

Pay in the adult social care sector

December 2016



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

On April 1st, 2016 – a new National Living Wage (NLW) of £7.20 per hour for workers aged 25 and over was introduced. This briefing provides an early insight into how the introduction of the National Living Wage has affected the adult social care sector. Care worker hourly rates are the main focus of the briefing as well as differentials with other job roles in the adult social care sector.

Key findings

- There were an estimated 760,000 care workers working within the independent sector in adult social care in 2015, of which 650,000 were aged 25 or over.
- In March 2016 (prior to the introduction of the NLW), 39% of independent sector direct care workers were paid below £7.20 and 80% of organisations (with 50+ workers) had some staff on less than £7.20.
- Care workers in the North West had the lowest hourly rate (£7.45) in October 2016; 25p above the NLW. Care workers in London had the highest average hourly rate at £8.14.
- It is likely that the NLW will lead to a real term pay increase for care workers by 2020, when the NLW is forecast to rise to £9 per hour.
- With the pay floor continuing to rise, a challenge for social care providers will be to maintain differentials between care workers and those in more senior roles and more experienced workers.
- While not directly benefitting from the NLW, there is evidence that social care organisations are rewarding workers aged under 25 with an increased rate of pay.

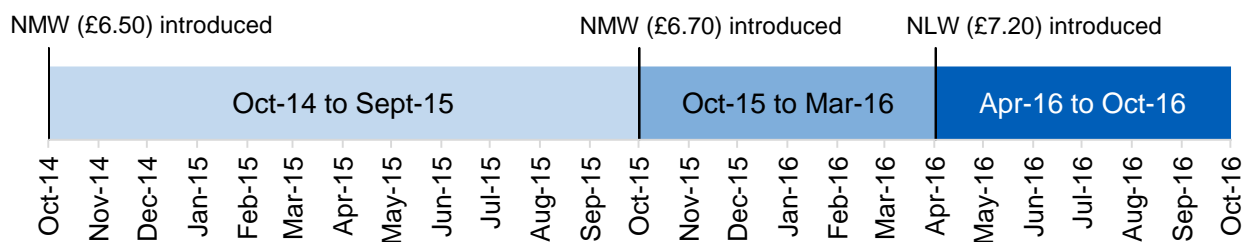
Introduction

This briefing uses data from the National Minimum Dataset for Social Care (NMDS-SC) to create workforce models which allow for estimates of the whole adult social care workforce to be produced. For more information on the methodology used to create these workforce estimates please visit www.skillsforcare.org.uk/sizeandstructure.

The NMDS-SC data used in this briefing has been split into three time periods to reflect the NMW/NLW in place at the time. October 2014 to September 2015 covers the time period when the 2014 National Minimum Wage (NMW) was in place. October 2015 to March 2016 covers the period when the 2015 NMW was in place and April 2016 to October 2016 reflects the 2016 NLW changes to date.



Figure 1: Time periods used in this briefing



What is the National Living Wage?

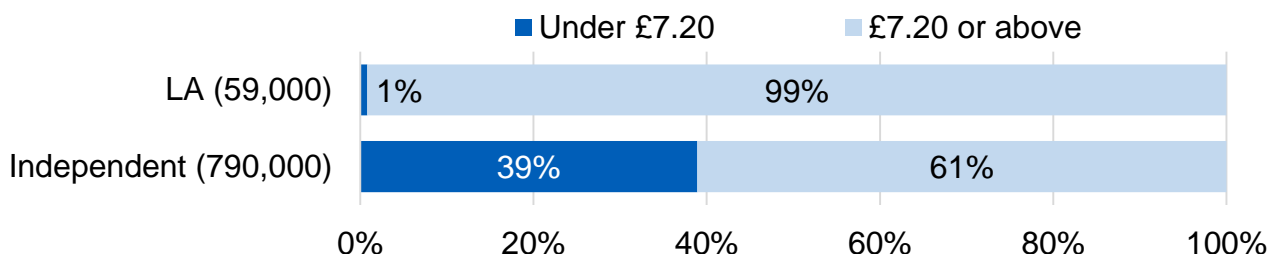
On 1st April 2016 the Government introduced a new mandatory National Living Wage (NLW) of £7.20 per hour for all workers aged 25 or over. The NLW will rise to £7.50 on 1st April 2017 and is forecast to increase to around £9 by 2020. The statutory National Minimum Wage for workers aged 21 to 24 was set at £6.70 in October 2015 and £6.95 in October 2016.

It is worth noting that this is completely separate to the Living Wage¹, an independently-calculated hourly rate which reflects the basic cost of living in the UK, which employers can voluntarily sign up to. As at November 2015 the Living Wage was set at £9.40 in London and £8.25 across the rest of the UK. From November 2016 this was increased to £9.75 in London and £8.45 across the rest of the UK.

Direct care worker pay by sector (prior to the NLW)

Chart 1 shows the proportion of direct care workers (aged 25 and over) who were paid above and below the NLW prior to its introduction in April 2016. The average hourly rate for direct care workers was £10.42 in the local authority sector (as at September 2015) and £7.50 in the independent sector (as at March 2016). Direct care workers aged 25 and over were much more likely to be paid below the NLW, prior to its introduction, in the independent sector (39%) than in local authorities (1%).

Chart 1: Hourly rates for direct care workers by sector, March 2016



As the vast majority of local authority sector workers are already paid above the NLW, **this briefing will focus on the 1.1 million adult social care jobs held by workers aged 25 and over in the independent sector.**

¹ For information about the Living Wage please visit www.livingwage.org.uk



Adult social care organisations (prior to the NLW)

As at March 2016, 80% of adult social care organisations (with at least 50 workers aged over 25) were paying at least some of their workers below the mandatory £7.20 NLW and were therefore directly affected by its introduction. The remaining 20% of organisations may also have been indirectly affected if they wanted to maintain the pay differential between themselves and other employers and between job roles within their own organisation.

Regional care worker pay

Map 1 below shows mean hourly pay rates for care workers in the independent sector by region as at October 2016. There is a clear north-south divide, with the lowest hourly pay recorded in the North West (£7.45) and the North East (£7.46) and the highest in London and the South East, at £8.14 and £7.99 respectively.

Map 1: Average care worker pay by region, October 2016

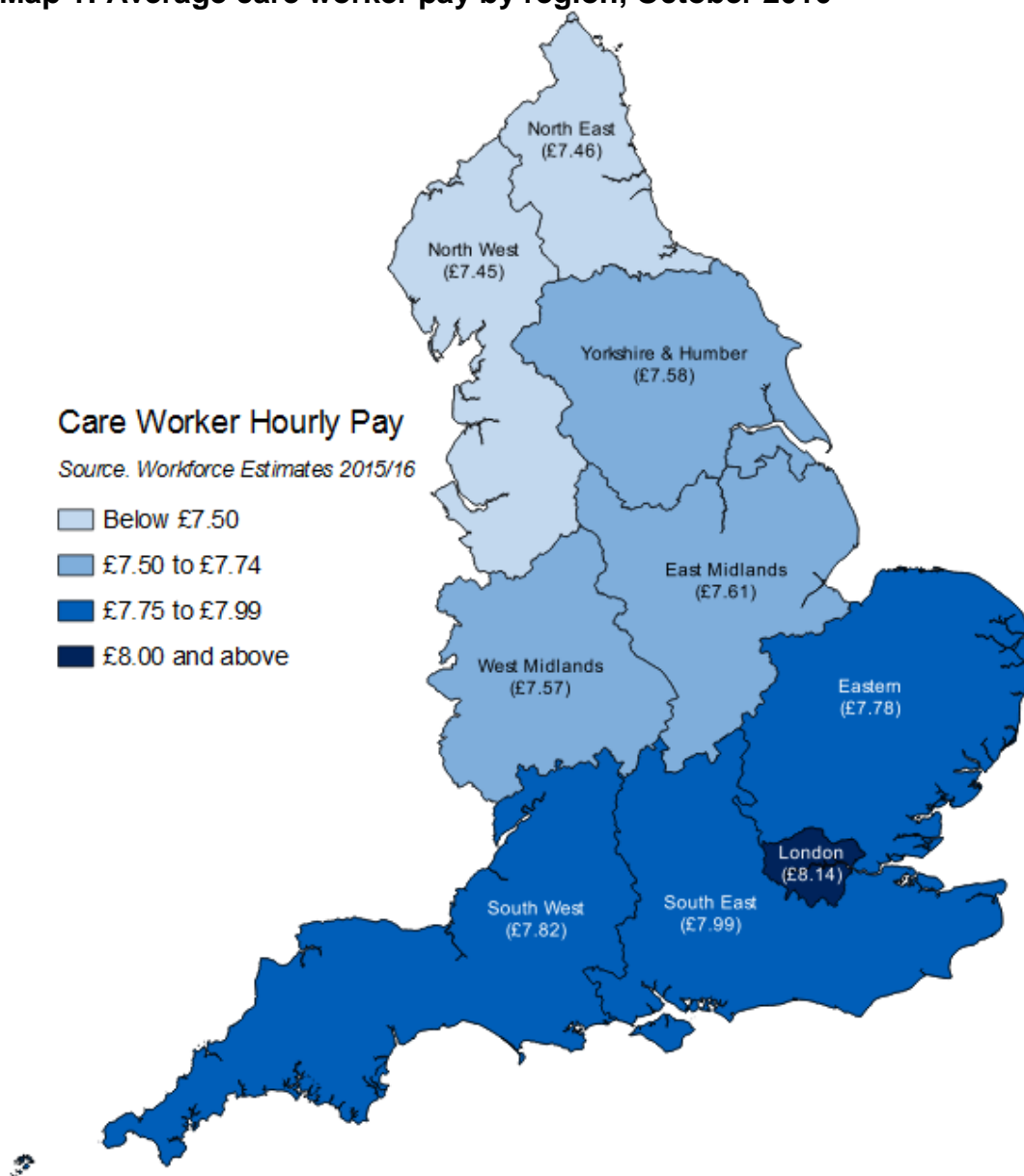


Chart 2 shows the average regional care worker pay as at March 2016 and October 2016 as well as the 2016 NLW (£7.20) and the 2017 NLW (£7.50).

Although care workers in London were still on the highest hourly rate, the rest of England had a faster growth of pay from March 2016 to October 2016. With fewer care workers requiring a mandatory pay rise due to the NLW, the average hourly rate increased by approximately 1% in London compared to at least 3% in the other regions. The North East recorded the greatest increase at just over 5% (34p) to an average of £7.46.

Chart 2: Average care worker pay by region and annual NLW rates

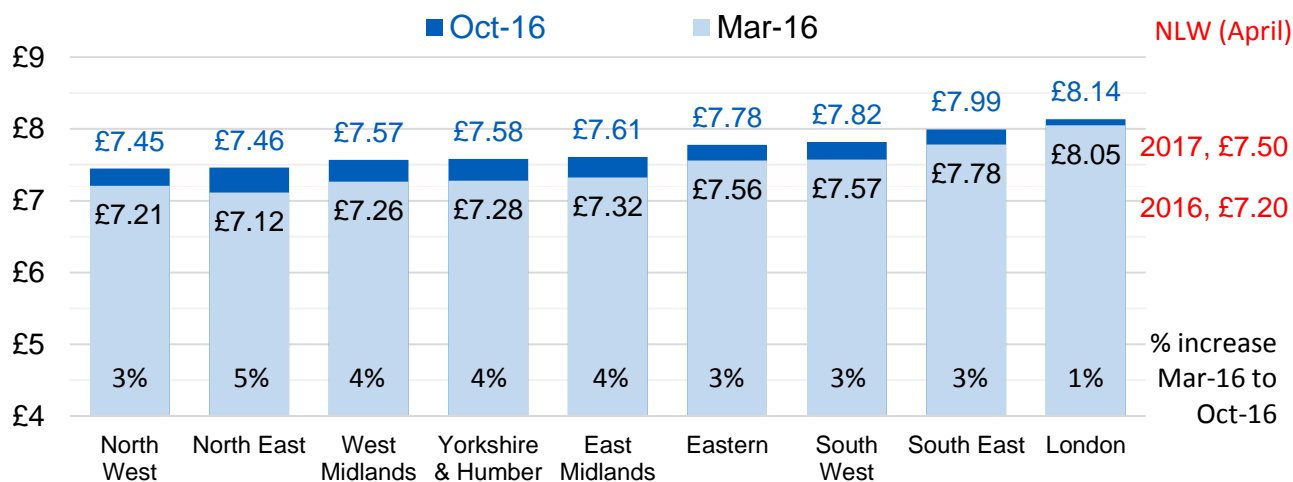
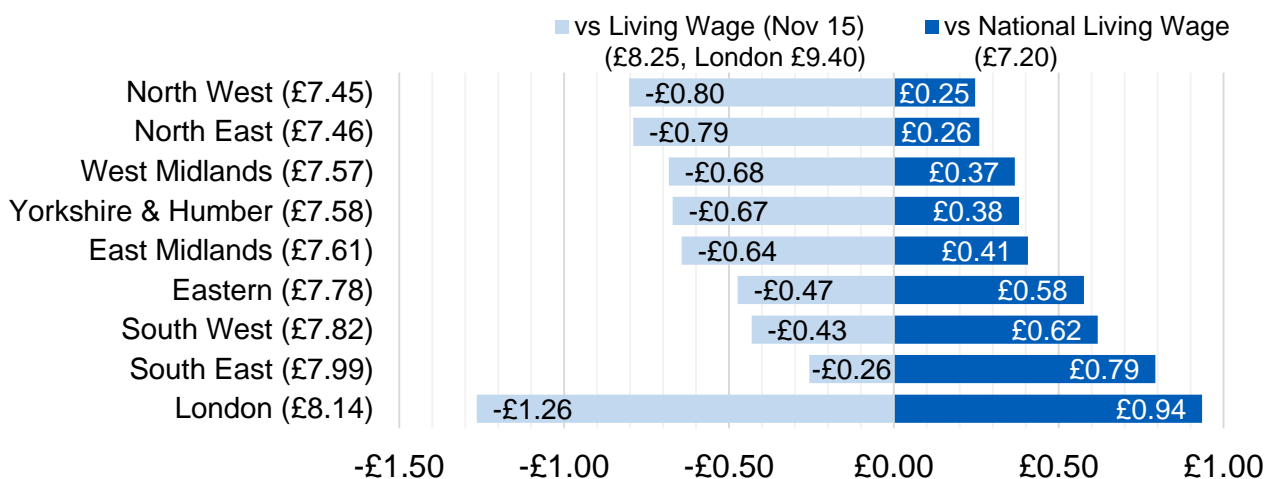


Chart 3 compares regional hourly care worker pay to both the National Living Wage (NLW) and the 2015/16 Living Wage. The Living Wage as at November 2015 was £1.15 higher in London than the rest of the UK, so despite being the highest paying region, care workers in London were the furthest away from the Living Wage. In reality, the cost of living in the South East/West is likely to be higher than in the North East/West, so the difference in London could be exaggerated compared to nearby regions.

Chart 3: Comparison of care worker pay to the NLW and the Living Wage, Oct 2016

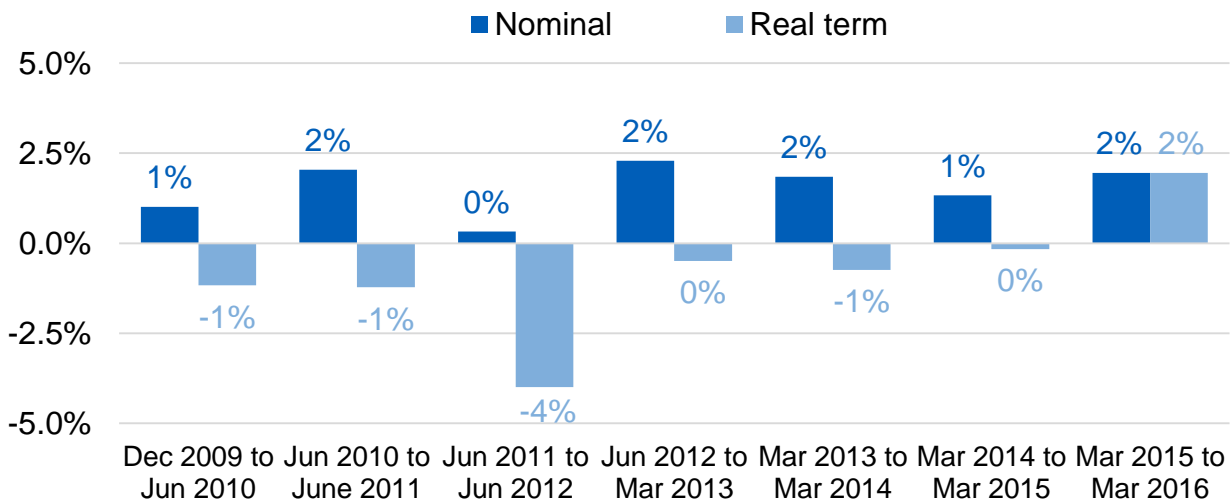


Care worker pay trends

This section focuses on the hourly pay trend of care workers in the independent sector. Chart 4 shows both ‘nominal’ and ‘real term’ pay rates. ‘Nominal’ pay shows the pay rates as they were at the time whereas ‘real term’ means that the pay rate has been adjusted to take inflation into account. This was calculated using the Consumers Price Index (CPI), the official measure of inflation of consumer prices in the UK, and expressed in 2016 prices.

Looking at the period from March 2013 to 2016, nominal care worker pay increased steadily by around 5%. In real terms, pay has decreased over the period from 2009 to 2016 (by around 6%), but did see an increase for the first time in 2016. Given the NLW is forecast to reach £9 by 2020, it is likely that the trend of decreasing real term pay will be reversed and care workers could see nominal and real term increases up to 2020.

Chart 4: Care worker nominal and real term hourly rate trends, all ages²



Pay differentials across job roles

In addition to social care organisations funding the pay rises of the lowest paid workers to comply with the NLW, some organisations may also decide to increase the pay of other workers to maintain the pay differentials between roles and between themselves and other organisations.

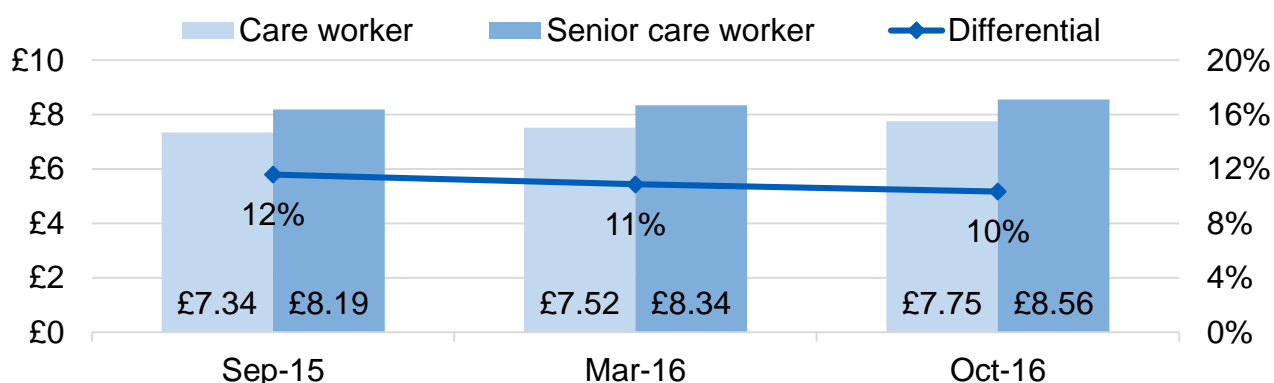
Chart 5 shows the average hourly rate and pay differentials between care workers and senior care workers. Over the period from September 2015 to October 2016 care workers aged 25 or over received an average pay increase of 5% (from £7.34 to £7.75) compared to 4% for senior care workers. This has led to a reduction in pay differential from 12% to 10%.

² Please note that 2009-2012 data was estimated using a different methodology. While efforts have been made to make the figures as comparable as possible, the difference between 2012 and 2013 should be treated with some caution.



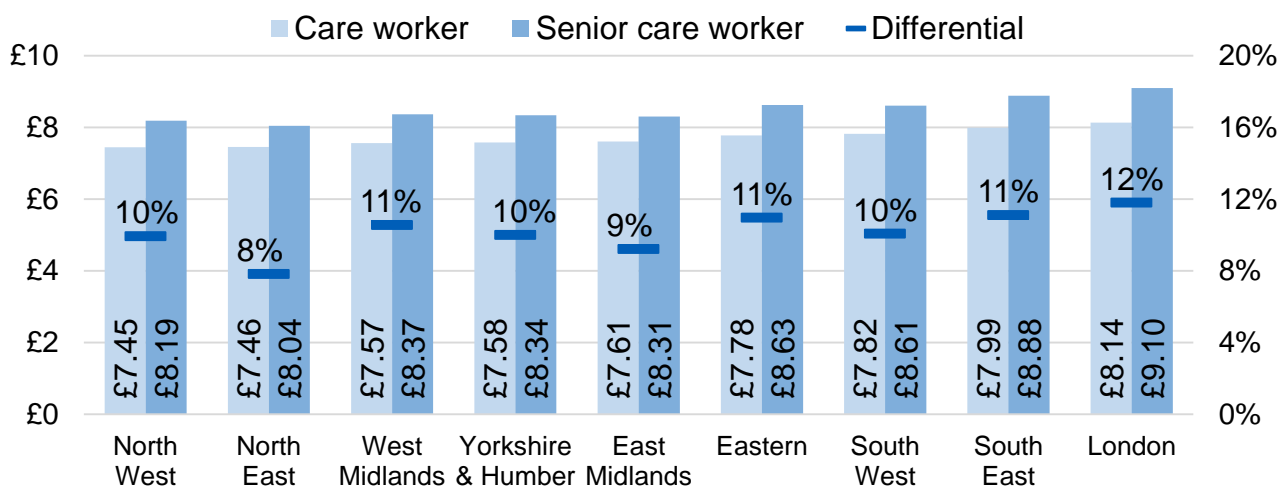
With the NLW due to increase again in April 2017, a challenge for employers will be to maintain these pay differentials as an incentive for workers to take on the additional responsibilities and qualifications of more senior positions.

Chart 5: Senior care worker and care worker pay trend



The pay differential between senior care workers and care workers also reduced in each region. Chart 6 shows the regional figures as at October 2016. Over the period from September 2015 to October 2016, the pay gap between the two roles in the North East reduced from 10% to 8%; the smallest in any region.

Chart 6: Senior care worker and care worker pay by region, Oct 2016



Experience in the sector

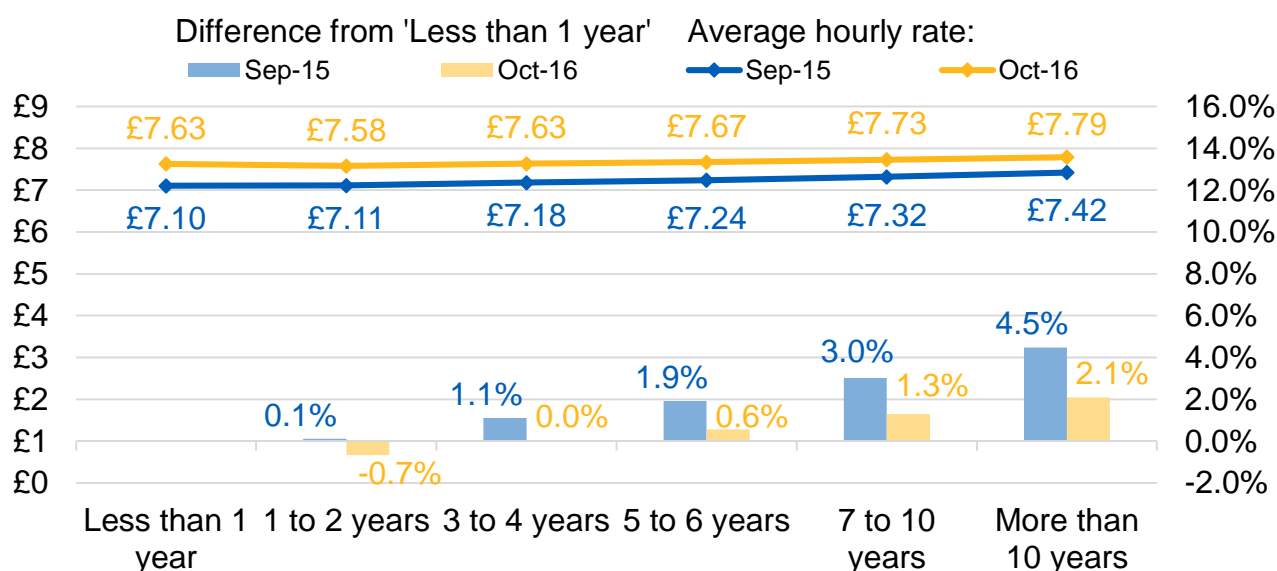
Chart 7 shows both the average hourly rate and proportional pay increase of care workers by length of time in the adult social care sector. As at September 2015, a care worker with more than 10 years of experience could expect an hourly rate 4.5% higher than that of a new worker but this was less than half (2.1%) as at October 2016.



By increasing the pay floor and with funding going towards increasing the hourly rate of the lowest paid workers, some social care organisations seem to be struggling to maintain the pay differential for the more experienced workers and higher paid staff appear to be receiving a slower pay growth. A challenge for employers will be continuing to reward the more experienced, qualified or workers with greater responsibilities who were already paid £7.20+ prior to the NLW introduction.

Chart 7: Care worker pay by experience in the sector

Source: NMDS-SC unweighted data



Comparison with other sectors

The Low Pay Commission (LPC) have defined social care as a low-paying industry³. The provisional results have been published from the 2016 Annual Survey of Hours and Earnings (ASHE) and social care were one of the lowest paid of the industries/occupations defined by the LPC.

The introduction of the NLW will have the largest impact on the lowest paying sectors, so it is likely that adult social care will become proportionally closer to 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.

Under 25s

The National Minimum Wage (NMW), set at £6.70 in October 2015, previously applied to all workers aged 21 or over. Although the NLW only applies to workers aged 25 or over, approximately 10% of the adult social care sector were under 25 years old and too young to directly benefit from the NLW.

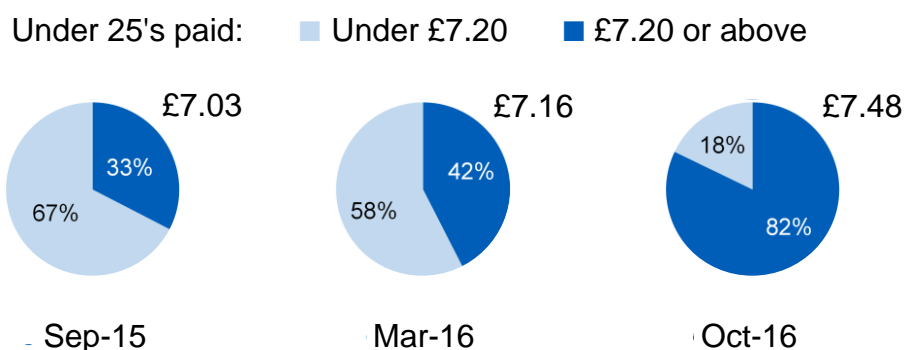
³ National Minimum Wage: Low Pay Commission autumn report 2016 – Table A3.1



Chart 8 shows that the proportion of care workers (aged under 25) who were paid £7.20 or over increased from 33% in October 2015 to 42% in March 2016 before nearly doubling in the next six months to 82%. While not directly benefitting from the NLW, this is clear evidence that social care organisations are rewarding workers aged under 25 with an increased rate of pay as well as those aged 25 and over.

Chart 8: Proportion of care workers (aged under 25) who were paid the NLW

Source: NMDS-SC unweighted data

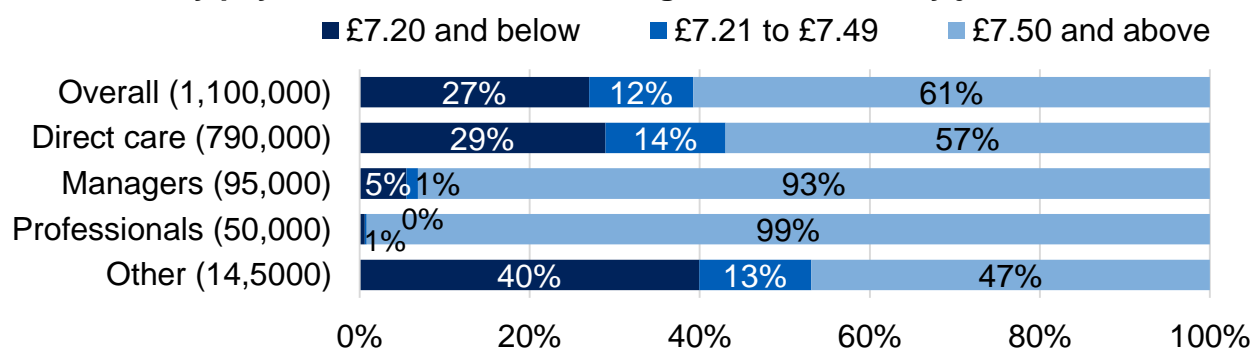


National Living Wage 2017

In April 2017, the mandatory NLW for workers aged 25 and above will be increased to £7.50. This section looks at the jobs, filled by workers aged 25 and over, currently paid less than £7.50 which will be directly affected by the increase in the NLW rate from April 2017.

As at October 2016, approximately 40% of independent sector jobs filled by workers aged 25 and over paid less than £7.50, which equates to 425,000 out of 1.1 million jobs. Workers in direct care and 'other' roles are the most likely to be affected by the 2017 NLW increase, with the majority of those being paid £7.20 or below and requiring at least a 30p pay increase.

Chart 9: Hourly pay distribution of workers aged 25 and over by job role



If you are interested to see what impact this could have in your local authority area please contact analysis@skillsforcare.org.uk.



Summary

This briefing highlights that while a large proportion of care workers in the independent sector have received increased pay rates to comply with the NLW, there are also several challenges for the adult social care sector going forwards, particularly in maintaining differentials with more senior roles and rewarding experienced workers and those with greater responsibilities.

It is likely that pay rates in adult social care will become proportionally closer to other sectors and occupations, which may increase the desirability of jobs in the sector, although it is worth noting that pay is not the only factor in attracting or keeping workers. It is currently too early to assess the impact of the NLW on recruitment and retention in the adult social care sector, Skills for Care will explore this topic further in the future.

Published by Skills for Care

For bespoke analysis of workforce information at local level or to answer any specific questions you have about the adult social care workforce please contact analysis@skillsforcare.org.uk. Example topics include; workforce size and structure, employment patterns, provision of care for people with learning disabilities, dementia, mental health issues etc, recruitment and retention issues, workforce demographics, pay, qualification rates and future workforce forecasts.

To perform your own analysis of NMDS-SC data visit the open access dashboards [here](#)⁴ or to view other NMDS-SC workforce publications please [click here](#)⁵.

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⁴ www.nmds-sc-online.org.uk/reportengine/dashboard.aspx

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