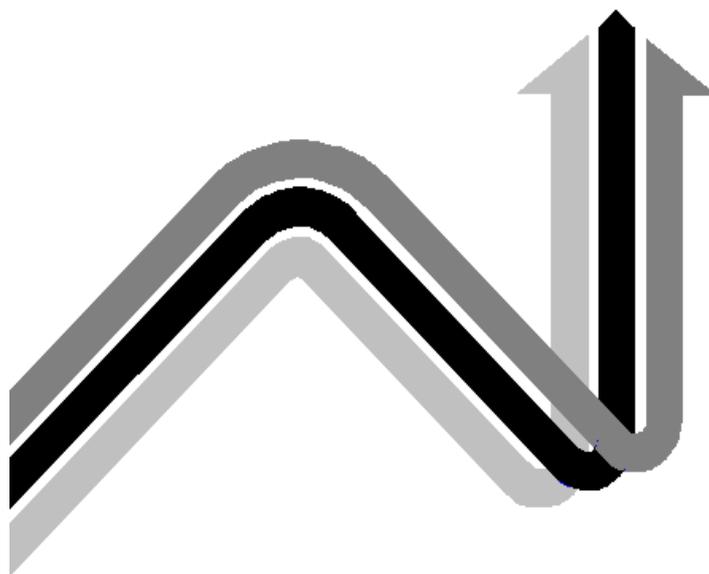


THEMATIC REVIEW OF THE TRANSITION FROM INITIAL EDUCATION TO WORKING LIFE



HUNGARY

COUNTRY NOTE

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1. INTRODUCTION

1.1 Purposes of the Thematic Review

This paper forms part of the OECD's *Thematic Review of the Transition from Initial Education to Working Life*, a project launched by the Education Committee in November 1996. The review is a cross-national study designed to identify major aspects of change in the transition from initial education to working life occurring in OECD countries. Changes in labour markets, changes in education, and changes in young people's expectations are among these. The review attempts to assess how different policy approaches can improve young people's transition in light of these changes. A detailed description of the review's objectives, analytical framework and methodology is provided in OECD (1996a).

The thematic review places young people's transition to work within a lifelong learning framework (see OECD, 1996b). The transition from initial education to work is only one of many transitions that young people will need to make throughout their adult lives. It is of critical importance, though, since the way in which young people move from initial education to work can influence the extent to which they benefit from their education, and also the opportunities for new learning that are opened up for them. From this perspective, improving the transition to work means more than getting young people into work -- it also requires helping them to become effective learners throughout their adult lives so that they remain productive and active citizens.

The thematic review process is a relatively new form of OECD activity in the field of education, having commenced in 1995 with the *Thematic Review of the First Years of Tertiary Education*. In contrast to OECD reviews that look at education and training in only one country, a thematic review is intended to draw out key findings and conclusions of interest to many countries.

A thematic review is less extensive than a full country review. It involves less time and fewer resources being devoted to any one country, and does not entail a comprehensive consideration of policy issues in the ministerial portfolio(s) concerned. It also differs from a single country review in its output. After each country visit the OECD produces a short Country Note that draws together background materials and the review team's observations. After all participating countries have been visited, a report is prepared to provide comparative perspectives that draw upon all of the countries' experiences. This paper is the Country Note for Hungary. It will be one input to the comparative report that will pull together analyses and policy developments for all countries participating in the thematic review.

1.2 Hungary's participation in the review

Six countries participated in Round 1 of the review: Australia, Austria, Canada, the Czech Republic, Norway and Portugal. Hungary is one of eight countries participating in Round 2, and the major part of the preparation for its participation took place under the previous government. The other countries are Denmark, Finland, Japan, Sweden, Switzerland, the United Kingdom and the United States. These countries differ widely in their social and economic contexts and provide diverse policy approaches towards young people's transition to work. As a society that has long placed a high value on education, but which has undergone dramatic social and economic transformation in the 1990s, Hungary's

experience will be of considerable interest to OECD countries as a whole. Hungary's participation has been co-ordinated by the Ministry of Education¹. The OECD appreciates the assistance provided by the Ministry, including the organisation of a comprehensive and stimulating visit by a review team in June 1998.

Hungary was the first country to be visited in Round 2 of the thematic review. The review team comprised one member of the OECD Secretariat and three invited experts from other Member countries (see Appendix 1). During the ten day visit, discussions were held with a wide range of policy makers from education and labour, with education and training institutions, research organisations, employers, trade unions, non-government organisations, and groups of young people.

The discussions centred on four main issues:

- The ways in which young people's transition to work in Hungary is changing;
- Where the main problems and priorities for action lie, including the identification of which young people are most at risk;
- How the transition process and its outcomes can be improved, including the particular roles that education and training institutions, employers and other key agents should play; and
- Policies and programmes that are particularly effective, the reasons for their success, and constraints that may limit their wider implementation.

The reviewers appreciated the time set aside for the many meetings that were held. The visit coincided with a new government taking office, and it could not have been easy for senior officials to find the time that they so generously provided.

Prior to the visit the reviewers had the benefit of a comprehensive Background Report prepared by a writing team assembled by the Ministry of Education. The team included key Hungarian researchers and policy makers (see Appendix 2). This Background Report, which was based on the guidelines and key questions detailed in OECD (1996a), is a further important output from the thematic review process, as it contains important original analysis of educational issues and of the Hungarian youth labour market. Much of the data included in this paper is taken from the Background Report.

The present review has followed three other OECD reviews in Hungary: the review of Hungarian education policies (OECD, 1995); the 1996-97 Economic Survey, which contained a detailed analysis of the Hungarian labour market (OECD, 1997a); and a recent review of lifelong learning in Hungary (OECD, 1998a).

Needless to say, however, the paper that follows is the responsibility of the present review team. Although it has benefited greatly from the background materials and briefings that were assembled before, during and after the visit, any errors and misinterpretations are our own. Our comments on programmes and policies in operation at the time of our visit should be read in light of a new government taking office, particularly where the new government has indicated that these policies and programmes might be subject to review.

1.3 Structure of the paper

The remainder of the paper is organised around three main sections. Section 2 outlines the most significant changes that have affected the socio-economic context and particularly the situation of youth in

the labour market. Section 3 includes a brief description of recent developments in the field of education and training, a discussion of some of the specific problems concerning this sector and some suggestions that could address these problems. Section 4 examines some broader issues and includes some relevant suggestions on policy directions. Section 5 contains a few brief concluding remarks.

2. ECONOMIC AND SOCIAL CHANGES AND THEIR IMPLICATIONS FOR THE LABOUR MARKET

2.1 The new context

Hungary has a population of 10.2 million, which is projected to decline to 9.9 million by the year 2010. 19 per cent of the population live in the capital Budapest and 63 per cent in urban areas. GDP per capita was \$US6,845 in 1995, compared to an OECD average of \$US17,543². Hungary joined the OECD in 1996.

Like other Central European countries, Hungary has been engaged in a process of transition towards a market economy since 1989-90. In many respects, the initial effects of the transition were similar to those observed in other Central European countries. GDP dropped by almost one fifth during the first three years, and a rather drastic re-structuring of the economy has taken place. As a result, the level of per capita income has decreased significantly, while the budget deficit worsened to a considerable extent. With increasing inequalities and a lower level of social protection, poverty increased by 50 per cent between the late 1980s and 1992. In 1995, a stabilisation programme was adopted, designed to restore the macroeconomic balance and to accelerate the pace of reform and privatisation.

While these trends are rather similar to those observed in neighbouring countries, a few features which are specific to Hungary may be emphasised. First of all, a gradual process of democratisation and economic liberalisation initiated as early as the 1960s had led to a higher degree of consensus on the directions of reform than observed in other Central European countries. The transition process was better prepared and more advanced as a result of a number of economic and institutional reforms: some degree of decentralisation had been achieved; the role of the State had begun to decrease; a private sector had begun to appear; agriculture was rather prosperous and competitive; the economy was more open than others to the outside world and was managed by a young generation of technocrats.

Openness towards the outside world and a relatively high degree of freedom of opinion had contributed to Hungary maintaining its high level of research in fields such as economics and sociology, which in turn had an impact on the transformation of public opinion. The Background Report prepared for this review notes that by the end of the 1980s "Hungary was looking forward toward the transformation of the system and to the market economy with great expectations".

These conditions may have contributed to the very rapid pace of privatisation in the 1990s and to the fact that the role of foreign investment in Hungary during the 1990s has been considerably larger than in other Central European countries. A number of multinational firms are now operating in Hungary in very modern plants. Finally, mention should be made of an underground economy, which was already tolerated by the authorities in the previous regime and which would seem to have continued to increase in the 1990s (OECD, 1997a).

To sum up, Hungary has rapidly completed the most significant stages of the transition period, which involves exciting developments, but also a fair amount of instability and the emergence of new problems. While the country had great expectations for the new economy, the difficulties involved in its

transformation and in its integration with the international economy were underestimated. It is now realised that changing attitudes takes a very long time, and according to some estimates it will take a generation to catch up.

The Hungarian context is also specific in three areas which have a direct impact on the situation of young people during the transition from school to work :

- First of all, the demographic situation is very peculiar as a result of earlier population policies. There were wide variations in the birth-rate during previous decades: the annual number of live births fell from nearly 200,000 in 1975 to 130,000 in 1983-84 and to only 101,000 today. These changes have already had a very important impact on schools and universities, as institutions are competing to get students from the declining number of young people. They also necessarily affect employment and economic policies.
- Another marked characteristic is the existence of wide disparities between regions. Traditionally, the Eastern part of the country was more rural and more isolated, while industrial development tended to be concentrated in the central and Western parts of the country. The transition to a market economy and the growing role of foreign capital, mostly concentrated in the central and Western regions, have reinforced these disparities
- Regional disparities are to some extent correlated with the existence of an ethnic minority which is faced with extremely difficult problems of economic and social integration. Gypsies are heavily concentrated in the poorer areas of the country. They represent only five per cent of the total population of Hungary, but a larger proportion of the younger age groups (around eight to ten per cent of those in compulsory education), and an even larger share of the undereducated and of the unemployed.

2.2 Changes in labour market conditions

The deep recession of the early 1990s had a dramatic effect on employment. Between 1990 and 1995, the total number of employed persons went down from 5.2 million to 3.6 million, a 30 per cent decrease. The traditional manufacturing industries, mining and agriculture were particularly hard hit, suffering employment losses of around 35 per cent in four years. These spectacular employment losses had three effects :

- Unemployment, which was almost unknown in the 1980s, when it was less than one per cent and when there was a shortage of labour, rose to a peak of 14 per cent (based on the registered unemployment rate) in 1993, then fell back to slightly more than 10 per cent in 1997, and it has been more or less stable ever since.
- There was a dramatic fall in labour force participation rates, which used to be comparatively high, especially for women. Between 1990 and 1995, the overall labour force participation rate fell from 51 per cent to 40 per cent, which means that the inactive population increased by more than one million: from 5.1 million to nearly 6.2 million. A large proportion of those who lost their job during this period gave up any hope of finding another one and simply withdrew from the labour force. This was achieved mostly by retirement, to a lesser extent by people simply staying at home, and finally by an increased participation in education by young people, although the extent of the increase in educational participation has been less than might have been expected given the size of the fall in employment levels.

- Many of those who lost their jobs had a very low level of schooling, and very specific skills because of the forms of work organisation and training that predominated in the socialist era. This has posed particular challenges for the introduction of retraining measures.

This situation has important implications for the economy. With a dependency rate per 100 employed rising from 98 to 181 during the period, the employed population has to bear a much heavier burden (particularly in terms of pensions) and the resources available for the budget are shrinking.

The picture would however be slightly different if the impact of the underground economy could be taken into account. But estimates vary widely on this point. According to some estimates (OECD, 1997a), the additional GDP produced from underground activities might represent approximately 15 to 20 per cent of the official figure. But local experts and the Background Report consider that most of these activities do not represent additional jobs, so that the real impact on employment could be far more limited, representing between 100,000 and 200,000 persons, or three to five per cent of total employment.

Similarly, unemployment figures prior to 1992 should be interpreted with caution. Being based upon registered data these can include many who are not looking for work among the unemployed as well as many who are not in fact working among the employed, and do not take into account the fact that some people fail to register when registration does not carry with it a right to unemployment benefits. Statistics based on the Labour Force Survey are more reliable, but these have been available for Hungary only since 1992.

Employment losses since 1990 have been concentrated among workers over the age of 55, whose employment rates are among the lowest in the OECD countries. Long-term unemployment primarily affects unskilled men. The impact of unemployment is very uneven, varying widely from region to region: it may reach 19 per cent in some of the Eastern regions and go below six per cent in some of the Western regions near Austria, or below eight per cent in Budapest (OECD, 1997a).

Unemployment is lower among the more skilled occupations, especially among managers, and differences in unemployment rates between occupations are correlated with levels of educational attainment. The less educated population is the hardest hit, with a rate of up to 16 per cent for those who have completed no more than elementary school but a rate of only three per cent for those who have completed tertiary education.

There is also an inverse correlation between the average duration of unemployment and levels of educational attainment. The average duration is 39 months for those who have not completed at least eight years of schooling, 25 months for those who have completed only primary school, 16 months for those with a lower vocational (trade) qualification, 21 months for those with an upper secondary general secondary education and 15 months for those who have completed tertiary education (Tímár and Fazekas, 1995).

However it is important to point out that after continuing to fall in 1995 and 1996, dependent (salaried) employment began to grow in 1997, with growth rising from a little under one per cent in the first quarter of 1997 to two per cent in the fourth quarter, and averaging 1.3 per cent over the four quarters. This growth occurs in the context of a 1.3 per cent growth in GDP in 1996 and a 3.9 per cent growth in 1997. It is particularly significant that the rate of growth in dependent employment in 1997 substantially exceeded growth in total employment, indicating significant job creation in the private sector, as opposed to growth in self employment. Modern firms established with foreign investments directly account for a part of this growth, but their indirect impact may be more significant. Recent employment growth has coincided with

strong growth in industrial production and ongoing growth in exports and in turn with a growing shift of exported goods away from countries of the former Soviet Union and towards Western Europe.

The premium attached to education has risen during the 1990s with a consequent rise in income inequalities as a function of education. Between 1992 and 1993 the income advantage of degree holders, compared to those with only an elementary school level of education, rose from 21 per cent to 30 per cent, and by 1996 this had reached 42 per cent. The incomes of senior executives have also been rising in relation to those of skilled workers in the 1990s. Results from a recent pilot survey of new graduates suggest that the restructuring of the Hungarian economy is giving substantial income premiums to those with economics degrees, whose incomes were found to be 20 per cent higher than those of engineering graduates, 62 per cent above those of teaching graduates, and 94 per cent higher than those of Masters level agricultural engineers.

These results are substantiated by the results of a study undertaken for the World Bank on changes to the rate of return to education between the mid 1980s and the mid 1990s (Varga, 1996). Its conclusions can be summarised as follows :

- Private rates of return have increased for those with all types of education, but only slightly for lower vocational (trade) school graduates, considerably more (over three times) for upper secondary school graduates, and significantly (an increase of nearly 40 per cent) for tertiary graduates;
- While private rates of return are particularly high for those with an upper secondary education, and to a lesser extent for tertiary graduates, social rates of return are much lower³, particularly for tertiary graduates, among whom social rates of return are hardly more than for lower vocational (trade) school graduates. This reflects the comparatively high public costs of tertiary education in Hungary.
- Within tertiary education, there are very substantial differences between fields of education, with particularly high rates of return, both private and social, being evident for economics graduates and law graduates.

With a comparatively high level of unemployment, Hungarian enterprises are now in a position to carefully select the most qualified people. They tend to attach more importance to education and less to experience⁴. But much depends on the type of firm. Large former State enterprises are often in a process of re-structuring, and recruit very few new employees. There is little information about the opportunities available in smaller firms, but it is likely that there are wide differences between the craft enterprises and the newly emerging modern entrepreneurs, who may offer interesting prospects to young people selected more on personal criteria.

Multinational firms now represent about 25 per cent of the employed population, and 40 per cent in manufacturing. They are mostly interested in recruiting young and highly educated men for non manual jobs and women for manual jobs. They offer wages that can be 30 to 35 per cent higher than the national average in some sectors, according to a recent survey. But there are reports of initial wages in multinational manufacturing companies or banks that are up to twice as high as those offered by the more traditional national companies.

As a whole, the income structure appears quite divergent, with wide differences between individuals, with multiple job holding appearing to be common. Incomes also differ widely between those who work in the public service or in traditional industries on the one hand, and those in the emerging or multinational firms

and in underground or semi-legal activities on the other. The young people that the review team met were clearly aware of this situation and their attitudes and strategies towards different types of education were taking it into account.

2.3 Young people in the labour market

To assess the relative employment situation of young people requires some caution, especially in a comparative perspective. The most common measure is the rate of unemployment, which expresses the number of unemployed as a proportion of the labour force. Using this measure, the rate of unemployment among those aged 15-19 reached 36 per cent in 1993, and in 1997 was 38 per cent. Among those aged 20-24 the unemployment rate reached 18 per cent in 1993, and had fallen to 15 per cent in 1997. These figures can be compared to rates of 13 per cent in 1993 and 10 per cent in 1997 for the 15-54 year-old labour force as a whole. In other words, the relative situation of young people was apparently worse than the average and it would seem to have been particularly so for those aged 15-19.

Using the same measure, the relative situation of young men appears to be worse than that of young women, with the unemployment rate for 15-19 year-old males being 44 per cent in 1997 compared to 31 per cent for young women of the same age. Among 20-24 year-olds the unemployment rate was 15 per cent in 1997, with the rate among females being, as with 15-19 year olds, some 70 per cent of that among males.

But unemployment rates among young people are an insufficient measure of the extent of the labour market problems experienced by young people -- on two grounds. In the first place they exaggerate the scale of the problem to the extent that they are based only upon the numbers who are economically active, and fail to take account of education participation levels. The proportion of 15-19 year-olds in Hungary participating in education as their major activity rose from 76 per cent to 83 per cent between 1992 and 1997, and among 20-24 year-olds it rose from 15 per cent to 22 per cent. Partly as a result of these increases, the unemployment to population ratio among 15-19 year-olds fell from 5 per cent to 3 per cent between 1992 and 1997, and among 20-24 year-olds it fell from 11 per cent to 8 per cent.

On the other hand, and this is particularly important in the case of Hungary, both unemployment rates and unemployment to population ratios substantially underestimate the scale of young people's exclusion from active life, as they take no account of those who are inactive -- participating neither in education nor in the labour market. Table 1 shows two things that are of great importance in understanding the circumstances of young people in Hungary in the 1990s:

- Whilst the proportion of young people who were unemployed fell between 1992 and 1997, the proportion who were inactive, having withdrawn both from the labour market and from education, actually rose. It rose only minimally in the case of 15-19 year-olds from 7 per cent to 8 per cent, but among 20-24 year-olds it rose significantly -- from 17 per cent to 22 per cent.
- Among 15-24 year-olds the proportion who are inactive is three times greater than the proportion who are formally unemployed. Taking the two figures together -- unemployed plus inactive -- it is evident that over one in ten 15-19 year-old young Hungarians is neither in education nor employed, and that among 20-24 year-olds this figure reaches an extremely high 30 per cent.

The inactivity rate is particularly high among young women aged 20-24, reaching 30 per cent in 1997 compared to only 12 per cent for young men of the same age. The situation of those who have small children is particularly precarious, in view of the disintegration of the former system of child-care and of the lack of opportunities for part-time employment, the wages from which are generally so low as to actively discourage potential seekers of part-time work from entering the labour market.

While statistics on the relationship between unemployment and education levels are inadequate, whether from Labour Office registrations or the Labour Force Survey, and those on inactivity levels even less adequate, unemployment appears to be comparatively higher for those young people who have followed a vocational (trade) school course or who have at best completed 8th-grade. The most disadvantaged young people -- those with a low level of education and who live in remote areas -- appear to have very few opportunities to get into the labour market. This is particularly the case with Gypsies. In 1993, while 55 per cent of young Hungarians aged 20-24 were employed, this was the case for only 24 per cent of Gypsies in the same age-group. In some particularly disadvantaged regions -- those that have been referred to as "crisis zones" in recent research (Tót, 1997) -- the probability of those with at best a primary (8th-grade) level of education finding work has become almost non-existent.

Table 1. Per cent of 15-24 year-olds unemployed or inactive, 1992 and 1997

Age	<u>Unemployed</u>		<u>Inactive</u>		<u>Unemployed plus Inactive</u>	
	1992	1997	1992	1997	1992	1997
15	<1	<1	2	2	3	3
16	2	<1	5	4	7	5
17	4	2	7	5	11	7
18	8	4	7	9	15	13
19	11	7	13	16	24	23
20	13	9	15	21	28	29
21	9	8	16	21	25	29
22	12	10	16	20	27	30
23	10	7	16	25	27	32
24	9	7	22	27	32	33
15-19	5	3	7	8	12	11
20-24	11	8	17	22	28	30
15-24	8	6	15	19	23	25

Source: Hungarian Background Report, derived from Labour Force Survey microdata.

There are, on the other hand, some positive labour market indicators for young people. Their average duration of unemployment is significantly briefer than for adults: 14 months on average for the 16-20 age group and 17 months for 21-30 year-olds, compared to 18 months for the 31-40 age group, 21 months for 41-50 year-olds, and 38 months for those over the age of 50 (Tímár and Fazekas, 1995). Alongside a decline in their wages relative to those of adults during the 1990s⁵, the share of total employment represented by those aged 15-29 rose slightly -- from 27 per cent to 29 per cent between 1990 and 1996. Discussions held by the review team with employers and with young people confirmed that there are good opportunities available for those with a sound level of education, especially in areas such as business and economics, for those with computing skills, and for those who can speak a foreign language fluently.

These opportunities are particularly strong among multinational companies operating in Hungary, who appear to positively discriminate in favour of the young and well educated when recruiting.

2.4 Values and attitudes

Young Hungarian people seem to share a few common characteristics. They are affected by the widespread diffusion of most aspects of the international culture through television and the media, and some national cultural traditions struggle to compete with these influences. The difficult economic conditions and the degradation of traditional sources of income imply that in most cases the young cannot rely heavily upon their families for income, and need to look for ways to make money as soon as possible. For those who are students, high inflation during the 1990s has considerably reduced the value of their scholarships, and increasingly many try to take small jobs during their free time or their vacations.

Traditionally, much value has been attached to the level of education in Hungary, as a source of prestige, while less consideration has been given to the type of education or training. But the new economic context has considerably changed expectations about school and career orientation.

While earlier the main considerations in setting up the hierarchy in prestige [between occupations] were the theory content, the working conditions, the level of salary that can be reached and the possibility of 'moonlighting', in the past few years the most important point has become the possibility of finding work...[This] depends primarily on the situation of the economy in the region or town, at what pace and to what extent the earlier socialist factories have been closed or privatised, and the extent to which private companies have succeeded in establishing themselves. It follows from this that the prestige of industrial trades has been far higher in Western Hungary and in prosperous big towns than in the depressed areas of Eastern Hungary. ... Another change...has been that the former 'moonlighting' criterion has been replaced by the opportunity to set up a private enterprise. ... The possible level of income still ranks high, but it has fallen behind in comparison with the above-mentioned factors. (Liskó, 1997).

In an increasingly complex and a rapidly changing educational and economic environment, orientation towards working life has become a more difficult process. Therefore, young people cannot rely to the same extent as they used to on their parents' advice and even less on obtaining a job in the large State-owned enterprises which used to offer life-long security. They have increasingly to rely on their own resources to create pathways through education to work, and upon their peers for advice and information.

This new context has considerably increased the gap between privileged and disadvantaged youth. Those who are able to speak one or two foreign languages fluently and who have undertaken tertiary studies in the expanding areas such as business and law are in a much better position to gain experience or complete their studies abroad and to look for jobs in multinational firms. A number of them are enterprising and have high expectations. At the other end of the spectrum, uneducated youth from poor rural areas have very little hope of finding any sort of job. This is not only because opportunities for unskilled jobs are limited, but also because their mobility is reduced by housing shortages and the cost of transportation, and by the fact that transportation allowances have generally been abolished.

It is worth emphasising however that, according to one expert interviewed by the review team, the most disadvantaged young people remain eager to find a job. They badly need a source of income, and because unemployment is a very recent development in Hungary, they still retain hope that a job will be possible. They have not yet reached the stage, more common in many Western countries, where they have simply given up any hope of integrating themselves in the labour market and have little motivation to participate in education and training activities.

3. EDUCATION, AND TRAINING : RECENT DEVELOPMENTS AND PROBLEMS

3.1 Educational resources and participation

A high value has long been attached to education in Hungary. Its scholars are held in considerable regard, it has a proud tradition of high level research, and it has produced a surprising number of Nobel laureates for its population size. One measure of the value that has been attached to education in Hungary is the level of public expenditure upon it. At 6.4 per cent, expenditure on education as a per cent of GDP was, in 1994, somewhat above the average for OECD Members of 5.6 per cent despite the fact that the levels of economic development and of income per capita were much lower. However educational expenditure as a per cent of GDP fell to 5.7 per cent in 1995 compared to an OECD average of 5.9 per cent, and is estimated to have fallen to 5.1 per cent in 1996. In large part this is because educational expenditure has not kept pace with growth in GDP. Across all levels of education, annual expenditure per student equals 26 per cent of Hungary's GDP per capita, the same as in the OECD Membership as a whole. However as Table 2 shows, relative expenditure per student differs markedly between the sectors. It is particularly high in comparative terms at the tertiary level, where it equals 70 per cent of GDP per capita, and is considerably above the OECD average of 46 per cent of GDP per capita. However in secondary education expenditure per student is only 23 per cent of GDP per capita and falls below the average for the OECD as a whole.

Small class sizes, or low student-teacher ratios, are a feature of Hungarian education. At all levels of education student-teacher ratios are under three quarters of the average for the OECD as a whole, and at the tertiary level student-teacher ratios are particularly low, being only 63 per cent of the OECD average.

Table 2 Selected indicators of resource usage in Hungarian education

	Hungary	OECD Country Average	Hungary as a Per Cent of OECD Average
Expenditure per student as a per cent of GDP per capita:^{1,2}			
Early childhood education	20	18	111
Primary education	22	19	116
Secondary education	23	27	85
Tertiary education	70	46	152
All levels	26	26	100
Ratio of students to teaching staff:^{3,4}			
Early childhood education	11.7	17.6	66
Primary education	12.2	18.3	67
Secondary education	10.4	14.6	71
Tertiary education	9.9	15.7	63

Notes:

1. Refers to public expenditure on public institutions only in the case of Hungary. The OECD country average includes public expenditure on public and private institutions.

2. Data refers to 1995.

3. Calculations based on full-time equivalents.

4. Data refers to 1996.

Source: OECD (1998c)

Although participation levels at the very youngest ages, in early childhood education, are high by international standards, participation at other ages falls below the OECD average. Table 3 shows participation rates by single years of age within the 15-24 age range, compared to the OECD average. Up to the age of 17 Hungary's participation rates equal or are close to the OECD average, but after that age they are substantially lower, being less than half the OECD average by the age of 24. With 17 or 18 being the typical graduation ages for Hungarian upper secondary school students and 18 or 19 being the typical starting ages for tertiary education in Hungary, these figures point to significantly lower rates of participation in tertiary education among young people in Hungary than in the OECD as a whole, despite the fact that relative expenditure at this level of education in Hungary exceeds the OECD average.

Table 3. Educational participation rates for ages 15 to 24, 1995⁶

Age	15	16	17	18	19	20	21	22	23	24
Hungary	100	88	74	52	37	28	19	16	12	9
OECD country mean	95	89	82	68	49	41	34	29	23	19

Note: The participation rate is derived from the net enrolment in public and private institutions as measured by head counts.

Source: OECD educational database.

3.2 Institutional and structural changes

The new institutional context in education, employment and training

During the very short period which has followed the change of regime, Hungary has been able to carry out an impressive set of fundamental reforms, which together constitute a framework for a new and modernised system of education and training. Several Acts have been passed on education and training, particularly the 1993 Public Education Act and the 1993 Vocational Training Act, which have created a legal framework which reflects a strong national desire for Hungary to locate its key institutions within the Western European context. Taken together the changes imply a fundamental reform of the system. The more significant of the institutional changes that affect young people's transitions are listed below.

- Responsibility for the provision of education has been decentralised and transferred to the Municipalities. Some 2,400 of Hungary's 3,100 Municipalities now maintain schools.
- A National Core Curriculum for the first ten grades of schooling is being progressively adopted, beginning in the 1st- and 7th-grades, from the beginning of the 1998 school year, and provides a broad framework within which schools may determine their own detailed curriculum. The new curriculum extends compulsory general education from the age of 14 (8th-grade) to the age of 16 (10th-grade), and entry to vocational education and training programmes is to be delayed until the beginning of 11th-grade. Commencing with those who began school in 1998 the compulsory schooling age will be increased from 16 to 18. The new curriculum sets down broad educational objectives to be achieved in ten comprehensive study areas, rather than in traditional school subjects. These objectives, which leave considerable scope for schools to add those of their own devising or choice, are to be achieved regardless of the type of school attended by the student. The ten broad study areas are:
 - . Mother tongue and literature
 - . A modern foreign language
 - . Mathematics
 - . Man and society
 - . Man and nature
 - . Our earth and environment
 - . Arts, music and drama
 - . Information science
 - . Life management and practical studies
 - . Physical education and sports
- Schools may now be maintained by the private sector as well as by the State, and this opportunity has been taken up by many churches and private foundations.

- Steps have been taken to strengthen the capacity of examinations to act as steering devices within the education system, which has been weak in Hungary. A national 10th-grade examination is to be introduced, although it is to be voluntary. The matriculation examination is now available at two levels in each subject, medium and high, in order to cater for students' different interests and talents. Standardised elements are being developed for the matriculation examination, which has been set and assessed at the level of the school. It should be noted in this context that a nation-wide assessment of student achievement was initiated in Hungary at the beginning of the 1970s, and that surveys are conducted regularly.
- Consultative mechanisms have been put in place to involve employers and the trade unions in key aspects of education, employment and training policies. For example a National Training Council with representatives from employers, employees, economic Chambers, school owners and managers and Ministries reviews various issues related to vocational training, makes proposals and evaluates the efficiency of the system. County Labour Councils have also been established with a tripartite representation.
- Employers' Chambers were created in 1994, borrowing heavily from the German model. They provide advice on vocational qualifications and their requirements and are intended to play a key role in the quality control of vocational training through support and advice to enterprises and participation in trade testing and examinations.
- The role of the Counties in educational planning has been strengthened under a 1996 amendment to the Public Education Act. Counties are now required to prepare co-ordinated six-year educational plans encompassing the Municipalities that fall within their boundaries. County level public foundations have been established to provide financial support to municipal developments that are in accordance with regional plans (Balázs et. al., 1998).
- A national vocational qualifications list or National Training Register has been established by the Ministry of Labour. It defines a single set of training requirements for vocational schools and other training institutions and a common national framework for the assessment and certification of vocational training. It formalises the type of training required for the acquisition of a recognised qualification for specific occupations. For approximately 340 out of 1,000 qualifications on the Register a detailed statement specifies the level of schooling required in order to undertake the training⁷, the theoretical and practical knowledge to be acquired, as well as the jobs accessible with the qualification.
- A Vocational Training Fund, with contributions from employers, has been established to provide funds for training institutions in a way that increases their responsiveness to labour market requirements.
- A network of nine Regional Training Centres, serving the needs both of the unemployed and of enterprises, has been established under the auspices of the Ministry of Labour with World Bank funding to develop a model of vocational training that is more flexible and responsive than traditional school-controlled vocational training.
- Labour Offices were established in 1991 to collect data on unemployment, register and assist unemployed people and implement labour market programmes. Labour Offices also collect data from enterprises on their requirements and short-term prospects and provide labour market information to the Municipalities, the Ministry of Labour, schools and the press.

- A Labour Market Fund has been established to finance labour market activities with resources from the national budget. Part of these resources is managed at the central level, the other part being under the responsibility of Labour Offices at the County level.

Administration and financing

Responsibility for the administration and financing of education in Hungary is a shared, and at times divided and confused, responsibility, both between levels of government and between sectors of government, particularly at the national level.

Box 1: The Vocational Training Fund

The Hungarian Vocational Training Fund provides a way for employers to have a direct influence over the provision of vocational training within schools, and can be an important additional source of resources for schools at a time of funding shortages. It was established in 1988, although the legislation that established it has been modified several times since then. The principal objective of the Fund is the development of vocational training, both initial and continuing, and either theoretical or practical. Private sector firms with more than one employee are obliged to contribute 1.5 per cent of their payroll to the fund (1.1 per cent in the case of agricultural enterprises). To meet their obligations firms can:

- Organise and provide practical training for students of vocational secondary schools, vocational training schools or special vocational schools. In such cases the firm signs an agreement of co-operation with the school and an agreement with the students;
- Contribute equipment and materials for training in the several types of vocational schools; or
- Support the training of their own employees to obtain an officially recognised qualification. In such cases a training agreement is signed between the employer and the employee.

The Fund can support both public vocational training and tertiary institutions that prepare students for officially recognised skills and qualifications. It can also support the vocational training activities of the Chambers.

Management of the Fund is the responsibility of the Ministry of Education with the support of the National Vocational Training Council. The Council is chaired by the Ministry of Education and includes representatives of sectoral Ministries responsible for vocational qualifications, representatives of employers, employees, Chambers and educational providers. At a regional level its funds are managed by the tripartite County Labour Councils who can call for and evaluate tenders for the use of the decentralised funds and make proposals for support of particular forms of training.

At a national level the responsibility for education is shared between several Ministries. At the time of the team's visit, the Ministry of Culture and Education was generally responsible for education as a whole, the Ministry of Labour was in charge of vocational education and training and the Ministry of Home Affairs was responsible for the transfer of the central government's financial contribution to education to the Municipalities. The Ministry of Finance, not the Ministry of Education, carries the principal responsibility for setting the level of the education budget. There had been many reports of a lack of, or at least an inadequate, co-operation between the Ministry of Culture and Education and the Ministry of Labour under the previous government. The government that was formed in June 1998 has transferred responsibility for vocational education to the Ministry of Education.

The Municipalities that maintain some kind of educational institution make decisions about their establishment, closure, reorganisation and educational profile. They determine their budgets, supervise them, employ the headmasters and approve the local curriculum and the programme adopted by schools, which in this respect enjoy a considerable degree of autonomy (Lannert, 1997a).

The financing of education is now a very sensitive issue in Hungary, partly because of a shortage of resources arising from the economic downturn and partly because of the division of responsibilities between different administrations and sources of funds. Approximately 60 per cent⁸ of schools' resources come from that part of the central State budget that is allocated to education, although these funds are transferred to schools through the Municipalities. Budgetary allocations primarily reflect the number of students in a school, but also take into account other criteria such as the grade level of the students and the type of education they are receiving (for example general or vocational).

The Municipalities' own resources are the next most significant source of school financing. Central State funding has not increased in line with the inflation rate during the 1990s, and Municipal funding has broadly increased to make up the difference and to keep total school funding more or less constant. Not unnaturally this has been easier for the more prosperous Municipalities than for the less prosperous.

Vocational schools may rely on two additional sources of funds: contributions from the Vocational Training Fund (see Box 1); and resources that they raise themselves. The latter may come from their own production, a situation which may have positive implications through involving students in practical activities, but which can also have negative consequences, as an emphasis upon production could lead to an over-utilisation of students as cheap labour at the cost of the educational role of the school.

The problems of equity and efficiency arising from this system of school financing have been the subject of much debate.

3.3 Changes in the basic structure and in the traditional pathways

The structure of the Hungarian school system until 1989 was rather similar to that of other Central European countries. At the end of the eight year elementary school those who continued to secondary school (some 93 per cent of the 8th-grade cohort) had to choose between four clearly differentiated tracks, each one in a specific type of school and with few cross-overs or connections existing between tracks:

- Roughly one in five attended a general secondary school in which they followed a four year programmes preparing them for the matriculation examination and for higher education entrance;
- Roughly one in four attended a secondary vocational school, in which they followed a four year programmes which prepared them both for an occupational qualification and for higher education entrance and the matriculation examination⁹;
- Close to one in two enrolled in a lower vocational (trade) school which provided training lasting for two or three years for highly specialised skilled or (in a few instances) semi-skilled jobs. Most of these schools were attached to large State-owned enterprises, which provided the practical training;
- Finally, between two and three per cent of the cohort enrolled in “special schools”. Originally established for disabled pupils, these also admitted disadvantaged children,

particularly when the surplus of the baby-boom generation had to be absorbed, and those with low levels of academic achievement. The great majority operate as programmes within other schools, rather than as separate institutions.

An important feature of these pathways has been the existence of competitive examinations in the 8th-grade for entry into upper secondary school. These examinations are optional, but are widely set by those upper secondary schools that offer general education and vocational secondary programs. These examinations are one of the factors that lead to a high degree of streaming existing within the Hungarian education system. Not only are students streamed by academic performance at a relatively early age¹⁰ into one or another upper secondary program, but they are also differentiated at the same point within these streams by the relative ranking of schools. The publication each year of league tables ranking schools by the proportion of their final year students admitted to tertiary education helps to reinforce streaming, selectivity and differentiation as key features of Hungary's education system.

During the 1990s, this traditional set of pathways has been modified in several ways, partly as a result of Government policies, but also as a result of initiatives taken at the local level in response to Hungary's new economic and social context, and as a result of demographic changes. Changes include: a blurring of the traditional school structure; changes in the distribution of enrolments between the different pathways; and the creation of quite new post-school pathways.

Pathways after 8th-grade

Partly through the greater freedom afforded to local school maintainers since 1989, and partly because of the demographic pressures that are causing schools to compete for students by offering a wider variety of courses¹¹, the boundaries between the traditional school structures have been blurring rapidly. It is now common for schools to offer more than one type of course -- for example general education plus secondary vocational, or secondary vocational plus shorter vocational or trade -- and as a result hybrid schools are being created that have the potential to create newer and more flexible routes to work for students, and to allow easier transfers from one type of programmes or course to another¹². Demographic pressures are also causing many of those schools that offer general education courses to recruit their students at an earlier age. Through offering both the last years of compulsory schooling and upper secondary general education courses they are hoping to maximise the size of their ready-made student body at the point of transfer from 8th-grade to 9th-grade. When coupled with the pervasive influence of entrance examinations, this trend is reinforcing the role of selectivity within the system, despite pressures elsewhere for a more comprehensive approach.

Pathways are also changing at the end of secondary schooling, since a number of secondary vocational schools tend to offer opportunities for an extension of studies beyond 12th-grade, although sometimes without a clear differentiation between the types of qualifications that can be obtained at the completion of schooling following studies beyond the 12th-grade. In some cases this appears to represent a "stretching" of the curriculum over a longer time period. In others it results in a qualification at a higher level being obtained.

Pathways have also been changing through some schools anticipating the major curriculum changes to come into force in 1998 with the new National Core Curriculum. They have been introducing broader programs, particularly within vocational education, as well as delaying the introduction of specific vocational preparation. Under the auspices of a World Bank project 150 secondary vocational schools are now extending general education to the 10th-grade, and providing only general vocational orientation in the 9th- and 10th-grades. During the 11th- and 12th-grades students prepare for the matriculation

examination and undertake basic vocational training in 13 broad professional areas. Vocational specialisation is delayed until after 12th-grade, taking place in the 13th- and 14th-grades.

These changes have coincided with some substantial shifts in enrolments between the different types of schools, or perhaps more accurately, between the different types of programmes. Between 1990-91 and 1997-98 enrolments in general education programmes grew by 15 per cent and in secondary vocational programmes they grew by 35 per cent. On the other hand enrolments fell by 12 per cent in special schools, and by 37 per cent in lower vocational (trade) schools. As a result of these changes lower vocational schools' or programmes' share of secondary school enrolments fell from 46 per cent to 32 per cent between 1989-90 and 1997-98, with the share of enrolments represented by those schools or programmes that offered the possibility of tertiary entry growing (Table 4).

Table 4: Secondary school commencements by type of school¹

	General secondary school	Secondary vocational school	Lower vocational (trade) school	Special vocational school	Total
1989-90	22	29	46	3	100
1993-94	25	33	36	6	100
1997-98	30	36	32	2	100

Note:

1. The classification by school type is somewhat arbitrary, and is becoming increasingly so, as commonly schools will offer more than one type of program. For example more than 80 per cent of trade, apprenticeship or lower vocational schools operate together with some other type of institution, and it is very common for the one institution to offer both general education programmes and secondary vocational secondary programmes (Benedek, 1996).

Source: Hungarian Background Report, Table 15

Analysis of Labour Force Survey data shows that a general increase in educational participation has taken place among young people during the 1990s -- an increase of around seven per cent among both 15-19 year olds and 20-24 year olds between 1992 and 1997. Alongside this overall increase, significant and sometimes much larger shifts between the different types of schools or programmes have occurred among particular age groups:

- Among 15 year-olds overall participation has changed little, but there has been a ten per cent shift of enrolments away from lower vocational (trade) schools and towards general education programmes in elementary schools;
- Among 16 year olds there has been a similar trend, and in addition a shift away from shorter vocational programmes and towards those vocational or general programmes that offer the possibility of tertiary entry;
- Among 19 and 20 year olds participation has risen sharply (by 14 and seven per cent respectively) in those upper secondary vocational or general programmes that offer the possibility of tertiary entry, but by far less (only by three or four per cent) in tertiary education itself;

- Among 20-21 year-olds tertiary participation has risen by some six per cent. Very little change in participation has occurred among those aged 22 and over.

Much of the fall in enrolments in the lower vocational (trade) schools arises from the collapse of the State owned enterprises to which they were linked, which provided their students both with opportunities for practical training in their workshops and with virtually guaranteed possibilities for post-school employment. With the collapse of these firms the justification no longer existed for the training of large numbers of highly specialised skilled or semi-skilled workers. At the same time, with the emergence of unemployment people became aware of the fact that a full secondary education would provide better opportunities on the labour market. Nevertheless it must be pointed out that the sorts of trends observable in Hungary and summarised in Table 4 are common in other OECD Member countries. Almost universally apprenticeship numbers are declining and numbers in general education courses and in vocational courses that offer the possibility of entry to tertiary education are rising. The nature of political, labour market and economic conditions in Hungary prior to 1989 might simply have delayed trends that were inevitable and that have since been more rapid than they might have been had they begun earlier.

Coinciding with the rapid decline in lower vocational (trade) school enrolments since 1989 there have been major changes in these schools' arrangements for practical training. The overall balance between workshops and workplaces as the venues for practical training has not changed, with some 56 per cent of training occurring in workshops both in 1990 and in 1995. However changes have occurred within these broad training venues. On the one hand many schools have simply taken over the training workshops formerly run by State-owned enterprises, so that in 1995 two thirds of all workshop training occurred at school compared to less than one third in 1990. On the other hand the growth of small firms since 1989 has created new opportunities for work-based training. In 1990 56 per cent of work-based practical training occurred in large firms, but this has now fallen to only a quarter of all work-based training, with three quarters of all such practical training now being provided by self-employed craftsmen.

Pathways after school

The most dramatic and obvious change since 1989 to the pathways available to young Hungarians after they leave school has been the collapse of the de facto employment guarantee that once was available to all school leavers. This has been reflected in rising levels of unemployment among young people, but even more so in the very high inactivity rates revealed in Table 1, which are roughly three times as high as unemployment levels. Almost nothing in any formal sense is known of the difficulties and problems faced by those young Hungarians who are neither in the labour market nor in education. When the review team asked what these young people were doing, answers ranged from involvement in the grey or black economies, intermittent involvement in temporary work, unpaid assistance on family farms, early motherhood and involvement in crime and prostitution. The truth in all likelihood lies in some combination of all of these. It seems clear that a high proportion of young Hungarians are now spending substantial periods of time after they leave school involved neither in education nor in formal employment. In the process many of them are negotiating quite new forms of pathways. In many instances these pathways carry with them substantial social and economic costs for the society at large, in addition to substantial risks for the individual young people. These young people should be treated as an urgent priority by Hungary's public policy makers.

In response to the rise in unemployment among young people in the early 1990s the principal Hungarian response was to ensure that unemployment benefits were widely available to and easily accessed by youth, and young people were eligible for access to active labour market programmes on the same basis as adults. However in 1996 the emphasis shifted towards more active labour market policies for youth.

Young people without work are now not eligible to receive unemployment benefits, but can receive income support (at between a third and a half of the previous unemployment benefit levels) only if they are engaged in training, or if they are able to gain a place in subsidised employment. One immediate consequence was to discourage large numbers of young people without work from registering with their local Labour Office. In one Labour Office visited by the review team the number of school leavers who were registered fell from 2,208 to 677 between 1995 and 1996, although it rose again to 1,420 in 1997.

Three main types of labour market assistance are available to those young people who register with their local Labour Office: training courses; subsidised employment; and public works programs. The administration of these programmes is highly decentralised at the County level. For example the occupations to which wage subsidies can be attached are set by the tripartite County Labour Councils rather than by the Department of Labour. Levels of wage subsidy are also not standardised, and are set at the County level. They can range from 50 per cent to 100 per cent of the going wage, although they average around 70 per cent.

Young people constitute some 20-25 per cent of those gaining access to labour market measures, compared to some 10 per cent of the registered unemployed. Training programmes account for by far the largest proportion of these places, with wage subsidies representing only around a quarter of all programmes places taken up by youth, and public works less than a twentieth. Young people appear to be over-represented within labour market training programs, for their relatively high levels of education, compared to many older unemployed people, make it easier for them to adapt to the courses on offer.

For many young people labour market training programs, originally designed to assist the unemployed, are becoming a new form of pathway from school. For many it is the only way to qualify for income support, and it also provides assistance towards travel, meals and accommodation as well as tuition costs and basic income support. Entry to training programmes is competitive, and those with higher levels of education are gaining access to training at the cost of early leavers and those without qualifications, whose needs would seem to be greater. In 1996 63 per cent of those participating in training programmes had graduated from a general secondary school, a secondary vocational school or from tertiary education, even though those with these levels of education were only 23 per cent of the unemployed (Ministry of Culture and Education, 1998b). Tertiary education places are in short supply in Hungary, the labour market values modern skills such as computing, and courses that provide these skills can be taken in places such as Regional Training Centres. And so many school leavers are now using labour market training programmes to increase their skills while they bridge the period between two periods of formal education -- school and higher education. They are also using labour market programmes to bridge the gap between school and work by obtaining skills that in many cases are not offered within the school system.

This problem in targetting appears to be one symptom of the lack of clear objectives for labour market programmes (objectives which, it must be said, can be hard to set when labour market demand is low and jobs are scarce). Similarly, whilst wage subsidy programmes in theory allow higher rates of subsidy to be attached to the most needy and the hardest to place, the practical realities of running a Labour Office within a fixed budget are such that the incentives for their managers favour large numbers of placements at lower subsidy rates, rather than the provision of higher levels of resources to a smaller number. The review team was also struck by the lack of a flexible approach in combining different types of programmes -- such as subsidised employment and training -- and by the lack, largely because of staff limitations in Labour Offices, of an individualised approach to the provision of assistance to young people. It was also clear that the level of assistance available falls far short of the size of the potential target group. In the County Labour Office referred to above in which school leaver registrations fell sharply after 1996, only 40 per cent of those who registered in 1997 were offered a training place.

The emergence of a heterogeneous and diversified private training market, not always leading to a State recognised qualification, is a further significant change in the pathways available to young Hungarians in the 1990s. Some of this market, about which little systematic information is available, has been accounted for by public institutions offering courses on a fee paying basis, and some is accounted for by private institutions. There is very little regulation of the competition between these public and private institutions, and the need has been expressed for a system of quality management and control (Ministry of Culture and Education, 1998b). Courses in areas such as management, accounting, foreign languages, computing, tourism and hospitality -- all in demand in Hungary's labour market -- are heavily represented in the private training market. Many of the young people that the review team met were acutely aware of the potential employment benefits of investing in their own post-school education through such courses, whether or not they lead to a formal diploma, and many are undertaking evening or correspondence courses to improve their skills, increase their labour market prospects, or to improve their chances of entering tertiary education.

While the number of tertiary education enrolments expanded by 100 per cent between 1990-91 and 1997-98 (based upon analysis of Labour Force Survey microdata), much of this expansion simply kept up with transitional demographic pressures, with overall participation rates (again using Labour Force Survey microdata) expanding only by some four to six per cent among 19 to 22 year-olds. But the tertiary education system has become more diversified during the 1990s, partly because of the introduction of fee paying courses, and it will become more so with the introduction of short-cycle tertiary courses as from the beginning of the 1998 academic year.

For many young Hungarians the pathway from school to tertiary study is not an easy one. There is substantial unmet demand, with only some 40 per cent of applicants each year gaining a place during the 1990s. As a result many who are not admitted on the first occasion attempt the entry examinations on more than one occasion in following years, further adding to the unmet demand. The difficulties of gaining entry are compounded by the lack of a clear and transparent single admission system for Hungary's 157 tertiary institutions. The matriculation or final school examination has served a largely ceremonial function, with pass rates of around 90 per cent. While institutions can evaluate applicants on the basis of their achievements in secondary education, they are also free to set their own entry examinations, and do so in large part because of the largely ceremonial role played by the matriculation examination. Young people have to apply separately to each tertiary institution and in many cases sit separate entry examinations -- although some institutions do co-operate in setting common examinations. A common admissions framework for all institutions which gives more transparency, but which retains the possibility of institutions choosing their own students, would remove many of these problems that young people face in seeking tertiary education entry.

For young Hungarians and for their parents the pathways through secondary education and beyond to work have become more complex, less transparent and far less certain during the 1990s. New institutional arrangements and new choices coexist with old institutions and previously existing choices. Options and pathways can now differ sharply from one region to another. The rate at which change is occurring, the complexity, lack of transparency and uncertainty are also greatly complicating the collection of precise data on the number of young people at different stages of the transition process and in different streams. Together these changes to young peoples' pathways in the 1990s have greatly increased the importance of high quality career guidance and orientation being available to young people. While the team did not have the opportunity to discuss career guidance in detail, there were frequent reports that much still has to be done in this area.

3.4 Quality and inequality in school education

The quality of general education has traditionally been regarded as good within Hungary. This may be explained not only by the value attached to education, but also by more objective factors, such as the widespread development of early childhood education and a rather high level of teachers' qualifications.

Results from the Third International Mathematics and Science Study (TIMSS) (OECD, 1997b) show that in mathematics Hungarian 4th-grade students were ranked seventh out of 17 countries and scored above the international average. At the 8th-grade they were ranked six out of 17, and again scored above the international average. In science Hungarian students were ranked sixth and above the international average in 8th-grade, and in 4th-grade they ranked 13th out of 17 countries and scored slightly below the international average.

Despite these generally favourable outcomes there are two serious causes for concern that were expressed on several occasions during the team's visit: the existence of wide inequalities and signs of a decline in quality.

While Hungarian 8th-grade students scored above the international average in mathematics in TIMSS, differences between the achievement levels of those whose parents had completed university and those whose parents had completed only primary school were greater in Hungary than in any other country (OECD, 1997b). These differences as a function of parental background, which favoured those students whose parents were well educated, were three times as great in Hungary as in Canada, the country in which the smallest differences were observed.

The Hungarian Background Report indicates that the National Assessment of Student Achievement, which has been carried out since 1970, shows a decline of 12 per cent between 1991 and 1995 in 8th-grade reading performance and a three per cent fall in mathematics performance. Most of this decline has occurred in small towns and in villages, calling attention to problems of educational quality in smaller settlements. Lannert (1997a) reports a decline in reading performance at 12th-grade between 1986 and 1995. In the case of mathematics she reports both an overall decline in performance over the period and a growing performance gap between urban and rural areas. The average student performs far better in Budapest than in rural areas, but there are wider differences between individual schools in urban areas than in villages. Striking differences also emerge between different types of schools, with performance in lower vocational (trade) schools. It is also clear that drop-out rates in lower vocational (trade) schools are, at around 20 per cent, twice those observed in general secondary schools or vocational secondary schools. She concludes that "...one of the most alarming signs in education is the worsening of achievements".

In a context of competition for more and better students, the differentiation between schools has increased in many respects and the better informed students and their families seem to be aware of this and of its implications for the chances to find a job. With proper management and imaginative advertising schools can increase their reputation and popularity. If a school is popular it can choose the 'better' students and consequently use more academic curricula. In what appears to be a widening gap between villages and towns, as well as between lower vocational (trade) schools and other types of secondary schools, there are concerns that special vocational schools are at the bottom of the hierarchy and that their deficiencies have become even worse than before, due both to resource constraints within the Municipalities where they are located, and to restrictions on the budget of the central Government.

Taking into account both regional disparities and the difficult situation of less-educated youth in a labour market that is becoming more highly selective, there seems to be an increasing risk of economic and social exclusion for a growing proportion of disadvantaged young people. This will have long term

implications. Many of those at risk are concentrated in the lower vocational and special vocational schools and appear to be the children of manual workers whose employment prospects were once secure but who have been hardest hit by the impoverishment that accompanies large-scale unemployment (Liskó, 1997). Gypsies also are heavily concentrated among the disadvantaged. In view of the higher birth rate among Gypsies, the magnitude of the problem is likely to increase unless their relative situation in education and on the labour market is addressed.

Some of Hungary's leaders and researchers are well aware of the problem, and at least some policies and programmes have been developed accordingly. For example the Office for National and Ethnic Minorities within the Prime Minister's Office has recognised the need for long-term and integrated programmes to tackle the problems, focusing not only on the education of young people but also on their parents and the wider community. Some Municipalities with substantial Gypsy populations have begun to introduce such programmes to encourage attendance in early childhood programs, to increase teachers' understanding of Gypsy traditions and culture, and to encourage young Gypsies to start their own businesses. The implementation and extension of such programmes require strong support from local political leaders and from the wider community over an extended period of time, but the extent of such support is uncertain at this stage. As with the many young Hungarians who are isolated both from education and from work, the problems of young Hungarian Gypsies need to be treated as an urgent priority by Hungary's public policy makers. Those in central Government, both within education and within the labour portfolio, should play an active role in marshalling local support for policies and programmes directed towards the problem.

Within the framework of the European PHARE programme an interesting programme has been developed that provides technical and financial assistance to 13 special vocational schools, catering for those who have either not entered or dropped out of secondary education. Many of the schools in the programme appear to have achieved impressive results, judged both by their success in motivating students to continue with their studies in a regular school and by students' success in obtaining jobs. The factors that contribute to this success, some of which are highlighted in Box 2 in the case of one of the schools, appear to include:

- An emphasis on socialisation, or re-socialisation, including matters such as regular attendance, time management, responsibility and self confidence;
- Personalised and small group teaching, individual attention to the children's problems, and a regular relationship with their families and with social workers ;
- An emphasis upon learning through practical work, both to provide a sense of achievement and to prepare students for a job;
- The availability of careers advisers who can help students to look for a job as well as provide advice and guidance.

The fact that special vocational schools can be more flexible than other schools -- for example in the age at which they admit students -- offers them a genuine advantage in dealing with these students that should be preserved. Their experience also suggests the need for flexibility in financing vocational courses, as, for many of their students, courses leading to a qualification on the National Register may well prove too demanding, and training activities that combine theory with a strong emphasis upon practice may contribute to their personal development. It will be important to draw upon the experience of these schools and to draw lessons from the programmes that they offer, in order to develop more effective means of tackling the severe difficulties faced by the most disadvantaged youth in Hungary.

The decision to extend the period of general education from the age of 14 to the age of 16, to come into force in 1998, reflects an international trend. However in the present Hungarian context it may involve new educational problems for those slower and less academically motivated learners who may have little incentive to stay in school if they do not have any opportunity for more concrete and more practical activities (Forray and Hegedûs, 1998). This is particularly likely in light of the fact that the Hungarian tradition is rather academic and elitist and places considerable emphasis on the cognitive aspects of teaching. The problems of how to motivate and raise the performance levels of the lower achievers are likely to become particularly acute within Hungarian schools as those who commenced their schooling in 1998, and for whom the minimum leaving age is to be 18 rather than 16, work their way through the system. Planning for this issue, and responses to it, will need to commence quickly, given the important role that early achievement in basic skills such as reading and mathematics plays in predicting later academic success.

These new educational problems are most likely to emerge in the first instance in the lower vocational (trade) schools, where many such students are concentrated, and where many teachers have neither the qualifications nor the skills and experience to teach a general education curriculum, particularly one such as the new National Core Curriculum which organises knowledge in a number of broad cross-disciplinary fields rather than in traditional academic subjects. It will be very important for lessons on school organisation and pedagogy, such as those learned from the special vocational schools taking part in the PHARE programme, to be disseminated widely as the National Core Curriculum is introduced, and for teacher development within the lower vocational (trade) schools to be given a high national priority.

Box 2: The Kolping School

The Kolping School was created in 1991 using the model of the German Kolping programme, and continues to receive some support from this network. It is specifically intended for children who are mentally disabled or who have dropped out without completing secondary education. Students' ages range from 14 to 22. The school's teaching is based on the principle that it should provide an environment equivalent to a family and that it should promote success and self-confidence. Using a highly individualised approach, personal life and educational plans are established with all children in order to set achievable objectives.

The emphasis is put on personal development and socialisation. Practical work takes the majority of the time, but this is integrated with the teaching of theory and of general education subjects. The teachers are dedicated and specially selected, but receive no special training for their work

The school offers students the chance to prepare for 14 separate vocational fields, which at this stage do not lead to qualifications on the National Register. The school believes that its pupils have a better chance to get a job than those of the regular vocational schools, thanks to their practical experience. Close contacts are maintained with local Labour Offices. The local Municipality, which showed little interest in the school at the beginning, now gives its full support.

3.5 Vocational education

Hungary had an apprenticeship system run by private mostly small and medium sized companies till 1949. During the socialist era the former dual system was transformed into a school-based system of vocational education and training according to national and local labour force planning indicators and especially the needs of large State factories. The former apprentices became students. The apprenticeship contract with companies was replaced by school registration. The schools became responsible for organising training. Practical training was offered by companies in training workshops and/or at the workplace on the basis of agreements with the school.

After 1989 and in the course of economic restructuring the existing skilled worker training through the lower vocational or trade schools faced some serious problems: training was too specialised; training curricula were mostly out of date; training was centred on schools and practical training was either greatly reduced or stopped completely, particularly in many of the former State owned enterprises; and the training system did not cater for the needs of small and medium sized companies (Alex, 1997). A diversity of apparently disparate and uncoordinated arrangements, many quite local and many negotiated between individual young people and individual firms, have emerged to manage the ways in which young people gain practical experience in the workplace as part of their vocational training. This diversity appears to apply as much to the financial arrangements that exist between the young person and the employer as to the timing and duration of periods of practice and training spent in the firm. Some of these firms at least seem to be satisfied with these arrangements. Since apprentices receive only a small stipend during their training period, they may be very profitable for some of the enterprises, which may get quite cheap labour in this way. There is legislation to protect apprentices from abuse and it is the responsibility of the Chambers to control its application, but it is not yet clear that they are always in a position to do so.

The Vocational Training Act of 1993 and the Chamber Act of 1994 provide an important legal framework for the re-introduction of an apprenticeship training system, where responsibility for practical training is shifted to industry. But some important preconditions for an efficient apprenticeship training system are still lacking:

- Partly due to the economic situation, the number of companies able and willing to provide training places is still low;
- Important actors for monitoring the quality of in-company training and for supporting a company-based training system like the Chambers and the associations of employers and employees are still rather weak, as a result of which the quality of the training offered in many enterprises remains poor (Liskó, 1997); and
- A culture of in-company training is not yet re-established, with many companies continuing to believe that vocational education and training of young people lies within the responsibilities of the State.

The review team strongly supports Hungary's steps to develop apprenticeship training as an important part of its vocational education and training system. Like countries such as Austria and the Netherlands, Hungary combines an apprenticeship system with a strong component of school-based vocational education and training. In Hungary, as in these countries, apprenticeship could cater for an important proportion of an age cohort. Apprenticeship training is especially appropriate in catering for the skill needs of small and medium sized companies, not only in the crafts sector. Large firms, too, might offer apprenticeship places. But given the ongoing economic restructuring, including the dismantling of former large State owned enterprises, the sector of small and medium sized companies might become even more important in future.

Considerable efforts will have to be made to raise the number of training companies and training places and to improve the quality of the training that is provided. In countries with dual systems a variety of measures have been introduced to foster in-company training, especially in small and medium sized firms which often are too specialised to offer the full range of practical training. In Germany inter-company training centres or training in a network of several companies with different specialisations have been set up to raise the number of training places in small companies. In Hungary at several sites inter-company training centres have been set up with German support for this reason.

Schools' training workshops can also fulfil this function. However as the capacity of firms to offer practical training grows, it will be important for incentives to be in place to discourage schools from hanging on to these workshops simply in order to keep teachers in employment, a tendency that was detected by the review team. A mechanism that might accomplish this would be to give the economic Chambers, rather than school maintainers, responsibility for allocating the relevant capital and equipment funds. (However the staging and timing of the transfer of training from school workshops to firms needs to be handled with care. It seems clear that in many instances the practical training offered through schools' workshops at present offers some advantages that are not available in many firms, particularly where the skills of Chambers in monitoring the quality of training remain weak).

Additionally there should be stronger and clearer financial incentives, such as tax rebates and funds for the training of masters and of trainers, for companies to offer training places, as existing incentives appear quite limited in their impact. The necessary decisions should be made in the near future. The Chambers and the associations of employers and employees must become convinced that vocational training is their business. This is not only a question of attitudes but also of skills.

Raising training standards can lead to higher training costs and fewer training places being offered by companies. Nevertheless public decisions on quality standards seem to be necessary for Hungary to attain the long run objective of a "high quality-high esteem" type of apprenticeship system.

Hungary has upper secondary vocational schools which also offer advanced specialisation at a technician level. In this institutional context it might be difficult to extend the "dual" system to trades in the service sector, especially to knowledge-based trades. But as in France there might be a case for extending apprenticeship training vertically, and to offer the preparation for post-secondary qualifications through an apprenticeship. This might help to make this sector of vocational education and training more responsive to the labour market, as well as helping to guard against the risk of academic drift in this level of qualification.

The National Training Register may be seen as a useful framework to help training institutions in setting their objectives and in obtaining a recognition of the qualifications that they grant to their trainees. It has an important impact on training activities, since the State budget finances only courses preparing for those qualifications which are on the Register. One implication of this is that employees' representatives are pressing for as many qualifications as possible to be included on the list in order to maximise the amount of training that does not have to be financed by individuals.

But there are instances when it would be preferable for this framework to be somewhat less rigid. For instance, when special schools provide practical training which does not meet the requirements of the Register, but which remains within the capacities of the most disadvantaged, it should not affect their financing. Again, the inclusion of required prior levels of general education within the Register acts to exclude many disadvantaged young people from access to vocational training whose practical and theoretical demands they may be perfectly capable of meeting.

International debate on qualifications frameworks seems to agree on the following:

- Since labour market requirements are constantly changing, and in order to prepare the worker for future mobility, qualifications should not be defined in an exceedingly narrow way;
- A proper balance has to be found between an educational and a vocational approach to qualifications. This goes beyond the traditional opposition between theory and practice, or

between general education and vocational skills, with an increasing emphasis now being put on transferable skills or key qualifications such as communication, problem-solving or teamwork. The National Register seems to have difficulty at present not only in including such key generic skills, but in striking an appropriate combination and sequencing of general and vocational education within any single program;

- Qualifications frameworks require a close co-operation between those who have a concrete knowledge of an occupation in industry and those who can interpret its requirements in educational terms. These are the conditions for a training programme to be efficient and for a qualification to be recognised by the labour market.

These issues will increase in importance in light of the transfer of responsibility for vocational training from the Ministry of Labour to the Ministry of Education, a transfer which has the potential to alter the institutional framework for their resolution.

Modernisation of Hungary's vocational training system will require attention to be paid to the quality of the lower vocational (trade) schools. With the enrolment shift from these schools to secondary vocational schools that has occurred in the 1990s, the view has been expressed that they have no future and are simply dying out. Such a position would neglect the fact that labour market demand continues -- although at a reduced level -- for the skills that they produce, and that the programmes that they offer represent the only opportunity left to a very large population of students who lack an academic inclination. It is also clear that at least some of these schools seem to demonstrate a remarkable ability to adjust to the new conditions, despite a shortage of resources. The challenge will be to modernise these schools and their programmes, and to build better links between them and other pathways so that they cease being educational dead ends. Quite clearly they will be forced to change in many important respects when, under the new National Core Curriculum, the type of education and training that they offer at present is no longer able to be offered to 14-16 year olds, but must be offered only after the 10th-grade.

But a modernisation of these schools raises a number of problems. The most obvious one is the adaptation of teaching areas to the new demands of the labour market. This process has been initiated, but a major obstacle comes from the teachers: they are civil servants and many are highly specialised. Re-training them in a completely different subject is not easy. And the low level of teachers' salaries compared to those of industry makes it difficult to recruit specialists in technical subjects.

3.6 Tertiary education

An overall perspective

The Hungarian system of tertiary education and its leaders have always enjoyed a high degree of prestige, which has probably contributed to the large degree of autonomy that they have enjoyed, not only in academic matters, but also in the overall planning and management of the system. There are 119 public and 38 private institutions of higher education in Hungary, which fall into two types. Colleges provide three-year courses, while the normal period to obtain a degree at a university is five years. Thus the distinction between colleges and universities is largely determined by the length of their programmes, and does not necessarily reflect a distinction between institutions with a more practical orientation on the one hand and those with a more theoretical focus on the other. Within a standardised procedure approved by the Ministry of Education, institutions are free to decide their admission requirements. They makes

proposals concerning the numbers of students admitted, which have to be approved by the Ministry. The budget of each institution is determined primarily by the number of students that it enrolls.

The total number of full-time students increased at a very fast pace during the 1990s -- from 76,600 in 1990-91 to 152,900 in 1997-98. During most of this period the number of 18-year olds had been growing, so that the admission rate remained more or less constant at around 40 per cent of the applicants (Lannert, 1996). The overall rate of participation in tertiary education among 19-20 year-olds rose only modestly, particularly when compared to the rate at which participation grew among those of the same age in general and vocational secondary schools. However since 1994 the demographic trend has been in the opposite direction, and the number of 18-year olds is decreasing rapidly. For institutions to maintain their student numbers this is likely to result in changing admission practices. Whereas the selection remains extremely severe in some institutions, others are now reported to be taking practically all candidates.

All students receive a small scholarship, which is based mainly not on their economic situation but on their academic results. Quite small tuition fees were introduced a few years ago, but have met with serious opposition and their abolition has been envisaged by the new government. Quite high fees usually exist in private institutions. In addition, many public institutions have been organising private programmes with very high fees in recent years. The way in which such fees are applied appears in some instances to be highly inequitable. The review team encountered instances in which the lowest quality students (those who fail to meet normal entry requirements but who could afford to pay) are charged high fees for tuition which in some cases involves less direct student-teacher contact, and for access to courses that experience higher failure rates, than comparable courses accessed by non fee paying students. Many teaching staff, because of the low salaries that they receive, have become highly dependent upon these private, fee-paying courses, as have institutions themselves.

University teaching is widely perceived as very conservative, academic and theoretical. It would seem that, at least until quite recently, most institutions had few relationships with enterprises, and there was little attention given to the demands of the labour market, either in regulating the level of student intakes into particular programs, or in determining the contents of teaching. The restructuring of the economy and demographic trends have reduced the demand for many categories of engineers, agricultural specialists and teachers, and increased demand for economists, lawyers, and information technologists. Yet frequently individual institutions have had difficulty in adjusting either student intakes or the composition of their teaching staff in response to these new demands. A recent pilot survey of graduates' employment outcomes has confirmed the existence of such imbalances between supply and demand in particular professions. In parallel with these rigidities within particular institutions, the planning and management of the tertiary system as a whole has not found it easy to impose new priorities in light of these new demands. In particular the power vested in the Ministry of Education by virtue of its role as the dominant funder of tertiary education has remained significantly under-utilised.

Experiments with post-secondary education and with new links with industry

In this context, some recent developments which are in most cases still at the experimental stage deserve particular attention. Many OECD countries have set up short-cycle tertiary courses, usually of two years duration after the completion of high school. They are very diverse, but they have usually been extremely successful, for a number of reasons:

- They meet a labour market demand for intermediate qualifications;

- They represent an alternative way to satisfy a growing social demand for tertiary education, by offering an alternative track which is less demanding from the point of view of students and less expensive than traditional university studies;
- They are less academic and provide more practical skills, which generally implies new ways of organising learning, including a closer relationship with industry.

Such arguments are particularly convincing in the case of Hungary, where the development of such courses could contribute to the solution of some of the problems identified above. Indeed, a Government regulation was enacted in March 1997, which provides a legal framework for the creation of so-called accredited higher vocational education programmes that are intended to have many of these features. A few experiments have been undertaken, often in the framework of a PHARE programme aimed at strengthening the relationship between education and the economy and at meeting the demands of the labour market more flexibly. The 19 institutions participating in the programme receive financial and technical support and the co-operation of foreign institutions. In many cases these courses are initiated by colleges, rather than by universities, and concentrate upon developing new qualifications required by the labour market (see Box 3).

These developments are very welcome and have attracted a lot of interest within Hungary, but the progress has been slower than expected and any impact is still very limited, with only a few courses having been accredited at this stage. There are a number of explanations for this:

- The delays are explained first of all by the late adoption of the new regulations, but also by the excessively bureaucratic accreditation procedures, based mostly on traditional academic criteria, that have been adopted to get recognition of the new qualifications and thus secure the necessary budgetary allocations. A recent evaluation carried out within the framework of the PHARE programme suggests that this was related to the fact that the legislation tried to fit the new programmes into the present accreditation structure, instead of creating a single new controlling body (Czinege et. al., 1998). There may also have been some resistance to these innovations from the more conservative academic circles, particularly in relation to the transfer of credits obtained in the new post-secondary courses into traditional tertiary courses -- an intended standard feature of the new courses.
- Another problem relates to financing. In a context of financial restrictions, obtaining additional resources for course development has in the past been difficult. Furthermore, the per student funding allocated for these new programmes has in the past been below that allocated for standard tertiary courses, (whereas in France it is higher for the Instituts Universitaires de Technologie than for the universities). This has been a significant disincentive for institutions to become involved. Last, but by no means least, when public tertiary institutions are already running similar private courses with very high fees but which do not lead to an official qualification, the introduction of these new courses under public funding implies a serious financial loss for the institution.

The new courses involve competition between secondary and tertiary education. Many secondary vocational schools are taking advantage of the new freedom given to them since 1989 to initiate post-secondary courses. In doing so their motivation may be to retain students for a longer period, and to attract new students with the prospect of access to a higher qualifications with better employment opportunities. The secondary schools are at an advantage in being able to access the resources of the Vocational Training Fund to finance these developments. Tertiary institutions are making a claim for the same opportunities. Under the previous government these issues were a matter of major debate between the Ministries of

Labour and Culture and Education. Nevertheless in a number of instances at the local level co-operation between secondary schools and colleges has been initiated, primarily to share resources and facilities. This co-operation is encouraged by the fact that schools cannot award these new qualifications in their own right, but must do so in partnership with a tertiary institution.

It is not always clear what the distinction is, in terms of course level and labour market demand, between these new short-cycle tertiary courses and either existing technician courses offered by secondary vocational schools, or three year courses offered by tertiary colleges. If the new courses are to develop successfully, without unnecessary duplication and with scarce resources being used to their best effect, they will need to be clearly differentiated from other qualifications and to have a unique labour market position. This may well involve the rationalisation of other post-secondary offerings, and will require clear decisions from the Ministry of Education.

Box 3: New links with industry and with foreign institutions

In the framework of the PHARE programme and in co-operation with enterprises and with foreign institutions, the University of Technology, Budapest has developed a number of new post-secondary courses to train technical managers and technicians in chemistry and in energy and is working on other courses in business and commerce. These courses are delivered partly at the university and partly in upper secondary schools, with a contribution from enterprises for the practical part. It has set up with a French university and with French firms a bilingual two year course in civil engineering, which is intended to confer credit in degree courses.

The University of Technology is also promoting sandwich courses, whereby the students spend the last two years of studies leading to a degree doing practical work in an enterprise. The concept is not yet widespread, but some firms are already enthusiastic about it.

One of these, Dunaferr, is a large steel company located south of Budapest which has also developed co-operation with a number of vocational schools and universities. Contracts signed with them provide for an exchange of a variety of services: joint research activities; provision of teaching materials; sponsoring of study tours; exchange of teachers; and internship for students preparing a thesis. A training workshop in the company receives young and adult students from various schools and from other firms.

Even when such programmes have been initiated, it remains to be seen to what extent they genuinely embody innovative approaches: close co-operation with industry in the assessment of course requirements, profile and contents; industry participation in the provision of opportunities for practical work and in the teaching itself; an emphasis on the development of attitudes better suited to the world of work; and new teaching methods such as workshops, group work and periods of industry experience through sandwich training and the like. Linking the funding of the new courses to a requirement for such innovations in content and method would help to ensure that they are genuinely able to set a new direction for tertiary education in Hungary.

Finally, there is the problem of the image of the new courses among firms and students. Some firms have been enthusiastic from the beginning, but many have not yet heard of these new opportunities. And the better students may still prefer to join traditional university courses if they do not realise that the new ones are appreciated by industry. It will be important for these courses to be marketed to young people as valuable in their own right, and not simply as an alternative for those who do not qualify for a traditional course, or as a backdoor route into traditional tertiary education via credit transfer arrangements. The international experience shows that this process takes time.

Can expansion be justified?

The review team encountered a wide assumption that tertiary education funding should be increased in Hungary in order to allow the system to expand to meet the present high levels of unmet social demand. The case for this is based both upon Hungary's comparatively low levels of tertiary participation, and upon the high proportion of applicants who fail to gain admission each year. The pressure from within the system to expand the participation rate is increased by the decline in the size of the age cohort. With the total number of 18 year-olds projected to decrease from 164,000 in 1998 to 125,000 in 2002 a funding system based upon student numbers implies a significant decline in resources if the participation rate does not increase.

Whatever the case might be for expanded participation, it needs to be clearly distinguished from any case that might or might not exist for increased funding. The two are not the same. It is important to set

arguments for or against increased funding within Hungary's level of economic development and its GDP per capita. As has previously been shown (Table 2), the proportion of GDP per capita that Hungary spends upon tertiary education is already high by international standards, and the ratio of students to teaching staff is very low indeed by international standards.

The internal allocation of resources within tertiary education in Hungary appears less than optimal, with significant imbalances between graduate supply and demand in some disciplines implying unnecessary rigidity and inflexibility in student admissions and in the deployment of teaching staff within and between institutions. The basis upon which students are charged fees appears to reflect simply their capacity to pay, rather than the labour market value to them of the education that they are receiving or its quality. The low salaries paid to those teaching publicly funded courses, in association with the capacity of institutions to charge high fees for private courses, appears to be resulting in a distortion of effort on the part of some teaching staff.

The review team believes that before there is any increase in the public resources provided for tertiary education a number of issues will need to be addressed. These include:

- The clear mismatches that exist between labour market demand and graduate output in many parts of the system;
- The high costs associated with low student-teacher ratios; and
- The present inequitable system of student financing.

Addressing these issues effectively would free up resources within the system. These resources should be the basis for any expansion in participation, before having to consider whether any additional public resources are necessary.

These issues should best be addressed within the development of a comprehensive strategy for post-school education as a whole, which Hungary at present lacks. The need for a comprehensive strategy for all post-school education is pressing, and it should be developed soon. Among other factors such a strategy should consider:

- The need and demand for all forms of post-school qualifications, including the new post-secondary short-cycle tertiary courses, and the appropriate balance between these, including the need for enrolments in some forms of qualifications to be adjusted downwards in order to allow growth in others;
- The need for accreditation procedures for short-cycle courses that are quicker and have a stronger industry focus than present arrangements;
- Realistic proposals for the retraining and redeployment of staff, both within and between institutions, including the option of staff redundancies; and
- the need for a fairer system of student financing that sets charges to students on the basis of the labour market value to them of the courses that they are taking. In this respect there is merit in Hungary undertaking a detailed study of Australia's Higher Education Contribution Scheme, in which students repay a proportion of their tuition costs after graduation, with repayments being contingent upon the level of their post-graduation incomes.

3.7 Regional Training Centres

Vocational training for young people who have left the school system, but not yet found a stable job, is becoming an increasingly important part of the transition process in Hungary. Many of these young people, as indicated previously, are entering the emerging private education and training market. But it is sometimes difficult to differentiate those activities which specifically concern young people from those in which adults participate, and therefore to get adequate information on the former.

This is the case with a large programme launched at the initiative of, and partly financed by, a loan from the World Bank: the Regional Labour Development and Training Centres, nine of which were established between 1991 and 1996. The Centres were established in large part because the traditional lower vocational (trade) schools were considered unsuited to the requirements of the new Hungarian labour market -- too narrow and specialised, too divorced from the real needs of employers, and too slow and inflexible in their reactions to new skill demands. It was felt that they were unable to cope with the results of the re-structuring of the large State-owned enterprises and with the need for workers to be re-trained. The judgement was made that the time and resources that would be required to reform these traditional institutions would be too great, and that it would be preferable to set up entirely new ones. It was hoped that these new Centres would not be bound by the rules and the traditions of the schools, but might have a positive influence on them. It was expected that they would provide an opportunity to involve employers and trade unions in the identification of training objectives and in the management and delivery of training. The Centres were primarily intended for adults, which was a further significant shift from the traditional approach which focused almost entirely upon training young people.

Table 5: Regional Training Centre Participants

	1995	1996
Total number of trainees	26,000	34,500
Of whom per cent who were:		
Unemployed	67	30
Aged under 18	14	18
Aged 18-24	40	27

Source: Ministry of Culture and Education (1998b)

The Centres carry out a variety of activities. These include specific training programmes for individual firms, financially supported by the firms, and programmes for the unemployed, supported by the National Labour Market Fund. The duration of these courses is extremely diverse. Courses for the unemployed tend to be substantially longer (up to a year) than the specific training courses for particular firms. Nevertheless where courses are intended to lead to a qualification on the National Register they can be significantly shorter than equivalent courses provided within the school system. In part this is because courses within the Centres are based upon a modular system of training, and are often more practical and company-specific than school courses. In part it is because the Centres' courses often do not offer the same depth of general education subjects. In 1996 only 23 per cent of the Centres' students obtained a qualification from the National Register, with the majority being awarded certificates issued by the Centres themselves. In the Centre visited by the review team it was argued that this reflected the close relationships existing between the Centre and the firms that it worked with, and the clear understanding that the firms had of the relevance of the Centre's training to their own needs.

The National Labour Market Fund accounts for some 80 per cent of the Centres' budget, but for a smaller proportion than this of their students (see Table 5), in large part because the unemployed are concentrated in longer courses and courses for particular firms are generally short in duration.

The Regional Training Centres have been the object of considerable controversy. This is apparent both in documents (Tóth, 1996; Ministry of Culture and Education, 1998a) and in the discussions held by the review team. The main criticism is the very high investment cost, particularly in view of the large number of vocational schools with sufficient capacity to offer the appropriate training but lacking adequate equipment. It is also argued that the facilities are considerably under-used and that their operation as a result is expensive. Available data on the monthly average number of students (Tóth, 1996) certainly points to a significant degree of under-utilisation during the January to August period, although to greater utilisation in the latter part of the year.

In both of the markets within which they operate -- courses for the unemployed and courses for firms -- the Regional Centres are competing with other training providers. The outcome of this competition is determined not only by course considerations and by cost, but also by the location of the providers. As there are only nine Regional Training Centres they often have difficulty in attracting students from remote areas, for whom local providers, involving lower travel and accommodation costs, are more attractive.

There are of course arguments both in favour of and against setting up new institutions rather than attempting to improve existing ones. In this instance the creation of training centres seems to have had positive effects in stimulating the development of a competitive training market, in opening the way for a diversification of training courses and in encouraging vocational schools to co-operate more closely with industry. They have set an important precedent in the involvement of employers and unions in the planning of vocational education and training. Some have established links with schools within their regions, and located equipment there which can be used both for providing their own courses on a dispersed basis and for the schools' own purposes. This results in better education and training being offered by the schools. The Centres have also introduced new and more flexible curriculum models, and, in offering courses to the unemployed, have shown themselves able to combine the needs of the young person with the needs of industry. They have, for example, included within their courses remedial instruction in general subjects, career education and career orientation, and job search training, as well as more traditional vocational subjects. They have been able to introduce working conditions and hiring criteria for their instructors that are more flexible than those operating within vocational schools.

These achievements are important, but they leave open the issue of how they are to have an impact upon the operation of the vocational schools. Much of the Centres' work with young people appears to be needed because of inadequacies within the vocational schools themselves, reform of which needs to remain a clear priority. Concerns must also be expressed at the potential narrowness of some of the vocational training offered to young people who enter the Centres with low levels of general education, and at the basis that it lays for their longer term career development, whatever its benefits in improving their immediate employment prospects within the region.

4. SOME MAJOR ISSUES AFFECTING THE TRANSITION PROCESS

4.1 A broader, more integrated approach

A review of the transition process from school to work in Hungary implies a very broad investigation into a variety of themes, all of which could not be fully analysed in the context of this study. However it is possible to draw a some general conclusions, in addition to those included within the previous section.

First of all, it is clear that the main problem of youth transition has been and still is the sudden emergence of a high level of unemployment. But it has to be underlined that unemployment figures give at best a partial picture of the problem, as the shortage of jobs has also led to a drastic reduction in participation rates and a very large problem of inactive youth, involved neither in education nor in the labour market. This has had many implications: the labour market has become far more selective; it has changed young people's attitudes and expectations, as well as those of their families; and it has contributed to a growing inequality of opportunities, threatening a fraction of the youth population with long term exclusion from the labour market and from society as a whole. At the same time, unemployment and a more competitive and rapidly evolving labour market are pressing the education system to adapt to the new context.

On balance young people have not been affected more adversely by these new circumstances than older age groups. Those young people who are educated and entrepreneurial are doing comparatively well in the new labour market, adjustment to which has been hardest among the older population. Therefore it is the overall employment situation which has to be tackled, not only that of young people. The question of whether this can be achieved by alternative economic or social policies would go beyond the scope of this report, but it should be borne in mind that this is a primary objective.

The essential part of this review has been devoted to the ways in which the system of education and training has reacted to the new challenges. Here, the achievements during such a short period of transition have been remarkable in several ways :

- Despite severe budgetary restrictions, and thanks to increased efforts by central authorities and Municipalities, it has been possible to maintain approximately the same level of educational expenditure and to increase participation rates moderately.
- Thanks to a high level of expertise, and in some instances with some external co-operation, the Ministries of Education and Labour have managed to put in place most of the elements needed for a comprehensive reform of the system: a decentralised structure; mechanisms for involving employers and trade unions; a National Core Curriculum; a National Register of vocational qualifications; and a Vocational Training Fund are among these. Each has involved finding solutions to a number of complex and difficult problems.
- At the regional and local levels, there has also been a remarkable awareness of the need to change and to adapt to the environment, not only on the part of schools and Municipalities, but also among families, who soon understood that they had to look for different educational pathways in order to preserve future employment opportunities for their children. This has contributed to a considerable amount of school re-structuring and re-orientation, and many initiatives have been taken to launch new courses and to open schools towards their environment, particularly industry.

Having recognised these achievements, the main problems which remain at this stage could be stated as follows :

- Most of the achievements to date have been in school education, while much still remains to be done in the field of post-secondary and tertiary education.
- Decentralisation has undoubtedly given more flexibility to the system, stimulated local initiative, encouraged schools to open themselves towards the outside environment and to co-operate. But at this stage it seems to have reached its limits in some areas and the time has come to find the right balance between decentralisation and some degree of central regulation, if national objectives are to be achieved. When the former system of central planning was dismantled (and it was done in a more progressive way in Hungary than in other Central European countries), any type of planning became suspect. But the old style of central, authoritarian and bureaucratic planning should not be confused with the need for broad directions coming from the centre, together with appropriate mechanisms for steering the system and tools to help local actors to accomplish their task. Much will depend in the future on the progress of the type of planning that is now being introduced at the County level, whereby Counties will be required to set up medium-term enrolment plans. This will necessitate a good deal of training and technical support to be provided by the central administration.
- Finally, there is a need for a better integration of both school and tertiary education into the overall socio-economic environment, taking into consideration educational objectives, demographic constraints, the scarce resources available, the requirements of the labour market, and the special needs of disadvantaged young people. It should be underlined that an integrated approach is the only way to meet these objectives and constraints, which otherwise may seem irreconcilable at first.

4.2. Maintaining quality and equity in a decentralised system

Improving quality and striving against mounting inequalities are major challenges for all types of education. In the Hungarian context there are a number of specific factors that are important contributors to educational quality and equity, particularly within schooling.

Present demographic trends are heightening competition between schools. On the one hand this is leading to some schools selecting their students from a wider ability or academic achievement range and offering a broader curriculum suited to the needs of a wider range of students. This trend is important in improving the possibilities for students to move between pathways and is a positive contribution to educational quality and to equity. On the other hand earlier competitive selection, before 8th-grade, as a means of 'capturing' the more able students at an earlier age, is likely to increase inequality by attenuating streaming within Hungarian schooling.

Teachers' salaries are very low in Hungary. This has adverse effects on the motivation of teachers, and reduces the possibility of attracting good people into the teaching profession. The problem is particularly acute with teachers and instructors in vocational subjects, who can more readily be attracted by higher salaries being offered by industry. The low pay of teachers is also an incentive for them to seek second jobs, which often consume time and energy that otherwise might be devoted to improving their teaching.

The National Core Curriculum attempts to move away from the traditional division between subjects and to promote a more inter-disciplinary approach. This flies in the face of the traditional organisation of subjects and of the way that teachers are trained. The National Core Curriculum will also require quite new teaching approaches to be adopted in many of the vocational schools, which will be most affected by the extension of general education for a further two years. Both this and the challenges of adapting traditional knowledge-centred teaching methods to better meet the needs of low achieving, poorly motivated and disadvantaged youth will require a large-scale programme of in-service training for teachers.

Many smaller and isolated schools have limited facilities and equipment, and difficulty in offering a broad range of subjects to meet students' differing interests and talents. Demographic trends are in many instances forcing schools to combine or to co-operate in order to survive. In the process a wider curriculum choice and a broader range of facilities are made available to students. Such moves should both be encouraged and directly supported. The National Core Curriculum represents an important shift towards a comprehensive rather than streamed curriculum up to the age of 16. However the success of its implementation will very much depend upon the existence of a comprehensive, rather than streamed, structure of schools within which it can be delivered. While demographic trends and competition between schools might assist this process they cannot guarantee it. As in the case of in-service training for teachers, this is a matter on which central guidance and support will be important.

The rise of a private educational sector has implications for educational quality and equity. On the one hand the flourishing post-school market that provides training in areas such as business, foreign languages, tourism and information technology appears to be filling gaps that the public sector has not been able to meet, and is providing young people with opportunities that they might otherwise not have had. But these opportunities are not available to those who cannot afford to pay, denying the labour market the talents of many who are able but poor. Similarly the rise of fee-charging courses in public tertiary institutions appears to be allowing many of lesser ability but with greater economic resources to gain access to tertiary education. The lack of a comprehensive and equitable student financing system, able to encompass both tuition costs and living costs, such as that suggested in Section 3.6, or of a publicly supported student loans scheme as one part of that system, is compounding these inequities¹³. There are also reports of firms charging parents to provide their children with trade training, although this appears to be limited to some quite specific sectors such as hairdressing, and hopefully will be stamped out as the capacity of the Chambers and the trade unions to supervise training grows.

Steering mechanisms in a decentralised system

Decentralisation as a concept has attracted much interest in many European countries' education systems. Especially in countries where school-based vocational training dominates, such as France, decentralisation is seen as an effective measure to render vocational training more responsive to the needs of local and regional labour markets and thus to combat youth unemployment. Hungary has introduced a very decentralised system of decision-making in both general and vocational education and training compared to most European countries. Local and regional authorities decide on the setting up and closing of schools, as well as on schools' educational programme within the framework of the National Core Curriculum and the National Register of vocational qualifications. They also monitor schools' pedagogical effectiveness. (The National Core Curriculum represents an attempt to introduce a greater degree of consolidation to the decentralisation process, but the steering mechanisms associated with its introduction remain relatively weak).

In such a highly decentralised system the question of incentives and orientation for regional and local decision-makers is of crucial importance. The most important incentive for local authorities and the schools is public funds. Under the existing regulation schools are given a per capita subvention from the State budget for each pupil enrolled. The criteria for receiving funds is purely based upon the number of students. For the reviewers it was difficult to assess the steering effects of the existing system of financing, but it seems to have little positive impact on institutional efficiency, as the 1995 OECD review of national policies for education in Hungary pointed out. It became clear during the visit that the strongest orientation of headmasters is to keep as many pupils in the school as possible. In addition schools are interested in fully using the existing capacities of training facilities and of the teachers with their given specialisations, at times according this a higher priority than the needs of local labour markets or the interests of students.

Per capita funding leads to the risk of schools offering training in subjects and trades for which there is little need on the regional labour market. Competition between schools for attracting pupils seems not always to be the most effective steering mechanism to make them more responsive to the labour market, given the greater ease with which schools that offer access to higher education can attract more pupils. Furthermore in rural and isolated areas pupils and their parents rarely have a wide choice if schools have not agreed to co-operate with one another on a regional basis and resolved associated problems such as transport costs.

In future, school funding should be based to a greater extent on the principle that the amount of public funds received depends on performance, at least for an important proportion of the school budget. For this to occur it would be necessary to develop and to agree upon criteria for performance. A recent CEDEFOP document on school-based quality measures sets out four dimensions of quality indicators: input (for example the resources provided by the school); process (for example management of the training institution); product (for example examination success); and effect (for example students' employability) (CEDEFOP, 1997). In addition to indicators such as these an important incentive for schools to raise the responsiveness and quality of their training could be seen in the direct transfer of funds from companies. In Hungary companies can use, at least in part, their contributions to the National Vocational Training Fund to support secondary schools directly.

A highly decentralised system of education and vocational training such as that which exists in Hungary needs some monitoring and orientation at least on the regional level. The review team got the impression that headmasters and Municipalities did not always have a clear picture of what their priorities should be. The engagement of Municipalities in setting up and maintaining schools is certainly a strong point of the Hungarian system. The instruments and institutions necessary to counterbalance the far reaching autonomy of the Municipalities in school matters are not yet effectively operating. The existing tripartite County level Labour Councils could monitor the distribution of public funds using quality criteria. Additionally there should be an agreement on performance objectives between schools and the Councils. The existing County level planning system should be further developed as an orientation tool for all stakeholders.

Given the growing inequalities between Hungarian schools, County level mechanisms for enabling inequalities to be evaluated and for providing additional financial support for schools in a difficult context can be seen as an important measure to avoid differences in the quality of education and training and, as a consequence, unequal opportunities for pupils on the labour market.

In a context of growing inequalities and evidence that points to falling quality, it will be vital for the central Government to have at its disposal tools for addressing both issues, without reverting to the type of centralised planning and administration of the education system that would be clearly unacceptable. The

central earmarking of funds for specific purposes is one way in this can be accomplished, and the 1996 amendment to the Public Education Act approved several objectives to which such earmarked funds could be applied -- for example the in-service training and re-training of teachers. It is estimated that such funds currently account for between five and ten per cent of the education budget (Balázs et. al., 1998). It would appear sensible to plan for an increase both in the proportion of the total budget accounted for by such funds, and for an increase in the range of purposes to which they can be applied. Some urgent priorities that should be considered are:

- Teacher development to assist the introduction of the National Core Curriculum;
- Assisting schools to amalgamate or otherwise cooperate so that students can have a wider curriculum choice and better connections between pathways;
- Funds to assist schools and school maintainers to create structural possibilities for students to move from the lower vocational (trade) pathway to other pathways; and
- The creation of a regional equalisation fund, linked to the development of the types of quality indicators suggested above, to target the most disadvantaged and under-resourced schools.

4.3 A closer relationship between education and the labour market

Broad national trends

At a broad national level three recent sources of information are relevant in assessing priorities for the orientation and development of the different types and levels of education in relation to the economic context and to the labour market. The first are the rate of return studies, referred to in Section 2.2, which suggest that private rates of return are highest for those with upper secondary education (which provides support for the government objective that 80 per cent of young people should achieve an upper secondary qualification), and that social rates of return are quite low for tertiary graduates, in large part because of the high public costs of their education.

A second source is a study, undertaken at the initiative of the World Bank and sponsored by the Ministry of Culture and Education, which has attempted to estimate the output of the educational system and the demand of the labour market during a 15-year period for broad groups of qualifications (Tímár, 1996). Its results are primarily of relevance for tertiary education. Assuming that present trends in admissions and enrolments continue to the year 2010, the study concludes that there will be a moderate surplus of higher education graduates, but very serious imbalances in terms of level and area of study. A very substantial demand in the labour market for post-secondary short-cycle tertiary education will not be satisfied unless there is a substantial development at this level. But a huge surplus of undergraduates is to be expected at the college level. In terms of fields of study, by far the largest surplus is predicted to be in teaching, while shortages are predicted in economics and business studies. Whilst this type of approach has often been questioned, the magnitude of the imbalances that are predicted suggests that the conclusions of this study deserve attention from policy makers.

The pilot survey of graduate employment outcomes, undertaken in 1998 using a limited sample, tends to support the broad conclusions from other sources of significant imbalances existing between supply and

demand within tertiary education. Later and more comprehensive surveys will enable such conclusions to be refined.

Taken together these three sources reinforce the review team's view that the principal and immediate problem of higher education is one of restructuring rather than expansion, and that any expansion that does occur should take place primarily at the level of short-cycle courses rather than within existing levels of qualifications.

Relationships at the local level

Broad brush studies at the national level such as those discussed above need to be supplemented by more concrete and more qualitative indications at the regional, sectoral and local levels. This will require further improvement of the Labour Offices, so that they can go beyond an administrative approach and undertake more analytical work on the exact situation of employment within their regions and on the demands of the labour market. This will require more highly qualified staff and will imply a closer relationship with local enterprises, as well as with schools and tertiary institutions. It will also require continued development of close working relationships between schools, tertiary institutions and firms in order to ensure that the content of education and training, and not simply the quantitative supply of graduates, meets the needs of the labour market. Sectoral studies, in which employer expectations, recruitment behaviour, training practices and future labour requirements and skill needs in the short and medium terms are examined within particular industries, will also be important.

A closer relationship with industry may be achieved at different levels. Formal mechanisms, in most cases of a consultative character, have been put in place in different areas at the national and regional levels. These mechanisms have been described as “a network of several levels of dialogue (which) is loose and incomplete” (Lannert, 1997b). There have been some criticisms of an excessive weight of Government representatives and of a weakness or lack of expertise on the part of social partners, which may be related to the fragmentation of unions and to the reluctance of firms to accept the mandatory membership to the Chambers. But it is also evident that these structures provide an important opportunity for dialogue, and that a learning process is required until a system of social partnership is fully established. It should also be underlined that the social dialogue seems active and more concrete at regional and local levels. Despite these strengths, the limitations of the formal mechanisms at this stage make it even more desirable that a less formal and more direct relationship be established between firms and training institutions. Further involvement of employers may be one way to approach a problem that Hungary shares with many other countries: how to convince employers to invest more in training and not to rely only upon the State.

Development of an effective programmes of career education and guidance is an additional important factor in helping to create a closer relationship between education and the economy. While some interesting experiments have been undertaken within the Labour Offices, and in secondary vocational schools within the framework of the World Bank project referred to in Section 3.3 (Ministry of Labour, 1996; Sallay, 1997), the review team gained the impression that within schools, career education and guidance remain under-developed.

4.4 Creating more flexible pathways for young people

The structure of secondary education in Hungary has long provided its young people with a form of pathway that many other OECD Member countries are striving to create. This is the so-called “double qualifying” pathway (OECD, 1998b), that allows young people at the one time to qualify for tertiary

education and to obtain a recognised occupational qualification. Such pathways, which allow young people to keep their options open as well as to gain two forms of qualification, are extremely popular with young people wherever they are offered. During the 1990s they have been Hungary's fastest growing type of secondary programme. The proportion of those graduating from these programmes admitted to tertiary education rose from 27 per cent to 33 per cent between 1990 and 1994.

Two key problems however remain unresolved. The first is the lack of any formal and widely promulgated mechanisms to allow young people who are in the lower vocational (trade) pathway to move to the secondary vocational pathway or the general education pathway, as a result of which the lower vocational pathway can become an educational dead end. The second is the one third or more of those who complete general secondary courses and who are not admitted to tertiary education. The lack of adequate guidance and information systems to assist young people to negotiate their way through a rapidly changing set of pathways from secondary education to work or tertiary education is another.

The more diverse institutional climate that has flourished in Hungarian schooling since 1989 has allowed a number of experiments in breaking down the fairly strong barriers that existed between the four main secondary school types and their programmes during the socialist era, in broadening the pathways available to students, and in extending them. Within secondary vocational schools as well as lower vocational (trade) schools the trend in vocational curricula is to reduce specialisation, and the National Core Curriculum will have a major impact in countering the previous practice of early specialisation in particular training fields. The World Bank project referred to in Section 3.3, operating in some 150 secondary vocational schools, provides vocational preparation in 11th- and 12th-grades in 13 broad occupational families, and delays specialised training until 13th- and 14th-grades. As discussed previously (Section 3.3) this is one of the ways in which pathways are being extended after 12th-grade. The new short-cycle tertiary programmes discussed in Section 3.6 represent another.

The process of school amalgamation that has been stimulated by demographic trends is creating the possibilities of more flexible pathways for students, as hybrid schools are being created that contain several types of programmes -- for example general education and secondary vocational, or lower vocational and secondary vocational. These amalgamated schools in theory allow for the possibility of students moving from one pathway to another more readily than do schools that offer only the one type of programme. In nearly all cases such moves appear to be the result of arrangements made by individual schools. They do not appear to be the outcome of centrally established frameworks, whether emanating from the Ministry of Culture and Education or from agreements centrally negotiated between employers and the trade unions.

While downwards moves from secondary vocational to lower vocational programmes are reported to be fairly common, moves in the other direction are rare. Some of the amalgamated schools have put in place ways to make such moves easier. For example some are offering common first year programmes that students from both programmes enrol in, thus delaying choice and reducing earlier specialisation. Often this is in association with the new and broader occupational fields that have been developed as part of the World Bank secondary vocational school project. In other cases schools offer students "complementary examinations" at the end of the first year of the lower vocational (trade) courses, on the basis of which they may be able to transfer from one pathway to another. Documenting these various ways in which more flexible pathways from the lower vocational (trade) programmes can be created within the existing system, and widely disseminating them as exemplars, would be a positive step by the Ministry of Culture and Education. The national promulgation through regulations of agreed mechanisms for such transfers would also be a highly positive way of tackling this issue. Both options should be considered.

4.5 Information, research and evaluation

The quality of statistics and of research has traditionally been high in Hungary. It has always been advanced in the analysis of long term prospects for labour and education, and recent research in this area has been able to benefit from long experience. Researchers have maintained connections at the international level and international comparisons have always received a lot of attention. The acute shortage of finance to support research has favoured more cost-effective methods of investigation in recent years. Thus desk research involving quantitative analysis of existing data sources has taken precedence over the collection of new data, and quantitative studies have been cheaper to undertake than qualitative research. For these reasons a recent publication of the Ministry of Labour on disadvantaged young people (Papp, 1997), containing a wealth of new survey data and rich qualitative insights, is particularly welcome.

Three types of research are of particular importance from the point of view of the transition from school to work:

- Follow up surveys (or tracer studies) of the situation of the young people after they have left school and tertiary education can be a major instrument for assessing the efficiency of different levels and types of education. This is particularly so if the results of such surveys are fed back to schools and tertiary institutions so that they may adjust their programmes in light of the outcomes achieved by their own students, as well as in light of broader regional and national trends. The decision to initiate such studies and to organise them on a permanent basis in Hungary has been taken recently. It is hoped that they will get all the support and attention that they deserve and that they may be included in the international networks for a comparative analysis of the methodology and the results.
- There are substantial benefits to be gained from qualitative case studies. In particular such studies would be valuable in looking at the behaviour of firms in recruiting and training young people, and in gaining a better understanding of how the Hungarian labour market is segmented for young people by type of firm. Qualitative case studies are also vital as a way of gaining a better understanding of those young people who are involved neither in education nor in the labour force. Such studies need to focus upon the characteristics of these young people, of the mechanisms that they are using to adjust to their circumstances, of the problems that they are experiencing, and of any solutions that they are attempting to implement to address these problems. In light of the extremely high proportion of Hungarian youth who find themselves excluded both from education and from the labour market, such studies should be afforded a high priority.
- As has already been implied, effective planning at the County level will require a much better level of information and an effective exchange of information between Counties and the central administration.

5. CONCLUSION

In a remarkably short period Hungary has put in place many of the most important building blocks for a new and modernised framework to assist the transition of its young people from initial education to working life. During the difficult economic and social transformations that have accompanied these changes, many of its young people have shown themselves to be resourceful and enterprising in creating new pathways for themselves and in discovering new ways to negotiate their way through existing

pathways. Young people who are enterprising and well educated have performed comparatively well in the new Hungarian labour market.

Much of the framework for modernised pathways is in place, and time is now needed for the new structures and mechanisms to become fully effective. In this respect three key challenges will be to:

- Create comprehensive schools, offering a wide range of general and vocational programmes that can match the needs and interests of all students, to match the comprehensive goals that underpin the National Core Curriculum, and in doing so reduce the streaming, selectivity and differentiation that currently characterise Hungarian schooling;
- Continue to build the capacity of employers and trade unions to become active partners in making these modernised pathways effective; and
- Put in place an extensive system of career education and guidance that makes it easier for young people to negotiate their way through an increasingly complex environment, and thus increase its transparency.

For those who have completed upper secondary school the shortage of places in tertiary education is causing backwater problems, through which unsuccessful applicants are trying to gain entry for several years in a row. In turn the shortage of tertiary places is rebounding upon the opportunities available for those not wishing to undertake tertiary study -- for example by reducing their chances of entering labour market training programmes. But the principal and immediate problem facing tertiary education in Hungary is one of restructuring rather than expansion. This restructuring needs to take place within the framework of a global development plan for the whole of post-secondary education.

The positive achievements of Hungary's transformation have come at a cost. Inequalities have widened, and a surprisingly high proportion of young people have been left behind, without a place either in education or in employment. The size of this group of young people is very high indeed, and unemployment figures are only a partial indication of the scale of the problem. Addressing their problems, as well as tackling the problems of educational quality and inequality that help to cause them, must assume a high priority in Hungary. Addressing problems of regional inequality and declining educational achievement in elementary schooling is a vital first step. Societies that effectively manage the transition from initial education to work for their young people place considerable emphasis not only upon keeping the size of the group that fail at school or who drop out small, but also upon putting in place effective safety nets for those who fall through the cracks. These are expensive when the size of the target group is large. But much could be done through the introduction of better tracking and monitoring mechanisms, administered at the Municipal level as in the case of the Nordic countries' follow up services. And much could also be done through a better targeting of labour market programmes assistance, through more effective priorities to assist the most disadvantaged, and through a more individualised and flexible approach to the provision of assistance. Regional pilot programmes which integrate better follow up services and more flexible labour market assistance should be undertaken.

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ENDNOTES

- ¹ Under the previous government it was called the Ministry of Culture and Education, and it was as such that it undertook the detailed co-ordination of the Background Report and the preparation of the programme of visits.
- ² GDP per capita in equivalent US dollars converted to purchasing power parity. Source: OECD (1998) *Education at a Glance. OECD Indicators*, Paris.
- ³ Private rates of returns indicate the extent to which an individual may find it profitable to undertake a given type of studies. Social rates give a similar indication for the combined public and private benefits.
- ⁴ In 1989 those with 25 years of experience earned 30 per cent more than those with only five years experience. By 1994 this income advantage had fallen to 25 per cent.
- ⁵ Between 1990 and 1996 the net hourly wage of those aged less than 30 fell as a proportion of the net hourly wage of those aged 40-54. Among 15-19 year-olds the fall was from 47 per cent to 39 per cent, among 20-24 year olds from 68 per cent to 58 per cent, and among 25-29 year olds from 76 per cent to 69 per cent.
- ⁶ The figures for Hungary differ from those given in estimates derived from the national Labour Force Survey. Educational statistics provided by Hungary to the OECD, which are the basis of the table, are based upon standard methods that allow valid international comparisons to be made, and these differ from the estimation methods used in national Labour Force Surveys.
- ⁷ 216 of the qualifications on the Register may be obtained only within the formal education system and 717 may be obtained outside of it. 47 of the qualifications on the Register may be obtained by those who have not completed 8th-grade, 412 require the completion of 8th-grade, 462 require the completion of upper secondary school, and 12 require the completion of tertiary education.
- ⁸ It is a Government policy to raise the share of school financing accounted for in this manner by the central budget to 80 per cent, and in so doing to ensure that Municipalities remain involved in educational activities without a reversion to the previous centralised system. It should be noted that the Municipalities spend additional resources on education that come from the central State budget but from other allocations.
- ⁹ In addition to those four year secondary vocational schools offering technical and general qualifications for the service professions, there existed those offering 4+1 programmes leading to technician qualifications and those offering general and vocational qualifications in industrial and agricultural fields. The latter type of school has been in decline since 1993 legislation cancelled "parallel training" leading to both matriculation and skilled worker qualifications.
- ¹⁰ Table 24 of the Hungarian Background Report provides evidence on the differentiation by levels of achievement in Grade 8 of those entering nine different types of upper secondary programme in 1996. On a marking scale of 1 to 5, those entering six-grade grammar schools or Gymnasias obtained an average score of 4.6, but those entering trade, apprenticeship or lower vocational schools an average of 2.7.
- ¹¹ These demographic pressures are exacerbated by Hungary's normative method of school funding, whereby school funding is closely tied to numbers of students. Thus schools have an incentive to compete for students to maintain their financial position or even to survive.

¹² However in practice the flexibility is normally only in one direction. Students who find it difficult to cope on one level are able to drop down to another, but it is rare for students to progress from programmes at one level to a higher level.

¹³ However it should be noted that a student loans scheme was envisaged in the previous Government's development strategy for tertiary education to the year 2003, and that new ways of financing tertiary students were foreshadowed by the new government that took office at the time of the review team's visit.