

Press Release

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Public spending on education in the UK to fall at fastest rate since at least 1950s

As with most areas of government spending, education spending is set to shrink in real terms over the Spending Review period. In new figures released today, IFS researchers estimate that total public spending on education in the UK will fall by over 13% in real terms between 2010–11 and 2014–15. This represents the largest cut in education spending over any four-year period since at least the 1950s. The cuts will be deepest for capital spending and higher education, followed by 16–19 education and early years provision. Schools spending is relatively protected, and schools with the most deprived intakes are likely to see real-terms increases in funding. However, the majority of schools will see real-terms cuts.

Of course, education spending is not alone in seeing significant cuts over this period. Total departmental spending is currently expected to fall by 11.5% in real-terms. The Department for Education's budget is set to fall by a very similar amount (11.9%), though these cuts are more focused on capital spending than is the case for other departments. The total cut to overall education spending is also driven by the large cuts to public spending on higher education (although total spending on higher education will rise due to higher private contributions).

The analysis also finds that:

- Public spending on education in the UK grew rapidly during the 2000s. Over the decade between 1999–2000 and 2009–10, it grew by 5.1% per year in real terms, the fastest growth over any decade since the mid-1970s. As a result, it rose from 4.5% of national income in 1999–2000 to reach a high point of 6.4% in 2009–10.
- Under the previous Labour government, the fastest-growing areas of education spending were capital spending on schools, early years spending and further education spending. Public spending on higher education grew the slowest.
- We estimate that public spending on education in the UK will fall by 3.5% per year in real terms between 2010–11 and 2014–15 (or 13.4% in total). This would represent the largest cut in education spending over any four-year period since at least the 1950s, and would return education spending as a share of national income back to 4.6% by 2014–15.

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- All areas of public education spending are expected to see real-terms cuts between 2010–11 and 2014–15, but the severity of cuts will differ. Current spending on schools will see the smallest real-terms cut (about 1% in total). The areas seeing the largest real-terms cuts will be current spending on higher education (40% in total) and capital spending (more than halved). However, reforms to tuition fees will increase total resource spending – via public and private contributions – on higher education. Spending on the early years and youth services is expected to be cut by over 20% in real terms in total. Planned cuts to 16–19 education spending are likely to be of a similar magnitude.
- The government’s pupil premium, in place from 2011–12 onwards, will add to the already considerable additional money provided for the poorest pupils by the current school funding system. The government has also announced a cash-terms freeze in other per-pupil funding. As a result, only the most deprived schools are likely to see real-terms increases in funding per pupil in 2011–12. Although spending on the pupil premium will grow to £2.5 billion by 2014–15, given the continued freeze in other per-pupil spending this pattern looks set to continue up to 2014–15.
- As a result of the public sector pay freeze announced in the June 2010 Emergency Budget, schools’ costs will increase by less than economy-wide inflation over the coming years. We estimate the schools’ specific costs will increase by 1.8% in 2011–12, as compared with 2.9% for economy-wide inflation (defined by the GDP deflator, the standard measure used to calculate real-terms changes in public spending). However, even taking account of this, the majority of schools are still expected to see real-terms cuts in 2011–12. This pattern is likely to continue through to 2014–15 as well.

Commenting on these figures, Luke Sibieta, Senior Research Economist at the IFS and co-author of the report, said: “Having risen by historically large amounts during the 2000s, the UK’s education budget is now set for an historically large fall over the next few years.

“Schools will see smaller real-terms cuts than other areas of education spending, while cuts to public spending on higher education will be more than offset by higher tuition fees. The biggest challenges lie ahead for the early years, youth services and 16–19 education, where spending is set to fall by around 20% in real terms. Of course the key question is what these cuts in financial resources will mean for the outputs of the education system, such as young people’s exam results or earnings potential.”

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Notes to Editors:

1. For embargoed copies of the briefing note or other queries, contact: Emma Hyman or Bonnie Brimstone at IFS: 020 7291 4800, emma_h@ifs.org.uk, bonnie_b@ifs.org.uk.
2. We are grateful to the Esmée Fairbairn Foundation for funding this work (grant number 11/0357) and to the Economic and Social Research Council (ESRC) for funding through the Centre for the Microeconomic Analysis of Public Policy at IFS (RES-544-28-0001).