

THE IMPACT OF INSTITUTIONAL CHANGES ON THE QUALITY OF HIGHER EDUCATION.

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This paper addresses several key components of the Hungarian higher education system in the context of internal (move towards market economy) and external (integration to the European higher education system - the Bologna process) changes. It discusses the gradual, but limited (less than 15% of total enrollment) increase in private ownership coupled with more dramatic shift towards non-state funding in higher education. A major development is the rapid increase in student enrollment that has not been followed by a similar increase in teaching personnel. Furthermore, through a series of interviews conducted in five major state universities, this study attempts to identify and describe decision-making process in higher education institutions with special emphasis on the existence and nature of work incentives and quality of research and training.

The study finds that:

- Changes in the Hungarian higher education show similar patterns to those in other CEE countries:
 - Student enrollment skyrocketed (more than quadrupled).
 - The slowly increasing or stagnant level of teaching personnel and material opportunities led to the overuse of limited resources.
- Dominance of state institutions: more than 85% of the students in higher education still study in state institutions
- The quasi privatization movement is best characterized by an increased level of outreach to consulting and grant writing opportunities – often outside of academia - lead by “research by need” principle.
- State funding tends to be sector neutral supporting state, religious, and private institutions alike.
- Frequent changes in rules and regulations make the institutional environment highly unstable. This uncertainty reduces the overall efficiency of teaching and research.
- The departments interviewed face stringent budgets where often time money for maintenance and supplies is curtailed.
- Limited work incentives characterized by marginal increases in remuneration, and use of non-financial rewards: conference participation, access to information, study abroad.
- Two opposing trends are observed: the increase in research funds leads to more research activity, while the explosion of student enrollment deteriorates overall teaching quality.

The nature of state regulation will play a crucial role in this sector of the economy. While private funds are necessary to be included in the financing of higher education, the move towards reliance on non-state funding should be careful. Market principles may not be the best tools to yield the optimal quality and quantity of higher education.