



Weekly Briefing

Hungary Social briefing:
Hungarian Social development
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News:

A few weeks ago, the Bloomberg published its annual innovation ranking of countries, where South Korea, Sweden and Singapore are still lingering at the top and Hungary came in 27th in the list. The last year, the country had the same ranking. In Central and Eastern European comparison, it is worth pointing out that only Poland overtakes Hungary on this list; the Czech Republic (28th), Romania (35th), Slovakia (38th), Romania (35th) are behind Hungary. While compiling this list, the following indicators are considered: R&D intensity, manufacturing added value, productivity, high tech density, tertiary efficiency, research concentration and patent activity. Looking thoroughly at these sub-indicators, it is clear, that tertiary efficiency, research concentration and patent activity are those elements, that make the country underperform its overall ranking. Therefore, this briefing looks at main questions of the tertiary education in Hungary.

Analysis:

One of the most long-term social development issues in the 21st century is the capability how societies can cope with the changing political, economic environment and deep-going technological advances. This capability or social potential significantly determines the success or failure of modern societies. Along with the level of investment and labor force utilized in the economy; the quality of technology is one of the key features determining the long-term GDP growth rate. That is the reason why this week, the briefing looks through reports and rankings related to the Hungarian upper education system that substantially contributes to the innovation output and innovation capability of the Hungarian society in the long run.

A comprehensive reform of the Hungarian tertiary education system started in 2010. One of the main goals has been to cut the costs by eliminating state

subsidies in many fields. In particular, programmes in economics and legal studies were targeted by measures aiming at lowering costs. At the same time, efforts have been made to concentrate ear-marked, financial resources on programmes for engineers, other areas of technical educational programmes. In other words, natural sciences which have provided students with skills, usable in manufacturing and industry, are being preferred over social sciences in this reform. Consequently, student numbers began dropping, however one must also add that the decrease in student numbers is only partly traceable back to cutting subsidies. The decline was already there in the system due to shrinking population numbers. Consequently, today (2017-2017 data), there are around 287 thousand students in the Hungarian upper education system, while ten years ago, circa 420 thousand people studied at Hungarian universities and colleges.

In addition to decreasing absolute figures, the share of those who attend universities and colleges, is still not outstanding. The tertiary educational attainment rate for 30-to 34-year-olds stood at 33 percent in 2016, which was significantly lower than the EU average of 39.1 percent. In the case of Hungary, the national target for tertiary educational attainment rate is 34 percent for the time being, thus there is a clear urge to increase the number of students. This goal can be reached, however, there are two important barriers in the way of achieving this outcome. (1) In our earliest analyses, we already pointed out that considerable proportion of young people leave the country for better jobs, and it can be added that after the secondary school (high school) many young Hungarians continue to study in Western European countries. These young Hungarians usually never attend Hungarian universities or colleges. (2) The rate of dropouts is high, in particular, PhD students tend to not finish their studies. A report of the European Commission also covered dropout rates, which albeit declining (35.3% on average) but remain very high especially in bachelor and the so-called undivided programmes. (Undivided programmes are courses where bachelor and master programmes are offered in one package, there is no option to go only for the bachelor grade or the master grade.)

Despite the lack of a clear success story – at least until now – the Hungarian upper education system had to be reformed due to the following reasons:

- There was no lid on growing upper education system expenditures. The growth seemed to be unstoppable.

- After 2010, a lid was put on spending by reinforcing the state's room for maneuvering, in other words the academic freedom – at least when it comes to finances – became more restricted.

- At the same time, as in the economy, the state wanted to interfere stronger than before 2010 and the motivation behind this interference is to guide universities in areas where their output, the skills of the graduates can be more easily used in the labor market.

The “restriction of the academic freedom”, as many argued, came from a new player, the so-called ‘chancellor’. After 2014, the new education system created the position of the ‘chancellor’, who is nominated by the government and takes decisions related to economic issues. The idea seems to be clear: a division of academic and managerial tasks aiming at reducing costs and preserving academic freedom. However, it seems to be very difficult to reach the ideal division of labor, since the upper education institutions have been working in an increasingly competitive field where the competition takes more and more international dimensions. That is why goals set by the government can only be reached if full academic and financial freedoms are granted to the Hungarian institutes. (That is to say, the question whether the creation of ‘chancellor’ position has improved the environment or not, can be answered on institution-level, not generally.)

The scale of internationalization in the Hungarian upper education system has been growing over the last 6-7 years and it was not only due to the so-called Stipendium Hungaricum Programme and the Erasmus Programme which obviously contributed to the internationalization of the Hungarian upper

education systems, but also research output received an international dimension by being measured internationally.

Thus, international rankings and comparison also matter when evaluating the efficiency of the Hungarian upper education system. It is very telling, that the Academic Ranking of World Universities (ARWU) didn't rank any of the Hungarian universities among the first 500 universities in 2018. The Eotvos Lorand University and the University of Szeged could make in 501-600 group, and the Budapest University of Technology and Economics was ranked in the 701-800 group. The ARWU also considers research output and the quality of papers and journals at the given university. Webometrics, however, reflects on volume of web contents and visibility and impact of web publications. Based on this ranking, the mentioned Hungarian universities are in not much better position: Eotvos Lorand University ranks 465th place of the list, the University of Szeged 675th and the Budapest University of Technology and Economics the 572th.

By improving research output and quality, financial incentives to academic staff, and financial, organizational autonomy play crucial role. In the EU, Hungary has one of the lowest score in the ranking of financial autonomy of higher education institutions. The report of the European Education Association (issued this year) mentions other aspects of autonomy as well, f. ex.

- the organizational autonomy (Hungary's ranking: the 23rd place of 29 countries),
- the financial autonomy (Hungary's ranking the 28th place of 29 countries),
- the staffing autonomy (Hungary's ranking the 22nd place of 29 countries),
- and the academic autonomy (Hungary's ranking the 16th place of 29 countries.)

The low degree of autonomy leads to deeper state-involvement in educational decisions. Not only the chancellor, but the appointment of academic staff which requires external involvement decreases academic autonomy. At the same time, stronger state intervention is not necessarily a bad thing, since this

change in behavior is connected to the changing economic policy, which means that the economy policy making tries to target the future engines of economic growth and at the same time it also attempts to guide Hungarian universities and colleges into the development of educational programmes which are supposed to serve better the broader interests of the Hungarian economy. Whereas the disadvantages of direct state involvement seem to be obvious for the time being, one cannot immediately see the advantages of more state.

To sum it up:

- Hungary did recognize the crucial role of upper education in the creation of a modern and competitive economy, it also sees that expenditures must be kept low in order to create a sustainable system.

- The creation of the ‘chancellor’ position served the goal, to keep costs low, well, however, the system has strong limitations when considering the future that will be shaped by increasing international competition among universities.

- Under these circumstances, autonomy (fiscal and academic) must be strengthened and kept in one hand, whereas rights of the state, in particular, in the interests of the economy policy, must be reserved, hence maneuvering room for economic policy can remain intact. This freedom of intervention is in line with the developmental state approach of the Hungarian economy policy.

- In addition to organizational problems, there are inherent and long-term issues, such high dropout rates, declining population and migration already starting in the age group 18-23 years.

- In order to enhance international competitiveness of the Hungarian upper education system, expenditures have to be increased in an organized and controlled manner, because general spending on the tertiary sector is critically low, it only reaches 1.6 percent of the GDP, there is only one country, Luxembourg in the OECD that has lower share than Hungary, however, the Luxembourgian GDP per capita is much higher, thus this comparison is irrelevant in this case. Since we speak of international competition, absolute

expenditures also matter. Based on the latest data, the OECD average of expenditures per student in the tertiary sector was two times higher than in Hungary! (OECD average: 16.144 USD, Hungary: 8.688 USD).

- In our understanding, the two seemingly contradicting goals – to keep the system sustainable financially and increase the quality of the output in the upper education systems, can only be reached, when more market (hence more academic freedom, and responsibility) is generated in the system, while brakes helping in the guidance and controlling the upper education system, are being used.