The Reform of the Hungarian Education System

The rational of the need of development of the education system promoted by the government.

A well-educated work force is essential for economic growth. The development (reform) of the education system is needed, both to give workers more transferable, marketable skills and to develop informed citizens, capable of participating actively in civil society. The primary purpose of the education system is to impart knowledge and skills and, just as important, to transmit certain values. Achieving the primary objective involves a number of subsidiary ones: equitable access to educational activities that equip individuals - economically, socially, and politically - in which they live (external efficiency); running schools and other institutions as efficiently as possible (internal efficiency); and financing education in way that are both fair and efficient.

The one reason what justifies public education, government support for education that there are important externalities associated with having an educated citizenry. A society in which everyone can read can function for more smoothly than a society in which few can read.

The justification for public support of education also arise from concern about the distribution implication of the private financing of education. Richer individuals will want to spend more on the education of their young, just as they spend more on cars, homes, and clothes. However, there is a widespread belief that the life-chances of a child should not depend on the wealth of his parents or the happenstance of the community in which his parents live. The prospect of upward mobility, that one’s children will be better off, has provided much of the political support for public education.

These concerns about "equity" may explain why the government has taken an active role in providing education at the elementary- and secondary school levels, but they do not fully explain the role of the government in higher education. If capital market were perfect, individuals for whom education is beneficial, for whom the return to education exceeds the cost, have incentive to borrow to finance their higher education. But private lenders are not, for the most part, willing to lend to finance education, hence those without funds of their own (or their parents’) would be denied access to higher education without some assistance from government. There is good explanation for this: banks are concerned about the difficulty of getting repaid. The substantial difficulties that the government has had in getting loans to student repaid are consistent with these concerns. Most public support for higher education has taken the form of free, or at least subsidized, education in state universities and colleges.

The concern for equality of opportunity has led to almost universal agreement that the governments should play some role in provision of education. Less certain is what its role
should be. The situation is different in every country, but there is a common feature, that they try to rationalize the education system, to make more efficient of the role what government has to play. This is the case in Hungary, as well.

**The basic features of the Hungarian Education System**

Under central planning Hungary was well-educated country, with almost universal primary and lower secondary enrollment, high levels of literacy compared with countries at similar incomes (and sometimes with those with much higher income), and impressive levels of basic numeracy and engineering skills. Access were relatively equitable, for girls as well for boys - a major achievement given the powerful effect of equal education on productivity.

As a result of them, by most standards, Hungary can claim a well-developed and well-functioning education system:

- participation rates for both pre-school (3-5 years) and the core school aged populate (6-16 years) are very high, basic education has been universal by accessible in Hungary for several decades, 90% of the relevant age group successfully completes the basic 8 year primary cycle, in addition, the majority of Hungarian children attend preschool, participation in secondary education is also high: about 80% of those completing the primary cycle go on to some form of secondary education, Hungary’s performance in international assessment, especially mathematics and science is outstanding,
- Hungarian higher education achieved a very high standard of excellence in the past and as result an excellent reputation throughout the region and the entire world, (the system at one point produced the highest rate per capita in the world Nobel prize winners),
- Hungary recognizes the importance of human capital investment as a key engine of economic growth.

But the system is not without its problems. The inherited education system was inefficient even in context of central planning. The state financed education on basis of rigid formulas, allocating resources without regard to student and employer demand. And although the provision of education was for the most part a public monopoly, it was poorly coordinated. Programs for professional development were fragmented, and scarce resources were often wasted on duplication of facilities, as each enterprise and ministry developed its own. Nor did administrators or teachers have any incentive to use resources efficiently. The result was gross overstaffing and high costs. In contrast to the board participation in primary and secondary education, Hungary's higher education system has been small and elitist. In 1991, higher education enrolled just 12% of the population age 18-22. The liberalization of the economic and political systems has produced sharp increase in demand for access to higher education has risen rapidly. Enrollments increased from around 83,00 to 150,00 in 1996. As a result of this expansion, the participation rate of relevant age has increased to around 17%. Despite the increase, Hungary still falls short of the participation rate found in most West European countries (typically between 25-30%).

During the last decade, the transition period of county there was effort to overcome these problems and many reform initiatives have been worked out. The main directions and contents of the further reform initiatives and the reform have been formulized, laid down and accepted by the experts and the relevant government organisations. The implementation of
these has been started as well, but Hungary is relatively far away those goals what are set up by these initiatives.

**Direction and content of the development and the reform**

It has been realized that spending between 6 and 6.5 percent of GDP on education, Hungary can not afford to address the shortcoming of the country’s education system by allocating more public resources to it. There is a need for increasing the financial resources (in both relative terms - as % of GDP - and absolute term) available for the education and at the very same time there is a need to modernize it as well.

*The essence of the reform can be summarized as the following:*

- Modernizing the system,
- improving its quality and relevance,
- maintaining nursery education, and
- increasing access to upper secondary and higher education

will have to be achieved
- through more efficient use of existing public resources and
- by mobilizing other resources.

In attempting to make better use of scarce public resources, the appropriate strategy can be to re-deploy teachers and use them more effectively by addressing the three underlying causes of the under-use: low teaching loads, over-specialization of subjects offered, and over-reliance on single subject teachers at lower levels. Increased salaries should accompany these measures.

**Key areas are:**

- the rationalization of the institutional network,
- further integration of research institutions into the education ones,
- reorganization of teaching programs and teaching staff, and
- flexible learning arrangements - shorter, evening and correspondence courses.

New curricula are central to the reform of the content to produce a more critical type of learning and to adjust schooling to changing needs and values.

Higher education, because of the substantial private returns to be gained from it in the evolving market economy, is also a target for cost sharing with its consumers. There are various ways to achieve this:

- reducing student stipends and charging tuition fee, with appropriate funding mechanisms for students from poor families is one approach,
- an other is the levying of a proportional "graduate income tax" on beneficiaries of publicly-founded higher education once they enter the labor market and begin to reap the benefits (higher incomes) from their education.

These initiatives put basically emphases on the **efficiency aspect** of the education. But it can not be forgotten: as Hungary continues the transition to market economy, the importance of education grows apace; its central role underpinning a successful democracy, a functioning and growing market economy, and in ensuring **social equality** has to be widely acknowledged.
Hungary has made some progress toward these goals, but much remains to be done.

**What has been done?**

The educational system has been deeply transformed in the 1990s. Modernisation, joining line with Europe, adjusting to the requirements of market economy, freedom of choices, improving the level of education, and cost economies were the clue to the direction of changes.

The role of state decreased in favour of local self-governments. The decentralization to municipalities evolved the responsibility for education on local level. At the end of the decade the majority of schools got embedded in local societies with the many advantages and disadvantages of that situation. Schools began to play an integrative role in the villages, but also it was more and more difficult to maintain the kindergarten or the school where the municipalities were poor. The local government generally had even fewer resources than central government.

New institutions have sprung up (many of the private), especially in the teaching of social science and business administration partly because of rising return to these disciplines. Curricula has been revised, especially in history and social sciences. Beside state institutions new sectors appeared at all level: ecclesiastic, foundation and private schools. The multisectoral school system increased the freedom of choices for parents, but the return of a part of schools to churches caused tensions at the beginning. Foundation and private schools often segmented the system and increased inequalities of chances, though the ratio of paying schools increased slowly.

The World Bank played an initiative role in the Hungarian education reform and continuously urged its implementation. In fact two loans served educational aims. The first – Human Resources Project – signed in 1991 produced very positive results. The loan contributed to the building of labour market organisations, to the development of adult education and retraining, and to qualitative changes in the middle and higher education. The second loan – Higher Education Reform Loan – signed in 1998 aimed at assisting the development of the technical, organisational and substantial conditions of a modern higher education with some positive and several questionable and discussed elements. The recommendations on education made valuable contributions to improve technical, organisational and substantial conditions, but caused several problems too, since the implementation of the experiences of developed countries mustn't mean copying. The reforms encountered opposition not only because of backwardness and defence of vested interests, but also for the retaining and development of the values of the Hungarian education system were overshadowed during the elaboration of reforms.

The recommendations of the World Bank overemphasised cost-economy, though economising on education brought little economic benefits, while caused the decline of quality and retarded the development of the level of education for long. During the early stages of transition, in the first years of system change the real value of the expenditures on education diminished gradually, afterwards in the introduction of the stabilisation package the government claimed large economies from the education. *The result was a steep fall of the real value of expenditures on education, which was by one third less in 1998 than in 1990.* Hungary spends about 6.7% of the expenditures of the state budget for education, what is substantially less what the leading industrial countries do. This ratio, for example, in Finland
13-14 %, in Sweden 14-15 %, in Denmark 12-14%, Japan 16%, in USA 12%. The state support of higher education decreased from 1,3 percent of GDP in 1994 to 1 percent in 1997, when the OECD countries' average is 1,6 percent related to a much higher GDP.

Education faced serious problems due to demographic changes in this decade: the second demographic wave culminated in the higher grades of primary schools at the beginning of the nineties, then moved to the secondary schools and at the end of the decade reached the higher education. In kindergartens and primary education the number of children decreased more rapidly than the number of teachers, which improved the child per teacher ratio. In secondary schools the number of pupils strongly increased, but the number of teachers grew with a somewhat higher rate. Thus, in international comparison too few pupils were left on a teacher in the primary and secondary schools. The "low efficiency" of education became a target of international (World Bank, OECD) criticism. Class and school fusions were often motivated by the interests in the sold of the building or by financial economies and the viewpoints of improving the quality of education and of the local communities were pushed behind. The dismissal of a part of teachers created pedagogue unemployment. Recently there is a slow improvement in some indicators, but in the transformation a part of values went lost. The newly learned Irish example proves that a good pupil per teacher ratio might be turned into a rewarding advantage in the long run.

Following also the advice of the World Bank and the European Union, the number of students more than doubled in the high schools and universities. The burden of teachers and the number of students per employed teachers grew significantly, but after the dismissals the number of teachers has been increased again. The growing number of high school and university students is an important contribution to the future and a particularly positive feature in the context of the country's accession to the European Union. The last loan of the World Bank supports the higher education reform only. However, the higher education will not be successful, if the level of education worsens in the primary and secondary schools and, as it was experienced in recent admission examinations, less prepared students start high school and university studies.

The pedagogues suffer the main losses from restrictions, and the schools who have no possibilities generally, degrading or slowly modernised. Nowadays the teachers' particularly bad salaries put obstacles in the way of improving the education.

The central personage of education is the teacher; in western countries the teachers' salaries expresses somehow their important role. According to OECD data in all western countries, i. e. also in poor countries like Greece or Turkey teachers' salaries are 1,1 to 1,7 times higher than per capita GDP. In Hungary salaries of primary school teachers was 68 percent of per capita GDP in 1993, that of secondary school teachers 72 percent and since the situation worsened as GDP increased while the real value of teachers' salary declined. Only employees of health and social services are in a worse position among intellectuals and branches of the economy (see Table 1.).
Table 1.
Net salaries of employed intellectuals in 1998

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<th>National economy total</th>
<th>Within the national economy:</th>
<th>Mostly within the budget:</th>
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<td>Competitiveness sphere</td>
<td>Budget</td>
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<td>Average net monthly salary HUF</td>
<td>58 072</td>
<td>66 587</td>
<td>49 435</td>
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<td>National economy average=100</td>
<td>100</td>
<td>115</td>
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Costs of education increased to a large extent in the nineties, which fact diminishes the chances of children living in families of bad financial circumstances. In spite of increasing number of pupils in secondary and higher schools, chances of continuation of studies and learning a profession are bad and worsening for children coming from unskilled, unemployed, poor or gypsy families and for those who live in crisis districts. The always-existing settlement slope gets steeper. The gap between elite-schools and those of poor settlements and districts increases.

A factor strengthening the differentiation between families and schools is the increase of education costs that are not compensated in the education norms and calculations. The education of children got to be very expensive and imposes heavy, sometimes insupportably high burden on poor families. The same factor differentiates also between settlements, for schools of poorer settlements do not receive the needed financial support.

Summary and conclusions

1./ In the last decades a relatively - even in the international standards - high level education system has been developed in Hungary; it can provide a sufficient base for its modernization required by the new challenges of globalised market economy.

2./ The main directions and contents of the further development and the reform have been formulized, laid down and accepted by the experts and the relevant government organisations. The implementation of these has been started as well, but Hungary is relatively far away those goals what are set up by these initiatives.

3./ The practical implementation of these initiatives and reforms can be undermined and hindered by the dominance of fiscal policy given more priority to the economic stabilization, overall economic equilibrium and less to the education and the development of the human capital of the country. This shortsited fiscal policy can force the Hungarian education system to take such tendencies what are just opposite to those ones what the developed countries have been following. If this policy does not change the quality of human capital of the country can be deteriorate, the social mobility can slow down and - especially at long run - the international competitiveness of the Hungarian economy can weaken. That is reason why the economic
policy should recognizes - not only in principle, but in practice too - the importance of human capital investment - investment in education - as a key engine of economic growth.

References


