysis also suggests that residential care staff are more likely than other workers to experience both working-age adult material deprivation, where families cannot afford basic expenses such as keeping accommodation warm enough in winter or keeping up with bills, and child material deprivation, where families cannot afford to provide their children with essentials, such as fresh fruit and vegetables or a warm winter coat. The working-age adult material deprivation rate was 4.9% for residential care workers, compared with 2.8% for all UK workers. 12.2% of children in families containing residential care workers were materially deprived, compared with 4.2% for all UK workers.

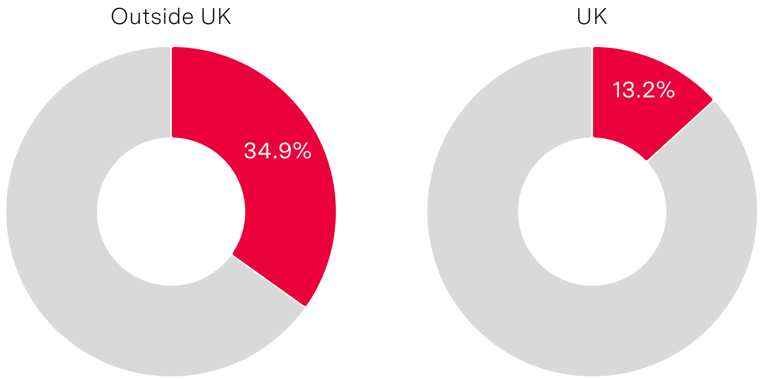
Inequalities among the care workforce

Some people are more likely to experience poverty than others (see Background section). The care workforce is overrepresented by people from minority ethnic backgrounds and migrant workers compared with the rest of the UK labour market. There has also been an increase in the proportion of workers from these groups in recent years due to government policy changes (see Background section). In our survey data, people born outside the UK made up over 30% of the residential care workforce in 2021/22 to 2023/24. We looked at levels of poverty among residential care workers by ethnicity and by country of birth to explore experiences of poverty among these workers.

From 2021/22 to 2023/24, we found that around 1 in 3 (34.9%) residential care workers born outside the UK lived in poverty, compared with around 1 in 10 (13.2%) residential care workers born in the UK. This may be linked to the limited access to state support and high visa costs for migrant workers on temporary visas for work or education, but small sample sizes mean that we could not explore these factors in our analysis.

1 in 3 (34.9%) residential care workers born outside the UK lived in poverty

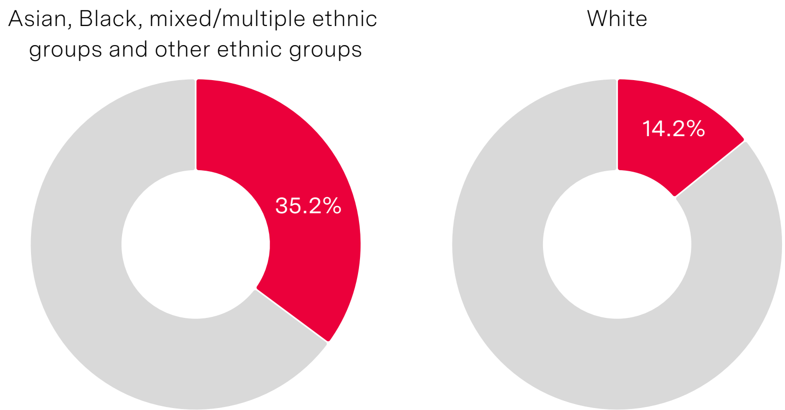
Figure 4: Levels of poverty are higher for residential care workers born outside the UK compared with UK-born workers
Percentage of residential care workers in households in poverty after housing costs, by country of birth, UK, 2021/22–2023/24



Source: Health Foundation analysis of Households Below Average Income and Family Resource Survey, Department for Work and Pensions, 2023.

In line with inequalities in the overall UK population, we also found that levels of poverty are significantly higher for residential care workers from Black, Asian and other minority ethnic backgrounds compared with white workers (Figure 5).

Figure 5: Levels of poverty are higher for residential care workers from Asian, Black and other minority ethnic backgrounds compared with white workers
Percentage of residential care workers in households in poverty after housing costs, by ethnicity, UK, 2021/22–2023/24



Source: Health Foundation analysis of Households Below Average Income and Family Resource Survey, Department for Work and Pensions, 2023.

Impact of increasing wages on household incomes

The government is introducing policy to increase wages in social care, in part aiming to reduce levels of in-work poverty among the workforce. It is important to understand the impact of increasing wages for families across the income distribution – not just the impact for those just below the poverty line. We modelled the potential impact of raising the wage floor in residential care for household incomes.

Higher hourly wages are important to reduce financial hardship. But a mix of other factors also affect household income after housing costs, in particular the number of people in work and the hours they work, housing costs, and benefit receipt.[28] Box 2 sets out what we know about these factors for residential care workers.

Box 2: Non-wage factors affecting household income for residential care workers in 2023/24

Residential care workers are more likely to be in families where all adults are in full-time work than not – this is the case for 52% of residential care workers' households, similar to the average UK worker. But 19% of residential care workers' households only have part-time workers in their households, compared with 12% for the average UK worker. At the individual level, 43% of people working in residential care work less than 35 hours a week, compared with 28% of all workers.

Median household income for residential care workers is £545 a week, compared with £693 for all workers. Residential care workers are likely to have higher housing costs than the average worker: over 52% live in rented accommodation (31% for all workers); 28% have bought with a mortgage (45% of all workers); and 19% own their own home outright (23% for all workers).

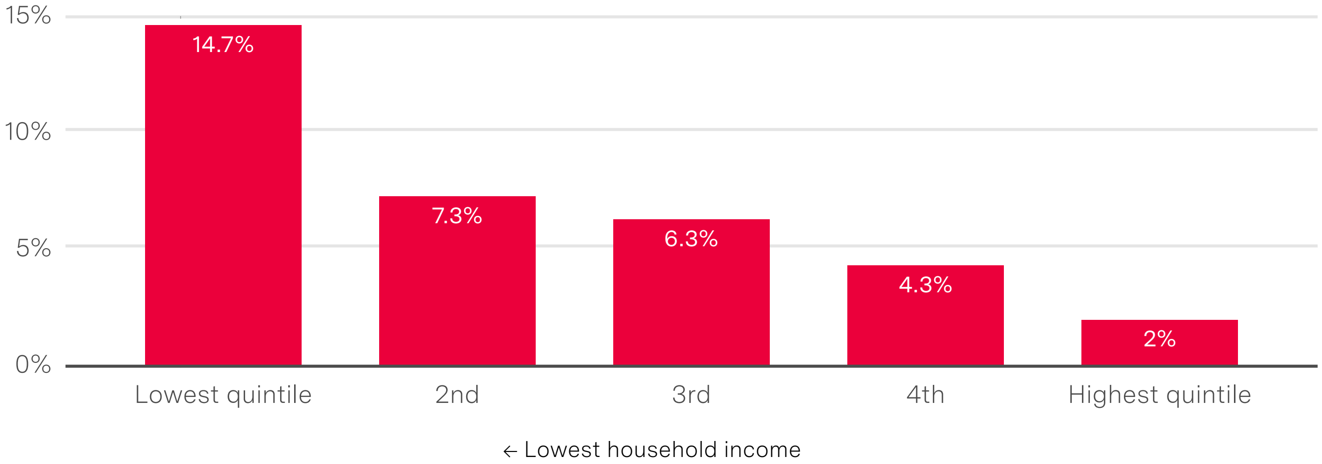
14.5% of residential care workers and their families rely on Universal Credit to top up incomes. The level of an individual's Universal Credit depends on several factors, including whether they or someone in their family is disabled and whether they have children. Similar to all workers, 41% have children, but about 9% have more than two (6% for all workers). More residential care workers (33%) live in families where someone is disabled, compared with 27% of all workers in the UK.

On average, we estimate that increasing the minimum wage for residential care workers to £11.85 (in line with NHS Agenda for Change Band 3 in 2022/23) would mean a 6.6% rise on average in total household income for residential care workers and their families, after accounting for likely changes to people's benefit receipt and tax contributions. Households across the income distribution would benefit (Figure 6), but the impact varies depending on the incomes of other household members and how their pay interacts with benefit receipt and income tax thresholds.

The 20% poorest households – likely to be living in poverty – would see the biggest increase of nearly 15% to their household income, where someone in that household works in residential care. While the percentage change is larger for the lowest income households, partly due to their lower starting incomes, the effect is particularly pronounced in the poorest 20% of households, reflecting people working fewer hours or other household members not in work.

Figure 6: The 20% poorest households would see the biggest increase to their household income after increasing the sector minimum wage to NHS Band 3 rates

Estimated % change in residential care workers' household income if the wage floor increased to NHS Band 3

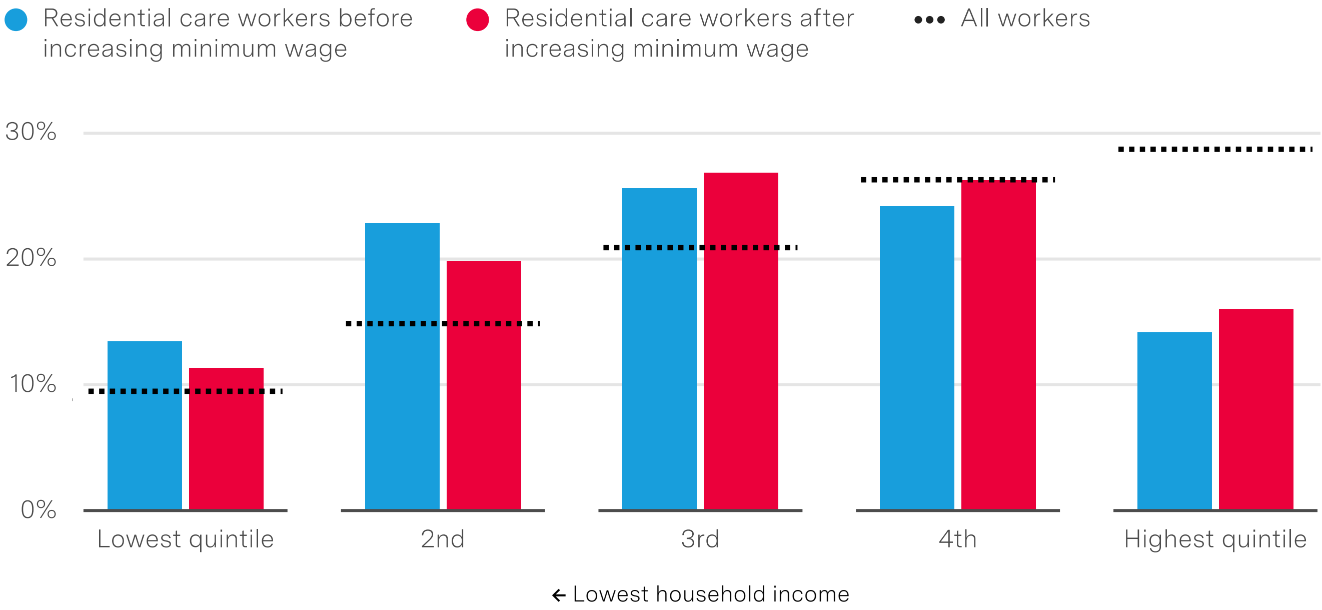


Source: Health Foundation analysis of UKMOD, Centre for Microsimulation and Policy Analysis, University of Essex; Family Resources Survey, Department for Work and Pensions, 2023 · Note: The baseline scenario refers to all workers receiving a minimum hourly pay equal to the national minimum wage (for those aged younger than 23) or National Living Wage (for those aged 23 or older). The wage-increase modelled scenario refers to all residential care workers receiving a minimum hourly pay equal to the Agenda for Change NHS Upper Band 3 rate. It looks at the change in household income after housing costs and accounting for taxes and benefit receipt. The UKMOD uses FRS data for the years 2019, 2021 and 2023 and runs a tax-benefit simulation of 2022.

Increasing the wage floor would also bring the distribution of residential care workers' household incomes closer to the distribution for all workers (Figure 7). People living in the 20% of households with the lowest income are likely to be living in poverty – as well as some of those with slightly higher household income. By increasing the wage floor in line with Agenda for Change Upper Band 3, the proportion of residential care workers in the lowest 20% of households for income falls from 13.4% to 11.3%, compared with 9.5% for all UK workers. More workers in residential care would be in the upper half of the income distribution.

Figure 7: A higher minimum wage for social care workers would lift them out of the poorest working households

Modelled percentage of workers across overall household income distribution, before and after increasing the wage floor



Source: Health Foundation analysis of UKMOD, Centre for Microsimulation and Policy Analysis, University of Essex; Family Resources Survey, Department for Work and Pensions, 2023 · Note: The baseline scenario refers to all workers receiving a minimum hourly pay equal to the national minimum wage (for those aged younger than 23) or national living wage (for those aged 23 or older). The wage-increase modelled scenario refers to all residential care workers receiving a minimum hourly pay equal to the Agenda for Change NHS Upper Band 3 rate. It looks at the change in household income after housing costs and accounting for taxes and benefit receipt. The UKMOD uses FRS data for the years 2019, 2021 and 2023 and runs a tax-benefit simulation of 2022.

Discussion and policy implications

1.6 million people work in social care in England alone – more than the number working in the NHS and around 1 in 20 of all workers across the country.[2] Our analysis finds shameful levels of poverty and deprivation among these workers and their families.

Poverty worsens people's health and cuts their lives short.[16] Overall, we found that someone working in residential care is nearly twice as likely to live in poverty as the average UK worker. Children in residential care workers' families are three times more likely to be materially deprived as those in the average working household. Residential care workers are also twice as likely to experience food insecurity compared with other workers and to use food banks. Since 2017/18 to 2019/20, we find no improvements to levels of poverty and deprivation among residential care workers.

Our findings align with other evidence. A government-led survey of the adult social care workforce in 2023 found that only a third (32%) said they were financially secure and three-quarters (76%) said the cost of living was too high.[29] Workers in social care in other countries face similar challenges: for example, an estimated 37% of direct care workers in the United States lived at or near the poverty line in 2022.[30]

Some workers in social care are at higher risk of experiencing poverty and deprivation than others. Our analysis focuses on residential care workers. But poverty is likely higher among home care workers, since they are at higher risk of underpayment and insecure work.[2] Similar to socioeconomic inequalities in the overall UK population, we find particularly high levels of poverty among residential care workers from minority ethnic backgrounds and workers born outside the UK – groups of people who are over-represented in the care workforce compared with the wider UK labour market.

Our analysis also demonstrates the potential positive impact of increasing wages in social care. We estimate that increasing the wage floor in social care in line with NHS Agenda for Change Upper Band 3 could mean an estimated 6.6% rise on average in total household income for residential care workers and their families, even after accounting for changes to people's benefits and tax contributions. The proportion of residential care workers in the lowest 20% of household income – the most likely to be in poverty – falls from 13.4% to 11.3%, more in line with the wider UK labour market.

Improving pay, terms and conditions in social care

Our work strengthens the case for planned workforce reforms in social care. Low pay and insecure work heighten the risk of living in poverty and deprivation, since most of people's income comes from employment.[31] Compared with other low-paid sectors like hospitality and retail, government plays a more significant role in shaping wages in social care.

There has been a real-terms increase in care worker pay between 2016/17 and 2023/24, driven by the increase to the economy-wide minimum wage.[1] Despite this, there has been no change in the level of poverty among the residential care workforce over time – and challenges recruiting and retaining enough staff remain. This reinforces the case for a sector-specific approach if the government is to achieve its aims to reduce levels of in-work poverty in social care and tackle chronic workforce problems.

Implications for the Fair Pay Agreement policy

Introducing new Fair Pay Agreements in social care in England, Scotland and Wales offers an important opportunity to negotiate better wages, terms and conditions. A public consultation on their scope and implementation is expected in late 2025. There are a mix of pay policy options that could be negotiated on as part of future Fair Pay Agreements,[3] including a sector minimum wage set above the National Living Wage.

One of the government's objectives for Fair Pay Agreements is to reduce levels of in-work poverty among the care workforce, alongside tackling the sector's recruitment and retention crisis and improving people's care.[32] Our findings show that all households where someone works in residential care would benefit from an uplift to the wage floor, but the poorest would see the biggest relative gains. This would likely contribute to a modest but important reduction in poverty among workers, improving thousands of people's lives and supporting key government targets to reduce child poverty and increase disposable household incomes.

A sector minimum wage would only go so far, however, in tackling in-work poverty and workforce problems in social care. A relatively modest increase to the wage floor for care workers – as we modelled in our analysis – would still leave many workers and their families in poverty. It also risks compressing wage differences between new starters and more senior staff, or a deterioration in other employment terms and conditions – as we have previously seen as the economy-wide minimum wage has increased over time.[3] To go further on reducing poverty – and to reward staff experience and skills – other measures relating to pay would be needed, such as a more comprehensive pay banding system akin to NHS Agenda for Change.

An ambitious Fair Pay Agreement would also go beyond pay reform and look to improve other employment terms and conditions affecting people's financial security – such as higher sick pay, more secure contracts and better pensions. As the government determines the scope of the first Fair Pay Agreements, it must engage directly with people working in social care across the country to ensure it improves the aspects of care work that matter most to them.

Whatever the level of its ambition, government will have to provide funding for future pay rises in social care, given its significant role in funding means-tested support people receive from their local authorities. Increasing wages in the sector without a commensurate increase in government funding will risk unwanted consequences for people with care needs and workers.[3] The Health Foundation estimates an extra £3.4bn would be needed just to meet demand for publicly funded social care in England in 2028/29. Increasing pay for the care workforce to at least NHS Agenda for Change Band 3 could cost an additional £2.3bn. The recent Spending Review reiterated the government's commitment to a Fair Pay Agreement but provided a total of £4bn extra for social care in 2028/29. Current spending plans therefore risk leaving local authorities to choose between providing people with the care they need and funding much needed wage rises for the care workforce.

Implications for international recruitment

Improvements to the oversight and regulation of the care workforce are also needed, focusing on supporting those most vulnerable to underpayment and exploitation. Over 140,000 migrant workers arrived through a new care worker visa route in 2022 and 2023, introduced under the previous government. The new visa route successfully improved staffing in social care but likely contributed to a rise in underpayment[33] and modern slavery in the sector.[34] A condition of these visas is that individuals are not eligible for most benefits or housing assistance from the UK government, despite the high reliance on Universal Credit among the wider care workforce to top up low incomes.

Our analysis suggests many migrant workers in social care are recruited into poverty. A series of policy changes since late 2023 have led to fewer migrants arriving on care worker visas[26] and the government announced in May 2025 that it will end the route completely by 2028.[35] This may mean fewer workers at risk of exploitation and poverty, but it will also reduce the pool of workers from which care providers can recruit. The government must make good on its promise to improve pay in the sector or risk severe workforce shortages affecting people's care.

Cross-government action to tackle poverty

Improving people's jobs is important to help reduce poverty. Social care is emblematic of other low-paid, insecure sectors and government should look to build on the planned introduction of Fair Pay Agreements for social care by considering the potential to introduce similar models in other sectors.

Beyond employment policy, a comprehensive approach is needed to improve the social and economic conditions affecting poverty, including action on welfare, housing, education, transport and other policy areas. So far, the government has provided a welcome boost to the National Living Wage and additional investment in affordable housing. But it is choosing not to take measures that would make a significant difference to families living in poverty, such as ending the two-child limit restricting the level of benefit support available to parents[36] and building on modest recent uplifts by significantly increasing the standard element of Universal Credit.[37] The priority given to the NHS and defence in the Spending Review leaves limited room for investment in other areas that reduce poverty and promote good health.

It has now been two decades since the last period of falling poverty in the UK, from 1999/2000 to 2004/05.[23] Currently, without more ambitious action, the government will not meet its targets on child poverty and economic growth – and people will be left living hand to mouth. Improving pay and conditions in an important and large sector like social care can form part of this approach. Government should set a good example and use its influence to reduce poverty among workers in sectors reliant on state funding.

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