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UK politics needs to take a long-term view on social care

*Past attempts to reform social care by both Labour and the Conservatives have failed. The recent commission of an independent review led by Baroness Louise Casey into the state of social care provides a beacon of hope. **Nicholas Barr** argues that a long-term view on social care is the only plausible solution.*

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Social care in England, though a known problem, has remained chronically underfunded for decades, and has now reached a point where, absent emergency actions, care homes are likely to close, leaving frail residents and their families to find an alternative that is affordable, good quality and sufficiently local. Those who have not had to find a good care home, often at short notice, should not underestimate the difficulty of the task.

Writing a [report](#) for the Swedish government on their national pension system in the early 2010s showed what is possible with good politics. It was a sobering experience.

The story is illuminating.

Twenty years earlier the Swedish authorities realised that their pension system would over time become unsustainable. The government therefore established a Pensions Group, comprising all the main parties then in parliament, to design a reform. The composition of the group was both to assist cross-party support and to guard against later backsliding, since all the parties were implicated



British politics has failed to take a long-term, cross-party view on domestic matters, both generally and specifically for social care.



Once reform legislation had passed, the authorities did something very clever – they turned the Pensions Group into a standing body to act as guardians of the reform. As a result, the **pension system in Sweden** has been managed with a long-run view, hence my report was requested not because of a crisis but to identify pressure points before they became a crisis.

My heart ached. Politics in Sweden made it possible to design reform and – critically – to maintain consensus over time. In contrast, British politics has failed to take a long-term, cross-party view on domestic matters, both generally and specifically for social care. In a context of party politics, Labour proposals in 2010 were labelled a “**death tax**”, Conservative plans in 2017 a “**dementia tax**”, and the well-designed proposals of the 2011 **Dilnot Review** were legislated but then shelved.



British politics, too much in thrall to the electoral cycle, tends to produce a patchwork of temporary quick fixes while neglecting proposals that offer a strategic approach.



As **Jonathan Freedland** writes,

“There are two very different cycles – one electoral, the other we might call historical – but we tend to measure success or failure, at least in the moment, only by the former.”

Sweden managed to straddle both electoral and historical cycles. British politics, too much in thrall to the electoral cycle, tends to produce a patchwork of temporary quick fixes while neglecting proposals that offer a strategic approach.,

A new review of social care

The recent announcement of a new **independent review** has had mixed reviews, the most notable criticism being that a final report in 2028 is too long a time scale given the urgency of the problem. A beacon of hope, however, is that the review will be headed by Baroness Louise Casey who has a long track record of getting things done, including reports on **troubled families**, **social integration**, **rough sleeping**, **disorder at the 2020 UEFA Euro finals**, and two reports on **misconduct** in and the **institutional culture** of London's Metropolitan Police.

Some principles that should shape the review's recommendations

Baroness Casey's earlier reports drew on her deep knowledge of how to translate design into workable policy. The great strength of the resulting recommendations is that they understand the complications of effective implementation. Their great weakness is that ultimately – however practical the recommendations – effective action depends on effective politics.

A few important principles should inform the social care proposals.

Don't confuse finance and delivery

Finance (where does the money come from?) and delivery (how is the activity produced?) are separate issues. I argue below that much of the finance of social care needs to be public; in contrast, delivery can be public, private or (as in the case of social care) a mix.



Some people argue that protecting people from the costs of social care is regressive because it protects better-off people from having to sell their house to pay for care. That argument is a category error.



It's insurance, stupid!

Insurance is there to protect people from a bad thing that might happen to them (or might not), which the person cannot stop happening and which, if it happens, is very expensive. Needing

expensive medical treatment is exactly such a risk; so is needing social care.

Some people argue that protecting people from the costs of social care is regressive because it protects better-off people from having to sell their house to pay for care. That argument is a category error. Would its proponents argue that car insurance should pay up only to low-income car owners? Or that the National Health Service (NHS) should withhold free health care from rich people?

What is needed is insurance. But private insurance, for technical reasons (explained by multiple Nobel prizes on market failure, including **imperfect information** and **behavioural economics**), does not provide such insurance well (just as private insurance cannot cover risks like becoming unemployed). Thus what is needed is social insurance, either through an **add-on to social security contributions**, as in Germany and Japan, or from general taxation, as in the Nordic countries.



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The **Dilnot Review** is a combination of the two approaches. Individuals would be responsible for the costs of care up to a cap (for example £75,000), with the taxpayer picking up costs beyond that (typically for someone who needs care for more than about two years), i.e. the taxpayer takes on the upper-tail risk. For low-income individuals, the taxpayer takes on the entire cost.

While private insurance for the entirety of an individual's care costs is difficult or impossible, private insurance to cover up to the £75,000 cap, is likely to be possible, giving people a choice to cover the cap by buying insurance or by saving. Thus the proposal combines individual finance up to the cap with taxpayer finance to provide insurance and for redistributive reasons.

Integrate the finance of the NHS and social care

As noted in an **earlier blog**, with separate budgets the NHS cannot readily finance additional social care to address "bed blocking", i.e. patients who no longer need hospital care but cannot be discharged for lack of follow-up social care. Note that Wes Streeting is Secretary of State for Health and Social Care.

Greater public spending is inevitable

In an [earlier blog](#) I argued that one of the great fallacies in UK dialogue is that lower taxes are always and necessarily a good thing. Clearly taxes that are too high, by reducing incentives to work and save, are harmful to growth, but so are taxes that are too low.

Economic growth depends jointly on productive private investment and productive public investment, including health care and education. As an essential complement to the NHS, social care should be adequately financed both for reasons of common humanity and as a component of a growth strategy (with better social care many unpaid carers would be able to take on paid work).

There is no perfect solution

Here, as in public policy generally, outcomes involve inevitable tradeoffs, so the right objective are policies that are workable and robust, not mythical perfection. It is better to be approximately right than exactly wrong.

Louise Casey and those working with her have three tasks:

- To put in place stabilising policies as a matter of urgency;
- To set out a time path for longer-term policies such as training care workers;
- To generate a genuine cross-party consensus so that the reforms stick.

If Sweden can do it, why can't we?

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