



Summary

Intermediate vocational students and money

A study of the financial behaviour of intermediate vocational students

National Institute for Family Finance Information (Nibud), 2011

On leaving secondary school, young people in the Netherlands can move on to intermediate vocational education (*middelbaar beroepsonderwijs*, or MBO), higher vocational education (*hoger beroepsonderwijs*, or HBO) or university. Vocational education (MBO or HBO) provides training for specific professions.

In 2010, 48% of Dutch students were taking an MBO (intermediate vocational) course. Young people move on to MBO from about 16 years of age, after completing four years of secondary education. MBO is divided into a work-based track (*beroepsbegeleidende leerweg*, or BBL) and a school-based track (*beroepsopleidende leerweg*, or BOL). The focus of the work-based track is 'learning on the job': students spend most of their time working and attend school for one or more days a week. The focus of the school-based track is the other way round: students attend school for about four days a week and in addition receive practical training.

This study looks at the financial behaviour of MBO students: their income, expenditure, saving patterns and debts, and how they manage money.

A total of 2,357 students took part in the study. 55% of them were male. 38% were taking a work-based course and 62% a school-based one. 76% of them were still living at home. The study is representative of the Netherlands.

Findings

Income

MBO students have an average disposable income of €538 a month, most of which is earned from their practical training or work. The figure for work-based students is €881. School-based students earn an average of €200 from their practical training or work; however, they much more often have additional jobs, which likewise earn them an average of about €200.

Many MBO students (50%) also receive money from their parents, €180 on average. This is especially true of younger students. Those that live on their own receive more money (€242), but the proportion of these that receive money is distinctly smaller (18%).



School-based students aged 18 or older are also entitled to a basic grant (€246 if living on their own and €75 if living at home). Students living on their own have an average disposable income of €845, and those living at home €442.

Students do not only receive money from their parents; many parents also cover various expenses. MBO students do not have to pay for everything out of their own pockets. In particular, parents often help pay for study books and other articles (nearly 50%), but some (nearly a quarter) also pay subscription fees. Naturally this depends on the student's age and living situation. Parents of students living on their own contribute an average of €135.

Expenditure

What exactly do MBO students spend their income on? The amounts involved are quite considerable. In any case, the students that live at home do not always have to contribute to household expenses; only 12% of parents ask their children to do so. The proportion for students aged 22 or older is one third, but far fewer students in this category live at home.

In addition, of course, to the cost of housing for students living on their own (who spend an average of €650 on housing and shopping), the greatest amount is spent on 'leisure'.

MBO students spend an average of just over €130 a month on this category, which includes various items. The most frequently mentioned item is presents, followed by entertainment, recreation, holidays and smoking. The most expensive item is holidays (over €100 a month), followed by entertainment and smoking (about €50 a month each). These figures only apply to students that spend money on these items ('null responses excluded').

MBO students also spend considerable amounts on the 'study' category. The largest item is tuition fees, at around €200 a month. However, only about 35% of the students pay these fees themselves. In the remaining 65% of cases they are paid directly by their parents or employers – unlike leisure, which nearly all MBO students pay for out of their own pockets.

Expenditure on 'appearance' is clearly in third place. MBO students spend considerable amounts on this, especially clothing and shoes, averaging €68 a month (more than they spend on entertainment and/or smoking). Work-based students spend noticeably more on this – over a quarter more – than school-based students.



An average of €30 a month is spent on mobile phones (usually a subscription rather than prepaid). This way of phoning, as well as the amount spent each month, largely depends on the student's age. What is striking is that 16% of MBO students regularly exceed their bundle limit; this figure rises to 32% when parents (if only occasionally) pay some of the costs. Younger and female students exceed their limit distinctly more often. Average monthly costs are almost twice as high (€52) among students that regularly exceed their limit.

Financial situation

The students were asked what they thought of their own financial situation. Nearly one in five described it as 'not very good', or even 'bad'; this figure rose to one in four among students living on their own. More male than female students described their financial situation as 'good'; the difference was about 10%. However, even some of the students that considered their financial situation good said they sometimes ran short of money, at least in this academic year. The most frequent response from students when asked what they do when short of money is 'nothing'. The next most frequent responses are 'borrow money from parents' and 'transfer money from savings account'.

If the various categories of students are considered separately, a somewhat different picture emerges. 25% of work-based students run up overdrafts when they are short of money; the figure for school-based students is 11%. Female students more often turn to their parents for extra money; male ones more often look for a job.

12% of MBO students do not save money, either personally or via their parents. This figure is higher for students living on their own, about a quarter of whom do not save. MBO students save an average of €139. The average amount they have saved is €3,335. On average, male students save money more often than female ones, and the total amount they have saved is also greater.

Many students (61%) consider that they manage their money well. Even 7% of those that regularly run short of money consider that they manage money well, and do not necessarily see running short of it as evidence to the contrary. One student in three sometimes borrows money. Male students do this less often (25%) than female ones (35%). Of the students that sometimes borrow money, a clear majority (55%) said they had currently taken out loans; they represented 17% of all MBO students, and 25% of those living on their own. The amount borrowed by students living on their own (€2,500) was also twice the average for all the students.

56% of students with debts were worried about them; 20% said they were 'regularly' worried about them, a figure that rose to 46% for students living on their own.



Managing money

One fifth of MBO students do not organise their bills. Nearly one in ten simply throw them away. This means they have no financial records that they can check, for instance when submitting tax returns. This is more frequent among male students and work-based students.

Students that do not organise their bills, or simply throw them away, run short of money significantly more often than those that do organise their bills. 24% of those that throw their bills away regularly run short of money; the figure is 20% for those that keep their bills but do not organise them, and 11% for those that do organise them. When asked how they had been brought up to manage money, most students replied 'well'. Even 70% of students who said that money was never discussed at home considered that they had been well brought up financially.

Finally, the students were asked what kind of financial information they felt they still needed. One third of them wanted information about living on their own. This response was less frequent among students living on their own, but one fifth of them still wanted to find out about the costs of living on their own, even though they were already paying them. Information about taxation (refunds and allowances) was clearly in second place. Remarkably, other frequent responses were 'making plans' and information on how to match up expenditure to income.

Conclusions

Most MBO students live beyond their means. They depend on extra income from such sources as DUO (a scheme that provides students with additional grants and loans) to cover their expenditure. However, work-based students are not entitled to DUO funds and must therefore find other ways to make ends meet. Although students in this group have relatively high incomes (from their practical training or work), they mainly spend them on 'fun'. Students still living at home have more leeway, but once they move out on their own a good deal of their income goes towards their housing. If they then continue to spend their money on 'fun', they may soon find themselves in financial trouble.

Running short of money is apparently not a reason for MBO students to describe their financial situation as not very good or bad. Shortage of funds does not seem to be a source of concern to them. When providing this group with information, it is therefore better to avoid speaking in terms of financial *problems*. This appears to be in line with MBO students' way of thinking.

Each category of MBO students has its own way of dealing with shortage of money. Female students more often turn to their parents for extra money; male ones more often work extra hours. Of all the groups, it is work-based students that most often decide to run up overdrafts. This is a matter of



concern, since most of them (79%) do not know the rate of interest on overdrafts, and half of those that say they do indicate far too low a rate.

Although their incomes are high, MBO students do not claim all the money they are entitled to. For instance, few students are aware of the health insurance allowance or the tax refunds that are often available to MBO students with part-time jobs.

Although many MBO students say they can manage money well, their behaviour indicates otherwise. One group does not see running short of money as evidence that they manage money badly. They apparently do not think the fault lies with them, and do not consider living beyond their means a problem.

A worrying number of MBO students living on their own have serious debts. A quarter of them have currently taken out loans, on average €2,500. These will have to be paid back with interest, and people with MBO diplomas do not usually find well-paid jobs. 20% of those that have borrowed money are 'regularly' worried about this – which cannot make it any easier for them to study.

Many MBO students (almost a third) do not organise their bills, or they simply throw them away. Since this group runs short of money noticeably more often, they should learn to organise their bills. Students that live on their own have a distinctly more negative view of their financial upbringing than other students. The more their financial skills are put to the test, the more negative their view of this becomes.

Helping young people manage their money

Nibud wants to help both parents and teachers of MBO students act as financial educators. Besides giving young people a good start in learning how to manage money, parents and teachers need to recognise signs that students may be in financial trouble. These include:

- regular absence
- fatigue due to overwork
- lack of attention during lessons
- giving up studies (students often say they are doing this because they have to get a job and earn money)
- difficulties in paying for tuition and books



Of course, such behaviour may also be due to other problems such as drug or alcohol dependence, lack of motivation or an unstable home background. However, all these symptoms may be connected with a broader set of problems.

If a student is in financial trouble, the early intervention team at the teaching institution or the local authority's personal debt management unit can be asked to help. Teachers can also use Nibud teaching materials to talk about 'managing money' in the classroom.

For instance, Nibud has a teaching resource called *Ik wil....* ('I want to....'). Based on standard approaches in vocational education, it discusses how to prevent debt and deal with it when it arises.

The Nibud game *Grip op je knip* ('Hang on to your cash') – an educational game that teaches young people how to budget and makes them aware of living costs, including the costs of living on their own – can also be played during lessons.

Parents have a key part to play in financial education. Judicious use of pocket money, as well as asking their children to contribute to household expenses, can impart such vital skills as planning, coping with shortage and making well-considered choices.

Should problems arise, parents must also be able to recognise signs and ask the early intervention team at the teaching institution for help before things get out of hand. They can also refer their children to specialised bodies such as the local authority's personal debt management unit. A website that parents and children with incipient debt problems can visit together is www.zelfjeschuldenregelen.nl ('tackling your own debts').

Finally, Nibud has a resource book called *Waar blijft het geld? Bewaren en bijhouden* ('Where's the money gone? Keeping hold of it and keeping track of it'), designed to help young people sort out their finances and keep them in order.