

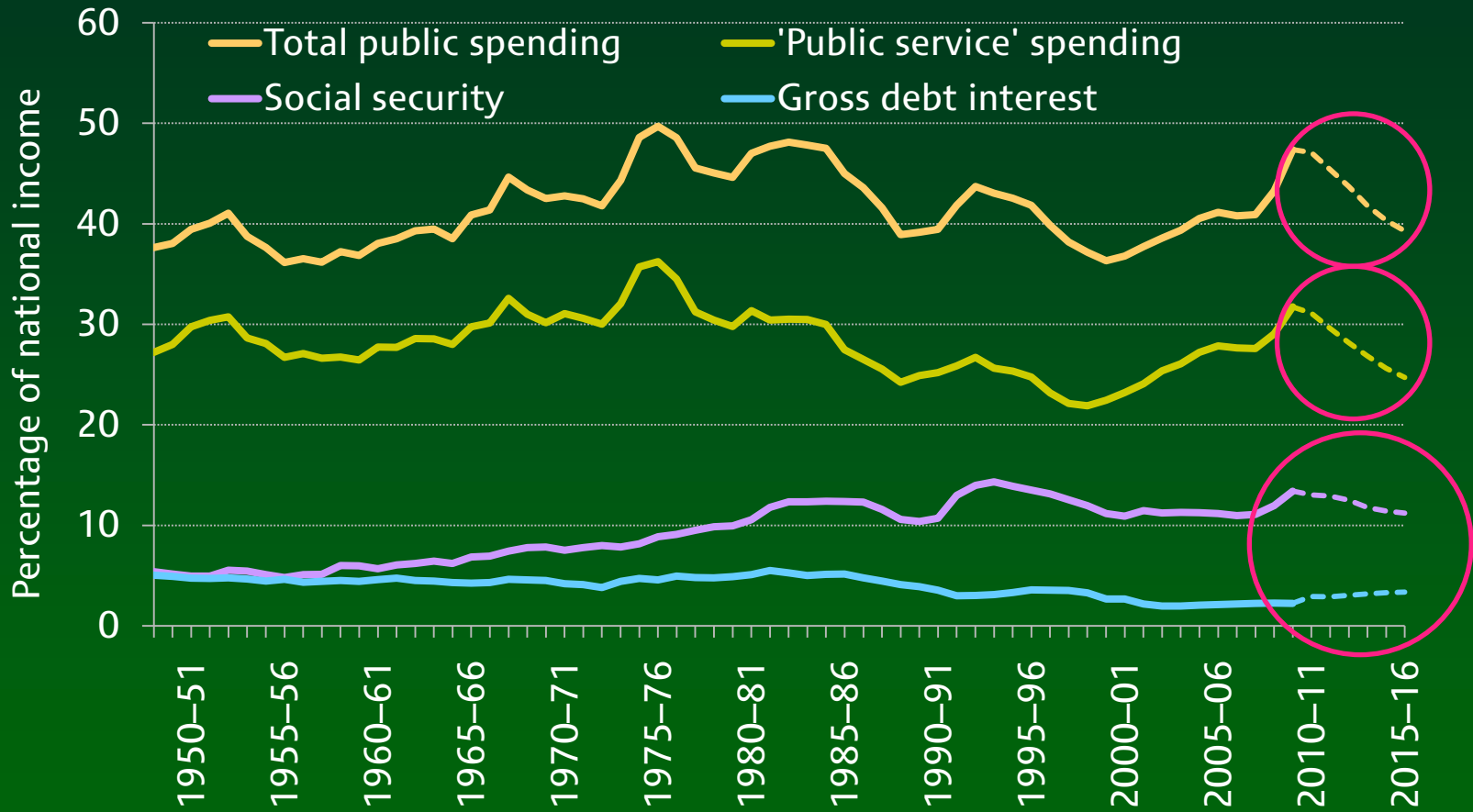
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Public spending cuts: pain shared?

Rowena Crawford, Carl Emmerson, David Phillips and
Gemma Tetlow

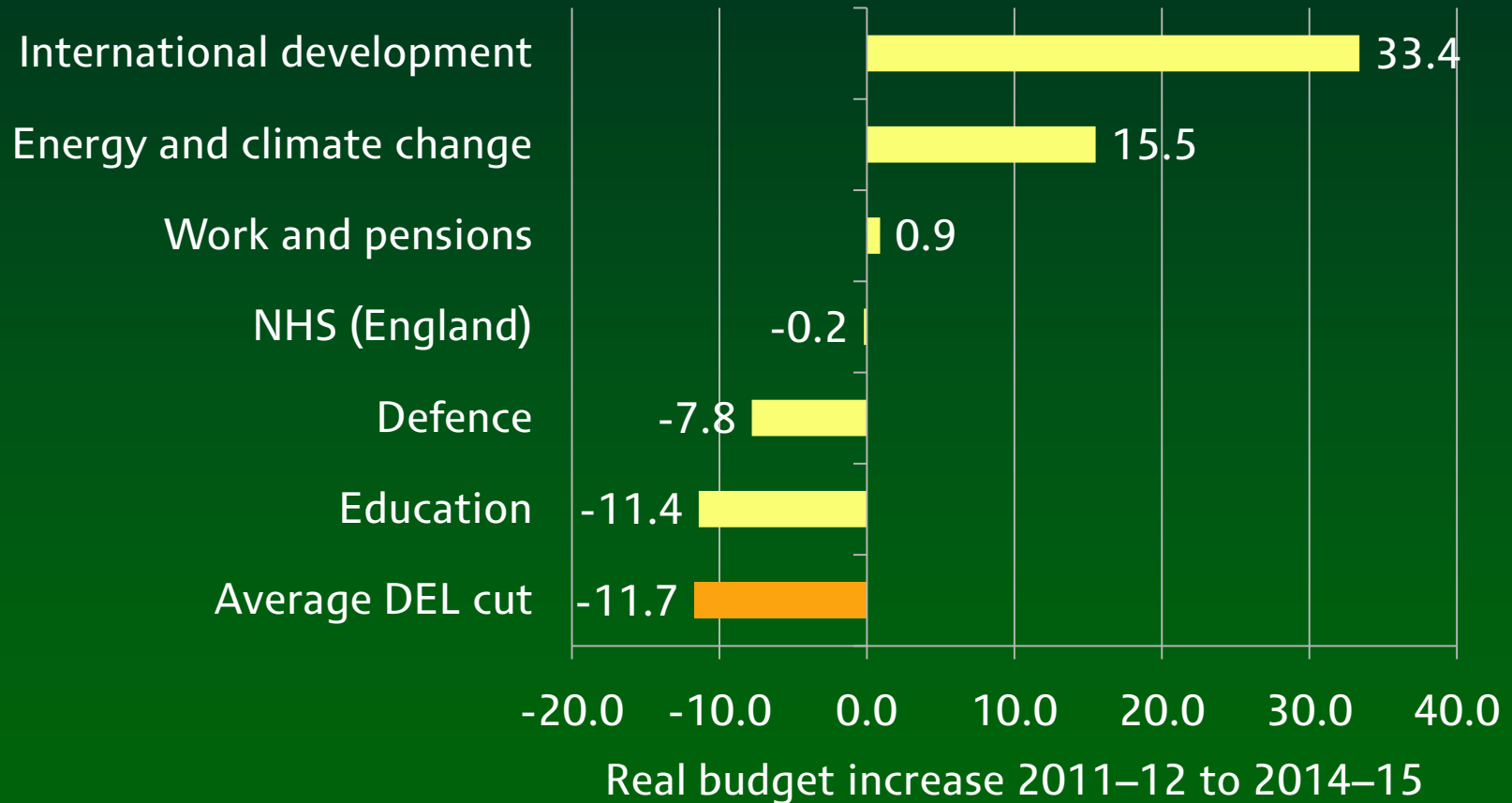
Public spending set to be cut sharply



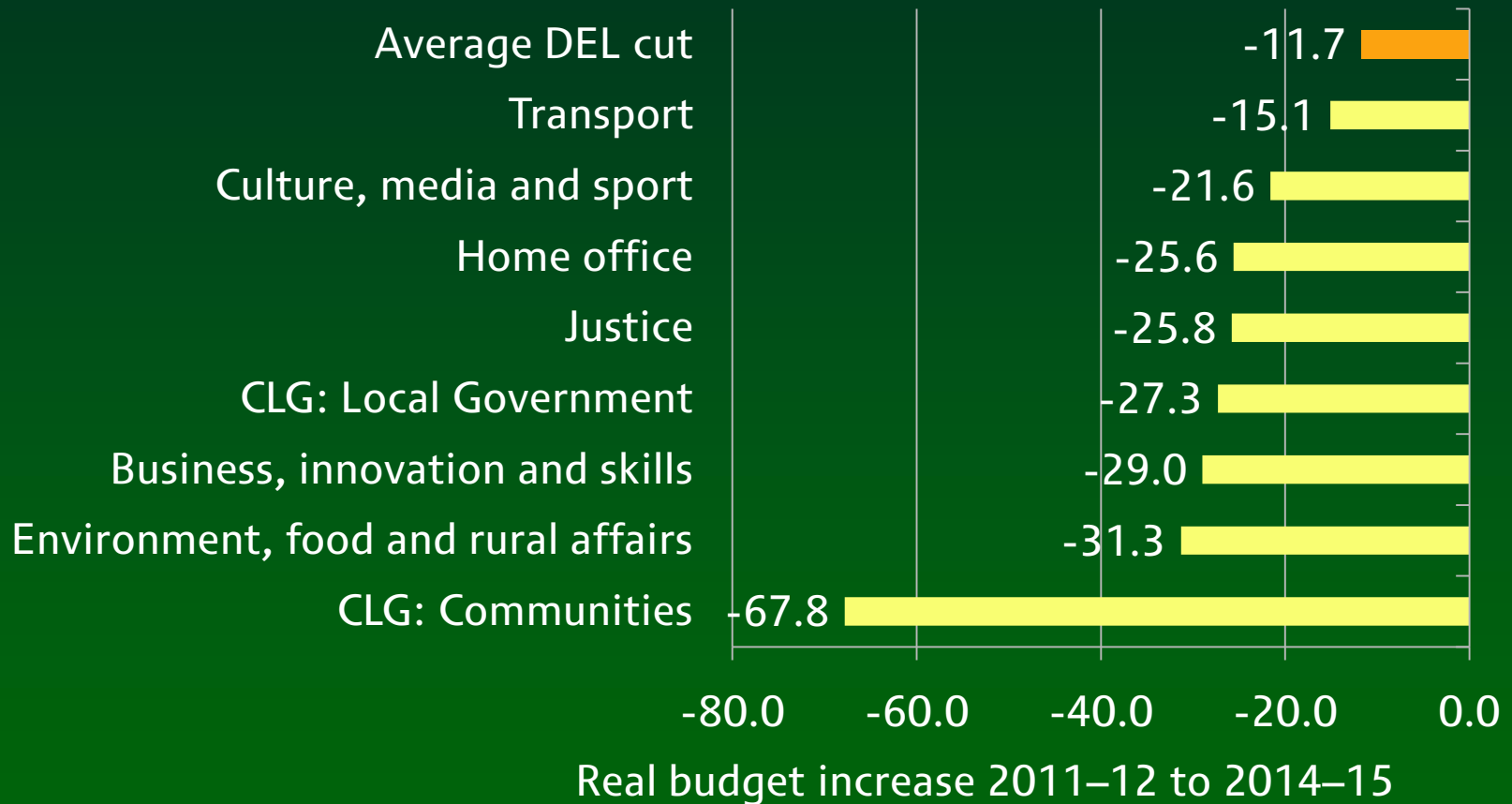
Summary

- Tightest five-year squeeze ‘public service’ spending in real terms since at least end of Second World War
- Spending Review 2010 set out how spending cuts distributed for next four years
 - Whitehall departments: scale and timing differs across public service departments
 - Devolved administrations: have freedom to set own spending plans
- Lessons from the last squeeze: the mid 1990s
- Improving public spending planning regime
 - Spending Reviews should consider as wide a set of spending areas as possible

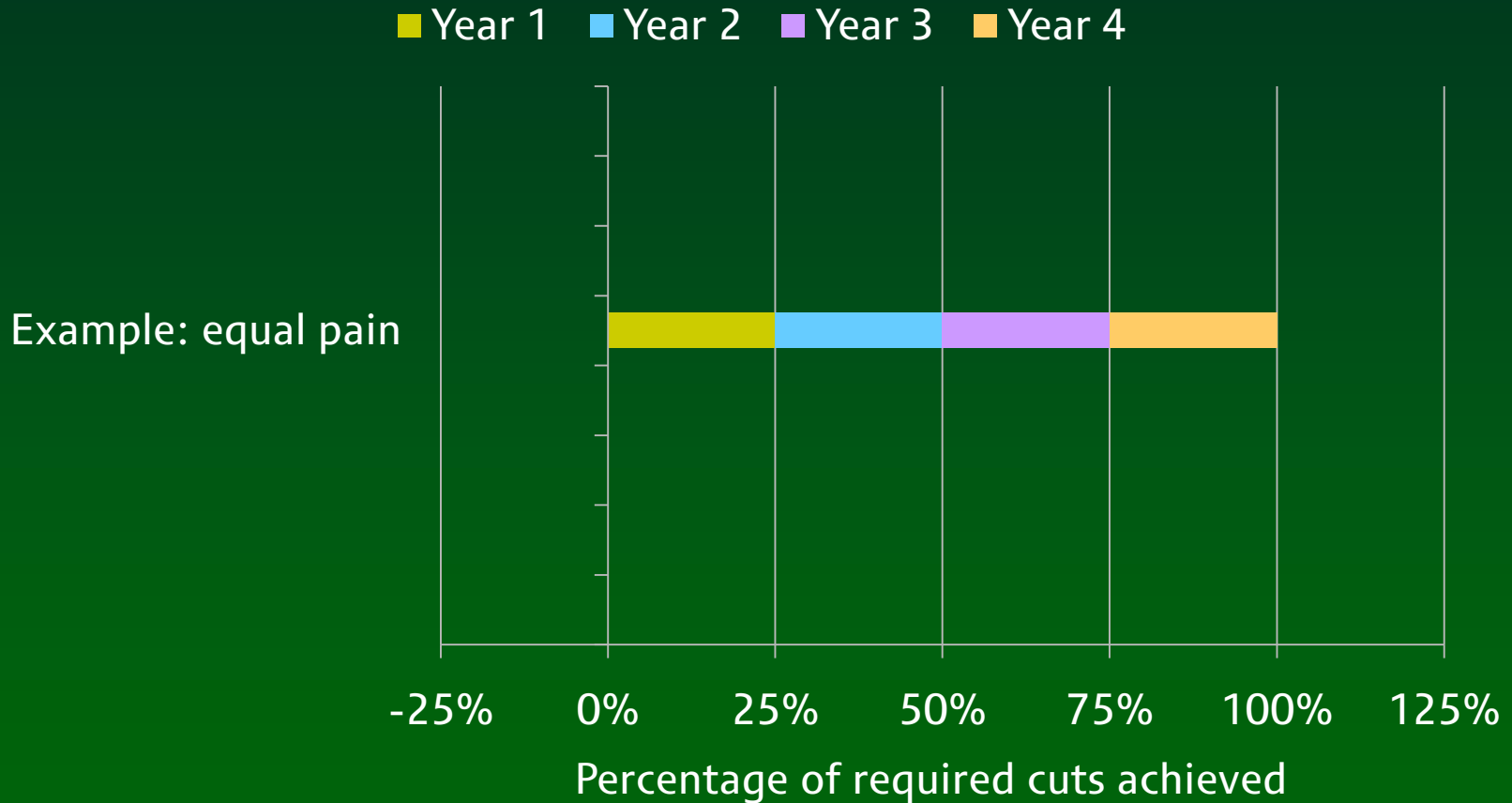
Whitehall departments: 'winners'



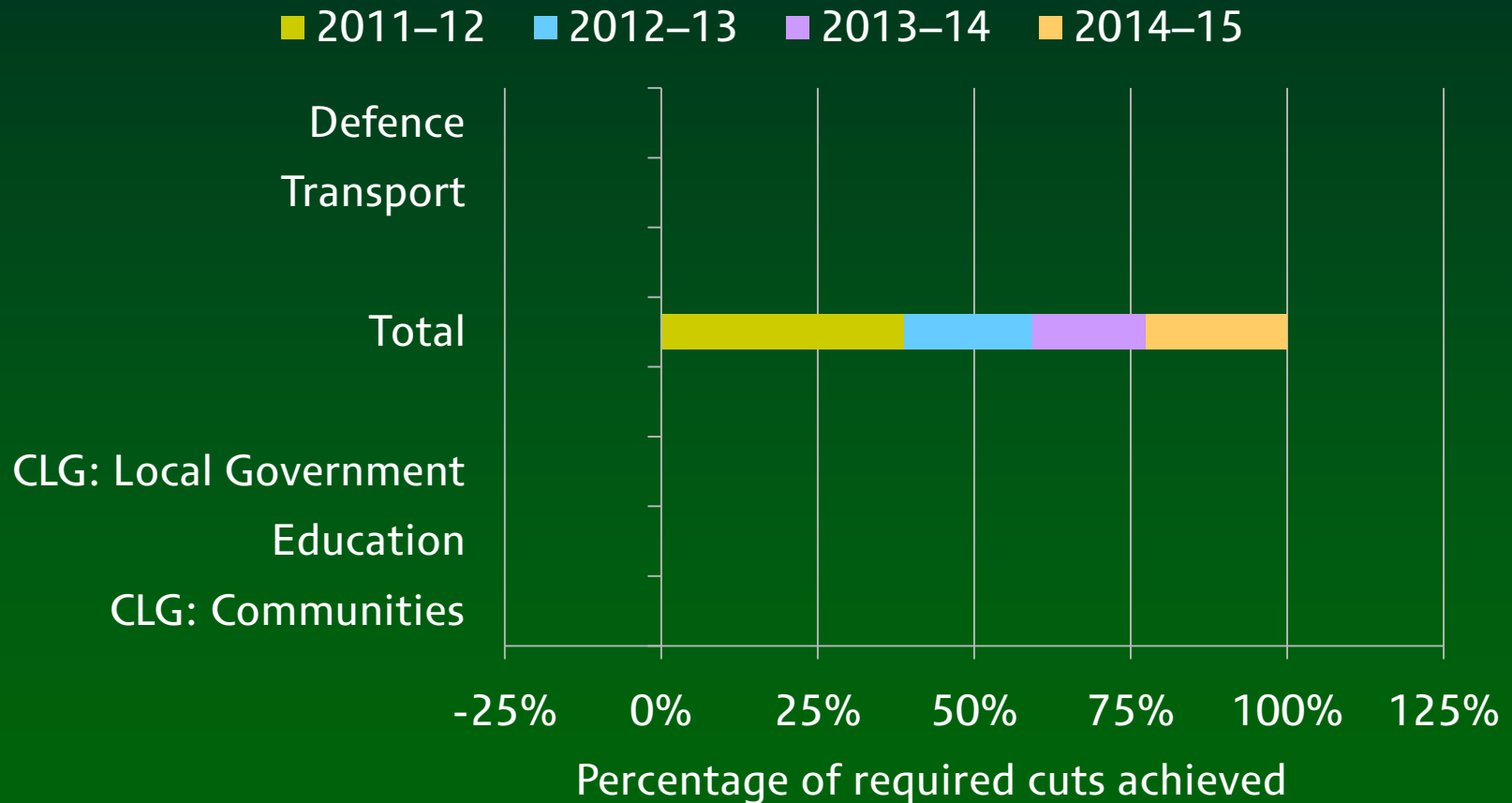
Whitehall departments : 'losers'



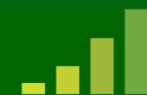
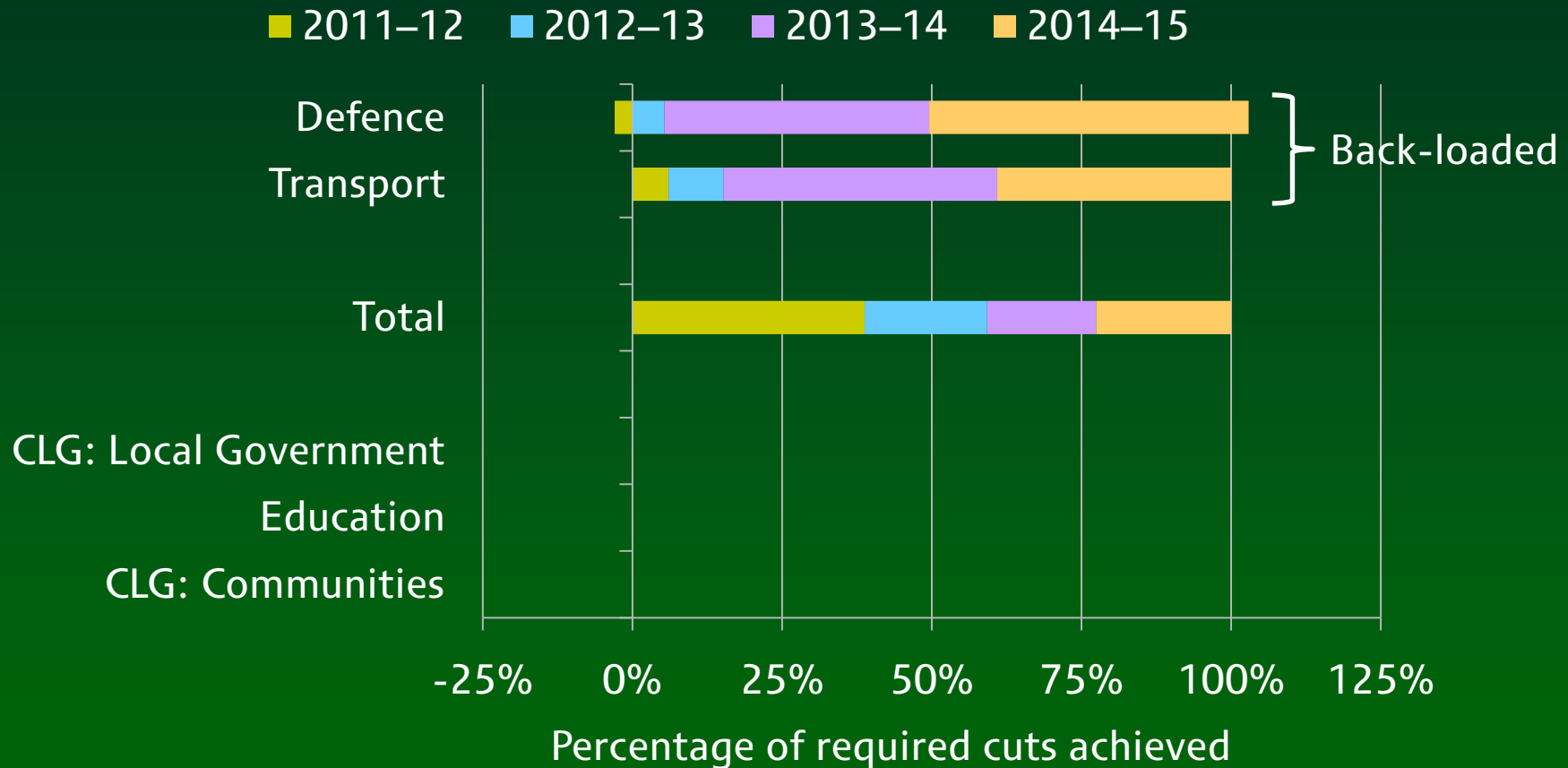
Whitehall departments : timing of cuts



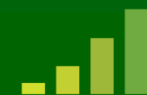
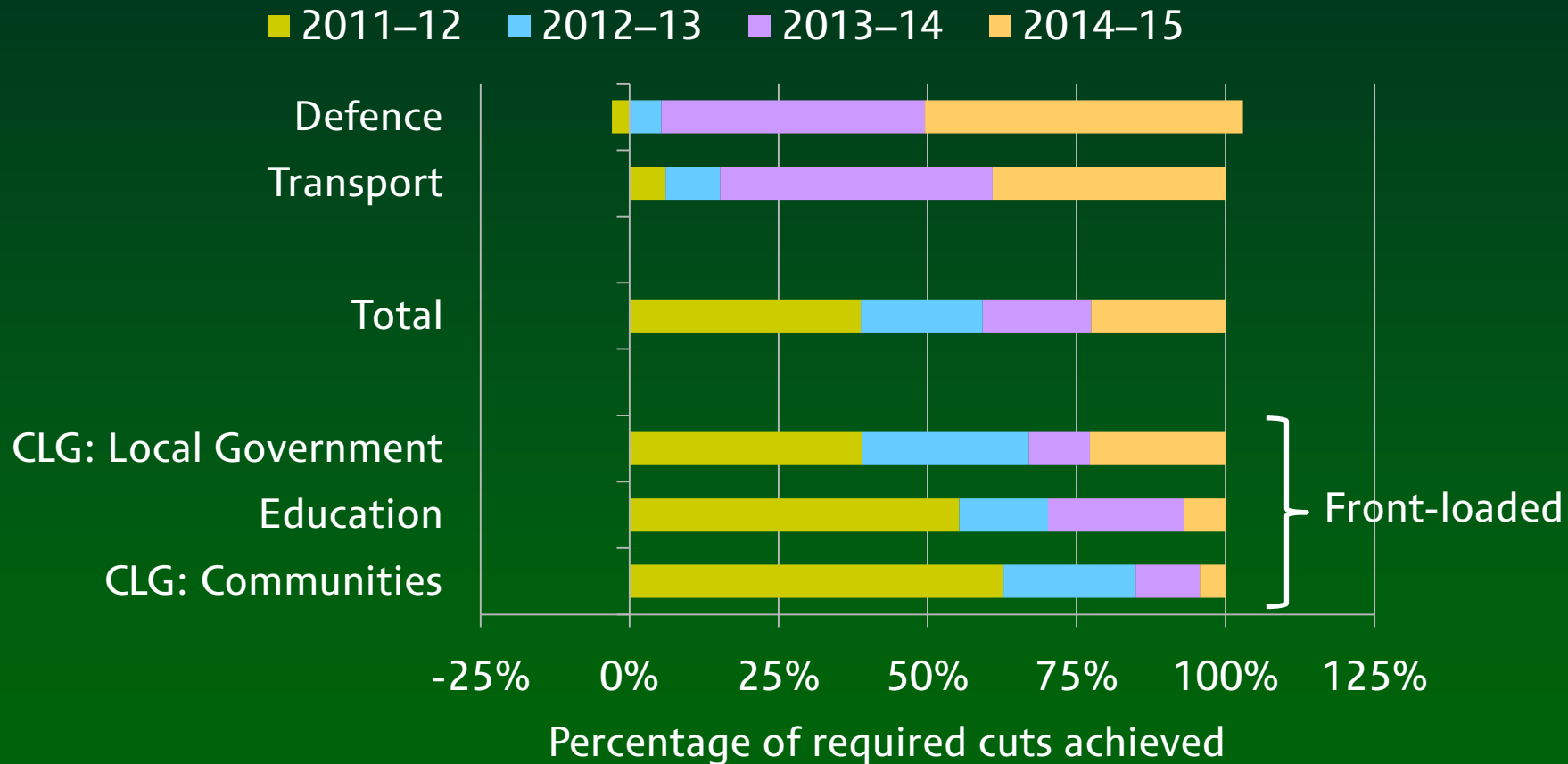
Whitehall departments : timing of cuts



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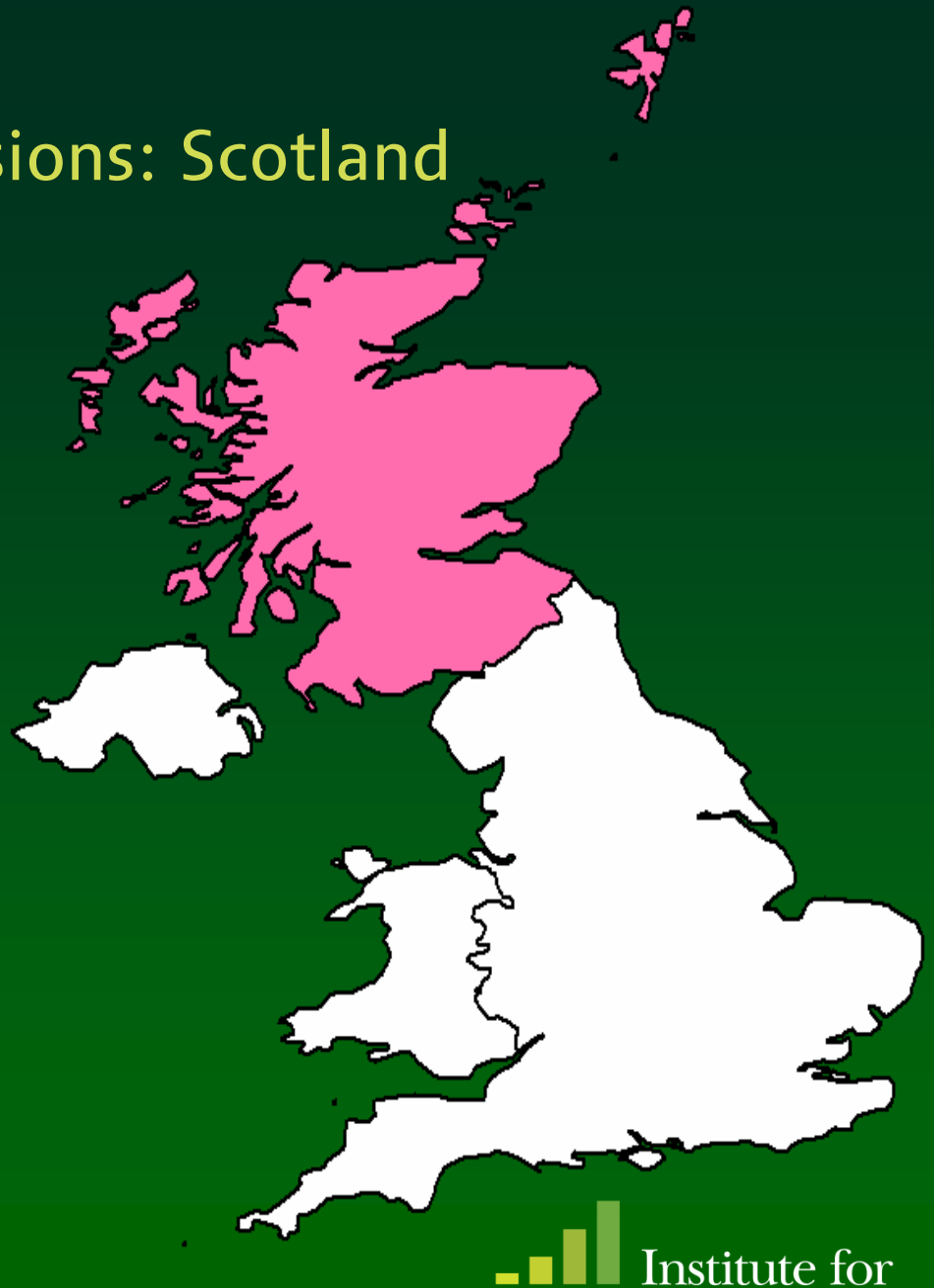
Devolved spending settlements

- Total block grant to each devolved administration largely determined by Barnett formula
- Devolved governments free to choose how to spend it
 - can make different decisions from those made in England
- Difficult to compare countries
 - set out plans for different periods
 - departmental boundaries differ



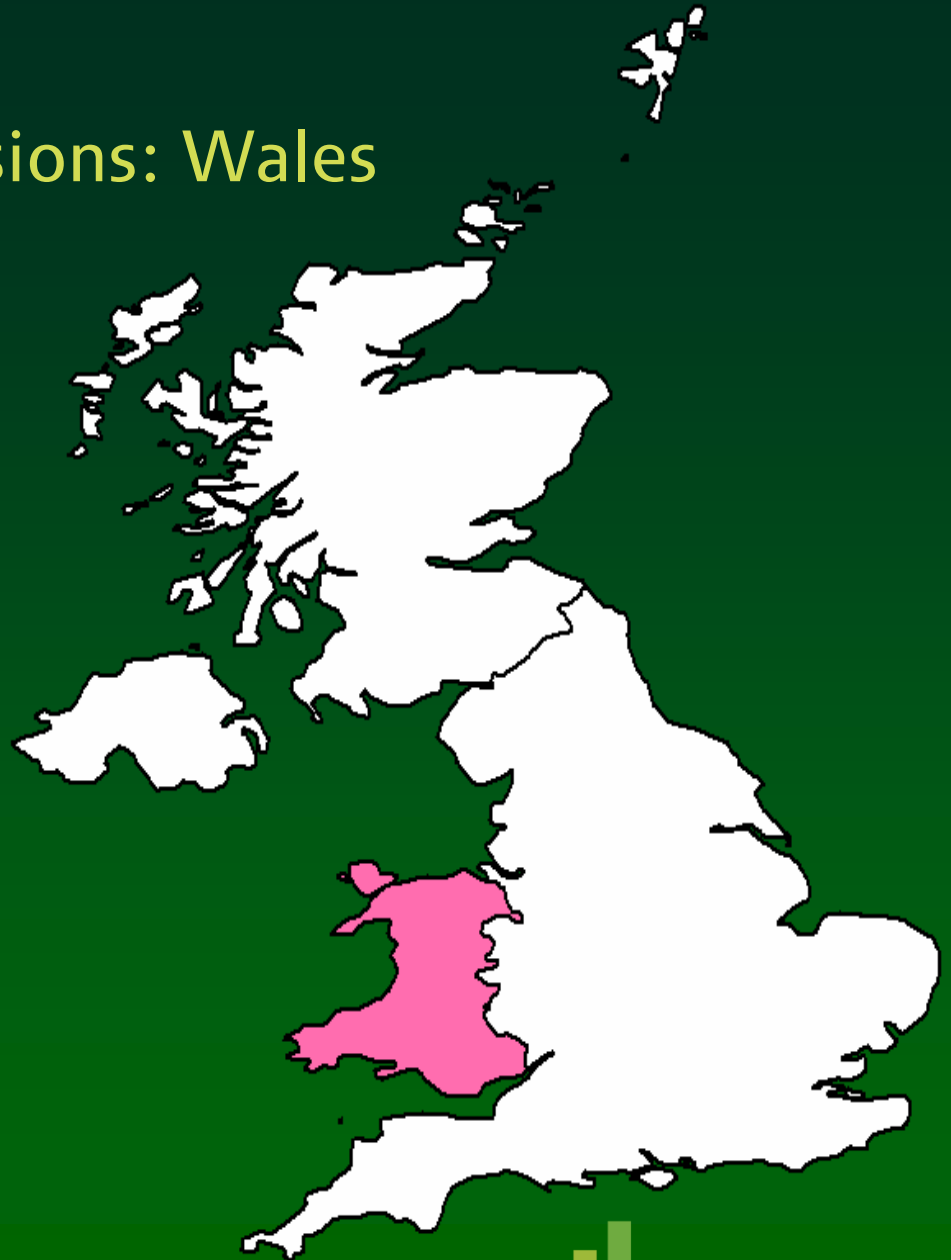
Devolved spending decisions: Scotland

- Set out detailed plans only for 2011–12
- Seem to have made very similar decisions to those made for England
 - health ‘protected’: 0.8% real cut
 - housing and regeneration experience large real cuts: 21.3%
 - higher education spending cut relatively heavily: 14.2% real cut



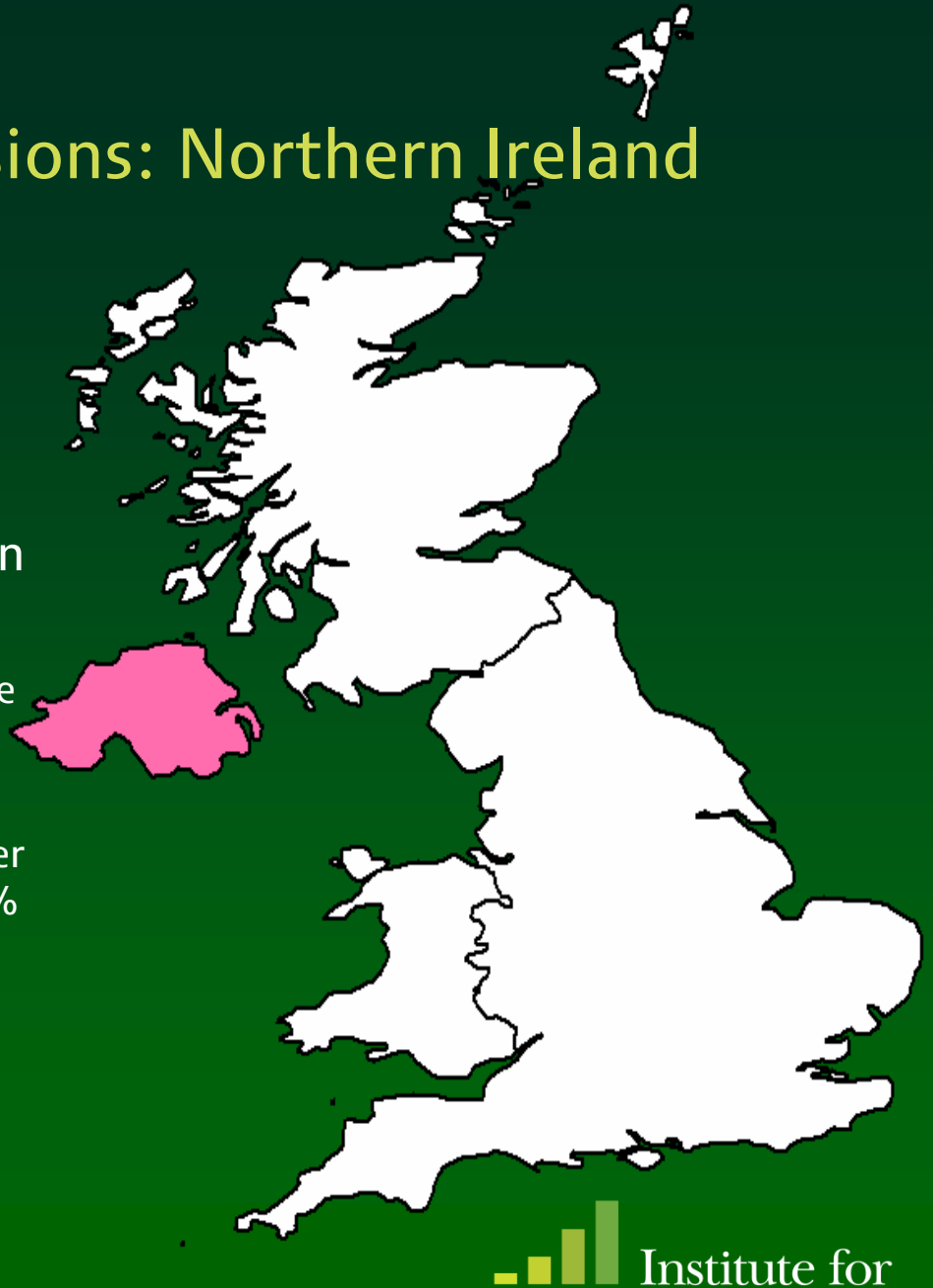
Devolved spending decisions: Wales

- Set out detailed plans for 2011–12 to 2013–14
- Chosen not to protect health spending
 - health spending real terms cut: 8.1% over three years
 - other departments cut by average 11.4%
 - if had frozen health spending, cut to other departments would have to have been 16.9%



Devolved spending decisions: Northern Ireland

- Set out detailed plans for all four years covered by SR2010
- Health ‘protected’
- Different prioritisation between schools and higher education?
 - Education department (responsible for schools): cut by 13.7%
 - Employment and Learning department (responsible for further and higher education): cut by 8.9%



Will these plans be delivered?

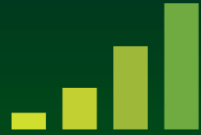
Lessons from the last squeeze: mid 1990s

- Tight spending plans for 1993–94 onwards
 - real terms cut planned, initially, for 1994–95
- Government was successful at delivering cash spending plans
- But, lower-than-expected inflation
 - perhaps made it easier to meet cash spending plans?
 - meant real terms cut was not delivered as quickly as intended
 - spending eventually cut in real terms in 1996–97
- Lessons for the current squeeze?
 - should be cautious of inferring too much
 - much larger cuts planned now than in mid 1990s

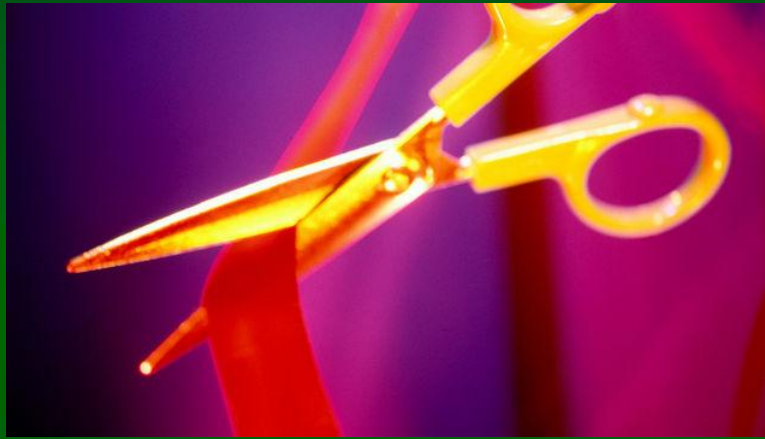
Conclusions

- Tightest five-year squeeze on ‘public service’ spending since at least end of Second World War
- Spending Review 2010 set out how spending cuts distributed
 - Whitehall departments: defence and transport cuts back-loaded, schools and housing cuts front-loaded
 - Devolved administrations: have prioritised differently in some cases
- Lessons from the last squeeze: the mid 1990s
 - government was successful at sticking to cash spending plans
 - but lower-than-expected inflation meant this did not turn into real terms cuts as quickly as intended
- Planned cuts very big, impact on public services uncertain
 - Government should review SR2010 settlements in 2012 in light of developments: has the pain been optimally allocated?





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