



The economic value of the adult social care sector in England

Final Report

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Executive Summary

What is the economic value of the adult social care sector in England?

As a conservative headline figure we estimate that **the direct economic value of the adult social care sector in England in 2011/12 is more than £20 billion per year.**

The sector employs around **1.5 million workers in 1.7 million jobs and 1.3 million full-time equivalent (FTE) jobs; and produces around £13,250 of GVA per worker and £15,400 of GVA per FTE.**

The adult social care sector (excluding indirect and induced effects) directly contributes **1.8% of all GVA in England and provides jobs for 6.4% of the total workforce in England.**

It is also useful to make comparisons against other sectors in England to put these findings into context. For example, **the adult social care sector employs more people (1.5 million) in England than:**

- the construction industry (1.1 million);
- the transportation, storage and postal industry (1.1 million);
- the public administration and defence sector (1.2 million); and
- all restaurants, cafes, pubs and bars in the food and drink service industry (1.3 million)

The adult social care sector also contributes more GVA (£20 billion) per annum to the English economy than:

- the production and distribution of electricity and gas (£16 billion)
- legal activities (£17 billion)
- the arts, entertainment and recreation industries (£18 billion)
- the food and drink service industry (£19 billion).

Productivity in the adult social care sector is relatively low in terms of GVA per worker and GVA per FTE, which is a result of the relatively large number of low paid workers in this sector. **It has a similar productivity to the food and drink service industry, which also has a productivity rate of around £14,000 per worker in England.**

What are the multiplier effects associated with the spending by the sector?

As with any economic sector, its own activity influences the economic activity in other sectors of the economy. This influence results from the spending on goods and services from suppliers to the sector (indirect effects) and as a result of the wages spent by those who work in the sector (induced effects). These so-called multiplier effects have been estimated using data on purchases, suppliers and wages:

- The indirect effect is estimated to add a further £16 billion of GVA per year to the English economy and to support a further 1 million FTE jobs.
- The induced effect is estimated to add a further £6.4 billion of GVA per year to the English economy and to support a further 0.5 million FTE jobs.

The total economic contribution of the adult social care sector in England is estimated to support a total of 2.8 million FTE jobs and £43 billion of GVA in the English economy in 2011/12, including all direct, indirect and induced effects. These estimates do not include potential spillover benefits such as reduced health costs and improvements in the welfare of service users not reflected in the economic data.

- The majority of these jobs (67%) and GVA (59%) are supported by the activities and expenditures of private sector care providers;
- Public sector providers support a further 15% of the total FTE jobs and 23% of GVA; and
- The voluntary sector supports the remaining 19% of FTE jobs and 18% of GVA.

Why should we be interested in the economic value of the adult social care sector in England?

Policy and investment decisions are influenced by the economic value that they generate, even if the decisions relate to policy goals other than economic growth. Investment decisions relating to sectors whose economic value is not readily obtainable from economic statistics (such as the adult social care sector in England) are therefore made without a full understanding of the economic context. An investment of say £100m in a sector with a value of £1 billion is substantial, representing 10% of the value. The same investment in a sector with a value of £50 billion represents only 0.2% of value and might be considered a marginal decision.

With an ageing population requiring expansion in the range and scale of services and related public investment, knowledge of the current economic value of the sector is an important benchmark figure.

How is the value of the sector measured?

The value of the sector (or an economy) is measured as the sum of the value of all goods and services produced in a given year, and can be measured by Gross Value Added (GVA), a standard measure of economic activity. Three different approaches to measuring GVA can be used:

- *Income measure*: GVA is measured as the total income received from factors of production, including labour compensation (i.e. wages), profits and rents.
- *Output measure*: GVA is measured as the total value of final goods and services produced, i.e. the sum of GVA measured by the difference between the total value of goods and services produced by the sector minus the costs of purchases of intermediate goods and services;
- *Expenditure measure*: GVA is measured as the total final demand for adult social care services based on the expenditures of the public sector, self-funders and charitable donations.

These GVA estimates generated by these different measures ranged from: **£26 billion to £19 billion**. The **overall estimate of £20 billion of GVA is therefore considered a conservative estimate**.

1 Introduction

1.1 This report

This is the Final Report of a study commissioned by Skills for Care to provide evidence of the current scale of the economic contribution of the adult social care sector in England.

1.2 Purpose and objectives of the study

Skills for Care is part of the Sector Skills Council, Skills for Care and Development. It is responsible for improving qualifications, training and development for all adult social care workers in England. Skills for Care had identified a need to establish the economic contribution of the activities provided by the sector, measured as the economic value of the sector. However, the adult social care sector in England has historically been difficult to assess in terms of its economic value, as distinct from the children's workforce and the wider UK workforce.

Skills for Care has recently generated estimates of the number of employers, enterprises and employees in the sector, through its work on the National Minimum Dataset for Adult Social Care (NMDS-SC). ICF GHK was commissioned by Skills for Care to build on this work and to assess the economic significance of the adult social care sector in England to the wider economy. This study was commissioned in support of further policy development towards the sector including consideration of a broader case for investment in skills in the sector.

The purpose of the study was to establish the economic contribution of adult social care services in England (defined in terms consistent with the UK national accounts) and provide estimates of:

- the annual GDP and GVA generated directly by the adult social care sector in England (including the public sector activities within the sector as well as the independent sector) (direct impact);
- productivity - GVA per worker for the adult social care sector in England;
- the supply chain multiplier for the adult social care sector in England (indirect impact);
- the wage multiplier for the adult social care sector in England (induced impact);

1.3 Structure of the report

The report continues in the following sections:

- Section 2 – defines the adult social care sector and outlines the approach taken to assess the economic contribution of the sector;
- Section 3 – presents an analysis and estimates of the direct economic contribution of the sector;
- Section 4 – provides estimates of the indirect, induced and total economic impacts associated with the sector;
- Section 5 – summarises the main conclusions of the study.

A glossary of terms has been included as an Annex.

2 Defining the adult social care sector and method of approach

2.1 Defining the sector and key data sources

The focus of the study was the adult social care sector in England. It did not include social care services for children, and did not include adult social care activities delivered outside England. Many data sources are often presented for the total social care sector (adults and children) and/or for the UK as a whole. The study has therefore included appropriate adjustments to exclude data relating to care services that are outside the scope of this study. All relevant assumptions and adjustments have been made explicitly and are clearly specified in this report.

The study has made use of a broad range of data sources including:

- sector-specific data, such as the National Minimum Data Set for Social Care (NMDS-SC), data from the Health and Social Care Information Centre (Adult Social Care Statistics), and other published data (e.g. Laing and Buisson); and
- standard sources of economic data, such as the Inter-Departmental Business Register (IDBR), National Accounts, Annual Business Survey (ABS), Business Register and Employment Survey (BRES), Labour Force Survey (LFS) and Annual Survey of Hours and Earnings (ASHE).

The sector specific data have typically provided a closer fit with the focus of the study than the standard sources based on the standard industrial classification (SIC). Table 2.1 provides an overview of the definition of the adult social care sector, expressed in terms of the Standard Industrial Classification (SIC) used as the basis for economic data on businesses, output and employment.

Table 2.1 SIC Classification and the Adult Care Sector

Section	Division (2 digit)	Group (3 digit)	Class (4 digit)
Q - Human health & social work	86 - Human health activities	86.1 - Hospital activities	86.10 - Hospital activities
		86.2 - Medical & dental practice activities	86.21 - General medical practice activities
			86.22 - Specialist medical practice activities
			86.23 - Dental practice activities
	86.9 - Other human health activities	86.90 - Other human health activities	
	87 - Residential care activities	87.1 - Residential nursing care activities	87.10 - Residential nursing care activities
		87.2 - Residential care activities for learning disabilities, mental health & substance abuse	87.20 - Residential care activities for learning disabilities, mental health & substance abuse
		87.3 - Residential care activities for the elderly & disabled	87.30 - Residential care activities for the elderly & disabled
		87.9 - Other residential care activities	87.90 - Other residential care activities
	88 - Social work activities without accommodation	88.1 - Social work activities without accommodation for the elderly & disabled	88.10 - Social work activities without accommodation for the elderly & disabled
88.9 - Other social work activities without accommodation		88.91 - Child day-care activities 88.99 - Other social work activities without accommodation n.e.c.	

Notes: Please note that the shaded cells in each column can be ignored, as the unshaded cells represent the most relevant sectors/sub-sectors for the adult social care sector at each level. However, some of the unshaded sectors (particularly 87.90 – Other residential care activities and 88.99 – Other social work activities without accommodation n.e.c.) are also likely to include child-focused care activities and data have been adjusted as appropriate.

There are also likely to be relevant activities included within other SIC sectors (such as: 84.11 - general public administration activities; 84.12 - regulation of the activities of providing health care, education, cultural services and other social services, excluding social security; and 94.99 - activities of other membership organisations n.e.c.), however these have been omitted from the analysis given the relatively small proportion of activities in these sectors that are relevant to adult social care.

While some of the descriptions of SIC sectors provide an indication of whether they are likely to be adult or child focused (such as ‘residential nursing care activities’ and ‘child day-care activities’), the majority of these sub-sectors are likely to include activities that relate to adults and children. This issue has been overcome by using sector-specific data (from NMDS–SC or Laing and Buisson) alongside the sources of economic data to help produce robust estimates of adult social care activities.

The NMDS-SC contains a provider-focused database covering 26,600 establishments by sub-sector, which provides data on organisation level data on establishments and workforces, and a worker-focused database which provides more detailed information about worker characteristics. Both databases have been used to help develop estimates of the economic contribution of the adult social care sector.

2.2 Approach to estimating the economic contribution of the sector

The economic contribution and significance of a sector can be assessed in a number of different ways and using a variety of different indicators. Key indicators include:

- The number of businesses/establishments;
- Employment, measured in terms of workers and full time equivalent (FTE) jobs;
- Output or gross domestic product (GDP), which represents the total value of output of a particular sector or economy; and
- Gross value added (GVA), which represents the additional value generated by a particular sector or economy.

Each of these indicators have been assessed and estimated as part of this study. Gross Domestic Product (GDP) and Gross Value Added (GVA) are the main measures of the overall scale of economic activity within a particular sector, region or country. GDP is defined in the National Accounting Framework as the sum of all incomes earned by the production of goods and services on UK economic territory, wherever the earner of the income may reside, while GVA represents the total additional value generated by all producer units in a region or country.

The standard approach is to define and measure the direct economic contribution of a particular industry to the national economy in terms of value added / GVA. We propose to derive estimates of GVA in the adult social care sector in three different ways:

- *Output measure*: to produce estimates of the total value of final goods and services produced, i.e. to measure GVA as the difference between the total value of goods and services produced by the sector and the costs of purchases of intermediate goods and services;
- *Income measure*: to produce estimates of the total income received from factors of production, including labour compensation (i.e. wages), profits and rents.
- *Expenditure measure*: to produce estimates of the total final demand for adult social care services based on the expenditures of the public sector, self-funders and charitable donations.

These estimates are based on available secondary data describing the activity of the sector. This data is neither complete nor entirely consistent, and some assumptions and adjustments have been made to establish the estimates presented in the following sections. These assumptions and adjustments are described in the analysis presented.

In summary, the main data sources used in this study have included:

- *Output measure* – sources have included the UK National Accounts, the Annual Business Survey, the Inter-Departmental Business Register, and sector specific data from Laing and Buisson, the Care Quality Commission and the Health and Social Care Information Centre.
- *Income measure* – the main source has been the NMDS-SC dataset, supplemented by data on profits and rents from Laing and Buisson.
- *Expenditure measure* – the main source of expenditure data has been the Health and Social Care Information Centre, supplemented by estimates of self-funding included within a study by the Institute of Public Care (IPC) at Oxford Brookes University and the ‘Caring for our future’ White Paper.

2.3 The different ways in which the adult social care sector contributes to the wider economy

The adult social care sector makes a contribution to the total economy in England in a number of different ways. These include:

- *Direct contribution* – employment and GVA supported amongst providers of adult social care services in England;
- *Indirect effects* – employment and GVA supported amongst the supply chain, as a result of the adult social care sector purchasing intermediate goods and services from other sectors in order to deliver its services; and
- *Induced effects* – employment and GVA supported by the expenditures of those directly and indirectly employed in the adult social care sector, who use their earnings to buy other goods and services.

The adult social care sector also delivers additional, indirect benefits and impacts for the wider economy, which result from spillovers (e.g. reduced demand for health services as a result of the consumption of adult social care services) and informal activity (e.g. care provided by family and friends, without which formal services would need to be provided). These additional benefits have not been quantified in this study.

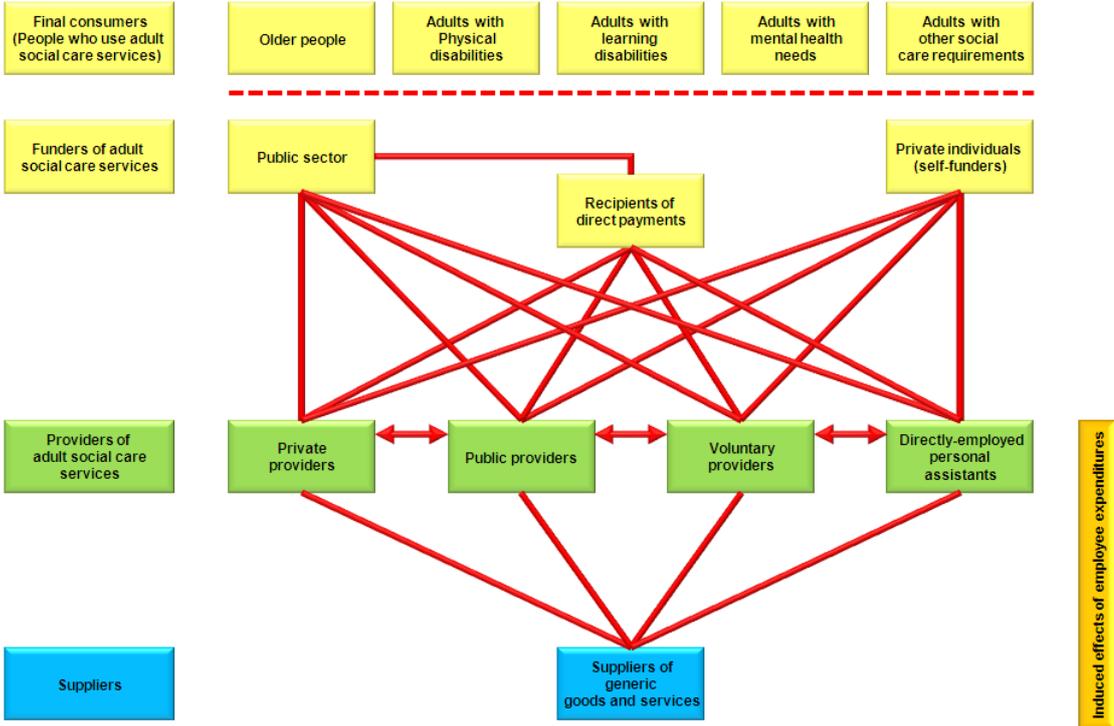
2.4 Sector map

A useful starting point for considering the economic contribution of an industry is in relation to a value chain or sector map. The various economic linkages and effects described above are summarised in Figure 2.1 below, which provides a simplified map of the adult social care sector.

It shows the key linkages between the core providers of adult social care services, the supply chain and the different types of consumer, expressed both in terms of sources of funding and the ultimate consumer of the services. It does not disaggregate imports and exports from domestic monetary flows and linkages because these are likely to be minimal for the adult social care sector.

This sector map is useful for helping to define the sector, demonstrating the economic linkages, setting out the basic building blocks for the economic analysis and providing a basis for estimating some of these monetary flows, which are explored further in the following sections.

Figure 2.1 Sector map - adult social care



Source: ICF GHK

3 The direct economic contribution of the adult social care sector

3.1 Estimates of the size and structure of the sector

The key aim of the study was to produce estimates of the overall economic contribution of the adult social care sector, recognising the various contributions of the different sub-sectors. There are a number of ways in which the adult social care sector can be disaggregated into sub-sectors, which include:

- Ownership of establishments – i.e. public, private and voluntary sectors;
- Funding source used to pay for care services, which typically comprises public sector funding, private individuals ('self-funders'), or a combination of the two;
- The type of service provided – e.g. residential care, domiciliary care, day care, etc; and
- The groups of people using care services – i.e. older people, people with physical and learning disabilities and people with mental health problems.

The study approach considers all of the above sub-sectors in developing estimates of economic contribution (for example, exploring sources of funding when assessing expenditures) and has produced estimates of economic value for each of the different sub-sectors. The sector map in Figure 2.1 helps to demonstrate the linkages between these different sub-sectors (with the exception of the type of services delivered by the providers of adult social care services).

As a starting point for the economic assessment, the following section summarises available data on the different organisations that make up the adult social care sector, and the employment supported within those organisations.

3.1.1 The number of establishments and organisations

Skills for Care has already produced estimates of the number of establishments and organisations delivering adult social care services and the size of the associated workforce. The estimates of the number of organisations and establishments are based on IDBR estimates for England. This approach uses IDBR estimates for the unshaded (4 digit) classes in Table 2.1. All organisations and businesses within these classes are assumed to provide adult social care services except for:

- SIC 87900 (Other residential care activities); and
- SIC 88990 (Other social work activities without accommodation n.e.c.).

In SIC 87900 the proportion of organisations and establishments that provide services for adults was estimated based on the relative proportions of Care Quality Commission (CQC) and Ofsted regulated residential establishments. In SIC 88990 the proportion of adult and children services was established by Skills for Care based on the research and categorisation of a random sample of businesses in the sub-sector.

In summary, Skills for Care has estimated there to be 22,100 adult social care organisations in England, comprising 9,300 providers of residential services and 12,800 providers of non-residential services¹.

Using IDBR data, Skills for Care also estimates there are 49,700 PAYE / VAT registered establishments providing adult social care services in England after making adjustments to remove providers of child care services². The estimate of 49,700 registered establishments can be disaggregated between:

¹ Skills for Care, The size and structure of the adult social care sector and workforce in England, October 2012

² This represents 82% of the IDBR estimate of 60,585, before adjustments to remove child care services

- 23,900 residential establishments (92% of the IDBR estimate of 26,110 residential care providers); and
- 25,800 non-residential establishments (75% of the IDBR estimate of 34,475 non-residential care providers).

These estimates of organisations and establishments have been disaggregated between the various sub-sectors and types of service, based on the relative distribution of different organisations and establishments listed in IDBR and NMDS-SC data.

The NMDS-SC data provides almost 100% coverage of public sector establishments and organisations and this has been used to produce the public sector estimates in Table 3.1. However, coverage of private and voluntary sectors in NMDS-SC data is lower and the number of private and voluntary establishments offering nursing, other residential and non-residential services has been estimated based on the relative distribution of establishments in relevant sectors using IDBR data. Finally, NMDS-SC data was used to disaggregate the numbers of establishments providing each of the non-residential services in private and voluntary sectors.

The numbers of organisations in each sub-sector and service area were estimated based on the numbers of establishments that do not have a parent organisation, as recorded in the NMDS-SC data. The results of this analysis are presented in Table 3.1 and suggest that:

- the private sector accounts for 58% of all adult social care organisations and 40% of all establishments;
- the public sector accounts for 2% of adult social care organisations and 18% of establishments; and
- the voluntary sector accounts for 40% of adult social care organisations and 42% of establishments.

Table 3.1 Estimates of establishments and organisations of the adult social care sector

Sub-sectors of adult social care		Organisations		Establishments	
		Number	%	Number	%
Private sector	Residential care - Nursing	2,030	9%	3,290	7%
	Residential care - Other	5,330	24%	10,460	21%
	Day care	160	1%	220	0%
	Domiciliary care	4,210	19%	4,490	9%
	Community care	300	1%	310	1%
	Other services	790	4%	960	2%
	Total	12,810	58%	19,750	40%
Public sector	Residential care - Nursing	20	0%	70	0%
	Residential care - Other	80	0%	1,010	2%
	Day care	30	0%	760	2%
	Domiciliary care	80	0%	500	1%
	Community care	70	0%	2,970	6%
	Other services	210	1%	3,720	7%
	Total	490	2%	9,030	18%
Voluntary sector	Residential care - Nursing	100	0%	280	1%
	Residential care - Other	1,750	8%	8,790	18%
	Day care	1,590	7%	2,090	4%
	Domiciliary care	1,980	9%	4,380	9%

Sub-sectors of adult social care		Organisations		Establishments	
		Number	%	Number	%
	Community care	1,760	8%	2,780	6%
	Other services	1,620	7%	2,610	5%
	Total	8,810	40%	20,930	42%
Total	Residential care - Nursing	2,140	10%	3,640	7%
	Residential care – Other	7,160	32%	20,270	41%
	Day care	1,780	8%	3,080	6%
	Domiciliary care	6,270	28%	9,380	19%
	Community care	2,130	10%	6,060	12%
	Other services	2,620	12%	7,290	15%
	Total	22,100	100%	49,700	100%

Note: Individual rows may not sum to totals due to rounding

Source: IDBR data; Skills for Care, The size and structure of the adult social care sector and workforce in England, October 2012; 2012 NMDS-SC data; and ICF GHK analysis

The data suggest that the majority of organisations in the adult social care sector are private sector organisations (58%), followed by the voluntary sector (40%), while the public sector accounts for only 2% of all organisations. However, the number of establishments is more evenly distributed between the voluntary (42%), private (40%) and public (18%) sectors.

It is important to note that these figures do not capture the directly-employed personal assistants that are employed directly by recipients of direct payments or by self-funders. This is discussed in greater detail in section 3.1.3 below.

3.1.2 The number of jobs, workers and FTE jobs

Skills for Care also produces estimates of the number of adult social care jobs and workers using data from the NMDS-SC, IDBR and the CQC. These estimates suggest that there are 1.43 million jobs supported, and 1.37 million workers employed, in the adult social care sector in England³.

Approximately half of all jobs (47%) are supported within residential providers, 29% within providers of domiciliary care, 18% are associated with care in the community and the remaining 7% are associated with day care services. The independent sector (private and voluntary sectors) is estimated to be significantly larger than the public sector, accounting for 84% of all jobs and 86% of all workers. These figures differ from the Skills for Care estimates, published in the 'size and structure of the adult social care sector and workforce in England, 2012' report because they exclude the estimates of jobs and workers associated with recipients of direct payments. This is discussed in greater details in Section 3.1.3 below.

It has been assumed that 75% of the independent sector jobs are supported in the private sector, based on data provided by Skills for Care. NMDS-SC data has been used to disaggregate employment in the residential sector between nursing and non-nursing care, and to disaggregate employment in community care between community care and other services.

The number of full and part time jobs in each sub-sector was also calculated from the worker-focused NMDS-SC dataset. Overall, the NMDS-SC data suggests that 56% of jobs in the sector are full-time jobs, and 44% are part-time jobs. The data also suggest that the average full-time worker is contracted to work 36.4 hours per week, but actually works for 37.2 hours, while the average part-time worker is contracted to work 22.3 hours per week,

³ This excludes personal assistants working directly for self-funders and recipients of direct payments

but actually works for 22.7 hours. The average part-time worker is therefore estimated to be 0.6 of a FTE.

The average number of hours worked per week has also been calculated from NMDS-SC data and applied to the wider population. The data presented in Table 3.2 include both full time and part time jobs and workers and suggest that the average social care job involves 30.8 hours of work per week. There is little variation between sectors, although social care workers in residential nursing homes and those delivering care in the community tend to work slightly longer hours on average (with a higher proportion of full time workers) than those providing day care and domiciliary care.

Employment estimates are presented in terms of jobs and workers because it is relatively common for workers in the adult social care sector to have multiple jobs. The number of workers has been estimated using data from the NMDS-SC which suggests that the average worker in the independent sector has 1.02 jobs, while this increases to 1.05 in the public sector.

The estimate of hours worked by the 1.37 million workers in the 1.43 million jobs indicates that there are 1.17 million FTE jobs⁴ involved in delivering adult social care services in England.

Table 3.2 shows that the FTE jobs follow similar trends to the number of workers in terms of distribution between sub-sectors, with the private sector accounting for the majority of FTE jobs (approximately 63%), followed by the voluntary sector (21%) and public sector (16%). This relatively high private sector share of overall employment is greater than its share of establishments, which suggests that the private sector has slightly larger establishments than the public and voluntary sectors. Residential care is the largest service area, accounting for almost half of all FTE jobs (48%), and is followed by domiciliary care (27%).

Table 3.2 Estimates of jobs, workers and FTE jobs in the adult social care sector

		Jobs	Workers	Average hours	FTE jobs	
		Number	Number	per job per week	Number	%
Private sector	Residential care - Nursing	197,680	191,280	32.2	172,250	14.5%
	Residential care - Other	279,950	270,880	31.0	234,490	19.7%
	Day care	59,460	55,030	30.4	48,930	4.1%
	Domiciliary care	290,720	275,100	29.5	232,050	19.5%
	Community care	32,730	32,190	32.7	28,950	2.4%
	Other services	38,770	38,130	34.0	35,630	3.0%
	Total	899,300	862,610	31.0	752,300	63.1%
Public sector	Residential care - Nursing	17,580	16,530	28.4	13,490	1.1%
	Residential care - Other	20,490	19,260	28.1	15,540	1.3%
	Day care	16,270	14,630	29.2	12,830	1.1%
	Domiciliary care	23,070	21,210	26.5	16,540	1.4%
	Community care	35,270	33,700	31.7	30,200	2.5%
	Other services	120,900	115,530	31.9	104,280	8.7%
	Total	233,590	220,850	30.6	192,870	16.2%
Voluntary sector	Residential care - Nursing	65,890	63,760	31.1	55,400	4.6%
	Residential care - Other	93,320	90,290	31.0	78,060	6.5%
	Day care	19,820	18,340	27.4	14,700	1.2%

⁴ Based on an assumption of 37 hours per week for a full-time job, taken from the 2011 Annual Survey of Hours and Earnings (ASHE)

		Jobs	Workers	Average hours	FTE jobs	
	Domiciliary care	96,910	91,700	30.0	78,450	6.6%
	Community care	8,180	8,050	29.5	6,520	0.5%
	Other services	15,650	15,400	31.8	13,470	1.1%
	Total	299,770	287,540	30.4	246,590	20.7%
Total	Residential care - Nursing	281,150	271,570	31.7	241,140	20.2%
	Residential care – Other	393,750	380,430	30.8	328,090	27.5%
	Day care	95,560	88,000	29.6	76,460	6.4%
	Domiciliary care	410,700	388,000	29.5	327,040	27.4%
	Community care	76,180	73,940	31.9	65,670	5.5%
	Other services	175,320	169,060	32.4	153,380	12.9%
	Total	1,432,660	1,371,000	30.8	1,191,770	100.0%

Note: Individual rows may not sum to totals due to rounding

Source: IDBR data; Skills for Care, The size and structure of the adult social care sector and workforce in England, October 2012; 2012 NMDS-SC data; and ICF GHK analysis

3.1.3 Directly employed personal assistants

The above estimates are based on IDBR data, NMDS-SC data, and Skills for Care estimates, and do not capture the personal assistants that are employed directly by recipients of direct payments or by self-funders. The number of direct payments recipients is increasing rapidly and the Information Centre for Health and Social Care suggests that there were 178,000 adult recipients of direct payments in 2011. Some of these recipients of direct payments will employ social care workers from an agency, and these should be captured in the IDBR and NMDS-SC estimates, but others will choose to employ personal assistants, which will be excluded from the IDBR, NMDS-SC and Skills for Care data.

There is a lack of information available relating to these directly-employed personal assistants. Skills for Care has previously estimated that the 178,000 recipients of direct payments would provide an additional 420,000 jobs for 262,000 directly-employed personal assistants, and therefore estimated that the total sector supports 1.6 million workers in 1.85 million jobs⁵. However, these estimates ‘double-count’ the agency staff employed by the direct payment recipients, and the Skills for Care report acknowledges that this overestimates the true scale of workers employed directly by recipients of direct payments.

Since the 2012 report on the size and structure of the sector was published, Skills for Care has undertaken additional work to improve these estimates. The latest Skills for Care estimates suggest that two out of every three direct payments recipients (66% or 117,500 people) directly-employ personal assistants. The other third will use agency staff and can be excluded from the analysis to avoid double-counting. NMDS-SC data suggest that the average direct payment recipient employs 2.3 personal assistants, equating to an additional 270,000 jobs supported by direct payment recipients across England.

Skills for Care has also undertaken a survey of more than 100 personal assistants to help estimate the average number of different jobs held by each. The survey found that the average personal assistant holds 1.6 jobs for direct payment recipients, which suggests that the 270,000 jobs are held by 169,000 workers. FTE jobs can also be estimated using NMDS-SC data which suggest that each job has an average duration of 18.3 hours per week. This is slightly lower than half of an average full-time job of 37 hours and suggests that the 270,000 jobs for direct payment recipients relate to an additional 134,000 FTE jobs.

Therefore, the adult social care sector in England is estimated to directly support a total of 1.33 million FTE jobs. The results are presented in Table 3.3 below.

⁵ Skills for Care, The size and structure of the adult social care sector and workforce in England, October 2012

Table 3.3 Estimates of workers and FTE jobs in the adult social care sector

	Jobs Number	Workers Number	Average hours per job per week	FTE jobs Number	%
Employees	1,433,000	1,371,000	30.8	1,192,000	90%
Directly employed personal assistants	270,000	169,000	18.3	134,000	10%
Total	1,703,000	1,540,000		1,326,000	100.0%

Sources: IDBR, NMDS-SC, ICF GHK analyses, 2013

3.2 Income approach to estimating sector GVA

The first approach used to produce estimates of GVA in the sector is the income method. The total income received by representatives of the sector in the form of wages, profits and rents provides an estimate of the value added by the sector. In the case of the adult social care sector, the large majority of income in the sector will be earned in wages paid to social care workers. This analysis expands on the above analysis of employment and is primarily based on further analysis of NMDS-SC data.

3.2.1 Wages

The worker-focused NMDS-SC dataset provides detailed information about wages. It collects data in a variety of formats including annual and monthly salaries and hourly rates. This data has been cleaned⁶ and converted into a consistent format, based on annual salaries, but excluding data that was input more than 12 months ago (using the relevant filter) to ensure consistency of prices. Average wages per job were calculated across each sub-sector, for those with annual salaries, monthly salaries, hourly rates, whilst also taking account of the 'unpaid' workers⁷, before an overall average was calculated for each sub-sector.

These averages are presented in Table 3.4 below and show that the average worker earns £14,700 per job per annum, including full time, part time and unpaid workers. Average wages have also been calculated for full and part time jobs separately and suggest that the average full time job pays a wage of £18,800 per annum, while the average part-time job pays a wage of £10,200 per annum. There is also considerable variation between different job roles such that:

- Managers and supervisors earn an average of £27,200 per job per annum;
- Professional care workers earn an average of £24,600 per job per annum;
- Direct care workers earn an average of £12,300 per job per annum; and
- Other workers earn an average of £12,900 per job per annum.

Average wages are also significantly higher in the public sector than the private sector. This is primarily because of the particularly large proportion of low paid direct care workers in the private sector, while the public sector has a much larger proportion of higher paid professional care workers, managers and supervisors.

Table 3.4 also presents average wages per worker and per FTE job, which shows that the average full-time worker earns £16,800 per annum. This is approximately 63% of the median full-time gross salary earned across England as a whole (of £26,800)⁸. In

⁶ A number of monthly salaries had been input into NMDS-SC as hourly rates and others as annual salaries and this would have distorted the data if these had been treated as monthly salaries.

⁷ 'Unpaid' workers are defined in this instance as voluntary workers providing care services through the private, public and voluntary organisations and establishments described above. It does not include informal 'unpaid' care provision (e.g. people caring for a relative at home).

⁸ Annual Survey of Hours and Earnings, 2012

comparison, these average wages are similar to those in the hospitality industry and are slightly higher than the average wage of £16,200 in accommodation and food service sector.

Total wages have been calculated by multiplying the average wage in each sub-sector by the number of jobs. The data suggest that employees in the adult social care workforce earn £20 billion per annum in wages. The private sector is estimated to account almost 55% of these wages (£11 billion), followed by the public sector (£5 billion) and voluntary sector (£4 billion).

Table 3.4 Estimates of wages in the adult social care sector in England, 2011/12

		Average wage per job	Average wage per worker	Average wage per FTE job	Total wages	
		Incl all full time, part time and 'unpaid' staff (£)			£m	%
Private sector	Residential care - Nursing	12,700	13,120	14,570	2,510	12.6%
	Residential care - Other	11,830	12,230	14,130	3,310	16.6%
	Day care	12,210	13,200	14,84	730	3.6%
	Domiciliary care	11,230	11,870	14,070	3,270	16.3%
	Community care	13,020	13,230	14,720	430	2.1%
	Other services	16,950	17,230	18,440	660	3.3%
	Total	12,120	12,630	14,480	10,900	54.5%
Public sector	Residential care - Nursing	14,470	15,390	18,850	250	1.3%
	Residential care - Other	14,470	15,400	19,080	300	1.5%
	Day care	15,850	17,630	20,110	260	1.3%
	Domiciliary care	13,910	15,130	19,410	320	1.6%
	Community care	23,390	24,470	27,310	830	4.1%
	Other services	26,300	27,520	30,490	3,180	15.9%
	Total	21,980	23,250	26,620	5,130	25.7%
Voluntary sector	Residential care - Nursing	13,890	14,350	16,520	920	4.6%
	Residential care - Other	13,370	13,820	15,980	1,250	6.2%
	Day care	11,740	12,680	15,820	230	1.2%
	Domiciliary care	12,270	12,970	15,160	1,190	5.9%
	Community care	14,380	14,620	18,060	120	0.6%
	Other services	17,270	17,560	20,070	270	1.4%
	Total	13,250	13,820	16,110	3,970	19.9%
Total	Residential care - Nursing	13,090	13,550	15,260	3,680	18.4%
	Residential care - Other	12,330	12,770	14,800	4,860	24.3%
	Day care	12,730	13,830	15,910	1,220	6.1%
	Domiciliary care	11,630	12,310	14,600	4,770	23.9%
	Community care	17,960	18,510	20,840	1,370	6.8%
	Other services	23,420	24,290	26,780	4,110	20.5%
	Total	13,960	14,590	16,780	20,000	100.0%

Note: Individual rows may not sum to totals due to rounding

Source: ICF GHK analysis of NMDS-SC data, 2013

It has been assumed that directly-employed workers also earn an average wage of £16,800 per FTE job. This suggests that the 134,000 FTE directly-employed workers would earn a further £2.25 billion per annum, increasing total wages for the sector up to £22.25 billion, as shown in Table 3.5 below.

Table 3.5 Estimates of workers and FTE jobs in the adult social care sector

	FTE jobs	Average wage per FTE job	Total wages (£m)
Employees	1,192,000	£16,800	£20,000
Directly-employed personal assistants	134,000	£16,800	£2,250
Total	1,326,000	£16,800	£22,250

Source: ICF GHK, 2013

3.2.2 Profits

Profits earned by the sector also need to be estimated as part of the income approach. In estimating profitability, we have assumed that only private sector care providers are run ‘for profit’. The Laing and Buisson report provides insights into profitability within the private sector. It suggests an average level of pre-tax profits of 2.1% of turnover across the six largest care home operators in the UK. Multiplying this by a conservative estimate of annual private sector output (£16 billion, see below) suggests overall profits of £335 million.

Alternatively, a gross profit estimate would be more appropriate for the residential sector, as this would also capture rents, depreciation and interest (i.e. additional incomes for owners of property and capital and investors). The Laing and Buisson report also suggests an average gross profit figure (i.e. EBITDAR - earnings before interest, taxes, depreciation, amortization, and restructuring or rent costs) of 24% of turnover across the six largest care home operators in the UK. Applying this figure to the residential sector suggests gross profits of £3.8 billion (24% of the residential sector output of £16 billion).

3.2.3 Total GVA

The wage and profit estimates combine to provide an estimate of GVA, based on the income approach, of £22.6 billion. Using a gross profit figure for the residential sector (to capture rents, depreciation, interest and investment income), increases the income-based estimate of GVA to £26 billion.

3.3 Expenditure approach to estimating sector GVA

The expenditure approach aims to assess the economic value of the sector by summing all expenditures on adult social care services in England, and adjusting to GVA on the basis of turnover (represented by expenditure) to GVA ratios provided in the Annual Business Survey (ABS).

Expenditure flows from funders to the providers of adult social care services, as presented in the sector map (Figure 2.1). The different sources of funding include:

- Public sector funding – i.e. people using care services who are wholly funded by the state. This includes expenditures made directly between the public sector and the provider of adult social care services to deliver services to individuals, but also includes ‘direct payments’, which are paid to the person using care services to choose and purchase their own provider(s) of care services;
- Self-funders – i.e. people who use care services and pay the full costs themselves; and
- Co-funding – i.e. people receiving public sector funding for care services, who ‘top-up’ the public funding to bridge the gap with the full care charges.

The PSSRU report contains data on public sector funded and co-funded expenditures⁹. It states that publicly funded care services cost a total of £19.4 billion in 2010/11, and included £2.4 billion of ‘client contributions’ from private individuals ‘topping-up’ their public sector funding for care services. A study by the Institute of Public Care (IPC) at Oxford Brookes University¹⁰ suggests that a quarter of local authority care home placements may be co-funded in this way.

The PSSRU estimate of £19.4 billion also includes a further £2.3 billion received primarily in the form of NHS payments and joint arrangements with other organisations. Since all of this funding is spent on adult social care services in England, it is all relevant for the purposes of establishing the scale of expenditures in the sector. The total expenditures of the public sector, including ‘top-ups’ from private individuals are therefore estimated to have totalled £19.4 billion in 2010/11, as shown in Table 3.6.

Table 3.6 Public sector and co-funded expenditure by user group in England, 2010/11

User group	Public sector funding		Co-funding from private individuals		Total public and co-funded expenditure	
	£m	%	£m	%	£m	%
Older people (65+)	7,950	46.9%	2,020	82.8%	9,970	51.4%
Physically disabled (18+)	1,670	9.9%	100	4.1%	1,770	9.1%
Learning disabled (18+)	5,290	31.2%	260	10.7%	5,550	28.6%
Mental health needs (18+)	1,370	8.1%	50	2.0%	1,420	7.3%
Other adult services (incl asylum seekers and service strategy)	670	4.0%	10	0.4%	680	3.5%
Total	16,950	100%	2,440	100%	19,390	100%

Source: *The Health and Social Care Information Centre, Personal Social Services: Expenditure and Unit Costs -England 2010-11, 2012*

The data in Table 3.6 show that the majority of this funding is associated with older people (aged 65 and over). This group accounts for 51% of total public and co-funded expenditure, and 83% of all ‘client contributions’. Therefore, older individuals in receipt of public sector funding are contributing an average of £0.25 for every £1 of public sector expenditure on the care services that they receive.

This still excludes self-funders, who pay the full cost of their care services. The size and scale of expenditures of self-funders is more difficult to estimate, since there is no relevant data source. However, there are a number of recent studies that have explored self-funding of adult social care services. For example, the IPC study mentioned above has estimated that self-funders account for 45% of all care home places in England (including 48% of places in nursing homes and 40% of places in other residential homes). Further, the ‘Caring for our future’ White Paper¹¹ states that 80% of recipients of care at home are supported by the state, which means that the remaining 20% (220,000 people) are funding their own domiciliary care.

These estimates of self-funded activity have been used, together with the PSSRU estimates of public and co-funded services, expenditures and unit cost estimates, to generate estimates of self-funded activities in the adult social care sector. The results of the analysis are presented in **Error! Reference source not found.** Table 3.7 below.

The estimates use the PSSRU report and accompanying unit cost data for 2010/11 to disaggregate the total public and co-funded expenditure of £19.4 billion between the various

⁹ The Health and Social Care Information Centre, *Personal Social Services: Expenditure and Unit Costs -England 2010-11, 2012*

¹⁰ The Institute of Public Care at Oxford Brookes University, *Estimating the number and distribution of self-funders of care in England, December 2010*

¹¹ HM Government, *Caring for our future: reforming care and support, July 2012*

types of service. The unit costs also provide estimates of the number of people supported and/or the number of weeks or hours of support provided by the expenditures. The self-funding estimates described above (for the residential and domiciliary care sub-sectors) have been used to provide estimates of the scale of self-funded support. Given that residential and domiciliary care represents the large majority of care services provided in England (representing between 55% and 85% of all wages, public and co-funded expenditures, jobs, establishments and organisations), this is likely to produce a reasonable estimate of the scale of self-funded social care activities.

Direct payment expenditures are provided by the public sector and therefore will not apply to self-funders and can be excluded. However, self-funded expenditures are likely to be used to purchase care services in the day care and other services sub-sectors. Here, a conservative estimate has been applied, that self-funding accounts for 20% of all care services and associated expenditures, based on the estimated level of self-funding expenditure in the domiciliary care sector.

However, there is evidence to suggest that it is unrealistic to assume that fees paid by self-funders will be the same as those paid by the public sector. A number of sources, including care sector associations consulted as part of this study, suggested that self-funders are likely to pay a higher fee, compared to the public sector, for the same care services. We might expect the public sector to merit discounted fees because of economies of scale and guaranteed income for providers in the adult social care sector, but there is a growing body of evidence that the level of funding offered by local authorities is significantly below the true cost of care and that providers are having to cross subsidise public sector clients by charging a premium to self-funders.

Laing and Buisson and the Joseph Rowntree Foundation have produced reports and a toolkit to support the calculation of a fair market price for care¹². The report and toolkit were developed to provide a transparent and robust approach for the care sector to determine fee levels that are necessary to sustain delivery of adequate care services. A Bupa report¹³ compares levels of public funding with the 'fair fees' and suggests that levels of public sector are now below the fair fee 'floor' for residential care for both elderly people and older people with dementia. Furthermore, a report by the University of East Anglia¹⁴ explores the potential consequences of buyer power in the care sector. The analysis is based on average weekly care home fees for public funded and self-funded residents of £419 and £499 respectively in April 2007 prices, based on the 'best available data'. This suggests fees for self-funded residents were 20% higher than those paid by the public sector. We have therefore assumed a 20% premium for fees for self-funders, as shown in 0.

The analysis suggests that expenditures associated with self-funded care activities would be £8.5 billion in 2010/11, if fees were the same for private and public sector clients. However, after applying a 20% premium across all care services for self-funders, the total estimated value of self-funded expenditures increases to £10.25 billion, which suggests total expenditures in the adult social care sector of almost £30 billion, including funding from both the public sector and private sources.

¹² Joseph Rowntree Foundation (and William Laing), Calculating a fair market price for care – September 2008

¹³ Bupa, A Fair Deal – Ensuring Local Authority Fee Levels Reflect the Real Costs of Caring for Vulnerable Older People, 2011

¹⁴ University of East Anglia, Buyer Power and Price Discrimination: The Case of the UK Care Homes Market, 2010

Table 3.7 Estimates of the value of self-funding in the adult social care sector

	Public / Co- funded expenditure			Self-funded expenditure					
	Funded services	Public and co-funded expenditure (£m)	% of total	% of total	Self-funded services	Equivalent expenditures based on public sector fees (£m)	Premium for self-funders	Estimate of self-funded expenditure (£m)	Total Expenditure (£m)
Residential care – Nursing	62,000 people / 3.2m weeks of support	1,851	52%	48%	58,000 people / 3m weeks of support	1,710	20%	2,052	3,903
Residential care – Other	182,000 people / 9.5m weeks of support	6,450	60%	40%	121,000 people / 6.3m weeks of support	4,300	20%	5,160	11,610
Domiciliary Care	200m contact hours	3,398	80%	20%	50m contact hours	850	20%	1,020	4,418
Direct Payments	114,000 people	993	100%	-	-	-	-	-	993
Day Care	140,000 people	1,438	assumed 80%	assumed 20%		360	20%	432	1,870
Other Services		5,270	assumed 80%	assumed 20%		1,320	20%	1,584	6,854
Total		19,400				8,540		10,248	29,648

Source: *The Health and Social Care Information Centre, Personal Social Services: Expenditure and Unit Costs -England 2010-11, 2012; The Institute of Public Care at Oxford Brookes University, Estimating the number and distribution of self-funders of care in England, December 2010; HM Government, Caring for our future: reforming care and support, July 2012; University of East Anglia, Buyer Power and Price Discrimination: The Case of the UK Care Homes Market, 2010; ICF GHK assumptions and analysis, 2013*

These expenditures have been converted into GVA using appropriate ratios for the sector. Turnover to GVA ratios indicate the level of GVA that is expected to result in a particular sector, from a given level of expenditure. The ratios in Table 3.8 are taken from the ABS for the most appropriate social care sub-sector based on SIC codes. Applying these ratios to the estimated expenditures provides a second estimate of GVA for the sector of £18.3 billion in 2010/11.

Table 3.8 Expenditure estimates on adult social care in England and related GVA, 2010/11

Sub-sector	Total expenditures (£m)	Turnover to GVA ratio (%)	GVA Estimate (£m)
Residential care - Nursing	3,900	76% ¹⁵	3,000
Residential care - Other	11,600	65% ¹⁶	7,500
Domiciliary Care	4,400	47% ¹⁷	2,100
Direct Payments	1,000	61% ¹⁸	600
Day Care	1,900	47% ⁹	900
Other Services	6,900	61% ¹⁰	4,200
Total	29,700		18,300

Source: ONS, Annual Business Survey, 2010 data.

These figures have been converted to 2011/12 data using an appropriate inflator of 3%, for consistency with the results of the income-based approach. This suggests total **expenditures of approximately £30.6 billion and GVA of £18.8 billion in 2011/12 prices.**

This is slightly lower than the income based approach, and the difference could be explained by the uncertainty over the estimates of self-funding in the sector.

3.4 Output approach to estimating sector based GVA

The output of the sector can be estimated using standard economic data sources and/or sector specific data, distinguishing between total output (sales) and GVA (output less purchase of intermediate goods and services).

3.4.1 Standard sources of economic data as the basis of output measurement

The UK National Accounts only provide estimates of output at a very broad level. The adult social care sector accounts for a very small proportion of the wider 'Government, health and education' sector, which is estimated to have generated an output value of £464 billion in 2010. Subtracting purchases of intermediate goods and purchases (£203 billion) provides an estimate of GVA of £261 billion in 2010.

GVA estimates are provided at a more disaggregated level and the adult social care sector is included within the ONS-defined 'residential care and social work activities' sector, which is estimated to have generated GVA of £31 billion in 2010. However, this figure will include care activities for children as well as adult and child-related care in Scotland, Wales and Northern Ireland.

¹⁵ GVA to turnover ratio for SIC 87100 - Residential nursing care activities

¹⁶ Average GVA to turnover ratio for SIC 87200 (Residential care activities for learning disabilities, mental health and substance abuse), SIC 87300 (Residential care activities for the elderly and disabled), and SIC 87900 (Other residential care activities)

¹⁷ Average GVA to turnover ratio for SIC 88100 (Residential social work activities without accommodation for the elderly and disabled), and SIC 88990 (Other social work activities without accommodation n.e.c.)

¹⁸ Average GVA to turnover ratio for all of SIC 87000 (Residential care activities) and SIC 88000 (Social work activities without accommodation) except for SIC 88910 (Child day care activities), which has been excluded.

GVA for the adult social care sector in England can be estimated, using data from the ABS and IDBR in addition to the approach developed by Skills for Care to estimate the number of establishments relevant to the adult social care sector. Firstly, we need to exclude data for SIC 88910 – child day care activities. ABS data for the UK suggest that GVA in these child day care activities accounts for 10% of the total for all ‘residential care and social work activities’. Applying this to the National Accounts data estimates that social care activities focused primarily on adults¹⁹ generated approximately £28 billion of GVA in 2010.

We then need to exclude activities outside of England. IDBR data suggest that the 61,000 establishments in England represent 82% of the UK total of almost 75,000 establishments²⁰. Finally, we need to focus on adult social care activities only. The Skills for Care analysis, described above, estimates that 82% of the 61,000 establishments in England provide adult social care. Therefore, applying these assumptions suggests that GVA in the adult social care sector in England is approximately £18.8 billion²¹ in 2010.

This figure can be used to estimate the total output of the adult social care sector in England using the turnover to GVA ratios from the ABS. The average ratio of 61% for the sector (excluding child care activities) provides an estimate that approximately £31 billion of output would be required in the sector to generate GVA of £18.8 billion.

These figures can also be converted into 2011/12 prices using an inflator of 3%. This provides an output estimate of £31.7 billion and corresponding GVA estimate of £19.3 billion. This is similar to the expenditure-based approach and is also slightly lower than the estimate of the income-based approach.

3.4.2 Sector specific data as the basis of output measurement

The study has also sought to estimate the output and GVA from sector specific data. This has combined data on residential based activity (care homes) and estimates of the value of activity in the non-residential sector.

3.4.2.1 Output and GVA from residential (care home) sector

The Laing and Buisson ‘Care of Elderly People’ report²² provides useful data relating to the provision of care services for older people (aged 65 and over) and adults with physical disabilities. It provides particularly detailed information relating to the care home sector. This data has been used to populate Table 3.9 and provides estimates of care home capacity and levels of occupancy across different sectors. This shows the considerable size of the private sector, which provides 77% of the capacity and has 77% of the occupancy of all care home beds in the UK. It also accounts for 71% of the output generated from care home beds. The private sector share of output is slightly lower than its share of capacity because of the relatively low average fees for residential care home services in the private sector compared to the public and voluntary sectors.

The average fees for residential care services have been calculated for the whole of the UK and represent average fees for the public sector and self-funders. It has been assumed that these fees provide an appropriate basis for calculating the overall value of output of residential services in care homes in England. Therefore, the average fees for the UK are applied to the latest CQC estimates of care home capacity in England in Table 3.11.

¹⁹ These figures comprise SIC 87 - Residential care activities and SIC 88 - Social work activities without accommodation, but exclude SIC 88910 - Child day-care activities. While this definition will still include some child-focused activities it is the closest possible approximation of the adult social care sector using data based on SIC codes.

²⁰ Again based on SIC 87 - Residential care activities and SIC 88 - Social work activities without accommodation, but excluding SIC 88910 - Child day-care activities.

²¹ Calculated by multiplying the £28 billion estimate of GVA in the UK ‘adult-focused’ care sector by the 82% of UK GVA generated in England and then by the estimate that 82% of activity is relevant to the adult social care sector.

²² Laing and Buisson, Care of Elderly People – UK Market Survey, 2010/11

Table 3.9 Capacity, output and average fees of care home services for older and physically disabled people, UK data, 2010/11

		Sector			Total
		Private	Voluntary	Public	
Capacity (places)	Care home – nursing	172,500	16,900	15,500 ²³	204,900
	Care home – other	190,800	48,000	30,700	269,500
Occupancy (places)	Care home – nursing	150,938	15,768	35,840	418,000
	Care home – other	170,575	44,880		
Occupancy (disaggregated)	Care home – nursing	150,938	15,768	12,024*	178,717
	Care home – other	170,575	44,880	23,815*	239,244
Output value (£m)	Care home – nursing	5,451	644	1,162	7,257
	Care home – other	4,428	1,268	990	6,686
Average fees (per place per week)	Care home – nursing	£695	£785	£1,858	£781
	Care home – other	£499	£543	£799	£537

Source: Laing and Buisson, *Care of Elderly People – UK Market Survey, 2010/11*

Notes: (*) Public sector assumes equal occupancy of nursing and other care home places.

Unfortunately, these data do not provide full coverage of the adult social care sector, since care services provided to adults with learning disabilities and mental health conditions are not included. Consultations with care sector associations, undertaken as part of this study, have suggested that unit costs for adults with learning disabilities and mental health issues are likely to be significantly higher than those for older people and adults with physical disabilities. This is because of significant differences in the respective care plans and services, how these are worked out and what they deliver.

In the absence of data on residential costs for adults with learning disabilities and mental health needs for the private sector, the above unit cost estimates for older people and adults with physical disabilities have been adjusted, based on PSSRU data for the public sector fees in 2010/11. The PSSRU data suggests that unit costs for adults with learning disabilities and mental health needs are 65% higher for nursing care and 110% higher for other residential care compared to the unit costs for older people and adults with physical disabilities²⁴. As older people and adults with physical disabilities comprise the majority of service users in the adult social care sector, accounting for 90% of people using nursing care services and 75% of people using other residential care, the figures in the table have been adjusted accordingly.

Table 3.10 Revised residential fees to take account of higher fees for adults with learning disabilities and mental health needs, 2010/11

		Sector			Total
		Private	Voluntary	Public	
Revised average fees (per place per week)	Care home – nursing	£740	£836	£1,979	£832
	Care home – other	£635	£691	£1,017	£684

The revised average fees are included in Table 3.11 alongside the latest CQC estimates of care home capacity in England of 215,500 nursing beds and 247,800 other residential

²³ Public sector residential nursing comprises long stay hospital care of elderly and physically disabled people

²⁴ The Health and Social Care Information Centre, *Personal Social Services: Expenditure and Unit Costs - England 2010-11, 2012*

beds²⁵. These estimates have been disaggregated across the sectors, and occupancy rates applied, based on the UK level estimates included in the Laing and Buisson report.

Table 3.11 Value estimates for the care home sector in England (2010/11 prices)

		Sector			Total
		Private	Voluntary	Public	
Fees (per place per week)	Care home – nursing	£740	£836	£1,979	£832
	Care home – other	£635	£691	£1,017	£684
Capacity (places)	Care home – nursing	181,400	17,800	16,300	215,500
	Care home – other	175,500	44,100	28,200	247,800
Occupancy (places)	Care home – nursing	158,700	16,600	12,600	187,900
	Care home – other	156,900	41,300	21,900	220,000
Output estimates (£m)	Care home – nursing	6,107	721	1,301	8,129
	Care home – other	5,179	1,483	1,158	7,820
	Care home – TOTAL	11,287	2,204	2,459	15,950

Sources: Laing and Buisson, *Care of Elderly People – UK Market Survey, 2010/11*; Care Quality Commission, *The state of health care and adult social care in England - An overview of key themes in care in 2011/12, November 2012*; ICF GHK assumptions and analysis, 2013

The Laing and Buisson and CQC estimates suggest that the output of the care home sector in England has a value of £15.95 billion, £11.3 billion of which (71%) is generated by the private sector. The voluntary and public sectors account for 13.8% and 15.4% respectively.

3.4.2.2 Output and GVA from the non-residential (non care home) sector

The Laing and Buisson report also suggests that £4.5 billion was spent on non-residential care services in the independent sector (private and voluntary providers) at an average rate of £12.93 per hour of care provided. This is similar to the unit cost data in the PSSRU report and, given the lack of coverage of individual services in the Laing and Buisson data, the PSSRU data has been used to generate estimates for non-residential care services in Table 3.12.

The PSSRU unit costs and estimates of usage have been used, where available, to produce estimates of output values across these service areas and disaggregated between the public and independent sectors, where possible. This suggests overall output of non-residential care services of £9.8 billion in 2010/11. However, this excludes self-funding, which has been added across all non-residential care (except for direct payments) at an assumed level of 20% of total output with an additional premium fee value of 20% (based on the analysis used in the expenditure approach). The overall value of output in non-residential care services in England is estimated to be £11.6 billion in 2010/11.

²⁵ Care Quality Commission, *The state of health care and adult social care in England - An overview of key themes in care in 2011/12, November 2012*

Table 3.12 Output estimates for other (non-care home) services, 2010/11

	Public sector usage	Independent sector usage	Public sector unit cost	Independent sector unit cost	Total public sector output	Total independent sector output
Assessment and care management	2.45m reviews and assessments completed		£820 per review / assessment		£2.01 billion	
Domiciliary Care	25.6m hours	174.6m hours	£33.30 per hour	£14.60 per hour	£0.85 billion	£2.55 billion
Day Care – older people	2.19m day care clients p.a.	2.02m day care clients p.a.	£105 per day care client	£67 per day care client	£230 million	£135 million
Day Care – adults with a physical disability	0.43m day care clients p.a.	0.32m day care clients p.a.	£199 per day care client	£130 per day care client	£86 million	£42 million
Day Care – adults with a learning disability	1.88m day care clients p.a.	1.10m day care clients p.a.	£305 per day care client	£251 per day care client	£573 million	£276 million
Day Care – adults with mental illness	0.51m day care clients p.a.	0.64m day care clients p.a.	£95 per day care client	£69 per day care client	£48 million	£44 million
Meals	4.4m meals p.a.	11.3m meals p.a.	£6.40 per meal	£5.60 per meal	£28 million	£63 million
Other services					£1.9 billion	
Direct Payments	114,090 people		£167 per person per week		£993 million	
Total					£9.8 billion	
Total (incl. self-funders - assumed 20% of total output and with a 20% fee premium across all services except direct payments)					£11.9 billion	

Sources: *The Health and Social Care Information Centre, Personal Social Services: Expenditure and Unit Costs -England 2010-11, 2012 (and supporting data files); ICF GHK assumptions and analysis, 2012*

Adding together all of the above suggests that the total output of the adult social care sector in England is £27.85 billion, comprising:

- £8.1 billion in the residential nursing sub-sector;
- £7.8 billion in the other residential sub-sector; and
- £11.9 billion in the non-residential sub-sector.

Laing and Buisson data also suggest that purchases of goods and services account for 17% of revenue in nursing homes and 21% of revenue in other residential homes. GVA has been estimated by subtracting the Laing and Buisson estimates of purchases of goods and services from the output estimates, such that:

- GVA in the residential nursing sub-sector is estimated to total £6.7 billion (i.e. 83% of £8.1 billion);
- GVA in the other residential sub-sector is estimated to total £6.2 billion (i.e. 79% of £7.8 billion); and

- GVA in the non-residential sub-sector is estimated to total £5.6 billion (i.e. 47%²⁶ of £11.9 billion).

Total GVA, based on the 'sector specific' output approach, is therefore estimated to total £18.5 billion in 2010/11 prices. Inflating to 2011/12 prices provides an estimate of total output of £28.7 billion and GVA of £19.1 billion. This provides a similar estimate of GVA to the expenditure and alternative output approaches.

3.5 Employment, GVA and productivity estimates

The above estimates of total GVA and employment in the adult social care sector are presented in Table 3.13, together with corresponding estimates of productivity, calculated in terms of GVA per FTE job. The table also includes a simple arithmetic average (mean) across the four approaches, which suggests total GVA in the adult social care sector of £20.4 billion and productivity of around £15,400 per FTE.

Table 3.13 Summary of overall GVA, employment and productivity estimates, for adult social care, England, 2011/12

	Income approach	Expenditure approach	Output (standard sources) approach	Output (sector-specific) approach	Minimum estimate	Maximum estimate	Arithmetic average* (mean)
GVA (£bn)	22.6 - 26	18.8	19.3	19.1	18.8	22.6 - 26	20.4
Employment ('000 FTEs)	1.326	1.326	1.326	1.326	1.326	1.326	1.326
Productivity (£ per FTE)	£18,300*	£14,200	14,600	£14,400	£14,200	£18,300*	£15,400

Source: ICF GHK estimates, 2012

* Arithmetic average and productivity estimates are based on the mid-point of the range for GVA using the income approach

These GVA estimates have been disaggregated across the relevant sectors and types of service according to the distribution of wages as presented in Table 3.4. The estimates of employment and GVA by sector and service area are provided in 0 below. It shows that:

- the private sector is the largest sector, accounting for 57% of employment and 49% of GVA;
- the voluntary sector is estimated to account for 19% of employment and 18% of GVA;
- the public sector accounts for 15% of employment but has a relatively high productivity per worker and generates 23% of GVA; and
- directly-employed personal assistants are estimated to account for 10% of total employment and GVA.

²⁶ Based on ABS data on purchases of goods and services as a % of turnover, averaged for SIC 88100 (Residential social work activities without accommodation for the elderly and disabled), and SIC 88990 (Other social work activities without accommodation n.e.c.)

Table 3.14 Estimates of workers and FTE jobs in the adult social care sector

		Employment		GVA	
		FTEs	%	£m	%
Private sector	Residential care - Nursing	172,250	13.0%	2,300	11.3%
	Residential care - Other	234,490	17.7%	3,040	14.9%
	Day care	48,930	3.7%	670	3.3%
	Domiciliary care	232,050	17.5%	3,000	14.7%
	Community care	28,950	2.2%	390	1.9%
	Other services	35,630	2.7%	600	3.0%
	Sub-total	752,300	56.7%	10,000	49.0%
Public sector	Residential care - Nursing	13,490	1.0%	230	1.1%
	Residential care - Other	15,540	1.2%	270	1.3%
	Day care	12,830	1.0%	240	1.2%
	Domiciliary care	16,540	1.2%	300	1.4%
	Community care	30,200	2.3%	760	3.7%
	Other services	104,280	7.9%	2,920	14.3%
	Sub-total	192,870	14.5%	4,710	23.1%
Voluntary sector	Residential care - Nursing	55,400	4.2%	840	4.1%
	Residential care - Other	78,060	5.9%	1,150	5.6%
	Day care	14,700	1.1%	210	1.0%
	Domiciliary care	78,450	5.9%	1,090	5.3%
	Community care	6,520	0.5%	110	0.5%
	Other services	13,470	1.0%	250	1.2%
	Sub-total	246,590	18.6%	3,650	17.9%
Total (Employees)	Residential care - Nursing	241,140	18.2%	3,380	16.6%
	Residential care - Other	328,090	24.7%	4,460	21.9%
	Day care	76,460	5.8%	1,120	5.5%
	Domiciliary care	327,040	24.7%	4,380	21.5%
	Community care	65,670	5.0%	1,260	6.2%
	Other services	153,380	11.6%	3,770	18.5%
	Sub-total	1,191,770	89.9%	18,360	90.0%
Directly-employed personal assistants		134,000	10.1%	2,040	10%
TOTAL		1,325,770	100.0%	20,400	100.0%

Note: Individual rows may not sum to totals due to rounding

Source: IDBR data; Skills for Care, The size and structure of the adult social care sector and workforce in England, October 2012; 2012 NMDS-SC data; and ICF GHK analysis

3.6 Comparisons to other sectors

In summary, the above results suggest that the adult social care sector in England:

- contributes more than £30 billion of output to the wider economy in England;
- contributes more than £20 billion of GVA to the wider England economy;
- supports around 1.7 million jobs and employs 1.5 workers in 1.3 million FTE jobs; and

- produces around £13,250 of GVA per worker and £15,400 of GVA per FTE.

This evidence highlights the significant contribution that the adult social care sector makes to the total economy in England. It suggests that the adult social care sector (excluding indirect and induced effects) directly contributes 1.8% of all GVA in England²⁷ and provides jobs for 6.4% of the total workforce in England²⁸.

It is also useful to make comparisons against other sectors in England to put these findings into context. Comparable estimates have been identified from the ONS Regional GVA data and data from the Business Register and Employment Survey and the Annual Business Survey. For example, the adult social care sector employs more people (1.5 million workers) in England than:

- the construction industry (1.1 million);
- the transportation, storage and postal industry (1.1 million);
- the public administration and defence sector (1.2 million); and
- all restaurants, cafes, pubs and bars in the food and drink service industry (1.3 million)²⁹.

The adult social care sector also contributes more GVA (£20.4 billion) per annum to the English economy than:

- the production and distribution of electricity and gas (£16 billion)³⁰;
- legal activities (£17.2 billion)³¹;
- the arts, entertainment and recreation industries (£17.6 billion)³²; and
- the food and drink service industry (£19.4 billion)³³.

Productivity in the adult social care sector is relatively low in terms of GVA per worker (£13,250 per worker) and GVA per FTE (£15,400 per FTE), which is a result of the relatively large number of low paid workers in this sector. It has a similar productivity to the food and drink service industry, which also has a productivity rate of around £14,000 per worker in England.

²⁷ Based on total GVA in England of 1,125 billion in 2011, according to the ONS Regional GVA data.

²⁸ Based on total employment in England of 24.05 million in 2011, according to the Business Register and Employment Survey.

²⁹ ONS, Business Register and Employment Survey, 2011

³⁰ ONS, 2010 Regional GVA data, inflated by 3% to 2011/12 prices

³¹ 2010 Annual Business Survey data for the UK, disaggregated to England using BRES employment data (England's share of total UK employment), and then inflated by 3% to 2011/12 prices

³² ONS, 2010 Regional GVA data, inflated by 3% to 2011/12 prices

³³ 2010 Annual Business Survey data for England, inflated by 3% to 2011/12 prices

4 Indirect and Induced Effects

4.1 Introduction

The previous section assessed the direct economic contribution of the adult social care sector in England. This section builds on that analysis to present estimates of the additional contribution of the adult social care sector to the wider England economy through:

- **indirect effects** - resulting from the purchase of intermediate goods and services by the adult social care sector in delivering its services, which support additional employment and GVA within its supply chain; and
- **induced effects** - resulting from purchases made by those directly and indirectly employed in the adult social care sector, who use their earnings to buy other goods and services.

In addition to these effects, the adult social care sector also delivers additional benefits and impacts for the wider economy from:

- **spillovers** - In some cases activities have positive societal benefits that are not reflected in the price paid for the activities. The benefit of R&D is perhaps the classic case, where much of it is in the form of spillovers. In the case of adult social care there are spillover benefits in terms of avoided costs (e.g. from reduced demand for health services) that could be included in the full economic value of the sector; and
- **informal activity** – Many adult social care services are also provided through the informal economy (e.g. care provided by family members, without which formal services would need to be provided).

These wider economic benefits were beyond the scope of this study and have not been quantified.

4.2 Indirect Effects

The adult social care sector purchases a wide range of goods and services from suppliers in other sectors in order to support the delivery of adult social care services. Common examples of purchases made by the adult social care sector will include cleaning products and services, food and drink, building maintenance services, utilities, financial services, education and training, furniture and household goods, medical supplies, transport services and fuel, etc.

These are known as intermediate purchases, and those made by the adult social care sector will support additional employment and GVA amongst supply chain businesses. These indirect effects are estimated using Type I multipliers, which sum together direct and indirect effects. The ONS produces estimates of Type I multipliers, which can be used to estimate the indirect effects of different products on the wider UK economy, resulting from their intermediate purchases from other sectors.

The latest UK input-output analytical tables³⁴ provide estimates of Type I output multipliers and employment cost multipliers for 123 different product groups. The relevant product group for this study is the ONS-defined 'social work activities'. This product group provides an exact match with SIC divisions 87 and 88 and therefore covers all adult social care activities as well as children-related social care activities. However, these multipliers are considered appropriate for estimating the indirect impacts of adult social care activities, as they are unlikely to differ significantly from indirect effects associated with child social care activities. Further, the input-output tables produce separate output multipliers for social care activities delivered by:

³⁴ ONS, Detailed United Kingdom Input-Output Analytical Tables, 2005 (*consistent with UK National Accounts Blue Book 2009 & UK Balance of Payments Pink Book 2009*)

- the private sector – the output multiplier is 1.72, which suggests that for every £1 of output generated by adult social care activities in the private sector, a further £0.72 of output is generated in the rest of the economy;
- the public sector – the output multiplier is 2.09, which suggests that for every £1 of output generated by public sector activities, a further £1.09 of output is generated in the rest of the economy; and
- the non-profit / voluntary sector – the output multiplier is 1.70, which suggests that for every £1 of output generated by the voluntary sector, a further £0.70 of output is generated in the rest of the economy.

However, these multipliers are based on the UK economy rather than England. The Scottish Government produces an even greater range of multiplier estimates, which can be compared to the UK estimates to show whether any adjustment is required. The comparable estimates for Scotland³⁵ are only available for the total sector rather than disaggregated by private, public and voluntary sectors. They estimate equivalent Type I multipliers for the ONS-defined ‘social work activities’ of 1.7 for output, income, employment and GVA multipliers. These estimates are similar to the UK estimates and suggest that excluding Scotland from the UK multipliers would have very little impact on the scale of the multiplier. Similar multipliers do not exist for Wales or England so it is not possible to repeat this exercise to remove any bias from Wales.

The Type I multipliers are applied to the respective estimates of the direct economic contribution of the adult social care sector in the table below. The same results are achieved by applying the multipliers to the outputs of each sector and then using the appropriate ratios to estimate the associated indirect and induced effects in terms of GVA and employment. They have been applied to the estimates of direct employment and GVA in the table below to simplify the presentation of the results.

Table 4.1 Indirect economic contribution of the adult social care sector in England

	Private (incl directly- employed)	Public	Voluntary	Total
Direct employment (FTE)	886,300	192,870	246,600	1,325,770
Type I multiplier	1.72	2.09	1.70	
Indirect employment (FTE)	638,140	210,230	172,620	1,020,980
Direct & indirect employment (FTE)	1,524,440	403,100	419,220	2,346,750
Direct GVA (£bn)	12.0	4.7	3.7	20.4
Type I multiplier	1.72	2.09	1.70	
Indirect GVA (£bn)	8.6	5.1	2.6	16.4
Direct & indirect GVA (£bn)	20.6	9.8	6.3	36.8

Note: Individual figures may not sum to totals due to rounding

Sources: ONS, UK Input-Output tables (2005); Scottish Government, Input-Output Type I multipliers (2005); and ICF GHK analysis

The data show that indirect effects associated with the intermediate purchases made by the adult social care sector contribute an additional 1,021,000 FTE jobs and £16.4 billion of GVA amongst supply chain businesses, representing an additional uplift of 75%-80% the direct contribution of the sector. Indirect effects are largest in the private sector, reflecting their relative importance in the sector.

³⁵ Scottish Government, Input-Output Type I multipliers 1998-2007 (<http://www.scotland.gov.uk/Resource/Doc/933/0105646.xls>)

4.3 Induced Effects

4.3.1 The meaning of induced effects

It is common practice for studies of the economic contribution of different sectors to include induced as well as indirect effects. This is reflected in the terms of reference. However, ICF GHK believes it can be misleading to attribute all induced effects to the economic contribution of a particular sector at the national level.

Indirect effects related to purchases of intermediate goods and services from suppliers can clearly be attributed to the adult social care sector, since these purchases would be unlikely to take place if the adult social care sector did not exist. However, it is difficult to make the same argument for induced effects. If the adult social care sector did not exist, it is unlikely that the purchases of goods and services made by those individuals currently employed by the sector (directly or indirectly) would change significantly.

It is likely that a proportion of these individuals would be unemployed and claiming state benefits in the absence of the adult social care sector, and it could therefore be argued that the induced effects associated with the purchases made by these individuals net of the level of state benefit should be included in the overall estimates of economic value. However, many of those directly or indirectly employed by the adult social care sector would be employed in other jobs in other sectors, if the adult social care sector did not exist, and it can be misleading to represent these induced effects as being attributable to the sector and would cease to exist in the absence of the sector.

Induced multipliers are more appropriate for estimating the economic impact associated with the expenditures of an additional employee in the adult social care sector, rather than attributing the effects of the expenditures of all direct and indirect employees.

However, for consistency with studies of the economic contribution of other sectors, we have included estimates of induced effects below.

4.3.2 Estimating induced effects

Induced effects are assessed using Type II multipliers that capture both indirect and induced effects. However, the UK input-output analytical tables do not provide Type II multipliers because they are based on a somewhat unrealistic assumption that consumers do not change their consumption patterns in response to changes in income.

However, the Scottish Government does produce Type II multipliers for each product group. In the absence of other more appropriate estimates of induced multipliers, it is assumed that the Scottish Type II multipliers are likely to provide the best available estimates of Type II multipliers in England, based on the fact that Type I multipliers were consistent for the UK and Scotland.

As with the Type I multipliers, the Scottish Government produces estimates of Type II output, employment and GVA multipliers for total 'ONS-defined' social work activities. The estimated Type II multipliers, for the same base year of 2005, comprise an output multiplier of 2.1, an employment multiplier of 1.9 and a GVA multiplier of 2.2 for social work activities. For consistency with the indirect effects, Type II output multipliers have been applied to estimate indirect and induced effects as shown in Table 4.2. Induced multipliers have been disaggregated by dividing Type II multipliers by the respective Type I multipliers.

The results suggest that induced effects (associated with the purchases of goods and services by individuals directly or indirectly employed by the sector) are considerably smaller than the indirect effects described above. The induced effects are estimated to support a further 459,000 FTE jobs and £6.4 billion of GVA in the wider economy.

Table 4.2 Direct, indirect and induced economic contribution of the adult social care sector in England

	Private (incl directly- employed)	Public	Voluntary	Total
Direct employment (FTE)	886,300	192,870	246,600	1,325,770
Type I multiplier	1.72	2.09	1.70	
Type II multiplier	2.12	2.12	2.12	
Induced multiplier	1.23	1.01	1.25	
Indirect employment (FTE)	638,140	210,230	172,620	1,020,980
Induced employment (FTE)	350,620	4,030	104,810	459,460
Total employment (FTE)	1,875,060	407,130	524,030	2,806,210
% of total England economy				11.7% ³⁶
Direct GVA (£bn)	12.0	4.7	3.7	20.4
Type I multiplier	1.72	2.09	1.70	
Type II multiplier	2.12	2.12	2.12	
Induced multiplier	1.23	1.01	1.25	
Indirect GVA (£bn)	8.6	5.1	2.6	16.4
Induced GVA (£bn)	4.7	0.1	1.6	6.4
Total GVA (£bn)	25.4	9.9	7.9	43.2
% of total England economy				3.8% ³⁷

Note: Individual figures may not sum to totals due to rounding

Sources: ONS, UK Input-Output tables (2005) and Regional GVA (2011); Scottish Government, Input-Output Type I and Type II multipliers (2005); and ICF GHK analysis

4.3.3 The total economic contribution of adult social care sector in England

The adult social care sector is estimated to support a total of 2.8 million FTE jobs and £43 billion of GVA in the English economy, including all direct, indirect and induced effects. The majority of these jobs and GVA are supported by the activities and expenditures of private sector care providers, which account for 67% of the jobs and 59% of GVA supported by the sector as a whole.

Public sector providers of adult social care services and their associated expenditures support 15% of the total FTE jobs and 23% of GVA generated by the sector.

The voluntary sector providers of adult social care and their associated expenditures support the remaining 19% of FTE jobs and 18% of GVA.

The overall sector and the indirect and induced effects of associated expenditures are estimated to represent 3.8% of all GVA and 11.7% of all FTE jobs in the English economy.

³⁶ Based on total employment in England of 24.05 million in 2011, according to the Business Register and Employment Survey.

³⁷ Based on total GVA in England of 1,125 billion in 2011, according to the ONS Regional GVA data.

5 Summary of the estimates of the economic contribution of the adult social care sector to the English economy

The analyses presented in the previous sections provide a robust and transparent analysis of the economic contribution of the adult social care sector to the wider economy in England.

5.1 Direct economic contribution

The study has used data supplied by Skills for Care and providers of adult social care services, via the NMDS-SC dataset, to produce employment estimates for the sector. It is estimated that the adult social care sector directly supports 1.7 million jobs and employs 1.5 million workers, totalling 1.33 million FTE jobs, and representing 6.4% of all jobs in England.

Estimates of the annual direct economic contribution (GVA) of the adult social care sector in England in 2011/2012 (in 2011/12 prices) have been produced using a number of different approaches. These provide a range of estimates from £19 billion of GVA (based on the expenditure approach) to £26 billion (based on the income approach). The results of the four approaches are presented in Table 5.1 below.

Table 5.1 Overview of estimates of the economic value (GVA) of the adult social care sector in England, 2011/12

Basis of estimate	Estimated GVA (£billion)
Income approach	22.6 – 26.0
Expenditure approach	18.8
Output approach – national data	19.3
Output approach – sector data	19.1

Source: ICF GHK estimates, 2013

The study has calculated an average (mean) economic contribution across the four approaches of £20.4 billion of GVA (taking a mid-point estimate under the income approach), representing 1.8% of total GVA in England. There is some uncertainty associated with the expenditure and sector-based output approaches because of a lack of data relating to self-funded care activities in England. These are the two lowest estimates, while the most comprehensive and robust data, based primarily on wage information provided by organisations operating in the sector via the NMDS-SC dataset, is the income approach, which provides the highest estimates of GVA.

In summary, the study estimates that the adult social care sector in England:

- directly contributes more than £30 billion of output to the wider economy in England;
- directly contributes more than £20 billion of GVA to the wider England economy (more than legal activities or the food and drink service industry);
- directly supports around 1.7 million jobs and employs more than 1.5 million workers in 1.3 million FTE jobs (more than the construction or food and drink service industries); and
- directly produces around £13,250 of GVA per worker and £15,400 of GVA per FTE (similar to the food and drink service industry).

5.2 Indirect and induced effects

The indirect effects associated with the intermediate purchases of the adult social care sector are estimated to support an additional 1.02 million FTE jobs and £16.4 billion of GVA amongst supply chain businesses. The induced effects (associated with the purchases of goods and services by individuals directly or indirectly employed by the adult social care

sector) are estimated to support a further 460,000 FTE jobs and £6.4 billion of GVA in the wider economy.

5.3 Total economic contribution

The total economic contribution of the adult social care sector to the English economy is summarised in Table 6.2 below.

Table 5.2 Direct, indirect and induced effects

	Employment / GVA Estimates
Direct employment (FTE)	1,325,770
Indirect employment (FTE)	1,020,980
Induced employment (FTE)	459,460
Total employment (FTE)	2,806,210
% of total England economy	11.7%
Direct GVA (£bn)	20.4
Indirect GVA (£bn)	16.4
Induced GVA (£bn)	6.4
Total GVA (£bn)	43.2
% of total England economy	3.8%

Source: ICF GHK estimates, 2013

In total, the adult social care sector is estimated to support a total of 2.8 million FTE jobs and £43 billion of GVA in the wider England economy, including all direct, indirect and induced effects. This represents 3.8% of all GVA and 11.7% of all FTE jobs in the wider England economy.

ANNEXES

Annex 1 Glossary of terms

A1.1 Data Sources

ONS	Abbreviation of the Office for National Statistics, the executive office of the UK Statistics Authority
BRES	Abbreviation of Business Register and Employment Survey (which has replaced the Annual Business Inquiry) – dataset which details the number of jobs within an area and within different employment sectors
ABS	Abbreviation of Annual Business Survey - the main structural business survey conducted by the ONS which covers a number of financial variable including turnover, purchases, GVA, employment costs, capital expenditure and stocks
IDBR	Abbreviation of the Inter-Departmental Business Register – a comprehensive list of UK businesses based on inputs from three administrative sources: traders registered for Value Added Tax (VAT) purposes with HM Revenue and Customs (HMRC) (Customs), employers operating a Pay As You Earn (PAYE) scheme - registered with HMRC (Revenue) and incorporated businesses registered at Companies House
LFS	Abbreviation of Labour Force Survey, a quarterly survey of the employment circumstances of the UK population
ASHE	Abbreviation of Annual Survey of Hours and Earnings, an annual survey of the levels, distribution and make-up of earnings and hours worked for employees in all industries and occupations in the UK
NMDS-SC	Abbreviation of National Minimum Data Set for Social Care - Skills for Care's source of workforce intelligence data for adult social care, based on information collected online about providers offering a social care service and their employees.
PSSRU	Abbreviation of the Personal Social Services: Expenditure and Unit Costs -England report produced by the Health and Social Care Information Centre

A1.2 Economic Terms

Employee	Persons in paid employment
FTE	Full time equivalent, the number of working hours that represents one full-time employee during a fixed time period
Employment	Number of FTEs employed in the sector
Economic significance	The total contribution of the adult social care sector to the national economy
Economic impact	Measures the marginal increase or decrease in this contribution from a change in customer spending, or other changes in the value chain
GDP	Gross Domestic Product, defined as the sum of all incomes earned by the production of goods and services on UK economic territory, wherever the earner of the income may reside
GVA	Gross Value Added, represents the total value generated by all producer units in a region or country
Income approach	Estimates the total income received from factors of production, including labour compensation (i.e. wages), profits and rents
Output approach	Estimates the total value of final goods and services produced, i.e. the sum of value added measured by the difference between the total value of goods and services produced by the industry minus the costs of purchases of intermediate goods and services
Expenditure approach	Estimates the final demand for all goods and services, from households, government and government consumption, adjusted for net exports (exports minus imports)

A1.3 Sector Specific Terms

SfC&D	Abbreviation of Skills for Care and Development, the Sector Skills Council for people working in early years, children and young people's services, and those working in social work and social care for children and adults in the UK
SfC	Abbreviation of Skills for Care, a sector organisation, which sits within SfC&D and represents adult social care in England
CQC	Abbreviation of the Care Quality Commission – regulator of health and adult social care services in England
Social care sector	A description of the social care sector
Social work	The activities undertaken by a social worker
Social care services	Services and activities of the social care sector
People who use social care services	The people who use and consume care services (delivered by the state, paid for by the individual (for self-funders), or delivered by unpaid carers)
Social care worker	An employee of the social care sector
Carer	Someone providing unpaid care (for example caring for a relative at home)
Self-funder	Someone who pays privately for social care services (either through choice or ineligibility for funded social care services)
Day care	Social care services delivered during the day from a fixed location
Community services	Social care services that take place out in the community and not in a fixed location
Outreach	Social care services delivered by social care workers in the home or out in the community