Employment Practices and Performance: Rewards and incentives and their relationship to recruitment, retention and quality of service in adult social care in England

A research project conducted for Skills for Care: April 2008

Phase 1: Literature Review - Summary

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Synopsis

This literature search aims to examine the relevant literature regarding issues relating to employment of staff in the social care sector in England. More specifically there is an exploration of the literature regarding rewards and incentives in the sector and the possible impact of rewards, incentives and other employment issues on the quality of service for people that use social care services.
1. INTRODUCTION

Skills for Care commissioned the writers to research the important area of rewards and incentives and the relationship of these to recruitment, retention and quality of service in the social care sector.

The overall aim of the project is: “To examine the links between rewards offered in the sector, recruitment and retention difficulties and outcomes for service users.”

The aim of the research is illustrated in below (Table 1):

| • Pay                          | • Vacancy and turnover rates | • Outcomes for service users (quality and continuity of care) |
| • Other rewards & incentives   | • Recruitment and retention problems |   |
| • Terms & conditions of employment |                          |   |
| • Training & qualifications    |                          |   |
| • Other factors                |                          |   |

Table 1: Exploring the relationship between pay, reward and other factors and outcomes

The first phase of the research had two parts. The first part was to undertake an analysis of compatible CSCI (Commission for Social Care Inspection) and NMDS - SC (National Minimum Data Set for Social Care http://www.nmnds-sc.org.uk/ ) data, and the other part was to undertake a literature search of research into recruitment and retention and related issues in social care within the UK.

This report summarises the main findings from that literature search. The full version of the literature search is available from Skills for Care on request.

The literature review focused on a number of areas. Firstly, the context of social care is described, which includes both the policy context and information about the economic market place. Comparison with other industries is touched on to contextualize the social care sector in terms of information about pay and other terms and conditions of employment.

Secondly, information about the workforce is detailed. This is followed by an exploration of information about the size of the social care market and information on turnover and destination of leavers. It is demonstrated that much previous information about the workforce has limitations in terms of the accuracy of the information. The development of the NMDS - SC data set is providing more accurate information, although it is noted that the NMDS – SC is intended to be a “minimum” data set and that further more in depth studies will be needed to understand the workings of the social care labour market.

The link between employment practices (which includes rewards), and performance at the level of individual organisations is then explored. Reference is made to literature that seeks to demonstrate the link between employment practices, for example how staff are recruited,
management practice and performance. The concept of High Performance Work Systems (HPWS) is introduced – a process of creating teams that are given autonomy, good quality training and that seek to value employees. The applicability of the concept to social care is explored by looking at the research literature.

2. TERMS USED IN SOCIAL CARE.

Section 2 of the report explores what is meant by the social care sector, how it is constructed and the terminology that the sector uses.

3. THE SOCIAL CARE WORKFORCE IN CONTEXT

Section 3 places issues to do with the social care workforce in the context of policy, finance and regulation.

The main policy drivers are described, for example “Our Health, Our Care, Our Say: a new direction for community services” (Department of Health (DH), Jan.2006 and the Options for Excellence review of the social care workforce. (DH, Oct. 2006). The review states “The social care workforce is integral to delivering the vision for the future set out in the White Paper”. The review also highlights the need for a strategic approach to workforce planning and strategy and makes a wide ranging series of recommendations. The recommendations include ideas for addressing problems with recruitment, retention and the need for organisations to align their human resource policies to organisational outcomes. This research into rewards and incentives is one of the recommendations from the review.

The section also describes the regulatory system that the majority of social care services operate under. The industry is subject to national minimum standards regarding quality of provision and workforce issues such as staffing levels, recruitment practices and qualification levels.

The section reports that the majority of provision is purchased by local authorities, who are driven by a best value agenda and commissioners seek to obtain quality services at best value prices. Commissioning practice appears to have a significant impact on the market for social care. As yet an unknown issue is the degree that the personalisation agenda will have on the social care workforce.

4. THE SIZE OF THE SOCIAL CARE MARKET AND CHARACTERISTICS OF THE SECTOR, PARTICULARLY IN RELATION TO WORKFORCE

There are various sources of information about the sector and the sources look at different things. For example, the sector can be measured by looking at the number of organisations, the number of staff and other information about staff, financial data and number of people receiving services. This section briefly identifies some of these characteristics, which demonstrate that the sector is a multi billion pound one, affecting the lives of over a million people and employing in excess of a million people.

Information regarding turnover rates and vacancy rates of staff in the sector are explored and comparisons made with other sectors and some international comparisons.
An exploration about pay rates is made, with again some comparison with other sectors.

There are various sources of data about the sector, with the NMDS – SC beginning to have a real impact in terms of the quality and detail of information. There is evidence of significant turnover in the sector, particularly in the independent sector, and particularly at the front line level. However it is important to note the CIPD research that indicates that turnover in the sector is in line with other sectors and is well below some others (CIPD, 2007, 2008). It can be argued that high turnover is particularly problematic for quality of care, however the negative picture appears to be somewhat ameliorated by evidence that the destination of many leavers is other parts of the social care sector.

5. THE IMPACT OF THE NATIONAL MINIMUM WAGE

Section 5 looks at the research on the impact on the introduction of the National Minimum Wage. There is a wide body of research on the impact of the National Minimum Wage (NMW) on jobs, earnings, wage structures, pay differentials, accommodation provision, quality of care, recruitment and retention, staffing levels, productivity and firm performance (profits, prices, government funding) from Low Pay Commission (LPC) reports and economic studies (Machin 2004 and others). The LPC commissions a survey of all low paying sectors every two years and social care sample is around 700. This information provides some useful information about the social care sector.

The research reviewed demonstrates that over 40% of care homes had to raise some pay rates to comply with the introduction of the NMW. The economy of the social care market is, to a significant degree, determined by the behaviour of local authority (and latterly health) commissioners. Care organisations have complained that commissioners have not sufficiently recognised the impact of the NMW in terms of higher fee income.

The high degree of regulation in the sector has meant that there is little scope for productivity savings, for example introducing new technology to replace staff. The main area where economies have been made have been in non-labour costs, but again there are restrictions in savings that can be made.

6. WORKFORCE ISSUES – PERCEPTIONS AND VIEWS

This section reports on information and reported perceptions of information concerning the social care workforce. Reports that propose solutions to workforce issues in the sector are reported on. A summary of the various actions taken in the sector to address workforce concerns is given. The last parts of section 6 detail information about the link between pay and rewards.

The majority of the reports about workforce issues in the social care sector stress the problems within the sector in terms of recruitment, retention and overall labour supply. The research indicates that there will need to be an expansion in the social care workforce over the next decade, on top of the need to replace people leaving the sector. Examples of reports about the workforce are given and the reported negative impact of staff shortages and other workforce management issues impacting negatively on quality of care.

However, there are some reports that state that for some the situation is improving.
It is also reported that reports about perceptions of recruitment, retention and rewards vary in quality in terms of the accuracy of their data and that it is hoped that the NMDS - SC information will enable more accurate analysis of workforce data.

**The link between pay and reward**

At a common sense level one would conclude that there is a direct link between pay, reward and recruitment and retention. However, detailed research on this is limited. There are many reports that factors other than pay influence people’s decisions regarding employment. Factors impacting on recruitment and retention include reward factors such as pensions, guaranteed hours, sick pay, holiday entitlement, flexibility of working patterns and other factors such as quality of management and factors such as status and negative perceptions of the sector.

7. **WORKFORCE REALITIES: A STUDY OF CARE WORKERS**

The NMDS - SC contains valuable information about the workforce, including important information about turnover and destinations of leavers. However, the NMDS, at this point, does not contain much in depth information about the perceptions and views of the workforce. In order to address some of this information deficit Skills for Care commissioned an in depth study of 500 care workers, using representative sampling techniques (Skills for Care, Nov 2007).

This study of the views of care workers supplies very useful information about the sector. The picture painted was of a relatively stable workforce, who had a very high degree of job satisfaction. The case study part of this research into rewards and retentions in the sector aims to throw further light on these and related issues.

8. **THE LINK BETWEEN EMPLOYMENT PRACTICES AND PERFORMANCE**

The literature search had as one of its aims to explore the link between employment practices (which includes pay and other rewards and vacancy and turnover issues) and performance, with performance specifically being considered as the outcome for service users. (Performance can be considered in a number of ways, for example profitability of business is a common outcome). It would be, for example, of considerable interest if it was found how an organisation can "get it right" in terms of achieving high quality by utilising human resource policies and strategies. The research from other employment sectors identifies that the process is poorly understood.

This section also attempts to explore the academic literature in order to better understand the relationship between introducing various changes in the social care sector and outcomes. Outcomes can be examined in three broad categories:

1. improved services for the end user, or service user
2. improved experiences of work for the employee
3. improved outcomes for the employer, in terms of financial factors.
There are extensive reports in the literature of the desirability of introducing changes in employment practice, commonly referred to as HR changes, how to implement such changes and also some research on the mechanism that takes place in order to make the changes. However, no formal academic studies of the relationship between implementing changes in the social care sector were found in the UK literature. Nevertheless, we can refer to the wider academic literature and identify relevant studies that address linking pay, recruitment and retention to performance outcomes that may resonate to social care in the UK context. If the mechanism for introducing changes can be understood and can also be linked to the outcome of introducing changes, then there is the potential for improvement in improved services, improved experiences of work for the employee and improved profitability for the employer.

The elusive problem of how to open the ‘black box’ and explain the link between Human Resource Management (HRM) and performance is explored. It is argued that the issue of causality has not been addressed in the majority of studies (Wright and Haggarty, 2005). It is considered that a way forward may be to develop HR practices that embrace flexibility and agility (focusing on the customer rather than market needs) that reflect organisational climate and culture, and aim to align individual values, corporate values and societal values (Paauwe and Boselie, 2005; see also Eaton, 2000). However it is also argued that there is a danger of over formalising HR practice in small and medium sized firms. While this might be developed at a firm-specific level, its wider application may be more problematic. Recent research suggests that we have to guard against over formalizing HR in small firms, because this may work against the interests of employers and employees alike. There is evidence that employee satisfaction declines the greater the formality of HR initiatives, notably, the presence of an HR professional, formal newsletters and the presence of a formal dispute procedure (Storey et al., 2008). The implication here is that firm-specific informality needs to be acknowledged more fully and used to the benefit of employers and employees.

The issue of how best to disseminate good practice is highlighted as an important issue for any sector wishing to improve HRM practice. It is concluded that deciding how best to disseminate good practice in HRM is as important as determining how to identify and evaluate it.

This section also explores the evidence of the impact of implementation in the research literature in the social care sector. The only examples that have been found that is specific to the social care sector are Australian and American, and these are reviewed. The academic research literature on the impact of implementing “good” work practices, or High Performance Work Systems (HPWS), is explored. (Harley, Allen and Sargent, 2007).

It is concluded that it is not possible to draw any firm conclusions about whether it is possible to generalise the information from the Australian and US studies to the UK, although it provides some valuable ideas that are worthy of consideration. However, the research does appear to demonstrate in these contexts that there will be pay-offs for organisations adopting HPWS practices and this suggests that performance gains of service quality can emerge partly through positive employee outcomes. In the US and Australia the research identified what are called “poor” jobs and “high” jobs. The poor jobs were defined as having low levels of autonomy, as well as poor terms and conditions of employment. The research indicates that innovations in HR practices can contribute to raising employee commitment, even in jobs that remain “poor.” It appears however that innovations in HR practice do not help
improve the experience of work in “low” quality jobs. The challenge may be to move “poor” jobs into the “high” category, by for example implementing the components of “good” jobs—autonomy, skill variety, task significance, feedback and task discretion. The qualitative research of 500 care workers in the UK demonstrates very high levels of job satisfaction. It is not clear whether the satisfaction derives from the intrinsic nature of the work, or whether job satisfaction is overtly influenced by “good” HR practice (Skills for Care, Nov 2007).

The key points from the comparative literature and the exploration of the impact of HR practices are as follows:

- Good work practices and good jobs based on job redesign, work reorganisation, information sharing, fair treatment, showing respect for others, some flexibility, empowerment and working smarter are not necessarily costly.
- Good policies on their own are useless unless they are implemented effectively and have the desired effect.
- Setting and appropriate timescale and establishing success criteria are important to ensure that the achievement of short-term gains does not work to the detriment of longer-term gains.
- Measures of what is productive work needs to reflect qualitative measures as well as quantitative ones.
- Employment practices need to be sensitised to the organisation’s culture, climate and value systems. Over formalisation of employment practices may be damaging if the benefits of informality are lost.
- Enlightened management philosophy and attitude to social care, leadership and vision are important prerequisites to semi-skilled, semi-autonomous ways of working.

9 CONCLUSIONS

There is a considerable amount of information in the literature that reports workforce issues in the U.K. social care sector. The validity and reliability of the information will be put under scrutiny in coming years as the NMDS – SC generates more data.

The literature reports the sector as stating that there are considerable problems with recruitment, retention and turnover, and that there were problems with the introduction of the National Minimum Wage.

It needs to be remembered that the industry has changed considerably over the past decade and that many of the changes are a result of external influences, such as commissioning and legislation regarding regulation. The majority of the sector is publicly funded, albeit delivered by private sector providers. This has implications for the way that the market operates, in that in many ways the market does not operate in a free market, competitive environment. This in turn may have implications for the way that the sector behaves, for example funding is clearly a major issue for the sector, yet the majority of funding comes from government sources. One of the ways that the sector can influence the supply of funding is by exerting pressure on government.

It is possible that genuine perceptions of rewards and incentives are being used to try and influence the government agenda. It is also likely that the commissioning decisions of the
major funders – local authorities – are a significant determinant of decisions at the level of the individual organisation relating to rewards and incentives. This complicates analysis of the relationship between HR factors, such as rewards and incentives and performance at a whole industry level.

There is little conclusive evidence of the impact of applying variable rewards and incentives in the sector. This is not surprising given the complexity of possible causal relationships, coupled with current limitations in the quality of the data. There is, however, much discussion about what could and should be done.

Information from research outside of the social care sector indicates that the process of introducing HR reforms can have a negative as well as a positive affect on employee performance, less is known on the impact on overall performance. A key feature of implementation of strategies relating to rewards and incentives and other HR issues would appear that HR practices should not be introduced in an over formalised way, otherwise they can be seen as a bureaucratic burden that distract operational managers and staff from direct work with people who use services. The opportunities within the care sector to get the implementation right appear to be good as many of the organisations are small and locally managed.

The literature search found that hard evidence about the scale of recruitment and retention difficulties and the success of solutions for them is somewhat limited. Undoubtedly there are “hot spots” in the sector where there are considerable problems and the literature also raised the important point that the impact of turnover on service users will be greater than in other sectors of the economy because of the value that service users place on continuity of care.

It should be noted that according to CIPD research that turnover in the social care sector is in line with other sectors of the economy (CIPD, 2008) An additional factor that also needs to be taken into account is the evidence that most of the turnover is due to internal movement within the sector, which means that skills and experience are not being lost to the sector. (Skills for Care Feb 2008). There is not enough information about the causes of the recruitment and retention difficulties in detail; the development of NMDS information should go a long way to help solve this.

The research in Australia and the US indicated that “good” HR practices can have an impact on organisational performance and employee satisfaction and service user wellbeing. The specifics of the research however mean that there are limited lessons for the UK, unless the research was replicated and adapted to the England context. The case study approach, which is stage 2 of this research, explores at the level of individual organisations the impact of various HR practices.
References

For details of the full set of references please refer to the unabridged report.


CIPD (2008) Recruitment retention and turnover


DH (Oct.2006c) Options for excellence: Building the social care workforce of the future


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