

Hans Vossensteyn*

Student financing in the Netherlands: from generosity to cost-sharing - facts, perceptions and effects

Summary

In 1986 a generous new system of student financing was introduced in the Netherlands. Over time, many changes were implemented, including higher tuition fees, an increased role for student loans, performance requirements and flexibility for students to work alongside study. This paper explores how these developments impacted the financial situation of students, access and equity in higher education, and how students perceive the influence of cost-sharing.

Key words: Netherlands, cost-sharing, tuition fees, student support, price-responsiveness.

JEL: I280

1. Tuition fees

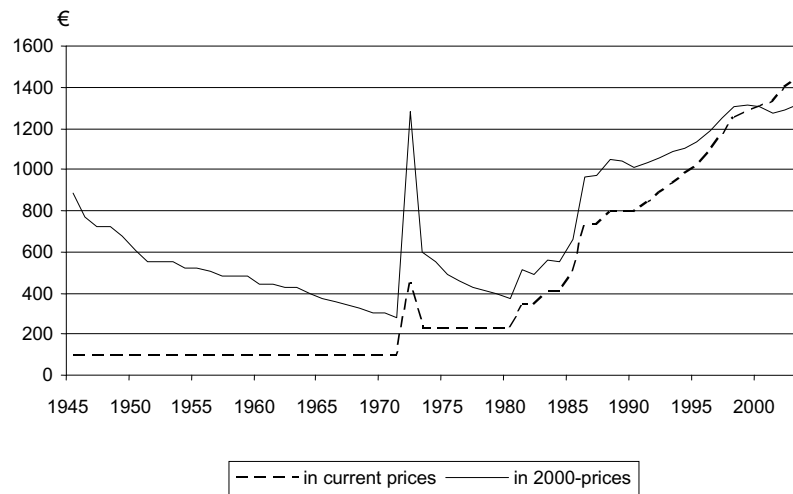
In the Netherlands, students in publicly funded higher education have had to pay a uniform tuition fee, regardless of the costs related to different study programmes, since 1945. The government annually sets the tuition rate. During the 1980s university students paid slightly higher fees than students in the HBO sector, but in the early 1990s this was equalised again. Students make their tuition payments directly to the higher education institutions, which have full autonomy over this revenue stream. In 2003, tuition fees made up about 17% of institutional revenues in the HBO sector and about 5.5% in the university sector – about 15% of the overall university teaching budget (Tweede Kamer der Staten-Generaal, 2003). This demonstrates that public subsidies to higher education are considerable and private contributions moderate. Figure 1 shows the development of the level of tuition fees in the Netherlands since 1945.

The real value of the fees declined in the 1945–1971 period. In that period students had to pay NLG 200 (€1) per academic year in nominal terms. After an initial increase to NLG 1,000 (€454) in 1972–1973, the level was set at NLG 500 (€227) between 1974 and 1980. Since then, tuition levels have gradually increased up to almost €1,445 in 2003–04. Figure 1 shows that particularly in the period since 1986 the increases in the level of fees

often exceeded the rate of inflation. As a result, a larger share of the costs of higher education has been gradually shifted to students and their families, which indicates that the Dutch government did not use the instrument of tuition reduction to expand access to higher education. As such, tuition fees have become an issue of continuous discussion. Proponents argue that tuition fees constitute a “fair” private contribution to the costs of higher education, which brings the individual students considerable future rewards (monetary as well as non-monetary). But the opponents of fees argue that these harm access, particularly for those from lower socio-economic backgrounds. This has led to many heated political debates about who has to pay the costs of a steadily growing higher education system. As a good Dutch tradition, such debates generally end in compromises that include moderate annual tuition increases accompanied by the full compensation of lower-income students through a system of student financial support.

The major discussions on tuition fees in 2002–2003 related to the issue of differential tuition fees. The Ministry of Education, Culture and Science took up the discussion for a number of reasons: to allow institutions to charge higher contributions in return for enhanced quality programmes, and to make particular subjects like science, engineering and teacher training more attractive. However, in the first case opponents fear that this would harm access for poor students, and

* Center for Higher Education Policy Studies (CHEPS), University of Twente, Enschede, Netherlands

Figure 1: Development of tuition fees (€ in current prices and in real 2000 prices)

Source: Ministerie van OCW, time series.

in the second case it is questioned whether abandoning the equity principle, not to mention the public costs involved, can be justified by the expected number of extra students attracted to the desired programmes.

An interesting recent development has been to experiment with allowing institutions to develop programmes that offer additional quality, for which they are allowed to ask higher tuition fees. Up to now, a few such programmes have been accepted by the Ministry of Education.

2. Student support

Since 1945, successive Dutch governments gradually developed a system of student support, though with a change of focus over the following six decades (De Regt, 1993). In the early days the major drive was to open up opportunities for small numbers of talented low-income students. Between 1956 and 1972, economic growth and the general tendency of democratisation changed the focus to opening opportunities for all. This period laid the groundwork for the massification of higher education, though student support remained limited to small bursary and loan programmes. Financial support consisted mainly of tax benefits and family allowances for students' parents. Due to the oil crises of the early 1970s, the actual implementation of a far-reaching student support system was postponed. As a result, we can conclude that before 1986 there was a willingness to expand students' opportunities, but due to limited government resources, student support was not a very active instrument in encouraging access to

higher education. Nevertheless, participation rates considerably increased during this period and the gender imbalance to a large extent disappeared. Most recently the number of female students is slightly higher than the number of male students.

A new relatively generous system of student aid was implemented by the Student Finance Act (WSF) in 1986. This system transformed all indirect support like tax benefits and family allowances into direct financial support to students themselves. The system established a compromise between students' access and financial independence, transparency and simplicity of the system, and affordability for the government (Hupe and Van Solm, 1998). The major characteristics of the system, which is still largely in place, are reflected in the following elements:

- ◆ A basic grant (*basisbeurs*) for all full-time students, varying between students who live with their parents and those who do not;
- ◆ A means-tested supplementary grant for a limited number (about 30%) of students;
- ◆ Loans that can be taken up on a voluntary basis, carrying a below-market interest rate;
- ◆ Parental contributions or students' own income. The parental contributions are strongly inter-related with the (parental) means-tested supplementary grants and loans;
- ◆ Finally, students can earn up to €10,527.57 per annum (in 2006) before they start losing any of their grant entitlements.

All components together add up to a given amount that students are expected to need for study and living costs according to annual estimates by the

Ministry of Education, Culture and Science. From this perspective, no (full-time) student should face any financial barriers for entrance into higher education.

2.1. Changes within the current student financing mechanism

After 1986, on the basis of demographic developments the government expected a decline in the number of students and thus believed that a relatively generous system for students would be feasible from the viewpoint of public finances. But the opposite happened, and partly as a result, a large number of additional changes have taken place since then (Vossensteyn, 2002):

- ◆ Tuition fees were increased in real terms.
- ◆ Basic grants were reduced several times due to growing numbers of students and limited public budgets.
- ◆ Supplementary grants were increased to compensate for tuition increases, inflation and reductions in the basic grants. This is to guarantee access for students from disadvantaged backgrounds (about 30%, based on a means test).
- ◆ The duration of grants was reduced in two successive steps (1991 and 1996) to the nominal duration of courses (4–6 years).
- ◆ Student loans gained in importance. As with supplementary grants, student loans also covered reductions in the basic grant, increases in tuition fees and inflation. In addition, students have been permitted to replace (assumed) parental contributions with student loans since 1995.
- ◆ Performance requirements were imposed. Since 1993 students have had to meet performance requirements in order to remain eligible for grants. Under the so-called “progress-related grant” (*Tempobeurs*) students had to pass 25% of the annual study credits, or otherwise their grants would be converted into interest-bearing loans (Hupe and Van Solm, 1998). In 1996, the progress requirements were intensified through the “performance-related grant” (*Prestatiebeurs*). Since then, all grants have been awarded initially as loans, and only if students pass 50% of their exams in the first year and complete their degree within the nominal duration of the programme plus two years (six or seven years in total) are their initial loans converted into a grant. In 2000, the time limit to complete a degree was relaxed to 10 years for all programmes, particularly to allow students to be involved in extra-curricular activities like student activism and part-time work (Ministerie van OCenW, 1999).

- ◆ Due to the developments addressed above, the emphasis on parental contributions and students’ own resources has gradually increased. In addition, students’ expenditure patterns have gone up, exceeding the standard budget available through student support. Finally, students seem to be debt averse. Consequently there is more pressure on parents and students, who are more likely to have part-time jobs (Vossensteyn, 1997).

Most of the changes implicitly meant budgetary reductions and were aimed at encouraging students to pursue more efficient study patterns. Furthermore, the focus of the support policies have shifted: from opening up opportunities for lower income groups until the mid-1980s, followed by creating a basic income provision for all students in 1986, after which the system reverted once again to supporting underprivileged students. The impact of all changes in the student financing system on student choice and students’ enrolment behaviour will be discussed in the next section.

3. Impact of tuition and support policies on student enrolment behaviour

Until the mid 1980s, student financial support was relatively moderate or poor in the Netherlands and thus could not be expected to generate massification in higher education. Nevertheless, rapid expansion of higher education happened during the 1960s and 1970s, also reducing the gender imbalance to a large extent. These developments seem to be the result of general societal tendencies rather than active access policies.

However, the introduction of a relatively generous system of student support in 1986 could be expected to boost access and participation, although its purpose was to guarantee equal access for all students regardless of their backgrounds. There have been a number of studies on student choice behaviour that also looked at the potential relationships between financial support and participation. However, most of these studies indicated no clear relationships between changes in student finance and the composition of the student body (De Jong et al., 1991; De Jonge et al., 1991).

Also the deterioration of student support, particularly during the 1990s, has been studied for its impact on access to higher education (Vossensteyn, 2002). The gradual shift towards cost-

sharing in the Netherlands might be expected to have led to changes in student enrolment behaviour, for example in terms of lower participation, the choice of cheaper (shorter) or easier study programmes, or better study progress. However, hardly any such changes in student choice seem to have occurred. Only a few tendencies can be indicated.

First, the introduction of study progress requirements, which meant a serious “cultural change”, had only a temporary effect on participation in higher education. Initially, the number of new entrants to university studies decreased slightly, some (potential) students postponing actual enrolment and some university-qualified candidates entering HBO programmes (De Jong et al., 1996). However, within a few years the traditional enrolment patterns appeared again.

A second interesting development is that, regardless of the growing emphasis on loans, the number of students actually taking up loans decreased substantially, from 40% in 1991 to about 15% in 1997 (De Vos and Fontein, 1998). One reason is that since 1992 interest has been charged. However, take-up rates have gone up slightly since 2000 to about 24% in 2005. Instead of acquiring student loans, students prefer to take part-time jobs, which enable them to avoid accumulating debts and even to upgrade their standard of living. Moreover, students are also willing to borrow outside the student loan system, either from family or by having a bank overdraft. Many even take up flexible and temporary loans from private banks to cover extraordinary expenses, such as computer equipment or holidays (Kerstens and De Jonge, 1999). In 2005, Vossensteyn found that lower SES students indeed prefer not taking up loans, showing debt-averse perceptions, but that they take as much in student loans as higher SES students anyway.

With respect to the impact of tuition fees, most studies show that the real increases in tuition fees did not seem to impact access in terms of enrolment patterns. Student choice behaviour in general seems to be price inelastic! Such price-unresponsiveness dates back to the 1980s and continues into the 1990s (Oosterbeek and Webbink, 1995). A simulation model showed that even substantial tuition fee increases will hardly affect enrolment rates, except for students from lower socio-economic families (Sterken, 1995). Furthermore, a recent survey by Felsö et al. (2000) indicated that students would not change their preferences in cases where tuition fees were either increased or reduced by €450.

Some simulation studies devoted attention to the problem of a declining interest in science and engineering studies. They found that guaranteeing students a job after graduation and increasing engineers’ salaries would have a stronger influence in attracting extra students to these studies than increasing scholarships or reducing tuition (De Jong et al., 2001; Felsö et al., 2000). In fact some universities of technology have experimented with giving students additional scholarships, but this did not attract extra students.

All in all, various studies, covering different time periods, have all come to the conclusion that student choice is not so much affected by financial incentives, except for students from disadvantaged groups. This more or less confirms the findings of international studies on student choice (Heller, 1997; Hossler et al., 1999).

References

- CBS (2007). *Statline*, www.cbs.nl.
- Felsö, F., M. van Leeuwen and M. van Zijl (2000). *Verkenning van stimulansen voor het keuzegedrag van leerlingen en studenten*, Amsterdam: Stichting voor Economisch Onderzoek der Universiteit van Amsterdam (SEO).
- Heller, D.E. (1997). “Student Price Response in Higher Education: An Update to Leslie and Brinkman”, *Journal of Higher Education*, 68, 6, pp. 624-659.
- Hofman, A., M. van den Berg, J. de Boom, U. de Jong, J. Roeleveld, M. van Leeuwen and D. de Graaf (2001). *Studentenmonitor 2000, Beleidsgerichte studies Hoger onderwijs en Wetenschappelijk onderzoek 75*, Den Haag: Sdu Grafisch Bedrijf.
- Hofman, A., U. de Jong, M. van Leeuwen, J. de Boom, I. van der Veen, J.A. Korteweg and E. Heyl (2003). *Studentenmonitor 2003, studeren in het hoger onderwijs, Beleidsgerichte studies Hoger onderwijs en Wetenschappelijk onderzoek 94*, Den Haag: Sdu Grafisch Bedrijf.
- Hossler, D., J. Schmit and N. Vesper (1999). *Going to College: How Social, Economic and Educational Factors Influence the Decisions Students Make*, Baltimore: The Johns Hopkins University Press.
- Hupe, P.L. and A.I.T. van Solm (1998). *Het Zoetermeerse labyrint, Beleidsgerichte studies Hoger onderwijs en Wetenschappelijk onderzoek 55*, Den Haag: Sdu Grafisch Bedrijf.
- Informatie Beheer Groep (1987-2007). *Studiefinanciering hoger onderwijs, maandbedragen*, Groningen: IBG.

Jong, U. de, H. Oosterbeek, J. Roeleveld, C.N. Teunings and H.D. Webbink (1991). *Wel of niet verder studeren? Ministerie van Onderwijs en Wetenschappen, Beleidsgerichte studies Hoger onderwijs en Wetenschappelijk onderzoek*, nr. 26, Den Haag: DOP.

Jong, U. de, D. Webbink, H. Meulenbeek, M. Voorthuis, F. Haanstra and F. Verbeek (1996). *Uitstel of afstel? Een onderzoek naar de achtergronden en motieven om niet direct verder te studeren*, Amsterdam: Stichting voor Economisch Onderzoek (SEO)/SCO-Kohnstamm Instituut, Universiteit van Amsterdam.

Jong, U. de, M. van Leeuwen, J. Roeleveld and M. Zijl (2001). *Deelname aan hoger onderwijs, Toegankelijkheid in beweging, Kiezen voor hoger onderwijs 1995-2000*, Ministerie van Onderwijs, Cultuur en Wetenschappen, Beleidsgerichte studies hoger onderwijs en wetenschappelijk onderzoek 81, Den Haag: Sdu.

Jonge, J.F.M. de, L. Huvers, D.M. Ligtermoet and A. Ziegelaar (1991). *Effectiviteit en efficiëntie van de Wet op de studiefinanciering*, Leiden: Research voor Beleid.

Ministerie van Onderwijs, Cultuur en Wetenschappen (1999). *Flexibele studiefinanciering, Een stelsel dat past*, Den Haag: Sdu Grafisch Bedrijf.

Oosterbeek, H. and D. Webbink (1995). "Enrolment in Higher Education in the Netherlands", *De Economist*, 143, 3, pp. 367-380.

Sterken, E. (1995). "De collegegeld-gevoeligheid van deelname aan het WO", *Economisch Statistische Berichten*, 10.5.1995, pp. 454-456.

Vos, K. de, and P. Fontein (1998). *Actualisering leengedrag en schuldopbouw in de WSF*, Tilburg: Economisch Instituut Tilburg (EIT).

Vossensteyn, H. (1997). *Student Financial Assistance in the Netherlands: A Contextual Report*. Enschede: CHEPS.

Vossensteyn, J.J. (1999). "Where in Europe Would People like to Study? The Affordability of Higher Education in Nine Western European Countries", *Higher Education*, 37, pp. 159-176.

Vossensteyn, J.J. (2002). "Shared Interests, Shared Costs: Student Contributions in Dutch Higher Education", *Journal of Higher Education Policy and Management*, 24, 2, pp. 145-154.

Vossensteyn, J.J. (2004). "Fiscal stress: worldwide trends in higher education finance", *Journal of Student Financial Aid*, Vol. 34, No. 1, pp. 39-55.

Vossensteyn, J.J. (2005). *Perceptions of student price-responsiveness: A behavioural economics exploration of the relationships between socio-economic status, perceptions of financial incentives and student choice (dissertation)*, Enschede: CHEPS, University of Twente.