



Regional estimates of the economic value of the adult social care sector

South West

31 October 2018





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South West

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Key terms and abbreviations

Key terms

Term	Definition
Agency	An organisation which provides temporary workers to service providers
Community care	Social care that takes place out in the community and not in a fixed location
Day care	Care provided for service users in a day care centre (non-residential) or the provision of activities outside the home
Direct payment recipient	An individual who receives payment from the Government or local authority to pay for their own care, rather than having prescribed care provided to them
Direct effect	All jobs, employment and GVA in the adult social care sector
Domiciliary care	Care provided in a service user's own or family home
GVA	The measure of the value of goods and services produced by an economy. It is output (total value of goods and services produced) minus intermediate consumption
Independent	Private and voluntary sector providers of adult social care
Indirect effect	Economic impacts resulting from the intermediate purchases (inputs in the production of final goods and services) by the adult social care sector
Induced effect	Economic impacts resulting from purchases made by those directly and indirectly employed in the adult social care sector
Non-regulated	Employers in the adult social care sector which are not subject to inspections or regulation
Nursing care	Care provided in a residential setting which requires qualified nurses
Other services	Other services including community care activities and all local authority non-residential care activity
Private	Employers in the adult social care sector owned by for profit private enterprises
Public	Employers in the adult social care sector owned and operated by the Government, local authorities and the NHS
Regulated	Employers in the adult social care sector which are inspected and regulated by national social care inspectors
Residential care	Care provided in a residential setting rather than a service users own / family home
Service user	An individual who uses adult social care services
Voluntary	Providers in the adult social care sector run by not-for-profit organisations

Abbreviations

Acronym	Full title	Acronym	Full title
ABS	Annual Business Survey	CMA	Competition and Markets Authority
CQC	Care Quality Commission	FTE	Full-Time Equivalent
GOS	Gross Operating Surplus	GVA	Gross Value Added
IDBR	Inter-Departmental Business Register	I-O Tables	Input Output Tables
NMDS-SC	National Minimum Dataset - Social Care	ONS	Office for National Statistics
PA	Personal Assistant	PAYE	Pay As You Earn
PSSRU	Personal Social Services Research Unit	UKHCA	United Kingdom Homecare Association

Executive summary

Sector characteristics

- An estimated 4,730 sites were involved in providing adult social care in the South West in 2016. Most of these sites (42%) provided residential care. A further 6,630 individuals receive direct payments and employ Personal Assistants (PAs);
- There were an estimated 148,500 jobs in the adult social care sector in the South West in 2016. Most of these jobs (50,200) were involved in providing domiciliary care. There were a further 13,900 jobs due to individuals employing PAs, giving a total of 162,500 jobs in the adult social care sector in 2016;
- There were an estimated 108,000 Full-Time Equivalents (FTEs) in the adult social care sector in the South West, and a further 6,400 FTEs employed as PAs, giving a total of 114,400 FTEs in the adult social care sector in 2016;
- Most of the adult social care workforce providing regulated services were employed at sites run by private sector providers (59,900 FTEs);
- The level of employment in the adult social care sector represents 6% of total employment in the South West; and
- The average earnings in the adult social care sector in the South West was estimated to be £17,100 per FTE.

Economic value of the sector

- It was estimated that in 2016, adult social care sector GVA was £2.3 billion to £2.4 billion. Most of this was estimated to be in residential care (average of the three approaches 32%);
- This represents 2% of total GVA in the South West;
- It was estimated that the average level of productivity (GVA generated per FTE) in the adult social care sector was £19,700 to £21,300;
- The estimated GVA in the adult social care sector in the South West was estimated to be higher than the agriculture, forestry & fishing; and mining and quarrying sectors.

Indirect and induced value of the sector

- The indirect effect of adult social care sector activity in the South West (resulting from the purchase of intermediate goods and services by the adult social care sector in delivering its services) was estimated to contribute a further 54,700 jobs (39,000 FTEs) and £952 million to £1.1 billion of GVA to the English economy;
- The induced effect of adult social care sector activity in the South West (resulting from purchases made by those directly and indirectly employed in the adult social care sector) was estimated to contribute a further 23,100 jobs (16,300 FTEs) and £1.0 billion to £1.1 billion of GVA to the English economy; and
- The total direct, indirect and induced contribution of adult social care sector activity in the South West to the English economy was estimated to be 240,300 jobs (169,700 FTEs) and £4.2 billion to £4.6 billion in 2016.

1 Introduction

The Local Government Association (LGA) and Skills for Care required robust estimates of the economic value of the adult social care sector in each of the nine regions of England. This was to provide a more detailed analysis of the recently published estimate of the value of the adult social care sector in England (Skills for Care and Development, 2018).

These estimates will be used in local policy discussions and decisions about the sector. The evidence base will demonstrate how the sector contributes to the local and national economy. The estimates may help to alter the views of individuals who see social care as a drain or burden to the economy.

1.1 Research aims

The objective for this research was to estimate the current economic value of the adult social care sector in each region of England. This included:

- The annual Gross Value Added (GVA) generated directly by the adult social care sector in each region (including public sector activities within the sector as well as the independent sector) (direct impact);
- The national supply chain multiplier for the adult social care sector (indirect impact); and
- The national wage multiplier for the adult social care sector (induced impact).

This report presents additional key metrics which indicate the economic importance of the sector, including:

- Employment (direct, indirect and induced employment); and
- Productivity - GVA per worker for the adult social care sector.

1.2 Purpose and structure of the report

This report presents the estimated current economic value of the adult social care sector in the South West. The economic value of the sector has been calculated using three different approaches: the input approach; the expenditure approach; and the output approach. This was to increase the robustness of the estimates, as there were strengths and weaknesses with the availability and quality of the data required for each approach. The report contains the following sections:

- Section 2 describes the size and structure of the adult social care sector;
- Section 3 estimates the direct economic value of the adult social care sector using the input approach;
- Section 4 estimates the direct economic value of the adult social care sector using the expenditure approach;
- Section 5 estimates the direct economic value of the adult social care sector using the output approach;
- Section 6 estimates the induced and indirect economic value of the adult social care sector;
- Section 7 presents the key findings from the research, including the key economic indicators and comparisons to other economic sectors.

2 Sector characteristics

This section provides key characteristics for the adult social care sector in the South West. These characteristics describe the size and structure of the sector in the South West.

2.1 Number of sites where adult social care is provided

The number of sites providing services are presented in Table 2.1. In summary, there were 3,140 sites providing CQC-regulated adult social care in the South West in 2016. Most regulated sites were providing residential care (53%). A further 1,590 sites were providing non-CQC regulated adult social care. Most of these sites were providing other services (36%) or domiciliary care services (26%). In total 4,730 sites were providing adult social care. Most sites were run by private providers (76%).

Table 2.1 Number of service providers and sites, 2016

Type of provider	Type of service	Number CQC regulated sites	Number of non-CQC regulated services	Total number of sites		
				Number	%	% England
Public	Residential care	50	20	70		
	Nursing care	-	-	-		
	Domiciliary care	20	230	250		
	Day care	-	-	-		
	Other services	-	-	-		
	Total	70	250	320	7%	8%
Private	Residential care	1,300	240	1,540		
	Nursing care	460	-	460		
	Domiciliary care	720	150	870		
	Day care	-	240	240		
	Other services	-	470	470		
	Total	2,480	1,090	3,580	76%	74%
Voluntary	Residential care	310	60	360		
	Nursing care	110	-	110		
	Domiciliary care	170	40	200		
	Day care	-	60	60		
	Other services	-	110	110		
	Total	580	260	840	18%	17%
Total	Residential care	1,660	310	1,970	42%	39%
	Nursing care	570	-	570	12%	11%
	Domiciliary care	910	410	1,320	28%	26%
	Day care	-	300	300	6%	6%
	Other services	-	580	580	12%	18%
	Total	3,140	1,590	4,730	100%	100%

Source: Skills for Care, National Minimum Dataset – Social Care; Numbers rounded to the nearest 10. Totals may not equal the sum of services due to rounding.

2.2 Direct payment recipients

In 2015/16, 22,870 individuals received direct payments for their care in the South West. Individuals can use the money they receive from direct payments for a variety of purposes, including employing their own staff, using residential or day care, or paying subscriptions and memberships to support themselves.

Some individuals receiving direct payments will employ Personal Assistants (PAs) to provide care. It is estimated that just under a third of direct payment recipients directly employ PAs (29%). In the South West, this would mean that there were over 6,600 individuals directly employing PAs (see Table 2.2).

Table 2.2 Number of individual employers, 2016

Type of service	
Number of individuals receiving direct payments	22,870
Percentage who directly employ PAs	29%
Estimated number of individuals who directly employ PAs in the South West	6,630

Source: NHS Digital; Skills for Care 'Individual employers and Personal Assistants'; Numbers rounded to the nearest 10.

2.3 Jobs

The number of jobs described below relates to all job roles in the adult social care sector – those providing care to service users and all support staff (from cleaners to managers).

2.3.1 Jobs with service providers

The number of jobs and FTE in adult social care in the South West is presented in Table 2.3 below. This shows that:

- There were an estimated 148,500 jobs (108,000 FTEs) at sites providing adult social care.
- Most jobs were in regulated areas (85%) as opposed to non-regulated (15%). Average hours in non-regulated areas (29 hours) were slightly higher than those in regulated areas (27 hours).
- The private sector accounted for over half of all jobs and FTEs in adult social care in the South West (63% jobs, 62% FTEs) followed by the voluntary sector (31% jobs and FTEs). In the public sector there were 6% of jobs and 7% of FTEs.
- Domiciliary care services accounted for the largest proportion of jobs (34%), closely followed by residential care services (31%). However, residential care services accounted for more FTEs (33%) than domiciliary care services (30%).
- Average hours for employees of service providers were 27 hours a week. This was highest among jobs in other services in the public sector (31 hours) and lowest in domiciliary care services in the private and voluntary sectors (24 hours).

Table 2.3 Number of jobs and Full Time Equivalents in the South West, 2016

		CQC reg. Jobs	Average hours	CQC reg. FTEs	Non-CQC reg. Jobs	Average hours	Non-CQC reg. FTEs	Total Jobs	Average hours	Total FTEs		
										Number	%	% England
Public	Residential care	900	28	600	100	28	100	1,000	28	700		
	Nursing care	100	27	100	-	-	-	100	27	100		
	Domiciliary care	1,400	28	1,000	100	18	-	1,400	28	1,100		
	Day care	-	-	-	700	29	500	700	29	500		
	Other services	-	-	-	5,900	31	5,000	5,900	31	5,000		
	Total		2,300	28	1,800	6,700	31	5,600	9,000	30	7,400	7%
Private	Residential care	27,200	28	20,600	3,200	29	2,500	30,400	28	23,200		
	Nursing care	24,600	29	19,100	-	-	-	24,600	29	19,100		
	Domiciliary care	31,500	24	20,200	1,200	26	800	32,700	24	21,100		
	Day care	-	-	-	2,100	27	1,600	2,100	27	1,600		
	Other services	-	-	-	3,700	26	2,600	3,700	26	2,600		
	Total		83,300	27	59,900	10,200	27	7,500	93,500	27	67,400	62%
Voluntary	Residential care	13,400	28	10,200	1,600	29	1,200	15,000	28	11,400		
	Nursing care	12,100	29	9,400	-	-	-	12,100	29	9,400		
	Domiciliary care	15,500	24	10,000	600	26	400	16,100	24	10,400		
	Day care	-	-	-	1,000	27	800	1,000	27	800		
	Other services	-	-	-	1,800	26	1,300	1,800	26	1,300		
	Total		41,000	27	29,500	5,000	27	3,700	46,000	27	33,200	31%
Total	Residential care	41,400	28	31,400	5,000	29	3,900	46,400	28	35,300	33%	30%
	Nursing care	36,800	29	28,500	-	-	-	36,800	29	28,500	26%	24%
	Domiciliary care	48,400	24	31,200	1,800	26	1,300	50,200	24	32,500	30%	34%
	Day care	-	-	-	3,800	28	2,800	3,800	28	2,800	3%	3%
	Other services	-	-	-	11,300	29	8,900	11,300	29	8,900	8%	10%
	Total		126,700	27	91,200	21,900	29	16,800	148,500	27	108,000	100%

2.3.2 Jobs with direct employers

It is estimated that there are 13,900 PA jobs in the South West in 2016. PA jobs average 17 hours a week, equating to 6,400 FTEs.

Table 2.4 Number of Personal Assistants

Type of service	Jobs	Average hours	FTEs
Personal Assistants	13,900	17	6,400

Source: NHS Digital; Skills for Care 'Individual employers and Personal Assistants'

2.4 Summary

- In total there were 4,730 service provider sites in the South West; 3,140 were regulated and 1,590 are non-regulated. Including the 6,600 direct payment employers, there were over 11,330 adult social care employers across the region.
- Most sites were run by private providers (76%) while 18% were voluntary and 7% were public providers. The largest proportion of sites in both private and voluntary sectors were residential care providers (43% in each), while most public sector sites provided domiciliary care (78%).
- There were 162,400 jobs (148,500 with service providers and 13,900 for PAs through direct payment employers). This equates to 114,400 FTEs.
- Most jobs were in regulated areas (85%). Over half of jobs (63%) and FTEs (62%) were in the private sector.
- Overall, domiciliary and residential care services supported the highest proportion of jobs (34% and 31% respectively). They also had the highest proportion of FTEs (30% and 33%).
- Average hours for PAs (17 hours a week) were lower than average hours for employees of service providers (27 hours a week). Average hours were slightly higher in the public sector (30 hours) than in the private or voluntary sectors (27 hours).

3 Income approach

The first approach used to produce estimates of GVA in the sector is the income approach. The total income received by representatives of the sector in the form of wages and other income provides an estimate of the value added by the sector. These types of income are estimated using earnings (for wages) and the Gross Operating Surplus generated in the sector (for other income). In the case of the adult social care sector, the majority of income in the sector will be earned in wages paid to social care workers.

3.1 Earnings

3.1.1 Earnings for jobs with service providers

The earnings in the adult social care sector in the South West are presented in Table 3.1. This shows that:

- Average earnings in the public sector were consistently higher than in the private or voluntary sectors across all services. However, the public sector had the smallest proportion of total earnings at £163 million, equating to 9% of the total earnings across all services and sectors.
- The private sector accounted for the largest proportion of total earnings (61% of total earnings; £1.1 billion), followed by the voluntary sector (30% of total earnings; £557 million).
- Total earnings in the regulated sector were considerably larger than total earnings in the non-regulated sector (£1.5 billion and £343 million respectively).
- The highest average earnings were £23,500 per FTE for “other services” provided in the non-CQC regulated sector.
- Residential care in the non-CQC regulated public, private and voluntary sectors had the lowest average earnings per FTE, at £15,800.
- Residential care services accounted for 31% of total earnings (£568 million), closely followed by domiciliary care services (29% of total earnings; £537 million).

Table 3.1 Estimated average and total earnings in the adult social care sector, the South West, 2016

		CQC reg. FTEs	Earnings per FTE (£)	Total (£'000)	Non-CQC reg. FTEs	Earnings per FTE (£)	Total (£'000)	Total FTEs	Earnings per FTE (£)	Total (£'000)
Public	Residential care	600	19,100	12,395	100	15,800	1,488	700	18,700	13,900
	Nursing care	100	21,000	1,836	-	-	-	100	20,600	1,800
	Domiciliary care	1,000	19,500	20,297	-	16,600	406	1,100	19,400	20,700
	Day care	-	-	-	500	18,500	9,580	500	18,500	9,600
	Other services	-	-	-	5,000	23,500	116,689	5,000	23,500	116,700
	Total		1,800	-	34,528	5,600	-	128,163	7,400	22,000
Private	Residential care	20,600	16,100	331,070	2,500	15,800	39,932	23,200	16,000	371,000
	Nursing care	19,100	17,000	324,866	-	-	-	19,100	17,000	324,900
	Domiciliary care	20,200	16,400	331,848	800	16,600	13,736	21,100	16,400	345,600
	Day care	-	-	-	1,600	18,500	28,731	1,600	18,400	28,700
	Other services	-	-	-	2,600	23,500	61,397	2,600	23,500	61,400
	Total		59,900	-	987,784	7,500	-	143,796	67,400	16,800
Voluntary	Residential care	10,200	16,100	163,065	1,200	15,800	19,668	11,400	16,000	182,700
	Nursing care	9,400	17,000	160,009	-	-	-	9,400	17,000	160,000
	Domiciliary care	10,000	16,400	163,447	400	16,600	6,766	10,400	16,400	170,200
	Day care	-	-	-	800	18,500	14,151	800	18,500	14,200
	Other services	-	-	-	1,300	23,500	30,241	1,300	23,400	30,200
	Total		29,500	-	486,521	3,700	-	70,825	33,200	16,800
Total	Residential care	31,400	-	506,530	3,900	-	61,087	35,300	16,100	567,600
	Nursing care	28,500	-	486,710	-	-	-	28,500	17,100	486,700
	Domiciliary care	31,200	-	515,592	1,300	-	20,908	32,500	16,500	536,500
	Day care	-	-	-	2,800	-	52,462	2,800	18,500	52,500
	Other services	-	-	-	8,900	-	208,327	8,900	23,500	208,300
	Total		91,200	-	1,508,833	16,800	20,900	342,784	108,000	17,100

3.1.2 Earnings from jobs with direct employers

The estimated earnings for PAs in the South West is estimated to be £8.48 an hour (£17,630 per FTE) which means that the total earnings of PAs in the South West were estimated to be £113 million (Table 3.2).

Table 3.2 Estimated earnings of Personal Assistants

Type of service	Number of FTEs	Earnings per FTE (£)	Total wages (£'000)
Personal Assistants	6,400	17,630	112,818

Source: NHS Digital, Adult Social Care Outcomes Framework; Skills for Care "Individual Employers and Personal Assistants"; Individual row totals may be not sum due to rounding.

3.2 Gross Operating Surplus

In addition to earnings / wages, income is generated in the adult social care sector through the Gross Operating Surplus (GOS). This is defined as income minus operating costs. Operating costs include staff costs, materials and transportation.

It is important to note that the GOS does not equal the profit taken by owners and shareholders and only a subset of total costs are included in the GOS calculation. A positive GOS can lead to small or even negative overall profits. This is because the costs which are excluded from the estimated GOS can exceed the value of GOS. The costs excluded include taxation, rents, exceptional purchases and depreciation.

The GOS was estimated to be 16% of total output in the residential and nursing care sector (CMA, 2017); and 11% for private providers and 8% for voluntary providers in the domiciliary care sector (UKHCA, 2018). The GOS in the South West in 2016 is estimated to be £204 million in residential and nursing care and £86 million in domiciliary care. For more details about the GOS and the calculations refer to the accompanying technical annex.

No information is available for the value of GOS for day care, other services and PAs. Therefore, no attempt has been made to estimate the GOS in these services.

3.3 Estimated GVA

Table 3.3 shows that the estimated GVA generated in the adult social care sector in the South West was £2.3 billion in 2016. The largest proportion of GVA was estimated to be in the residential care sector (29% of the total value of the sector).

Table 3.3 Earnings estimates of adult social care and related GVA

	Earnings (£'000)	GOS (£'000)	GVA estimates		
			(£'000)	%	% England
Residential care	567,617	82,774	650,391	29%	26%
Nursing care	486,710	121,098	607,808	27%	24%
Domiciliary care	536,500	85,627	622,128	28%	31%
Day care	52,462	0	52,462	2%	2%
Other services	208,327	0	208,327	9%	11%
Personal Assistants	112,818	0	112,818	5%	6%
Total	1,964,435	289,499	2,253,934	100%	100%

ICF analysis. Individual row totals may be not sum due to rounding. Totals may not equal the sum of services due to rounding.

4 Expenditure approach

The second method to estimate the economic value of the adult social care sector is the expenditure approach. This approach involves estimating the total level of expenditure (public and private funding), and converting this to GVA (output less purchase of intermediate goods and services) and using turnover (represented by expenditure) to GVA ratios.

There are three main sources of funding for adult social care services. These are:

- Public sector funding – individuals using care services who are wholly funded by the state. This includes payments made directly between the public sector and the provider of adult social care services to deliver services to individuals, and funding given directly to service users to purchase their own care (direct payments);
- Self-funders – individuals who use care services and pay the full costs themselves; and
- Co-funding – individuals who receive some public sector funding for care services, but who are required to ‘top-up’ the public funding to pay the full care charges.

4.1 Public sector and co-funding

Table 4.1 presents the value of public sector and co-funding in the South West in 2016. This shows that:

- The total value of public sector spending in the South West was £1.8 billion (87%); co-funding makes up 13% (£0.3 billion) bringing a total funding value of £2.1 billion.
- Older people’s service (65+) had the largest proportion of public sector funding (45%). The older people’s service also had the highest proportion of co-funding of £0.2 billion (83% of total co-funding).
- Expenditure on services for older people had the highest rate of co-funding (22%), compared to between 6% and 14% for all other types of service.

Table 4.1 Public and co-funding of adult social care in the South West, 2015-16

Type of service	Public sector (£'000)	Co-funding (£'000)	Total (£'000)
Older people (65+)	815,334	227,565	1,042,899
Physically disabled (18+)	139,539	11,663	151,202
Learning disabled (18+)	480,407	30,062	510,469
Mental health needs (18+) ¹	66,447	4,346	70,793
Other	305,737	-	305,737
Total	1,812,802	274,534	2,087,336

Source: NHS Digital: Personal Social Services: Expenditure and Unit Cost. Totals may not equal the sum of services due to rounding.

¹ Including Support for memory and cognition (18-64)

4.2 Self-funding

The size and scale of expenditures on adult social care by self-funders is difficult to estimate. This is because there is no relevant data source which estimates either the level of expenditure or the number of individuals who fund their own care.

A literature review was undertaken to find evidence of the proportion of service users that self-fund their care. From this literature review², it has been estimated that in the South West:

- 50% of residential and nursing home service users self-fund their care;
- 32% of domiciliary and community care service users self-fund their care.

Service users who self-fund their own care are unlikely to pay the same price for their care as those funded by the state. Several sources suggest that self-funders are likely to pay a higher fee for the same care services. The reasons for these differences could be due to market pressure (local authorities and the NHS buying services in bulk through tendering and price negotiation, and achieving favourable rates), or because providers are having to cross subsidise public sector clients by charging a premium to self-funders. It has been estimated that self-funders in the South West pay a 46% mark-up on the unit cost of adult social care.

The analysis of self-funding is presented in Table 4.2, by type of care provision. This shows that in the South West the total value of self-funded adult social care expenditure was estimated to be £1.3 billion. The largest proportion of self-funding expenditure was for nursing care (40% of the self-funded total). The total estimated value of expenditure on adult social care in the South West was £3.4 billion.³

Table 4.2 Estimated total expenditure in adult social care sector in the South West, 2015-16

	Public and co-funded (£'000)	Unit cost for self-funders (£ per year)	Number of self-funders	Self-funded expenditure (£'000)	Total expenditure (£'000)
Residential care	772,626	41,000	9,500	391,082	1,163,707
Nursing care	260,807	48,400	10,800	523,671	784,478
Domiciliary care ⁴	355,369	16,300	13,800	224,377	579,747
Other services ⁵	529,403	-	-	171,281	700,684
Direct payments	169,132	-	-	-	169,132
Total	2,087,336	-	34,200	1,310,412	3,397,748

Source: NHS Digital: Personal Social Services: Expenditure and Unit Cost; LaingBuisson (2017) Care of Older People; PSSRU Unit Cost of Health and Social Care (2016); NHS Digital (2016): Community Care Statistics; Number of self-funders and unit costs rounded to the nearest 100. Individual row totals may be not sum due to rounding. Totals may not equal the sum of services due to rounding.

² For details of the literature review, please refer to the accompanying technical annex.

³ For more details of the estimation of self-funded expenditure, please refer to the accompanying technical annex.

⁴ Home care and supported living from the NHS Digital data

⁵ There is no separate item in the NHS Digital data for day care. It is assumed that day care expenditure falls into "other services" – which includes "Other long-term care services" and "Short-term care services and other expenditure"

4.3 Estimated GVA

The expenditures calculated above have been converted into GVA using turnover to GVA ratios for the adult social care sector from the Annual Business Survey (ABS). Turnover to GVA ratios indicate the level of GVA that is expected to result in a particular sector, from a given level of expenditure. Applying these ratios to the estimated expenditures provides an estimate of GVA for the sector of £2.3 billion in 2015/16 in the South West. The largest proportion of GVA was from residential care (£855 million; 37% of total GVA).

Table 4.3 Expenditure estimates of adult social care and related GVA in the South West, 2015-16

	Total expenditure (£'000)	Turnover to GVA ratio	GVA		
			(£'000)	%	% England
Residential care	1,163,707	73%	854,693	37%	35%
Nursing care	784,478	76%	596,325	26%	22%
Domiciliary care	579,747	51%	297,904	13%	14%
Day care	-	-	-	-	-
Other services ⁶	700,684	66%	463,498	20%	23%
Direct payments	169,132	66%	111,880	5%	5%
Total	3,397,748		2,324,300	100%	100%

ICF analysis. Individual row totals may be not sum due to rounding. Totals may not equal the sum of services due to rounding.

⁶ Ibid.

5 Output approach

The final approach to measure the GVA of the adult social care sector is the output approach. This measures the output of the sector by estimating the number of units of each type of service provided, and multiplying this by a unit cost for the service. This estimates the total level of output (the equivalent of turnover) in the sector, which is then converted to GVA (output less the purchase cost of intermediate goods and services).

5.1 Output from the residential care sector

5.1.1 Residential care for older adults

Data from LaingBuisson (2017) show that in the South West the private sector is the largest provider of residential and nursing adult social care. Private providers represent 74% of the total residential care capacity, and 80% of total nursing care capacity for older people (a total of 36,000 private care beds across the residential and nursing sector). The average occupancy rate in residential and nursing care homes for older people in the South West was 89%.

The average unit cost of residential and nursing care (including both publicly funded and self-funded) a week was estimated to be £670 and £820 for independent provision (PSSRU, 2017; LaingBuisson, 2017). The average cost of public sector provision was estimated to be higher (£1,130 and £1,370 respectively).

Table 5.1 shows that the estimated total output of the residential and nursing care sector for older people in the South West was £1.7 billion. The private sector had the largest output (£1.3 billion; 76% of total output), and the output for nursing care was higher than for residential care (nursing care represented 58% of the total residential and nursing care output).

Table 5.1 Capacity and estimated output of care home sector in the South West – older people, 2016

		Private	Voluntary	Public	Total
Capacity (places)	Nursing	20,300	4,500	600	25,500
	Residential	16,200	4,800	700	21,700
Occupancy (places)	Nursing	17,700	4,000	500	22,200
	Residential	14,800	4,400	700	19,900
Output (£'000)	Nursing	753,965	168,762	38,552	961,278
	Residential	512,950	153,374	39,010	705,334
Unit cost (£ per week)	Nursing	820	820	1,370	-
	Residential	670	670	1,130	-

Source: LaingBuisson (2017) *Care of Older People*; PSSRU (2016) *The unit cost of health and social care (2016)*. Output totals may be not sum due to rounding.

5.1.2 Residential care for younger adults

The number of younger adults in residential and nursing care in the South West has been estimated using data from NHS Digital. These are adults aged 18-64 with mental health, learning disability and physical needs. This data only allows a breakdown between independent and public provision. The unit cost of provision has been estimated using data from PSSRU (2017) for young adults with mental

health needs and learning disabilities. The unit costs have been weighted based on the estimated number of younger people in residential care with mental health and learning disabilities.

Table 5.2 presents the estimated output for residential care of younger adults in the South West, which is estimated to be £298 million in 2015/16.

Table 5.2 Capacity and estimated output of care home sector – younger adults

		Private	Voluntary	Public	Total
Capacity (places)	Nursing	500		-	500
	Residential	3,800		200	4,000
Occupancy (places)	Nursing	500		-	500
	Residential	3,800		200	4,000
Output (£'000)	Nursing	31,465		-	31,465
	Residential	255,766		11,061	266,827
Unit cost (£ per week)	Nursing	1,290		1,350	-
	Residential	1,290		1,350	-

Source: LaingBuisson (2017) *Care of Older People*; PSSRU (2016) *The unit cost of health and social care (2016)*; NHS Digital: *Personal Social Services: Expenditure and Unit Cost*. Output totals may not sum due to rounding.

5.2 Output from non-residential adult social care sector

NHS Digital provides data for the number of individuals receiving different types of non-residential care in the South West. This provides details of the number of people receiving public funding for domiciliary care (56,000) but not the number of self-funders. The number of self-funders receiving domiciliary care was estimated to be 14,000. The unit costs for domiciliary care are taken from the PSSRU estimates (£26 per contact hour).

It was not possible to estimate the usage and unit cost of other services due to the wide variety of services included in other services and a lack of available data. The level of expenditure has been used as the value of output for other services.

Table 5.3 presents an estimated output for the non-residential care sector in the South West of £983 million in 2015/16.

Table 5.3 Estimated output of other adult social care sectors

	Number of users	Hours per person per year	Unit cost (£)	Total output (£'000)
Domiciliary care	56,440	618	26	894,170
Other				
Direct payments ⁷	6,630	884	15	88,554
Total	63,070	-	-	982,725

Source: PSSRU (2016) *The unit cost of health and social care (2016)*; NHS Digital: *Personal Social Services: Expenditure and Unit Cost*; ICF analysis. Totals may not sum due to rounding.

⁷ Only including individuals who directly employ Personal Assistants.

5.3 Estimated GVA

The estimated value of GVA in the adult social care sector in the South West is presented in Table 5.4. The estimated output has been multiplied by turnover to GVA ratios from the ABS, and provides an estimate of £2.4 billion of GVA in 2015/16 in the South West. The residential and nursing care sectors had the largest estimated GVA (31% of the total value of the sector in nursing care and 29% in residential care).

Table 5.4 Output estimates of adult social care and related GVA

	Total output (£'000)	Turnover to GVA ratio	GVA		
			(£'000)	%	% England
Residential care	970,951	73%	713,122	29%	27%
Nursing care	993,954	76%	755,559	31%	28%
Domiciliary care	894,170	51%	459,471	19%	20%
Day care	-	-	-	-	-
Other services	700,684	66%	463,498	19%	22%
Direct payments ⁸	88,554	51%	45,504	2%	2%
Total	3,648,314		2,437,154	100%	100%

ICF analysis. Individual row totals may not sum due to rounding. Totals may not equal the sum of services due to rounding.

⁸ Ibid.

6 Indirect and induced effects

The previous sections estimated the direct economic contribution of the adult social care sector in the South West. This section builds on that analysis to present estimates of the additional contribution of the adult social care sector to the wider economy in England 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.

This analysis presents the indirect and induced effects of the adult social care sector in the South West on the English economy. This is because it was not possible to trace the supply chains of employers on a region by region basis, travel to work patterns of workers and patterns of consumer expenditure. **Therefore, the indirect and induced effects should not be interpreted as the effects on the regional economy.**

6.1 Indirect Effects

Indirect effects are estimated using Type I multipliers (supply linkage effects), which are published by the ONS. The latest UK I-O analytical tables⁹ provide estimates of Type I GVA, output and employment multipliers for Residential Care and Social Work activities. There are separate multipliers for services delivered by the private, voluntary and public sectors. These multipliers are:

- The private sector – the GVA multiplier is 1.32: for every £1 of GVA in the private adult social care sector, a further £0.32 is generated in the rest of the economy. The employment multiplier is 1.30: for every job in the private adult social care sector, a further 0.30 of a job is provided in the rest of the economy.
- The public sector – the GVA multiplier is 1.94: for every £1 of GVA in the public adult social care sector, a further £0.94 is generated in the rest of the economy. The employment multiplier is 1.65: for every job in the public adult social care sector, a further 0.65 of a job is provided in the rest of the economy.
- The voluntary sector – the GVA multiplier is 1.56: for every £1 of GVA in the voluntary adult social care sector, a further £0.56 is generated in the rest of the economy. The employment multiplier is 1.37: for every job in the voluntary adult social care sector, a further 0.37 of a job is provided in the rest of the economy.

Table 6.1 shows that indirect effects of intermediate purchases made by the adult social care sector in the South West were estimated to contribute an additional 55,000 jobs¹⁰ and between £952 million and £1.1 billion of GVA in England.

⁹ ONS, Detailed United Kingdom Input-Output Analytical Tables, 2013 (consistent with UK National Accounts Blue Book & UK Balance of Payments Pink Book)

¹⁰ These are jobs, not FTE.

Table 6.1 Direct and indirect economic value of the adult social care sector

	Income approach	Expenditure approach	Output approach
GVA			
GVA (public sector) (£'000)	162,691	303,995	307,102
GVA (private sector) (£'000)	1,533,898	1,581,871	1,657,029
GVA (voluntary sector) (£'000)	557,346	438,434	473,023
Total GVA (£'000)	2,253,934	2,324,300	2,437,154
Type I multiplier		Private: 1.32 Public: 1.94 Voluntary: 1.56	
Indirect GVA (public sector) (£'000)	152,219	284,427	287,334
Indirect GVA (private sector) (£'000)	490,008	505,333	529,342
Indirect GVA (voluntary sector) (£'000)	310,219	244,033	263,285
Total indirect GVA (£'000)	952,445	1,033,792	1,079,961
Total direct and indirect GVA (£'000)	3,206,380	3,358,092	3,517,115
Employment			
Direct employment (public sector)		9,000	
Direct private employment (private sector)		107,400	
Direct voluntary employment (voluntary sector)		46,000	
Total direct employment		162,500	
Type I multiplier		Private: 1.30 Public: 1.65 Voluntary: 1.37	
Indirect employment (public sector)		5,900	
Indirect employment (private sector)		31,800	
Indirect employment (voluntary sector)		17,000	
Total indirect employment		54,700	
Total direct and indirect employment		217,200	

Source: ICF analysis; Employment figures rounded to the nearest 100. Totals may not equal the sum of services due to rounding.

6.2 Induced effects¹¹

Induced effects are assessed using Type II multipliers that capture both indirect and induced effects. The I-O tables provide information which can be used to estimate the Type II multipliers. The relevant Type II multipliers are:

¹¹ ICF 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 can clearly be attributed to the adult social care sector as they would not take place if the adult social care sector did not exist. The same is not true for induced effects. If the adult social care sector did not exist, it is unlikely that the purchases of goods and services made by the majority of workers in the sector would change significantly. Workers who in the absence of the adult social care sector would be unemployed (and receiving benefits) would provide induced effects (net of the value of state benefit payments). 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. This is the case for all sectors and industries. Therefore, 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.

- The private sector – the GVA multiplier is 1.74 and the employment multiplier is 1.43;
- The public sector – the GVA multiplier is 2.55 and the employment multiplier is 1.82; and
- The voluntary sector – the GVA multiplier is 2.05 and the employment multiplier is 1.52.

The Type II multipliers are divided by the Type I multipliers to provide the multiplier value (1.32 for GVA, 1.11 for employment).

Table 6.2 presents the estimated induced effects of adult social care activity in the South West. The induced effects were estimated to support a further 23,100 jobs and £1 billion to £1.1 billion of GVA in the wider economy. The results suggest that induced effects are similar in size to the indirect GVA effect, but smaller than the indirect employment effect.

Table 6.2 Induced and total economic value of the adult social care sector

	Income approach	Expenditure approach	Output approach
GVA			
GVA (public sector) (£'000)	162,691	303,995	307,102
GVA (private sector) (£'000)	1,533,898	1,581,871	1,657,029
GVA (voluntary sector) (£'000)	557,346	438,434	473,023
Total GVA (£'000)	2,253,934	2,324,300	2,437,154
Type II multiplier		Private: 1.74 Public: 2.55 Voluntary: 2.05	
Induced multiplier		1.32	
Induced GVA (public sector) (£'000)	100,070	186,985	188,897
Induced GVA (private sector) (£'000)	643,146	663,260	694,773
Induced GVA (voluntary sector) (£'000)	275,690	216,870	233,980
Total induced GVA (£'000)	1,018,906	1,067,116	1,117,650
Total direct, indirect and induced GVA (£'000)	4,225,285	4,425,208	4,634,765
Employment			
Direct employment (public sector)		9,000	
Direct employment (private sector)		107,400	
Direct employment (voluntary sector)		46,000	
Total direct employment		162,500	
Type II multiplier		Private: 1.43 Public: 1.82 Voluntary: 1.52	
Induced multiplier		1.11	
Induced employment (public sector)		1,600	
Induced employment (private sector)		14,800	
Induced employment (voluntary sector)		6,700	
Total induced employment		23,100	
Total direct, indirect and induced employment		240,300	

Source: ICF analysis; Employment figures rounded to the nearest 100. Totals may not equal the sum of services due to rounding.

7 Key findings

This section provides a summary of the key findings of the economic analysis, including the five key indicators specified in the research aims. The economic indicators are then compared to other sectors within the South West, so that the size and scale of the adult social care sector can be identified.

7.1 Summary of findings

The key findings from the research are presented in Table 7.1. This presents estimates which show that:

- Total GVA due to adult social care activity in the South West was between £4.2 and £4.6 billion.
- Direct GVA was between £2.3 billion and £2.4 billion. Indirect GVA was between £952 million and £1.1 billion while induced GVA was between £1 billion and £1.1 billion.
- Direct employment supported 162,500 jobs, equating to 114,400 FTE. Estimated productivity per FTE was between £19,700 to £21,300.
- Indirect employment supported 54,700 jobs (39,000 FTE) and induced employment supported 23,100 jobs (16,300 FTE).
- In total, the sector supported 240,300 jobs equal to just under 170,000 FTE.

Table 7.1 Summary of findings

	Income approach	Expenditure approach	Output approach
Total direct employment		162,500	
Total FTE employment		114,400	
Total direct GVA (£'000)	2,253,934	2,324,300	2,437,154
Estimated productivity per job (£)	13,900	14,300	15,000
Estimated productivity per FTE (£)	19,700	20,300	21,300
Indirect employment (jobs)		54,700	
Indirect employment (FTE)		39,000	
Induced employment (jobs)		23,100	
Induced employment (FTE)		16,300	
Total jobs due to adult social care activity		240,300	
Total FTE jobs due to adult social care activity		169,700	
Indirect GVA (£'000)	952,445	1,033,792	1,079,961
Induced GVA (£'000)	1,018,906	1,067,116	1,117,650
Total GVA due to adult social care activity (£'000)	4,225,285	4,425,208	4,634,765

Source: ICF analysis; Employment and productivity figures rounded to the nearest 100. Totals may not equal the sum of services due to rounding.

7.2 Benchmarking

Table 7.2 compares the number of sites, FTEs and GVA per population of people aged 65 and above in the South West to the averages for England. This shows that

the number of sites were in line with the rest of England, though the number of jobs and estimated GVA per person was lower than for England. Despite this, earnings and prices in the adult social care sector in the South West were slightly higher than the England average.

Table 7.2 Service provision and GVA per population

	South West			England		
	Income	Exp.	Output	Income	Exp.	Output
Sites providing care / 1,000 population 65+		4.0			4.1	
Self-funders employing PAs / 1,000 population 65+		5.4			6.9	
FTEs / population 65+		96.1			104.0	
GVA / population 65+ (£)	1,895	1,971	2,053	2,050	2,070	2,190

The level of employment and direct GVA in the adult social care sector has been compared to other sectors in the South West using ONS data. This shows that adult social care was the seventh largest sector for employment in the region, and generated more GVA than water supply and agriculture, forestry and fishing sectors.

Figure 7.1 Employment by sector in the South West (sectors with highest employment), 2016

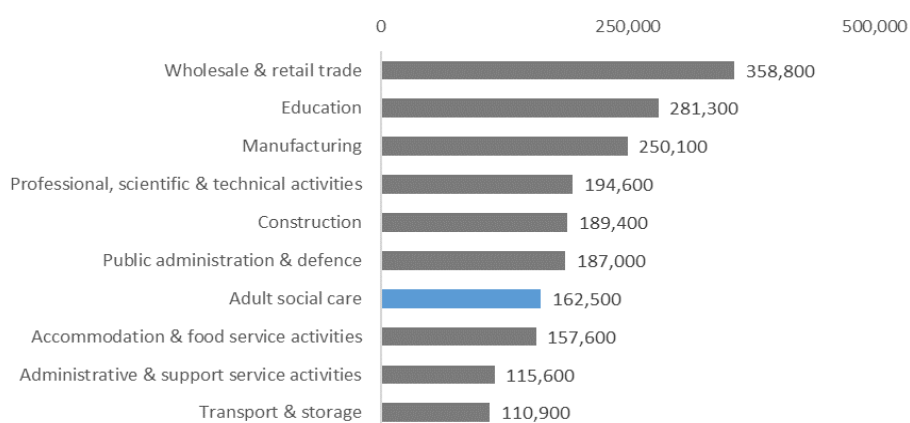


Figure 7.2 GVA by broad sector (selected sectors), the South West, £millions, 2016

