

Pay in the adult social care sector

Source: Skills for Care analysis of National Minimum
Data Set for Social Care (NMDS-SC)

March 2019

On 1 April 2018 the National Living Wage (NLW) increased from £7.50 to £7.83 per hour for workers aged 25 and over. This report measures pay rates in the adult social care sector as at February 2019, examines pay trends since 2011/12, investigates any side effects in the adult social care sector as a result of the higher pay floor, and looks at the potential impact of the 2019 NLW (set at £8.21). Independent sector care worker hourly rates are the main focus of this report, as well as differentials with other job roles in the adult social care sector.

Key findings

Current levels of pay and trends

- The median hourly rate for a care worker in the independent sector was £8.10 as at February 2019. There was a clear north-south divide, with the highest average hourly pay rates recorded in London (£8.50) and the South East (£8.40), and the lowest in the North West and the North East at £7.93 and £7.95 respectively.
- The average care worker was better off, in real terms, by 59p per hour in February 2019 than they were in September 2012 (8%).
- Given the aim for the NLW to reach 60% of median earnings by 2020, it is likely that care workers will see both nominal and real term increases up to 2020.

Side effects of the increasing wage floor

- With the increasing wage floor, a challenge for employers will be continuing to reward the workers with more experience, greater responsibilities or those who are more qualified that are already paid above the NLW rate.
- The real term hourly pay for care workers among the bottom 10% of earners increased by around 9.6% (after inflation) from March 2016 to February 2019. This was much greater than for those care workers higher up the pay ladder, with the top 30% of earners increasing by approximately 3%.
- The pay gap between the most experienced care workers and those new to the sector has also narrowed from 32p in 2016 to 17p in February 2019.
- The pay differential between care workers and senior care workers, however, has remained broadly the same at around 10% since the introduction of the NLW.
- Since the introduction of the NLW, the proportion of care workers being paid on the wage floor has almost doubled. In February 2019, 30% of care workers were paid the minimum compared to 17% in March 2016.
- Just over a quarter (26%) of care workers were paid on or above the Real Living Wage (set by the Living Wage Foundation) in September 2012, but this figure has slowly fallen to around 10% in February 2019.

The impact of the next NLW rate (£8.21 in April 2019)

- As at February 2019, approximately two in every five (46%) independent sector workers were paid less than the next mandatory NLW rate (£8.21). This equates to around 570,000 jobs being directly affected by the next increase in the NLW.
- As at February 2019, around 84% of adult social care organisations in the independent sector were paying at least some of their workers below the next mandatory NLW (£8.21) and will therefore be directly affected by its introduction.

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Introduction

This report uses data from the National Minimum Data Set for Social Care (NMDS-SC) to create workforce models which allow for estimates of the whole adult social care workforce to be produced. Please visit [our website](#)¹ for more information on the methodology used to create these workforce estimates.

National Living Wage vs Real Living Wage

National Living Wage (NLW)

The National Living Wage (NLW) is set by the Government and is the amount of money all workers aged 25 and over are legally entitled to. It was first introduced on 1 April 2016 at £7.20 per hour before increasing to £7.50 on 1 April 2017 and to £7.83 on 1 April 2018. The NLW will rise again on 1 April 2019 to £8.21 and the Government has set a target for it to reach 60 per cent of median earnings by 2020 (currently estimated by the Low Pay Commission² (LPC) at £8.63 for April 2020).

Real Living Wage

The Real Living Wage is separate to the National Living Wage (NLW) and is set by the charity Living Wage Foundation³ each November. This is a voluntary scheme which employers can sign up to and the hourly rate is independently calculated to reflect the basic cost of living. The current rate, announced in November 2018, is £10.55 in London and £9.00 across the rest of the UK.

Pay periods used in this report

The NMDS-SC data used in this report has been split into seven time periods to reflect the NMW/NLW in place at the time. October 2011 to March 2016 covers the periods when the NMW was in place for workers aged 21 and older, and April 2016 to February 2019 covers the NLW changes to date for workers aged 25 and older.

Table 1: Time periods used in this report

Time period	Referred to as	National Minimum Wage / National Living Wage	Real Living Wage - UK/London (announced each November)
Oct 11 to Sep 12	2011 NMW	£6.08 (NMW)	£7.20 / £8.30
Oct 12 to Sep 13	2012 NMW	£6.19	£7.45 / £8.55
Oct 13 to Sep 14	2013 NMW	£6.31	£7.65 / £8.80
Oct 14 to Sep 15	2014 NMW	£6.50	£7.85 / £9.15
Oct 15 to Mar 16	2015 NMW	£6.70	£8.25 / £9.40
Apr 16 to Mar 17	2016 NLW	£7.20 (NLW introduced)	£8.45 / £9.75
Apr 17 to Mar 18	2017 NLW	£7.50	£8.75 / £10.20
Apr 18 to Mar 19*	2018 NLW	£7.83	£9.00 / £10.55
Apr 19 to Mar 20	2019 NLW	£8.21	<i>Announced Nov 2019</i>

*Data in this report are taken up to February 2019.

¹ www.skillsforcare.org.uk/NMDS-SC-intelligence/Workforce-intelligence/Our-work/Our-data.aspx

² www.gov.uk/government/publications/national-minimum-wage-low-pay-commission-2018-report

³ www.livingwage.org.uk/what-real-living-wage

The vast majority (99%) of local authority sector workers were already paid above the 2019 National Living Wage (£8.21) prior to its introduction. As a result, this report will focus on the adult social care jobs in the independent sector only. This report will cover workers of all ages unless otherwise stated.

Current levels of pay and trends

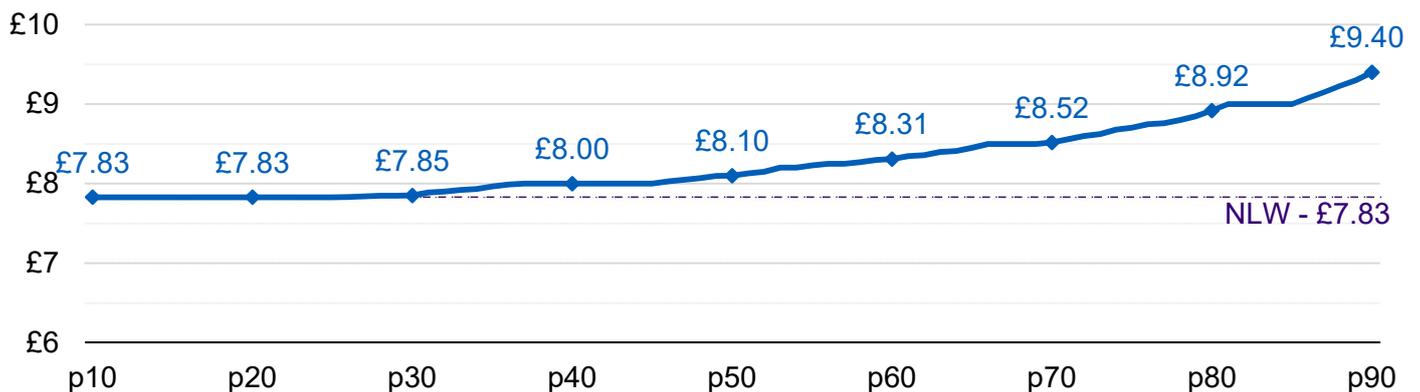
Care worker hourly rate distribution, February 2019

Chart 1 shows the hourly rate distribution for all care workers as at February 2019. The median (p50) refers to the hourly rate at which half of care workers earned more than that amount and half earned less. The 10th percentile (p10) is the value at which 10% of care workers earned less than that amount and 90% made more.

The median hourly rate for a care worker in the independent sector was £8.10 as at February 2019, with around a quarter (26%) being paid the 2018 NLW rate of £7.83 or less.

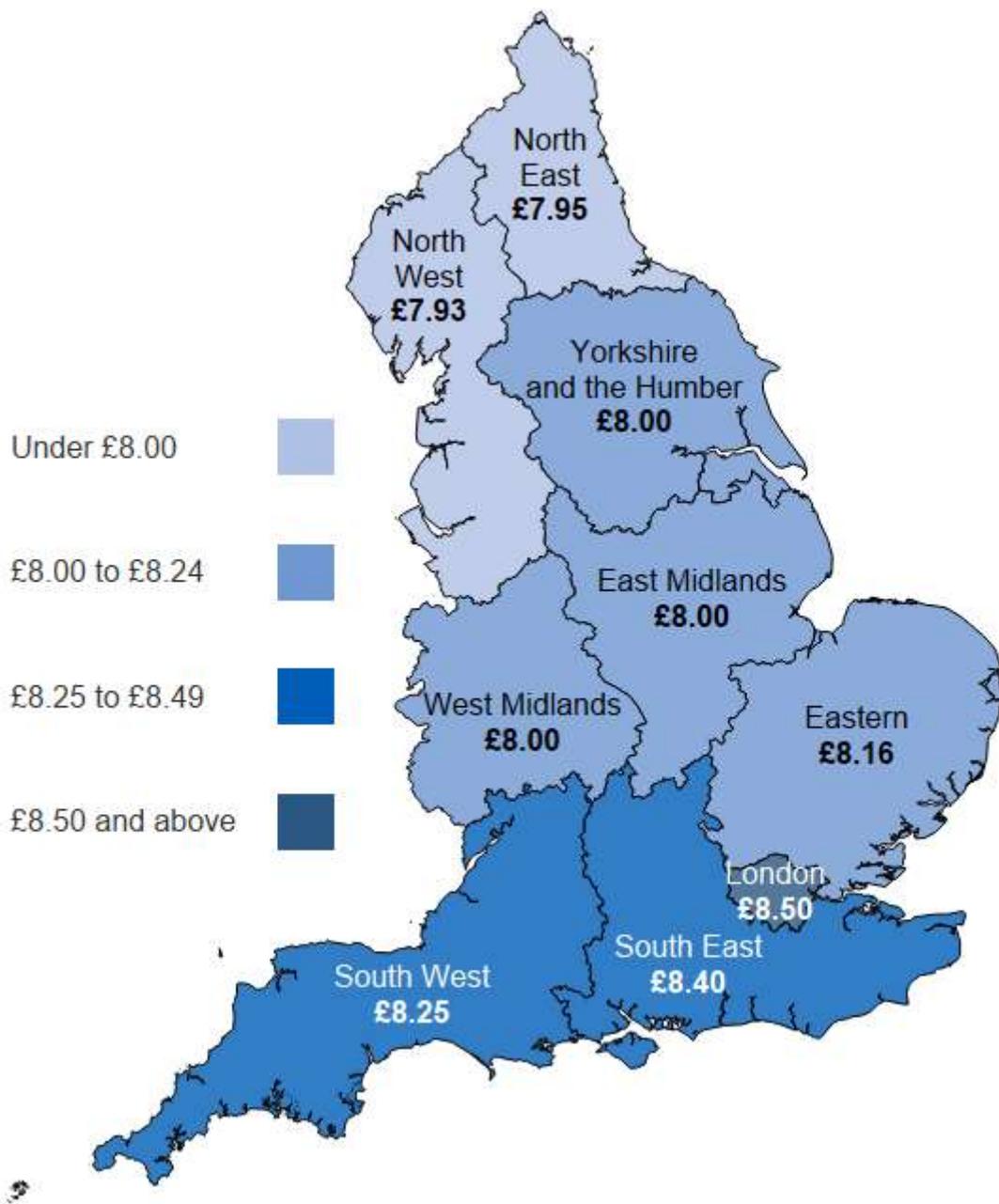
The hourly rate difference between a top 10% earner (£9.40) and a bottom 10% earner (£7.83) was £1.57 per hour.

Chart 1: Care worker hourly rate distribution as at February 2019



Map 1 shows that there was a clear north-south divide, with the highest average hourly pay rates recorded in London (£8.50) and the South East (£8.40) and the lowest in the North West and the North East, at £7.93 and £7.95 respectively.

Map 1: Median care worker pay by region, February 2019



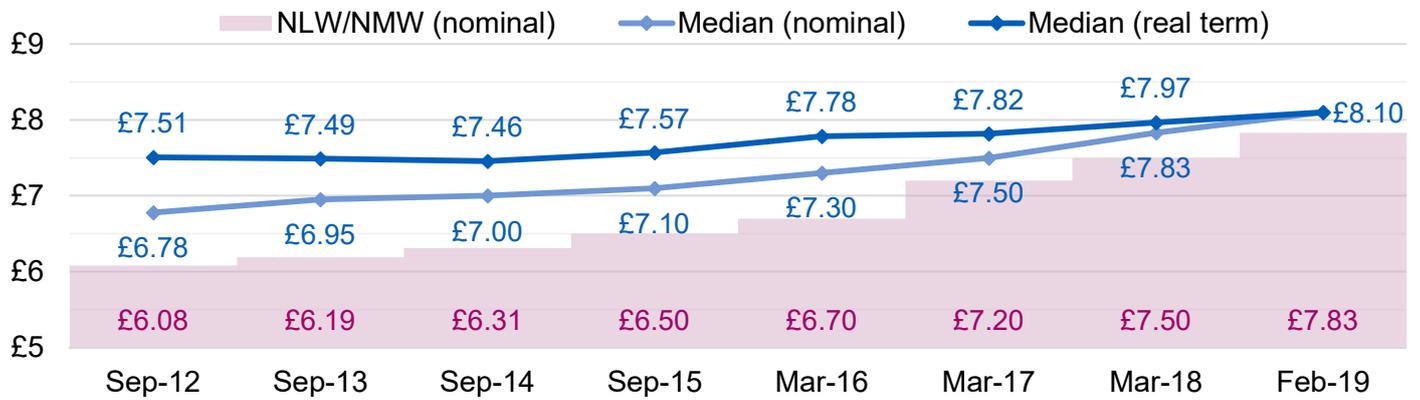
Median care worker hourly rate trends

This section looks at the trend of median care worker hourly pay rates since September 2012 in both 'nominal' and 'real term' pay rates. 'Nominal' pay shows the pay rates as they were at the time. 'Real term' rates are adjusted to take inflation into account (calculated using the Consumers Price Index (CPI), the official measure of inflation of consumer prices in the UK) and are expressed in 2019 prices.

Chart 2 shows that the median nominal care worker pay increased steadily from £6.78 in September 2012 to £8.10 in February 2019. This was equivalent to a 19.5% increase.

In real terms, care worker pay decreased by five pence between September 2012 and September 2014 before increasing in each subsequent pay period up to February 2019. The average care worker was better off, in real terms, by 59p per hour (8%) in February 2019 than they were in September 2012.

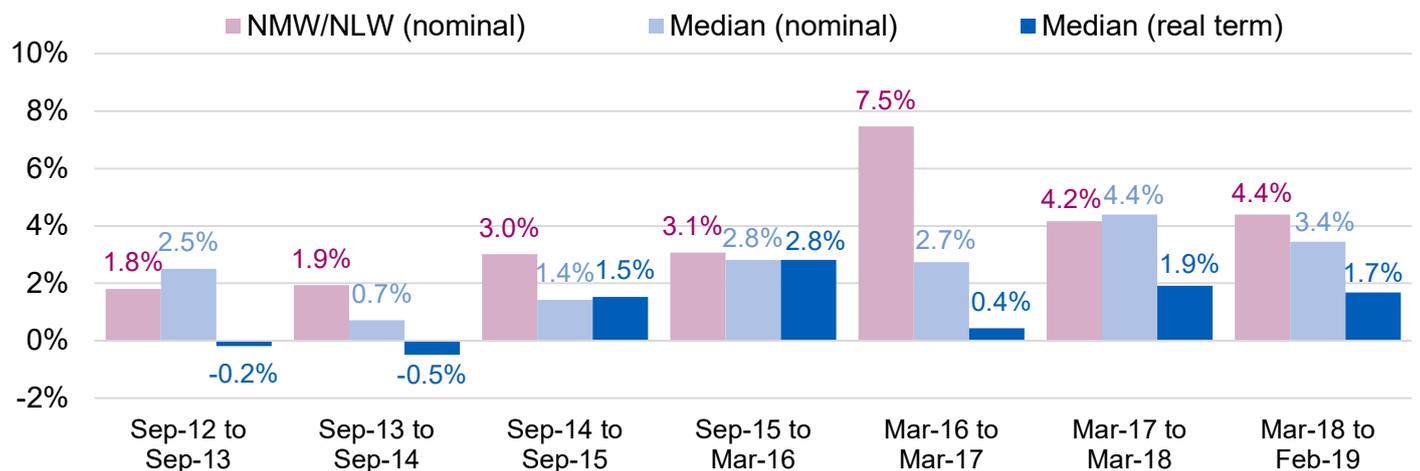
Chart 2: Care worker nominal and real term median hourly rate trends



The NLW rose by 4.4% in nominal terms in April 2018. This increase has contributed to a nominal care worker median pay increase of 3.4% from March 2018 to February 2019.

As Chart 3 shows, this led to another year of progressive wage growth in real terms (a 1.7% increase). Given the NLW is estimated to reach £8.63 by April 2020, it is likely that care workers will see both nominal and real term increases for at least another year.

Chart 3: Change in care worker nominal and real term median hourly rates



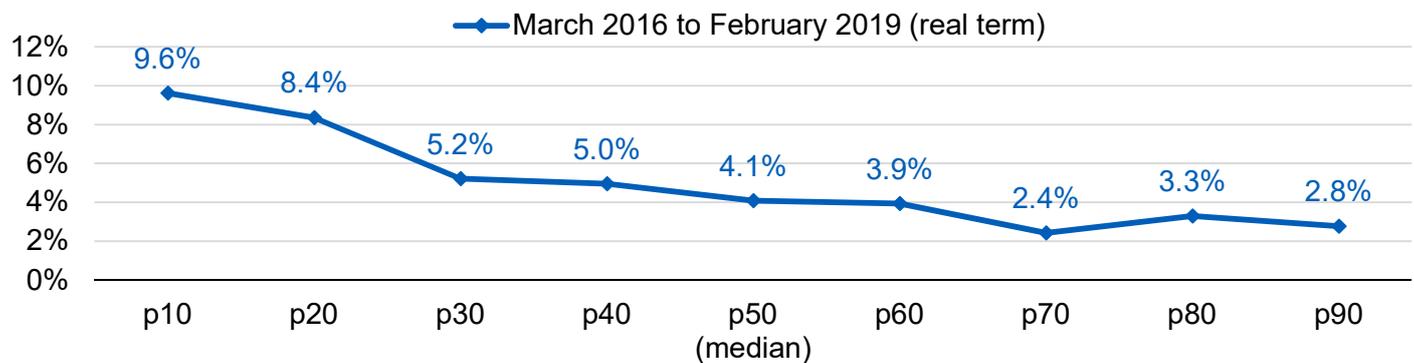
Side effects of the increasing wage floor

Care worker real term hourly rate change

Chart 4 shows the real term care worker hourly rate change across the percentile distribution, where p10 refers to the bottom 10% of earners, p50 is the median earner and p90 refers to the top 10% of earners.

Since the introduction of the NLW (March 2016 to February 2019), Chart 4 shows that the real term hourly pay for care workers among the bottom 10% of earners increased by around 9.6% (after inflation). This was much greater than for those care workers higher up the pay ladder with the top 30% of earners increasing by approximately 3% in real terms. With the increasing wage floor, some social care organisations have not maintained the pay differential, with funding going towards increasing the hourly rate of the lowest paid workers and higher paid staff receiving slower pay growth.

Chart 4: Care worker real term hourly rate change by percentile distribution



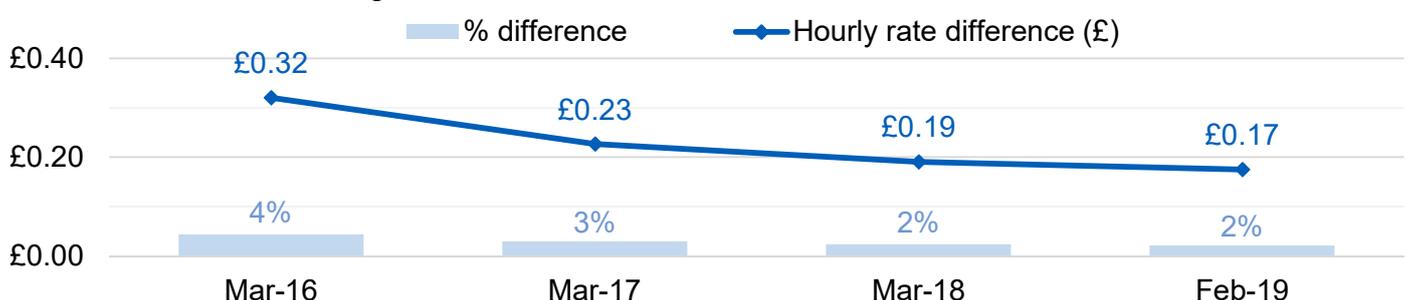
Care worker pay by experience in the adult social care sector

Further to this point, Chart 5 compares the hourly rate of care workers based on their experience in the adult social care sector. As at March 2016, a care worker with 20 years or more experience in the adult social care sector could expect an hourly rate which was, on average, 32p higher than a care worker with less than a year of experience (equivalent to 4% higher). This experience pay gap has approximately halved to only 17p (2%) in February 2019.

A challenge for employers will be continuing to reward the workers with more experience, greater responsibilities or those who are more qualified that are already paid above the NLW rate.

Chart 5: Average care worker pay by experience in the sector (less than one year versus 20 years or more)

Source: NMDS-SC unweighted data



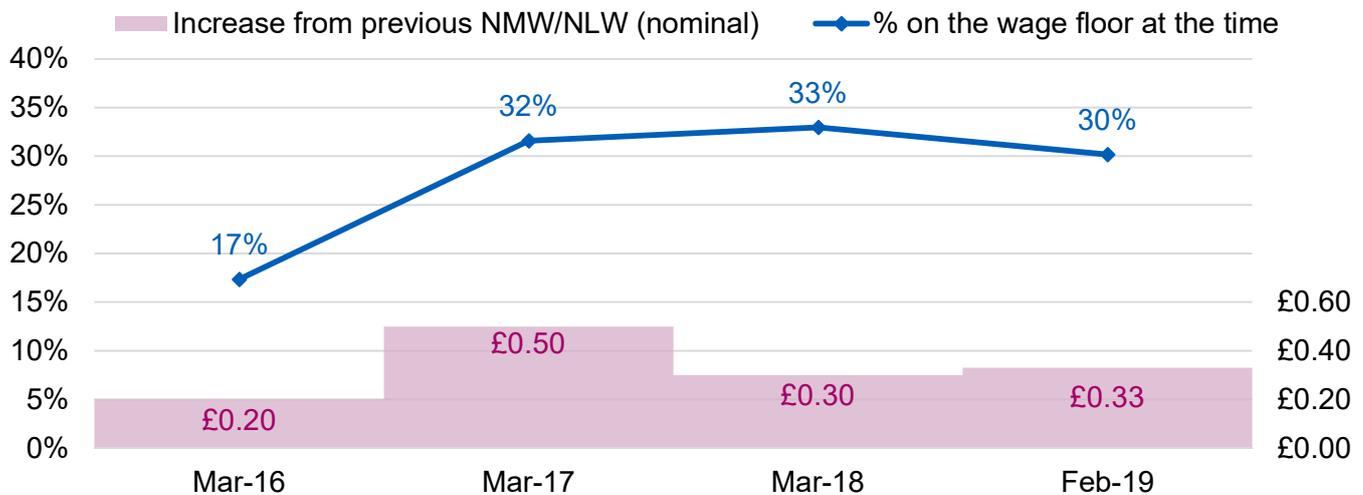
Proportion of care workers on the wage floor

Another side effect of the larger NLW increments is the proportion of care workers on the wage floor – those who were paid no more than 2p higher than the NMW/NLW in place at the time.

Chart 6 shows that since the introduction of the NLW the proportion of care workers being paid on the wage floor has almost doubled. In February 2019, 30% of care workers were on the wage floor compared to 17% in March 2016.

The NLW will increase by a further 38p on 1 April 2019 to £8.21 and, with the aim to increase the NLW to £8.63 on 1 April 2020, it seems likely that this figure will continue to increase.

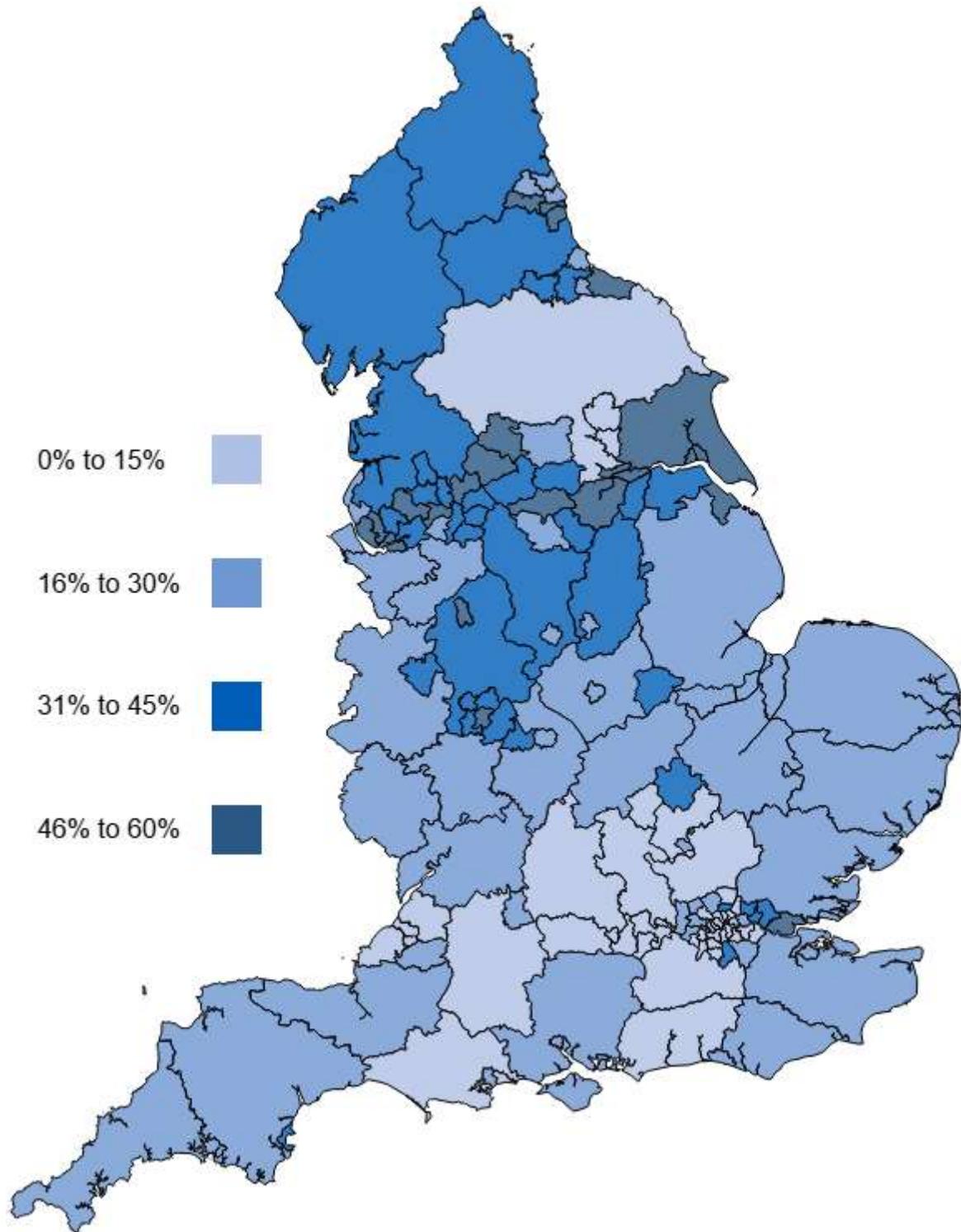
Chart 6: Proportion of care workers on the wage floor



The proportion of care workers on the wage floor varied greatly by location. Map 2 shows the proportion of care workers who were paid on the wage floor by local authority area.

The South East (17%), London (18%) and the South West (20%) had the lowest proportion of care workers being paid on the wage floor, while the North West (39%) and North East (37%) had the highest proportion. The variation was greater at local authority (LA) level, ranging from 3% or less in Hackney, West Berkshire and Bracknell Forest to 55% and above in Barnsley, Redcar and Cleveland, Thurrock, Liverpool and Doncaster.

Map 2: Proportion of independent sector care workers who were paid on the wage floor by local authority area, February 2019



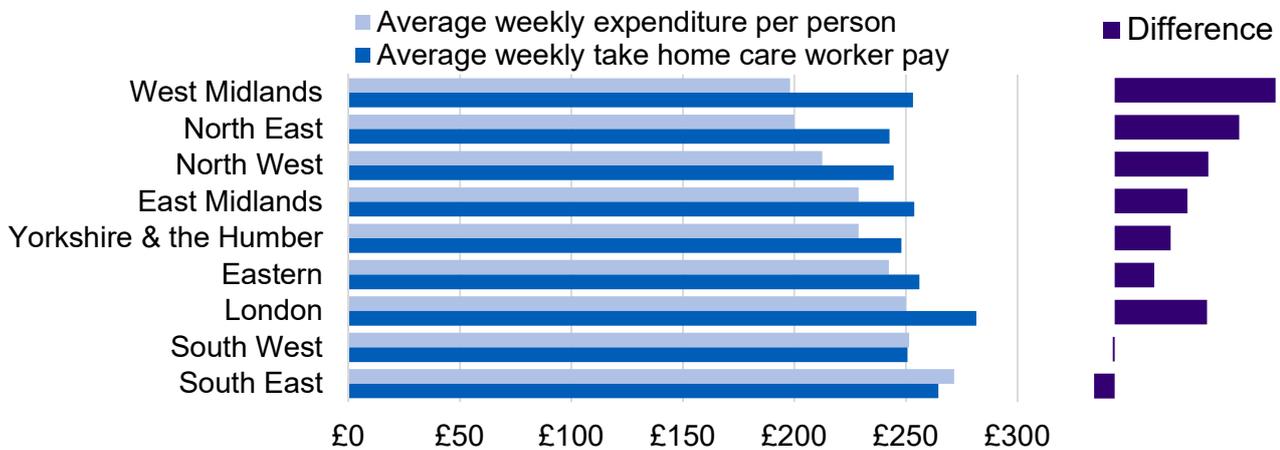
Comparison to household expenditure by region

Chart 7 compares the average weekly take-home pay of a care worker to the average weekly expenditure per person⁴ (used here as a proxy for the cost living) at regional level.

The chart shows that, in general, average care worker pay varies according to the cost of living in each region, i.e. care worker pay is higher in regions where the cost of living is higher.

However, the cost of living shows more regional variation than care worker pay. As a result, in regions where the cost of living was lower (e.g. West Midlands and the North East), average care worker pay was relatively high compared to the cost of living. In the South East and South West where the cost of living was highest, the average care worker take home pay was slightly lower than the cost of living (£7 a week in the South East).

Chart 7: Average weekly earnings of a full-time care worker vs average weekly expenditure per person by region

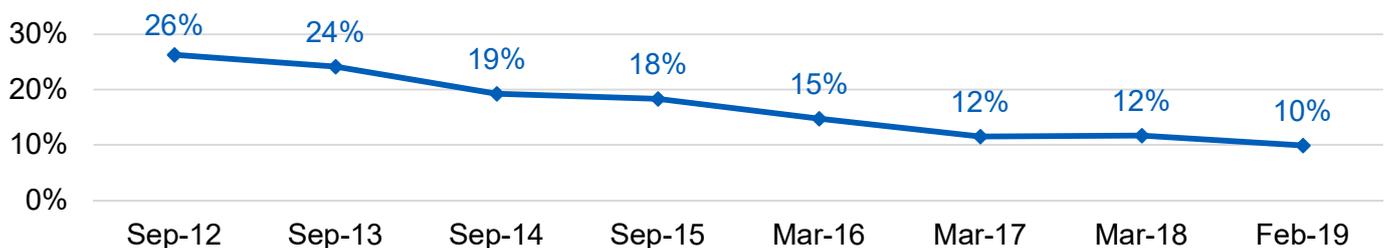


The Real Living Wage

Although the wage floor is increasing and boosting the pay of the majority of care workers, Chart 8 shows that fewer workers earn a wage that meets the cost of living (according to the Living Wage Foundation). Just over a quarter (26%) of care workers were paid on or above the Real Living Wage (RLW) in September 2012. This figure has slowly fallen to around 10% since March 2017.

This reduction can partly be explained by Chart 4, which showed that care workers who were higher up the pay scale, and therefore nearer to the Real Living Wage, received only minimal pay rises and have subsequently fallen below the Real Living Wage rates.

Chart 8: Proportion of care workers paid on or above the Real Living Wage



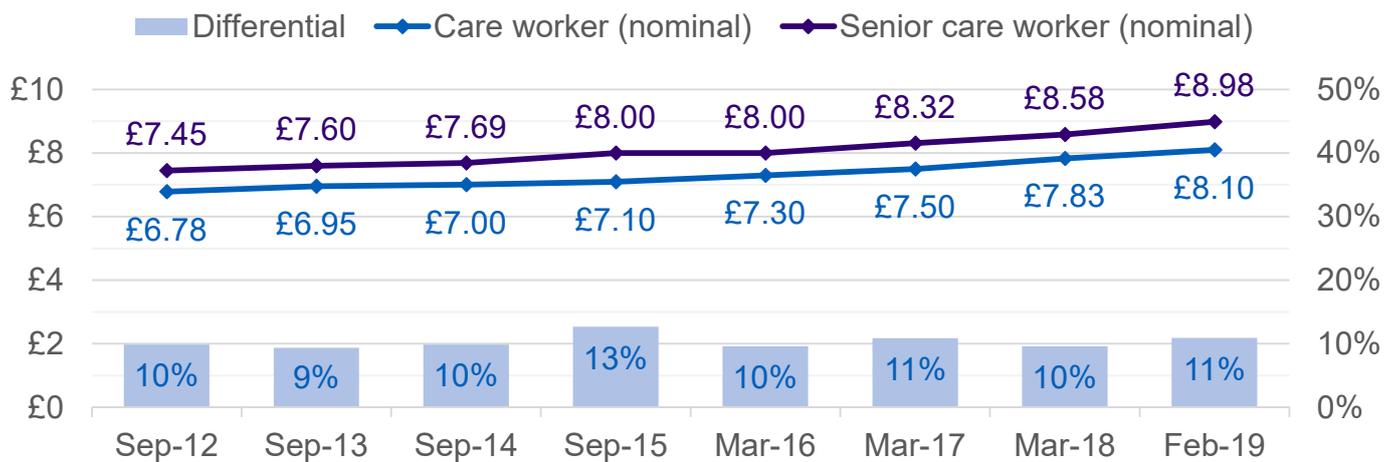
⁴ Family spending in the UK: financial year ending March 2018, Office for National Statistics (Table A33)

Pay differentials between care workers and senior care workers

In addition to social care organisations funding the pay rises of the lowest paid workers to comply with the NLW, organisations are likely to try to increase the pay of other workers to maintain the pay differentials between job roles and also other organisations. This section will investigate the median hourly rate and pay differentials between care workers and senior care workers.

Over the period from September 2012 to February 2019, care workers and senior care workers both received the equivalent of around a 20% median hourly rate increase. Chart 9 shows that the pay differential between these two job roles has remained broadly the same at around 10%.

Chart 9: Median senior care worker and care worker nominal pay trend and differential



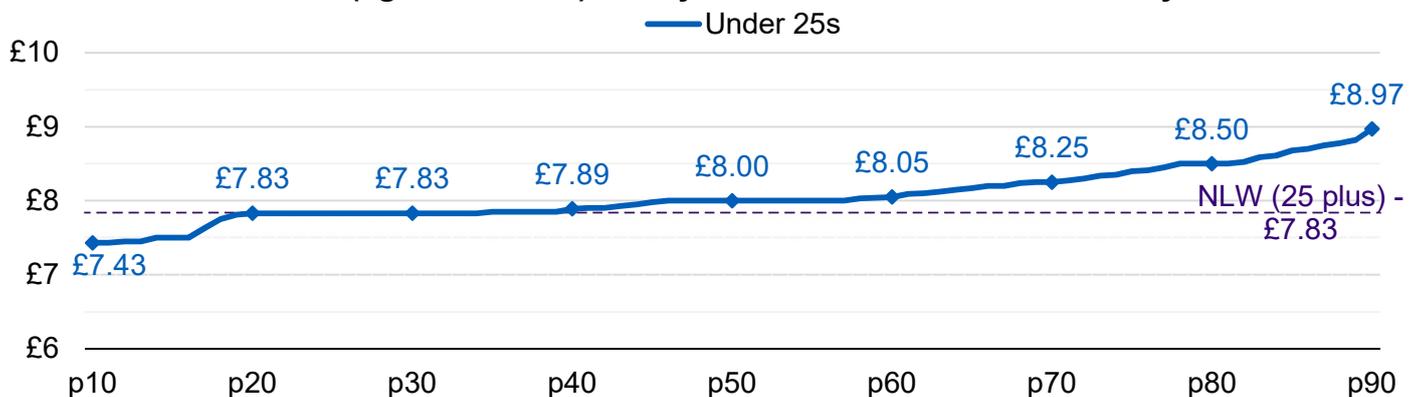
Under 25s

Approximately 10% of the adult social care workforce (13% of care workers) were under 25 years old and were therefore not entitled to the NLW.

While not directly benefitting from the NLW,

Chart 10 shows that around 80% of care workers under the age of 25 were paid at least the £7.83 per hour rate. This is clear evidence that social care organisations are voluntarily rewarding workers aged under 25 with an increased rate of pay as well as those aged 25 and over.

Chart 10: Care worker (aged under 25) hourly rate distribution as at February 2019



Comparison with other sectors

Social care has been defined as a low-paying industry by the Low Pay Commission (LPC) every year since the 'First Report of the Low Pay Commission' on the National Minimum Wage in 1998 up until the 'Low Pay Commission report 2018'⁵ (using results provided by Annual Survey of Hours and Earnings (ASHE)).

The introduction and subsequent increase in the NLW will have the largest impact on the lowest paying sectors. Unless the higher paying sectors can increase wages at the same rate, adult social care will become proportionally closer to these other sectors in terms of pay. As the NLW continues to increase, more sectors are likely to bunch around the NLW rate which could reduce pay as a barrier to choosing a career in adult social care.

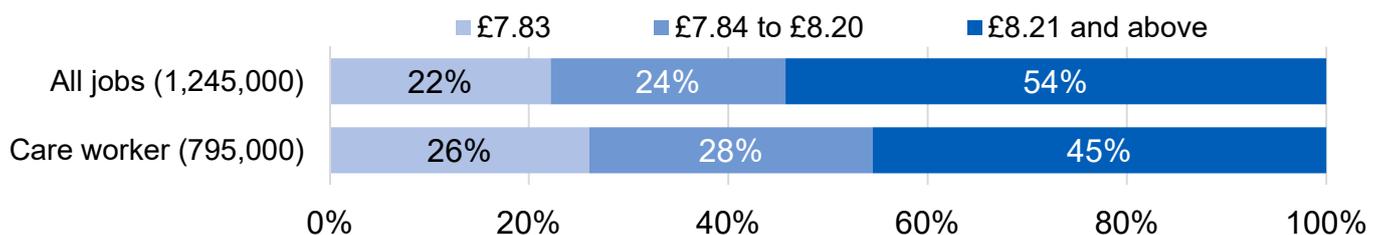
There is currently no evidence of the NLW having a large impact on recruitment and retention in the adult social care sector although Skills for Care will continue to monitor this.

The impact of the next NLW rate (£8.21 in April 2019)

On 1 April 2019, the mandatory NLW for workers aged 25 and above will be increased to £8.21. Chart 11 shows that, as at February 2019, just under half (46%) on independent sector workers were paid less than the next mandatory NLW rate (£8.21). This equates to around 570,000 jobs being directly affected by the next increase in the NLW.

Many of the 54% of workers (675,000) who were already paid on or above the 2018 NLW prior to its introduction may also receive a pay rise if pay differentials are to be maintained.

Chart 11: Hourly pay distribution of workers prior to the 2019 NLW



Adult social care organisations

As at February 2019, around 84% of adult social care organisations in the independent sector were paying at least some of their workers (aged 25 and over) below the mandatory £8.21 NLW and will therefore be directly affected by its introduction. The remaining organisations may also be indirectly affected if they want to maintain the pay differential between themselves and other employers, as well as between job roles within their own organisation.

⁵ www.gov.uk/government/publications/national-minimum-wage-low-pay-commission-2018-report

Summary

The government's current aim to increase the NLW to reach 60% of median earnings means that the wage floor will continue to rise quicker than typical wages until 2020. While a large proportion of care workers in the independent sector have benefitted from increased pay rates to comply with the NLW, there are several additional challenges for the adult social care sector going forward.

It is likely that pay rates in adult social care will become proportionally closer to other sectors/occupations which may increase the desirability of jobs in the sector. However, it is still vital to recruit the right people based on their values and behaviours as pay is not the only factor in attracting or keeping workers⁶.

Around a quarter (26%) of care workers in the independent sector were being paid at the wage floor in February 2019. A challenge for adult social care organisations will be managing pay differentials, rewarding more experienced workers and developing career progression opportunities.

Workforce intelligence publications

Skills for Care provides outstanding workforce intelligence relied upon by government, strategic bodies, employers and individuals to make decisions that will improve outcomes for people who need care and support.

The NMDS-SC is an online data collection service about the adult social care workforce in England. It's the leading source of workforce information for the whole adult social care sector. Skills for Care manages the service on behalf of the Department of Health and Social Care and has been collecting information online since 2007.

Skills for Care workforce intelligence publications can be found at <http://www.skillsforcare.org.uk/workforceintelligence>

⁶ <http://www.skillsforcare.org.uk/vbr>