

Education inequalities

Christine Farquharson (Institute for Fiscal Studies), Sandra McNally (University of Surrey; Centre for Economic Performance, LSE) and Imran Tahir (Institute for Fiscal Studies)¹

Executive summary

Changes in education over time

Education levels have risen over time, in the UK and internationally. The share of students achieving at least five good GCSEs or equivalent increased from under 40% in the early 1990s to a high of 82% in 2012, while the share of the working-age population with a degree has more than doubled since 2000 – from just under 20% in 2000 to just over 40% in 2020.

Despite rising qualifications, England stands out internationally for nearly non-existent improvements in skills when making comparisons across generations. In virtually all OECD countries, literacy and numeracy skills are substantially higher among young people aged 16–24 than among the older generation (aged 55–65). England is the exception to the rule: while its 55- to 65-year-olds perform relatively well, especially in literacy, young people in England have not improved on these skills at all. That has left England ranked 25th out of 32 countries in terms of the literacy skills of its young people.

Despite spending increases in the last few years, education spending as a share of national income is no higher than in the early 2000s. Taking into account the likely taxpayer cost of non-repaid student loans, UK education spending in 2020–21 was worth 4.8% of national income. A decade earlier, following years of real-terms growth, education spending had peaked at over 5.6% of national income.

Today's education inequalities are tomorrow's income inequalities

Higher levels of qualification are strongly associated with better prospects in the labour market. Around nine in ten graduates are in employment between their mid 20s and early 50s. Employment rates of people educated to GCSE level or below are far lower: among those in their 30s, for example, two in five women and one in five men are not in work. Graduates also enjoy higher earnings, with the median 40-year-old graduate earning twice as much as someone qualified to GCSE level or below. Despite a huge increase in the share of graduates, this 'wage premium' has barely budged in the last five decades, at least for men. There is good evidence that at least some of this wage premium is due to the causal impact of education improving people's outcomes, rather than just selecting and sorting people of differing ability.

¹ The authors are grateful to Anna Vignoles, Paul Johnson, Robert Joyce and the Deaton Review panel for many helpful contributions and suggestions, which have greatly improved the chapter.