

The Characteristics of Financing and Efficiency in Hungarian Public Education in International Comparison

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Abstract

In Hungary as well as in several other countries of the world the state is responsible for maintaining, operating and financing the public educational system in order to provide equal opportunities and access for everybody. However, this does not mean that other services, such as non-profit organisations and churches are excluded, whose participation in public education has increased a great deal in the past few years.

The financial management of Hungarian public education has been criticised several times, but this criticism does not apply to the majority of institutions which are financed by churches, colleges and universities, as well as non-profit organisations. This criticism can mostly be justified or discarded if GDP figures regarding public education are taken into consideration. It is well-known that the proportion of GDP spent on Hungarian education is rather high, which is not justified by efficiency figures. The GDP per person taking part in education in kindergarten, primary education as well as in advanced-level vocational training courses compared with the GDP per head exceeds the same figure calculated in OECD countries. After all outstanding results could be expected by international standards (PISA, TIMSS¹ analyses). At the same time several analyses measuring the efficiency of education refers to a decline in efficiency and a deteriorating level of performance, therefore regards the money spent on primary education as wasted. Present paper aims to map out how fair the above-mentioned criticism is. During the preparation of this paper the authors used both domestic and international databases.

1 Financing education in Hungary in comparison with international figures

Financing public education in Hungary as well internationally is multi-channelled. The state finances the highest number of institutions which can be complemented by contributions from local governments, own income and certain fees paid for the services provided. More than 90% of pre-school and primary education takes place in institutions financed by local governments. Due to the decentralisation of state sources, local authorities are in charge of paying the funds. The role that local governments play in financing education cannot be emphasised enough times. At the same time the real value of the state contribution is falling while the expenses are rising, consequently it generates further problems for the sector which is already full of conflicts².

In order to get a good picture about how public education is financed in Hungary, we definitely have to refer to how much money other countries spend on education in relation to their GDP. However, the ignorance of the GDP of the countries can result in considerable distortion. The countries which could take pride in a higher value of GDP at the current rate, supposing that the level of education is the same, obviously produce lower results than Hungary whose GDP was not outstandingly high in any of the analysed years.

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¹The PISA analyses measure the practical knowledge of 6th and 10th form students testing them on Mathematics, Natural Sciences, Reading Comprehension as well as examining their problem-solving abilities. These analyses in Hungary shed light on substantial shortcomings each year, moreover the annual results seem to be deteriorating in many ways year by year in the countries taking part in the survey. The TIMSS analyses test the lexical knowledge of the students in which Hungarian students seem to excel in contrast with the results of the PISA analyses.

²Translator's note: Attila Ágh used an expression which can be mirror translated as "conflict container" which the authors adopted in the original Hungarian text.

		2004	2005	2006
Kindergarten	Central	1 416	1 458	1 466
	Local government	161 232	174 112	182 547
	Total	162 648	175 570	184 013
Primary education	Central	21 372	10 798	10 321
	Local government	610 723	431 732	440 259
	Total	632 095	442 530	450 580
Secondary education	Central	-	10 556	11 094
	Local government	-	224 735	239 804
	Total	-	235 291	250 898
Tertiary education	Central	45 591	50 217	51 883
	Local government	43 577	49 951	54 217
	Total	89 168	100 168	106 100
Total	Central	68 379	73 029	74 764
	Local government	815 532	880 530	916 827
	Total	883 911	953 559	991 591

Table 1: **Public educational expenses at current rate (in million HUF) of state funded institutions between 2004 and 2006** (Source: OKM Educational yearbooks, in: ÁSZ [2008])

The next table which shows the percentage of GDP spent on public education does not justify the above-mentioned proportion. The Hungarian public education spending and the GDP proportion were lower than the OECD average in the three years surveyed. Whilst in the middle of the 1990s, in 1995 3% of the GDP was spent on public education in Hungary, the average figure was 3.8% at the same time. The disparity between the two figures is 0.3%, which can be regarded as acceptable if it is taken into consideration that during that period there was an economic recession, and consequently some austerity measures. After all Hungary with her 3.5% of GDP spending was rated in the middle.

However, a more considerable disparity may be seen in 2000, after the Hungarian economy had recovered from the crisis caused by the changes in the political regime, and there was a more positive climate for both the economy and the state budget. The disparity this time was twice as big as in the previous period, i.e. 0.6%, which can be considered outstanding even compared with the OECD Average. If we take a look at the order of the surveyed member countries, Hungary seems to have declined from the middle position to the end of the list. Only the Czech Republic (2.8%), Slovakia (2.7%), Turkey (2.4%), and Greece possessing the lowest value (2.3%) have lower performance figures than Hungary does.

The situation had also improved by 2004, when Hungary was again in the middle (3.5%). This was partly due to the increased contribution by the maintainers as well as some more private funds provided to cover expenses in education. In addition to this, the nominal value of state funds for education had also become more generous. The interesting fact about the surveyed year is that the gap between the minimum and maximum value of spending on education had increased. Whilst in the previous two surveyed years the average difference in absolute value was 2.4 (2000) and 3.0 (1995), in 2004 the maximum value was 5.4% (Iceland³), while the minimum value was 2.2% (Greece⁴), which indicates the increasing difference between OECD countries. Developed countries are further strengthening their positions due to education, while the poorer developing countries are still struggling to catch up since their opportunities are still rather limited.

Analysing the GDP proportionate values of education there are substantial differences regarding the different levels. Looking at the average values it can be concluded that in all of the OECD member countries the highest amount is spent on primary education opposed to secondary education and especially advanced-level vocational training courses. It is followed by higher and secondary education, while financing advanced-level vocational training is ranked last. The disadvantageous situation of this area can be explained with the unfavourable position of advanced training opportunities, as the majority of students not only in Hungary but in the surveyed countries as well choose this way of furthering their education as a last resort, and only a few of them recognise its practical use. Hungary unfortunately has a figure below the average rate in every surveyed year, the only exception is the education at kindergartens, in which case Hungary has a twice as high figure as the average. This detailed table supports the criticism according to which Hungary does not allocate its financial sources in accordance with the needs of her economy.

³In the case of Iceland the increased funds spent on education still have not stabilised the economy of the country: it was the first country in Europe being victimised by the sub prime crisis.

⁴Greece had the smallest GDP proportionate educational spending rate in all the three surveyed years.

	Kinder-garten		Primary school		Primary and secondary education		Tertiary and secondary education		Advanced-level vocational training	
	2000	2004	2000	2004	2000	2004	2000	2004	2000	2004
Australia	-	-	19	19	26	25	29	29	26	26
Austria	19	18	23	23	32	27	29	30	39	-
Belgium	12	15	16	21	-	-	-	-	-	-
Canada	22	-	-	-	-	-	-	-	-	-
Czech Republic	18	16	13	14	23	25	24	25	12	11
Denmark	15	16	25	25	25	25	28	29	-	-
Finland	16	14	17	19	27	30	22	22	-	-
France	16	17	18	18	28	27	33	34	25	14
Germany	20	18	16	17	21	20	37	35	39	35
Greek	-	-	21	17	-	-	-	-	9	21
<i>Hungary</i>	<i>21</i>	<i>26</i>	<i>18</i>	<i>23</i>	<i>17</i>	<i>21</i>	<i>23</i>	<i>24</i>	<i>26</i>	<i>38</i>
Iceland	-	18	21	25	24	25	23	22	-	-
Ireland	10	14	12	15	16	19	16	20	15	14
Italy	23	22	24	27	28	28	29	29	-	-
Japan	13	14	21	23	23	25	25	27	-	-
Korea	13	12	21	22	24	29	29	36	-	-
Luxembourg	-	-	-	21	-	28	-	27	-	-
Mexico	15	18	14	17	14	16	25	25	-	-
Netherlands	14	17	16	19	22	24	21	21	18	20
New Zealand	-	21	-	21	-	21	-	30	-	22
Norway	36	10	18	20	23	23	25	30	-	-
Poland	24	31	22	24	-	22	19	23	-	24
Portugal	13	23	22	24	31	33	33	31	-	-
Slovakia	15	18	12	14	14	16	22	22	-	-
Spain	17	18	20	19	-	-	-	-	-	-
Sweden	13	14	24	24	24	25	25	26	17	11
Switzerland	11	10	22	25	27	26	39	44	24	24
Turkey	-	-	-	16	-	-	-	25	-	-
United Kingdom	27	25	16	19	-	-	-	-	-	-
USA	23	20	20	22	-	-	-	26	-	-
OECD average	17	18	19	20	23	23	26	28	17	16

Table 2: **Average expenditure on education per student in GDP% per head (full-time education) in OECD countries** (Source: Own calculation based on Education at a Glance 2003, 2007)

After all it can be seen that it is not true that Hungary spends a great deal of her GDP on education, it should rather be said that Hungary spends most of its GDP per head on fewer and fewer children (See previous table), which is regarded as problematic, since the realisation of educational spending is not efficient, and does not serve the interests of the stakeholders of the Hungarian economy.

It is interesting to compare the spending on education internationally. If we study the table below it can be established that the greatest change can be found in Turkey, which spent two and a half times more on education in 2004 than in 1995. However, if the country's GDP proportionate value is looked at, it can be seen that even if it had increased its spending on education a great deal, it was still not enough to catch up, as it is still among the last ones with its 3.1% GDP proportionate value in 2004. (5th position from the bottom!). The next country which shows a substantial surge in educational spending is Ireland, which spent almost 1.7 times more on education than in 1995, lagging behind Turkey. At the same time the increase in expenditure still did not turn out to be enough to raise its position based on GDP proportionate value. During the surveyed period of time Hungary grew its educational spending in compliance with the average, since it spent an almost one and a half times more on education than in the middle of the 1990s. The Hungarian figure is in accordance with the above-mentioned GDP proportionate values, however it could improve its ranking by a better allocation of its spending on education as well as by focusing more on vocational training.

Based on the above-mentioned values it can be seen that Hungary has average values compared with the other surveyed countries, there is no outstandingly high result in any categories. On the other hand it can be stated on the basis of the figures that some important issues may be raised due to the present system of financing education. As the GDP rates show the division of spending is not optimal. Too much money is spent on one child and it is not done in the most efficient way. Despite the decline in the number of children still a disproportionate amount of money is spent on education in kindergartens compared with the average figure, furthermore the efficiency of this level has not been clarified because of the problems with measuring. At the same time far less money is spent on secondary education than the average, which shows that the economic demands are not fulfilled, which results in a process generating expansion in tertiary education. Based on statistics about financial sources and participation, advanced-level vocational training courses - despite their practicality - seem to be regarded as last resorts in the

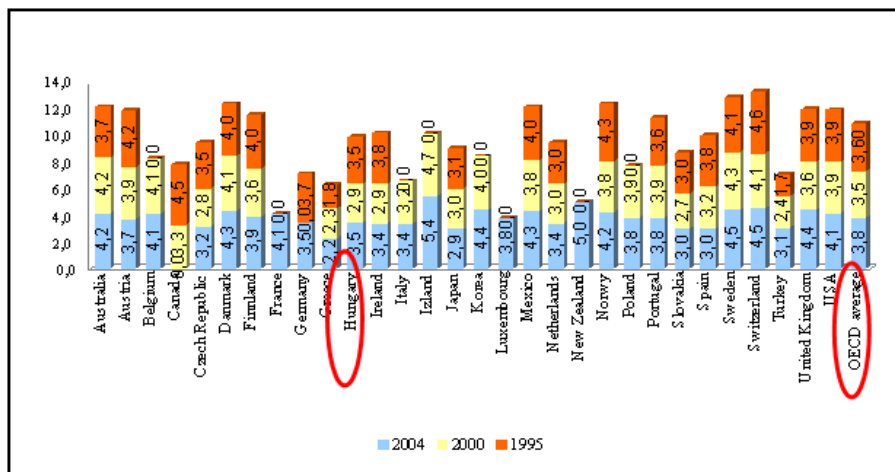


Figure 1: **Public educational spending in GDP% (from private and community sources) in OECD member countries, in 1995 - 2000 - 2004*** (Source: Own calculation based on Education at a Glance 2003, 2007)

* There are no available statistical figures in the periods marked with 0 in the table.

system. Taking the statistical data in the tables into account, in my view primarily the spending structure would require urgent changes, which could be detected in the efficiency figures as well as in the more reasonable division of spending.

2 The Characteristics of Efficiency in Public Education

After the overview of characteristics of financing it is needed to characterise the efficiency of our educational system as well. According to the presentation of the above part of the data the increase of spendings on education is obvious according to the rise of the GDP and the expenditures on the basis of the absolute value of measured growth. However, it is unavoidable to analyse the proportional rates in order to determine the eligibility of the increase and also the appropriate measures.

As demonstrated in the forthcoming table the rise of domestic participation data is indisputable. While in 1995 in the 15-19 age group 64% participated in some form of education, 10 years later this figure grew to nearly 87%, which was far superior to the average of OECD countries. The reason of this increase is firstly due to the statutory definition of compulsory school attendance being extended to 18 years of age, on the other hand, the needs of economy for skilled and educated workforce. International and national statistics also show that the uneducated primary school graduates have a great deal of disadvantages in the labor market, as opposed to the more educated employees. For the uneducated it's difficult both finding and keeping their jobs and also their salaries remain much below those salaries of the educated.

According to the above table several interesting conclusions can be made. By examining the characteristics of participation in public education of the 15-19 year olds, it can be noticed that Turkey has the lowest figure in both 1995 and 2005, which is surprising because the last chart of the first chapter suggests that that country had the largest proportion of expenditures on education and the change of proportion of this age group can not be justified.

The endpoint of the listing is Belgium. These countries are continuously during the test period listavezetonek as it ages, the test participation rate is constantly above 90%, which is regarded as unique in relation to the OECD member countries. At the endpoint of this listing we find Belgium. During the whole period of time of our examination this country has been ranking first position due to its participation rate of its examined age group constantly over 90%, being exceptional among OECD countries. These data also suggest that during the course of this period Belgium was not able to increase the participation rate of this age group as it has already reached its maximum in the mid-90s.

Some interesting additional details can be found in the table. The countries form more groups based on the data, there are countries where the participation rate has decreased, and there are countries where this rate has increased. The Netherlands shows the largest decline where the decrease is over three percentage points during the examined period, so the the participative rate in 2005 stood at 86%, below the Hungarian value. Other countries such as France, Luxembourg and Canada also show a downward tendency, where the the explanation of the de-

	Kindergarten		Primary and secondary education		Tertiary and secondary education		Advanced –level vocational training courses	
	2000	2004	2000	2004	2000	2004	2000	2004
Australia	0,1	0,1	3,3	3,2	0,9	0,9	0,1	0,1
Austria	0,5	0,5	2,6	2,4	1,2	1,4	0,1	-
Belgium	0,5	0,6	1,2	1,5	2,4	2,7	-	-
Canada	0,2	-	-	-	-	-	-	-
Czech Republic	0,5	0,5	2,0	1,9	1,1	1,2	-	0,1
Denmark	0,8	0,9	2,8	3,0	1,4	1,3	-	-
Finland	0,4	0,4	2,3	2,5	1,2	1,4	-	-
France	0,7	0,7	2,8	2,6	1,5	1,5	-	-
Germany	0,6	0,5	2,1	2,0	1,2	1,2	0,2	0,2
Greece	-	-	1,1	1,0	1,7	1,2	0,1	0,1
<i>Hungary</i>	<i>0,7</i>	<i>0,8</i>	<i>1,8</i>	<i>2,1</i>	<i>1,1</i>	<i>1,2</i>	<i>0,1</i>	<i>0,2</i>
Iceland	-	0,7	-	3,8	-	-	-	-
Ireland	-	-	2,2	2,5	0,6	0,7	0,1	0,2
Italy	0,5	0,5	2,0	2,1	1,3	1,3	-	0,1
Japan	0,2	0,2	2,0	2,1	0,9	0,9	-	-
Korea	0,1	0,1	2,7	3,0	1,3	1,4	-	-
Luxembourg	-	-	-	2,9	-	0,9	-	-
Mexico	0,5	0,7	3,1	3,4	0,8	0,8	-	-
Netherlands	0,3	0,4	2,3	2,6	0,8	0,8	-	-
New-Zealand	0,2	0,3	3,2	3,2	1,3	1,6	0,1	0,2
Norway	0,7	0,3	2,5	2,8	1,2	1,4	-	-
Poland	0,5	0,6	2,5	2,7	1,3	1,1	-	0,1
Portugal	0,3	0,4	2,9	2,8	1,2	1,0	-	-
Slovakia	0,4	0,5	1,7	1,8	1,1	1,3	-	-
Spain	0,5	0,6	1,2	3,0	2,0	-	-	-
Sweden	0,5	0,5	3,0	3,1	1,3	1,3	-	-
Switzerland	0,2	0,2	2,7	2,8	1,5	1,7	0,1	0,1
Turkey	-	-	1,7	2,2	0,7	0,9	-	-
United Kingdom	0,4	0,4	1,2	1,5	2,5	2,9	-	-
USA	0,4	0,4	-	3,0	-	1,0	-	-
OECD average	0,4	0,5	2,2	2,5	1,3	1,3	0,1	0,1

Table 3: **Public educational spending in GDP% (from private and community sources) at different levels in OECD member states** (Source: Own calculation based on Education at a Glance 2003, 2007)

creasing participation is due to the immigration to these countries. In the above mentioned countries the demand of immigrants for training and education has not reached the level of the original population's, which unfortunately worsens the standing of these countries in international comparison. Despite of this fact the end period value of these countries is around 80% (Luxembourg is an exception standing at 72%). At the other end of the of the listing are the countries presenting a significant growth. Greece, which reached a 37 percentage point increase in 10 years, shows the largest increase in this period presenting the highest participation rate of all countries by the end of 2005 (97%). The Czech Republic also achieved a significant growth (25% points) and so did Hungary (23%), but the figures still lagging far behind the growth of the Greek value. It is also interesting that besides the growth of the participation rate, the relative increase of expenditures is outstanding only in the case of Greece, while in the Czech Republic the increase of the participation rate produced a very minimal rise of expenditures. (barely 11

In the case of the 20-29 age group, there is an apparent increase of participation rates, which justifies the statements / allegations of expansion in higher education. The biggest rise of six countries entitled them all to top the list. Finland and Poland show the biggest increase (15% points). The significant difference between the two countries is that the originally good starting position of the Scandinavian country became even better as the originally relatively good starting 28% increased to 43%. Being a regime-changing country that has gone through a major economic crisis, and also having the disadvantages and the many decades long handicaps, Poland has reached the highest point. The participation of the examined age group in education exceeds 30%.

Hungary and Sweden are sharing the second position with a 14% point rise. In case of these two countries ranked second, the relationship is similar to that of Poland and Finland. By the end of 2005 Hungary represents a participation rate of 24%, while Sweden has a participation rate of 36%. Iceland and New Zealand are placed third according to the data of increase. At the other end of the listing are the countries, which either could not show any increase or could only show a minimal rise in the past ten years. In the case of Portugal we can observe stagnation, while France, Luxembourg and Spain have a stagnation of about a minimum 1%. It may seem interesting that the participation rate of not a single OECD country has decreased.

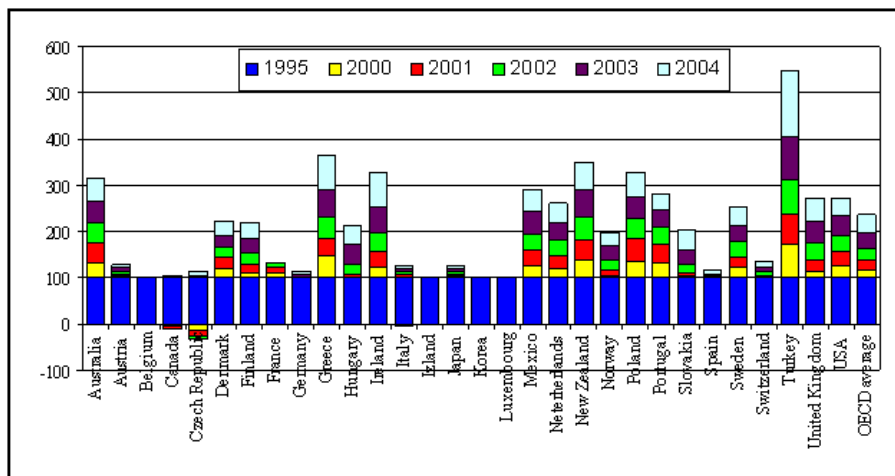


Figure 2: **Public educational expenses (primary and secondary education, advance-level training courses) (from private and public sources, 1995 = 100) in OECD countries*** (Source: Own calculation based on Education at a Glance 2003, 2007)

* There is no information available about the increase of spending in OECD member countries not mentioned in the table.

We get a totally different picture of the examined countries, if not the participative rate but the absolute value of it is studied. At the end of the period the Finland has the highest ranking value of 43%, similarly topping the list to the previous listing. Not any examined country has such positive value.

Finland is followed by Denmark, Iceland and Sweden, however, the participation rates of these countries are below 40% (36-38%). The top qualified by growth countries such as Hungary are only in the middle group of countries when their absolute values measured. The endpoint of the listing is Luxembourg with a 6% value and Turkey with a mere 10% participation rate.

When discussing issues of efficiency, the average class size is also worth mentioning.

Almost every examined country is increasingly struggling with the problem of declining population, due to the declining number of births and the decreasing proportion of school-age population. The data of following table justify also this process.

By looking at the average class size we can state that in primary schools the average class size between the two set times decreased by 0.4%, however, in the case of lower secondary education, due to the rise of participation rate, the average class size has increased slightly. In the case of Hungary the figures of both types of educational institutions are well below the average and this fact may be a source of financing problems. In the domestic "normative oriented" system, when class sizes fall, i.e. fewer students attend a class while the institutional system and teaching staff remain the same, it is reasonable that a financing crises situation would occur and not only on the long run, but already on the short run. According to the previously mentioned, it can also be detected in the table that some countries where reforms had been implemented. It is the Czech Republic that can be highlighted as a country where class sizes significantly increased in both types of educational institutions, however the expenditures on education rose only slightly, due to the structural transformation and reforms.

Finally, last but not least I would like to analyse the most important indicator of public education, the teacher - student ratio. This indicator is a permanent subject of analyses of all studies on education demonstrating the effects of changes conducted according to the decline in birth rates. The data of Hungary may stand out of the table at the very first sight since in every analysed year all the indicators remain below international average figures. Furthermore, in Hungary, in the analysed two years the fall of number of children was not followed by any change in the number of the teaching staff. As highlighted in several expert studies, the financing of this structure is impossible in the long run. In Hungary the only exception is higher educational training having no declining but increasing figures. The reason of the increase is the rise of participation in this form of education and the students' having appropriate information about it.

	15-19 age group, %							20-29 age group, %						
	1995	2000	2001	2002	2003	2004	2005	1995	2000	2001	2002	2003	2004	2005
Australia	81	82	81	83	82	82	82	23	28	28	33	33	33	33
Austria	75	77	77	77	77	79	80	16	18	19	17	18	19	19
Belgium	94	91	91	92	94	95	94	24	25	26	27	29	30	29
Canada	80	81	81	80	80	79	-	22	23	24	25	25	25	-
Czech Republic	66	81	87	90	90	91	90	10	14	15	16	17	19	20
Danmark	79	80	83	82	85	85	85	30	35	36	36	36	36	38
Finland	81	85	85	85	86	87	87	28	38	39	40	40	41	43
France	89	87	86	86	87	87	86	19	19	20	20	20	20	20
Germany	88	88	90	89	89	89	89	20	24	24	26	27	28	28
Greece	62	82	74	83	83	86	97	13	16	22	25	26	28	24
Hungary	64	78	79	81	83	85	87	19	19	20	21	22	24	24
Iceland	-	79	79	81	83	84	85	24	31	30	32	36	37	37
Ireland	79	81	82	83	84	87	89	14	16	18	19	19	23	21
Italy	-	72	73	76	78	79	80	-	17	17	18	20	20	20
Japan	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Korea	75	79	79	80	81	84	86	15	24	25	27	27	28	27
Luxemburg	73	74	75	75	75	75	72	-	5	6	6	6	7	6
Mexico	36	42	42	44	45	47	48	8	9	9	10	10	11	11
Netherlands	89	87	86	87	85	86	86	21	22	23	23	25	26	26
New Zealand	68	72	72	74	74	74	74	17	23	25	28	30	31	30
Norway	83	86	85	85	85	86	86	25	28	26	26	29	29	29
Poland	78	84	86	87	88	90	92	16	24	26	28	29	30	31
Portugal	68	71	73	71	72	73	73	22	22	22	22	23	23	22
Slovakia	-	-	74	76	80	83	85	-	-	12	13	13	15	16
Spain	73	77	78	78	78	80	81	21	24	23	23	22	22	22
Sweden	82	86	86	86	87	87	87	22	33	33	34	34	36	36
Switzerland	80	83	83	83	83	83	83	15	19	20	20	21	21	22
Turkey	30	28	30	34	35	40	41	7	5	5	6	6	10	10
United Kingdom	72	75	75	77	75	79	79	18	24	24	27	26	28	29
USA	73	74	76	75	75	76	79	20	21	22	23	22	23	23
OECD average	74	77	78	79	79	81	82	18	22	22	23	24	25	25

Table 4: **Participation rate in public education (1995-2005), of all types of all institutions** (Source: Own calculation based on Education at a Glance 2003, 2007)

		Australia	Austria	Belgium	Canada	Czech Republic	Denmark	Finland	France	Germany	Greece	Hungary	Iceland	Ireland	Italy	Japan	Korea
Primary school	2001	25	19	-	-	20	19	-	23	22	17	21	17	25	18	29	36
	2005	24	20	-	-	21	20	-	-	22	20	20	18	-	18	28	33
Lower secondary education	2001	24	24	-	-	22	19	-	24	25	24	21	18	22	21	35	38
	2005	25	24	-	-	23	20	-	24	25	25	21	20	-	21	34	36
		Luxembourg	Mexico	Netherlands	New Zealand	Norway	Poland	Portugal	Slovakia	Spain	Sweden	Switzerland	Turkey	United Kingdom	USA		OECD average
Primary school	2001	16	21	-	-	19	21	-	21	21	-	20	30	-	-		21.9
	2005	16	20	22	-	-	20	19	20	21	-	19	27	24	23		21.5
Lower secondary education	2001	20	30	-	-	23	25	-	24	26	-	19	-	-	-		24
	2005	20	30	-	-	-	25	23	23	25	-	19	-	22	24		24.1

Table 5: **Average class size in OECD member state countries** (Source: Own calculation based on Education at a Glance 2003, 2007)

3 Conclusions and final statements - connecting financing and efficiency

Based on the above mentioned studies, as for Hungary concerned, it can be clearly stated that, unfortunately, our country faces serious problems of efficiency in public education, and this fact is fully proved by international statistics, too.

Expenditures on education do not keep up with the decreasing figures of the fall of the number of children, there is no according intensity in decrease of the teaching staff, and the costs of operation remain almost unchanged. Due to these reasons superfluous capacities have accumulated in the system causing problems in financing the system itself. However, in the past years there have been improvements and steps forward in order to increase efficiency and planning as a reaction on government initiatives and financial restrictions. In the end it was rather finalized in forms of closing down educational institutions. The following forms of possible rationalization are known in practice:

- closing down in one single step, i. e. termination of the institution without a legal successor, resulting in immediate cost savings,
- closing down in a roll-on way, i. e. this is the case when new grades are not launched by the institution any more, however, the existing grades roll on, the institution is still facing substantial transitional costs,
- amalgamation, when the educational institution organizationally merges with another institution, causing low cost savings at high organizational stress and tension,
- aggregation with transformation into an off-site / campus, when lower grades remain in the old institute buildings but the higher grades operate aggregated, resulting measurable reduction of costs,
- integration of the managements of the organizations, which will benefit the self- government in the form of financial savings of those eliminated positions,
- -formation of supply and service organizations for the needs of serving the institutions, in the form of the ex-GAMESZ system (GAMESZ - Economic Engineering Supply and Service Organization) In this case significant savings can be achieved by joint purchases.

From September 2007 onwards a new system in financing public education has been introduced. The obligation of the public educational efficiency indicator has been introduced and it has fundamentally changed the whole system of financing. The volume of central budget expenditures and support that can be given to the institutions has been linked to the number of student and teacher lessons and class sizes. The characteristics of the new system is summed up by Varga (2007):

	Kindergarten nurse – child		Primary school		Lower primary education		Higher secondary education		Higher education	
	2001	2005	2001	2005	2001	2005	2001	2005	2001	2005
Australia	n.a.	n.a.	17,0	16,2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Austria	18,1	17,0	14,3	14,1	9,8	10,6	9,9	11,3	9,9	10,7
Belgium	16,7	16,1	13,4	12,8	n.a.	9,4	n.a.	9,9	n.a.	n.a.
Canada	11,5	n.a.	18,3	n.a.	18,4	n.a.	17,2	n.a.	n.a.	n.a.
Czech Republic	12,7	13,5	19,4	17,5	14,5	13,5	13,1	12,8	10,0	16,9
Denmark	6,9	6,6	10,0	n.a.	11,1	11,9	13,9	n.a.	n.a.	n.a.
Finland	13,0	12,5	16,1	15,9	10,9	10,0	17,0	18,0	n.a.	n.a.
France	19,2	19,3	19,5	19,4	13,5	14,2	11,2	10,3	n.a.	n.a.
Germany	24,6	13,9	19,4	18,8	15,7	15,5	13,7	14,0	15,0	16,3
Greece	14,5	12,5	12,7	11,1	9,8	7,9	9,7	8,8	n.a.	7,4
<i>Hungary</i>	11,4	10,7	11,3	10,6	11,2	10,4	12,5	12,2	9,1	12,8
Iceland	5,2	n.a.	12,6	n.a.	n.a.	11,3	10,9	10,8	n.a.	n.a.
Ireland	14,5	13,9	20,3	17,9	15,2	n.a.	n.a.	n.a.	n.a.	n.a.
Italy	12,8	12,4	10,8	10,6	9,9	10,1	10,4	11,0	n.a.	n.a.
Japan	18,5	17,4	20,6	19,4	16,6	15,1	14,0	13,0	n.a.	n.a.
Korea	22,2	20,2	32,1	28,0	21,0	20,8	19,3	16,0	n.a.	n.a.
Luxemburg	17,4	n.a.	11,0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Mexico	21,9	28,9	27,0	28,3	n.a.	33,7	23,8	25,8	n.a.	n.a.

		Australia	Austria	Belgium	Canada	Czech Republic	Denmark	Finland	France	Germany	Greece	Hungary	Iceland	Ireland	Italy	Japan	Korea
Primary school	2001	25	19	-	-	20	19	-	23	22	17	21	17	25	18	29	36
	2005	24	20	-	-	21	20	-	-	22	20	20	18	-	18	28	33
Lower secondary education	2001	24	24	-	-	22	19	-	24	25	24	21	18	22	21	35	38
	2005	25	24	-	-	23	20	-	24	25	25	21	20	-	21	34	36
		Luxembourg	Mexico	Netherlands	New Zealand	Norway	Poland	Portugal	Slovakia	Spain	Sweden	Switzerland	Turkey	United Kingdom	USA		OECD átlag
Primary school	2001	16	21	-	-	19	21	-	21	21	-	20	30	-	-		21.9
	2005	16	20	22	-	-	20	19	20	21	-	19	27	24	23		21.5
Lower secondary education	2001	20	30	-	-	23	25	-	24	26	-	19	-	-	-		24
	2005	20	30	-	-	-	25	23	23	25	-	19	-	22	24		24.1

Table 6: **Teacher / student ratio in OECD member state countries** (Source: Own calculation based on Education at a Glance 2003, 2007)

- the new system determines what class size, number of lessons and what staff number is worth to be financed,
- the central budget support to the self-governments becomes more predictable,
- the volume of support is made dependent of a sole characteristic feature of the self-government, it's the class size,
- the income producing ability and the significant differences caused by this ability do still not count in the system.

Referring to the above mentioned it can be stated that the indicator of public educational performance is strengthening the close relationship between educational expenditures and the amount of financial support in a way, however, the real solution would only be the fundamental transformation and reform of the system. The necessity of a wholly decentralised problem solving should be reconsidered bearing in mind the possible opportunity of recentralization. The aim is to provide the same education for all students in all towns, villages and settlements all over Hungary and by doing so our homeland could again, with its highly qualified human resources, take a chance to win in the fierce competition set by globalisation.

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