

Policy watch

The economic climate sharpens
around the world of education



The economy moved centre stage this week with the Conservatives releasing the latest chunk of their [draft manifesto](#) in the shape of an eight point model for economic recovery, David Cameron appearing to soften his Party's stance on cuts, the government wading in and accusing the Conservatives of '*bobbing around like corks*' over where it stands on cuts, two respected bodies coming out with rather downbeat assessments about our economic recovery and some disturbing noises coming out of FE and HE about what it all means for them.

It's difficult to know where to start but perhaps the big picture first.

This can be seen in the latest prognosis for the UK economy from the National Institute of Economic and Social research ([NIESR](#).) Three points stand out.

First, some evidence of initial faltering steps in economic growth; "*despite the disappointingly slow start, we are expecting the economy to grow faster in the first three months of 2010 and beyond.*" The view is that the economy will grow by 1.1% this year and by 2.0% over the next two years. This is slightly below the prediction from the Chancellor in his December ['09 Pre-Budget Report](#) but closer to the view from the CBI and reflects some of the other hopeful signs coming out such as the latest manufacturing figures which also came out this week. Second, unemployment, where the effects have thankfully not been as severe as predicated certainly when compared to the US but where the Institute believe numbers will continue to rise for the next two years; "*the jobless count will peak at 2.9m in the third quarter of 2011.*" This accords with the OECD projections but the interesting element in this is the change in working patterns with an increase in part-time working which with depressed wages will continue to dampen consumer spending. Third, borrowing which the Institute predicts will remain high, throwing into doubt the Chancellor's target for reducing this within the next four years, a point made in another report out this week by another respected Institute, that of Fiscal Studies. This argued that "*to make the planned repair job credible, the government should spell out as clearly and promptly as possible how and when it intends to deliver the overall tightening.*"

This brings us to the big political question of the moment and one of great interest to the world of education and that is when, let alone where, to cut. The government line is that we should wait until the economy is stronger, there's been a lot of talk for instance about '*choking off recovery.*' The Prime Minister confirmed this position to the Liaison Committee this week; "*if we were to cut the deficit more quickly then the economy would suffer and more jobs and businesses lost.*" The Conservatives have called for the knife to be wielded sooner rather than later but at the moment have only been able to identify £1.5bn of spending cuts out of a projected £80bn. This is arguably why David Cameron at the weekend adopted a longer haul tactic; "*we are not talking about swingeing cuts, we're talking about making a start in reducing our deficit.*" For a service like education, a lot may hinge on what's in any post-election emergency Budget.

The latest picture of Conservative economic policy can be found in a further Paper out this week this time from George Osborne, the Shadow Chancellor. [‘A New Economic Model’](#) is intended in time to constitute another chapter in the Party’s manifesto and is built around eight benchmarks; *“clear and transparent measures against which the public can judge the success or failure of the Chancellor and government over the next Parliament.”*

These benchmarks build on a number of the speeches the Shadow Chancellor has been making over the last six months, notably at the Party Conference in October and contain some that would have a direct bearing on the world of education.

Benchmark Number 2, for instance, *“creating a more balanced economy,”* would see a renewed focus on *“high priority sectors,”* arguably many of those already identified by the government in areas like life sciences, low carbon industry, digital media and so on but also any new impetus coming out of the (Sir James) Dyson taskforce currently looking at ways to make Britain *‘Europe’s leading hi-tech exporter.’* This suggests continuing interest in an employer driven model of skill development along with a continued emphasis on knowledge transfer and accessing private investment. Benchmark 3, [‘Get Britain Working,’](#) endorses almost verbatim proposals put forward in a Paper under that title last October, with a promise of more places in apprenticeships, FE and HE, more work pairing, an integrated Workfare Programme, more direct funding and delivery, and a cautiously worded aspiration *“to try and avoid”* Labour’s proposed 1% National insurance hike due from 2011 and regarded as a tax on jobs. Benchmark 6 is where some detail about the Conservative’s approach to reforming public services can be found; *“we will raise productivity growth in the public sector in order to deliver better schools and a better NHS.”* This includes the familiar pledge to open up the schools system to new providers, open up the provider side of welfare to work with the introduction of payment by results, cut the cost of *‘bureaucracy and quangos by a third over the course of a Parliament’* and increase transparency by putting online all items of expenditure over £25,000 although it’s not clear what would happen if anyone shouted ‘foul.’

Much of this is for the future. For the present, reality can be seen in another couple of Papers out this week, one on HE and one on FE.

The HE Paper contained the announcements from the [HE Funding Council](#) in England about the allocation of funds for the coming year. At present these are just headline figures, individual institutional allocations follow in March but the point is that the figures reflect announcements about cuts for HE made in May and December last year. The outcome is a 1.6% reduction in the teaching budget, 15% cut in the capital budget, 7% cut in the budget for special initiatives and a frozen research budget. Lord Mandelson mounted a stout defence of the HE budget a couple of weeks ago but anxieties remain high for those applying this year let alone for those currently working in the sector.

As for FE, in a week in which the Business, [Innovation and Skills Select Committee](#) held its first witness session on FE funding and the transition to the Skills Funding Agency, the Association of Colleges (AoC) released the results of its recent survey amongst colleges about their provisional allocations for adult learning for the coming year. On the basis of the 147 colleges that responded, colleges face an average 16% cut in their adult funding budgets this coming year. A lot may depend on other sources of income but as people are discovering, these are limited too.

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