

What will be the effect on socio-economic mobility of the UK government's plan to impose value added tax on school fees?

Quality education has long been established as the main driver of increasing socio-economic mobility, providing individuals with the skills and opportunities needed to lead a successful life (Mian, 2023). The persistent divide between state and private education, with resources and opportunities concentrated largely to those attending exclusive private schools, has hindered intergenerational mobility for less affluent pupils (Domnisoru et al., 2018), unable to access these institutions. Tackling this, the UK government has implemented a hypothecated tax on private school fees while directing revenue into state schools. Will this tax narrow the gap between state and private education and promote social mobility?

In this essay I will be arguing that the government's plan on imposing a 20% VAT on private schools will reduce socio economic mobility in the UK as it will lead to greater inequity between the rich and the poor, making private schools more exclusive and financially out of reach for most, while exerting pressure onto overcrowded state schools in the short run. However, with careful planning and investment in the right areas, improvements to mobility may be seen in the long run.

Implementation of the tax will lead to increased price induced exclusion from private schools, as higher tuition fees will financially exclude many families from accessing these institutions, making them even more out of reach. As demand for private schools is largely inelastic (Lim, 2024), the VAT will disproportionately affect middle class families as it creates a financial burden they are unable to absorb, due to the tax burden falling primarily on them.

It is estimated that schools will pass on 14% of the VAT onto parents. As a result, a household earning £100k a year, will have less disposable income than a couple earning national minimum wage for a 40-hour working week after having paid the increased school fees for two children (Woolcock, 2025). Therefore, this tax is regressive as it disparately affects those who are unable to cater for an increase in school fees, such that private schools become out of reach for the children of doctors, lawyers and academics who work hard to give their children the best education, while the super wealthy are able to look past the VAT and carry on accessing the highest quality education, increasing educational inequality.

Moreover, as demand for private schools is inelastic and therefore unresponsive to a change in price, it is expected that only 6% of private school students are to switch to state schools, which is a mere 0.5% of the school age population in the UK (Education Hub, 2024), with the majority moving being most likely middle-class children. Thus, this minor change in students switching from private to state schools will have limited effects on creating a level playing field in education, whilst simultaneously reducing the competition the ultra-wealthy face for exclusive benefits private schools offer, such as university preparation and access to elite networks. As a result, middle class families who make sacrifices to be able to afford school fees, face an unjust economic outcome, as they are unable to absorb the 20% vat, losing access to educational choice whilst also not being in a position where they are able to qualify for bursaries and public support to remain at private schools.

Market for Private Education in the UK

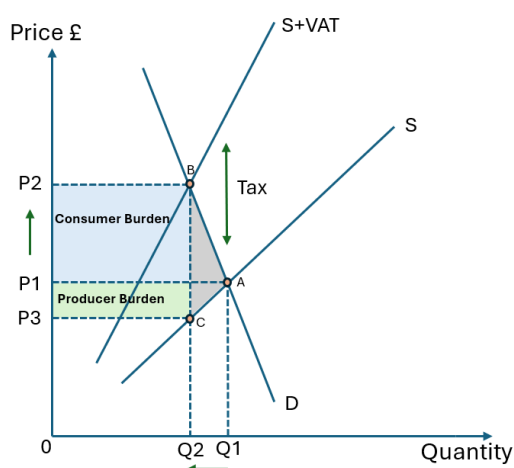


Fig.1: The VAT places most of the cost onto parents due to inelastic demand for private schools and leads to a loss of welfare.

Therefore, the result of the tax is a deadweight loss to society, demonstrated in Figure 1 as triangle ABC. For example, middle-class pupils may face reduced networking opportunities, limiting their social capital (BitGlint, 2024). Furthermore, families who choose to stay in private schools could experience increased difficulties in accumulating long-term wealth. Additionally, the tax could lead to the crowding out of state dependent families due to school switching, resulting in larger class sizes, higher teacher to student ratios, and potentially reducing the likelihood of pupils getting into their first choice state schools in areas with a high concentration of private ones (Adams, 2025).

In addition, private schools seeking to cut down on costs in order to retain students, has resulted in 78% of schools stating that they will reduce bursaries and scholarships (Tyack, 2024), which is significant as 30% of all children attending private schools receive financial aid worth over £935m (Beer, n.d.). Therefore, this further reduces the chances of middle and lower-class children having the opportunity to attend high achieving institutions, concentrating quality education among the more privileged sections of society.

Private schools have greater autonomy to shape their curriculum to the needs of individual students, many offering specialised language and gifted programs to those suited, utilising partnerships they hold with universities and industry to enable their students to make valuable connections and gain real world experience, helping them develop skills needed to give them a competitive edge and excel in the workforce (BitGlint, 2024). This is evident as it has been found that private school students are more likely to go to university, with 60% of private school students attending compared to 48% state, and 1% of state going to Oxbridge relative to 5% private. (The editors of My Top Schools, 2022)

Naturally, with additional students attending state schools, more children will be exposed to the same curriculum, with the benefits of a standardised curriculum including solidarity amongst educators and greater equality in educational outcomes, (Educational Wave Team, 2025) putting a focus on talent rather than wealth for academic and job success. It is found that fee paying students in the UK are on average 2 years above state counterparts (Murkett, 2024) along with most top professions being dominated by privately educated individuals (Roberts, 2024) hence this reduction in access to specialised programs and networking opportunities for the

rich, means all individuals no matter their socio economic status have a more equal opportunity to improve their socioeconomic prospects and outcomes.

Furthermore, real world evidence, such as the example of Finland, has shown the benefits of a fair schooling experience. Finland has little to no private schools, with 97% of education at the basic level provided by the state (PEER Team, 2021). Despite having shorter school days and no nationalised tests, while also putting a greater focus on vocational skills like cooking and sewing, the country still comes top of the PISA, a standardised test given to 15-year-olds in 65 nations across the world (Gross-Loh, 2014), highlighting the importance of a well-rounded, equal education.

The benefits of a fair schooling experience are evident from Figure 2, as Nordic countries, who emphasise equality in work and crucially education, regardless of social class, enable people to improve their social and economic trajectory (Wood, 2020). As a result, Finland is the 3rd most socially mobile country in the world, demonstrating the need for fairness to achieve good social mobility.



Fig 2: Nordic nations top the Global Social Mobility Index, which is scored out of 100, reflecting effectiveness of policies in health, education and social protection in promoting social mobility (Wood, 2020).

However, the most salient advantage of the 20% VAT is that the revenue generated from this tax is politically earmarked to give “every single penny” to state schools and is thought to raise £1.7bn by 2029-30 (Shearing & Clarke, 2025). This is to be invested in 6500 more teachers in subjects such as maths and science, increasing teacher training, delivering work experience and career advice, along with improving early language support (Turner, 2025). Thereby enhancing the quality of education and the support available for less advantaged students in the long run.

Crucially, it can be argued that it is more marginally productive to invest £1 into state schools than into private due to the law of diminishing marginal returns, which states that after an optimal threshold, the addition of any extra input will lead to smaller gains in output (Hayes, 2025). Consequently, the tax can lead to the education system moving closer to allocative efficiency, where resources are directed to underfunded state schools, where they are most effective and generate the greatest social benefit, compared to private schools where amenities are already abundant, thus increasing upward mobility.

Despite this, the extent to which the tax will be effective depends on how much is in fact raised. On average, it is estimated to raise £3600 per pupil (Murkett, 2024), which is less than half of what is needed to educate a child in the state sector, as well as the extent to which parents chose to move their children over to state education needing to be considered. For example, if 11% of private school students move, the policy would raise £650m in extra revenue and £1.5bn if 5% move (Murkett, 2024). Therefore, every child that switches to state education will simply add pressure to an already overburdened system, reducing the revenue available for investment, while diluting the quality of education in state schools (Business Matters, 2024).

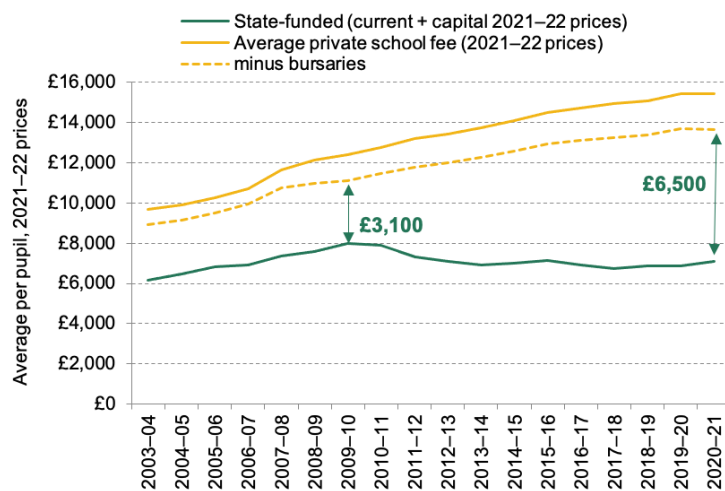


Fig 3: Comparing state school spending per pupil and average private school fees over time (2021-22 prices), (Sibieta, 2021).

In turn, it is evident from Figure 3 that the average spending per pupil in private schools is over double of state schools, as private schools direct fees primarily to investment toward resources for each child. Therefore, no matter how high the tax imposed, it would not be able to bridge the gap in funding and resources allocated per pupil between these schools.

Additionally, if investment into state schools makes them a viable substitute for private education, it can increase demand over what is currently expected. For instance, if 26% of parents move their children away from private schools, it is estimated that a minimum of 65% of total revenue generated from the VAT and up to 123% (Keck, 2024) will be used to fund the inflow of new students. This could lead to little to no revenue generated by the tax being used on investment and improvement of state schools, rendering them ineffective: potentially worsening the government's budget deficit of £74.6bn (Chantrill, n.d.) if additional borrowing is needed to support these schools without reducing expenditure in other areas.

Likewise, if investment in state schools were to increase their quality, it will likely result in more parents switching their children to state schools, and due to diseconomies of scale, teachers and facilities, such as technology or sports equipment will become more strained, unable to facilitate the influx of new students, leading to lower learning outcomes and schools becoming less efficient.

Finally, wealthy families, in higher positions in society, are likely to possess greater stocks of social capital and information, which entrenches their access to networks and connections that provide an advantage in attaining internships and job opportunities for their children (Picchi, 2022), regardless of whether their children attend state or private schools.

Nepotism is increasingly seen in the workplace, as 70.2% of people claim they benefit from networks to secure at least one contract or job permission (Fennell, 2025), thereby showing that having relationships and good social capital is the most important factor for securing high paying jobs, such that the good jobs remain within closed networks, so increasing education standards does not eliminate the advantage wealthier individuals with the strongest networks have, limiting socioeconomic mobility for the other socioeconomic classes.

In conclusion, the 20% VAT will worsen social mobility in the UK, despite the government's plans of increasing education quality for all, as in the short term it can increase pressure on state schools, as well as being relatively inefficient. However, in the long run, if resources are allocated to state schools in key areas such as teacher training and extracurricular opportunities allowing the quality of education to catch up to that of private schools, then social mobility may increase. If individuals from lower socio-economic backgrounds are given the additional support to access higher-paying occupations and increased cultural capital, then perhaps, making the advantages that are currently gatekept by private schools more inclusive rather than less is the way to go moving forward.

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