

Education in a time of austerity

By Claire Crawford

Education benefits individuals and economies. A wealth of research suggests that acquiring additional years of education or qualifications leads to higher earnings, as well as a host of non-pecuniary benefits, including being healthier and happier. There is also a strong correlation between the education or skill level of a workforce and economic growth or productivity, although a causal relationship is harder to prove.

The potential for positive spillovers from education is just one of the reasons why governments invest in education, often significantly. The UK government, for example, spends over £90bn per year, equivalent to about 4.2% of national income. This makes it the second largest element of public service spending in the UK behind health (about 7% of national income).

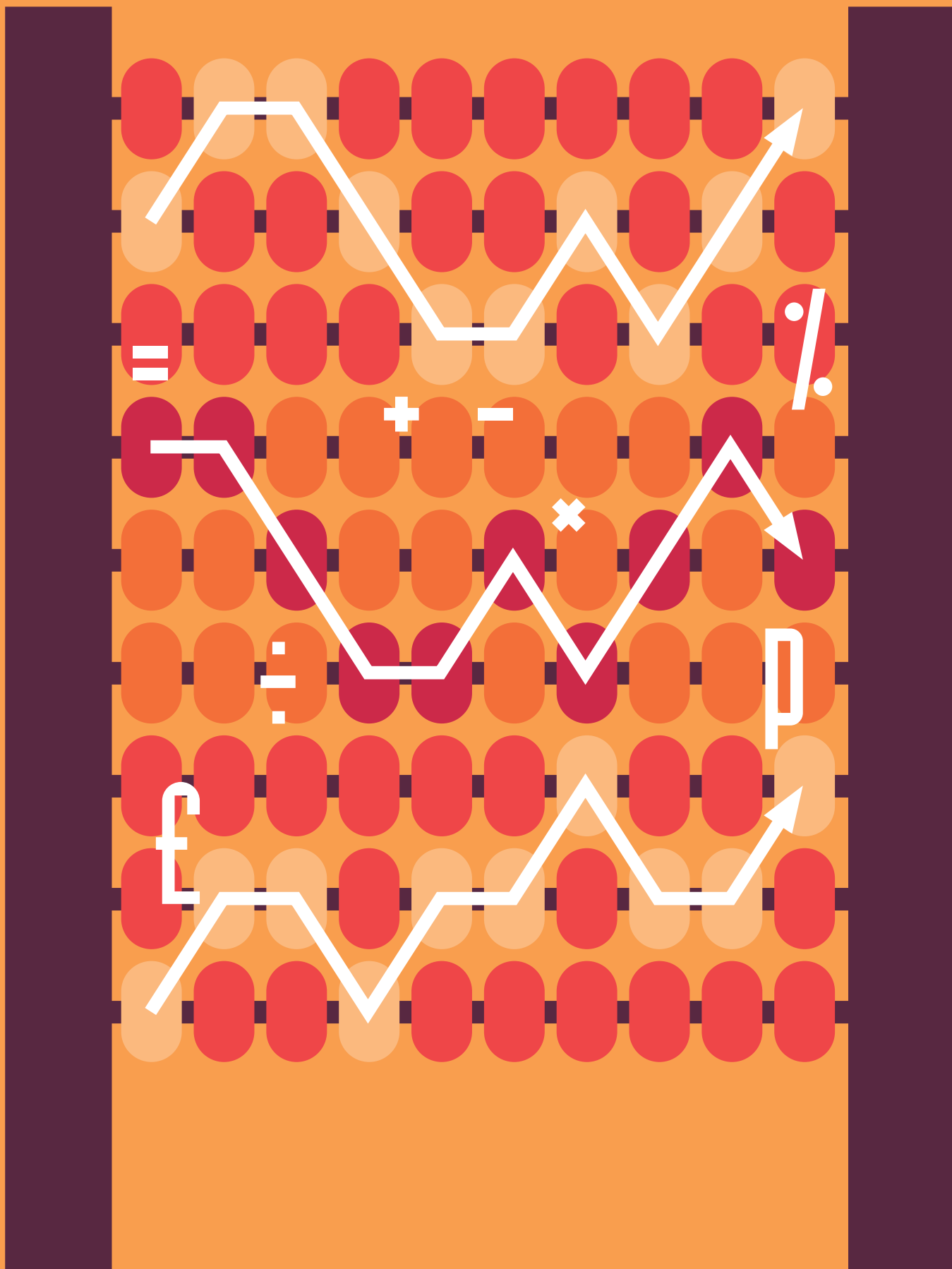
Given the importance of education to the government's objectives, including its commitment to investing in skills as part of the industrial strategy, one might expect spending on these areas to have been relatively protected from austerity since 2010. That does indeed seem to have been the case. But the overall picture of relatively little change in education spending over the last decade masks the very different patterns experienced by different areas of education.

It also provides a misleading impression of what has happened to investment in education over the last 30 years. Resources have increased across the board, from pre-school through to higher education, with austerity doing little to reverse this trend. Each phase of education has more resources to spend per child now than they did 30 years ago. But the biggest rises have been on children under the age of 11, at the expense of those in further and higher education. There has also been an increasing concentration of resources on poorer pupils in compulsory education. Taken together, these two changes have resulted in far greater equality of public spending on education by socio-economic background – although there is still a long way to go for this equality of spending to translate into equality of outcomes or opportunities.

Education spending during the austerity years

If we take account of the government's expected spending on unpaid loans to higher education students, as the Office for National Statistics recommends, day-to-day education spending fell by about 3% in real terms between 2010-11 and 2018-19. This is a small fall compared to many other government departments, including the Home Office and the Ministry of Justice, which saw a reduction of more than 20% over the same period. But education was less well protected than health, which saw a rise of 14%.

This overall change in day-to-day education spending masks substantial differences between phases of education, however, as Figure 1 shows. The figure shows the percentage change in upfront real terms public spending per pupil or student for different phases of education relative to 2010-11. ▶

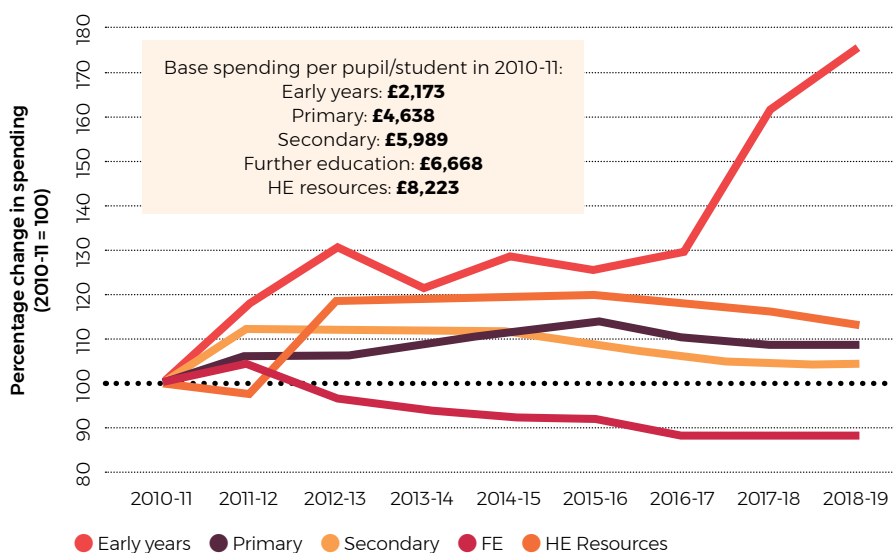


It makes clear that further education (here shown for 16-18 year olds) has borne the brunt of the cuts, seeing funding cut by 12% in real terms over this period, with sixth form colleges particularly badly affected.

The early (pre-school) years, by contrast, has seen dramatic increases in public spending, albeit from a much lower base. The figure focuses on 3 and 4 year olds. The largest component of early years spending for this age group is the 'free entitlement'. Since 2010, this has offered all 3 and 4 year olds 15 hours of free care in a formal childcare setting during term-time (38 weeks per year). Much of the rise in public spending we see over this period has been driven by an increase in the generosity of this entitlement. Since 2017-18, for example, 3 and 4 year olds with working parents have been eligible for up to 30 hours of free care per week during term-time. The total resources, both public and private, being spent on childcare have not risen as fast as these figures would suggest, however, because the increase in public spending has to some extent 'crowded out' (replaced) money that parents would otherwise have spent on childcare themselves.

The beneficiaries of public spending on childcare have also changed over time. In addition to the free entitlement, support for childcare is offered via the tax system, for working families, and via the benefit system, for lower income families. In 2010-11, less than 10% of childcare support was targeted explicitly on working families and about 45% on lower income families. By 2017-18, they each accounted for about 25% of spending. (The remaining 45-50% relates to the universal free entitlement.) This is in marked contrast to the composition of school spending, which was already skewed heavily in favour of students from poorer backgrounds in 2010, and has become even more so since the introduction of the pupil premium in April 2011 (a fund designed to improve the attainment of disadvantaged pupils).

Figure 1: Percentage change in average real-terms public spending per pupil or student per year on different stages of education since 2010-11



Source: authors' calculations based on Figure 6.1a of Britton, Farquharson and Sibieta (2019). The figures refer to average upfront public spending at each stage of education. As such, the higher education figures include some private spending – the tuition fees that graduates end up contributing via loan repayments to the government – while the figures for other phases of education exclude private spending. The apparent jump in resources for secondary schools between 2010-11 and 2011-12 is largely an artefact of the data, which saw a change in reporting related to the rise of academies. See Belfield and Sibieta (2016) for more details.

Substantive policy change has also been the key driver of the pattern in upfront spending on higher education shown in Figure 1. The large jump in average real resources for undergraduate students between 2011-12 and 2012-13 coincided with the near trebling of the cap on tuition fees, from just over £3,000 per year to £9,000 per year, after which it remained fixed in nominal terms.

Average resources per student did not treble, however, because the government simultaneously removed (for most subjects) the grants it gave universities to help cover the cost of teaching. Thus, while the last decade has not seen a substantial fall in the average real resources going into higher education, the balance of funding has continued to move away from the public purse and towards private contributions from graduates and their families, with the current system split about 50-50.

The replacement of a tiered system of teaching grants with a flat tuition fee for all subjects also means

that some subjects – those that are cheaper to teach – are now much more generously funded than others: for example, in 2016-17, funding for medicine/dentistry and courses including lab or field work was 6% and 19% higher respectively than it would have been under the 2011-12 system, while funding for the lowest cost courses was 45% higher. This has brought the debate about value-for-money and the justification of different levels of government subsidy for different subjects very much to the fore, as seen in the discussion surrounding the Augar review of post 18 education and funding (2019).

The longer view

So far we have focused exclusively on what has happened since austerity began in 2010. Doing so, however, misses the extent to which these patterns continue or depart from what came before. Figure 2 extends Figure 1, showing average upfront public spending per pupil or per student in 2019-20 prices from the

early 1990s onwards. It shows that while the real resources available for primary and secondary education have stagnated or fallen slightly over the last decade, spending per pupil remains substantially higher than it was 30 years earlier. With real funding per pupil in secondary schools 83% higher in 2018-19 than in 1990-91, and in primary schools a whopping 145% higher, austerity has clearly not come close to reversing the substantial increases in funding overseen by the Labour government in power between 1997 and 2010.

By contrast, real spending per student on further and higher education has increased by less than 20% over the same period. Together with the substantial rise in spending on the early years, this represents a significant shift of resources towards younger children – particularly in the compulsory elements of the education system, as opposed to those for which young people can opt in. Alongside the increasing concentration of spending within the compulsory education system on poorer children, this has ensured that – when looking at the resources spent on young people

from different backgrounds across their entire education lifecycle – the socio-economic differences that were previously apparent have now been almost entirely eliminated.

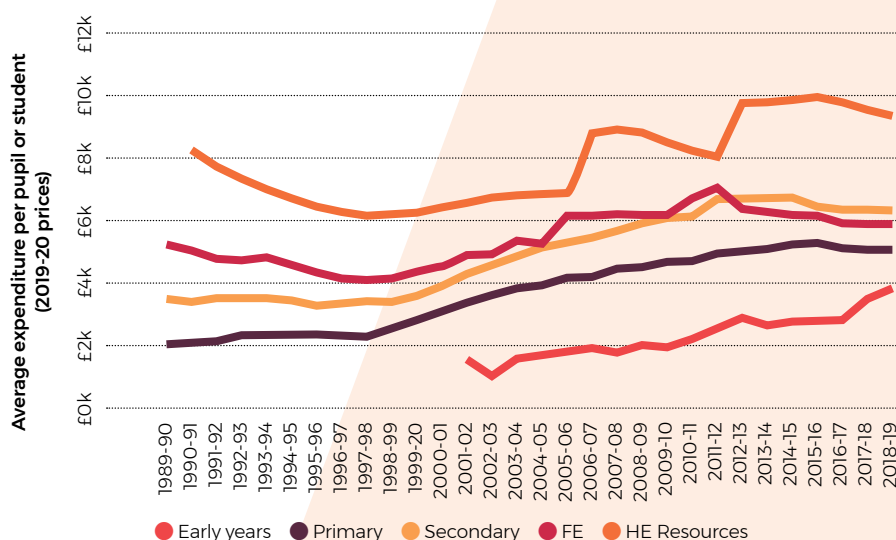
One interpretation of these patterns might be that successive UK governments have been trying to level the playing field between children from different backgrounds by following the conclusions of research by Professor James Heckman, amongst others, suggesting that the earlier you invest in children’s development, the greater the potential return. But the disjointed and often contradictory nature of the underlying policy reforms arguably belie this apparent clarity of vision. In the early years, for example, the direction of travel suggests that the government is now less interested in supporting early education as a means of reducing child inequalities and more as a way of helping working parents with the cost of childcare. That is not to say the latter is not a reasonable goal, but rather that it does not fit with a vision of the education system working towards equality. There is also a big difference between equalising

“Education is the passport to the future, for tomorrow belongs to those who prepare for it today.”

Malcolm X

resources and equalising outcomes or even opportunities. Austerity has not decimated the resources going into our education system – at least not in all areas. But it is possible that taking a more holistic view across the entire sector might help to ensure that education is truly the engine of equality and productivity that the government hopes. ◀

Figure 2: Public spending per pupil or student per year on different stages of education (2019-20 prices)



Source: Figure 6.1a of Britton, Farquharson and Sibieta (2019).

About the author

Claire Crawford is Reader in Economics at the University of Birmingham and a CAGE Associate.

Further reading

Britton, J., Farquharson, C. and Sibieta, L. (2019), *2019 Annual report on education spending in England*, IFS.
 Belfield, C. and Sibieta, L. (2016), *Long run trends in school spending in England*, IFS.