Vouchers in Dutch Higher Education

*From debate to experiment*


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Introduction

As market-like mechanisms become more important in higher education, demand driven funding, and more specific vouchers, gain a lot of attention. As such, the advantages and disadvantages of vouchers have been discussed in a wide variety of settings. However, hardly any country has been prepared to introduce vouchers as a system wide mechanism for allocating the public means available for higher education. The Netherlands forms no exception to that. Also in the Netherlands, vouchers have been seriously considered as a means of funding higher education. Major stakeholders in the debate are the Ministry of Economic Affairs and the Ministry of Finance. Because they focus on an efficient spending of public means, they have a strong interest in matters as vouchers and student drawing rights, which are regarded as an effective way of allocating public funds to (higher) education. They argue that vouchers are the most appropriate way to let the money follow the preferences of students. It is expected that, as a result, higher education institutions and schools will attune their teaching services to the demands of students. This is opposite to the tradition where public funds were directed at the supply of teaching activities.

In the Dutch discussions a voucher is defined as a right for students to use a predetermined quantity of publicly funded education services. For students, vouchers represent the quantity of publicly funded educational services and for the education institutions vouchers form the basis for public funding (Werkgroep Vouchers, 1987). Plans to introduce a voucher-based funding system have been developed twice in the Netherlands. The first debate took place during the late 1980s and the second during the late 1990s. The latter resulted in an experiment that actually started in the beginning of 2001. From both discussions, it can be concluded that vouchers take an ambiguous position the Netherlands. On the one hand, many stakeholders are enthusiastic about the merits of a demand-led funding approach. However, on the other hand, the uncertain consequences for both the government and institutions make many to raise doubts about voucher-like funding schemes. In this paper both Dutch debates will be reflected on, focussing on the goals of the voucher-plans and the arguments of the different stakeholders.

The late 1980s debate

During the late 1980s, vouchers became a main topic of interest in the Netherlands. The debate on vouchers was mainly the result of some dissatisfaction with the public funding mechanism of that time (Ministerie van Onderwijs en Wetenschappen, 1987). A number of problems were raised.

First of all, changes in the structure of higher education, for instance as a result of the large merger operations, required many alterations of and exemptions to the general funding rules. Consequently the system became very complex and nontransparent. In addition, the funding system was based on the assumption that students complete their education within certain time limits. However, the mechanism did not account for the actual amount of education provided and completed. Furthermore, to combat the long actual duration of studies of many students, the study programs had been shortened in 1982/83. As a result, students lost their opportunities for flexible ways of study as well, such as combining working and learning. A fourth problem concerned the fact that neither students nor institutions had an incentive to complete studies as soon as possible. All kinds of
reasons could be used to extend studies and, related to that, student financial support entitlements or to take additional courses. Finally, the running funding mechanism only catered for students taking a standard study path of 4 to 4.5 years, rather than taking into account that many students after the first or second year change subjects, institutions or even higher education sectors. The major conclusion is that the funding mechanism did not include incentives to adjust educational supply to the demands of students.

The voucher proposals

Based on the criticism on the then-running funding model, some new goals were set for designing a new allocation model. The major aim was to stimulate differentiation in higher education. Differentiation should particularly be translated in terms of timing, duration, contents of courses and modes of study. Consequently, students would be allowed to choose a greater variety of study paths. However, incentives should also be directed at a completion of initial studies within a limited time frame, in order to satisfy the societal need for qualified laborers. Finally, the opportunities for post-initial training should be financially stimulated. All in all, a new funding system was envisaged to sustain (elements of) lifelong learning.

For designing a voucher-like funding model in more detail, a working group was installed to look at the feasibility of a voucher-system in higher education and upper secondary education (Werkgroep Vouchers, 1987). The working group concluded that such a system would be beneficial for the higher education sector and that it could be implemented as well. The positive results of this working group were even copied into the official central higher education policy plan of 1988 “Ontwerp HOOP 1988” (Ministerie van Onderwijs en Wetenschappen, 1987). The major characteristics of the official government proposals for a voucher model included the following (Ministerie van Onderwijs en Wetenschappen, 1988):

- All students would receive 189 study credits, including 168 credits for the nominal duration of courses and 21 credits for additional courses;
- Students in study programs with a long duration would receive additional credits;
- The credits would be valid for a period of 12 years;
- The vouchers were supposed to be valid for initial courses, short courses and post-initial courses;
- If students graduate rapidly, they earn extra credits for post-initial training;
- If students used all their credits or would pass the 12-years validity limit, they could follow higher education at 50% of its costs;
- Finally, institutions would receive the autonomy to set their own fee-levels for post-initial training, with vouchers representing only a limited and fixed amount of money.

Reactions from the field

The central goals of flexibility and opportunities for lifelong learning were received with great enthusiasm by the higher education sector. However, the idea of a voucher-system met with a lot of concerns by various stakeholders, such as higher education institutions, students and the Education Advisory Council. The concerns were particularly directed at the relations between the government, institutions and students.

Concerning the relationship between the government and students, the following issues were raised:
The advantages of using a system of study credits over a system based on a fixed duration of study was questioned. Could a system based on an assumed duration of studies not also allow for more flexibility?

It was feared that the envisaged consumer sovereignty would interfere with the study progress of students and the aim finally getting a degree.

The system of tuition fees would also have to be adjusted, probably linked to study credits or modules.

Students had questions about the relationship between vouchers and student financial support.

In general there were doubts about the technical and administrative burden of a voucher model and its relationship with the collection of tuition fees and with student support.

Finally, the question was raised to what extent a transition between the HBO-and university sector would be possible after completing a degree within one sector?

With respect to the relationship between the government and institutions, it was regarded a contradiction that institutions on the one hand would be funded through the consumption of vouchers, which is flexible though time, and on the other hand through the number of degrees conferred which encourages institutions to make students getting their degree in a limited period of time. In addition, it was stressed that innovations should be gradually implemented.

Finally, with respect to the relation between students and institutions the educational changes took a central position. Institutions stressed that the content of programs should not be hampered by increased consumer sovereignty.

The various stakeholders could not come to an agreement during the end-1980s. After years of debate, the voucher proposals were finally turned down in 1991. The cancellation of the whole operation was based on the following arguments:

- The technical and administrative burden of introducing the system was perceived too heavy. Memorising the administrative difficulties of a new system of student support in 1986, the risk of serious additional costs as a result of technical problems loomed large.

- Secondly, it was regarded that vouchers not spent would imply an unpredictable and serious financial burden that could disturb the budgets of both the central government and the higher education institutions in one or another year.

- Finally, the new Minister of Education (since 1990) did not believe that a voucher system would contribute to the new ideas about funding institutions based on outputs.

**The late 1990s debate**

During the 1990s the discussion on educational vouchers continued. Several stakeholders, research groups and the Ministries of Finance and Economic Affairs argued that the flexibility of a voucher-like system would very much stimulate the further development of the notion of lifelong learning and market mechanisms in higher education. Also the successive changes in the funding model, making public funding (partly) dependent on the number of new entrants and the number of graduates, could not take away the discomfort of inflexibility. In the funding models that run since the early 1990s, institutions benefit most if students get their degree in a short uninterrupted period of time. However, if students interrupt their studies, either for work or other reasons, if they want to combine courses of different higher education institutions, if they change of subject or institution, or if they drop out, then the institutional funding base looses ground. It can be concluded that the current funding model very well fits the requirements of traditional students.
Vouchers in Dutch Higher Education

following traditional study paths, but is no longer sufficient to accommodate the diversity of the present demand for HE in terms of study modes, timing of studies and types of courses. This concern resulted in a renewed attempt to stimulate flexibility through the funding of higher education institutions. The Higher Education Policy Plan for 2000 (Ministerie van Onderwijs, Cultuur en Wetenschappen, 1999) proposed a new funding method based on study credits and an even further reaching voucher experiment, both applicable to the sector of the universities for professional education (HBO’s).

As a first initiative to stimulate flexibility in the HBO-sector, it is proposed to fund HBO-institutions on the basis of the number of study credits completed by students. Next to that, it is argued that a larger variety in educational opportunities and study modes and tailor-made study programs could be further stimulated through strengthening the position of students. This belief was expressed in the renewed proposals for a voucher-like funding system. However, it was not considered feasible to introduce such a system on the short term. Therefore it was suggested to start with an experiment. This could be helpful, because even after years of debate there still lacked answers to many questions regarding the funding through vouchers. Practical experience, particularly in Dutch education, is not available. As such, the major goal of the experiment is to provide a well-considered judgement on the (un)usefulness of vouchers in Dutch higher education funding. A final advantage of an experiment is that the financial risk of the operation can be very well controlled. All in all, after more than 10 years of debate, a first attempt in applying vouchers in Dutch higher education is made.

The voucher experiment

The actual experiment started at the 17th of January 2001. It primarily concerns a co-operative effort of 10 institutions for higher professional education (HBO’s) and 6 medium and small-scale business organisations (MKB). The experiment includes 1000 students in the final two years of their program. The two major elements of the experiment concern the personal educational plan (POP) and the strong relationship with the business sector (MKB-Nederland / HBO-raad, 2001).

In the personal educational plan (POP), students together with the HBO-institution and an employer determine a tailor-made individual study plan resulting in the final qualifications required to get a degree. Students are given 84 vouchers, representing two years of fulltime study. These vouchers can be traded in for either learning opportunities in a working environment and courses to be taken at the 10 participating HBO-institutions. The flexibility for students in following courses at any of the 10 participating HBO-institutions will increase the competition among these institutions. The vouchers form an additional bonus on the regular funding for the institutions.

The strong link with to the medium and small-scale business organisations (MKB) is not only expressed through the opportunity of a dual learning and working structure for participating students, but also by the intermediaries (the so-called “regioregisseurs”) installed by the MKB and by the additional vouchers funded by hosting MKB-companies for following specific courses. Through the voucher experiment, the branche-organisations hope to strengthen their relationship with the higher education sector, to combat the problems of a tight labour market and to use the knowledge of students for innovations. As such they offer serious practical periods (jobs) for students wishing to follow a dual learning and working structure.
Reactions from the field

The reactions from the field to the current proposals and experiment are diverse (Ministerie van Onderwijs, Cultuur en Wetenschappen, 2000):

- The HBO-Council was very positive about increasing the emphasis on demand orientation in the funding mechanism. As such, the council is very co-operative in relation to the voucher experiment.

- The student unions had some doubts. They particularly focus on the consequences vouchers may have on the content of study programs. If vouchers are going to be a feature of the Dutch higher education system, the students plea for system wide scheme, including all HBO- and university institutions and courses. However, their major condition for a voucher-like scheme is the transparency of the supply of courses and combinations allowed.

- The umbrella-organisation of private higher education institutions (PAEPON) argued that at least recognised (but not publicly funded) private higher education programs should also be asked to participate in the voucher system.

- The Education Council was a bit more hesitant and preferred to wait until a system of accreditation is being well-developed. Such a system, based on the quality assurance procedures, is currently under construction.

- Finally, though the ministry of education aims at a larger focus on demand driven funding also for the university sector, it seems that a lot of resistance can be expected from the universities to the idea of funding through credit points and vouchers. Since they mutually allow students taking courses at other universities and recognise the study credits, they prefer of a more global funding system based on the number of new entrants and the number of degrees conferred.

Conclusion

After several years of debate, demand-driven funding of higher education institutions is becoming a fact in the Netherlands. Next to the development of a funding method based on completed study credits, a fist step is being made with introducing vouchers in the Dutch higher education. Though the latter concerns only a limited experiment, it very well expresses the aim of strengthening the position of students as customers by a stronger focus on demand-driven funding. As a result, Dutch higher education, or at least the HBO-sector, will become more flexible in meeting the demands of a wide variety of students. However, though a further step has been made towards a situation of lifelong learning, it is difficult to say whether vouchers will become a major characteristic of the higher education system on a short term.
References


