



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

West Midlands

31 October 2018





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West Midlands

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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 4,180 sites were involved in providing adult social care in the West Midlands in 2016. Most of these sites (39%) provided residential care. A further 5,690 individuals receive direct payments and employ Personal Assistants (PAs);
- There were an estimated 142,000 jobs in the adult social care sector in the West Midlands in 2016. Most of these jobs (56,100) were involved in providing domiciliary care. There were a further 12,000 jobs due to individuals employing PAs, giving a total of 154,000 jobs in the adult social care sector in 2016;
- There were an estimated 101,800 Full-Time Equivalents (FTEs) in the adult social care sector in the West Midlands, and a further 5,500 FTEs employed as PAs, giving a total of 107,300 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 (55,200 FTEs);
- The level of employment in the adult social care sector represents 6% of total employment in the West Midlands; and
- The average earnings in the adult social care sector in the West Midlands was estimated to be £16,900 per FTE.

Economic value of the sector

- It was estimated that in 2016, adult social care sector GVA was £2.0 billion to £2.1 billion. Most of this was estimated to be in residential care (average of the three approaches, 28%);
- This represents 2% of total GVA in the West Midlands;
- It was estimated that the average level of productivity (GVA generated per FTE) in the adult social care sector was £18,400 to £19,600;
- The estimated GVA in the adult social care sector in the West Midlands was estimated to be higher than the agriculture, forestry & fishing; arts, entertainment and recreation; and water supply, sewerage & waste management sectors.

Indirect and induced value of the sector

- The indirect effect of adult social care sector activity in the West Midlands (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 52,800 jobs (37,300 FTEs) and £902 million to £981 million of GVA to the English economy;
- The induced effect of adult social care sector activity in the West Midlands (resulting from purchases made by those directly and indirectly employed in the adult social care sector) was estimated to contribute a further 22,000 jobs (15,400 FTEs) and £920 million to £981 million of GVA to the English economy; and
- The total direct, indirect and induced contribution of adult social care sector activity in the West Midlands to the English economy was estimated to be 228,800 jobs (160,000 FTEs) and £3.8 billion to £4.1 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 West Midlands. 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 West Midlands. These characteristics describe the size and structure of the sector in the West Midlands.

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 2,850 sites providing CQC-regulated adult social care in the West Midlands in 2016. Most regulated sites were providing residential care (45%) or domiciliary care (38%). A further 1,320 sites were providing non-CQC regulated adult social care. Most of these sites were providing other services (34%) or residential care (27%). In total, 4,180 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	40	30	70		
	Nursing care	-	-	-		
	Domiciliary care	30	150	190		
	Day care	-	-	-		
	Other services	-	-	-		
	Total	70	180	260	6%	8%
Private	Residential care	1,000	270	1,280		
	Nursing care	390	-	390		
	Domiciliary care	850	120	970		
	Day care	-	170	170		
	Other services	-	360	370		
	Total	2,250	920	3,180	76%	74%
Voluntary	Residential care	240	60	300		
	Nursing care	90	-	90		
	Domiciliary care	200	30	230		
	Day care	-	40	40		
	Other services	-	80	90		
	Total	530	220	750	18%	17%
Total	Residential care	1,280	360	1,640	39%	39%
	Nursing care	480	-	480	11%	11%
	Domiciliary care	1,080	300	1,380	33%	26%
	Day care	-	210	210	5%	6%
	Other services	10	450	450	11%	18%
	Total	2,850	1,320	4,180	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, 19,630 individuals received direct payments for their care in the West Midlands. 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 West Midlands, this would mean that there were nearly 5,700 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	19,630
Percentage who directly employ PAs	29%
Estimated number of individuals who directly employ PAs in the West Midlands	5,690

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 FTEs in adult social care in the West Midlands is presented in Table 2.3 below. This shows that:

- There were an estimated 142,000 jobs (101,800 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 (26 hours).
- The private sector accounted for over half of all jobs and FTEs in adult social care in the West Midlands (62% jobs, 61% FTEs) followed by the voluntary sector (30% jobs, 30% FTEs). In the public sector there were 8% of jobs and 9% of FTEs.
- Domiciliary care services accounted for the largest proportion of jobs and FTEs (40% jobs; 35% FTEs). This was followed by residential care (27% jobs; 29% FTEs) and nursing care (23% jobs; 25% FTEs).
- Average hours for employees of service providers were 27 hours a week. This was highest among jobs in “other services” in the public sector (32 hours) and lowest in domiciliary care in the private and voluntary sectors (23 hours).

Table 2.3 Number of jobs and Full Time Equivalents in the West Midlands, 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	1,300	26	900	100	21	-	1,300	26	900		
	Nursing care	100	23	-	-	-	-	100	23	-		
	Domiciliary care	2,200	28	1,600	200	30	100	2,300	28	1,800		
	Day care	-	-	-	1,200	29	1,000	1,200	29	1,000		
	Other services	-	-	-	6,500	32	5,600	6,500	32	5,600		
	Total	3,500	27	2,600	8,000	31	6,700	11,500	30	9,300	9%	9%
Private	Residential care	20,900	28	15,900	3,900	28	2,900	24,800	28	18,900		
	Nursing care	22,200	29	17,200	-	-	-	22,200	29	17,200		
	Domiciliary care	35,200	23	22,100	800	25	600	36,000	23	22,700		
	Day care	-	-	-	1,400	26	1,000	1,400	26	1,000		
	Other services	-	-	-	3,000	27	2,200	3,000	27	2,200		
	Total	78,300	26	55,200	9,200	27	6,700	87,500	26	62,000	61%	61%
Voluntary	Residential care	10,300	28	7,900	1,900	28	1,400	12,200	28	9,300		
	Nursing care	10,900	29	8,500	-	-	-	10,900	29	8,500		
	Domiciliary care	17,300	23	10,900	400	25	300	17,800	23	11,200		
	Day care	-	-	-	700	26	500	700	26	500		
	Other services	-	-	-	1,500	27	1,100	1,500	27	1,100		
	Total	38,600	26	27,200	4,500	27	3,300	43,100	26	30,500	30%	30%
Total	Residential care	32,400	28	24,700	5,900	27	4,400	38,300	28	29,100	29%	30%
	Nursing care	33,200	29	25,700	-	-	-	33,200	29	25,700	25%	24%
	Domiciliary care	54,700	23	34,600	1,400	26	1,000	56,100	23	35,600	35%	34%
	Day care	-	-	-	3,400	27	2,500	3,400	27	2,500	2%	3%
	Other services	-	-	-	11,000	30	8,900	11,000	30	8,900	9%	10%
	Total	120,300	26	85,000	21,700	29	16,800	142,000	27	101,800	100%	100%

2.3.2 Jobs with direct employers

It is estimated that there are 12,000 PA jobs in the West Midlands in 2016. PA jobs in the region average 17 hours a week, equating to 5,500 FTEs.

Table 2.4 Number of Personal Assistants

Type of service	Jobs	Average hours	FTEs
Personal Assistants	12,000	17	5,500

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

2.4 Summary

- In total there were 4,180 service provider sites in the West Midlands; 2,850 of these were regulated and 1,320 are non-regulated. Including the 5,690 direct payment employers, there were 9,860 adult social care employers across the region.
- Most sites were run by private providers (76%) while 18% were voluntary and 6% were public providers. The largest proportion of sites in both private and voluntary sectors were residential care providers (40% in each), while most public sector sites provided domiciliary services (73%).
- There were 154,000 jobs (142,000 with service providers and 12,000 for PAs through direct payment employers). This equates to 107,300 FTEs.
- Most jobs were in regulated areas (85%). Over half of jobs (62%) and FTEs (61%) were in the private sector.
- Overall, domiciliary care services supported the highest proportion of jobs (40%) and the highest proportion of FTEs (35%), alongside residential care (27% jobs; 29% FTEs) and nursing care services (23% jobs; 25% FTEs).
- 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 (26 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 West Midlands 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 £209 million, equating to 12% of the total earnings across all services and sectors.
- The private sector accounted for the largest proportion of total earnings (59% of total earnings; £1 billion), followed by the voluntary sector (29% of total earnings; £500 million).
- Total earnings in the regulated sector were considerably larger than total earnings in the non-regulated sector (£1.4 billion and £347 million respectively).
- The highest average earnings were £24,200 per FTE for “other services” in the non-CQC regulated sector.
- Residential and domiciliary care had the lowest average earnings per FTE across private and voluntary sectors, at £15,700 in CQC-regulated sectors.
- Domiciliary care services accounted for 33% of total earnings (£569 million), followed by residential care (27% of total earnings; £460 million).

Table 3.1 Estimated average and total earnings in the adult social care sector, the West Midlands, 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	900	20,200	17,994	-	15,800	515	900	20,000	18,508
	Nursing care	-	17,000	772	-	-	-	-	17,000	772
	Domiciliary care	1,600	20,900	34,111	100	16,600	2,089	1,800	20,600	36,200
	Day care	-	-	-	1,000	18,600	17,956	1,000	18,600	17,956
	Other services	-	-	-	5,600	24,200	135,335	5,600	24,200	135,335
	Total	2,600	-	52,877	6,700	-	155,894	9,300	22,500	208,771
Private	Residential care	15,900	15,700	249,612	2,900	15,800	46,106	18,900	15,700	295,718
	Nursing care	17,200	16,600	285,119	-	-	-	17,200	16,600	285,119
	Domiciliary care	22,100	15,700	347,306	600	16,600	9,510	22,700	15,700	356,816
	Day care	-	-	-	1,000	18,600	19,112	1,000	18,600	19,112
	Other services	-	-	-	2,200	24,200	53,597	2,200	24,200	53,597
	Total	55,200	-	882,037	6,700	-	128,326	62,000	16,300	1,010,362
Voluntary	Residential care	7,900	15,700	122,943	1,400	15,800	22,709	9,300	15,700	145,652
	Nursing care	8,500	16,600	140,432	-	-	-	8,500	16,600	140,432
	Domiciliary care	10,900	15,700	171,061	300	16,600	4,684	11,200	15,700	175,745
	Day care	-	-	-	500	18,600	9,413	500	18,600	9,413
	Other services	-	-	-	1,100	24,200	26,398	1,100	24,200	26,398
	Total	27,200	-	434,436	3,300	-	63,205	30,500	16,300	497,641
Total	Residential care	24,700	-	390,549	4,400	-	69,330	29,100	15,800	459,879
	Nursing care	25,700	-	426,322	-	-	-	25,700	16,600	426,322
	Domiciliary care	34,600	-	552,479	1,000	-	16,283	35,600	16,000	568,762
	Day care	-	-	-	2,500	-	46,481	2,500	18,600	46,481
	Other services	-	-	-	8,900	-	215,331	8,900	24,200	215,331
	Total	85,000	-	1,369,350	16,800	20,900	347,425	101,800	16,900	1,716,775

3.1.2 Earnings from jobs with direct employers

The earnings for PAs in the West Midlands is estimated to be £8.22 an hour (£17,090 per FTE) which means that the total earnings of PAs in the West Midlands were estimated to be £94 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	5,500	17,090	93,900

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 West Midlands in 2016 is estimated to be £167 million in residential and nursing care and £73 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 West Midlands was £2.1 billion in 2016. The largest proportion of GVA was estimated to be in the domiciliary care sector (31% 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	459,879	61,745	521,624	25%	26%
Nursing care	426,322	105,443	531,765	26%	24%
Domiciliary care	568,762	72,975	641,736	31%	31%
Day care	46,481	0	46,481	2%	2%
Other services	215,331	0	215,331	10%	11%
Personal Assistants	93,872	0	93,872	5%	6%
Total	1,810,646	240,162	2,050,808	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 West Midlands in 2016. This shows that:

- The total value of public sector spending in the West Midlands was £1.7 billion (87% of the total funding); co-funding makes up 13% (£0.3 billion) bringing a total funding value of £2.0 billion.
- Older people’s service (65+) had the largest proportion of public sector funding (42%). The older people’s service also had the highest proportion of co-funding of £224 million (84% of total co-funding).
- Expenditure on services for older people had the highest rate of co-funding (24%), compared to between 5% and 10% for all other types of service.

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

Type of service	Public sector (£'000)	Co-funding (£'000)	Total (£'000)
Older people (65+)	718,554	224,741	943,295
Physically disabled (18+)	108,542	11,426	119,969
Learning disabled (18+)	457,546	26,183	483,729
Mental health needs (18+) ¹	53,777	3,482	57,259
Other	383,007	-	383,007
Total	1,729,081	266,659	1,995,740

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 expenditure 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 West Midlands:

- 41% of residential and nursing home service users self-fund their care;
- 27% 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 West Midlands 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 West Midlands the total value of self-funded adult social care expenditure was estimated to be £918 million. The largest proportion of self-funding expenditure was for nursing care (37% of the self-funded total). The total estimated value of expenditure on adult social care in the West Midlands was over £2.9 billion.³

Table 4.2 Estimated total expenditure in adult social care sector in the West Midlands, 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	648,968	35,900	6,800	245,354	894,322
Nursing care	241,908	43,700	7,800	341,866	583,773
Domiciliary care ⁴	371,217	14,500	12,000	173,282	544,499
Other services ⁵	584,906	-	-	157,103	742,010
Direct payments	148,740	-	-	-	148,740
Total	1,995,740	-	26,600	917,605	2,913,344

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 £2.0 billion in 2015/16 in the West Midlands. The largest proportion of GVA was from residential care (£657 million; 33% of total GVA).

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

	Total expenditure (£'000)	Turnover to GVA ratio	GVA		
			(£'000)	%	% England
Residential care	894,322	73%	656,841	33%	35%
Nursing care	583,773	76%	443,758	23%	22%
Domiciliary care	544,499	51%	279,792	14%	14%
Day care	-	-	-	-	-
Other services ⁶	742,010	66%	490,835	25%	23%
Direct payments	148,740	66%	98,391	5%	5%
Total	2,913,344		1,969,617	100%	100%

ICF analysis. Individual row totals may 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 West Midlands 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 87% of total nursing care capacity for older people (a total of 32,000 private care beds across the residential and nursing sector). The average occupancy rate in residential and nursing care homes for older people in the West Midlands was 94%.

The average unit cost of residential and nursing care (including both publicly funded and self-funded) a week was estimated to be £580 and £740 for independent provision (PSSRU, 2017; LaingBuisson, 2017). The average cost of public sector provision was estimated to be higher (£990 and £1,240 respectively).

Table 5.1 shows that the estimated total output of the residential and nursing care sector for older people in the West Midlands was £1.3 billion. The private sector had the largest output (£1.0 billion; 80% of total output), and the output for nursing care was higher than for residential care (nursing care represents 59% of the total residential and nursing care output).

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

		Private	Voluntary	Public	Total
Capacity (places)	Nursing	18,800	2,000	700	21,500
	Residential	13,100	4,100	500	17,700
Occupancy (places)	Nursing	17,100	1,800	700	19,600
	Residential	12,600	4,000	500	17,100
Output (£'000)	Nursing	656,494	69,103	42,607	768,203
	Residential	382,634	120,908	24,355	527,897
Unit cost (£ per week)	Nursing	740	740	1,240	-
	Residential	580	580	990	-

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 West Midlands 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 residential care in the West Midlands, which is estimated to be £280 million in 2015/16.

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

		Private	Voluntary	Public	Total
Capacity (places)	Nursing	700		-	700
	Residential	3,700		200	3,900
Occupancy (places)	Nursing	700		-	700
	Residential	3,700		200	3,900
Output (£'000)	Nursing	43,228		-	43,228
	Residential	226,086		10,371	236,457
Unit cost (£ per week)	Nursing	1,160		1,220	-
	Residential	1,160		1,220	-

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 West Midlands. This provides details of the number of people receiving public funding for domiciliary care (57,000) but not the number of self-funders. The number of self-funders receiving domiciliary care was estimated to be 12,000. The unit costs for domiciliary care are taken from the PSSRU estimates (£23 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 West Midlands of £871 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 (£ per week)	Total output (£'000)
Domiciliary care	56,590	618	23	797,275
Other				
Direct payments ⁷	5,690	884	15	73,683
Total	61,280	-	-	870,957

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 West Midlands 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 £2.1 billion of GVA in 2015/16 in the West Midlands. The residential and nursing care sectors had the largest estimated GVA (29% of the total value of the sector in nursing care and 27% 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	762,690	73%	560,164	27%	27%
Nursing care	813,095	76%	618,078	29%	28%
Domiciliary care	775,350	51%	398,415	19%	20%
Day care	-	-	-	-	-
Other services	742,010	66%	490,835	23%	22%
Direct payments ⁸	73,683	51%	37,862	2%	2%
Total	3,166,827		2,105,353	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 West Midlands. 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 West Midlands 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 West Midlands were estimated to contribute an additional 52,800 jobs¹⁰ and between £902 million and £981 million 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)	208,771	356,069	367,114
GVA (private sector) (£'000)	1,344,396	1,289,204	1,392,017
GVA (voluntary sector) (£'000)	497,641	324,344	346,222
Total GVA (£'000)	2,050,808	1,969,617	2,105,353
Type I multiplier		Private: 1.32 Public: 1.94 Voluntary: 1.56	
Indirect GVA (public sector) (£'000)	195,332	333,149	343,483
Indirect GVA (private sector) (£'000)	429,471	411,840	444,683
Indirect GVA (voluntary sector) (£'000)	276,988	180,530	192,707
Total indirect GVA (£'000)	901,791	925,519	980,874
Total direct and indirect GVA (£'000)	2,952,599	2,895,135	3,086,228
Employment			
Direct employment (public sector)		11,500	
Direct private employment (private sector)		99,400	
Direct voluntary employment (voluntary sector)		43,100	
Total direct employment		154,000	
Type I multiplier		Private: 1.30 Public: 1.65 Voluntary: 1.37	
Indirect employment (public sector)		7,400	
Indirect employment (private sector)		29,500	
Indirect employment (voluntary sector)		15,900	
Total indirect employment		52,800	
Total direct and indirect employment		206,800	

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 West Midlands. The induced effects were estimated to support a further 22,000 jobs and £920 million to £981 million 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)	208,771	356,069	367,114
GVA (private sector) (£'000)	1,344,396	1,289,204	1,392,017
GVA (voluntary sector) (£'000)	497,641	324,344	346,222
Total GVA (£'000)	2,050,808	1,969,617	2,105,353
Type II multiplier		Private: 1.74 Public: 2.55 Voluntary: 2.05	
Induced multiplier		1.32	
Induced GVA (public sector) (£'000)	128,414	219,016	225,810
Induced GVA (private sector) (£'000)	563,690	540,548	583,656
Induced GVA (voluntary sector) (£'000)	246,157	160,436	171,258
Total induced GVA (£'000)	938,261	920,000	980,724
Total direct, indirect and induced GVA (£'000)	3,890,860	3,815,136	4,066,952
Employment			
Direct employment (public sector)		11,500	
Direct employment (private sector)		99,400	
Direct employment (voluntary sector)		43,100	
Total direct employment		154,000	
Type II multiplier		Private: 1.43 Public: 1.82 Voluntary: 1.52	
Induced multiplier		1.11	
Induced employment (public sector)		2,000	
Induced employment (private sector)		13,700	
Induced employment (voluntary sector)		6,300	
Total induced employment		22,000	
Total direct, indirect and induced employment		228,800	

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 West Midlands, 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 7.2. This presents estimates which show that:

- Total GVA due to adult social care activity in the West Midlands was between £3.8 and £4.1 billion.
- Direct GVA was between £2 and £2.1 billion. Indirect GVA was between £902 million and £981 million and induced GVA was between £920 million and £981 million.
- Direct employment supported 154,000 jobs, equating to 107,300 FTE. Estimated productivity per FTE was between £18,400 to £19,600.
- Indirect employment supported 52,800 jobs (37,300 FTE) and induced employment supported 22,000 jobs (15,400 FTE).
- In total, the sector supported 228,800 jobs equal to 160,000 FTE.

Table 7.1 Summary of findings

	Income approach	Expenditure approach	Output approach
Total direct employment		154,000	
Total FTE employment		107,300	
Total direct GVA (£'000)	2,050,808	1,969,617	2,105,353
Estimated productivity per job (£)	13,300	12,800	13,700
Estimated productivity per FTE (£)	19,100	18,400	19,600
Indirect employment (jobs)		52,800	
Indirect employment (FTE)		37,300	
Induced employment (jobs)		22,000	
Induced employment (FTE)		15,400	
Total jobs due to adult social care activity		228,800	
Total FTE jobs due to adult social care activity		160,000	
Indirect GVA (£'000)	901,791	925,519	980,874
Induced GVA (£'000)	938,261	920,000	980,724
Total GVA due to adult social care activity (£'000)	3,890,860	3,815,136	4,066,952

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 West Midlands to the averages for England. This shows

that the number of sites and staff were lower than the rest of England, with the estimated GVA per person also lower than for England. This would be expected, as earnings and prices in the adult social care sector in the West Midlands were lower than the average for England.

Table 7.2 Service provision and GVA per population

	West Midlands			England		
	Income	Exp.	Output	Income	Exp.	Output
Sites providing care / 1,000 population 65+		3.9			4.1	
Self-funders employing PAs / 1,000 population 65+		5.2			6.9	
FTEs / population 65+		101.0			104.0	
GVA / population 65+ (£)	1,939	1,869	2,011	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 West Midlands using ONS data. This shows that adult social care was the seventh largest sector for employment in the region, and generated more GVA than arts, entertainment and recreation, water supply and agriculture, forestry and fishing.

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

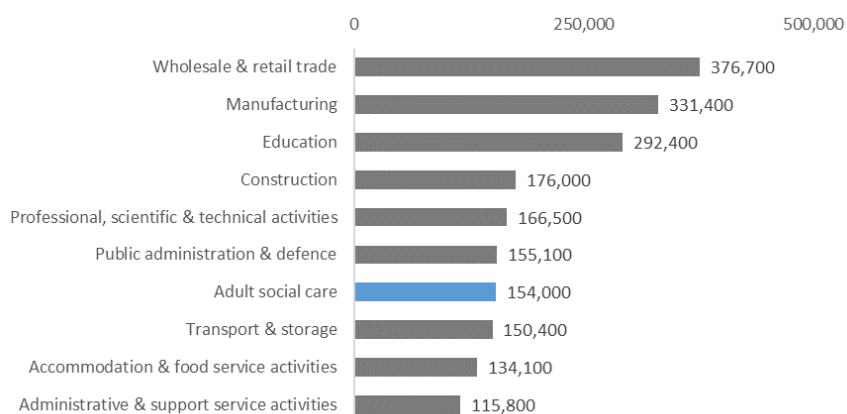


Figure 7.2 Direct GVA by broad sector (selected sectors), the West Midlands, £millions, 2016

