

# Educational policy as reflected in the resources and decisions of municipal governments

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## Abstract

Amidst of the current reform ideas and compulsions to change as a result of globalisation different types of criticism can be read every week in professional magazines in connection with our national educational and municipal governmental system. While in the first case the sources of problems are the career and training structure drifting away from entrepreneurial needs and the inefficient primary education, lack of financial resources can be the cause of tension from the part of municipal governments. Generally, these two sides are discussed separately in spite of the fact that managing local resources and maintaining the educational system by the local governments<sup>1</sup> are interrelated at several points causing a lot of tension both on primary and secondary level.

To sum it up, we can state that the educational system of Hungary as well as professional training are gradually drifting away from the real needs of enterprises as the focal point of vocational training is more and more transferred to courses with a degree in higher education. This inconsistency can lead to unemployment in a longer run and, what is more, it can also justify the low level contribution of the private sphere to finance educational expenses. The municipal authorities play a great role in this situation, which are in daily contact with the enterprises operating locally as well as the inhabitants. So they are able to bridge potential employers and perspective employees by knowing the real needs and in the possession of information they can create a proper system starting even from the primary school. The role of municipal authorities is not completely played yet in education. As the main part of their resources derive locally besides from the central budget, the present situation of education can be improved (or even made worse) in certain cases by their decisions.

The objective of the study is to present the problematic points in Hungary's educational situation by going through the general national and European Union tendencies and connecting it to the resources of municipal governments supporting almost eighty-five percent of the institutions as well as outlining the areas where municipal authorities can assist in solving the problems.

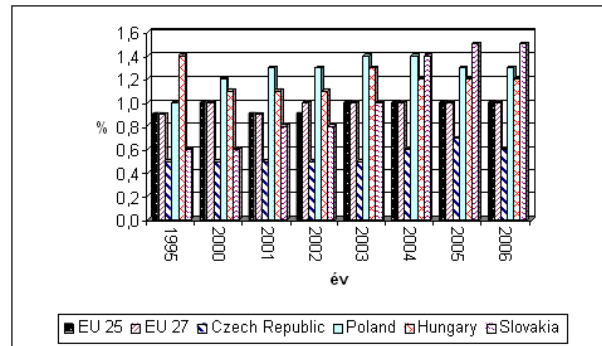
## 1 Introduction

In the fourth year of our membership our country is still looking for its proper place in the stage of the European Union currently comprising 27 members already. We are trying to get hold of more and more funds from the common budget to cover the costs of the national budget and enterprises but the current picture overshadows our perspectives from time to time. The European Union has several advantages due to both its size and resources. But undoubtedly the most precious and greatest treasure of this extended organisation is man himself who provides goods and services, invents and develops while generating income and getting competitive advantage for his nation and the Union, too. From the point of view of improving human resources imparting up-to-date, modern knowledge is one of the most important tasks of public education system (Balázs, 2005) together with creating key competencies and skills besides the social and human factors necessary for life and work. Quoting Ildikó Mihály's (2005) words: "the costs spent on education and training is not only the prerequisite of the competitiveness of the Union, sustainable development and employment but also the indispensable criterion to accomplish the economic, social and environmental protection tasks formulated at the summit of Lisbon." The sentence quoted comprises the essence of educational policy and politics whose final aim is to improve the given national economy and that of the European Union by means of human knowledge. That is why stressing the priority of education as a strategic area does matter in working out the budget and allocating the resources besides the other objectives and also the aims

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<sup>1</sup>The connection is strikingly apparent between the professions taught by primary and secondary educational institutions as well as the qualification of the school leavers both sides of revenues and expenditures at the municipal governments.

Figure 1: The proportion of educational expenses within the total costs of households in the Union and the countries of Visegrád (Source: EUROSTAT)



targeted are not indifferent that direct these processes. The basic principles of education as a highlighted strategic area are outlined in educational policy worked out by the state as well as the municipal authorities. However, national educational policy cannot be formed by disregarding the priorities of economic and budgetary politics besides the needs of the citizens and Europe that defines the financial background of education in proportion to the generated GDP. Managing public funds entails meeting the requirements of efficiency and transparency as maintaining a prolific and weak quality educational system serves the interests of none of the countries. However, we cannot obviously state that financing education is the sole responsibility of the state. If we examine the proportion of expenditure spent on education within the costs of the households we can find that our country's situation is not bad compared to the Union's average. The mean 1.2% proportion of Hungary in comparison to EU 27 and EU 25 is above the average but lately both Slovakia and Poland of the so-called countries of Visegrád have overtaken our country. Based on this, we can conclude that the source of the worries regarding education should be found more likely in the structure of education as well as in the proportion of public costs.

Principally in the case of vocational education the inclusion of private funds, needs and knowledge of the enterprises is a real need in order to make the "output" of education, i.e. the graduates, more viable and competitive in real labour markets. Based on international comparison we can say that in relation to EU 25 and EU 27 our country is in a good position regarding GDP proportionate expenses on education (in 2004 it was 5.43% of GDP compared to 5.1% of the EU).

This proportion expressed in euros can be regarded good even in international relations. While in Hungary there are 7276 euros per student<sup>2</sup>, this amounts only to 6500 euros in Germany and Poland.

However, educational policy must not be merely tied to economic and budgetary politics as it is strongly attached to regional development as supported by the words of István Polónyi (2005): "educational policy can properly define establishing and assisting schools only if it outlines when and to what extent it is practical to support the running of local schools and transporting students depending on the size and social composition of the settlements." Unfortunately, due to the structure of scattered tiny settlements in Hungary as well as the differences in development, the students living in different parts of the country possess extremely diverse range of knowledge and skills. Much to our regret, the scattered nature of the educational system together with its differences in quality even makes the situation worse instead of easing it by conserving and deepening the state of the inhabitants of the given region drifting them apart from the more developed Western regions of Hungary. The source of deviation cannot necessarily be found in the type of financial resources as the same amount of per capita entitlement is applied after each student on the certain level of the educational system so regarding financial means, the only difference can be grabbed in the additional support provided by the municipal authorities. The main problem can be identified in quality and the knowledge imparted by the teachers as how can we expect a tiny village of several thousand inhabitants to ensure the same quality as a big village or town with several thousand people?

Nowadays it is obvious that all micro-and macro-level strategies should comprise the development of a knowledge-based society and spread of lifelong learning in the everyday life of Europe regardless the geographical situation of education as a system. We must not make the mistake of playing down the importance of human resources and forcing it to a secondary position by giving priority to capital as man is as indispensable for the proper operation and increase of capital as air for any living being.

<sup>2</sup>Participants of primary, secondary and higher education alike.

## 2 Competitiveness and education- or competitive education

In our present situation our county has encountered a new notion more and more required and justified by the process of globalisation, i.e. competitiveness. The idea of competitiveness is a highlighted priority in the Lisbon Programme accepted by the Union in 2000 as the necessary means to catch up with the United States of America. The Programme grants 10 years for catching up so at half-time, monitoring must be carried out to reveal the implementation of the Programme. Wim Kok, the Dutch ex-president was asked to make the report, who, with his team of experts, concluded a report depicting a not favourable picture at all. The paper obviously states that no advancement was made regarding the four main strategic objectives- competitiveness, creating workplaces, social cohesion and sustainable development. What is more, the backwardness of the Union has even increased over the USA. Talking about economic growth and creating workplaces, the Programme highlights the importance of R&D and education, but, much to our regret, not significantly enough. Unfortunately, the situation has not changed or it has even deteriorated by now.

Based on all this, we can say that the notion of competitiveness is a central part of all forums and, as a guide, all rows are intertwined and the further parts of strategies are attached to it. The idea can be interpreted on macro level where all responsibilities lie on the state although the acceptance of this statement would denote superficiality of a great extent. Creating competitiveness can not completely be interpreted as a task of the state as the micro level players of public administration can also play their part efficiently. Most of the experts dealing with this topic agree that making Hungary attractive for foreign capital either within or outside the Union requires special attention paid to employers and employees, or, to be more precise, to their skills and training. It is not by coincidence as the adequately trained professional human resources knowing all the tricks of their trade is the basic prerequisite of the modern globalising world. The importance of the topic was recognised by all national and Union policies-that is why knowledge-based, reinvigorating society is the criterion of competitiveness besides employment and sustainable development as a highlighted area of the new National Development Plan of 2007-2013. These tendencies can clearly be attached to such municipal policies as local education and regional development that are determined from above, of course, but must be planned locally regarding the local needs and opportunities. It is not by chance as municipal governments are the institutions of education, economy and rural development knowing the needs and possibilities of the given settlement to work out the most optimal development strategy to improve and make use of it. If we only consider education and qualification, the correctness of the statement can be proved by the fact that almost 80 – 85% of the educational institutions are in the hands of the municipal governments. The system of education and qualification is a highlighted strategic point in the history and development of the country's competitiveness and with its proper running we could achieve an outstanding ranking ahead of the competitors.

Due to the inadequate reactions to the global economic challenges of the past years and decades (scientific and technical revolution, economic integration, educational-training-budgetary reforms, modernisation) our country has lost a lot from its international position. At the beginning of the 20th century we did not take into consideration the appearance of mass-producing cheap agricultural products and, what is more, we did not even react to the new drives of development after WWII, i.e. the scientific and technical revolution, the integration of the world economy so the capacity of our scarce resources were concentrated on outdated and not viable activities. The situation was made even graver by the change of the regime, the fall of the socialist era and the helplessness of the 1980's also contributed to it to a great extent. In 1995 we still had a bigger backwardness to the developed countries than before WWI. From 2002 the assessment and attractiveness of Hungary have diminished compared to the neighbouring countries. We have found new criteria such as (*Kádár, 2005*):

- globalised knowledge-economy,
- knowledge-based society,
- EU membership,
- insecure, risky world economic situation and
- transferring the points of growth in world economy from the Euro-Atlantic region to East-and South-East Asia.

Our EU membership from 2004 has emphasized the importance of strengthening our competitiveness further regarding the free flow of goods, services, labour and capital. However, the notion must not be analysed as a merely economic one as several other systems such as education, finance, technical and scientific environment and even public administration have made their own contributions.

Our drawbacks deriving from the loss of authenticity of the past decades, financial inequilibrium and misuse of human resources can only be minimised by formulating a proper economic and educational policy. The intellectual capacity of our country was renowned and widely known some decades before the change of the regime so a new development strategy could be worked out on its base although the situation was made worse by now as clearly reflected by the results of PISA 2000 examination.

It is a regretful fact that the basic education of the Hungarian students is weaker and weaker in international comparison<sup>3</sup>, their scientific basics are like the average, the mathematical abilities are under the average while they have very weak skills in reading comprehension. Before any strategy could be drawn up, first concluding these examination results are the most urgent and highlighted task. To cure these problems, the proper level could be primary education, the running of which belongs to the local authorities.

Nowadays municipal authorities possess 90% of educational institutions<sup>4</sup> and the rest belongs to central budget, the Church and non-profit organisations running the institutions. The overweight of local authorities can hide opportunities and threats alike and, in many cases, can also be a source of problems. The smaller or bigger, scattered local governments of a great number also mean heterogeneous educational standards besides the difference in management and quality-resulting in worsening quality and inefficiency even in the short run. The "cliques" of educational institutions are on the way primarily to meet the needs of the city elite by ensuring suitable standard and quality of service. Opposite them the rural village schools and those of big city housing estates can be found who are unable to compete with the above-mentioned ones due to their shortage of resources and funds.

Unfortunately, not only the PISA examination but also other ones (IALS) have come to similar conclusions regarding the analysis of the reading and writing abilities of the population. It has also been proved that this deterioration can not only be due to the years after the change of the regime when the national local authorities had a worsening situation year by year but also it can be felt even before. The solution of this problem requires not only supplementary finances but also new, modern methods of pedagogy that are able to adapt to the new, transformed needs but practising and studying them require significant financial resources.

A constant topic is competitiveness and its improvement not only in Hungary but also in the European Union and worldwide. It is not by accident as all countries are striving to maximise their welfare whose indispensable prerequisite is economic growth and development. To achieve this, resources are necessary among which the most important ones are capital and labour. If we examine our competitiveness we must not give priority to the quantity of capital and quality of labour only as there are several other important factors to be considered both on national and local level.

Our attractiveness and competitiveness are partly influenced by the picture of the central and local administration regarding management and flexibility but we must also mention the idea of efficiency. In the past years *reforming the state budget and its sub-systems* has been a constant topic whose organic parts are the local governments. It is a well-known fact that the present system created at the change of the regime has become "non-viable". The system compiled of different models has several wounds now such as lack of central budget, the increasing number of local authorities in a disadvantageous situation and criticism of the professional policies of the branches. However, important steps were not taken despite several studies, ideas and workshops but the system calls for real and profound changes. The words of Árpád Kovács, president of the National Audit Office perfectly describe the present situation: "reform as a notion has been degraded to such a great extent that it has almost become a curse nowadays". Despite the fact that all member states of the European Union regard public administration as a sovereign business at their own discretion, a kind of guidelines can be felt if we only consider the Union's regional policy and the support of the next budget in 2007-2013. The beneficiary of this support is the region that, unfortunately, only exists on a statistical level of planning in Hungary. Reform is such a factor from the point of view of improving our competitiveness whose implementation cannot be postponed any longer together with that of education and the growing ratio of R&D.

Another direction of reform ideas is the change of our system of education and training. The present system does not serve the interests of the foreign enterprises which have already been relocated here or are considering moving to Hungary but they can significantly improve our GDP and employment. At present, the bigger international companies have primarily transferred their assembling activities to our country which is not the best option regarding stability. It must be changed as assembling is such a cost-sensitive factor that can easily "pass" borders when finding a lower cost structure<sup>5</sup>. All in all, our country has to make efforts to reform and transform education.

<sup>3</sup>In PISA 2000 programme the reading comprehension, mathematical and scientific abilities as well as sociocultural background of students aged 15 in 31 countries were surveyed by professionals with the help of nine separate test booklets that altogether corresponds to a 7-hour-long test (Vári et al, 2001.)

<sup>4</sup>Local governments of the county and the settlements altogether.

<sup>5</sup>To attract and keep foreign investors there is need not only for highly qualified professional workforce. Besides increasing specialist knowledge, a change in the views of employees is also necessary so that the companies operating locally and providing several hundreds of

Global knowledge management and the requirements of competitiveness should be placed in the centre of the reform. In the forthcoming years economy not only needs "white-collar" workers but also "blue-collar" ones with excellent expertise. (Cseke, 2003).

Higher education and vocational education will also have to play a significant role in reaching the objective. The institutes of higher education are part of the educational system that embodies high standard education, research and development at the same time. That is why priority must be given by the given country. If not, this fact can undermine the scientific advancement of the country for a long time.

The situation is similar in the case of vocational education, the player imparting necessary and indispensable competencies that are needed for succeeding in the life of work. The biggest prerequisite for vocational training like in the case of higher education is flexibility, i.e. how fast it can adapt to the challenges of the ever changing world in career structure, infrastructure as well as in means.

After all this, we can see that our competitiveness finally goes back to human resources as people are who perform tasks, who can do their best to improve quality and thus ensuring a better evaluation of our home country. That is why it is not the same what strategy is applied to competitiveness: one that is strictly economic by decreasing taxes and contributions, providing support or another considering the human dimension of the notion by improving education and research.

A lot of papers and analyses are trying to draw attention to the importance of education and training as the basic factor of influencing the competitiveness of our country. According to the Committee on Competitiveness of the American Chamber of Commerce: "education may be the most important part strengthening national competitiveness". In connection with this, AmCham proposed the following steps (*AmCham Position Brief, 2004, Issue II.*):

- Institutes of higher education should be given more freedom in managing their finances,
- the study material of higher education, secondary, technical and vocational schools should reflect the expectations of the business sector,
- teaching foreign languages, especially English, should be improved in Hungary.

The above listed recommendations of the Chamber truly reflect the direction of developing the system. If there was a certain move made toward the directions formulated, our country could boast to have started bridging the gap between education and the needs of business life. If the financial independence of higher education institutions could be realised, keeping the teachers who possess modern and up-to-date knowledge would be possible as they could work for a more competitive salary.

Based on the present-day situation we can state that almost one hundred thousand skilled labour force is absent from our labour market due to the inflexibility of the training system. Unfortunately, a great part of secondary schools and institutions of higher education still teach books that do not keep pace with the needs of economy and business so labour market supply and demand will be even farther from each other. There was a company that made a forecast to the vocational schools of the region to suggest what qualifications and skills it would require but the parents kept on enrolling their children to trendy courses preferred by them. The reason for disregarding the needs of the labour market is possessing limited information in many cases together with the prejudice towards certain professions. The situation is even made graver by the fact that we do not possess long-term forecasts in the labour market while the USA set as an example forecasts the expected requirements by profession for 15 years to inform students and parents about where to go on studying. Apparently, the system is controlled by social stereotypes and inadequate financing. Till vocational schools receive per capita entitlement, no shift can be expected towards less trendy blue-collar professions with less prestige in spite of the fact that they would be really sought after and necessary.

The output of education and the needs of companies differ not only in the professions taught but also in their structure of content. In the past 10-15 years practical education almost entirely disappeared and minimised so the graduates of colleges and universities well as skilled workers step onto the stage of the labour market with shortage of practical skills. Besides practical education the language knowledge of the prospective employee is not proper, either, although with the process of globalisation and the Hungarian economy's integration into Europe the suitable (English) knowledge is getting more and more importance. All this is topped by the reverse operation of the system

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jobs could work efficiently and successfully. The article entitled "Vendégjárás" of the economic weekly magazine called Figyelő in March 2005 points out that more and more foreign employees come to work in Hungary year by year and the reason why the companies cannot fill their capacities up by local employees can be found in their lack of motivation and mobility. That is why almost half of the 2700 workers in the Suzuki plant in Esztergom are foreigners (Szilágyi, 2005; 48.). We can say that such "additional" disadvantages will make the shortcomings of our vocational training scheme even worse.

that qualifies white-and blue-collar workers in the proportion of 60:40, respectively. However, a reverse proportion would be in great need. As a result, the higher qualified get into a spiral moving downwards regarding positions and salary alike.

Table 1: The number of pupils and students in the single school types (thousand persons) (Source: Central Statistical Office-hereinafter referred to as CSO, educational statistics)

Academic year	Kindergarten	Primary school	Vocational school	Secondary school	Higher education
1990/91	392.0	1177.6	225.4	360.0	108.4
1995/96	400.5	992.8	178.0	448.6	195.6
2000/01 <sup>6</sup>	353.1	960.8	126.6	509.5	327.3
2001/02	342.3	947.0	133.0	516.1	349.3
2002/03	331.7	933.2	134.0	519.5	381.6
2003/04	327.5	913.0	134.8	531.4	409.1
2004/05	326.0	890.6	135.3	529.0	421.5
2005/06	326.6	861.9	135.0	531.2	424.2
2006/07	327.6	831.3	134.0	534.4	416.3
2007/08 <sup>7</sup>	324.0	811.4	138.8	525.1	397.7

<sup>6</sup> Estimated data

<sup>7</sup> Preliminary data

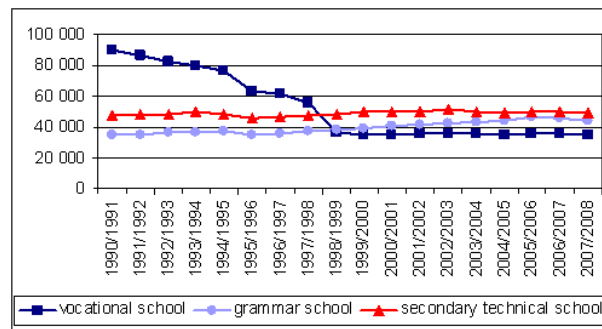
The data of the table above justify the facts according to which the number of vocational school leavers with a special training and capable of pursuing a professional career has been decreasing to a greater extent since the change of the regime. While at the change of the regime almost 226 thousand young students attended vocational schools, this proportion has decreased by almost 60% nowadays while the number of secondary technical school students that provide a GCSE has increased from 360 thousand by 48% to 534 thousand in the academic year of 2006/2007. As we can see it from the table, it is also an interesting fact that a kind of slight shift took place in 2007/2008 between secondary and vocational schools to the advantage of the latter one based on the demand of the labour market. The most striking growth could be felt in the number of students in higher education that almost quadrupled during the past years surpassing the real needs of employers for graduates to a great extent.

The reason for this change is the different attitude of people to vocational training. The violent industrialisation of the 1950's sometimes breaking away from real needs required well-qualified, skilled blue-collar workers in greater and greater numbers. However, by the 1980's it became clear that such a great extent of industrialisation in the economy is unnecessary and unjustified. In real, the change of the regime "took revenge" on the intensive rate of industrialisation: a lot of plants were closed and several hundreds of people were thrown out to the streets overnight. Large scale unemployment typical at the beginning of the 1990's primarily affected blue-collar workers. The families that could closely feel the burden of unemployment and its problems rather prefer secondary technical schools wishing their children a better and more secure future where there is a way up to the institutions of higher education ensuring greater social prestige. However, economy and companies cannot put up with this great shift any more and the consequence is that positions that normally require lower qualification are filled up by higher qualified employees with a college or university degree. Not only the structure of secondary education and the number of students have changed since the change of the regime but also fewer and fewer pupils take part in primary education. This decline can trigger the question whether it is worth maintaining almost the same network of institutions with a nearly 30% decrease in the number of pupils. Talking about the layoff of unnecessary capacities the idea of providing regional-level primary education at settlements where there is the greatest decrease in the number of students was born. In our opinion this solution is an ideal one regarding efficiency and greater standard at settlements where it can be implemented and will not mean heavy burden for the schoolable population. After basic level education of a higher standard the pupils have greater chances to be admitted to vocational schools and grammar schools of a more modern training scheme that are approaching the real needs of the labour market.

The figures below illustrate the changes of secondary education that examine the formation of the number of ninth and thirteenth year students enrolling to vocational, secondary technical and grammar schools.

The figure above clearly illustrates the present picture of Hungarian education as well as the reaction to the shifts detailed above. The preferences of the change of the regime have radically been changed as it is reflected in the effacement of vocational training. Based on the figure it can be stated that vocational school suffered

Figure 2: The formation of the number of the ninth year students enrolled in vocational, grammar and technical schools (Source: CSO, educational statistics)



most from demographic problems significantly marked by the nearly 60% decrease in the number of enrolling students. In contrast with vocational schools, the number of entrants to grammar schools has increased by 24% nowadays while the number of those entering a secondary technical school has risen by almost 4%. The main part of grammar school leavers that are provided only with a GCSE go on studying in higher education resulting in the further growth of the number of graduates and going farther away from the needs of the employers. Several papers<sup>8</sup> highlight the radical devaluation of the role of this form of training that has merely become the typical training form of disadvantaged groups by now.

A question can be raised how the local representatives of the power of the state, i.e. local governments, fit into this picture. At first sight it seems creating the conditions is by all means the task of the central government but in real, local authorities should organically join this process as they are the organisations that know the opportunities and strengths of their settlement and the needs of enterprises operating there so they are able to direct the work of the local qualifying institutions.

On the basis of all this, we can state whatever aspect of the educational system is regarded; finally either directly or indirectly it can be attached to municipal governments. If the region has secondary schools teaching professions that meet the labour needs of the enterprises in the region, it can increase the employment chances of the locals in the given region. It can also decrease the social type expenditures (benefits, support) of the local authorities on the one hand, and can increase the revenue in the form of taxes paid by the inhabitants and the local enterprises on the other hand. What is more, the revenue from individual income tax can also grow this way. That is why the proper primary education is of vital importance together with creating and ensuring the conditions of secondary education from the part of the municipal authorities.

### 3 Municipal governments and educational policy

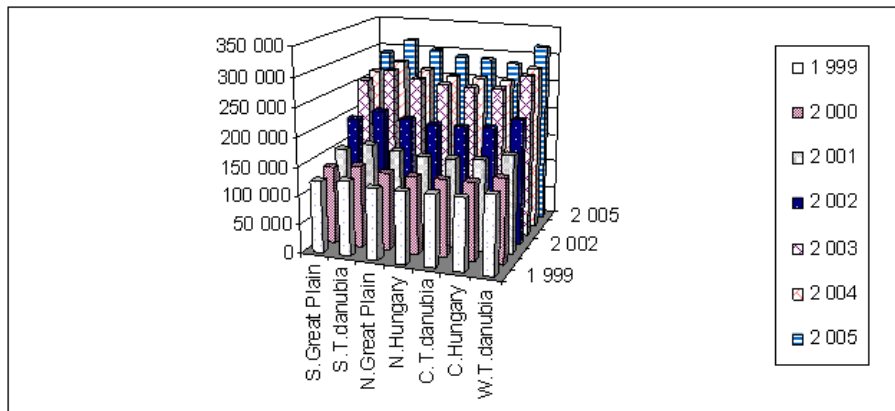
At first sight municipal governments as the local representatives of the state power function as the executive bodies of the central government in the running of the educational system. In real, this picture is deceiving as we cannot declare a sector that possesses 80 – 90% of the institution system to have merely executive powers. In our opinion the role of the local governments is much bigger as the two-third-majority municipal law guarantees several privileges reinforced by the personal contact with the local enterprises. However, this is not comprehended by all local governments as they are busy with the everyday troubles and management of the settlement.

The act of local governments at the change of the regime assigned several compulsory and optional tasks to the not properly created Hungarian local authority system by means of municipal regulations. One of the compulsory tasks is elementary education that can be supplemented by the optional one of ensuring secondary education. While searching independence and autonomy at the change of the regime, almost all local governments (regardless of their financial situations and prospects) undertook the tasks of ensuring primary education and for most of them, providing an institution commonly run with a settlement in the neighbourhood was "out of the question". As a result, a great number of such primary and secondary schools are run today where the knowledge imparted was not found appropriate by national or international standards. Nowadays most settlements have realised its necessity and have become open to cooperation.

<sup>8</sup>See e.g. the papers of Ilona Liskó



Figure 3: The total expenses on education per student spent by the municipal governments per region between 1999-2003 (million Ft)<sup>9</sup> (Source: Közinfo, own calculation based on CSO data)



<sup>9</sup> The figure contains all expenditures by the local governments on education that derive from state-owned and local resources. The figure also includes the costs of kindergartens and primary and secondary school education. The data can only be reached till 2005 in the breakdown above.

Maintaining the system of institutions incurs significant costs to the local authorities. Education as a task to be fulfilled means the biggest functional cost to local budget as traditional supplementary support from the local authority is necessary for financing. However, great part of educational costs is not reflected in the effective expenses on development and student, rather in the cost of labour force employed (almost 70% of the total) that can be attached to students although indirectly (*Péteri-Ungvári, 1998*). As stated in the municipal government regulation, all local authorities are liable to ensure the possibilities of elementary education and the school system in their own settlement. It is such a task of the local authorities delegated by the state for which sources have to be ensured. Unfortunately, the ones provided by the state are not enough to complete the tasks so all municipalities have to add almost 20 – 30% of the amount that is almost beyond their means. To raise funds is also a problem for the settlements that have significant revenue from local taxes.

Comparing the data of the figure above to the biggest costs of the municipal governments we can conclude that they amount to 19 – 26% of total expenditure in the average of the years examined. This proportion in itself would not mean a problem; rather the fluctuation of proportions is a cause for concern. The ratio of expenditures on education rose by 3% on average in every region related to total costs from 19 – 22% to 22 – 25%, which means a great burden in the budget of a local authority. However, if we consider the real value of costs, this growth is not so obvious. On the contrary, rather a decrease can be felt. While our world is becoming a stage of stronger and stronger regional and international competitions, the fact that there were times when the real values of expenditures on education did not stagnate rather decreased, is quite disturbing.

In real value the biggest growth regarding the educational expenditure per student by the municipal government could be experienced between 2002 and 2003. The reason for this situation does not lie in the improvement of quality or standard, rather a significant rise in the salary of civil servants. The growing tendency of 2005 is discernible from the figure but this is not due to the growing intensity of state support, rather the result of the greater number of tenders and the fact that the majority of local governments have greater experience in project applications starting from planning to implementation.

The situation is different regarding secondary education. It is not the compulsory task of the local governments as institutions of secondary education not only cater for the education of the young in the given settlement but also for the students living in the nearby cities, town, and villages attending the school. That is why this task was delegated to the competency of the county authorities by the regulation on local governments. In spite of this, several settlements have taken up this challenge often requested by the institutions or for prestige reasons. Unfortunately, as we know, regional authorities represent such a level in the Hungarian administrative system that has few licences. As an example, we can mention that it does not have the right to levy taxes, so, as a result, it has a very tight budget. From the low level of its own revenues it is very hard to ensure services of high standard in



the institutions maintained by the counties. That is why improvements are delayed without which education of a certain standard cannot be provided for the students studying there. Unfortunately, most local authorities cannot be regarded as exceptions. In Hungary only the settlements preferred by greater industrial enterprises of the 3200 local authorities can see their situation as favourable but, of course, it does not mean that they do not have financing problems, either.

Unfortunately, this dominance of municipal governments is the sign of backlog, too, as the expenditures on education from the state as well as from local authorities (standards) have been decreasing regarding their real values in the past few years instead of growing. Although per capita entitlements for fixed purposes reached a slight increase year by year or they showed stagnation, if we look at the real values, it is not the situation. We can see that the rise in the proportion of expenditure spent on education in comparison with total local authority expenditure is not the consequence of the growing support in real. The local authorities that do not have the necessary finances for the project application or human resources to make and implement them can face even a greater backlog thus conserving the disadvantageous situation of the single micro regions and regions both in terms of quality and development.

Table 2: The formation of specific values of some per capita entitlement between 2000-2005 (Source: budgetary laws of the given years)

	2000	2001	2002	2003	2004	2005	2006	2007 <sup>10</sup>	2008 <sup>11</sup>
education at kindergartens	97.0	115.6	130.0	182.0	189.0	199.0	199.0	199.0	199.0
education at primary school, years 1-4	100.0	120.3	135.3	187.0	193.0	204.0	204.0	204.0	204.0
education at primary school, years 5-8	100.0	120.3	135.3	194.0	202.0	212.0	212.0	212.0	212.0
education at primary school, years 9-13	124.5	143.7	161.2	240.0	248.0	262.0	262.0	262.0	262.0
vocational education (theory)	105.0	120.3	135.3	190.0	197.0	210.0	210.0	210.0	210.0
vocational education (practice)	60.0	66.0	74.0	102.0	106.0	112.0	112.0	112.0	-

<sup>10</sup> Calculated pro-rata, projected for 8 months. From 2007 new changes were made: instead of certain state standards support to local authorities is given on the basis of the so-called "public education performance index" (the formula necessary to calculate the performance index can be found on p. 171 of Act CXXVII./2006 (on the budget of 2007)).

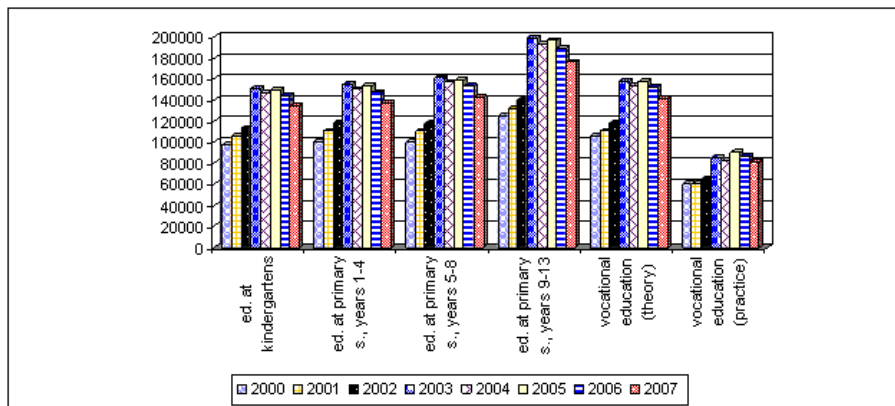
<sup>11</sup> The amount of public education basic contribution is 2 550 000 Ft / performance index / year for the academic year of 2008/2009 (for 2008 4 months pro-rata and 8 months for 2009). Furthermore, ancillary contributions to the single training forms are also stated by the Budgetary Act 2008 (Act CLXIX. /2007).

If we clean these entitlements from the effect of inflation, we can see that the specific amounts provided by the state to finance education do not keep pace with the annual rate of the deterioration of money. A further interesting fact is that the amount of some per capita entitlements listed above did not change in the coming years (2006, 2007). From the point of view of local governments, the situation was made even graver by the new "stipulation" of 2007 according to which these entitlements are given pro-rata to municipal governments in the breakdown for 8 months.

The figure below based on the data above show the formation of some corrected values of per capita entitlements for this year. Based on the figure we can conclude that regarding the per capita entitlements above the year of 2003 meant a significant change when support grew by almost 15 – 40%. However, this phenomenon took place only once knowing the average of the past 5 years as the value of the 6 per capita entitlements has been stagnant, or, rather, reduced since then.

After the significant growth of 2003 (the reason for which is the outstanding pay rise of almost 50% of civil servants), the real value of the examined 6 per capita entitlements above has been continuously decreasing that incurs the greater role of local authority financing. The source of this can only be the own revenues of local authorities, which are quite differentiated at certain settlements. A further problem is evoked by the constant change in the structure and amount of per capita entitlements till 2005 that could be experienced on the basis of budgetary priorities (the budget of 2006 and 2007 "solved" this problem as the per capita entitlements examined were still calculated on the value of 2005). The problems outlined above are aggravated partly due to the change of the government every four years that envisions a short-range operative planning for the sides of both local

Figure 4: The formation of some corrected values of per capita entitlement cleaned from inflation between 2000-2005 (Ft / per capita)<sup>12</sup> (Source: own calculation based on budgetary laws and CSO data)



<sup>12</sup> Calculated at the prices of 2000.

authorities and institutions. It is annexed by the central provisions that order municipal authorities to compulsorily carry out additional tasks not outlined by the Act on local governments (e.g. the pay rise for the employees in public education), which can only be fulfilled by taking away resources from other tasks.

#### 4 Possible solutions on the level of the settlement and the government

Previously the role of municipal governments in education was outlined based on the breakdown and costs spent on education. However, to strengthen our competitiveness and to improve the present level of qualification it is not enough to present these facts. The ways that can be followed by municipal governments must be designated to improve our present position.

It is necessary to strengthen the position of teaching languages starting even at the kindergarten and going on with great number of lessons in the primary school. However, this needs extra lessons and employing more teachers- increasing the costs of the local government. To improve the quality of teaching languages it is indispensable to send the language teachers to further trainings constantly that also mean additional expenditure. A further problem of implementation occurs at tiny settlements where due to lack of infrastructure and other amenities, it is even more difficult to find and employ suitable teachers. That is why teaching foreign languages can only be made general with huge difficulties at all tiny settlement owing to shortage of funds and competent personnel.

Another vital task is the improvement of the skills and knowledge of the pupils at primary schools highlighted by the PISA 2000 project besides studying foreign languages. There are several methods for the teachers to improve the weak mathematical and scientific abilities as well as reading comprehension starting from tutorials in small groups to afternoon classes. Of course, this is also a question of financing from the part of the municipal governments, to what extent the maintainer can afford to assist development.

A suitable infrastructural background must be ensured for the training and no outdated machinery must be used to teach the young at vocational schools that have no longer been used in business life for ages. Besides, great attention must be paid on modernising teaching material and revising skills and abilities to be created and developed. This problem affects not only vocational training but also higher education. According to Szörényi (2003) "when a fresh graduate leaves higher education, he must be practically retrained by the employer". Municipal governments as message-forwarding bodies can also join to solve these problems by interpreting the real needs of enterprises operating in the industrial parks established by the local governments via the necessary forums towards the decision-makers.

Stable bases must be created for participating in lifelong learning (hereinafter referred to as LLL). The importance of LLL must be taught even from the primary school for the young by using suitable means and methods.

Regarding vocational training the municipal governments must open doors to local enterprises to get to know their needs to which the structure of the training can be suited. Although this will not require extra resources, it

can improve the situation of the settlement to a great extent. If a greater proportion of graduates find employment at the settlement, more GDP will be generated there, more Individual Income Tax from the revenue made by the employees will go back to the settlement and less money will be necessary to assist the unemployed- just to list some of the advantages.

At last but not least, we must mention the possibility of integration and cooperation, as well because the operation of greater-scale service providing units can be the source of several benefits on the level of the municipal governments. The tinier the structure, the more financial resources are required for the running of the institutions. Based on these economies of scale it is practical for the smaller local governments to cooperate in performing the tasks assigned to them by finding a solution that means the fewest responsibilities and burdens possible for the users of the system.

Based on the facts and figures above we can see that municipal governments can primarily affect quality and efficiency by means of their additional resources spent on education. Unfortunately, nowadays when we can hear news about the worsening situation of municipal authorities, the extent how they can hold on by providing education of a higher standard in the more intense global competition is questionable. Hopefully most municipal governments will soon realise that it can only be reached by cooperation and openness towards one another and enterprises in the micro region by trying to cope with the tasks together and not one by one that would also require a huge amount of financial resources. It is not only the Hungary's need but also of the European Union and the business sphere that we must meet by all means to find our real place in the globalised world.

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