Abstract  One of the key features of the Dutch education system is freedom of education. That is, the freedom to found schools, to organize the teaching in schools, and to determine the principles on which they are based. Almost 70 percent of schools in the Netherlands are administered and governed by private school boards, and public and private schools are government funded on an equal footing. This allows school choice. Most parents can choose among several schools and there are no catchment areas. Some schools have developed a unique profile. Government policy requires schools to disseminate information to the public. Yet, debate has focused on how market forces can make the system more efficient and equitable, and less regulated. The school choice system found in the Netherlands is made possible by the system of finance.

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Introduction

In 1917, the “schools to the parents” movement created a system unparalleled elsewhere in which where parents have true freedom over education in that they can choose whatever school they wish for their children while the state pays most of the cost. Freedom of education is guaranteed under Article 23 of the Constitution, thus ending the state monopoly in education early on in the Netherlands. Along with school choice, all parts of social life were segmented – often referred to as “pillarisation” in the literature – for a period as long as 1870 to 1960 as part of a political compromise. Not only were schools organized along political and religious lines, but so too were other aspects. While the segmentation has ended, interestingly enough, schools continue to be oriented in a particular way, despite the fact that Dutch society has changed considerably. Nevertheless, freedom of education in the Netherlands was not originally based so much on principals of equality and liberalism, but rather on freedom of religion, in a more conservative perspective.

Educational Freedom and Public Funding

Most schoolchildren attend private schools (see Figures 1 and 2) and the trend over the past 150 years is for this share to increase. These are run by an association, foundation or church body. Schools are managed by school boards – the competent authority of private schools. The foundation is most common. Most of them are either Roman Catholic or Protestant, but there are also Jewish, Islamic, Hindu and humanist schools in the Netherlands (see Figure 3). In addition, there are private non-denominational schools that are run by an association or foundation but are not based on any specific religious or ideological beliefs. Like some public schools, many privately run schools base their teaching on specific educational principles, like those of Maria Montessori. Unlike publicly run schools, which must admit all pupils, private schools can impose criteria for admission, usually when there is limited capacity or if pupils do not subscribe to the religious principles. In practice, however, most private schools pursue non-restrictive admissions policies. There is, despite school choice and diversity of supply, no significant elite school sector (The Economist 2002; Karsten, Groot and Ruiz 1995).
While most non-public schools are religious in nature, there is actually a significant decline of religion in schools. In fact, even many religious schools are becoming interdenominational. Increasingly, religion is no longer an issue. For example, many Catholic schools are catering to non-Catholic and even non-Christian groups (Smith 2001). In fact, the Dutch system promotes and makes possible the creation of schools based on different identities and even religions.

Figure 1: Private and Public Enrollment Shares (%), Primary

Sources: Ministry of Education; James 1984; Justesen 2002

It is estimated that 86 percent of parents chose schools of their own preference. Further, the main impediments to choice are distance, although parents are free to choose a school anywhere in their city of residence or indeed anywhere in the country since there are no catchment areas. Also, 50 percent of parents are influenced by religion or philosophy when establishing schools (Teelken 1998). In another survey, it is reported that a large share of parents favor pedagogy as the main reason for establishing new schools (Aob 2000). That is, parents want to influence the education program.
There is relative ease of entry of new providers. A relatively small number of parents can and do propose to start their own school. Government is required to provide almost all initial capital costs, as well as ongoing expenses. The municipality provides buildings, while the central government pays salaries. The requisite number of parents required to set up a school varies according to population density (number of inhabitants per square kilometer), from 200 for small municipalities to 337 for The Hague.
It is required that schools receiving public funds must be not-for-profit. This applies only to the primary and secondary level. There are for-profit institutions in the child care field and higher education. Nevertheless, school boards are able to retain surplus earnings. There are a few for-profit schools, representing less than 1 percent of total enrollments (Hirsch 2002). But they are too small to receive government funds in any case.

**Disclosing Achievement Results**

A few years ago, the daily newspaper *Trouw* ([www.trouw.nl](http://www.trouw.nl)) went to court for the right to publish education inspectorate results. In 1997, the demand for information on school quality was demonstrated by the fact that the newspaper, which published the results of all schools, sold out in just a few hours. The latest school results were published 13 October 2001, again in *Trouw* with a front page headline. A survey in 1998 reported that 91 percent of respondents believed that Inspectorate reports should be made public. Curiously, it was once believed that parents did not want test data published (Louis and van Velzen 1991).

Since publication of league table results, the Education Inspectorate has been issuing detailed school results in reports and on its website (see, for example, The Netherlands Ministry of Education, Culture and Science 1999a). The Education Inspectorate oversees quality. Approximately 200 inspectors make more than 10,000 visits to schools every year. While observing lessons, the inspectors also assess teaching methods. Every year, the Inspectorate submits around 25 reports, including the annual Education Report, to the Minister, the State Secretaries and the Parliament. School report cards ensure that information about educational quality in schools is available to the public ([www.owinsp.nl](http://www.owinsp.nl)). The results of the Inspectorate reports can be used to put schools on notice if quality is poor. Furthermore, action is taken by Ministry of Education when schools do not improve and schools can be closed (The Netherlands Ministry of Education, Culture and Science 1999b).

The Netherlands does exceptionally well in international academic achievement tests such as the Third International Mathematics and Science Study (TIMSS). In fact, the
Netherlands is one of the world’s best achievers. The Netherlands scored near the top in both subjects in both years (Table 1). Also, in mathematics and science achievement in the final Years of secondary school, carried out by TIMSS in 1995 in 21 countries, the Netherlands was the top performing country, followed by Sweden, Iceland, Norway, Switzerland, Denmark, Canada, New Zealand and Austria. When the results are looked at separately for mathematics and science, the top performer in mathematics literacy is the Netherlands, which comes second only to Sweden in science literacy (http://timss.bc.edu/timss1995.html).

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Source: IEA Third International Mathematics and Science Study
Note: In 1995 there were 41 participating countries and in 1999 38 countries

Researchers have found that confessional schools do better than public schools (see, for example, Dijkstra, Dronkers and Karsten 2001). Despite the fact that there is no elite school sector, there is some evidence of higher quality in private schools, especially Catholic and Protestant secondary schools (Dronkers 1995). A careful analysis of school performance in the
Netherlands shows that Catholic schools do out-perform other schools, especially public schools (Levin 2002). The superior performance holds even after controlling for educational practices and selection. The results show that Catholic schools do perform better, while schooling choice is available and affordable for the majority of families.

Centralization and School Choice

The Dutch education system combines centralized education policy with decentralized administration and management of schools. Central control is exercised over both public and private schools. Municipal authorities are the competent local authority for all schools in the area. All schools are governed by a legally recognized competent authority (school board). The school board is responsible for implementing legislation and regulations in schools. The system is characterized by:

- A large central staff
- Many school advisory services and coordination bodies
- A strong Education Inspectorate
- Stringent regulations

The Ministry of Education, Culture and Science has a staff of over 3,000 today, up from just 82 in 1919 (Karsten 1999). The number of recognized school advisory services jumped from 15 in 1970 to 61 in 1980 – but fell to 45 in 2000 due to mergers. There are a number of coordination bodies and an extensive system of support institutions, involved in such areas as research and development, as well as organizations of school principals, school boards, and so on.

Both Catholic and Protestant coordinating organizations exist, which have been making overtures to each other for some sort of merger (see also Karsten 1999). These associations of Catholic and Protestant schools, for example, are recognized by Government and receive public funds through the resources that flow to school boards. The associations can help stimulate mergers, but they are not involved in establishing schools. One example is the Besturenraad Protestants Christelijk Onderwijs (BPCO), the protestant schools association.
BPCO has 1,200 members with 2,500 schools. Some of the activities of this association include entering into consultation with the authorities and unions, giving advice and support to school boards, mediating in conflicts, providing information, counseling and training.

Another association, VVO (Vereniging voor het management in het Voortgezet Onderwijs; http://www.vvo.nl) represents about 95 percent of all secondary schools in the Netherlands. This means that about 560 school management teams are members of VVO, representing about 3,500 individuals. VVO attempts to influence national education policy and support its members in school management. In fact, with growing school autonomy and decentralization, the VVO aims to strengthen school management.

The freedom to organize teaching means that schools are free to determine how to teach. The Ministry of Education, Culture and Science does, however, impose a number of statutory standards in relation to the quality of education. These prescribe the subjects to be studied, the attainment targets and the content of national examinations. There are also rules about the number of teaching periods per year, teacher training and teaching qualifications, the rights of parents and pupils to have a say in school matters, and the planning and reporting obligations of schools. As a rule, schools enjoy considerable freedom in the choice of textbooks and materials and in the way they manage their affairs. The Education Inspectorate is charged by the Minister of Education with supervising the manner in which schools fulfill their responsibilities.

The Netherlands shows that a large private sector with equal public funding does not necessarily mean decentralization and a weak central role. Choice can coexist with a strong center. Interestingly, as the center has moved away from any direct provision of education services its role in policy making, evaluation, and information dissemination has increased. Therefore, the fear of the retreat of the state from matters of importance in education policy with the introduction of market forces is not founded.

Privatizing Dutch Education?
While the Dutch have had an effectively decentralized and demand-driven education system since 1917, there have been some recent developments. There is a trend towards greater autonomy and decentralization (see Box 1). Many central government powers have been transferred to the level of the individual school. Central government control is increasingly confined to the area of broad policy-making and to creating the right conditions for the provision of quality education. Institutions are being given greater freedom in the way they allocate their resources and manage their own affairs, although they are still answerable to government for their performance and policies. Schools receive extra funds to combat educational disadvantage (Pijl and Meijer 1999).

Some of the recent potential reforms mentioned include:

- School vouchers – even though parents already have school choice; this may be an attempt to further empower parents and make the connection between funding and schooling more direct
- More information dissemination
- Increased parental input
- Reduced restrictions and overall less regulations

So far, just school brochures have been published (Karsten 1998). Nevertheless, there have been significant changes in recent years in terms of how schools are financed. For example, schools now receive fixed budgets in advance and all secondary schools receive lump-sum funding.
An important meeting of the Education Council (http://www.onderwijsraad.nl) – a high level independent government advisory body which advises the Minister of Education, parliament and local authorities – took place in The Hague on 9 October 2001, the title of which was “Privatising Education: Hype or Hope?” The Education Council had commissioned several volumes of research – all in Dutch – on school choice, vouchers, deregulation and other market mechanisms for education. Much of the discussion focused on deregulation, the consequences on equity, and the ability to measure achievement. It was an interesting discussion given that the Netherlands is one of only two countries in the world with a universal school choice system and where private school choice is financed by public funds. The conclusion of the Council was that market forces are here to stay and that education in the Netherlands would have to adjust; but not that Government responsibility would diminish. In fact, much of the recommendations concern the role of information and assuring quality while promoting diversity (http://www.onderwijsraad.nl/Doc/English/masterofmarket.pdf).

Schools – public and private – still need to negotiate with the unions. There are four major education unions involved in negotiations with school boards. There is a broad acceptance to public and private school choice among teacher unions in the Netherlands. However, there is union opposition to some reforms, such as bonuses to individual teachers, which have now become legal.

School Finance – The Dutch Voucher

Each family is entitled to choose the school they want for their children and the state pays. Moreover, parents can choose private or public schools. Funding follows students and each school receives for each student enrolled a sum equivalent to the per capita cost of public schooling. The school that receives the funds is then entitled to funding that will cover specified amounts of teacher salaries and other expenses. Private schools can and do supplement this funding by charging ancillary fees; however, this right is severely limited. Municipal schools charge small fees during the 12 year compulsory stage of schooling.

The central government pays most of the costs. Limited local government discretion is allowed. Staff costs are funded according to the number of students enrolled, as well as running

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1 Details from this section obtained from Dutch Ministry of Education website, Droog 2001, de Vijlder 2001 and personal interviews.
costs and supplementary staffing. Municipalities cover the buildings costs. Municipalities also organize and pay for minority language teaching. Salaries are based on fixed scales that take into account education and experience. The number of teachers to which a school is entitled depends on its number of students, according to a schedule that embodies a student/faculty ratio of approximately 20:1 for ages 4 to 7 and 27.9:1 for older children at the primary level. Extra staff are paid for if many children from underprivileged families attend the school. Since 80-90 percent of all current school expenditures are for teacher salaries, this immediately places the bulk of budgetary decisions in the hands of the central government.

Buildings for both public and private primary schools are provided by the municipality – but with reimbursement by the central government for interest plus depreciation or for rent. A small fund remains for operating expenses that the school may allocate at its discretion among activities such as maintenance, cleaning, heating, libraries and teaching aids. The sum is determined separately by each municipality, which must then give all public and private schools the same per capita amount, usually about $200.

The financing procedure is somewhat different at the secondary level. All teacher salaries and building costs are covered directly by the municipality. In addition, municipal and private secondary general schools that are included in the Minister of Education’s three-year plan get the same discretionary fund per capita. The detailed funding formula is outlined in Box 2.

Lump sum funding is now common in secondary education. In the past, before 1996, schools were reimbursed. By 2004, lump sum funding will be used in primary education; but some schools are too small, so there are plans to stimulate the merging of school boards on a voluntary basis. This system gives schools the freedom to use resources as they see fit (Karsten and Meijer 1999). Central standards remain. School discretion is limited only by employment laws, teacher qualifications, pay and conditions (only starting to be decentralized) and building standards. New funding mechanisms were designed to control national expenditures. At the vocational school level, lump sum funding led to more mergers and the creation of larger school boards. A study of the impact of lump sum funding at the vocational level shows caution in poor schools, which may not be able to cover actual costs. Poor schools try to cut costs by improving
efficiency, such as more extensive methods of teaching. There is no evidence of refusing students at risk (Karsten and Meijer 1999).

**Box 2: Funding Formula for Secondary Education in the Netherlands: An Outline**

School staff:

(a). **Quantity**
Three categories: management, teachers and support staff
Quantity is expressed in fulltime equivalents (FTEs)

**Quantity teachers** = (fixed no. + no. students) * no.surcharges parameter

Note: fixed number, parameter and one of the surcharges depend on type of school or type of pupil

**Quantity management** = no.students * no.surcharges parameter

**Quantity support staff** = no.students * no. surcharges parameter

Note: above formulas determine the basic staff a school is entitled to. According to the situation of the school (for instance number of pupils from ethnic minorities) a school can be entitled to additional staff.

(b). **Price**

The above determined FTEs have to be multiplied by prices (GPLs = average staff costs). These prices vary according to type of school and category of staff. Prices include surcharges for replacement of absent staff and for payment of unemployed staff.

Operating costs: the funding of operating costs is simpler than the funding of staff costs:

**Sum of money** = fixed sum + (no.pupils) * price

Note: the height of the fixed sum depends on the type of school; the price is determined by the type of pupils.

With public funding come detailed regulations. In the past, schools needed to maintain statements of expenses, had limited responsibility, faced open-ended financing and a difficult salary system, and could not reallocate the school budget. Now, while core funding is the same, schools face average standards, limited regulations, greater responsibility, budget can be shifted,
and the salary system has been simplified. An annual statement of accounts certified by auditors is required. The block grant goes to the school board, which has considerable freedom and can transfer funds to other schools under the same or another school board. The Ministry draws up an annual plan of schools that, in the three years following the year it is drawn up, will be eligible for national funding.

Lump sum funding for a school board with more students gives them more financial possibilities. Conversely, small schools face difficulties. Therefore, the solution is for larger school boards. Faced with many small schools in the past, it was estimated that the Dutch system was costly. In 1987, for example, it was estimated that the existence of many small schools cost the state an extra $300 million. However, private schools may still be more efficient since they are free to shop around for services (Dronkers 1995). Nevertheless, in order to realize economies of scale (Merkies 2000), consolidation is occurring throughout the system. While the number of schools decreased dramatically from the late 1980s, the number of schools in the latter half of 1990s decreased slightly – from 8,375 in 1996/97 to 8,207 in 2000,2001 – but the number of school boards to which funds actually flow – much more so, from 3,116 to 2,078. Thus, on average, there were three schools under each board in 1996 and four schools per board in 2000 (The Netherlands Ministry of Education, Culture and Science 2002). School boards may run one or many schools. Ons Middelbaar Onderwijs (OMO), based in Tilburg, runs 45 schools, but this is exceptional (http://www.omo.nl).

Education in the Netherlands is free for the compulsory, first ten years of schooling. At the secondary level, the Dutch government spends $5,304 per student (see Figure 1), which is much less than the OECD average. Parents also have to pay a certain amount for textbooks, pens and pencils, exercise books, school outings and so on. Schools may ask parents to contribute towards the cost of certain activities. This parental contribution is voluntary. A school cannot refuse to admit a child if parents are unable or unwilling to pay; but if they do not pay, then the child might be excluded from certain activities. Once it is certain that a child is to be admitted to the school, a written contract must be drawn up between the school and the parents, stating what the parental contribution is to be used for and what will happen if it is not paid in full.
amount of the contribution varies from school to school. Still, private fees are only a minor source of financing.

![Figure 4: Expenditure per Secondary School Student, 1998 ($US)](chart)

Source: OECD 2001

At all age levels private schools are allowed to impose their own fees—ostensibly for “educational facilities” (e.g., libraries and swimming pools) rather than for “education” per se. Fees range from $5 to several thousands. While parental contributions are allowed, they cannot be used to exclude families. Schools are fully accountable towards the parents for the way they spend the parental contributions. These contributions are usually higher in private schools. Other private contributions and sponsorship are allowed, but no advertising materials in reading material or influence on content of teaching is allowed, and schools may not become dependent on sponsors.

To deal with disadvantage, a weighted funding formula is used. Primary schools receive more funding for students from underprivileged families. In addition, additional funding is provided for schools in districts and regions with high numbers of underprivileged families. For every ethnic minority student, a school receives 1.9 times the amount paid for children from
privileged environments. Native children from disadvantaged backgrounds receive 1.25 times the basic amount (Ritzen, Van Dommelen and De Vijlder 1997).

Conclusions

So far, competition and market-type mechanisms in education are largely a non-issue in the Netherlands. Most people accept school choice and public funding of private schooling as a way of life (Karsten, Groot and Ruiz 1995). The Dutch are comfortable with their system and see the guarantee of school choice as a positive influence in society (OECD 1984). In other words, consumer power in education is a valued right. Once questioned (OECD 1991), the wisdom of school choice has been reaffirmed because Dutch society values choice, no longer perhaps because of religion but because of a demand for quality education. Equity and cost issues are real, and being addressed. The existence of the funding formula makes this possible.

Dutch education achievements are considerable. Parents have choice and private delivery is publicly financed. Achievement levels are high, while relative costs are low – education spending as a proportion of GDP is 4.6 percent compared to an OECD average of 5.8. Parents can choose schools that fit their ideological or instructional preferences; or they can vote with their feet. Parents can start new schools, while schools have to compete for students. Schools can be closed. Funding of schools indirectly based on quality. Nevertheless, central regulations are heavy.

All education is free. Therefore, there are no financial barriers for access. The state provides compensating funds to deal with inequality and disadvantage. The Dutch strategy is not to fight segregation but to offer high quality education for all students.

The advantages of the Dutch system are that it promotes school choice, high levels of achievement, and the existence of small schools (even if school boards are consolidating) catering to individual and family preferences. The potential disadvantages include the fact that it is possible for at-risk schools to exist and there is the threat of segregation. Risk and segregation
is being addressed through the funding system by adjusting the formula. The cost of the system has been reduced through the incentives for the creation of larger school boards through mergers.

Lessons for other countries include:

- Funding students can work
- Freedom/choice and achievement, while complicated, is entirely possible
- A market for education and strong central regulations at the same time are possible
- Therefore, public funding of individual and private delivery can be adapted, with or without heavy regulations
References


