

Press Release

IFS launches election 2015 website

As the general election approaches the governing and opposition parties are making claim and counter claim not just about each other's policies, but about what has actually happened over the past five years. Now more than ever careful, objective, accurate analysis is required to assess the claims and put the facts in the public domain.

In a major new programme of work, funded by the Nuffield Foundation, researchers at the IFS are analysing what happened over this parliament and the implications of the different parties' fiscal policies. Today our new election analysis website (<http://election2015.ifs.org.uk/>) goes live. It provides initial analysis of what has happened to the public finances, public spending, living standards, earnings, inequality, tax, welfare, pensions, education and productivity over the last five years. Much more will follow.

The following are highlights currently on our website:

- **The deficit has been halved** as a proportion of national income since 2009–10, but at £90 billion it is more than twice as large as was originally planned by this government;
- **Unprotected departmental spending will have been cut by 20%** by 2015–16 (that is services other than health, schools and overseas aid). Because of those protections, and increasing spending on pensions and debt interest, **overall spending has fallen by only 2.3% over this parliament**;
- **Spending on social security has actually risen** despite large cuts in the generosity of some working age benefits. That is largely because spending on pensioner benefits has increased, with **spending on the state pension having risen by 15%**;
- The coalition has implemented policy changes **raising tax revenues by about £17 billion a year** despite some big tax cuts, particularly the increase in the income tax personal allowance. **Cuts to corporation tax mean that our headline rate is now among the lowest in the G20.** The biggest individual tax increase was the increase in the VAT rate to 20%. A series of changes to income tax, mostly hitting higher and additional rate taxpayers, has more than paid for the increase in the personal allowance;
- The overall effect of tax and benefit changes implemented since January 2010 has been to **hit the richest hardest, to take benefits away from the poorer half of the income distribution, and largely protect those on middle and upper middle incomes.** Pensioners have also largely been protected while families with children have lost out;

Tel: +44 (0) 20 7291 4800
Fax: +44 (0) 20 7323 4780

mailbox@ifs.org.uk
www.ifs.org.uk

7 Ridgmount Street
London WC1E 7AE

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Contacts

Bonnie Brimstone
Institute for Fiscal Studies

020 7291 4800 / 07730
667013

Director:
Paul Johnson

Research Director:
Richard Blundell

The Institute for Fiscal Studies
Limited by Guarantee,
Registered in England: 954616
7 Ridgmount Street
London
WC1E 7AE

Registered Charity: 258815
VAT no: GB 394 5830 17

- IFS projections are **that by 2015–16 real median incomes will have recovered to around their 2010–11 level** but will remain below pre crisis levels;
- **Mean real earnings have fallen by 5.7% since 2010** and are 8.6% below their 2008 levels. But the proportion of people in work (73%) is now back to its pre-recession level and well above the 2011 low point of 70%. Numbers in work have grown by 1.6 million since Q2 2010. **Output per hour worked has not increased since the crisis and is 16% below where it would have been on pre crisis trends;**
- The government has implemented a **substantial programme of pension reform** which will rationalise – and over the long run cut – state pension provision. Cuts to public service pensions have been significant, but they remain much more generous than private sector pensions;
- The UK is a relatively **high spender on early years and childcare provision**. But the neither the current system of provision nor the three main parties' proposals seem well designed;
- Spending on schools has been protected and reformed in a way which should eventually add rationality and transparency to the system. The “pupil premium” means that the school funding system is now (even) more redistributive than in 2010. **On average, schools will now be receiving over twice as much money for each poor pupil as for other pupils;**
- The introduction of **annual fees of up to £9,000 for higher education appears to have had little impact on levels of participation**. The new funding system, though, looks likely to save government relatively little in the long run. Our central estimate is that the government will recoup less than 60% of the cost it incurs providing loans to students. Perhaps three quarters of current students will never repay their loan in full.

Paul Johnson, IFS Director, said: “The last five years have been extraordinary. Earnings have fallen and productivity is well below expectations but, given economic performance, employment is amazingly high. Average living standards have been stagnant. While the deficit has been halved it remains much bigger than planned.

The shape of the state has changed as some spending has been cut dramatically while spending on pensions and health has risen. Taxes overall have risen but the corporate tax rate has been reduced to among the lowest in the G20. Benefit cuts have hit lower income households, but many on average incomes and above have been spared the effects of austerity. The richest have seen the biggest tax increases. Education funding and pension systems have been reformed.

Understanding these facts, what they mean for policy, and exactly what the different parties' policies are, should be crucial to the choices people make on May 7th. We hope that the research we have done at the IFS, and new analysis we will publish over the coming months, will help inform those choices”.

ENDS

Notes to Editors

1. The above highlights have been taken from a selection of previously published briefing notes and reports, all of which appear on our election 2015 website and are intended to act as a useful resource. In coming months we will publish in excess of 10 new election briefing notes, all of which will be accompanied by IFS press releases or observations.
2. For further information please contact: Bonnie Brimstone at IFS: 020 7291 4818 / 07730 667013, bonnie_b@ifs.org.uk
3. The Nuffield Foundation is an endowed charitable trust that aims to improve social well-being in the widest sense. It funds research and innovation in education and social policy and also works to build capacity in education, science and social science research. The Nuffield Foundation has funded this project, but the views expressed are those of the authors and not necessarily those of the Foundation. More information is available at <http://www.nuffieldfoundation.org>
4. Support from the ESRC through the [Centre for Microeconomic Analysis of Public Policy \(CPP\)](#) is gratefully acknowledged.

