

**Ministerie van Onderwijs, Cultuur en
Wetenschap**

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Subject Costs and benefits of internationalisation in higher education

In response to several motions submitted by the House of Representatives,¹ I sent you a letter on 23 December last year concerning international mobility in higher education². The topics covered in the letter included the economic effects of international mobility. On the basis thereof the letter also highlighted a number of policy adjustments as follows:

- 1) In view of the importance of ensuring that Dutch students are well-prepared for the international labour market, higher education institutions should intensify their focus on outbound mobility opportunities for students.
- 2) Institutions are critical about the quality of inbound student mobility. They will be given more options for selecting students 'at the gate'.
- 3) Institutions are increasingly seeking a balanced mix of nationalities in the international classroom. The overrepresentation of specific groups of international students is detrimental to quality and will, in principle, be discouraged.
- 4) Institutions should clearly position internationalisation within their quality assurance policy. This includes incorporating more distinctive features in their programmes as specified by the *Accreditation Organisation of the Netherlands and Flanders* (NVAO).
- 5) Institutions are conducting a more active policy in respect of fostering ties with the Netherlands.
- 6) The government will place the imbalance in student mobility (inbound mobility being higher than outbound mobility in the Netherlands) on the agenda of the consultation with EU partners, particularly Germany.

These policy adjustments were discussed at length with the research universities and universities of applied sciences over the past few months.

The letter also stated that a further study would be conducted on the economic effects of international mobility. It is widely endorsed that internationalisation has positive effects on the quality of education as well as on trade relations, knowledge,

¹ Motion submitted by MPs Van der Ham and Klaver (32 500, No. 68) and motion submitted by MPs Van der Ham and De Rouwe (31 288, No. 236)

² Parliamentary Paper number 33 000 VIII, No. 158

innovation and science. The international mobility of talented students could make a major contribution to boosting knowledge productivity in the Netherlands, particularly in sectors where there is a shortage of knowledge workers and in the top sectors. The presence of international students in the Netherlands on the one hand, and following either a full study programme or a course abroad on the other will help ensure that Dutch students are well-prepared for the international labour market. Internationalisation serves as the foundation stone for nurturing future international economic, political and cultural ties. The presence of top international students at Dutch research universities and universities of applied sciences can significantly contribute towards achieving an ambitious study culture and ensuring high-quality research and education.

Since few concrete and quantifiable statements could be made concerning the above assumed benefits of internationalisation, we asked the CPB Netherlands Bureau for Economic Policy Analysis to carry out a detailed study.

I would like to inform you of the results of the study (see the appendix) and the consultation with the higher education institutions.

The overall conclusion resulting from the CPB's study is that international higher education could indeed yield substantial benefits. During the consultation with the higher education institutions the attendees collectively corroborated the importance of intensifying the focus on the quality of internationalisation so as to derive greater benefit from internationalisation.

2. Results of the CPB study

The CPB analysed the economic effects of the internationalisation of higher education (diploma mobility) in the Netherlands. The overall conclusion is that the current flow of international students presumably contributes to prosperity and to government finances in the Netherlands. The CPB has identified various positive effects, including the following:

- the open market: greater choice for students will create a better match between students and higher education institutions, and competition among the latter will help raise quality levels;
- the international composition of student populations will help students develop improved intercultural skills and will consequently lead to higher productivity levels, as well as improved trade relations and positive transnational spin-off benefits ('spillovers') for the knowledge economy; and
- there is evidence suggesting that international students perform better than the average Dutch student. Although the quality level of Dutch students who are studying abroad is unknown, it is quite conceivable that mobility, on balance, contributes to the quality of education. If international students continue to work in the Netherlands after completing their studies, they will help raise productivity levels by means of knowledge spillovers.

Aside from the above, the CPB has highlighted the risk of negative effects arising should international mobility lead to inordinate diversity and should language and/or cultural barriers impede the transfer of knowledge. This could actually cause the quality of the education process to deteriorate.

Taking all factors into consideration, the CPB believes that the effects of internationalisation are likely to be predominantly positive for the Netherlands, and raise our standard of prosperity. While the CPB is unable to quantify these effects, it can assess the effect on government finances.

The effect on government finances depends on the volume of incoming and outgoing students. Currently incoming students outnumber outgoing students in the Netherlands. A rough CPB calculation shows that the current flow of international students has a positive effect on Dutch government finances. While the net flow of incoming students involves additional costs for the duration of the study period, these costs are widely compensated by the tax revenues derived at a later point in time from higher education graduates who continue to work in the Netherlands. The extent of the positive effect, however, strongly depends on the assumptions made about the probability of international students continuing to work in the country in which they have studied.

Based on the probability of a student remaining in the Netherlands of 19% as reported in a study conducted by Bijwaard (2010)³, according to the CBP this will result in an annual positive effect on government finances of some € 740 million. This concerns the effect on the current flows of students from and to the Netherlands compared with a situation with no student mobility at all.

However, the result is uncertain due to the limited knowledge available on the probability of international students remaining in the Netherlands, and Dutch students remaining abroad. The extent of the effect decreases, the less probable it is for international students to remain in the Netherlands. Various sensitivity analyses have revealed however that substantial adjustments to the assumptions, such as reducing the probability of a student remaining in the country to 2.5%, will still result in a slightly positive effect. The current flows of international students are therefore most likely to contribute positively to Dutch government finances.

It should be noted, however, that the report paints a strong aggregate picture on the basis of the available figures, whereas in practice the variables used in the calculation, including the probability of a student remaining in the country and the net proceeds by student and target group, may differ (e.g. the difference between research-oriented higher education and higher professional education, EEA⁴/non-EEA and individual study programmes).

3. Results of the consultation with the higher education institutions

The CPB study has revealed that good quality international students could have a positive effect on the Netherlands. This supports the view contained in the above letter that greater focus should be pursued in ensuring the quality of international mobility. After all, this will enable greater benefits to be derived from internationalisation. The educational institutions also expressed their support for

³ *Bijwaard, G., 2010, Immigrant migration dynamics model for the Netherlands, Journal of Population Economics, Vol. 23*

⁴ *European Economic Area*

this view, for example at a dedicated expert seminar organised by the Ministry of Education, Culture and Science. The seminar focused on the five key themes highlighted in the 'international mobility' letter:

- stimulating outbound mobility;
- ensuring the quality of incoming students: more selection options;
- seeking a mix of nationalities in the international classroom;
- pursuing a clear internationalisation and quality assurance policy; and
- fostering stronger ties with the Netherlands.

The section below discusses the conclusions shared between the government and the educational institutions and the activities already undertaken by the various institutions in connection with these themes.

1. Stimulating outbound mobility

During the consultations with the educational institutions they recognised the importance of outbound mobility. As stated in the CBP report, outbound mobility could have negative effects on government finances should Dutch students continue to reside and work in the host country. On the other side of the coin, however, students can also derive significant benefits from gaining experience abroad in the form of personal development and ensuring they are well-prepared for the international labour market. In the Netherlands outbound mobility still lags behind that of various other European countries. Concerning the possibilities for influencing outbound mobility, the institutions stated that they make a clear distinction between credit mobility and diploma mobility. An institution has less influence on the latter. In broad terms, it was emphasised that to enhance the appeal of outbound mobility, it is essential to embed outbound mobility in the internationalisation strategy pursued by study programmes and in the curriculum. Students should be prevented from losing study time, for instance because a stay abroad does not fit in with the programme. In addition it is key to ensure structural collaboration with foreign partner institutions of undisputed quality that do not have any issues with matters such as validating credits.

2. Ensuring the quality of incoming students

The institutions stated that they had a significant amount of own responsibility when it comes to ensuring the quality of incoming international students. A common route is to enter into alliances with institutions abroad, in which agreements are made on aspects such as the exchange of students and lecturers, and joint programmes and degrees. If the quality of the partner institutions abroad is high, the quality of incoming students from these institutions is expected to be equally high.

The institutions also have a large autonomous flow of incoming international students, among them EU students who, provided they have the same level of prior education, have the same rights to admission as Dutch students. The current perception is that international students on average are of higher quality and have a higher success rate than Dutch students. The continued growth of incoming international students, however, is anticipated to be coupled with varying levels of quality, making selection an even more important tool for ensuring the quality of incoming students. Within this context the institutions stated that they want to use all the tools currently at their disposal, for instance by specifying language requirements and holding intake interviews. Study programmes without restricted intake already have the option to select students on an entirely decentralised basis. The room for student selection will also be expanded however for study programmes that are not subject to restricted intake. As proposed in the Strategic Agenda for Higher Education, Research and Science, measures will be formulated for expanding the range of selection options for study programmes with a distinctive educational profile. An international classroom focus on a mix of nationalities could help create such a distinctive profile. Selection, however, should

not be based on academic results alone. Motivation could perhaps serve as a second criterion, on the basis of which a foreign student could be questioned persistently about why he or she has chosen a specific study programme in the Netherlands.

3. International classroom

The 'international mobility' letter states that the institutions should seek a well-balanced mix of nationalities in the international classroom. After all, the presence of high-quality international students can have positive peer effects in respect of the ambition and performance levels of Dutch students. Such positive effects will not be seen if there is an imbalance in the composition of the group of nationalities and if incoming students are of lower quality. In day-to-day practice, however, it is difficult to clearly define what a well-balanced mix of nationalities actually looks like. During the discussions with the institutions it emerged that the presence of international students in itself does not improve the quality of teaching. This is corroborated by the CPB report. Differences in cultural and educational backgrounds, and language proficiency among students could reduce the effectiveness of knowledge transfer. In such cases the institution should focus on increasing that effectiveness by, for example, ensuring students and particularly lecturers are proficient in English, using teaching methods embracing intercultural skills, and student selection.

Whether there is a good balance between student nationalities and whether the international classroom is effective depends on the study programme objectives, context and contents. If the objective of the study programme is to focus on intercultural cooperation and maximise the use of peer effects, this will require a more balanced mix than if international students are selected for Master's degree programmes in the Sciences solely in order to compensate for the shortages in research and on the labour market, or if the objective of a study programme in the border region is to utilise trading potential with Germany. For certain study programmes, such as psychology, it is conceivable that the benefits of meeting the needs of the Dutch labour market and trade relations are lower than for other study programmes, such as engineering programmes. If certain nationalities are clearly overrepresented in the international classroom, the institution or study programme concerned will have to explain clearly why this is justified.

The previous letter stated that several German-taught study programmes in the German border region are populated almost entirely by German students in some cases, and do not immediately seem to meet any strong demand from the Dutch labour market. In terms of efficiency this gives rise to critical questions.

During the consultation with the relevant institutions it became clear that they have taken the criticism seriously. German-taught study programmes which educate students solely for the German market will either be phased out or will be more strongly positioned in the context of trading with Germany and Dutch labour market needs within the Euregio. The institutions aim to do so by converting the relevant German-taught study programmes into study programmes taught in Dutch and German, within which Dutch and German students learn each other's language and are actively linked to businesses and institutions on both sides of the border by means of internships. A key factor is to increase the probability of German students remaining in the Netherlands and to offer Dutch students the opportunity to establish contacts with German trade relations. Furthermore various institutions want to curb the flow of incoming German students and achieve a better balance between the flow of outgoing students to Germany. Most institutions stated that they had ceased to actively recruit students in Germany. These institutions will also endeavour to achieve increased reciprocity with Germany by setting up joint

degree programmes and partnerships with German institutions. The NVAO could perhaps develop Euregionalisation as a distinctive feature.

It will take time to reposition the relevant study programmes. It is expected to take two to three years to develop most study programmes successfully along the lines described above. The government will monitor progress critically and will maintain regular contact with the relevant institutions throughout the process. If after this period one or more study programmes are deemed inefficient, by virtue of Section 6.5 of the Dutch Higher Education and Research Act I may use the option to terminate the study programmes concerned.

4. A clear internationalisation and quality assurance policy

Further to the above, the 'international mobility' letter stated that the higher education institutions should be transparent about the question on how the design of the international classroom relates to their objectives in the areas of education, quality and relevance to the labour market; it was proposed that this should form part of their internal quality assurance system. In consultation with NVAO, the assessment panel guidelines will be tightened in this area. The study programmes can also seek to achieve the distinctive NVAO hallmark 'internationalisation' in support of, and to validate their policy. The hallmark more specifically examines the relationship between the institution's vision for internationalisation, learning outcomes, lecturer quality and the composition of the student population.

5. Ties with the Netherlands

The CPB study has revealed that the Netherlands could derive substantial benefits from increasing the probability of international students remaining in the country. Consequently, it would be worthwhile exploring what can be done to bind foreign graduates to the Netherlands. The majority of educational institutions emphasised the importance of improving international students' ties with the Netherlands and will play a more active role in this area.

Establishing ties begins even before students commence their study programme by providing good information, not only about the institution and the study programme but also about the Netherlands in general, our culture and job opportunities. Sites such as studyfinder.nl, grantfinder.nl and studyinholland.nl promote and facilitate studying in the Netherlands. All the main obstacles to studying in the Netherlands have furthermore be dealt with by the Dutch 'Red Carpet' (*Rode Loper*) programme. During the period ahead we will examine how to implement the next steps in the project. I will also ensure that more information is provided in English on the DUO websites.

It is important that students integrate both socially and academically within both their study programme and the institution by taking part in social activities, participation in decision-making and actively familiarising themselves with the Dutch language and culture. International students should also receive assistance on practical matters, such as housing, administrative issues and suchlike. The students can also be actively linked to companies, for example by offering internships to help them transition from studying to working. In the International Student Barometer, a worldwide satisfaction survey among international students, the University of Groningen ranks as the most recommended university in the Netherlands on aspects such as the quality of education, housing, support and facilities.

It emerged during the consultation with the institutions that few of them maintain information concerning the position of foreign graduates on the Dutch labour market. The institutions have therefore been invited to collect more and better

information in this area. Maastricht University serves as an excellent example: it maintains labour market data on its alumni five and ten years after their graduation.

After graduating, international students outside the EEA are offered a job search year. The residence permit offers graduates the opportunity to remain in the Netherlands for one year to search for a job as a knowledge or highly skilled migrant. The criteria are that their gross annual salary should amount to at least € 26,931 and their employer should be enrolled in the IND knowledge migrant programme. A Nuffic survey has revealed that awareness of the job search year leaves much to be desired. The aim is to create awareness of the job search year among students during their studies and thus bind a greater number of them to the Netherlands upon completion of their studies.

A significant contribution can be made by pursuing an active alumni policy. In 2010-2011 Nuffic implemented the first Holland Alumni Network project, which involved conducting a survey on alumni who studied in the Netherlands and organising training courses for alumni. Alumni can play a key role in providing information on Dutch education while an active alumni policy will help forge stronger ties with the Netherlands. In the next few years Nuffic will continue to expand the Holland Alumni Network as part of its regular activities and link the role of alumni more closely to the Dutch knowledge economy.

4. Placing the imbalance in student mobility on the bilateral and European agendas

As stated in the 'international mobility' letter, the Netherlands has placed the issue concerning the imbalance in student mobility on both the bilateral agenda with Germany and on the European agenda within the context of the Bologna process and the European Union.

Consultation took place between the Dutch Ministry of Education, Culture and Science and the Federal Ministry of Education in Berlin in February 2012. Germany understands the situation in the Netherlands and would like to help us find possibilities for achieving a better balance in mobility flows. It was agreed to organise a bilateral seminar in autumn this year with participation from the relevant German and Dutch institutions in border region, with the support of Deutsche Akademische Austausch Dienst (DAAD) and Nuffic. The purpose of the seminar is to develop more structural partnerships with a focus on reciprocal mobility flows and further utilise the trading potential between both countries.

The topic was placed on the European agenda within the context of the Bologna Ministerial Conference in Bucharest (26-27 April 2012) while the imbalance in mobility also formed a topic of discussion during the Netherlands Education, Youth, Culture and Sports Council (OJCS) meeting on 10-11 May. The European discussion centred on the current imbalance in mobility flows between the Member States and on student grant portability, which has come under pressure in various countries. The European Court has instituted legal proceedings against both the Netherlands and Luxemburg in connection with the place of residence requirement. An unfavourable court ruling on these cases could have implications for the continuation of student grant portability in its current form in the Netherlands (according to the Netherlands, the place of residence requirement is necessary to ensure that students who use portable student grants have links with the Netherlands and to ensure that the budgetary effects of such grants remain manageable). It could also set a precedent for other countries that offer portable

student grants, or plan to implement these. Various countries have therefore argued in favour of a coherent European mobility policy that continues to advocate the European principles concerning the free movement of persons yet also offers sufficient room for national policy and for ensuring national budgets remain manageable.

Possible solutions will be explored in detail, as stated in the Communiqué issued by the Bologna Ministerial Conference in Bucharest (see www.EHEA.info). The subject will also continue to be handled under the Cyprus Presidency of the Council of the EU.

5. Next steps

On the basis of the above, it can be concluded that broad agreement has been reached with the educational institutions on the proposed policy directions and that various institutions have already undertaken activities in implementation thereof. The proposed policy recommendations will be formulated in detail in the period ahead by the educational institutions, the umbrella organisations for education, student bodies, the other organisations involved and the Ministry of Education, Culture and Science. Progress on these points will be monitored by holding regular consultation meetings between the Ministry, the umbrella organisations for education and the individual institutions, and partially by means of performance agreements to be entered into with institutions having a strong international profile.

I will undertake the following concrete actions in respect of the above themes:

1. Ties with the Netherlands

- *Conduct a further study on the probability of students remaining in the Netherlands*
The CPB analysis provides a good aggregate picture of the probability of students remaining in the Netherlands. This sufficiently validates the policy aimed at fostering ties with the Netherlands. However, the picture for specific target groups may differ. To support the further development of specific policy, it would be advisable to conduct an additional study that would also detail probability at Bachelor's and Master's degree levels and differentiate between higher professional education and research-oriented higher education and between the different labour market sectors (including the top sectors). The study should also include a qualitative analysis of the question concerning students' main motives for wanting to bind themselves to the Netherlands as well as the question concerning the key success and failure factors in binding students to the Netherlands. In addition, possibilities will be examined for centralising the collection of more data on the expected and actual probability of international students remaining in the Netherlands, e.g. using the available channels, such as the Student Monitor and Statistics Netherlands (CBS).
- *Increased use of alumni networks*
In the Holland Alumni Network project (2010-2011) the database containing 30,000 alumni and a pool of 250 alumni ambassadors will be actively deployed in the provision of information about Dutch higher education. Ways in which the alumni network can be deployed to achieve spin-offs that will

further strengthen alumni ties with the Netherlands will also be looked at. Nuffic will develop this further as part of the NESO programme.

- *Follow-up on the 'Red Carpet' project* The Red Carpet project is a collaboration of the Association of Universities in the Netherlands (VSNU), the Netherlands Association of Universities of Applied Sciences (HBO-raad), the Netherlands organisation for international cooperation in higher education (Nuffic), Studiekeuze123, Studielink, Kences, DUO and the Immigration and Naturalisation Service (IND) aimed at streamlining the admission process for international students in Dutch higher education. The results of the project include aspects such as making available study programme information to international students through one channel (studyfinder.nl) and obtaining insight into the information provided about housing to international students. The next steps that can help facilitate studying in the Netherlands will be looked at in the period ahead. One of the proposed follow-up steps is to improve the admission and enrolment procedure for foreign students via Studielink.
- *Exchange of good practices*
During the period ahead ties with the Netherlands before, during and after the study programme (including the job search year) will be communicated more widely among international students. The Ministry of Education, Culture and Science will organise a seminar on the subject next year and will use the results to expand on success stories.

2. Quality of inbound mobility

- *Expand selection tools*
As proposed in the Strategic Agenda for Higher Education, Research and Science, measures will be taken to expand the range of selection tools. Study programmes with an intake restriction already have the option to select students on an entirely decentralised basis. For study programmes without an intake restriction, the proposed increase in selection options for study programmes with a distinctive educational profile will be worked out in detail. An international classroom with a focus on a mix of nationalities could help create such a distinctive profile.

3. Boosting outbound mobility

- *Promoting joint programmes*
The Ministry of Education, Culture and Science has undertaken to finance, from 2009 to 2013 inclusive, the VSNU Stimuleringsfonds Joint Degrees, which employs its funds for the development of joint international programmes and structural partnerships aimed at creating a joint degree. In the second half of 2012 an interim evaluation will be carried out on the promotion fund. On the basis of the evaluation and any possible concern areas that have consequently been brought to light, in consultation with the VSNU and the HBO-raad the Ministry of Education, Culture and Science will develop a strategy for resolving the constraints pertaining to joint programmes and the corresponding award of joint degrees.

4. Transparent quality assurance policy for the international classroom

- *Tightened guidelines for assessment panels*
In coordination with NVAO, the assessment panel guidelines for the assessment of study programmes with an international classroom will be tightened. The emphasis will be on the question of how the design of the international classroom relates to the objectives pursued in respect of

education, quality and relevance to the labour market. International study programmes will also be encouraged to achieve the voluntary distinctive feature 'internationalisation' accredited by NVAO, for which a separate assessment framework has been developed. This can be supplemented with an assessment framework that has yet to be developed for the distinctive feature 'Euregionalisation'.

- *Monitoring study programmes with a focus on Germany*
I will critically monitor the progress of study programmes with a large contingent of German students. Study programmes that currently still focus largely on the German labour market will be given two to three years to ensure they comply with the effectiveness requirement. This implies that the study programme should meet a clear need from the Dutch labour market or should be based on trade relations with German. If the relevant study programmes continue to be ineffective, a study programme could be discontinued under Section 6.5 of the Dutch Higher Education and Research Act.

5. Mobility on the bilateral and European agendas

- *Regular consultation with Germany and organising a seminar*
Regular consultation on mobility will be held at Federal level and with North Rhine-Westphalia in particular. A bilateral seminar will be organised in autumn this year with participation from the relevant German and Dutch institutions in the border region, with the support of Deutsche Akademische Austausch Dienst (DAAD) and Nuffic. The purpose of the seminar is to develop more structural partnerships based on reciprocal mobility.
- *Detailing European mobility policy*
In response to the conclusions of the Bologna Ministerial Conference, within the context of the EU and the Bologna Accords, the Netherlands will actively contribute to detailing a coherent European mobility policy that will provide room for national policy and ensure that national budgets remain manageable, particularly in respect of student grant portability.

Conclusion

While substantial benefits are likely to be derived from international mobility, they are difficult to quantify and depend on a number of assumptions. Broadly speaking, the value of internationalisation for the quality of Dutch higher education is widely endorsed. With a strong focus on quality, greater benefits can be derived from internationalisation. To that end various educational institutions have developed activities which are encouraged and supported by the government. In the period ahead the current internationalisation policy will be continued along the lines described above.

State Secretary for Education, Culture and Science

Halbe Zijlstra