



Fiscal Retrenchment and Research Funding in the UK

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Background: fiscal retrenchment

- ◆ Fiscal retrenchment is significant
- ◆ Larger and more rapid than that planned by the previous government
- ◆ Largest in many decades

The arithmetic of retrenchment

- ◆ Structural Deficit is currently 10% of GDP, plan is to reduce it to zero by 2015
- ◆ 2/3 spending reductions, 1/3 tax increases
- ◆ So 6% of GDP spending reduction
- ◆ Since government is 40% of GDP, implies 15% cut in spending
- ◆ But some spending will not be cut (health, development assistance) so cuts in the remainder are about 20-30%

How does this affect research funding?

- ◆ Seven Research Councils fund projects proposed by individual researchers or research teams
 - Their budgets are the responsibility of the Department for Business, Innovation and Skills (BIS)
- ◆ “Block Grants” awarded to universities for research quality
 - Administered by the Higher Education Funding Council for England (HEFCE)
 - Based on Research Assessment Exercise (RAE)
- ◆ These are not the only sources of funding, but we will return to this issue later

The good news

- ◆ Core science budget administered by BIS will remain flat in nominal terms over 2011-15 (the period covered by the spending review)
- ◆ It will be “ring-fenced” so cannot be raided for other government purposes
- ◆ Includes
 - £2.75 billion for the Research Councils
 - £1.6 billion in “quality related” research from the Higher Education Funding Council for England (HEFCE)

The not so good news

◆ Inflation

- Funding is flat in nominal terms, inflation is currently over 3% so 10% cut in real terms over the next four years

◆ Capital Expenditure

- roughly £450 million in capital expenditures at the research councils
- likely to be cut: BIS will receive £1.8 billion for its capital expenditure budget next year, decreasing to £1.1 billion the year following
- but not particularly important for economics or other social sciences

◆ Allocation across the seven Research Councils

- Will not be decided until January
- Some reasons to believe it may not be favourable to ESRC
 - ◆ Medical Research Council already singled out for preferential treatment in the Spending Review
 - ◆ And ...

What (almost) happened to the SSRC in the 1980s

- ◆ Certain key ministers in the Thatcher Government were highly suspicious of social science research
- ◆ Unfortunately, one of them (Keith Joseph) ran the Department that funded the Social Sciences Research Council (SSRC)
- ◆ Set up an enquiry that nearly resulted in the abolition of SSRC and social science research funding
 - Story (from the point of view of SSRC)
 - ◆ Michael Posner, « Social Sciences under Attack in the UK (1981-1983) », La revue pour l'histoire du CNRS [En ligne], 7 | 2002, mis en ligne le 20 octobre 2006, consulté le 18 novembre 2010. URL : <http://histoire-cnrs.revues.org/547>

Should we be worried now?

- ◆ Ideological composition of the government is very different now
- ◆ Secretary of State for the BIS is from the Liberal Democrats and an economist
- ◆ On balance, I would say a 1980s outcome is unlikely
- ◆ But there are likely to be cuts in social science (ESRC) budget
- ◆ If I had to guess, I would say 5-10%

Government is not the only funder: the bigger picture

- ◆ Comprehensive figures hard to obtain
- ◆ Some data from the 2008 “Helpman Report” [1], [2]
 - May underestimate funding because it looks only at departments
- ◆ Economics Departments
 - £20 million in 'block' grants in 2007
 - £52 million of research income from other sources during the five years 2000-2005
 - ◆ 37% from research councils
 - ◆ 24% from the UK central government
 - ◆ 17% from UK charities
 - ◆ 22% from UK industry, the EU, overseas sources

[1] International Benchmarking Review of UK Economics, ESRC 2008

http://www.esrcsocietytoday.ac.uk/ESRCInfoCentre/Images/Economics%20IBR%20Report_tcm6-29591.pdf

[2] Wakeling, Paul. International Benchmarking Review of Economics Briefing Document: Statistical Overview and Commentary, ESRC 2008

http://www.esrc.ac.uk/ESRCInfoCentre/Images/Economics%20International%20Benchmarking%20Review%20-%20statistical%20briefing%20%28publication%20version%29_tcm6-29627.pdf

Other sources

- ◆ Have discussed research councils and block grants
- ◆ But there are other important sources:
 -  UK central government
 -  UK charities
 -  UK industry, the EU, overseas sources
- ◆ Have some information on likely developments with the first two sources, not much information on the third source

Central government departments

- ◆ Almost certain to be cut
- ◆ Department of Health – no
- ◆ Ministry of Defence – yes
- ◆ Department for Environment - yes
- ◆ Food and Rural Affairs, and the Department for Transport - yes
- ◆ Regional Development Agencies spend £400 million annually on science and technology
 - they will be abolished, their budgets moved to Technology Strategy Board
 - likely to be cut

UK charities

- ◆ Difficult to get a comprehensive picture, since there are many charitable donors
- ◆ A few key funders of social science research
 - Leverhulme Trust
 - ◆ £50M annual expenditure, endowment £1.5B
 - ◆ Income and expenditure spending fell in 2008, rose in 2009 because of Unilever share price movements
- ◆ Joseph Rowntree Foundation
 - ◆ Annual expenditure £10M, endowment £250M
 - ◆ Endowment fell in value in 2008, rose in 2009 but income from endowment fell sharply in 2009, so annual expenditure funding level has been reduced by 6%
- ◆ Esmée Fairbairn Charitable Trust
 - ◆ Endowment £815M
 - ◆ Value has trailed the market in 2009, and expenditure has been cut as a result
- ◆ Picture is mixed – modest falls in funding for some, isolated cases of increased funding

Is there an elephant in the room?

- ◆ Changes to funding for UK universities
- ◆ Not directly related to funding of research, but seems to mark a shift to a more “US” style of university funding
 - “Securing A Sustainable Future For Higher Education In England; The Independent Review of Higher Education Funding and Student Finance”
 - Lord Browne chaired the group
 - launched in November 2009, reported in October 2010
- ◆ Government subsidies to universities for teaching will fall sharply – 30%

Fees will rise : The Browne report

Fees

- 2006 reforms capped student fees at £3,000
- All institutions already charge at this level
- Government has had to limit student places since 2006
- ◆ Proposal is to allow universities to charge fees up to £9000 per year

Student Loans

- ◆ Students pay nothing up front
- ◆ Graduates only make payments when they are earning above £21,000 per year.
- ◆ 9% of any income above £21,000.
- ◆ If earnings drop, then payments drop. If graduates stop work for whatever reason, then payments stop as well.
- ◆ Any balance remaining after 30 years is written off
- ◆ The interest rate on the loans is the rate that Government itself pays to borrow