

# Higher Education Finance and Cost-Sharing in the Netherlands

## I. A Brief Description of the Dutch Higher Education System

The Netherlands has a binary system of higher education, which includes *wetenschappelijk onderwijs* (WO) offered by universities, and *hoger beroepsonderwijs* (HBO) offered by Universities of Professional Education (UPEs). In addition, the Open University (state establishment) offers open distance learning courses at HBO and university level. Most of the Open University students follow modules and single courses; only a small percentage attempts to add up various modules to a full degree.

The Netherlands has thirteen traditional universities, the Open University, a university for business administration (Nijenrode University), four universities for theological training and a humanistic university, and 44 universities of professional education (UPEs) (Sijgers et. Al 2005). As of 2005, there were about 550,000 students in higher education of which 36 percent attend universities and 64 percent attend UPEs. Public funds come through the Ministry of Education, Culture and Science except for the Agricultural University in Wageningen, which is funded by the Ministry of Agriculture, Nature Management and Fisheries.

The central government grants are awarded as a lump sum to each university. Public funds for instruction are based on:

- the number of (Masters) degrees (50%),
- the number of new entrants (13%), and
- a fixed amount per university (37%)<sup>1</sup>.

The budget of the individual university is determined by the levels of these performance indicators compared with levels at the other universities (and the trend in the overall budget). In addition to the direct public funds, universities generate income from tuition fees, which are centrally fixed at a uniform rate (7 percent of total income), research councils (5 percent of total income) and contract activities (19 percent of total income).

A new funding system is being discussed in Parliament as of 2006 under which students would be provided with learning entitlements that they could 'cash' for education at any place and time. Once they have spent all of their entitlements, they would have to pay higher tuition fees. The higher education institutions would receive government funding based on the number of students with learning entitlements. (Kaiser, Frans et. Al. 2005).

Access to universities is open for all with an appropriate secondary education diploma. Only access to medical studies, dentistry and veterinary sciences and some engineering subjects is limited. Admission to these courses depends upon secondary education examinations in particular subjects. Thus, in general, the intake of first-year students in

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<sup>1</sup> The allocation mechanism is now under debate and a proposal is being discussed that would reduce the allocation based on graduate degrees to 25%, make about 50% dependent on student numbers (as measured in semesters enrolled) and earmark a portion that can be allocated according to the Ministries discretion (e.g. compensating for dynamics that might occur).

the university sector is determined mainly by demographic trends: specifically, the number of school leavers qualifying for university education. However, in 1991 and 1996 some measures were taken to reduce the number of students entering university via higher professional education. The number of new entrants to university education slightly declined in the first half of the decade, but started to increase again after 1996<sup>1</sup>. As of 2001, there are 173,000 students in the university sector, more than 90 percent of whom are fulltime.

Higher professional education is extremely diverse: courses lead to over 200 different qualifications for a wide range of occupations. There are large HBO institutions offering a wide variety of courses in many different sectors and medium-sized and small colleges offering a small assortment in one sector only. Mergers have reduced the number of HBO institutions from almost 350 in mid-1980s to 44 by 2005. Courses are divided into seven sectors: Education, Agriculture, Engineering and Technology, Health Care, Economics, Behavior and Society, Language and Culture<sup>1</sup>.

The overall budget for higher professional education is allocated to the individual institutions on the basis of a set formula, driven by two funding tariffs and an estimate of the teaching load. Since 1994 there has been a fixed budget, corrected for wage and price rises. In addition to the central government grant, the HBO institutions receive income from a variety of sources, including tuition fees and income from services to third parties (mainly contract teaching). Interest in higher professional education (HBO) is steadily rising. The total number of students rose from 271,905 in 1995 to 315,300 in 2000 (a 16 percent increase). As of 2003/04 there were about 334,500 students in HBO courses offered by 54 HBO institutions.

Since 1993 the higher vocational education institutions (HBOs) and universities have been governed by the same legislation: the Higher Education and Research Act (WHW). The WHW governs a wide range of matters including the planning, funding, administration and organization of the universities and the teaching they provide. This Act permits the institutions a large degree of autonomy to organize their teaching, examination regulations and other matters to meet changing demands.

In the Netherlands, there are approximately 60 private higher education institutions that offer some 500 programs mainly in professional education and enroll approximately 35,000 students. These are divided into the government-funded and the non-government funded private higher education sectors. As mentioned above, three religious based private universities are funded directly by the government, while seven universities fall into the non-government funded private sector including five theological institutions, the University for Business Administration at Nijenrode and the Humanistic University at Utrecht.

### ***Tuition Fees in the Netherlands***

The Ministry of Education, Culture and Science sets tuition fees in the Netherlands. Student liability for tuition depends on whether the student is eligible or not for student support. Students with support pay a centrally determined tuition fee rate; students without support pay tuition set by the institution. Students not eligible for student support include part-time students as well as those full-time students who are not (or who

are no longer) entitled to support because their personal income exceeds the income limits for student support, or because they already have used all entitlements to student support.

In principle, all full-time students in the Netherlands are entitled to a basic grant for the nominal duration of the program that is intended to cover both study costs and living expenses. This grant is, in fact, initially a loan that is converted into a non-repayable grant only if the student meets study progress requirements (passing, for example 50 percent of his/her exams in the first year). The amount that students receive depends on whether they live at home with their parents (€74.11 in 2004) or independently on their own (€228.20/month).

Depending on parental income, a student may also be entitled to a means-tested supplementary grant of up to € 237.30 /month and a means-tested student loan of up to €253.27 /month (an additional €237.30 can be taken up to replace assumed parental contributions) that presently bears interest of 3.35 percent in 2004. This loan is not turned into a grant and payment must begin after a grace period of two years. Payment is spread over 15 years with a minimum monthly installment of €45 (Vossensteyn, 2004). When a graduate has problems repaying their study debt, they can ask for an annual means test. This may reduce their repayment obligations (even to zero) for one year. All debt that remains after the 15 year repayment period is forgiven.

Parents and students make up the difference between the standard budget as allowed by the government and that which is commonly accepted to be the actual (substantially higher) student budget. Students may earn up to €10,218.46 (in 2004) per year without affecting their grant eligibility (Vossensteyn, 2004).

## II. Estimated Costs of Higher Education

### The Netherlands

Higher Education Expenses Borne by Parents and Students

First Degree, Academic Year 2005-06

(Regular full time student, 10 months)

[Euro converted to \$US by 2005 purchasing power parity of \$1 = 0.899 Euro<sup>2</sup>]

		Public			Private
		<i>Low Public</i>	<i>Moderate Public</i>	<i>High Public</i>	<i>Average Private</i>
	Special "One-Time" or "Up Front" Fees	0	0	0	0
<i>Instructional Expenses</i>	Tuition	€ 1,496 (\$1,664)	€1,496 (\$1,664)	€1,496 (\$1,664)	€1,519 (\$1,689)
	Other Fees	---	---	---	---
	Books & Other Educational Expenses	€800 (\$890)	€800 (\$890)	€1,000 (\$1,112)	€800 (\$890)
	<b>Subtotal Expenses of Instruction</b>	<b>€2,296 (\$2,554)</b>	<b>€2,296 (\$2,554)</b>	<b>€2,496 (\$2,776)</b>	<b>€2,319 (\$2,579)</b>
<i>Student Living Expenses</i>	Lodging	0	€3000 (\$3,337)	€5500 (\$6,117)	€6,926 (\$7,704)
	Food	€1800 (\$2,000)	€1800 (\$2,000)	€1800 (\$2,000)	
	Transportation	€600 (\$667)	€700 (\$778)	€700 (\$778)	€700 (\$778)
	Other Personal Expenses	€3000 (\$3,337)	€3000 (\$3,337)	€4000 (\$4,449)	€3000 (\$3,337)
	<b>Subtotal Expenses of Student Living</b>	<b>€5,400 (\$6,005)</b>	<b>€8,500 (\$9,455)</b>	<b>€11,000 (\$12,235)</b>	<b>€10,626 (\$11,820)</b>
<b>Total Cost to Parent &amp; Student</b>		<b>€7,696 (\$8,560)</b>	<b>€10,796 (\$12,010)</b>	<b>€13,496 (\$15,012)</b>	<b>€12,945 (\$14,400)</b>

*Low Public:* Living at home with parents.

*Moderate Public:* Living in shared apartment.

*High Public:* Living "independent adult."

*Private:* Living on campus.

<sup>2</sup> OECD Estimate (<http://www.oecd.org/dataoecd/61/56/1876133.xls>)

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Hans Vossensteyn. CHEPS. Information obtained through e-mail correspondence, 2001.

*Cost of living information collected from:*

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University of Amsterdam home page: <http://www.english.uva.nl>

University of Twente home page: <http://www.utwente.nl>

Tilburg University home page: <http://www.tilburguniversity.nl/>

University College Utrecht homepage: <http://www.ucu.uu.nl/17.phtml>

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