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Trends in Education Spending

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SUMMARY

Education is widely recognised to be a crucial factor in social and economic wellbeing. In recent times, however, educational funding has come under increased pressure as public expenditures have seen substantial reductions.

This *Research inBrief* is divided into two main sections. The first section offers a cursory glance at recent trends in public expenditure on education and situates Ireland's expenditure among comparable European nations. The second section outlines possible future developments.

KEY POINTS

- Annual Public Expenditure rose from €6.3 billion euro to €9 billion between 2004 and 2008 in nominal terms. Nominal spending fell by €1 billion between 2008 and 2014. Real Expenditure fell by 13% in 2013 prices from 2010 to 2014.
- In real terms, current higher education funding per student fell 27% between 2006 and 2013, having increased beforehand. Primary and second level education have seen more modest declines.
- Net voted capital expenditure fell by a third at 2013 prices between 2010 and 2014.
- Educational institutions have become more reliant on fees and contributions for funding.
- Irish public spending on education as a portion of GDP is relatively small. Ireland's 4.1% spend in 2013 was significantly lower than the EA-12 average of 5.2%. This is in spite of Ireland having the area's largest proportion of children (0-14 years).
- Ireland's enrolment population will increase in the next decade and will exert cost pressures on the education budget.

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Research for new economic policies

Introduction

Education is widely recognised to be a crucial factor in social and economic well-being (Delaney and Healy 2014). In recent times, however, educational funding has come under increased pressure as public expenditures have seen substantial reductions.

These changes have included reductions in public sector pay and pensions, cuts in capital expenditures and decreases in student supports and spending.

Recent Budgetary Trends and International Comparisons

The recession and subsequent fiscal retrenchment have had a substantial impact on the public outlay by the Department of Education and Skills. In the years immediately preceding the crisis, nominal spending increased from €6.3 billion to €9 billion in 2008. This subsequently declined by €1 billion euro to slightly under €8 billion in 2014. Figure 1 adjusts expenditures for inflation. Adjusted net voted expenditure in 2014 was nearly 13% lower than its real maximum in 2010 falling from €9 to €7.8 billion.ⁱ

Capital expenditure in education has also been reduced substantially in the aftermath of the crisis. While capital expenditures can be volatile, reflecting the instigation and completion of large single capital projects and programmes, trend data show significant declines in net voted capital spending since the crisis. This follows increases of €360 million between 2004 and 2008. Inflation adjusted expenditure in 2014 was nearly 33% less than 2010 at 2013 prices, notwithstanding increases as Ireland's fiscal situation has improved.

These declines in overall spending are reflected in reductions in current public expenditure per capita. Real current spending per capita has remained relatively steady for primary and secondary levels, showing decreases from 2009 maximums of 4% and 10% respectively to the year 2013. Higher education funding, however, has been hit particularly hard. Per capita current public spending for higher level education has fallen by about 27% from its

high in 2006 to the year 2013 at constant 2013 prices. This is displayed in Figure 2.

This period has also been associated with costs being shifted onto incoming students. Capitation grant cuts have made primary and secondary schools increasingly reliant on voluntary contributions and resource fees. These out-of-pocket expenses are estimated to cost households €127.5 million each year (Barnardos 2015). At higher level, Student Contribution Charges for undergraduates have increased to at least €3000 for the academic year 2015/2016.

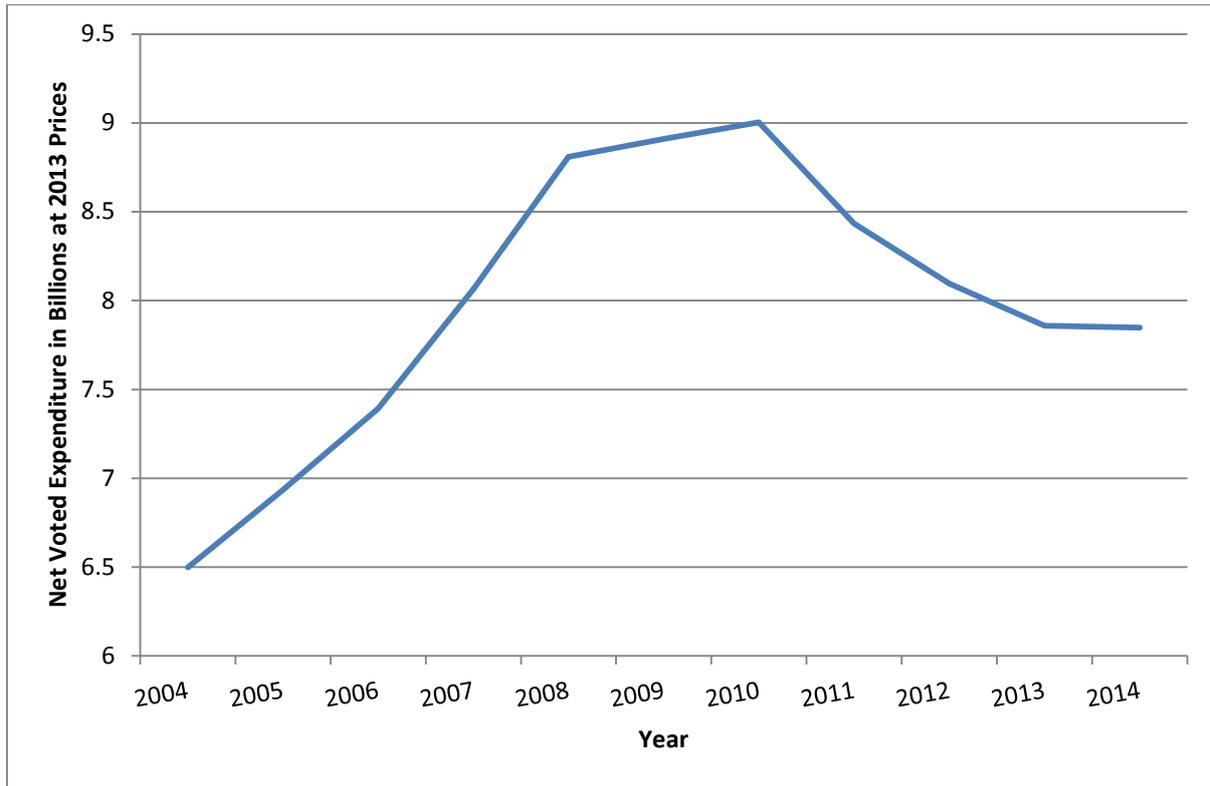
Public expenditure on education is low in Ireland by European standards relative to national output. Education spendingⁱⁱ is approximately 4.1% of GDPⁱⁱⁱ, which is substantially lower than the EA-12^{iv} average of 5.2% of GDP in 2013 (Eurostat). This is in spite of Ireland's status as the nation with the largest proportion of children (0-14 years) in the EA-12. Children comprise some 21.5% of the population in Ireland, approximately 34.7% above the EA-12 average (World Bank 2013).

Future Developments

The Irish educational system will come under further strain from increases in the student population. Demographic changes will likely also change the relative composition of the student population, with primary enrolment starting to fall from the beginning of the next decade, while secondary and third level enrolment are expected to continue to see significant increases. Figure 3 displays one possible projection scenario from the Department of Education and Science.

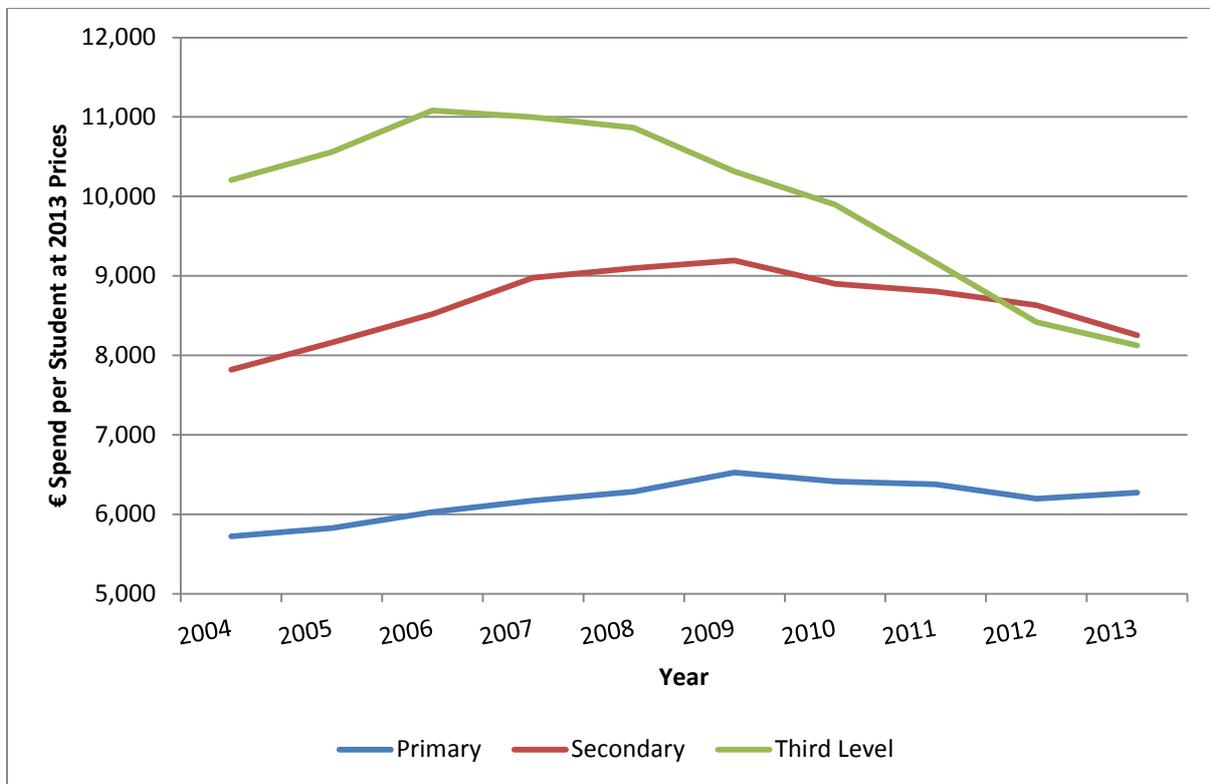
Rising enrolment will require further capital investment to avoid capacity constraints. Current investment backlogs are also in need of redress. In 2010 The Higher Education Authority reported that 40% of the insured building stock of third level institutions required major repair or replacement.

Figure 1: Net Voted Expenditure at constant 2013 Prices



Source: Department of Public Expenditure and Reform, Adjusted via GDP Deflator (World Bank)

Figure 2: Current Public Expenditure Per Capita at constant 2013 Prices



Source: CSO "Measuring Ireland's Progress 2013"

Figure 3: Full-time Enrolment Projections (Projection M1F1)

Year	Primary	Secondary	Tertiary
2015	556,133	343,972	171,221
2016	565,459	349,905	174,018
2017	572,844	354,783	176,282
2018	578,453	358,852	178,099
2019	578,498	365,957	180,060
2020	573,764	375,330	182,547
2021	565,549	385,256	185,388

Source: Department of Education and Skills

Based on CSO Population Projections 2011-2046

The Irish Government Economic and Evaluation Service estimate that increases in the student population, coupled with attendant increases in teacher numbers will result in expenditure growth of €426.3 million for primary and secondary education relative to 2014 levels given high fertility and net migration assumptions.

Conclusion

The recent crisis and continuing pressures on public finances have resulted in substantial declines in public expenditure, in real terms, on education, particularly at higher level. These reductions and the comparatively low levels of public expenditure on education in Ireland raise questions as to how current funding can be reconciled with the provision of effective educational services in the coming years, the quality of which is likely to increase in importance in an increasingly competitive global market.

Education is associated with a broad spectrum of positive social and economic outcomes including public revenue gains, reduced crime and poverty and increased social inclusion. These benefits highlight the importance of high quality education for the public at large that balances cost efficiency with social equity.

References

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ⁱ Net voted expenditure may be affected by changes in the reporting of expenditure votes as the remit of departments may change over time.

ⁱⁱ Public Expenditure on education appears here as defined by Eurostat's *Classification of Functions of Government*.

ⁱⁱⁱ Output is measured here using GDP to facilitate international comparisons. GNP is sometimes preferred to GDP in the Irish case as GDP is often considered to be inflated due to distortions in the national accounts. GNP however, is believed to be similarly exaggerated by factors such as profit redomiciliation. Irish public spending on education was 4.8% of GNP in 2013.

^{iv} EA-12 refers to the 12 countries of the Eurozone prior to the areas enlargement in 2007. These 12 nations are comparable in wealth terms.

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