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EACEA
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Government Education Expenditure in the European Union during the Economic Crisis (2008-2011)

Investment in education and training is essential for sustained economic growth and competitiveness in Europe. Acquiring the right skills is key to increase employment and productivity. Europe needs well-educated and highly-skilled staff in order to drive innovation and R&D. A forward-looking and pro-active management of skills supply can help shape the future labour market and support Europe's Strategy on smart, sustainable and inclusive growth ('Europe 2020').

The crucial role of education, training and skills as drivers for growth and jobs was set out in Commission Communication 'Rethinking Education: Investing in skills for better socio-economic outcomes' of November 2012 ⁽¹⁾. Against the background of tight public budgets, the Commission has repeatedly called on Member States not to cut the spending for growth-friendly policies, such as education.

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⁽¹⁾ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Strasbourg, 20.11.2012.COM(2012) 669 final.

However, there is concern that some Member States do not provide the investments needed to improve or sustain strong and well-performing education and training systems. This is one of the policy messages emerging from the Commission's analysis carried out in the 2013 European Semester ('Moving Europe beyond the Crisis' – COM(2013) 350 final).

This overview analyses how public expenditure for education in the 27 EU-countries⁽²⁾ developed in the first years after the out-break of the financial and economic crisis. It examines changes in government education expenditure in the European Union between 2008 and 2011, focusing on two questions:

- 1) How has total government education expenditure changed during the economic crisis?
- 2) How has the economic crisis affected the share of education expenditure as a proportion of total public expenditure and as a proportion of Gross Domestic Product (GDP)?

The main findings are:

- In nine countries, government education expenditure was below the 2008 level in 2011. In the majority of EU countries, **total government education expenditure** (see Section 1) was slightly higher in 2011 than in 2008 even though it fluctuated in between.
 - Many countries were running significant budget deficits in 2008 and 2009. Yet, these countries did not react to the crisis in the same way. Ten countries responded by immediately cutting their education expenditure in 2009, while 12 others either increased or kept education spending levels stable.
 - Drops in expenditure levels were visible over two consecutive years in eight countries. However, three countries had increases for three years in a row, and 11 countries experienced increases two years in a row between 2008 and 2011.
- **Spending on education as a proportion of total public expenditure** (see Section 2.1) remained stable on average in the European Union between 2008 and 2011. In the majority of countries, there were only slight increases or decreases in the share of education spending. The decreases were significant (one percentage point or more) in Ireland, Latvia, and Portugal.
- **The share of government education expenditure as a proportion of GDP** (see Section 2.2) was about the same in 2008 as in 2011 in the European Union on average. Significant drops (half a percentage point or more) in the share of government expenditure as a proportion to GDP were visible in Bulgaria and Latvia.

There are three noteworthy limitations to this overview: First, the available data show only the short-term impact of the economic crisis on education spending from 2008 to 2011. As any policy change in education spending takes time to be translated in measures and show effect in expenditure data (in particular due to legal commitment that are difficult to question in the short run), the 2011 data only give a first indication and the further development requires to be monitored attentively. The longer-term effects will only become apparent as data for successive years becomes available.

² This report was written prior to EU28. Data for Croatia is not available.

Second, this overview deals only with total government education expenditure, excluding private investment. Moreover, the effect of changing student populations is not visible in the data, as the expenditure is not broken down by student or educational level.

Third, examining the amount of public funds invested in education does not reveal whether money has been used efficiently to improve the quality of education. Governance, funding mechanisms and school autonomy in managing resources also play significant roles.

1. How has total government education expenditure changed during the economic crisis?

During times of economic crises, counteracting forces impact government spending. Due to high unemployment, on the one hand, the demand for education increases. Young people and adults alike have incentive to remain in the education system for longer periods to enhance their skills. On the other hand, economic crises put pressure on public spending (more people on unemployment benefits, support to the economy including to the banks in the present crisis, etc.) and therefore governments may not be able to respond appropriately to all arising demands and they must make choices to keep expenditures in check. Regarding education expenditure, this can be done, for instance, through increasing private contributions or through freezing and cutting teacher salaries ⁽³⁾.

The EU-average of government expenditure on education, defined as the amount of public money invested into education in a given year, however, remained surprisingly stable during the crisis. In fact, the EU average government expenditure on education increased slightly from 2008 to 2011 (see Figure 1). Eighteen EU countries had higher government expenditure on education in 2011 than in 2008. Countries with the highest expenditure increase were Denmark, Germany, France, Luxembourg, Malta and Slovakia (above index 105). Bulgaria, Estonia, Ireland, Greece and Lithuania, however, dramatically decreased the expenditure over the same period (below index 95).

Evolution of total government education expenditure between 2008 and 2011:

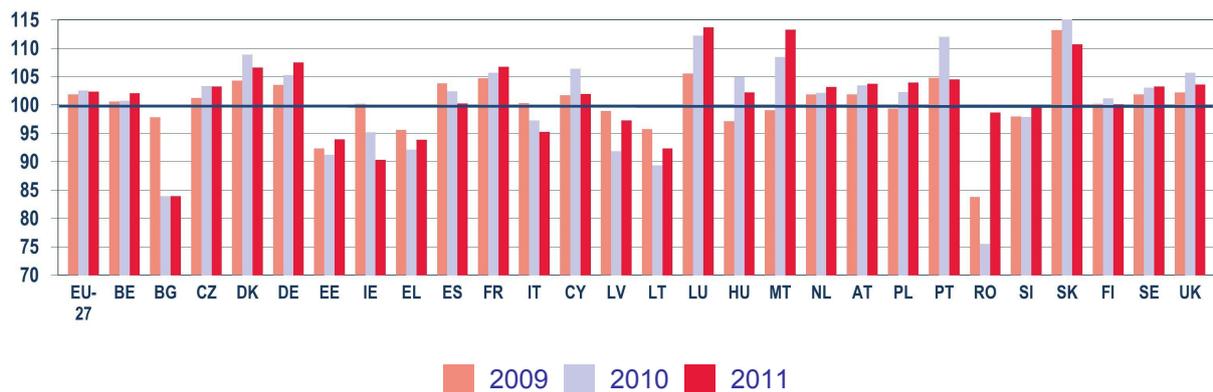
- In 2009, immediately after the crisis hit, 10 countries saw a decrease in total education expenditure. This decrease was most significant in Estonia, Greece, Lithuania and Romania, and slightly less severe in Bulgaria, Latvia, Hungary, Malta, Poland and Slovenia. All these countries had budget deficits of 3 % or more in 2008 and/or 2009 (see Annex 1). Twelve countries (Belgium, the Czech Republic, Germany, Ireland, Spain, France, Italy, Cyprus, Austria, Portugal, Slovakia and the United Kingdom) with budget deficits of around 3 % or more in 2008 and/or 2009, however, kept their education spending stable or even increased it slightly in 2009.
- In 2010, Bulgaria, Greece Latvia, Lithuania and Romania saw a second consecutive fall in government education expenditure, after which spending stabilised or even increased. Eleven countries (the Czech Republic, Denmark, Germany, France, Cyprus, Luxembourg, Austria, Portugal, Slovakia, Sweden and

⁽³⁾ European Commission/EACEA/Eurydice, 2013. *Funding of Education in Europe 2000-2012: The Impact of the Economic Crisis. Eurydice Report*. Luxembourg: Publications Office of the European Union.

the United Kingdom) increased their total education expenditure for the second consecutive year.

- In 2011, three countries had had two consecutive drops in education expenditure: in Ireland they were significant, while in Spain and Italy they were less pronounced. No country had experienced three consecutive years of decrease. On the positive side, Germany, France and Luxembourg had, at that point, increased their total education spending three years in a row, while Malta and Poland had consecutively increased their education expenditure for two years.

Figure 1: Trends in total public spending on education from 2008 to 2011 at constant prices (2008 = ratio 100)



	EU-27	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	CY	LV
2009	101.9	100.7	97.8	101.3	104.3	103.5	92.4	100.2	95.6	103.8	104.7	:	100.3	101.7	98.9
2010	102.6	100.8	84.0	103.3	108.9	105.3	91.2	95.2	92.2	102.4	105.7	:	97.3	106.4	91.8
2011	102.4	102.1	83.9	103.3	106.6	107.5	93.9	90.3	93.9	100.3	106.8	:	95.3	102.0	97.3
		LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2009		95.7	105.6	97.2	99.1	101.9	101.8	99.4	104.8	83.8	98.0	113.2	100.2	101.9	102.3
2010		89.4	112.3	104.9	108.5	102.2	103.4	102.3	112.0	75.5	97.9	120.2	101.2	103.1	105.7
2011		92.4	113.7	102.3	113.3	103.2	103.7	103.9	104.5	98.7	99.8	110.7	100.1	103.3	103.6

Source: Eurostat, National accounts statistics and COFOG (data extracted 14 March 2013).

Explanatory note

Total public spending on education expressed in millions of Euros has been deflated by Harmonised Index of Consumer Prices (HICP) from Eurostat, 2008=100 (based on Euros) of the individual consumption expenditure of general government.

Country specific notes

EU-27: Total public spending on education represented as a weighted average.

Bulgaria: Total public spending on education 2008-2010 – provisional data.

Greece: Total public spending on education: 2008-2011 – provisional data. Price index: 2008-2010: provisional data

Spain: Total public spending on education 2011 – provisional data.

Latvia: Price index – 2008-2010 break in series.

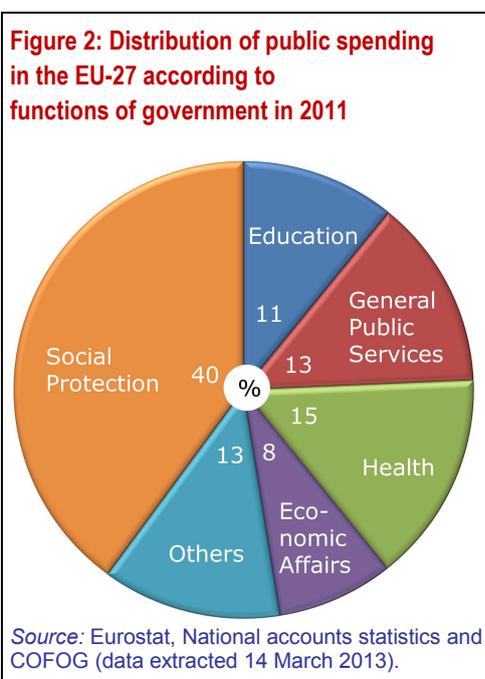
Hungary: Total public spending on education 2008-2011 – provisional data.

Netherlands: Total public spending on education: 2008 – provisional data.

Portugal: Price index 2010 – provisional data.

2. How has the economic crisis affected the share of education expenditure as a proportion of total public expenditure and as a proportion of Gross Domestic Product (GDP)?

The next two sub-sections analyse the total government education expenditure (see Section 1) in relation to total public spending and GDP.



2.1. The share of education expenditure as a proportion of total public spending was relatively stable between 2008 and 2011

The EU average share of education expenditure within total public spending remained stable at 11 % between 2008 and 2011 (see Figure 3). As shown in Figure 2, Social Protection had the largest share at 40 %, followed by Health, General Public Services, 'Other' (including, for example, Defence or Environment), Education and finally Economic Affairs.

In 2011, the share of education spending as a proportion of total public expenditure remained within half a percentage point above or below the 2008 level in 19 countries. Decreases larger than that took place in Ireland, Spain, Latvia, Portugal, Romania and Slovenia, while the share increased in Malta and Slovakia.

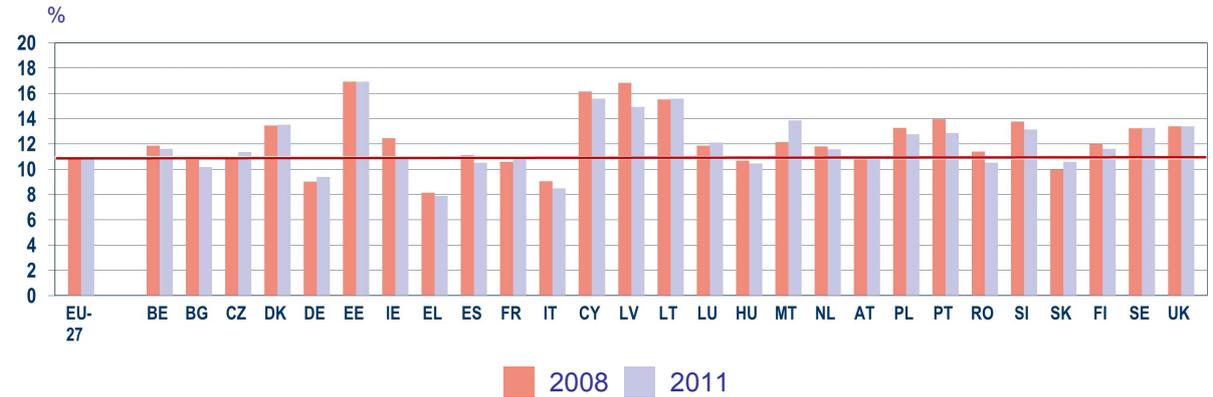
Economic turbulences may lead to changes in education's share from the total public spending. Comparing changes in the share of education expenditure as a proportion of total public spending and changes in the total education expenditure (see Section 1) informs us about difficult choices governments have to make in times of crisis. For example, if both the total education expenditure and its share from total public spending decrease, it could be deduced that other sectors have required urgent governmental action. Over the 2008-2011 period, this was particularly the case in Bulgaria, Ireland and Latvia.

During an economic crisis, total public expenditure may increase as a result of more spending on social protection, for example, thus leading to a decrease in the share of education expenditure, even if the absolute spending level remains the same. A similar shift in government action towards other sectors than education happens when the share of education spending from total government expenditure decreases, even though the total education expenditure increases. This simply means that the increase was not high enough to maintain education's share in overall expenditure. This scenario has been the case particularly in Portugal.

Conversely, when education expenditure is reduced but its share from total public spending remains stable, education has kept its relative importance because cuts in public expenditure have taken place across other sectors as well. This was the case in Estonia and Lithuania. When both the total education expenditure and its share increase, education can be considered a priority area, which was the case particularly in the Czech Republic, Germany, Malta and Slovakia.

The share of education expenditure may also fluctuate quite dramatically as a result of exceptional circumstances. In Ireland, for example, the banking crisis caused exceptional circumstances in 2010, leading to an almost 4 percentage point reduction in the share of education expenditure ⁽⁴⁾). However, health and social protection suffered even more, with falls of 5 and 8 percentage points respectively. On the other hand, the share of public expenditure on economic affairs increased by over 22 percentage points. A similar situation, although less pronounced, occurred in Latvia. However, fluctuations were temporary in both countries, and the following year the share of education spending increased.

Figure 3: Education expenditure as a share of total public expenditure from 2008 to 2011



	EU-27	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	CY	LV
2008	10.9	11.9	10.7	10.9	13.4	9.0	16.9	12.4	8.1	11.1	10.6	:	9.0	16.1	16.8
2009	10.9	11.6	10.4	10.8	13.7	9.1	15.9	12.1	7.9	10.9	10.8	:	8.9	15.7	15.5
2010	10.8	11.6	10.1	11.0	13.9	9.0	16.8	8.4	7.8	10.6	10.8	:	8.8	16.1	14.0
2011	10.9	11.6	10.2	11.4	13.5	9.4	16.9	10.9	7.9	10.5	10.8	:	8.5	15.6	14.9
	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK	
2008		15.5	11.9	10.7	12.1	11.8	10.9	13.3	13.9	11.4	13.8	10.0	12.0	13.2	13.4
2009		15.6	11.8	10.3	12.6	11.5	10.9	12.5	13.7	9.9	13.3	10.4	11.7	13.2	13.5
2010		15.0	12.1	11.3	13.7	11.4	10.8	12.4	13.8	8.3	13.2	11.2	11.8	13.2	13.7
2011		15.6	12.1	10.4	13.9	11.6	11.0	12.8	12.9	10.5	13.1	10.6	11.6	13.3	13.4

Source: Eurostat, National accounts statistics and COFOG (data extracted 14 March 2013).

Country specific notes

EU-27, Greece and Hungary: 2009-2011 – provisional data.

Bulgaria: 2009-2010 – provisional data.

⁽⁴⁾ Classification of the Functions of Government (COFOG) 2012, Data extracted 14 March 2013

2.2. The share of education expenditure as a proportion of Gross Domestic Product (GDP) fluctuated between 2008 and 2011

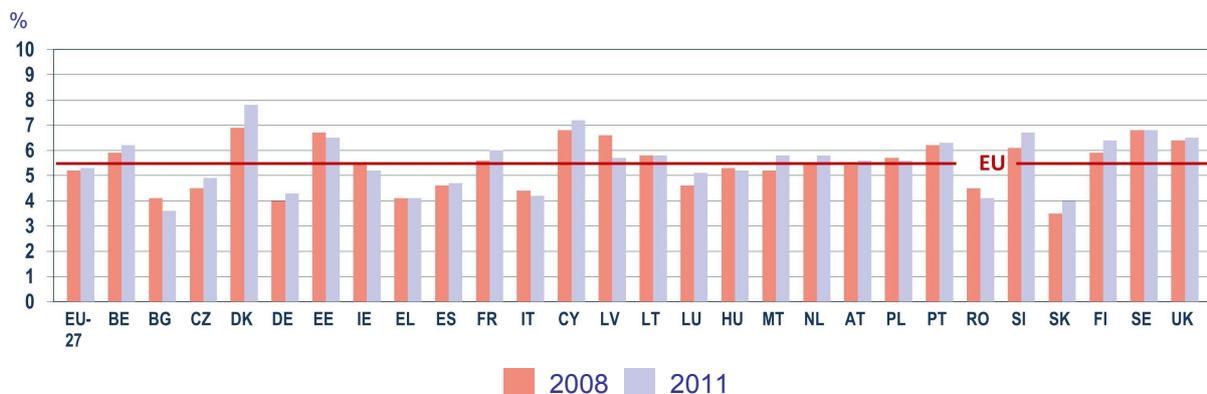
GDP (Gross Domestic Product), the market value of all finished goods and services produced within a country in a given period of time, is often used as an indicator of a country’s wealth. Government spending on education as a percentage of GDP may therefore indicate the proportion of national wealth invested in education.

The EU average spending as a percentage of GDP was about the same in 2011 as in 2008 (see Figure 4), remaining within half a percentage point above or below the 2008 level in most countries over the period. Bigger decreases than this were seen in Latvia, while bigger increases happened in Denmark, Malta and Slovenia.

In 2011, almost all countries recorded growth in GDP after it had contracted in 2009 (see Annex 2 for exceptions). Therefore, the decline in the share of education expenditure as a proportion of GDP can be attributed to an increase in GDP, and not necessarily to a decrease in actual education spending. This corresponds to findings described in Section 1, which showed that actual education spending in most EU-countries was higher in 2011 than in 2008.

In times of economic crises and subsequent periods of recovery, GDP tends to fluctuate. This means that when GDP increases, the proportion of education expenditure decreases if the actual amount of education expenditure remains stable. That is why making judgements about the real level of spending when expressing it as a proportion of GDP has to be treated with caution.

Figure 4: Education expenditure as a share of GDP from 2008 to 2011



	EU-27	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	CY	LV
2008	5.2	5.9	4.1	4.5	6.9	4.0	6.7	5.5	4.1	4.6	5.6	:	4.4	6.8	6.6
2009	5.5	6.2	4.3	4.8	8.0	4.4	7.2	5.9	4.3	5.1	6.1	:	4.6	7.2	6.8
2010	5.5	6.1	3.8	4.8	8.0	4.3	6.8	5.5	4.0	4.9	6.1	:	4.5	7.5	6.1
2011	5.3	6.2	3.6	4.9	7.8	4.3	6.5	5.2	4.1	4.7	6.0	:	4.2	7.2	5.7
	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK	
2008		5.8	4.6	5.3	5.2	5.5	5.4	5.7	6.2	4.5	6.1	3.5	5.9	6.8	6.4
2009		6.8	5.3	5.3	5.4	5.9	5.7	5.6	6.8	4.1	6.5	4.3	6.6	7.2	6.9
2010		6.1	5.2	5.6	5.7	5.8	5.7	5.6	7.1	3.3	6.6	4.5	6.6	6.9	6.9
2011		5.8	5.1	5.2	5.8	5.8	5.6	5.6	6.3	4.1	6.7	4.0	6.4	6.8	6.5

Source: Eurostat, National accounts statistics and COFOG (data extracted 14 March 2013).

Country specific notes

Bulgaria, Greece and Hungary: 2009-2011 – provisional data.

Netherlands: 2008 – provisional data.

ANNEX

Annex 1: Budget deficits/surplus under the Excessive Deficit Procedure as percentage of GDP from 2008 to 2011

	EU-27	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	CY	LV
2008	-2.4	-1.0	1.7	-2.2	3.2	-0.1	-2.9	-7.4	-9.8	-4.5	-3.3	-1.4	-2.7	0.9	-4.2
2009	-6.9	-5.5	-4.3	-5.8	-2.7	-3.1	-2.0	-13.9	-15.6	-11.2	-7.5	-4.1	-5.4	-6.1	-9.8
2010	-6.5	-3.8	-3.1	-4.8	-2.5	-4.1	0.2	-30.9	-10.7	-9.7	-7.1	:	-4.5	-5.3	-8.1
2011	-4.4	-3.7	-2.0	-3.3	-1.8	-0.8	1.1	-13.4	-9.4	-9.4	-5.2	:	-3.9	-6.3	-3.4
	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK	
2008		-3.3	3.2	-3.7	-4.6	0.5	-0.9	-3.7	-3.6	-5.7	-1.9	-2.1	4.4	2.2	-5.1
2009		-9.4	-0.8	-4.6	-3.9	-5.6	-4.1	-7.4	-10.2	-9.0	-6.0	-8.0	-2.5	-0.7	-11.5
2010		-7.2	-0.8	-4.4	-3.6	-5.1	-4.5	-7.9	-9.8	-6.8	-5.7	-7.7	-2.5	0.3	-10.2
2011		-5.5	-0.3	4.3	-2.7	-4.5	-2.5	-5.0	-4.4	-5.5	-6.4	-4.9	-0.6	0.4	-7.8

Source: Eurostat, National accounts statistics

Explanatory note

The general government deficit/surplus is defined in the Maastricht Treaty as general government net borrowing/lending according to the European System of Accounts (ESA95). It is the difference between the revenue and the expenditure of the general government sector. The government deficit data related to the EDP (EDP B.9) differs from the deficit according ESA95 (B.9) for the treatment of interest relating to swaps and forward rate agreements. The general government sector comprises the sub-sectors of central government, state government, local government and social security funds. The series are presented as a percentage of GDP and in millions of euro. GDP used as a denominator is the gross domestic product at current market prices.

Annex 2: Annual GDP growth in EU countries from 2008 to 2011

	EU-27	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	CY	LV
2008	0.3	1	6.2	3.1	-0.8	1.1	-4.2	-2.1	-0.2	0.9	-0.1	2.1	-1.2	3.6	-3.3
2009	-4.3	-2.8	-5.5	-4.5	-5.7	-5.1	-14.1	-5.5	-3.1	-3.7	-3.1	-6.9	-5.5	-1.9	-17.7
2010	2.1	2.4	0.4	2.5	1.6	4.2	3.3	-0.8	-4.9	-0.3	1.7	-1.4	1.7	1.3	-0.9
2011	1.5	1.8	1.8	1.9	1.1	3	8.3	1.4	-7.1**	0.4	1.7	0**	0.4	0.5	5.5
	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK	
2008		2.9	-0.7	0.9	3.9	1.8	1.4	5.1	0	7.3	3.4	5.8	0.3	-0.6	-1
2009		-14.8	-4.1	-6.8	-2.6	-3.7	-3.8	1.6*	-2.9	-6.6	-7.8	-4.9	-8.5	-5	-4
2010		1.5	2.9	1.3	2.9	1.6	2.1	3.9	1.9	-1.1	1.2	4.4	3.3	6.6	1.8
2011		5.9	1.7	1.6	1.7	1	2.7	4.3	-1.6**	2.2	0.6	3.2	2.8	3.7	0.9

Source: Eurostat, National accounts statistics

* All EU-countries, except Poland, had negative GDP growth in 2009

** All EU-countries, except Greece and Portugal and Croatia, had positive GDP growth in 2011