



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

North West

31 October 2018





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North 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 5,010 sites were involved in providing adult social care in the North West in 2016. Most of these sites (40%) provided residential care. A further 9,560 individuals receive direct payments and employ Personal Assistants (PAs);
- There were an estimated 179,300 jobs in the adult social care sector in the North West in 2016. Most of these jobs (70,200) were involved in providing domiciliary care. There were a further 20,100 jobs due to individuals employing PAs, giving a total of 199,400 jobs in the adult social care sector in 2016;
- There were an estimated 128,600 Full-Time Equivalents (FTEs) in the adult social care sector in the North West, and a further 9,200 FTEs employed as PAs, giving a total of 137,800 FTEs in adult social care in 2016;
- Most of the adult social care workforce providing regulated services were employed at sites run by private sector providers (66,100 FTEs);
- The level of employment in the adult social care sector represents 6% of total employment in the North West; and
- The average earnings in the adult social care sector in the North West was estimated to be £16,800 per FTE.

Economic value of the sector

- It was estimated that in 2016, adult social care sector GVA was £2.6 billion to £2.8 billion. Most of this was estimated to be in residential care (average of the three approaches; 27%);
- This represents 2% of total GVA in the North West;
- It was estimated that the average level of productivity (GVA generated per FTE) in the adult social care sector was £18,700 to £20,100;
- The estimated GVA in the adult social care sector in the North West 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 North 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 69,500 jobs (48,600 FTEs) and £1.2 billion to £1.3 billion of GVA to the English economy;
- The induced effect of adult social care sector activity in the North West (resulting from purchases made by those directly and indirectly employed in the adult social care sector) was estimated to contribute a further 28,600 jobs (19,800 FTEs) and £1.2 billion to £1.3 billion of GVA to the English economy; and
- The total direct, indirect and induced contribution of adult social care sector activity in the North West to the English economy was estimated to be 297,500 jobs (206,200 FTEs) and £5.0 billion to £5.4 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 North 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 North West. These characteristics describe the size and structure of the sector in the North 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 3,080 sites providing CQC-regulated adult social care in the North West in 2016. Most regulated sites were providing residential care (45%). A further 1,950 sites were providing non-CQC regulated adult social care. In total, 5,030 sites were providing adult social care. Most sites were run by private providers (73%).

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	90	70	170		
	Nursing care	0	0	0		
	Domiciliary care	60	280	340		
	Day care	0	0	0		
	Other services	0	0	0		
	Total		150	360	510	10%
Private	Residential care	1,050	450	1,490		
	Nursing care	500	0	500		
	Domiciliary care	830	150	980		
	Day care	0	230	230		
	Other services	0	460	460		
	Total		2,380	1,290	3,660	73%
Voluntary	Residential care	250	100	350		
	Nursing care	120	0	120		
	Domiciliary care	190	30	230		
	Day care	0	50	50		
	Other services	0	110	110		
	Total		560	300	860	17%
Total	Residential care	1,390	620	2,010	40%	39%
	Nursing care	630	0	630	12%	11%
	Domiciliary care	1,080	470	1,540	31%	26%
	Day care	0	290	290	6%	6%
	Other services	00	570	570	11%	18%
	Total		3,090	1,950	5,030	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, 32,950 individuals received direct payments for their care in the North West. Individuals can use the money they receive from direct payments for a variety of purposes, including employing their own staff, 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 North West, this would mean that there were over 9,600 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	32,950
Percentage who directly employ PAs	29%
Estimated number of individuals who directly employ PAs in the North West	9,560

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 North West is presented in Table 2.3 below. This shows 128,600 FTEs) at sites providing adult social care.

- Most jobs were in regulated areas (82%) as opposed to non-regulated (18%). 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 North West (60% jobs, 61% FTEs) followed by the voluntary sector (30% jobs, 29% FTEs). In the public sector there were 10% of jobs and 11% of FTEs.
- Domiciliary care services accounted for the largest proportion of jobs and FTEs (39% jobs; 36% FTEs). This was followed by residential care (26% jobs; 27% 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 (24 hours).

Table 2.3 Number of jobs and Full Time Equivalents in the North 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	3,300	23	2,100	300	23	200	3,600	23	2,300		
	Nursing care	100	20	100	-	-	-	100	20	100		
	Domiciliary care	4,000	26	2,800	300	17	200	4,300	25	3,000		
	Day care	-	-	-	1,500	25	1,000	1,500	25	1,000		
	Other services	-	-	-	8,800	32	7,700	8,800	32	7,700		
	Total		7,500	25	5,000	11,000	31	9,100	18,500	28	14,100	11%
Private	Residential care	22,900	27	16,900	6,100	28	4,600	29,000	28	21,500		
	Nursing care	27,900	28	21,100	-	-	-	27,900	28	21,100		
	Domiciliary care	42,800	24	28,100	1,300	24	900	44,100	24	29,000		
	Day care	-	-	-	2,300	28	1,700	2,300	28	1,700		
	Other services	-	-	-	4,600	27	3,400	4,600	27	3,400		
	Total		93,500	26	66,100	14,300	27	10,600	107,800	26	76,700	60%
Voluntary	Residential care	11,300	27	8,300	3,000	28	2,300	14,300	28	10,600		
	Nursing care	13,700	28	10,400	-	-	-	13,700	28	10,400		
	Domiciliary care	21,100	24	13,800	600	24	400	21,700	24	14,200		
	Day care	-	-	-	1,100	28	900	1,100	28	900		
	Other services	-	-	-	2,300	27	1,700	2,300	27	1,700		
	Total		46,000	26	32,600	7,000	27	5,200	53,000	26	37,800	29%
Total	Residential care	37,500	27	27,400	9,300	28	7,000	46,800	27	34,400	27%	30%
	Nursing care	41,700	28	31,600	-	-	-	41,700	28	31,600	25%	24%
	Domiciliary care	67,900	24	44,700	2,300	23	1,400	70,200	24	46,100	36%	34%
	Day care	-	-	-	5,000	27	3,700	5,000	27	3,700	3%	3%
	Other services	-	-	-	15,700	30	12,800	15,700	30	12,800	10%	10%
	Total		147,000	26	103,700	32,300	29	24,900	179,300	27	128,600	100%

2.3.2 Jobs with direct employers

It is estimated that there are 20,100 PA jobs in the North West. PA jobs in the region average 17 hours a week, equating to 9,200 FTEs.

Table 2.4 Number of Personal Assistants

Type of service	Jobs	Average hours	FTEs
Personal Assistants	20,100	17	9,200

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

2.4 Summary

- In total there were 5,030 service provider sites in the North West; 3,090 were regulated and 1,950 were non-regulated. Including the 9,560 direct payment employers, there were 14,590 adult social care employers across the region.
- Most sites were run by private providers (73%) while 17% were voluntary and 10% were public providers. The largest proportion of sites in both private and voluntary sectors were residential care providers (41% in each), while most public sector sites provided domiciliary services (66%).
- There were 199,400 jobs (179,300 with service providers and 20,100 for PAs through direct payment employers). This equates to 137,800 FTEs.
- Most jobs were in regulated areas (74%). Over half of jobs (54%) and FTEs (56%) were in the private sector.
- Overall, domiciliary care services supported the highest proportion of jobs (35% of jobs) and the highest proportion of FTEs (34%), alongside residential care (24% jobs; 25% FTEs) and nursing care services (21% jobs; 23% 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 (28 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 North 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 £305 million, equating to 14% of the total earnings across all services and sectors.
- The private sector accounted for the largest proportion of total earnings (58%, £1.2 billion), followed by the voluntary sector (28%, £611 million)
- Total earnings in the regulated sector were considerably larger than total earnings in the non-regulated sector (£1.7 billion and £497 million respectively).
- The highest average earnings were £23,700 per FTE for “other services” in the non-CQC regulated sector.
- Residential care services in the non-regulated sector had the lowest average earnings per FTE across private and voluntary sectors, at £15,100.
- Domiciliary care services accounted for 34% of total earnings (£735 million), followed by residential care (25% of total earnings; £540 million).

Table 3.1 Estimated average and total earnings in the adult social care sector, the North 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	2,100	19,400	40,281	200	15,100	2,550	2,300	19,100	42,831
	Nursing care	100	18,500	1,191	-	-	-	100	18,500	1,191
	Domiciliary care	2,800	20,200	57,547	200	16,000	2,560	3,000	20,000	60,107
	Day care	-	-	-	1,000	17,800	18,577	1,000	17,800	18,577
	Other services	-	-	-	7,700	23,700	182,108	7,700	23,700	182,108
	Total	5,000	-	99,019	9,100	-	205,796	14,100	21,700	304,815
Private	Residential care	16,900	15,600	263,521	4,600	15,100	69,421	21,500	15,500	332,942
	Nursing care	21,100	16,200	342,136	-	-	-	21,100	16,200	342,136
	Domiciliary care	28,100	15,600	438,461	900	16,000	13,779	29,000	15,600	452,240
	Day care	-	-	-	1,700	17,800	31,025	1,700	17,800	31,025
	Other services	-	-	-	3,400	23,700	81,196	3,400	23,700	81,196
	Total	66,100	-	1,044,119	10,600	-	195,420	76,700	16,200	1,239,539
Voluntary	Residential care	8,300	15,600	129,794	2,300	15,100	34,192	10,600	15,500	163,986
	Nursing care	10,400	16,200	168,515	-	-	-	10,400	16,200	168,515
	Domiciliary care	13,800	15,600	215,958	400	16,000	6,787	14,200	15,600	222,745
	Day care	-	-	-	900	17,800	15,281	900	17,800	15,281
	Other services	-	-	-	1,700	23,700	39,992	1,700	23,700	39,992
	Total	32,600	-	514,267	5,200	-	96,252	37,800	16,200	610,519
Total	Residential care	27,400	-	433,596	7,000	-	106,163	34,400	15,700	539,760
	Nursing care	31,600	-	511,842	-	-	-	31,600	16,200	511,842
	Domiciliary care	44,700	-	711,966	1,400	-	23,126	46,100	15,900	735,092
	Day care	-	-	-	3,700	-	64,883	3,700	17,800	64,883
	Other services	-	-	-	12,800	-	303,296	12,800	23,700	303,296
	Total	103,700	-	1,657,405	24,900	20,900	497,468	128,600	16,800	2,154,873

3.1.2 Earnings from jobs with direct employers

The earnings for PAs in the North West is estimated to be £8.13 an hour (£16,900 per FTE) which means that the total earnings of PAs in the North West were estimated to be £156 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	9,200	16,900	155,500

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

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 North West in 2016 is estimated to be £223 million in residential and nursing care and £111 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 North West was £2.6 billion in 2016. The largest proportion of GVA was estimated to be in the domiciliary care sector (32% 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	539,760	85,713	625,472	24%	26%
Nursing care	511,842	137,677	649,520	25%	24%
Domiciliary care	735,092	111,268	846,360	32%	31%
Day care	64,883	-	64,883	2%	2%
Other services	303,296	-	303,296	11%	11%
Personal Assistants	155,522	-	155,522	6%	6%
Total	2,310,395	334,658	2,645,053	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 North West in 2016. This shows that:

- The total value of public sector spending in the North West was £2.3 billion (85% of the total funding); co-funding makes up 15% (£0.4 billion) bringing a total funding value of £2.7 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 £337 million (83% of total co-funding).
- Expenditure on services for older people had the highest rate of co-funding (26%), compared to between 7% and 16% for all other types of service.

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

Type of service	Public sector (£'000)	Co-funding (£'000)	Total (£'000)
Older people (65+)	956,861	336,607	1,293,467
Physically disabled (18+)	173,247	20,900	194,148
Learning disabled (18+)	617,307	37,965	655,272
Mental health needs (18+) ¹	102,384	8,052	110,437
Other	423,567	-	423,567
Total	2,281,123	404,964	2,686,087

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 North West:

- 39% of residential and nursing home service users self-fund their care;
- 25% 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 North 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 North West the total value of self-funded adult social care expenditure was estimated to be £1.1 billion. The largest proportion of self-funding expenditure was for nursing care (36% of the self-funded total). The total estimated value of expenditure on adult social care in the North West was £3.8 billion.³

Table 4.2 Estimated total expenditure in adult social care sector in the North 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	882,239	32,000	9,000	289,138	1,171,377
Nursing care	296,395	40,500	10,300	417,242	713,638
Domiciliary care ⁴	550,149	13,300	18,800	249,366	799,516
Other services ⁵	758,355	-	-	192,061	950,416
Direct payments	198,948	-	-	-	198,948
Total	2,686,087	-	38,200	1,147,807	3,833,894

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 £2.6 billion in 2015/16 in the North West. The largest proportion of GVA was from residential care (£860 million; 33% of total GVA).

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

	Total expenditure (£'000)	Turnover to GVA ratio	GVA		
			(£'000)	%	% England
Residential care	1,171,377	73%	860,327	33%	35%
Nursing care	713,638	76%	542,475	21%	22%
Domiciliary care	799,516	51%	410,833	16%	14%
Day care	-	-	-	-	-
Other services ⁶	950,416	66%	628,694	24%	23%
Direct payments	198,948	66%	131,603	5%	5%
Total	3,833,894		2,573,931	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 purchase 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 North West the private sector is the largest provider of residential and nursing adult social care. Private providers represent 77% of the total residential care capacity, and 88% of total nursing care capacity for older people (a total of 47,000 private care beds across the residential and nursing sector). The average occupancy rate in residential and nursing care homes for older people in the North West was 93%.

The average unit cost of residential and nursing care (including both publicly funded and self-funded) a week was estimated to be £520 and £680 for independent provision (PSSRU, 2017; LaingBuisson, 2017). The average cost of public sector provision was estimated to be higher (£880 and £1,150 respectively).

Table 5.1 shows that the estimated total output of the residential and nursing care sector for older people in the North West was £1.7 billion. The private sector had the largest output (£1.4 billion; 81% 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 North West – older people, 2016

		Private	Voluntary	Public	Total
Capacity (places)	Nursing	26,500	2,500	1,000	30,000
	Residential	20,400	3,800	2,300	26,500
Occupancy (places)	Nursing	24,100	2,300	900	27,300
	Residential	19,600	3,600	2,200	25,500
Output (£'000)	Nursing	857,188	82,019	52,547	991,754
	Residential	531,163	98,171	100,158	729,492
Unit cost (£ per week)	Nursing	680	680	1,150	
	Residential	520	520	880	

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 North 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 residential care in the North West, which is estimated to be £234 million in 2015/16.

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

		Private	Voluntary	Public	Total
Capacity (places)	Nursing	1,000		-	1,000
	Residential	3,100		100	3,200
Occupancy (places)	Nursing	1,000		-	1,000
	Residential	3,100		100	3,200
Output (£'000)	Nursing	53,799		-	53,799
	Residential	171,299		8,668	179,966
Unit cost (£ per week)	Nursing	1,080		1,130	
	Residential	1,080		1,130	

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 North West. This provides details of the number of people receiving public funding for domiciliary care (93,000) but not the number of self-funders. The number of self-funders receiving domiciliary care was estimated to be 19,000. The unit costs for domiciliary care are taken from the PSSRU estimates (£21 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 North West of £1.3 billion 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	93,060	618	21	1,202,100
Other				
Direct payments ⁷	9560	884	14	122,100
Total	102,620			1,324,200

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 North 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 £2.8 billion of GVA in 2015/16 in the North West. The residential and nursing care sectors had the largest estimated GVA (29% of the total value of the sector in nursing care and 24% 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	907,388	73%	666,438	24%	27%
Nursing care	1,047,622	76%	796,355	29%	28%
Domiciliary care	1,202,105	51%	617,704	22%	20%
Day care	-	-	-	-	-
Other services	950,416	66%	628,694	23%	22%
Direct payments ⁸	122,074	51%	62,728	2%	2%
Total	4,229,605		2,771,919	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 North 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 North 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 North West were estimated to contribute an additional 69,500 jobs¹⁰ and between £1.2bn and £1.3bn 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)	304,815	514,198	513,440
GVA (private sector) (£'000)	1,729,719	1,713,371	1,871,220
GVA (voluntary sector) (£'000)	610,519	346,363	387,259
Total GVA (£'000)	2,645,053	2,573,931	2,771,919
Type I multiplier		Private: 1.32 Public: 1.94 Voluntary: 1.56	
Indirect GVA (public sector) (£'000)	285,194	481,099	480,390
Indirect GVA (private sector) (£'000)	552,563	547,341	597,766
Indirect GVA (voluntary sector) (£'000)	339,815	192,786	215,549
Total indirect GVA (£'000)	1,177,573	1,221,226	1,293,705
Total direct and indirect GVA (£'000)	3,822,626	3,795,157	4,065,624
Employment			
Direct employment (public sector)		18,500	
Direct private employment (private sector)		127,900	
Direct voluntary employment (voluntary sector)		53,100	
Total direct employment		199,400	
Type I multiplier		Private: 1.30 Public: 1.65 Voluntary: 1.37	
Indirect employment (public sector)		12,000	
Indirect employment (private sector)		37,900	
Indirect employment (voluntary sector)		19,600	
Total indirect employment		69,500	
Total direct and indirect employment		268,900	

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 North West. The induced effects were estimated to support a further 28,600 jobs and £1.2bn to £1.3bn 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)	304,815	514,198	513,440
GVA (private sector) (£'000)	1,729,719	1,713,371	1,871,220
GVA (voluntary sector) (£'000)	610,519	346,363	387,259
Total GVA (£'000)	2,645,053	2,573,931	2,771,919
Type II multiplier		Private: 1.74 Public: 2.55 Voluntary: 2.05	
Induced multiplier		1.32	
Induced GVA (public sector) (£'000)	187,490	316,280	315,814
Induced GVA (private sector) (£'000)	725,251	718,396	784,581
Induced GVA (voluntary sector) (£'000)	301,992	171,328	191,557
Total induced GVA (£'000)	1,214,733	1,206,004	1,291,952
Total direct, indirect and induced GVA (£'000)	5,037,358	5,001,161	5,357,576
Employment			
Direct employment (public sector)		18,500	
Direct employment (private sector)		127,900	
Direct employment (voluntary sector)		53,100	
Total direct employment		199,400	
Type II multiplier		Private: 1.43 Public: 1.82 Voluntary: 1.52	
Induced multiplier		1.11	
Induced employment (public sector)		3,200	
Induced employment (private sector)		17,700	
Induced employment (voluntary sector)		7,700	
Total induced employment		28,600	
Total direct, indirect and induced employment		297,500	

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 North 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 North West was between £5.0 billion and £5.4 billion.
- Direct GVA was between £2.6 billion and £2.8 billion. Indirect GVA was between £1.2 billion and £1.3 billion while induced GVA was between £1.2 billion and £1.3 billion.
- Direct employment supported 199,400 jobs, equating to 137,800 FTEs. Estimated productivity per FTE was between £18,700 to £20,100.
- Indirect employment supported 69,500 jobs (48,600 FTE) and induced employment supported 28,600 jobs (19,800 FTE).
- In total, the sector supported 297,500 jobs equating to 206,200 FTE.

Table 7.1 Summary of findings

	Income approach	Expenditure approach	Output approach
Total direct employment		199,400	
Total FTE employment		137,800	
Total direct GVA (£'000)	2,645,053	2,573,931	2,771,919
Estimated productivity per job (£)	13,300	12,900	13,900
Estimated productivity per FTE (£)	19,200	18,700	20,100
Indirect employment (jobs)		69,500	
Indirect employment (FTE)		48,600	
Induced employment (jobs)		28,600	
Induced employment (FTE)		19,800	
Total jobs due to adult social care activity		297,500	
Total FTE jobs due to adult social care activity		206,200	
Indirect GVA (£'000)	1,177,573	1,221,226	1,293,705
Induced GVA (£'000)	1,214,733	1,206,004	1,291,952
Total GVA due to adult social care activity (£'000)	5,037,358	5,001,161	5,357,576

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 North West to the averages for England. This shows that

there were slightly fewer sites and staff 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 North West were lower than the average for England.

Table 7.2 Service provision and GVA per population

	North West			England		
	Income	Exp.	Output	Income	Exp.	Output
Sites providing care / 1,000 population 65+	3.8			4.1		
Self-funders employing PAs / 1,000 population 65+	7.0			6.9		
FTEs / population 65+	97.3			104.0		
GVA / population 65+ (£)	2,009	1,961	2,132	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 North 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 the arts, entertainment and recreation, electricity and gas, and water supply sectors.

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

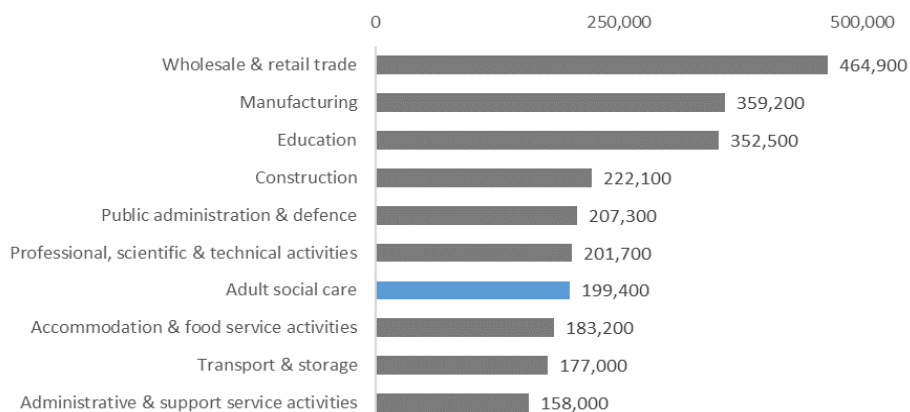


Figure 7.2 GVA by broad sector (selected sectors), the North West, £millions, 2016

