Market reforms in the Hungarian school system: impact of changes in the ownership structure

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INTRODUCTION

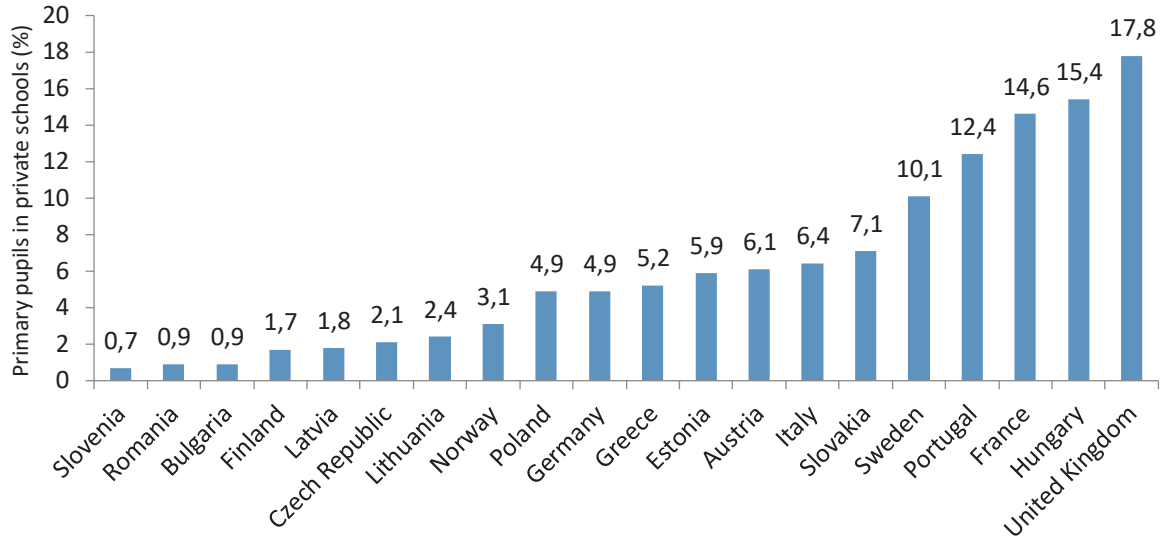
After taking office in 2010, the Hungarian government initiated a comprehensive reorganisation of the education system, which was implemented between 2010 and 2015. In addition to other systematic changes, this educational reshuffle brought about far-reaching changes in the ownership of the primary and secondary schools. Since 1991, the provision of primary and secondary education in Hungary had been a local public service. All schools were owned by the municipalities of villages, cities and counties (henceforth referred to as 'local self-governments', in line with the terminology used in Hungary). As part of the systemic changes beginning in 2010, all local self-government-owned schools were taken over by central government. Decision-making competences for the greatly expanded network of state-owned schools were assumed by a newly established, deconcentrated school-operating authority. This change is widely referred to in Hungary as the 'nationalisation' of schools. At the same time, the government supported a rapid expansion of the network of church-owned schools that occurred primarily by handing over publicly owned schools to various Christian churches. This dual process of privatisation and 'nationalisation' was unprecedented – particularly in the context of administrative centralisation and the partial or complete replacement of almost all market-based services (textbook publishing, pedagogical services, VET schools, etc.) from the education sector.

Now that a number of years have passed since the changes were introduced, sufficient data is available to allow an assessment of their outcomes. This report provides an overview of the privatisation process within the Hungarian educational system, drawing upon international comparisons. It then looks at the direct and indirect policy instruments used to encourage the expansion of the church school network, as well as the actual changes brought about in the school network during the period between 2010 and 2016. Through the analysis of various data sets, the report goes on to evaluate the impact of the changes on the quality of learning outcomes; on the operational efficiency of the school system; and on the degree of social selection and ethnic segregation that occurs within it. Based on the conclusions of this analysis, the report provides a number of policy recommendations that may reduce the negative effects of the various changes in the ownership structure of Hungary's school system.

1. PRIVATISATION OF SCHOOLS IN HUNGARY: INTERNATIONAL COMPARISONS

Across Europe, the initial phase of education (ISCED 1) is dominated by publicly owned schools. In most countries the vast majority of schools are owned by municipalities, or – to a lesser extent – by central governments. Private schools exist in all countries across the continent, and are owned by non-profit or for-profit organisations, churches or private persons.

Figure 1. Percentage of primary school pupils attending private schools in European countries where school ownership is dominated by the public sector (2015).



Source: World Bank Education statistics database[1].

While school systems across Europe are dominated by the public sector, significant differences exist between countries in terms of the size of the private sector (see Figure 1 above). For example, In Slovenia, Romania, Bulgaria and Finland, for example, the share of the privately owned primary schools is very small. Private schools play a fairly marginal role within the education systems of these countries; they enrich the range of options available, without having any real effect on the overall features and performance of the system. There are only four countries (not included in the figure above) in which the size of the private sector has, for some time, played a decisive role in primary education: the Netherlands and Belgium (where two-thirds of primary pupils attend private schools); Spain, where one-third of primary pupils go private; and Denmark, where one-quarter of primary pupils are privately educated (World Bank education statistics).

In further five countries, the share of pupils attending private primary schools is large enough to produce a systemic effect, in spite of the dominance of the public sector – that is, where the percentage of pupils attending private schools in 2015 was greater than 10 per cent. These countries are Sweden (10.1 %), Portugal (12.4 %) France (14.6 %), Hungary (15.4 %) and the United Kingdom (17.8 %). In Portugal, the share of primary school pupils in private schools in 2010 was already relatively high (9.6 %), and increased only to a small extent in the period to 2015. In France, the percentage of primary pupils attending private schools in 2015 remained the same as it was in 2000.

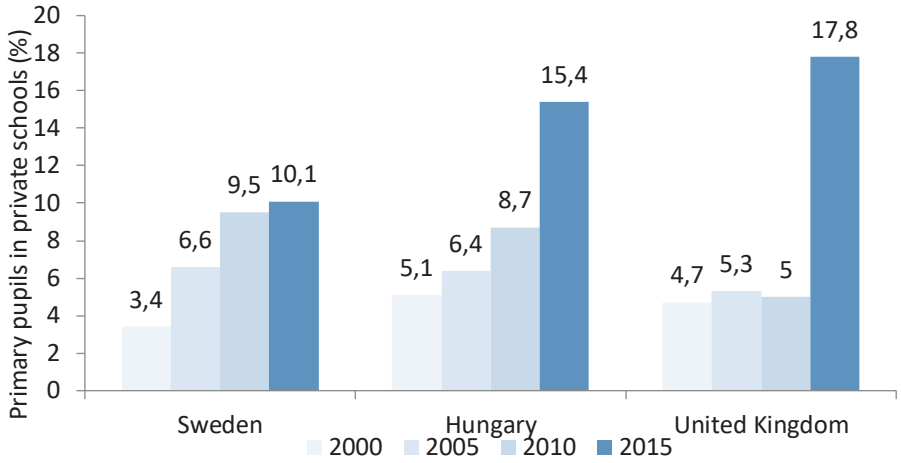
Notable increases in the privatisation of primary school education can therefore be observed in only three countries since the turn of the millennium: Sweden, Hungary and the United Kingdom. The number of privately owned primary schools has grown to approximately 500 in Sweden and in Hungary,

[1] World Bank Education statistics database. Available at: https://databank.worldbank.org/data/source/education-statistics-%5e-all-indicators.

while in the UK the figure has grown to almost 4,000. In the UK, the growth of the private school network resulted from the creation of an increasing number of specialised schools, religious schools, 'free schools' and City Academies (Patrikios-Curtice, 2014). In Sweden, privatisation involved a growing number of schools owned by non-profit and for-profit organisations (Kornhall-Bender, 2019). In Hungary, meanwhile, the privatisation process was marked almost exclusively by a rapid expansion in the school networks of traditional Christian churches (Ercse, 2018; Radó, 2019).

Privatisation in Sweden progressed at an even pace from the turn of the millennium, but halted in 2012. In Hungary, the number of pupils attending private primary schools climbed slowly until 2012, but has since accelerated sharply. The year 2012 marked a step-change in the rate of privatisation in the UK, too: while the percentage of pupils attending private primary schools remained stable at around 5 % until 2012, thereafter, the figure increased from 5.1% to 17.8% in just four years (see Figure 2).

Figure 2. Percentage of primary school pupils attending private schools in Sweden, Hungary and the United Kingdom, 2000 to 2015.



Source: World Bank Education statistics database.

Free parental choice over the school their children attended, and the freedom to establish new schools, were introduced in Hungary from 1990 in the context of the transition from a communist single-party system to a democratic market economy. To that end, they were – and still are – regarded as the educational aspects of the Hungarian citizens' regained freedom. For this reason, no government over the last three decades has attempted to constrain these opportunities in any way. Since 2010, despite the government embarking on a radical and extensive reshuffle that has left almost no aspect of the education system untouched, freedom of school choice and the freedom to establish schools both have remained in place.

When attempting to grasp the policy context of the educational privatisation in Hungary since 2010, it emerges that underlying goals and intentions of the process are not comparable to those of privatisation policies in other European Union countries and elsewhere. Privatisation in education is widely associated with marketisation – that is, with the introduction of competition into a public service sector that was previously provided and regulated by government. The reasons why governments may promote – or at least, may allow – privatisation, are quite diverse. Disregarding for a moment the extent to which the various rationales for privatisation in education are supported by empirical research and

analysis, the justifications for these processes are always genuine public policy arguments: public financing constraints, ideological value convictions, a New Public Management (NPM) type of approach to efficiency, the diversification of educational choices, fostering innovation and adaptation, and certain approaches to educational equity (Lubienski, 2001; Cullen et al., 2005; OECD, 2012; Rizvi, 2016). What makes the Hungarian experience since 2010 unique is that none of these rationales is evident or applicable. As summarised in Table 1 below, the individual elements of the systemic changes implemented in Hungary since 2010 are utterly alien to any of the typical rationales for marketisation in education (Ercse, 2018; Radó, 2019).

Table 1. Typical rationales for marketisation in education, and the direction of systemic changes in Hungary since 2010.

Typical rationales for privatisation in education	Educational system reshuffle in Hungary, 2010 onwards
Reducing the reliance on government funding, relieving state budgets by channelling in more private funds.	Soft budgetary constraints (weakening of public control over public spending); abundance of EU funds; free textbooks for all.
Ideological considerations: governments growing too 'big', ensuring minimal government influence in the life of citizens.	Central government takeover of schools previously operated by local self-governments; termination of individual schools' autonomy.
The **New Public Management** agenda: ensuring greater efficiency and effectiveness by strengthening accountability to clients.	Highly dysfunctional centralised administrative control; anti-market policies; the exclusion of market services from education; weakening of the power of the schools' clients.
Diversification of the offer of educational provisions in order to respond to growing and increasingly diverse learning needs.	Standardisation of inputs and processes through a return to direct-input financing, and via centrally issued syllabuses (called 'curriculum') and single, centrally published textbooks.
Adjusting to crises in education: privatisation in order to generate greater levels of innovation in order to adapt education systems to the challenges of the 21st century.	Lack of future-oriented thinking; weakening the institutional conditions for innovation and adaptation.
Ensuring equity by opening access to good education for disadvantaged pupils (vouchers).	Insufficient consideration for inequalities in general; lack of addressing growing social selection and segregation as a consequence of privatisation.

Source: Compiled by the author.

Due to the characteristics of the systemic changes outlined in the table above, educational policy discourse in Hungary is dominated by the consequences of administrative centralisation, the 'nationalisation' of schools, and the termination of organisational, professional and financial autonomy for schools. At the same time, in spite of the magnitude of the changes, the process of privatisation in Hungary (i.e. the expansion of churches' school networks) receives much less attention. In most cases, it is discussed mainly in relation to ideological aspects. This report attempts to reveal the extent, the mechanisms and the effects of the interconnected processes of 'nationalisation' and privatisation in education.

2. GOVERNMENT POLICIES GENERATING PRIVATIZATION IN EDUCATION

The changing composition of ownership among primary and secondary education in Hungary after 2010 was not the outcome of spontaneous processes generated by a growing demand for religious education. Rather, it was the result of intentional and targeted government interventions. Since 2010, the government's school privatisation policy has applied a combination of three types of instrument: (1) creating special rules for churches via regulations that reduce public control over their institutions and over the use of public resources they receive; (2) the alleviation of the bureaucratic, centralised administrative control in the case of church schools, particularly in relation to the greater autonomy of church schools; and (3) preferential financing for church schools, including the application of various positive and negative financial incentives.

2.1. Preferential regulations and alleviations

The government policy of supporting the expansion of church-owned school networks is not based on a comprehensive strategy. Instead, it consists of *ad hoc* preferential rules and case-by-case decisions based on the general alignment of all educational policy initiatives. In other words, almost all changes initiated and implemented by the government contain elements that include preferential rules or alleviations for churches that directly or indirectly – sometimes even as an unintended side-effect of the measure – encourage the privatisation of public schools into church ownership, and the further growth of church-owned school networks.

The transfer of schools from local self-governments to churches was an evident priority of the government when it took office in 2010. The policy was signalled by an immediate amendment to the Act on Public education[2], abolishing a rule stipulating that when schools are transferred from self-government to church ownership, supplementary support to the church-owned schools is to be paid by the respective self-government for five years. (This supplementary support was intended to cover the financial contribution in addition to central budget funding that the self-government would have paid within the mainstream system.) With the amendment of this law, the supplementary support was

[2] The 2010. LI. law on the amendment to the Public Education Act.

allocated from state budget, removing a negative incentive that had been designed to reduce the willingness of self-governments to hand over their schools to churches (Tomasz, 2017).

The most important preferential regulations relate to the alleviation of regulations regarding schools' enrolment policies. In general, schools are obliged to give preference to children who live within the boundaries of designated school district (non-mandatory catchment areas). This overall regulation does not constrain the parental right of free choice over schools, but it places a restriction upon schools by allowing them to enrol pupils from outside the school district only if they have free capacity after accepting all applications from within their own catchment area. However, this rule does not apply to private schools – among them, church schools. The special regulation for church schools stipulates that if a church-owned school unilaterally declares that it will participate in the provision of public education services, it becomes entitled to support from the public budget. In such cases, church schools are theoretically obliged to enrol at least 25 % of their pupils from within their catchment area. However, since church schools are not obliged to accept the application of disadvantaged pupils, and are allowed to operate entrance selection on the basis of religion, this measure cannot prevent selective enrolment policies. In addition to this, the enrolment districts for church schools are defined extremely broadly; for example, if a church-maintained school is located in a medium-sized city, its catchment area will be the entire settlement. And in any case, adherence to the rules governing admission to church schools is not supervised by any authority.

In addition to a multitude of minor rules applying to church schools, the other most important alleviation benefiting church schools is that they have been left out of the centralised school management regime that has completely terminated the fiscal, organisational and professional autonomy of 'nationalised' public schools maintained by the central government. As owners, the churches continue to exercise those ownership-related decision-making competences enjoyed by any other body maintaining a school prior to the 2011 Public Education Act: the appointment of the school head, approval of the school curriculum, determining the annual budget of the school, etc. In other words: church-owned schools are managed by their directors, and important decisions are still made collectively by the teaching staff of the schools. The greater autonomy enjoyed by church schools is matched by greater freedom to opt out of highly centralised, newly created schemes. For example, church schools are entitled to adopt their own framework curriculums, and to use textbooks other than those provided by the centralised single-textbook regime. Because they are allowed space to develop on the basis of self-evaluation, and to adjust to the learning needs of their pupils – as well as receiving an acceptable level of funding – church-owned schools have generally retained the latitude necessary to maintain a certain level of educational quality.

2.2 Financial incentives to privatisation: parallel allocation systems

As of 1 January 2013, the financial autonomy of government-owned schools was terminated. Since that date, schools have possessed no budget of their own; all minor expenses are covered directly by the school district directorates upon the request of school directors. Recently, responsibility for funding recurrent operational costs was taken from the self-governments and given to the central school maintenance authority, completely eliminating any remaining responsibility for schools on the part of the self-governments. Teachers' salaries are now transferred directly from the State Treasury. The supplementary allowances that many teachers received from their former owners, as well as the majority of salary supplements for overtime work, have been discontinued. The new financing system introduced on 1 September 2012 is based on centrally managed input financing. The core of the system

is the centralised financing of salaries for teaching staff. This is carried out by the authorities for each individual school, on the basis of headcount. Due to the vagueness of the underlying rules and the wide discretion previously given in local decision making, the new system is in fact input financing on a 'historical basis' (i.e. on a simple, previous year spending basis).

The recurrent operational costs of schools maintained by churches and the national self-governments of minorities are still funded on a per capita basis by the state budget. The salaries of teachers working in these schools are financed from the national budget on equal terms with those of teachers in state schools. Although the financing of VET schools is sector-neutral, the underlying number of pupils permitted per-school and per-vocation is determined by giving advantage to government and church-owned schools.

Overall, there are six parallel financing systems in place – each with a different level of centralisation, different underlying allocation mechanisms, and different methods used to calculate funding (Ercse and Radó, 2019). Some of these are completely decentralised and normative systems that survived the 2011 system reshuffle (e.g. the funding of early childhood education, which is still provided by local self-governments). Others are fully direct input financing regimes (e.g. the financing of government schools under the school-maintenance authority). Certain systems, such as the financing of church-owned primary and secondary schools, combine the direct financing of teachers' salaries with normative (*per capita*-based) funding of recurring operational costs. The state budget provides funding for the operational costs of all schools except for non-church private schools. The principles underlying the overall system are unclear, and the system lacks even a minimum level of transparency.

Table 2. Parallel financing systems in primary and upper-secondary education in Hungary, 2016.

Type of education/owner	Financing system	Purpose/basis of funding
Kindergartens/local self-governments or private	Decentralised normative funding	Block grant for pre-school education/per capita
Primary and general upper-secondary/government	Direct state budget input funding to regional school maintenance authorities + supplementary support	- Salaries/average salaries - Operational costs/ previous year spending - Free textbooks and pupil meals/per capita
Primary and general upper-secondary/churches	Combination of direct state budget input funding (salaries) and normative funding (operational costs) to churches + supplementary support	- Salaries/average salaries - Cost of religious education in all public and private schools/average salaries - Operational costs/per capita - Free textbooks and pupil meals/per capita

Primary and general upper secondary/national self-governments of minorities	Combination of direct state budget input funding (salaries) and normative funding (operational costs) to national self-governments of minorities + supplementary support	- Salaries/average salaries - Operational costs/per capita - Free textbooks and pupil meals/per capita
Primary and general upper-secondary/other private owners	Direct state budget input funding (salaries) to owners + supplementary support	- Salaries/average salaries - Free textbooks and pupil meals/per capita
Upper-secondary VET/government, churches and other private	Decentralised input funding (salaries and operational costs) to VET centres + supplementary support	- Salaries calculated on the basis of average salaries and operational cost/annually approved number of pupils - Free textbooks and pupil meals/per capita

Source: Compiled by the author.

2.3. Financial incentives to privatisation: preferential funding

In 2012, when the budget of the school maintenance authority was determined for the first time, spending for the compensation of teachers was calculated on the basis of a salary scale that was also applied in private schools. No great difference therefore emerged between public and private schools in terms of basic salaries. However, in the same year a large amount of money – according to some estimates around 120 billion HUF – was withdrawn from the recurring operational funding of public schools. The operation of public schools has been underfunded to the same extent ever since.

Due partly to a lack of data, and partly to the completely different allocation systems used, data on spending is hardly comparable between public and private schools. Nevertheless, certain calculations can be made on *per capita* spending differences. As an analysis by the independent Fiscal Responsibility Institute shows, the large disparities seen since 2012 still exist between the funding of recurrent operational costs in public and church schools. The additional state budget support that would be required to cover recurrent operational costs if public schools were to be funded on equal terms with church schools amounted to 79.243 million HUF (255 million EUR) in 2016, and 112.509 million HUF (362 million EUR) in 2017.

Table 3. Government expenditure on recurrent operational costs in government and church-owned schools (excluding upper-secondary VET schools) [3].

	Actual expenditure, 2016/2017 school year		Budget plan, 2017/2018 school year	
	Church schools	Public schools	Church schools	Public schools
Student numbers (funding basis corrected with higher spending on SEN children)	207,505	774,243	207,505	774,243
State budget spending on recurrent operational costs (million HUF)	33,200	44,636	41,501	42,339
Per capita spending on recurrent operational costs (HUF)	160,000	57,651	200,000	54,684
Proportion of per capita spending in public schools of that in church schools (%)	36.0		27.3	

Source: Fiscal Responsibility Institute.

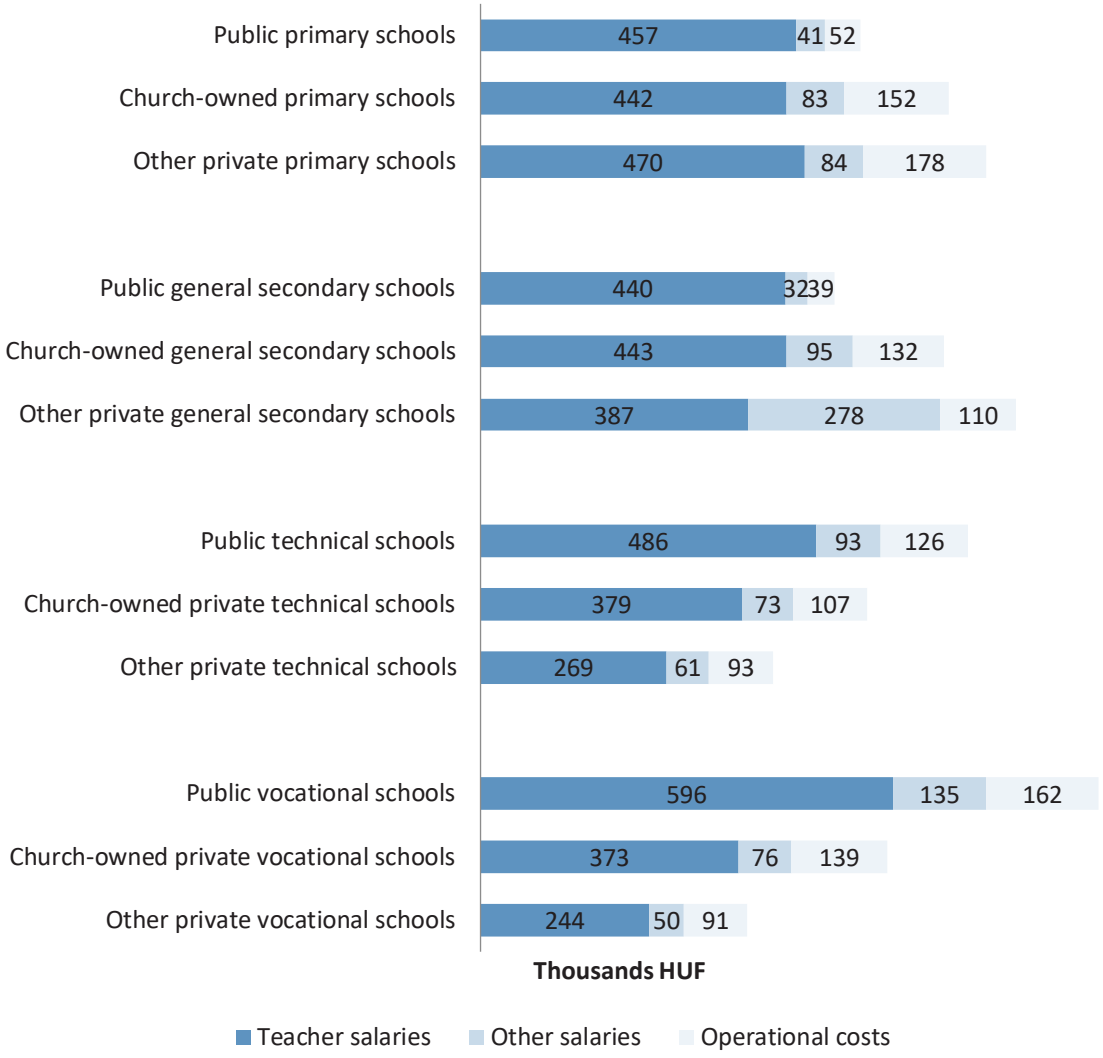
The financial calculations made for the 2018 edition of the education indicator book developed by the Institute of Economics of the Hungarian Academy of Sciences reveal another difference in per capita funding between public, church-maintained and other private schools. As can be seen on Figure 3, no significant differences exist between the three in terms of per capita spending on salaries in primary and general upper-secondary schools. However, significant gaps in spending emerge when we consider other salaries and recurrent operational costs. The significantly higher spending by private schools on other salaries can be explained by two factors. The first is the previously mentioned contract amendment by which all public school teachers became the employees of the government. In the name of 'reconciliation', this amendment terminated all earlier salary supplements provided to schools by local self-governments, causing a significant drop in income for a large proportion of teachers. (The type and amount of the regular or occasional salary supplements previously made by self-governments depended on the very different capacities and policies of those self-governments to generate income.) Due to the continuing fiscal autonomy of private schools – and the generous state funding provided to church schools – these schools are still able to pay such salary supplements. The other reason for the differences seen in spending on other salaries is that the owners of private schools (churches, NGOs, enterprises, etc.) have access to income from sources other than the basic state budget allocation. In the case of churches, the source of this additional income is mainly also the state budget: on several occasions each year, some or all of the churches that operate schools receive large sums in case-by-case support from the government for loosely defined educational purposes, or for purposes that may

[3] Balázs, B. (2017). Valami nagyon eltorzult: négyszer több pénzt ad az állam az egyházi iskoláknak, mint a sajátjainak https://168ora.hu/itthon/valami-nagyon-eltorzult-negyszer-tobb-penzt-ad-az-allam-az-egyhazi-iskolaknak-mint-a-sajatjainak-5029.

involve spending on education. The allocation of public funds internally within an individual church's school network is – like that within the government's own school maintenance authority – not transparent. Therefore, neither the allocation of these occasional funds, nor their actual use by the churches is open to scrutiny. Overall, churches can afford to hire more teachers and other professionals, and can provide to pay higher compensation to their teachers.

The level of financing for school-based upper secondary vocational education and training has changed according to a different pattern. Originally, all self-government-owned VET schools were 'nationalised' together with all other self-government-owned schools, and were merged into the government's school maintenance authority. In 2015, the supervision of all upper-secondary VET schools was transferred to the Ministry of the National Economy. The Ministry of the National Economy maintained the VET school network through the newly established National Vocational and Adult Training Authority. Parallel to this, all VET schools were organised into regional vocational centres. In contrast to primary and general secondary education institutions, which remained part of the school maintaining authority, the regional vocational centers regained some institutional, fiscal and professional autonomy. This autonomy hasn't been granted to individual VET schools that became part of the regional centers. In order to allow autonomous fiscal management, the budgets of these regional vocational centres were raised. Since the supervision of VET schools has been transferred to another ministry, these schools have received a much higher level of funding from the state budget than do general education schools. This is reflected in the comparison of per capita financing of public, church owned and other private VET schools: in all three categories of their recurrent costs, public schools spend much more than private schools (Figure 3).

Figure 3. Per capita spending on public, church and non-church private schools in 2016 (1,000s HUF).



Source: A közoktatás indikátorrendszere (The indicator system of public education), 2017.

2.4. Impact of policy interventions on the behaviour of key actors

The combined impact of preferential rules, greater professional autonomy and higher levels of government funding have altered the interests of key local actors in education, particularly those of parents and local-self-governments.

The greater professional latitude afforded to church-owned schools, along with their more generous financing by central government, has resulted in better-paid teachers, better equipment and better-maintained facilities. Taken together, these factors create a favourable impression that makes church-owned schools attractive to middle class parents. In addition, a high proportion of children from Roma or lower-income backgrounds in a school population is widely associated with an image of poor educational quality – so the ability of church-owned schools to pursue selective enrolment policies that

can exclude such children, makes such schools even more attractive to higher-status parents. Although parents rarely demand the establishment of a church school or the takeover of a public school by a church, in responding positively to these advantages they can be seen to have consented to the change. The rare instances in which parental demand for church schools has been documented concern those occasions when ethnic conflicts between Roma and non-Roma communities have generated a desire on the part of the non-Roma community for institutionalised separation. As a consequence, the appearance of a church school in such cases created an opportunity for selective parental school choice.

In many cases, local self-governments have initiated the transfer of schools to churches, or responded positively to such initiatives on the part of the church or government. Due to the withdrawal in 2006 of government funding for local public services provided by self-governments, and to the impact of the 2008 financial crisis, many local self-governments faced serious financial problems in 2009-2010, including large accumulated debts. To reduce the financial burden of school maintenance, many self-governments had already entered into negotiations over the transfer of schools to churches even before the 2013 government schools takeover. In other cases, the provisions of the new Public Education Act in 2011 encouraged self-governments to save their schools from 'nationalisation' by transferring them to churches in the hope of providing greater stability and preserving the quality of education. After the 2013 government takeover, deconcentrated local educational authorities played an active role in nurturing further takeover arrangements.

As far as the larger Christian churches are concerned, their behaviour has been determined by two considerations. The first is that many representatives of the Catholic, Reform and Evangelical churches believe that their organisations should regain the role they played in education between the two World Wars, i.e. providing high-quality education for the elites within society. Since 1990, these churches had striven to revive their formerly widespread educational networks, but had so far failed due to a lack of demand. Second, in spite of the generous support given by successive governments since 1990, a strong conviction remains among the clergy that after a half-century of oppression, the Hungarian state owes some form of redress to the so called 'traditional' churches. For political reasons, this is a view shared by leading politicians in the government, particularly during the period 2012-2018, when the minister responsible for education was Zoltán Balog, himself a Calvinist pastor.

3. THE CHANGING PROPRIETARY STRUCTURE OF THE SCHOOL SYSTEM IN HUNGARY

The proprietary structure of the primary and secondary school system in Hungary has been substantially altered since 2010. This process has been brought about by a combination of two parallel changes operating in opposite directions:

1. The ***expansion of central government ownership*** as a consequence of the complete takeover of self-government owned schools ('nationalisation') and – to a much smaller extent – the exclusion of many private service providers from upper-secondary vocational education and training.
2. ***Privatisation –*** that is, the reduction of the share of the school network that is in public ownership (either by self-government or central government). This has occurred as a consequence of the government-aided acceleration in the expansion of the church-owned school network since 2010,

and – to a lesser extent – the growing share of other private general education schools from 2014 onwards.

3.1. Expansion of central government ownership

In professional terms, Hungarian schools became autonomous institutions in 1985. After the change in the country's political system in 1990, a new Public Education Act adopted in 1993 handed all government-owned schools over to local self-governments. This was part of an overall process of decentralisation via which all locally provided public services became the mandatory tasks of local self-governments. In terms of decision-making competencies, local self-governments became fully authorised owners of all primary and secondary schools: they approved the educational programmes of schools; determined school budgets; approved the directors of schools and they held the primary responsibility for ensuring the professional, legal and fiscal accountability of schools. At the same time, the autonomy of schools in professional, fiscal and organisational terms was strengthened. During the decade and a half that followed, successive governments gradually established functional mechanisms that fitted the structural characteristics of decentralised governance: a normative financing system based on fiscal decentralisation; a two-tier system of curriculum regulation (national core curriculum and school curricula); a demand-driven and partially market-based pedagogical service system that responded to the diverse developmental needs of schools; a system of school-based quality management; quality assurance within the textbook publishing market; and a standardised system for regularly assessing pupils' performance.

Under the terms of the 2011 Public Education Act, on 1 January 2013 Hungary's central government took charge of all schools previously administered by self-governments. School buildings remained the property of self-government, but the legislation provided for their use, free of charge, by central government. However, as previously mentioned, not only were all ownership-related decision-making competences taken over by the School Maintaining Authority, but all organisational management functions were redeployed to the decentralised government authorities. Consequently, the 'nationalisation' of schools also led to a complete loss of school autonomy. At the present time, local and county self-governments are the only actors specifically prohibited by law from establishing and maintaining schools in Hungary. In 2013, the share of pupils attending state owned primary schools was already at 84.5 per cent, while the proportion of pupils learning in self-government owned schools had dropped to just 0.4 percent.

Another process that has increased the share of the school network owned by government is the exclusion of private owners from school-based upper secondary vocational education. For demographic reasons, and due to the declining participation rates among the 17-18 years old age cohort, between 2010 and 2016 the overall number of pupils learning in upper-secondary education declined by 24 per cent. However, this decrease hasn't been distributed equally among the three types of upper-secondary schools. While the proportion of pupils attending general upper-secondary education has increased from 34.4 per cent to 41.8 per cent, the proportion of pupils in the two types of vocational education, that is in technical (*szakközépiskola*) and vocational (*szakiskola*) has decreased: from 41.6 per cent to 38.5 per cent in technical schools, and from 22.4 per cent to 18 per cent in vocational schools. Under the provisions of the 2011 Vocational Education Act, since 2013 the government has determined the number of publicly funded places available for VET training in each profession on an annual basis. The student numbers allocated to each vocation at each individual VET school are determined by the County

Development and Training Committees, which operate on the basis of central policy instructions. In the context of declining student numbers, these Committees have given unequivocal preference to government- and church owned VET schools, causing a dramatic decline in the share of other private VET schools. The chances of non-church-owned private VET schools surviving have been further reduced by the transformation of the curriculum for technical schools since 2016. Prior to the transformation, technical school programmes were concluded by the same school-leaving exam as in general upper-secondary schools. Approximately half of VET students received a vocational qualification after an additional 1-2 years post-secondary programme. Under the new regulations, pupils in technical schools – renamed to vocational grammar schools (*szakgimnázium*) - must take both a general education and a vocational qualification exam at the end of the fourth year. As a consequence, the market for school-based post-secondary vocational training – in which private schools were major suppliers - is collapsing. Overall, the number of non-church-owned private VET schools (and the proportion of pupils attending them) is in decline – and further falls are expected.

Table 4. Changing proportion of students attending non-church-owned private schools in upper-secondary vocational training and education, 2010 and 2016.

	2010	2016
Technical schools	16,1 %	6,7 %
Vocational schools	12,7 %	8,2 %

Source: The indicator system of public education (*Hun. A közoktatás indikátorrendszere*), 2017.

3.2. Expansion of the church-owned private school network

With a few exceptions, the growth in the number of church schools has been the result of the handing over of schools by local self-governments or central government owned schools to Christian churches – a process that accelerated after the new legislation was passed in 2011. As shown in Table 5 (below), the rapid growth since 2010 of the school networks owned by churches has made them a significant actor in providing primary and secondary education services.

Table 5. Changing share of school networks owned by churches in primary and upper-secondary education, 2010 and 2016.

Year	Primary education		Upper-secondary educations	
	Schools (%)	Pupils (%)	Schools (%)	Pupils (%)
2010	9.4	7.4	10.4	6.7
2016	15.8	14.7	22.8	15.1

Source: The indicator system of public education (*Hun. A közoktatás indikátorrendszere*), 2017.

As will be discussed later, the rapid decline in the quality and effectiveness of the state-controlled school network since the middle of this decade has generated growing demands on the part of well-off segments in society for escape routes. A large proportion of the parents who can afford to pay private

school tuition fees, are actively seeking alternatives to state-owned schools. This process occurs mainly in primary education, because at the secondary level the majority of the best-performing 'elite schools' are still government-owned general upper-secondary institutions. As a consequence, after a few years in decline, the proportion of non-church-owned private schools (and the proportion of pupils attending them) has started to grow again since 2015. At secondary level, the decline in the proportion of non-church-owned private schools and their pupils is explained by the declining number of vocational private schools that once made up a large part of the private school network. Due to the relatively small size of private schools, the share in terms of the total number of schools is much greater than their share in terms of the total number of pupils.

Table 6. Changing share of non-church-owned private schools in primary and upper-secondary education, 2010 and 2016.

Year	Primary education		Upper-secondary educations	
	Schools (%)	Pupils (%)	Schools (%)	Pupils (%)
2010	4.5	1.8	21.4	12.3
2016	4.8	2.3	20.6	7.4

Source: The indicator system of public education (*Hun. A közoktatás indikátorrendszere*), 2017.

The two major effects of the changes described above to the proprietary structure of the Hungarian school network are the steadily declining share of the public sector, and the shifting internal composition of the private sector. In primary education, the decline of the public sector has been steady both in terms of the proportion of schools and of pupils. The primary reason for this decline is the fact that the majority of new church schools are former public schools that have been taken over. At the level of secondary education, the decrease in the number of public schools has been significant – but due to their relatively larger size, is not reflected in the proportion of pupils to the same extent.

Table 7. Changing share of publicly owned schools in primary and upper-secondary education, 2010-2016.

Year	Primary education		Upper-secondary education	
	Schools (%)	Pupils (%)	Schools (%)	Pupils (%)
2010	86.1	90.8	68.2	81.1
2011	84.4	89.1	66.1	79.6
2012	81.6	86.1	64.6	76.4
2013	81.1	84.9	65.4	76.8
2014	80.8	84.5	65.9	76.7
2015	80.4	83.9	57.4	77.2
2016	79.4	81.7	56.6	77.5

Source: The indicator system of public education (*Hun. A közoktatás indikátorrendszere*), 2017.

Beyond the proportion of schools and pupils, the changing ratio of public to private schools can be seen at the level of settlements, too. According to data from the National Assessment of Competences, the proportion of settlements containing public and/or non-church-owned private schools has declined, while the number and proportion of settlements containing church schools has doubled.

Table 8. Changing number and proportion of settlements containing primary schools in different sectors of ownership. 2010 and2016 (eighth-grade pupils).

	2010 (1,559 settlements)		2016 (1,524 settlements)	
	Number of settlements	% of settlements	Number of settlements	% of settlements
Settlements with public schools	1,506	96.6	1,378	90.4
Settlements with church school	133	8.5	268	17.6
Settlements with non-church private schools	61	3.9	46	3

Source: Ercse and Radó, (2019). National Assessment of Competences.

The expansion of the church school network through the takeover of public schools has had a major consequence in relation to the access of families and pupils to secular education or to religious education of their own faith. Between 2010 and 2015, the number of settlements in which the only school is owned by one of the churches grew from 38 to 137 (Thomasz, 2017). Since the applicable regulations allow mandatory religious education for all pupils enrolled in church-owned schools, this is a violation of the rights of many parents and pupils.

4. IMPACT OF PRIVATISATION ON QUALITY, EFFECTIVENESS AND EFFICIENCY

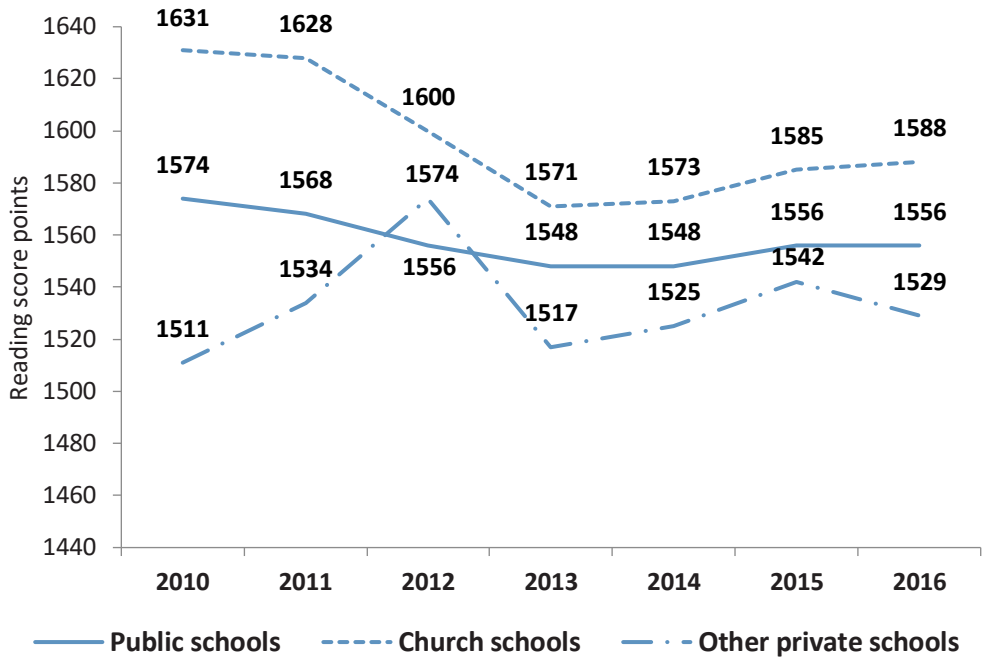
4.1. Impact on the quality of learning outcomes

The combined, overall effect of the systemic changes implemented since 2010 has been an immediate and rapid decline in the quality of primary and secondary educational services. This decline is reflected in a deterioration according to all major effectiveness indicators. The participation of 17 and 18-year-olds in education is declining significantly, and the proportion of early school leavers is increasing. As far as learning outcomes are concerned, according to the OECD PISA survey, the average performance of 15-year-old pupils in Hungary was among the fastest declining among all the participating countries – and the proportion of students failing has increased dramatically. According to other indicators, the declining quality of education services has resulted in growing educational inequalities, selection and in the growing segregation of Roma pupils.

The changes seen in the relative performance of the three sectors of primary and secondary education can be accessed via the results of the regular National Assessment of Competences (see Figure 4).

According to the data, the gap between the performance of public and church schools (which determines the average performance of the Hungarian school system) narrowed until 2013, because the performance of church schools declined faster than that of the public sector. After this time, the performance gap between public and church schools has remained approximately the same.

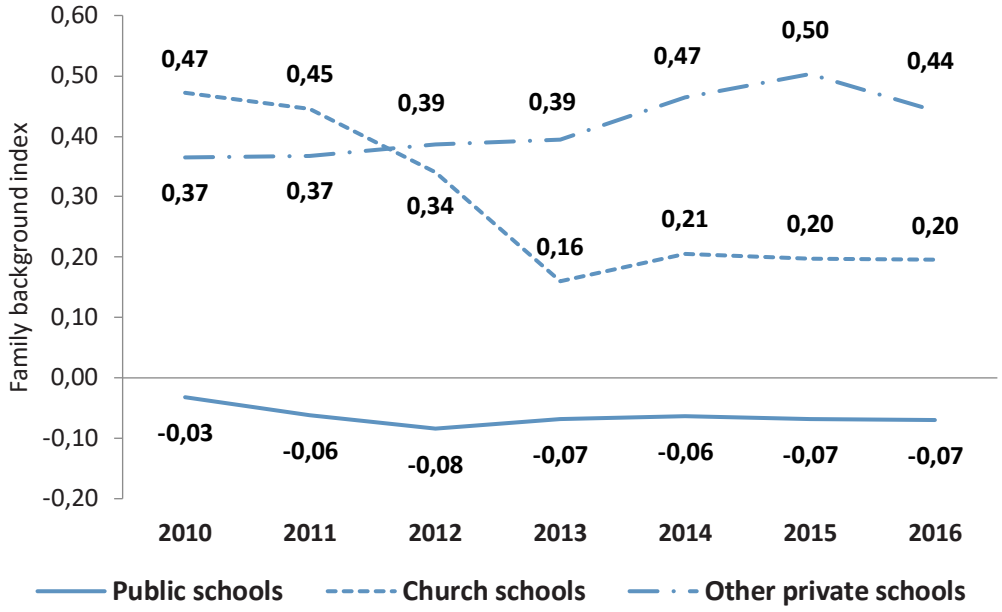
Figure 4. Changes in average reading literacy performance among eighth-grade pupils attending public, church and non-church private schools in Hungary, 2010-2016.



Source: Ercse and Radó, (2019). National Assessment of Competences.

When examining the reasons for higher student achievement at church schools more closely, it is important to compare the social composition of schools belonging to the various sectors. This is a major factor in explaining the test results, because in comparison to other countries, the impact of student backgrounds on achievement in Hungary is extremely high. The social status of pupils is measured by a composite indicator of family backgrounds. (The '0' value of the indicator is the average family background of all pupils tested.) This aggregate family background value is significantly higher within church schools (see Figure 5). Therefore, the higher performance of church schools is caused not by the better-quality education they provide, but by their selective creaming off of higher-status pupils. This interpretation of the data is verified by the appearance of matching trends over time in both social composition and aggregate performance. From 2011, when the expansion of the church school network accelerated, these schools reached out to a much larger number of pupils, automatically resulting in a decline in pupils' family background index. This declining (but still higher than average) social status among the pupils in church schools immediately resulted in a declining (but still higher than average) overall performance according to academic performance indicators. Bearing in mind that in comparison with other countries the performance of the Hungarian education system has declined dramatically since 2009, we may assume that the extent to which performance deteriorated was similar in both public and church schools.

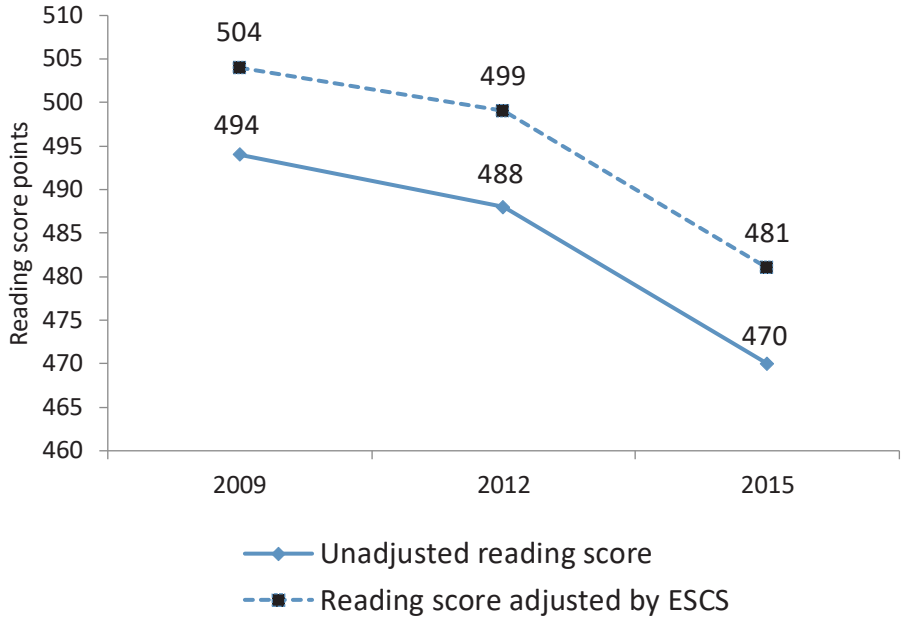
Figure 5. Change in average family background among eighth-grade pupils attending public, church and non-church private schools in Hungary, 2010-2016.



Source: Ercse and Radó, (2019). National Assessment of Competences.

It is important to view the rapid decline in the performance of Hungarian pupils in the 2012 and 2015 PISA surveys as the result of an overall deterioration in educational quality, rather than as a result of educational inequalities. As can be seen in Figure 6 (below), the gap between the actual average performance results and the calculated results adjusted to the lower-than-OECD-average family background of Hungarian pupils remained roughly the same in both 2012 and 2015. In other words: the decline in pupils' results between the two surveys remained the same before and after removing the effect of educational inequalities. This suggests that the combined negative impact of the large number of policy measures and systemic changes implemented since 2010 has affected the pupils in the private and public sectors to approximately the same extent. Thus, the decline in the quality of learning outcomes cannot be attributed to the increasing incidence of selection caused by the expansion of church-owned school networks.

Figure 6. Calculated effect of social inequalities on the reading literacy performance of pupils in Hungary, 2009-2015.



Source: OECD PISA 2009-2015 (Radó, 2016).

While there is no conclusive evidence to proving that increased selection caused by the expansion of the church-owned schools network has contributed to the decline in the average performance of pupils in Hungary, certain statistical associations suggest that it has contributed to the very large increase in failing pupils. (Between 2009 and 2015 the proportion of failing pupils in Hungary grew from 17.6 per cent to 27.5 per cent in reading; from 22.3 per cent to 27.9 per cent in mathematics; and from 14.1 per cent to 26 per cent in science.) A strong statistical relationship exists between the degree of social selection and the proportion of poorly performing pupils (OECD, 2016). The reason for this relationship is that, because a pupil's family background affects their performance through the aggregate status of the school (See Table 9 below), the decline in the quality of selective education systems hits lower-status pupils much harder than their higher-status peers. (Due to a lack of PISA data on the ownership sectors of schools studied, the magnitude of the contribution made by school privatisation to learning failures in Hungary cannot be calculated.)

Table 9. The effect of individual and school status on PISA performance in Hungary

	Expected performance gap between pupils caused by a one-unit difference in their family status	Expected performance gap between two pupils with a one-unit difference in their family status index if the status of their schools is identical	Expected performance gap between two pupils with identical family status index if there is one-unit difference in the status of their schools
Math 2012	47	3	98
Science 2015	47	6	96

Source: OECD PISA 2012 and 2015 equity data (Radó, 2019).

4.2. Impact on the efficiency of the school system

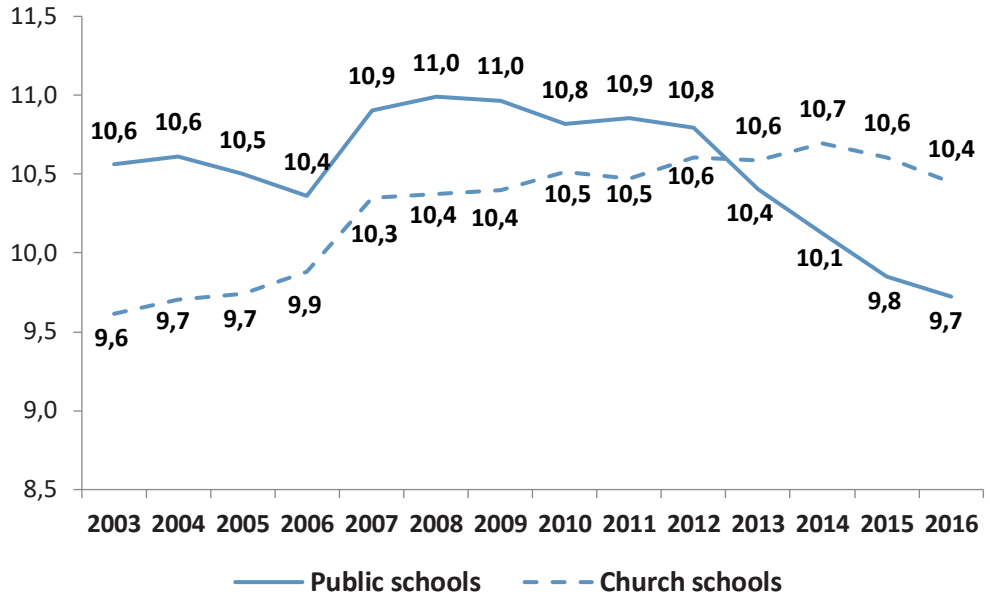
The most important efficiency related question in education is the actual balance between school capacities and the number of enrolled pupils. The data on the number of pupils and the number of schools since 1990 reveal serious efficiency problems in the Hungarian primary and secondary education system. A large gap between capacity and the number of enrolled pupils had already emerged by the early 1990s. A change in the financing system at the end of that decade altered the vested interest of schools and those of the organisations maintaining them, which resulted in the adjustment of the number of classes to the declining number of pupils. In education, recurrent costs are largely determined by the number of classes, which determines the amount of teaching time required. Since the majority of expenditure in education is deployed in teachers' salaries, the reduction in the number of classrooms resulted in efficiency gains even without a reduction in the total number of schools. Even so, the gap between school capacities and student numbers remained one of the Hungarian education system's most important problems.

The conditions affecting efficiency have altered dramatically since the introduction of the new management and financing system in 2010. Within the new system, none of the local actors (self-governments, schools) manage the balance between their incomes and expenditures; local educational authorities simply spend the resources they receive from the central budget. Due to the extremely low level financing provided to public schools from the central budget, certain local authorities have attempted to control the number of parallel classes in their schools – but they almost never take political decisions, such as the closure or merger of schools. As a consequence, the network of public schools directly managed by government authorities has been frozen. In the context of stagnating pupil numbers, the establishment of even a small number of new church schools, or the reopening by the churches of previously closed schools, automatically results in a decline in efficiency.

When comparing the efficiency of the public and church school networks via the indicator of pupil-teacher ratio, a significant change emerges after 2010. According to OECD data, in comparison to other countries, this ratio was very low in Hungary in 2015: 11 pupils per teacher on average. The average within the OECD was 15; 19 in Czechia, 17 in Slovakia and 11 in Poland (OECD, 2018). Since 2010, the already poor efficiency of public sector of primary education in Hungary has further deteriorated: by 2016, the pupil-teacher ratio had plummeted from 10.9 to 9.7. In contrast, the pupil-teacher ratio in church-owned primary schools increased between 2010 and 2014, and despite declining after 2014, has remained consistently higher than in the public sector since 2013, due to the 'depopulation' of public

primary schools (see Figure 7). Given their stagnating number of classrooms, the deteriorating efficiency of public sector schools can be said to be primarily caused by the privatisation process – that is, by the attraction of pupils away from public schools and into the network of church-owned schools.

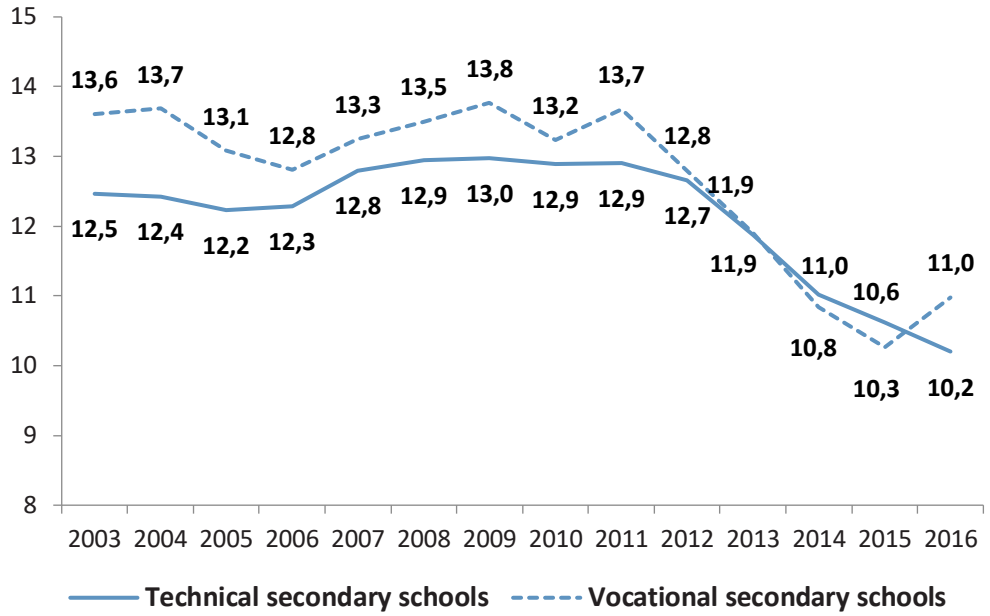
Figure 7. Changing pupil-teacher ratios in public and church primary school networks, 2003-2016.



Source: The indicator system of public education (*Hun. A közoktatás indikátorrendszere*), 2017.

An even more dramatic decline in efficiency can be observed in vocational education and training (see Figure 8). The primary reason for this is somewhat different: it is caused by declining enrolment in VET schools. Despite government attempts to shepherd pupils from general upper-secondary education into VET, the effect of government interventions has been to reduce the added value of the education provided in technical and vocational schools. As a result, the proportion of pupils applying for general education schools continues to increase. Growth in the network of church-owned VET schools has played a negligible role in halting the decline in efficiency among upper-secondary vocational education and the exclusion of non-church-owned VET schools has not balanced this negative trend.

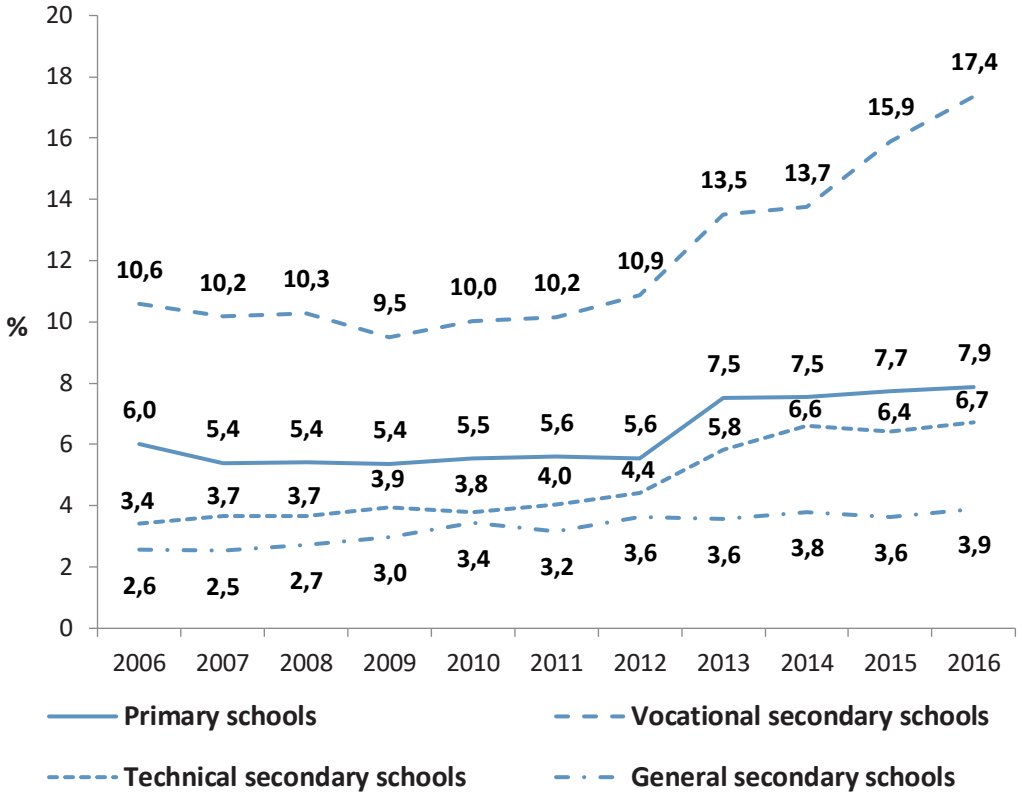
Figure 8. Changing pupil-teacher-pupil ratios in upper-secondary technical and vocational schools, 2003-2016.



Source: The indicator system of public education (*Hun. A közoktatás indikátorrendszere*), 2017.

The combined effect of these changes has been to create large surplus capacities at all levels and within all strands of education, with the exception of general upper-secondary education. This is well illustrated by the growing proportion of pupils attending schools with fewer than 100 pupils (see Figure 9). The increase in the proportion of pupils attending small primary schools was essentially a one-off change, caused by the increased number of church schools. In the area of vocational education and training, the effect is continuing.

Figure 9. Percentage of pupils attending schools with fewer than 100 pupils within different levels and strands of education, 2006-2016.



Source: A közoktatás indikátorrendszere, (The indicator system of public education) 2017.

To sum up these changes, after 2010 the privatisation process resulted in a further fragmentation of the Hungarian school network that aggravated its already serious efficiency problems. At present, the Hungarian education system is simultaneously underfunded and wastes a great deal of its resources. The decline in efficiency seen over the course of the last decade is a consequence of the combined effects of three factors: the dysfunctions in the new governance system that has been created in the course of 'nationalisation'; privatisation via the expansion of church-owned school networks; and – at the upper-secondary level – the changing demand for various programmes.

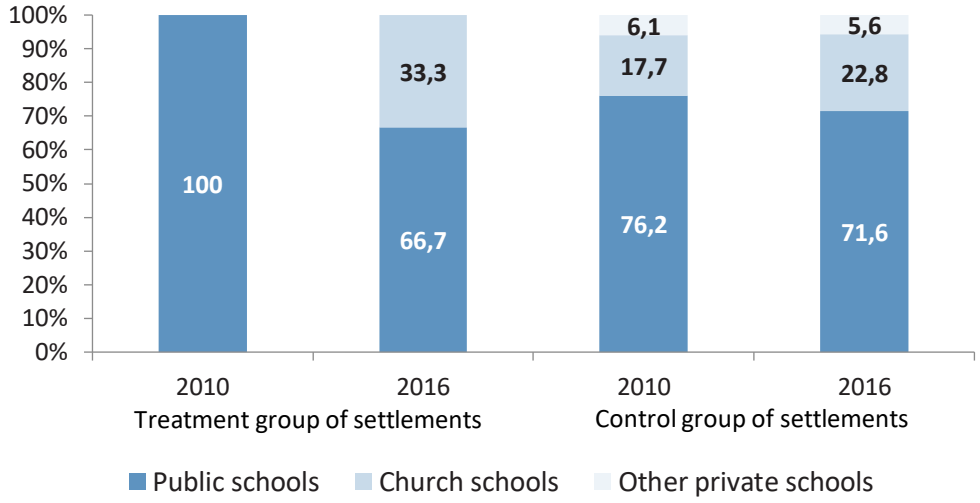
5. IMPACT OF PRIVATISATION ON SOCIAL SELECTION AND THE SEGREGATION OF ROMA PUPILS

5.1. Impact on the degree of social selection

Social selection in education is a complex phenomenon caused by the interaction of many factors: the pressure of various societal inequalities; the weak preparedness of teachers and schools to manage diversity; too many formal and informal selection points within the school structure; early gaps in performance between pupils from different backgrounds; parental aspirations and selective parental choices; governance failures; overt and hidden policy expectations; and the characteristics of school networks (Radó, 2018). The privatisation of schools may have a direct effect on two of these factors: the composition of the school network, and the choices made by parents. The actual impacts of privatisation are determined by very diverse local grids of interests and behavioural patterns that are created by the interplay of all the factors listed above.

To assess the impact of the expansion of church schools on social and ethnic selection in Hungary after 2010, Kriszta Ercse identified two sample groups of settlements on the basis of data from the National Assessment of Competences: (1) the treatment group comprised 30 settlements that in 2010 contained only self-government-owned schools, but which in 2016 also contained church-owned schools; (2) the control group comprised 116 settlements containing public and private schools in both 2010 and 2016. (Ercse also identified a third group consisting of those 55 settlements in which all school were, and remained, publicly-owned institutions in both 2010 and 2016.) The analysis was limited to settlements in which there were two or more schools in both years. The changing composition of the two sample groups is displayed in the Figure 10 (Ercse and Radó, 2019). In the settlements of the treatment group, one-third of schools became church-owned institutions; in the control group the proportion of church schools increased by just 5.1 percent.

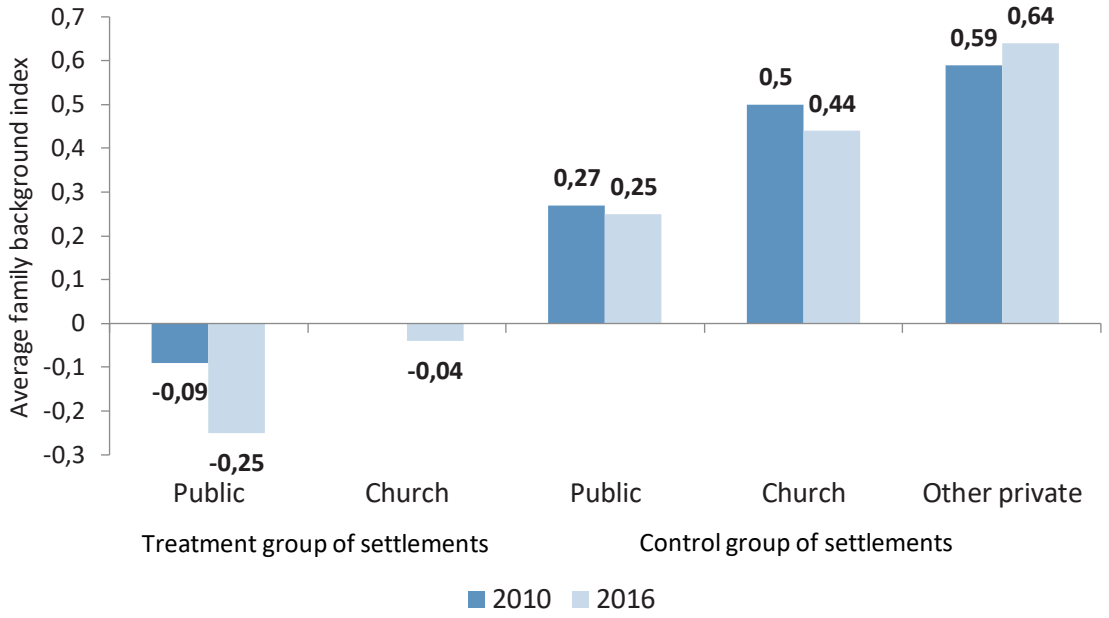
Figure 10. Changing share of the three sectors in the local school networks of the two sample groups of settlements in 2010 and 2016 (eighth-grade pupils).



Source: Ercse and Radó (2019). National Assessment of Competences. Calculations by Kriszta Ercse.

Due to the changing composition of school ownership within the two sample groups of settlements, the average family background of pupils attending public, church and non-church private schools has changed, too (see Figure 11). As a consequence of the selective enrolment practices employed by the newly created church schools in the settlements of the treatment group, the average family background indicator of pupils attending public schools has dropped significantly. After 2010, the expansion of the church-owned school network typically occurred in relatively poor regions of Hungary, as poorer self-governments sought to alleviate their financial problems by handing over their schools to churches in the period 2011-2012. For this reason, the aggregate family background of pupils attending church schools in the treatment groups was a little bit below the national average. However, the status gap between public and church school in the treatment group is very large. Changes among the settlements of the control group were much more modest, and the differences between the average social status of pupils attending schools of the three sectors remained significant.

Figure 11. Changing average social status of pupils attending public, church and non-church private schools in the two sample groups of settlements in 2010 and 2016 (0 = the average social status of all 8th-grade pupils in Hungary).

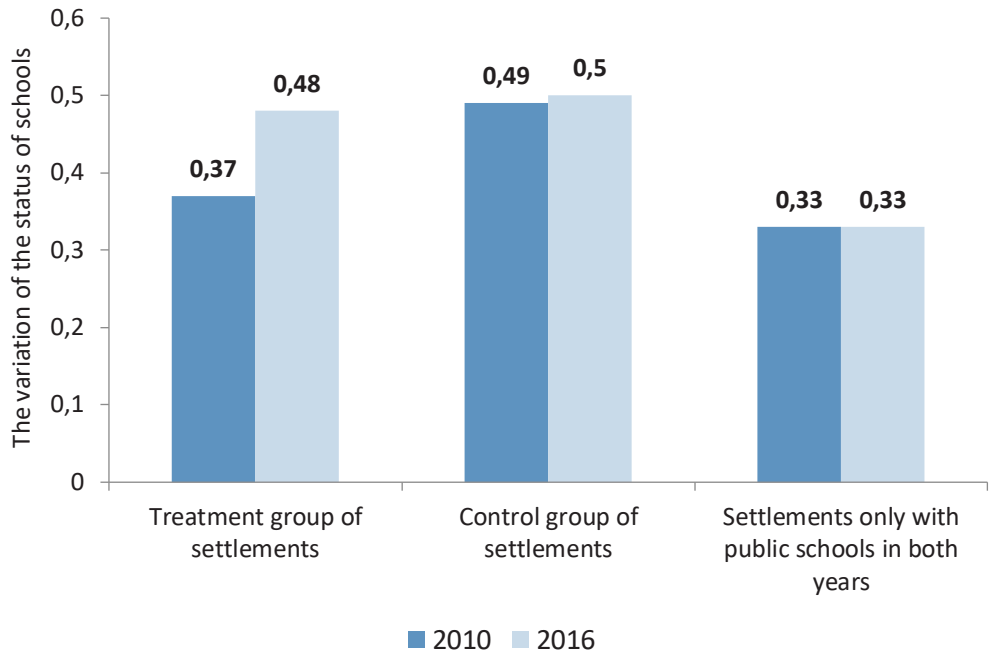


Source: Ercse and Radó (2019). National Assessment of Competences. Calculations by Kriszta Ercse.

The degree of social selection occurring in the different sample groups of settlements was calculated by looking at the variation of aggregate school statuses within each settlement (see Figure 12). In 2010, social selection was much greater in those settlements where ownership of the local school network was already mixed. Due to the entry of church schools into the 30 settlements of the treatment group, local school networks became much more selective; the variation in social status between schools in these settlements (i.e. the degree of selection) grew from 0.37 to 0.48 in a very short period of time. Due to the limited growth in the share of church schools within the control group, the degree of selection in these settlements grew only to a very small extent. The role played by the expansion of the church-owned sector in increasing social selection is demonstrated by the fact that in the 55 settlements in which all schools were owned by self-governments in 2010 and became 'nationalised'

government schools by 2016, the degree of social selection remained unchanged and was lower than in the two sample groups.

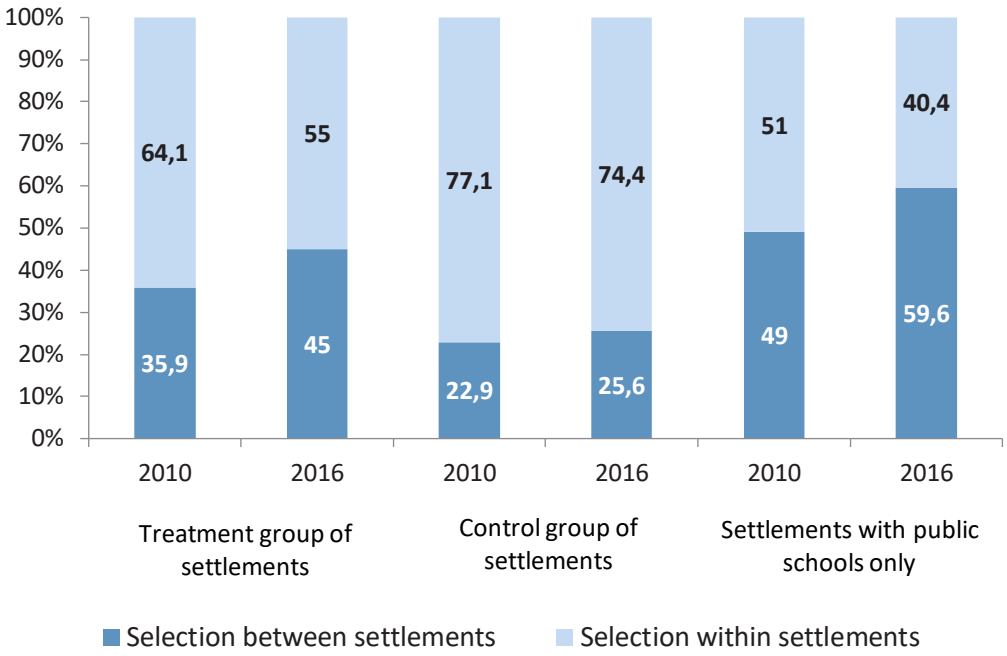
Figure 12. Changing variation in the aggregate social status of schools within the three groups of settlements with two or more schools in 2010 and 2016 (eighth-grade pupils).



Source: Ercse and Radó (2019). National Assessment of Competences. Calculations by Kriszta Ercse.

The next step in the analysis involves assessing the impact of the changing proportion of pupils who commute from other settlements to the schools of the sample settlements. Due to the fact that the social status of commuting pupils was higher than the average, and the proportion of commuting pupils is much higher among church-owned schools, the expansion of the church school network had an effect on patterns of selection both within and between settlements. Figure 13 shows the proportion of the variation between the status of schools within each of the sample groups that is explained by selection *within* settlements, and by selection *between* settlements. The proportion of variation in aggregate social status that is explained by selection between settlements grew to a greater extent after 2010 in the treatment group than in the control group. However, it is important to note that in the period 2010-2016, due to an increasing number of commuting pupils, the proportion of the variation in school statuses that is explained by selection between settlements has grown by the same – and significant – extent in the group of settlements containing only public schools. This suggests that, in spite of the unquestionably negative effect of privatisation on social selection, the extreme fragmentation of the school network of Hungary in general is also a major underlying factor.

Figure 13. Proportion of the variation in status between schools within settlements that can be explained by selection within and between settlements in 2010 and 2016 (eighth-grade pupils).



Source: Ercse and Radó (2019). National Assessment of Competences. Calculations by Kriszta Ercse.

5.2. Impact on the degree of segregation of Roma pupils

Due to the social marginalisation of Roma in Hungary, increasing social selection in education inevitably results in the growing segregation of Roma pupils. The pattern of the segregation among Roma pupils is to a large extent identical with that of social selection in general: it results from a combination of selective enrolment policies employed by certain schools and selective parental choices. Due to prejudices and biased expectations, the degree of Roma segregation is, of course, greater than the degree of social selection (Kertesi and Kézdi, 2009; Kertesi and Kézdi, 2014; Radó, 2018; Ercse and Radó, 2019). The main indicator of the segregation of Roma pupils is the number and proportion of so-called 'ghetto schools' – that is, primary schools in which Roma pupils comprise more than 50 per cent of the pupil body. According to data collected from the school background questionnaires used as part of the National Assessment of Competences, the number and proportion of Roma ghetto schools has increased at a steady pace since 2010.

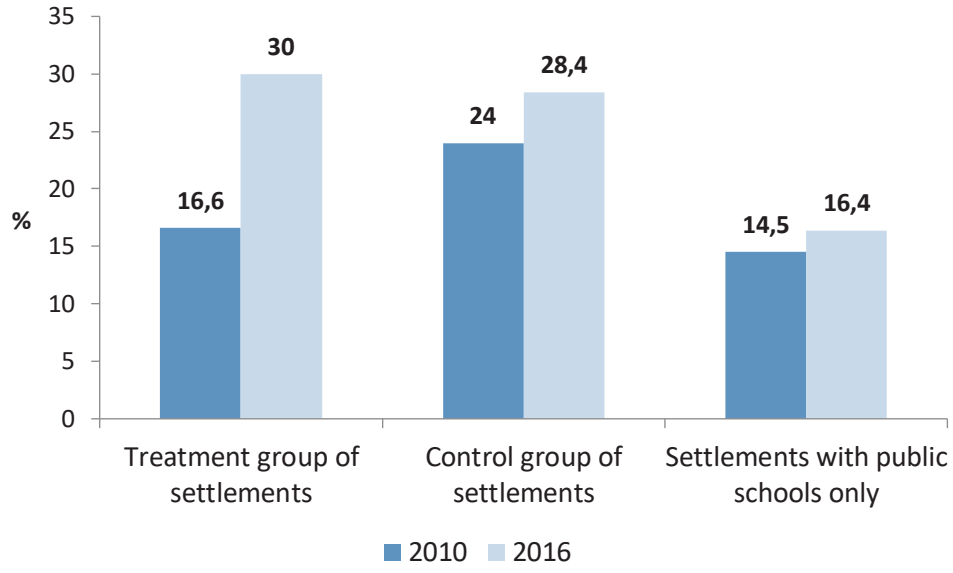
Table 10. Proportion of the variation in schools statuses within settlements that is explained by selection within and between settlements, 2010 and 2016.

Indicator	2010	2011	2012	2013	2014	2015
Number of ghetto schools	304	299	314	325	337	347
Ghetto schools as a proportion of the total number of schools (%)	12	12	12.8	13.3	13.6	13.9

Source: Ercse and Radó (2019). National Assessment of Competences. Calculations by István Nahalka.

To assess the role of the privatisation of schools to church networks in the growth of ethnic segregation, the same sample groups of settlements were used. As previously mentioned, the expansion of the church-owned school network after 2010 represented a territorial shift in the pattern of school ownership by churches from the more developed regions of Hungary to the less developed ones. This shift has brought about an increasing presence of church schools in settlements where the number and proportion of Roma people is higher than the average. As Figure 14 shows, in both newly established church schools and formerly self-government-owned schools that have become church schools, selective enrolment has been pursued not only in relation to social status, but also in relation to ethnicity. This explains why the number of ghetto schools grew much faster in the settlements of the treatment group than in the control group, and in the group containing settlements with only public schools. The increasing segregation of Roma pupils in Hungary cannot be attributed to a single cause, but all available evidence points to the expansion of church-owned school networks as being a major factor behind this growth of segregation.

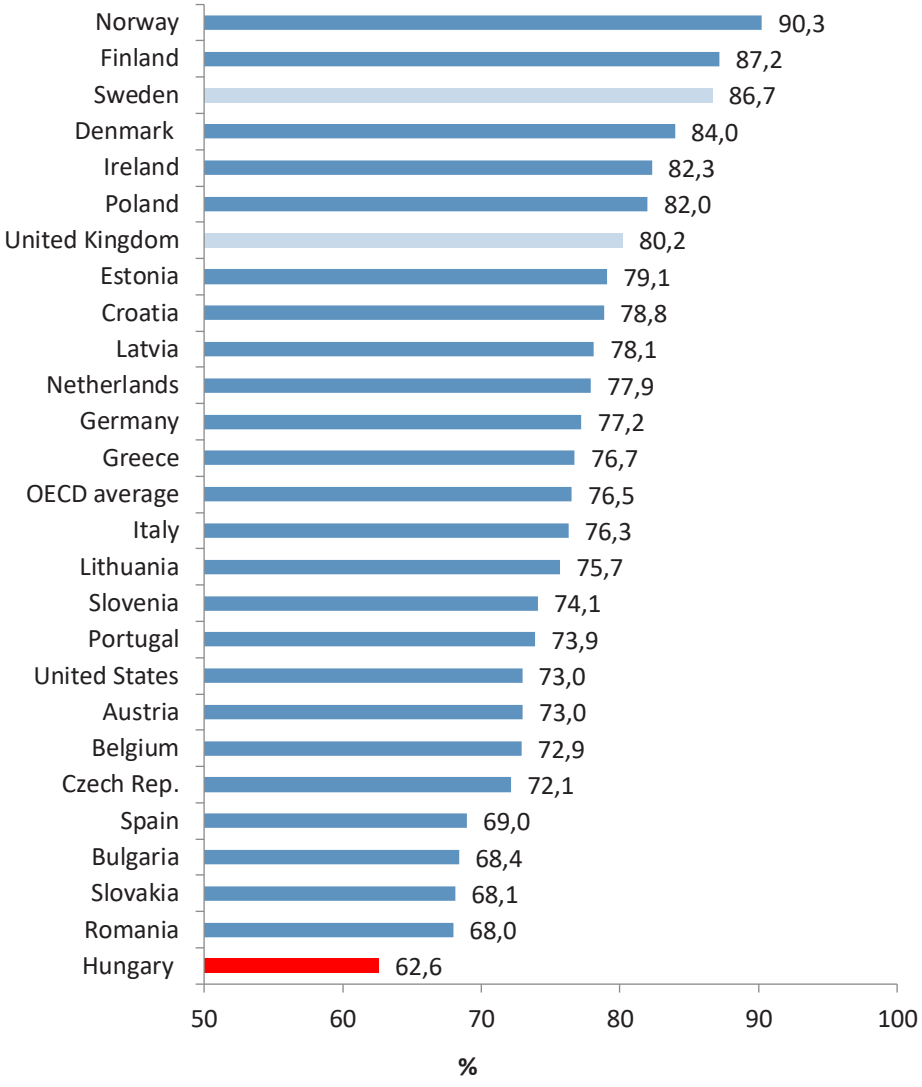
Figure 14. Changing proportion of Roma 'ghetto' primary schools (i.e. schools with more than 50 % Roma pupils) in the three groups of settlement between 2010 and 2016 (eighth-grade pupils).



Source: Ercse and Radó (2019). National Assessment of Competences. Calculations by Kriszta Ercse.

In conclusion, the privatisation of a significant part of the school system via the expansion of the network of church schools has been a major factor behind growing social selection and ethnic segregation. This process has occurred in an education system that was already among the most selective in Europe. As the OECD PISA index of socio-economic inclusion (Figure 15) shows, by 2015 the Hungarian education system had become more selective than any other in Europe – and more selective even than that of the United States.

Figure 15. PISA index of socio-economic inclusion in European countries and in the United States, 2015.



Source: OECD PISA 2015 (Radó, 2019).

6. CONCLUSIONS

- The extent of privatisation in the Hungarian school system since 2010 has already had an effect on the country's education system as a whole. In terms of their underlying intentions and effects, the changes in Hungary are not comparable to educational marketisation strategies in other countries, because the changes served opposite goals in the central government-controlled segments of the education system and in the newly expanding church-owned schools network.
- The government policy of supporting the growth of the church-owned school network consists of *ad hoc* preferential rules and case-by-case decisions based on the general alignment of all educational policy initiatives. The government's privatisation policy has applied a combination of three types of instruments: creating special rules for churches; relieving church schools of the highly centralised administrative control faced by publicly owned schools; and providing preferential financing to church schools.
- These policy interventions altered the perceived or vested interests and behaviour of local actors in education – particularly among local self-governments, school staff and parents. This has resulted in a wave of school takeovers by churches during 2011 and 2013 in less developed regions of the country, where previously churches had not played a role as school owners.
- Beyond the central government takeover of schools formerly run by local self-governments, the process of 'nationalisation' was accelerated by the gradual squeezing out of non-church private schools from upper-secondary and post-secondary vocational education and training. An opposite process of privatisation was accelerated by the creation of an increasing number of non-church private primary schools for those pupils whose parents can afford to pay tuition fees.
- Privatisation within primary and secondary education did not contribute directly to the rapid decline in the quality of learning outcomes in Hungary since the 2009 PISA survey. However, by further increasing the already extremely high incidence of social selection within education, privatisation was a major factor behind the rise in the proportion of poorly performing pupils.
- The process of privatisation caused a steep decline in efficiency, particularly within public-sector primary education. The decline in efficiency seen in upper-secondary vocational education has been caused by other factors; the contribution of privatisation here was minimal. The decline in efficiency is also closely connected with weakening equity, as the wide gap between the number of new schools and stagnant pupil numbers provides greater latitude for social selection, and as a consequence, for the segregation of Roma pupils.
- The negative impact of the expansion of church-owned private schools is observed mainly in those settlements where no such schools existed prior to 2010. These settlements have seen a dramatic decline in the average status pupils at public schools. Due to the growing number of higher-status pupils commuting to schools outside their settlement, and to the highly fragmented school system, selection *between* settlements has grown in all settlements, regardless of the ownership of local schools.
- The major factors behind the segregation of Roma pupils are identical to those behind social selection in general: selective enrolment policies of schools, combined with selective parental school choices. The growth of social selection due to the expansion of church schools has therefore

resulted in growing ethnic segregation, as indicated by a steadily growing proportion of Roma 'ghetto schools'.

- Overall, the privatisation of schools into church ownership serves the interests of the most influential elites within Hungarian society. Via the parallel processes of 'nationalisation' and privatisation, since 2010 a dual system of schooling has been developed in Hungary: a marketised system for elite groups, and a 'nationalised', government-owned one for the lower middle class and the poor.

7. POLICY OPTIONS

As can be seen from the discussion in these pages, the proprietary structure of the Hungarian primary and secondary education suffers from the combined negative consequences of two parallel and interplaying processes: 'nationalisation' of schools based around extreme administrative centralisation, and the privatisation of a significant segment of the school network mainly via a government-supported expansion in the number of schools owned and operated by churches. While these processes serve the perceived short-term interests of the high-status, non-Roma elite groups in Hungarian society, they have had a detrimental effect on performance of the education system as a whole, reducing the life chances of all low- or medium-status and/or Roma pupils.

As far as possible educational policy interventions are concerned, due to the complexity and systemic character of the problems to be mitigated, no single one-off measures have the potential to successfully achieve positive change. A coherent package of drastic corrections is required. Such a package should reverse certain negative side-effects of centralisation and should effect the integration of church schools into the overall educational public service system. On the one hand, these measures should create sector-neutral regulation, financing, curriculum and quality evaluation systems; on the other, they should terminate all preferential rules and alleviations currently enjoyed by church schools (Radó, 2019). In the current circumstances, such changes call for robust policy interventions on a systemic scale. On the basis of these factors, the major policy measures to be considered are the following:

- Extending the rationalisation of the school network to private schools. This would be implemented on the basis of widely discussed and agreed common criteria, and following open and transparent regional planning and stakeholder consultation.
- Introduction of a common system of school ownership in which the decision-making competences of school owners are regulated in a sector-neutral way.
- Unification of the regulations on the professional, financial and organisational autonomy of all schools, regardless of their owners.
- Introduction of a single, sector-neutral public financing system for primary and secondary education that allows for differences only in terms of educational levels and on the basis of the different specific costs of school programmes.
- The incorporation of all publicly funded private schools into the territorial distribution of catchment areas. Catchment areas for all schools would be determined in such a way as to prevent large differences in the social status of pupils. All forms of enrolment selection for publicly funded private schools would be prohibited.

- Raising the level of funding for recurrent operational costs in public schools and non-church private schools to the level of funding provided for church schools.
- Allowing private schools to opt out of common sector-neutral regulations only if they do not apply for public funding. (In these cases, the quality of education provided by the school should still be evaluated by a government agency on a regular basis.)
- Establishment of an independent state agency for external whole-school evaluation. Such an agency would carry out legal inspection of all schools, regardless of their ownership.
- The re-nationalisation of church schools in all settlements in which such schools are the only available schools, in order to protect the rights of non-believer parents and pupils, and of families whose faith is different from that of the church school.
- In line with relevant court judgments, the closure of all schools in which the proportion of Roma pupils is significantly higher than their proportion in the local settlement as a whole.

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