

## GRANTS, PAYMENTS, LAWS – REVIEW AND SUGGESTION FOR STUDENT FINANCING MODELS

Tibor SZABÓ

Department of Industrial Management and Business Economics  
Budapest University of Technology and Economics  
H–1521 Budapest, Hungary  
Fax: +36 1 463 2220  
e-mail: tiborszabo@mail.bme.hu

Received: Oct. 9, 2003

### Abstract

Topic of the student financing is somehow similar to the one of the football in Hungary; almost everyone has an opinion about it. It is mostly the introduction and abrogation of the tuition fees since when the public opinion has been paying particular attention to the changes. Looking back to the past almost twenty years, the author of the article keeps his eyes on the changes of the national student allowance-fee system. Following a historical-like introduction, he puts forward a proposal to a new model concerning basically the student subsidies not to be refund. According to the new system, the study and social subsidies will help a broader circle – on the other hand a less one than the current proportion – of students, abandoning at the same time the multi-channel, frittered away, non-system approached distribution of the central governmental sources, and the indirect subsidies (for the institutions).

*Keywords:* student financing, tuition fee, new model, distribution of the central governmental sources.

### 1. Introduction

The higher education has gone under more modernisation attempts in the past two decades. None of these was so spectacular, and has generated so much debates, concepts and turns as the changes of the student financing system. Despite, its changing is still actual, the concerned experts, (education) politicians are almost all pushing newer reforms. In this essay, the changes of the student financing system will be followed in chronological order, searching for explanation of the events, finding inherence, and interests that move the participants involved.

The main goal of the study is to try to find a model for a student subsidy system that is more fair and fits the social need for grants and fees better. This is not the aim of the essay to systematise the social-philosophical issues and approaches of the student subsidy systems nor to introduce the applied international practice in details<sup>1</sup>. There are mostly extensional reasons why I do not strive for this, and – I think – there is a number of literature for this part of the topic available. Besides, there is a ‘wide selection’ in both issues above, the variety of international examples and applied approaches leads to very different subsidy (payment) systems. On the other hand – some measures due to the previous reasons – the changes of state in

Hungary during the analysed past twenty years were less affected by the international trends as well as by professional, scientific considerations. Consequently, the comparison of the different periods has basically the aim to make the currently applied, – in my opinion – partly anachronistic, inefficient model easier to understand, and to light upon on the need for its replacement.

It is suitable to review first the relationship between higher education and students, i.e. what does student legal relationship mean, why do students need to be paid grants, and why do students have to pay fees. In order to answer these questions, I try to analyse the nature of the student legal relationship in details. The student legal relationship can be approached from the analysis of the idea of higher education as clear public welfare versus private profit. Despite, I have chosen the student-central approach below, due to its more practical nature and its ability to give better solutions for the national problems of student financing.

According to the applied approaches, from a student's side the student legal relationship is a(n):

- *Investment.* They invest in better circumstances of life and higher wage.
- *Consumption.* The ones admitted to the higher education consume different services (educational, cultural, welfare), the subsidised students 'consume' the money of the taxpayers.
- *Employment.* Students – mainly in the full-time education – take a behaviour-form just like an employee. The institution of higher education as an employer measures their performance, asks them for reports, disciplines them if necessary, etc. The orders of studies and exams prescribes the duty of students almost like a job description, they need to excuse their absence, their admission and rejection are being done under as strict laws as in the case of employees. Their social insurance is paid by the government. They can practice collective rights beyond their individual ones, the institution of higher education presses them to cooperate and expects loyalty from them during execution of their tasks, just like in the case of its own employees.
- *'Society membership'.* This is the approach, which considers participants of higher education as 'university citizens' who follow the so called 'academic worth'. Students as university citizens – compared to other social groups – have a higher right to self-determination. It is based on the internal commitment of the students (and lecturers-researchers) that is assumed to be stronger than in others, and is directed towards studying the science as well as combined with selflessness and strong calling similarly e.g. to the religious orders. A typical form of the appearance of this is the self-government of the students based on self-administration, which is the underlining of the individual (autonomic) way of thinking. The scale of values and behaviour-characteristics arising from the idea manifest themselves mainly in externals today, they have less effect on the essential elements of the student legal relationship.

The first two parts of the categorisation described above can even be merged, since students – in 'normal cases' – are obliged to pay being investors or customers;

they need to pay for the investment and services. However, as employees, they can expect some pay for their work, similarly to the other participants of the process of education.

In my opinion, decision on the students' obligation to pay tuition fees (i.e. pay the full or partial price for the service, investment) or their allowance of grants (grant equivalent with wage, financial support, payment in kind, etc.) depends on the following:

- Which of the types mentioned above do we think is closer to the student legal relationship, and
- Can most of the students pay tuition fees, can they safely continue their studies if they are obliged to pay tuition fees.

In the following I will analyse the applied student allowance-fee model in the way above.

The student allowances will be distinguished by the legal title of the paying as follows:

- Assistance forms determined by a certain state of the student (school achievement, grants, financial aids based on social state), including the other allowances by natural right (e.g. credit to be refund),
- Financial assistance to compensate a certain cost-element of the student (tuition fees, cost of living, meals, notes, etc.) [1].

The cost elements related with a student's life are divided as follows:

1. General costs of living (living, clothing, meals, culture, sport, etc.)
2. Special cost related with higher education (e.g. direct costs such as tuition fees, other dues related with education, and indirect costs such as travelling, notes, school equipment). The indirect costs related with education always mean the extra costs within the given type of cost, arising from the participation in education (e.g. extra lodging, student hostel costs due to being educated in another town, regular travelling costs due to the same as above), which can be calculated as the difference between the general expenses calculated by KSH (Central Office for Statistics) and costs arising from being a student [2].
3. Alternative cost (opportunity cost). The existence of the cost can be derived from the attitude of 'student legal relationship as a special employment', the full-time students – unlike their mates of the same age – do not have any independent income. Their working mates' extra income over the general costs of living is a lack of income in the case of students.

I assume that the main role of the student financing system is to share the financing of the costs between the state and the individual (family).

## 2. Student Financing Model in the Last Years of Socialism

1985 was chosen as initial time for the introduction of the student financing system. It was the year when the last Act of Education was introduced before the current legislation for higher education. The student allowance-fee system based and described in this was adjusted to the following conditions:

- It accepted the ‘Student as employer’ approach.
- It was in the service of – with current phrasing – elite education. The number of (as we call in the current terminology) ‘subsidised’ students was a third of their current number.
- The higher education was absolutely state-owned, the state control was more direct than in any systems later.

Studying the act’s operative decrees related with the student legal relationship, it is remarkable that the details of the student legal relationship and the system of rights and obligations derived from the above were surprisingly uniform. It is also their ordered numbering which shows that they were based on a concept. These rules are coherent, elaborated, have the same terminology and conceptual system, their style is concise and straightforward<sup>2</sup>.

The mentioned *Act No. 1. in 1985 (Act of Education)* treated the education (public- and higher education, as well as vocational and adult training) uniformly. The specialisation training was even then a fee paying course. In accordance with the wording of the act, a student participating in the higher education is obliged to pay tuition fees, if his average school achievement is below a certain level defined in the regulations of the institute (99. §).

In accordance with the law, students can apply for

- a) reduction of travelling and other costs;
- b) social aid, grant and reward;
- c) admission to students hostels.

Instructions on the allowances were described in details in the *order No. 23/1986 (VIII.31.) MM.sz. (about the allocable subsidies for the full time students in higher education)* of the Minister of Education, while instructions on the fees were described in details in the *order No. 8/1987(VI.29.) MM.sz.* of the Minister of Education.

In accordance with the above orders, full subsidies can be allocated for the students who do their full time first base studies in an institution of higher education. Subsidy of a student consists of financial allowances and reduced payments in kind. Institutions of higher education were allowed to pay subsidies under the following titles:

- grant, which could be:
  - general grant
  - extra grant

- grant of people's republic
- social aid, including
- reduced payments in kind (student hostel, board ticket)
- financial social aid
- special aid
- extra allowance for the period of industrial placement, including
- grant-supplement
- payment of travel expenses

Students could also be given some supplement to wage and cultural allowance as well – as it was defined in a separate rule.

Awarding allowances to students were regulated with rather detailed and strict rules, indeed the order was also extended with a ministerial directive (7002/1986 *MM directive*).

Payments were obliged to be done under the following titles:

- tuition fees
- fee of failed term or examination
- fee for extra procedures
- fee of admission procedure

The amount of monthly tuition fees – in the first base course – could not exceed 2.000,- Ft, but it could not be more than 2.500,- Ft even in the non-first base course. The fee of failed term was 3.000,- Ft in the first base course, and rated 3.500,- Ft in the second and supplementary courses. The fee of failed exam was 50,- Ft for the first time, while the price of the moderate skills, laziness, bad luck or combination of these three was 200 Ft,- for the second time. The fee for extra procedures (late execution of study obligations) could be in the interval of 50 – 200,- Ft. The fee for admission procedure is measured 300,- Ft in the year of 1987.

Although not in this order, the fees for the student hostels were also defined: the average monthly rate was 600,- Ft per person.

The system was rather complicated, and was hard to plan and verify. The many different kinds of allowances under numerous titles made it chaotic and uncontrollable, besides the supplementary orders of other two Ministries (Ministry of Agriculture, Ministry of Health, which also controlled the system of higher education) made the situation more complicated. Due to the parallel financing (student services and services used by students), the state's expenses of students were unmeasurable.

The system of allowance had one common connection point with the fees to be paid. *The (2) paragraph of the order No. 23/1986 MM. 4. §* defined that general grant can be allocated with the student whose average school achievement was at least 3,00, while the *order No. 8/1987 MM. 2§'s 2nd paragraph* cited: 'a student is not obliged to pay any tuition fees if his average school achievement reaches 3,00.'

Allowances were only allocated to full-time students, tuition fees were in turn also to be paid by all base-study students. Tuition fees (essentially with the other

fees together) were a kind of penalty, with the main goal to motivate the students, to force them to reach better school achievement (and to fine the bad performance).

Decision about the distribution of the student allowances was made by the students themselves – with the supervision of the institution – (practising their agreement right defined in the law), and so was the decision about the application of the fees, except the fee of failed term and fee of student hostel, as well as the base tuition fees of the students doing their second or supplementary base studies.

The order also mentioned that '*students can not be obliged to pay any other fees above the ones described in this order and other special rules*', demonstrating somehow the unbreakable unit of allowances-fees.

Today, only a few would believe that the *Act No. 1. in 1985* and its operative orders have changed the attitude – then. The general obligation of paying tuition fees was abrogated, and the (full-time) student was treated like a person to be supported, and – regarding the student's study obligations and allowances – an employee.

In the case of allowances, a mixed approach of financing was applied. First, the state tried to compensate the students' costs related with the studies (allowances for student hostel, notes, expenses for travelling costs during industrial placement, board ticket). On the other hand, students were also financed depending on their given 'parameters', regardless of what costs the students accounted for (social aid, grant).

Mixed financing could be found in other segments, since e.g there was no allowance for school books, however, prices of notes, school books were significantly subsidised. Basic foods were also directly subsidised, and students were given allowances for buying foods made of these subsidised prices, similarly to the student hostels and travelling (travelling expenses during industrial placement).

The question comes up with good reason: why were special orders about allowances and fees born, with significant delays. The reason was the debate between the KISZ (Communist Federation of Youth) and the Ministry. It was namely hard for them to find a common solution for the construction of system of allowances-fees. The issue of general, cost-proportional tuition fees was even then actual, therefore the already mentioned *order No. 8/1987 MM* was born as a result of long lasting debates (and due to the KISZ's agreement right).

Nevertheless, it is worth to note that – taking the prices then into consideration – a talented, full-time student who was in unfavourable social situation could cover his expenses by means of the allowances. It is true, even if the almost uncountable titles, allowance forms, and many, essentially natural allowances, and the grant system offering few possibilities for making differences were all favourable conditions for the equality and being frittered, thus decreasing the efficiency of the application.

Most significant (technical) error of the created allowance-fee system was its unplanneability through the central budget. Due to the expenses changing in every term (since both the students' social state and the school achievement were considerably changing from term to term, and allowance amounts for both were calculated centrally on the basis of a uniform order) the Ministry was simply unable or able with just a large error to estimate its annual expenses related with the student allowances.

The introduction of this student allowance-fee system is in our opinion important, because it contains most important elements of the following (including the actually applied) student allowance-fee system. Together with this, we can state that it could find a solution (that was proper for the aims of the social-politics of the age) for the issue of student financing, systematically treating the allowances under different titles and the paid fees.

### 3. Introduction of Normative Financing

Due to the intolerable situation in 1990, the Ministry of Education decided to turn to students' partial normative financing. The *order No. 7/1990 (VIII.28) MKM about the allowances and reduced cost services allocable to full-time students of state institutions of higher education* has come into existence. The main point in the financing technique is that the amount of the allowance per student (normative) is the same, and it does not depend on the type of institution, school achievement, social state, etc., and product of this amount with the number of students results the budget of a given institution per term. By introducing the normative financing, the Ministry had no longer competence of defining the amount of the allowances for each title and person.

The normative (or the budget of institution derived from this) contained the following items (which previously were allocated as titles):

- general and extra grant
- regular financial social aid
- wage-supplement
- allowances and expenses during industrial placement
- study trip
- cultural allowance
- meals allowance
- aid, and irregular reward

However, it did not contain the funds for the grant of republic, awarded by the Minister.

The order left the system of student hostels and publishing of notes and school books untouched. Directions regarding travelling allowances and the system of fees were also left unchanged. The change of regime gave a good opportunity to carry out reforms, also the general reform-atmosphere favoured the progress. Switchover to the new model, however, was not going without a hitch. The previously preferred students (mostly lawyers, arts students), who had always pretty high class-average, were given less, while the others (mainly students of technical, agricultural faculties, and faculties of science) could obtain much more.

We appreciate the order as a progress. This is not only its better macro-level planneability that makes it more advanced, but by abandoning some of the complicated directed allowances, it made the student financing system easier. The

normative financing combined with a local decision is more fair, and makes the school achievement more comparable on the level of institutions (provided that reaching the same position within the order requires the same effort in different institutions). A disadvantage of the change was that the normativity was not full-scale, and did not motivate the institutions to distinguish students by indigence. The order did not define payment titles and amounts, thus was not able to hinder the increase in the number of titles, frittering the allowances, and the presence of equality. It could not make any changes in the previous approach of student legal relationship.

There is not paid attention to the analysis of the smaller changes in the student financing system (allowances for notes and schoolbooks turned into an institutional-level one), to the student provision created by the Act of Higher Education, as well as to parts of the Act related with tuition fees. I think that the next junction in the changing of the student financing system is the introduction of the tuition fees. It is permissible to handle the changes with certain liberality, since it was not the introduction of the Act of Higher Education in 1993 that brought definitive, conceptional changes, but the related two orders: *order No. 83/1995 (VII.6.) (About allowances allocable to and fees obliged to be paid by students in higher education)* and *order No. 144/1996 (IX.17.) (About allowances allocable to and fees obliged to be paid by students of universities and colleges)*.

#### **4. Introduction, Termination and Effects of Tuition Fees**

The orders mentioned above winded up a long debate. The bone of contention was around the possibility to introduce the tuition fees, which can be interpreted as a contribution to the costs of education, in fact from the early 90s till the date of the orders. The student allowance-fee system changed its philosophy through these two orders. Introduction of the general tuition fees can change the relationship between the students and the institution. The students make use of a service, for which they pay. Their state is much more similar to a customer than to an employee. The orders made no essential changes in the distribution principles, practice and traditions of student allowances.

Therefore I think that the largest defect of the tuition fees introduced was that the tuition fees were fitted to the student allowance system just mechanically, without its refashioning of any kind. It just 'flung' the institution of tuition fees in the allowances that were based on essentially other principles, without trying to make any attempts to harmonise these two. The grants of the quickly constructed public foundation (with the aim to compensate the tuition fees), the exemption from or allowances of tuition fees, and the tax reductions were low in measure and unadvised in principles. Besides:

- It did not count with the fact that due to the gradually getting more and more worthless student allowances, families, parents of the students needed to cope with a higher and higher burden. There were presumably more among the



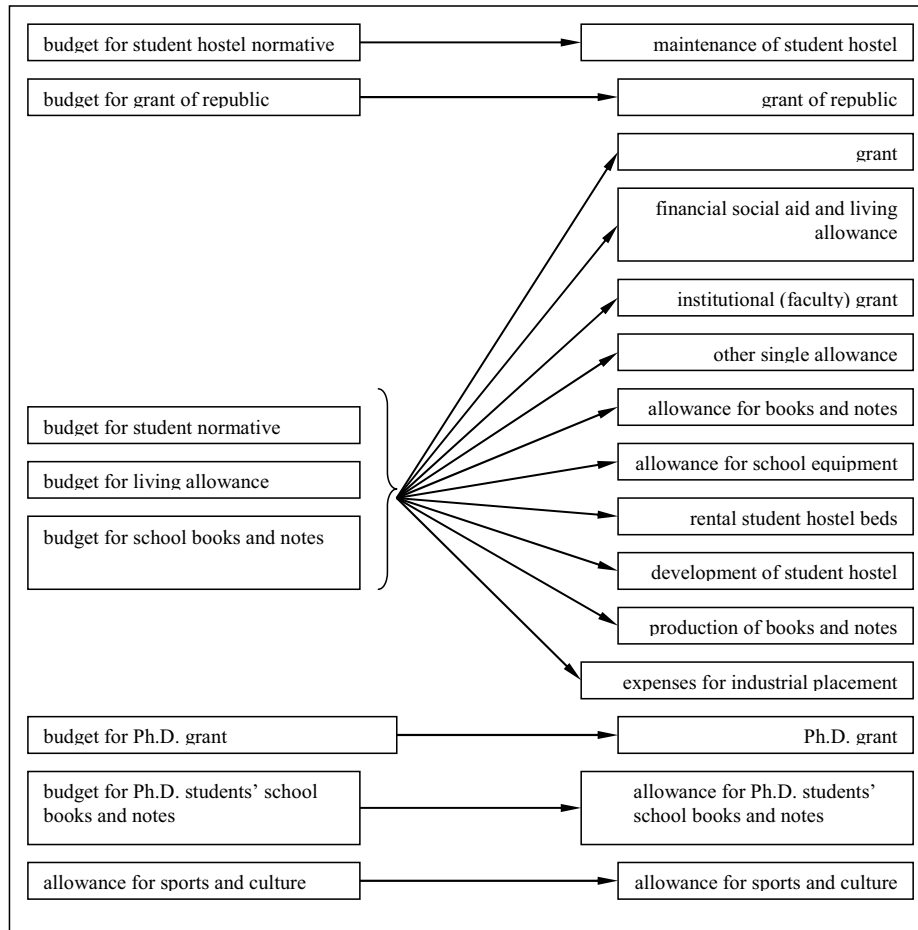
ones admitted to the more and more popular higher education who came from the lower-waged stratum of the society. The rapidly polarising society (mainly its more and more poor, formerly expressional stratum) did not accept the changes without any bad words. Without the existence of any scientifically made survey, examinations about the students' circumstances of life and social state, it was almost impossible even to estimate the 'optimal' amount of tuition fees, and an acceptable proportion of sharing the expenses between the state (state institution of higher education) and the students (their families).

- The government could not give any acceptable and professionally correct explanation (presumably because there were not any) on the advantages of the tuition fees which were relatively low compared to the costs of education and which had no significant effect on the 'level of service' in the institutions. Whereas the tuition fees were another limiting factor for the students (and their families) on their participation in higher education.
- The government, the representatives of students and in fact the experts manifesting themselves were continually showing a Pharisee-behaviour. They were always changing their viewpoints, attaching the introduction of tuition fees sometimes to compensation packages (reduction in tuition fees + pre-saving + credit system + tax reductions, etc.), sometimes to reforms in the higher education (libraries open till midnight + 'student-as-customer' model + larger independence of the institutions). Demonstrations against introduction of the tuition fees has generated such a public atmosphere in the society that makes keeping cultured debates about introduction and abolition of tuition fees impossible so far.

The government entering office in 1998 abolished the tuition fees, or to be more precise: they equivalently extended the circle of the ones entitled to exemption of tuition fees. Further to this step, the student financing system has grown with new elements. Many of these were even individually significant, but considering that all elements of the changes are parts of the current allowance-fee model, it is advisable to study these together with the description of the current situation. Therefore in the next chapter I will study the current state of affairs (in 2003), directly touching the reasons of the measures taken after the extension of exemption of tuition fees. It is important to mention that fee-paying courses have appeared in the field of base courses since 1996. In the base courses students have thus appeared who do not obtain any allowances from the student provision, whereas they are obliged to pay tuition fees comparable to the costs of education. Their number exceeds the one hundred thousand in 2003, which is half of the number of subsidised students (only the full-time students are entitled to be subsidised)!

## 5. The ‘Existing Socialism’

I’ve chosen a provocative title. The reason is that – in my judgement – the allowance-fee system of students in the higher education does not typically follow the values applied in market economies, much rather a state-socialist ethos – which can be characterised by general drawing away of the roles [3].

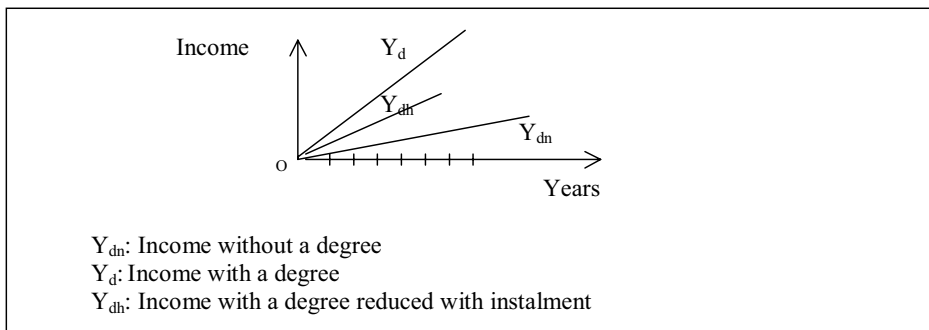


*Fig. 1.* Relations between budgets and titles in the student allowance-fee system

To prove the above, we compare the so called ‘3 T’ idealised social model (characterised by Performance, Honesty and Transparency) applied in western countries according to Dessewffy [3] to the current student allowance system. According to my opinion the current student financing system fits rather into the social system

described as ‘careless society’ by Elemér Hankiss, than the conditions during the socialist-era described in the first chapter. I follow *Imre Szabó’s edition (2003)* [4] when introducing the current model of the student financing system. The model is based on the *order No. 51/2002 (III.26.) (About allowances allocable to and fees obliged to be paid by students of universities and colleges)*, and for the sake of simplicity, there will not be paid any special attention to the allowances and fees of Ph.D. students (*order No. 51/2001 (IV.3.) about Ph.D. training and degrees*). (I will also not deal with the rules and directives related with Hungarians beyond the frontiers, foreign students who study in Hungary, and other groups of students who can be considered as minorities). The rule contains orders related with elements of the student provision defined in the 9/A §. of the Act of Higher Education. The order distinguishes between the titles of each system element and budget funds of the titles. I demonstrate the system of relations defined by the chapter on the *Fig. 1*, where the arrows refer to the titles to be paid from the budget funds. The rule makes stipulations for the circle of students and budget of allocable allowances under the given title. The 25.§. of the order contains the financing channels that exist parallel with the ones on the figure. These are:

- a) *Order No. 12/2001 (IV.28.) OM about the Bursa Hungarica Local Authority Bursary System for the Higher Education*  
As regards the aim of this bursary system, the central budget (based on the student’s social state) and the settlement- and county-level local authorities (based on the statement of the Minister of Education) jointly allocate some bursary. The operation of the system (entering into contract with the authorities, allocation of financial aid to the students) is led by a background institution of the Ministry of Education. The public foundation (Bursa Hungarica Public Foundation) also participates in the process of allocation, the way of that is not defined in any rules.
- b) Allowance of the ‘Chance for Studying’ Public Foundation  
The public foundation was established when the tuition fees were introduced. The Public Foundation gives financial aid to students who do or would like to continue their studies in the higher education. Conditions for this are not defined in any rules.
- c) *Order No. 119/2001 (VI.30.) about the student credit system and the Centre of Student Credits*  
Students can take out some credit during their studies, and payment by instalments starts when they enter into a job. The instalment is a fixed percentage of the net income. The Centre of Student Credits stock company – assigned for this action in the relevant order – enters into contract with the students and arranges for the instalments.
- d) Tax reductions (*Act No. CXVII. in 1995 about the personal income tax*)  
According to the rules in force (36.§.(1)) in 2003: ‘The tax based on the taxable income can be reduced by 30 percent of the tuition fees or expenses (in what follows: tuition fees) of the student in higher education, but not more



Source: Péter Rózsás (2003)

Fig. 2. Payment of individual credit by instalments proportional to the income

than 60 thousand Forints per student per tax year, on the basis of the certificate filled in with the name of the student and the tax payer, for the person who is named on the certificate as tax payer.” This paragraph of the act admits only students who do their first base course. Change of rules related with the adult courses meanwhile – presumably accidentally – extended the tax reductions for students participating in courses of each level. (36/A. §.)

- e) *Order No. 22/2001 (VII. 18.) OM* about the distribution of student normative of sports and culture

The ministerial order was completed as a supplement of the state order No. 51/2002., and it defines the main aims and ways of application of the two titles, as well as the budget of allocable allowances. The student normative of sports and culture is defined as a student allowance in the state order, on the other hand the Act of Higher Education categorises it into the provisions of program supports. The Ministry of Education allocates it as a part of the student provisions, but – according to the principles of the ministerial order – it cannot directly be paid out as a grant or student allowance (‘financial aid of supported ones’).

- f) Special reductions, allowances

This category contains the different travelling expenses (on the basis of the *state order No. 287/1997 (XII.29.) about the utilisable reductions in public passenger transportation*) and the reductions utilisable by means of student ID card (*state order No. 30/1999 (II.15.)*). We can also put natural exemption of fees of students on maternity leave into this category as well as the fact that students who do their studies for a longer time than defined in the requirements of the course can be considered as subsidised students for one year (students of college) or one and a half year (students of university) respectively (*state order No. 51/2002 (III.26.) 5.§., 2nd paragraph, and 19.§., 6th and 7th paragraph*). It also contains the ‘official price’ of the students hostel expenses (*4th paragraph of 20.§. of state order No. 51/2002*) and the exemption of

rates and taxes of the income derived from student work in the institution of higher education (15.§. of state order No. 51/2002). This exemption is possible of course in the cases when the student does jobs through a school-association (b) point of 5.§. (1st) paragraph in Act No. LXXX in 1997 about the entitled to social insurance and private pension). Allowances described in d) and – the awfully drafted – e) points of the already mentioned 25.§. of the state order No. 51/2002 (III.26.) can also be put into this ‘box’. There is a wide range of allowances in this category as well. From the European Administrative Training Scholarship (state order No. 92/1998 (V.8.)) to the different sports scholarships (e.g. ‘good student, good sportsman’), perhaps all Ministries or public foundations ‘supervised’ by them have announced scholarships for degree works, and other allowances.

For the sake of simplicity, in this essay I do not consider allowances from study agreements and other non-state sources as student allowances, which – anyway – have a degradable measure compared to the allowances derived from the money of tax-payers.

### *Fees, Expenses*

Subsidised students pay tuition fees and other fees, while the ones participating in expensed courses need to pay expenses and other fees. Fees and expenses are detailed in the well known state order No. 51/2002 (III.26.) about the allowances allocable to and fees and expenses obliged to be paid by students of universities and colleges.

#### *Tuition Fees (17.–18.§ of state order)*

Tuition fees need to be paid by students whose school achievement is lower than a certain level. Tuition fees are thus a kind of penalty with the (theoretical) aim to motivate students. Its amount is 10 percent of the current highest student normative (9100 Ft/month/person in 2003). A strange thing in the wording is that the tuition fees were not abrogated, but the exemption of it has been extended, therefore the rules contain some orders in other parts about tuition fees as drafted earlier (26–27. §.).

#### *Expenses (19.§., 22.§.)*

Expenses are in fact tuition fees for courses not subsidised by the state, with the two main differences that they cover the costs of training and generally everyone has to pay them, except in case of exemptions or reductions.

Expenses are therefore the fees that are equivalent to the classic tuition fees (which are paid by the students for the service, proportionally to the costs of it). Institutions of higher education can define the amount of expenses themselves, and can raise it with the price-index published by KSH (Central Bureau of Statistics).

#### *Fee of Student Hostel (20.§.)*

It is paid by students who stay in student hostels, its amount rates not more than 5 percent of the student normative (4550 Ft in 2003). The ‘official price’-like upper limit is valid only for the subsidised students, and base services of rooms which are built not by the own incomes of the institution.

#### *Other Fees (21.§.)*

The order distinguishes between two kinds of ‘other fees’. First there are ‘punishment’-like ones, which are to be paid when students fail to do their study obligations. These fees can not be more than 3 percent of the student normative (3033 Ft / person in 2003). Secondly, there are fees of different institutional services, that are not limited in amount, but can be inflicted only with the agreement of the student self-government for services that are not in connection with carrying out of studies. This latter directive is valid only for the state subsidised institutions.

When evaluating the current state of affairs, I assume that not refundable student allowances can serve the welfare of the society, if:

- help those in most need,
- award the extraordinary talented students,
- base on mainly self-care.

#### *Evaluation of the State of Affairs*

- a) According to performance-centrality. We find the allowance (withdrawal) motivating if it – in the given situation of life and social states – does the best to help in continuing the studies. We state that:
  - The motivating elements in the system of allowances and fees of subsidised courses are not harmonised. In the complicated, multi-channel system it is hard to find whether the social aids help the ones in need, the grants help the talented students, the extended subsidised financing period helps the ones slipped behind though no fault of their own, etc. In what measure do the allowance for notes, sports and culture, and other institutional allowances allocated to the student provisions from time to time serve the most talented, the ones in need, or the students’

welfare at all. This assumption (i.e. they do not serve) is underlined by the fact that measure of the allowances under different titles is low out of all proportion compared to international values, which means that their aim is rather to avoid conflicts than to be efficient.

- The elements with the same aim operate parallel, and frittered (e.g. at least five different titles of allowances are available on the basis of social need), there are no public and clear mechanisms to verify the establishment of decisions and successfulness of the expenses. There are no general obligatory rules for measuring the performance, therefore subjective elements play an important role in decisions.
- In courses which are most similar to the employment – (i.e. in Ph.D. course) student allowances cannot be differentiated by performance.
- Next to the direct unrefundable allowances, the subsidised interest rates of the credit system are unjustified.

b) According to honesty. I find the allowance-fee system honest if it (both in its elements and fully) complies with aims and social requirements related with its establishment. I state that:

- Allowances and fees (neither alone nor together) do not create a harmonised system. By generally drawing away roles, some institutional-maintenance and training elements (such as allowance for sports, culture, student hostel and notes) are ranked with student allowances, and just for PR-reasons, institutional-level normative allowances are often represented as ministerial-level ones (e.g. grant of republic, etc.).
- Social and study allowances are often hidden natural allowances. It can be seen from the statement that – although statistics method of the Ministry of Education has changed more times last year – vast majority (often 99 percent, according to the statistics of Ministry of Education) of ‘students capable to be supported’ were given some allowances under any titles.
- Allowances and expenses give a wide range of support to the subsidised full-time students, while burdens of non full-time students or students who need to pay expenses are not proportionally compensated (they do not have any share in the student provisions).
- Students of higher classes can obtain a higher share of allowances without reason, due to the decision model of the self-government.
- The ones who deal with the distribution of the direct allowances among students (mainly delegates of students self-government, and lecturers-researchers) do not have a proper qualification nor a proper status, and professional qualification and independence are not requirements in other ‘money-distribution’ positions either, thus not guaranteeing competent and unbiased decisions. General drawing away of roles can be mentioned also here, because a part of persons involved in decisions (mainly not the students) emphasise their incompetence, while the other part (students) emphasise their competence (which is doubtful). Acting

in a common way, they often hide behind corporate decisions and are often exchanged.

According to transparency. I find the student allowance-fee system transparent, if related rules are clear, and so are relationships and mechanisms between the persons involved. I state that:

- The system is complicated and not transparent. A number of ‘other legal devices of state control’ makes it more complicated beyond the numerous devices of law. Decision making competence of persons and corporate on institutional level is not clear. It is also a question why e.g. sometimes central, sometimes local state organisation, sometimes public foundation form are to be applied for allocation of central sources based on social state. Rules are quite often changed, keeping of them are not supported by the verification and publicity within the work-process.
- The rules related are not harmonised, also not coherent in themselves. The circle of subsidised things is not the same in the Act of Higher Education as in the operative state order(s). (1st paragraph of 9/A §. of the law states clearly that students can be supported by the student budget during the period defined in education requirements. It is no doubt that the credit-system introduced in the meantime – although it has not brought any essential changes in easing the passage between institutions and harmonising programs explaining its introduction – has extended the average length of education period. This is why the ‘capable to be supported’ period is longer than the prescribed – let students see at least this advantage of the credit-system.) The same things are often termed different (e.g. student participating in a subsidised doctoral course = Ph.D. student with state grant), there are tons of carelessly worded and conflicting directives. (A funny but ironic example for this can be found in the act of personal tax income. The law-drafting person – probably in the Ministry of Finances – must have not really understood the difference between the – certainly complicated – term of ‘accredited course of higher education’ and the base course. Additionally he must have not liked the foreign word of ‘accredited’ – therefore he created the hybrid term of ‘certified base course’ – applying the common practice that – taking the suggestion of the related Ministries into consideration – the decisions are made by the Ministry of Finances.). I would like to mention here that in rules, and during the execution of them, the ghost of the ‘careless society’ often haunts, with all its contents and form elements.
- Cross-links are accepted – at each level – between the people involved. Persons who are entitled to obtain allowances can make decisions about themselves, persons who verify the progress can participate in decisions, thus making relationships between certain groups and persons as well as ways of assertion of interests are unsolvable. Rules are often broken, with no revenge. Due to the cross-financing and supports of services, it is hard to measure the real expenses. Structure of statistical data published is not the same as prescribed in rules.



Comparing the current model with the one described in Chapter I., we can state that the latter was more suitable for social purposes than the current one to the aims today. The current system is diffuse, treating some groups of students like employees, while the others like ones using services – with same study requirements. It can be noticed that – although the technique of state financing has changed – titles of direct student allowances are pretty similar to the ones applied 20 years ago. The number of titles has even extended a little. The increasing state allowances and titles have, however, rather marketing-value, since real-value of allowances has drastically reduced, thus extending the number of such unrefundable titles is not justified. The number of students is a multiple of the earlier, the higher education has become a mass-education similarly to the public education. As a result of the changes above, the ‘quality turns into quantity’; the earlier (student) financing models are no longer automatically applicable regarding their principles and techniques as well. Unrefundable allowances – with the large number of titles – give the impression of a socialist system. As if we lived in a society that is closed, with much less differences in incomes, where price of vast majority of base goods and services are subsidised. As if the higher education were a

privilege for a few, and those who participate in it would not have considerably higher incomes than the ones with no degree<sup>4</sup>. For demonstrating the above, I find comparison of some sources, titles and amounts worthwhile.

*Table 1. Changes of amounts of certain student allowances and fees*

Title	Amounts		Real-value of base year (corrected with consumer price-index)
1. Student normative (Ft/year)	48.864 (1991)	91.000 (2003)	260.250
2. Notes allowance (Ft/year)	6.000 (1994)	7.000 (2003)	17.850
3. Grant of (People's) republic (Ft/month)	3.300 (1987)	30.250 (2003)	41.316
4. Tuition fees of first base course (Ft/month)	max. 400 (1987)	max. 9.100 (2003)	5.008
5. Fee of failed exam (Ft)	max. 200 (1987)	max. 3.033 (2003)	2.504
6. Fee of student hostel (Ft/month)	max. 600 (1991)	max. 4.550 (2003)	7.512

Source: rules, data from KSH (Central Bureau of Statistics)

It is clear that (in subsidised education) the real-value of most important direct allowances has fallen into third of the earlier, while measure of fees stayed sym-

bolic: they have a real-value of the socialist-era. For compensating the drastically devaluated allowances, introduction of student credit system was pretty justified, at the same time opening compensating sources for students who pay expenses without direct allowances so far. After introduction of the student credit system, largest defect of the current allowance-fee system is that it operates unsystematically and with high maintenance costs.

### *5.1. Reasons of the Distorted System:*

- Diffusion of the populist, marketing-based approach of the state. A consequence of this approach is that unrefundable allowances are frittered away, and marketing-tricks are applied instead of systematic approaches.
- Chaotic states that become more and more extreme parallel with the change of the society. This atmosphere blocks the success of professional viewpoints and common consideration. It gives some space to the social groups who can strongly get their way and – similarly to the socialist-era – pushes the long-lasting interests of tax-payers and social solidarity.
- Not progressive traditions of higher education (from this viewpoint). Student allowances, fees, expenses are traditionally parts of institutions of higher education. Subculture inside institutions – similar to a self-managing socialist company – blocks the renewal of the system. It is the interest of those who participate in distribution of allowances at different levels (including the Ministry as well) to maintain the chaotic state that operates with a lot of administration (thus with high costs).

## **6. Suggestion for a Possible Model**

In the essay, we have demonstrated the changes of student allowance-fee system from 1985 to the current state. Instead of summary, I would like to sketch a model of the system that I find prior. The model – in its construction principles – has many similar points with those suggested by T. SZABÓ (1996) [1] and KASSAI (1999) [2].

*Pillar of the model is the student credit system.* Advantages of the credit system are indisputable. In case of credit, the studies depend much less on the financial state of the parents, it also ceases the ‘infancy-like’ dependant status. It induces students to calculate rationally, diminishes the ‘consumer’ and ‘employee’ behaviour, rather encourages them to be ‘investors’. Positions of the students can be better against the autocratically controlled institutions. If the institution does not give enough help to the ‘investment’, then students can turn to another one – if possible. Social costs of credit are less, than costs of direct allowances. I find the system of instalments proportional to income<sup>5</sup> without social elements (interest-reduction) smart and modern. The introduced system of credit should thus be kept with the corrections published by experts (BERLINGER 2002, MAJER 2003) [9, 10].

*Credit system is supplemented by a social and study allowance system.* Social aid and grant can only be allocated by those who have taken out some student credit – thus supporting and supplementing the self-maintenance.

Students in social need can apply for a scholarship. Main goal of the aid is to avoid anyone's drop out from the education just because of financial reasons. The social-aided scholarship should be allocated by the government (Ministry) or its background institution operating as budgetary organisation (in accordance with the principles of public servants). Framework and operation of the supporting system as well as criteria of the neediness (family's income per person, unemployed parent(s), chronic disease, etc.) are defined in rule. Different local governmental organisations should participate in operating the system (verification of forms, making environmental study, etc.).

Sources for these above should be estimated, then later be defined upon experienced values. The principles of allowance system of conditions an authority can be applied by 'Chance for Studying' public foundation.

I consider motivating, school achievement-based allowances as modern traditions. In my opinion, grants of really motivating measure can help students to adapt themselves into the world of jobs, and become real intellectuals. Another reason for maintenance the grants are the experience that children of families with lower income show a better average school achievement. In their case – at least in the first part of their career – successes achievable by studying can balance the better money-making capability of the families with higher income due to their capital of relations. Therefore I would keep the title of grant for not more than 10 percent of students. I would also differentiate in this circle, by keeping a double rate between the worst and the best grant available. As a further rule, we would order creating homogeneous student groups broken down into branches and years (60 credit points). Rules are defined in order, financing is normative per institution.

The measure of normative is advisable to define by making sure that average grants (supplemented with the credit) should reach the level of minimal wage. The decision stays in the institution's hand, legality of utilisation is controlled by the already mentioned budgetary organisation that co-ordinates social aids.

In accordance with the above, every other allowance titles would disappear, from the living allowance through the allowance for sports and culture, up to the grant of republic. Student hostels would be run by a public utility company supervised by the Ministry (hostels of whose maintenance or renovating costs are too much would be closed), the fee would be the cost-price.

With simpler words: there are no other sources but credit, social aid and grant, besides neither students nor student groups could be allocated allowance directly or indirectly (through institutional support). Exemption of this – for the sake of students who pay expenses – would only be the reduced expenses, travelling allowance, and other allowances related with student ID card (e.g. entrance fee to museums). Reason of these latter are the very strong traditions.

Principles of calculation in the model:

- I assume that current categories of expensed and subsidised courses will stay,

and sources allocated to students will not rise in the central budget.

- Beyond the mentioned ones, I collect and redistribute each and every allowance (financial and those which can be expressed in money). ‘Price’ of this progress would be that separate allowances for social culture (Bursa, Chance, Grant of Republic), financial supports for institutions (sports, culture, central and institutional allowance for student hostel beds) would be treated alike the budgets of student normative of the titles mentioned above<sup>6</sup>. I define four levels of supported ones:
- Subsidised full-time students of universities and colleges doing their first base course as well as professional training (i.e. those who can be supported from the student budget according to the current rules).
- Extending the first paragraph with non full-time subsidised students of universities and colleges doing their first base course
- Supplementing the second paragraph with full-time students of universities and colleges doing their first base course and needing to pay expenses (I add the amount of exemption of expenses and interest-reduction of the students on maternity leave /820 million Ft in 2003/ to the student allowance fund ),
- We assume that not more than 30 percent of the students is given social aid and/or grant. (In my suggestion the proportion is 20-10 to the social aids).
- Supplementing the third paragraph with non full-time students of universities and colleges doing their first base course and needing to pay expenses (i.e. all students who do their first base course.)
- I pay no attention to the allowances for Ph.D. students due to the course’s speciality, I find the tax-reduction of adult-training sufficient in case of students who take their second or more degree.

Procedure of calculation in the model<sup>7</sup>:

- We summarise all financial central student allowances. We take the following into consideration: central budget of student normative, central budget of note allowance, central budget of allowances for sports and culture, central budget of living allowance, amount of difference between cost-price of student hostel bed and fee and ministerial financial support<sup>8</sup>, subsidised part of Bursa Hungarica scholarship, allowances to Chance public foundation, central budget of grant of republic. I distribute the sum of these based on social need and school achievement.
- We calculate the monthly (calculating with ten months per year) amount per person for each of the four groups.

By ‘sweeping together’ the student allowances, the ‘corrected student normative’ has turned out to be 150 thousand Ft per year, i.e. – if the other unrefundable student allowances would disappear – the student normative would be 64% more than that defined in the budget. I take the following into consideration when doing further calculations:

Not more than 30 percent of the students can be given social and study compensation. (One year makes ten study months.) Grant can be given to every students,

therefore – in the case if only those in social need are given grants – the share of unrefundably supported ones can be reduced to 20 percent.

I state 25 thousand Ft as the monthly amount of social aid and/or grant. Assuming a uniform distribution and three categories, this amount is enough for – roughly estimated – a monthly compensation of 15, 25, and 35 thousand Ft, respectively.

The assumption made in b) means that students in social need – taking out the largest amount of student credit – can obtain at least (net) 40, those with good school achievement can obtain maximum (net) 95 thousand Ft under the three titles of supports together. Unfortunately, currently there are no reliable data about the social state of the student population. All I can do is to estimate the percentages and amounts, relying on experienced values and assumptions. Nevertheless the mentioned monthly amounts seem to be enough to compensate the – already cost-price based – student hostel, notes and onther costs of students.

Result of the calculations can be found in the following table:

*Table 2.* Planning numbers of the new supporting model

Type and number of students in base course (persons)	Financial support per person (th Ft/person/year)	Financial support per person if 30 percent of students are given (th Ft/person/year)	Proportion of supported ones with average 25 th Ft monthly compensation (%)
students <sub>1</sub> (167 779 persons)	150	500	60
students <sub>2</sub> (194 570 persons)	130	432	52
students <sub>3</sub> (217 538 persons)	120	398	48
students <sub>4</sub> (301 764 persons)	86	287	35
where students <sub>1</sub> = subsidised full-time students students <sub>2</sub> = subsidised students students <sub>3</sub> = students <sub>2</sub> + full-time, not subsidised students (need to pay expenses) students <sub>4</sub> = all students involved base courses			

It can be seen from the table that – with average 25 thousand Ft monthly amount – more than a half of the currently supported students could be compensated. I would like to emphasise as the most important statement that if all students involved in base courses have right to obtain allowances, then – keeping the stated average 30 percent – maximum 35, at least 25 percent of them can be given the amount mentioned above.

Evaluation of the model can be found in the SWOT analysis below:

Table 3.

Strength	Weaknesses
<ul style="list-style-type: none"> <li>• fair, because gives the same chance to every student involved in base courses,</li> <li>• easy to operate, since requires a few administration and easy to plan,</li> <li>• systematic, because each element – on different bases – serve the same aim,</li> <li>• just, because everyone can obtain for the allowances with almost the same conditions,</li> <li>• efficient, because builds on self-maintenance, and unrefundable allowances (social aid, grant) depends on the performance</li> </ul>	<ul style="list-style-type: none"> <li>• there is no tradition of a student allowance system that supports those really in need<sup>12</sup></li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• increasing the mobility of society by allocating more to those in need,</li> <li>• higher efficiency by obtaining a more precise ‘map’ of the social state of students,</li> <li>• allocating other indirect allowances (e.g. tax-reduction) to the system, when there is possible abolition of subsidised and expensed statuses</li> <li>• renovating of student hostels, promoting non full-time forms of education</li> </ul>	<ul style="list-style-type: none"> <li>• opposition of non-concerned, so far especially supported social groups, attack of political parties supporting them</li> <li>• unsuccessful introduction due to bad communication and automatic responses of the society</li> </ul>

## 7. Summary

I demonstrated the changes (development?) of the Hungarian student allowance-system, with the aim to put finally a suggestion on a new model. Main goal of the new construction is to achieve that student allowances help those really in need. I made calculations related with view to the assumption that sums for student allowances in the central budget will not rise. Considering that compensation seems to be enough according to the calculation, I suggest that it should be introduced for

all students involved in base courses. Compared to the current state, changes would concern more than 130 thousand students, which means that not only the subsidised full-time students could be given social aids and grants, but all students involved in base courses. I assume that extension of the circle of students involved concerns subsidised non full-time students who take their first degree, besides – in a less degree - non subsidised non full-time students involved in base courses. These are the mentioned two stratum that contain considerable number of students in need, those who are in badly off. (Tuition fee for full-time non-subsidised education is traditionally so high that it can be paid only by well-to-do families. These families usually do not have their children registered in non full-time but subsidised form of education, since value of knowledge and mainly the capital of relations obtainable is traditionally less. On the other hand, correspondent or Open University courses are attractive for poor families, because these forms of education enable students to do regular works parallel with the studies). I think that a national research about the social state of the students should be done before introduction (and anyway) so that the model could be finalised by means of the data obtained. On a longer term – for the sake of social justness – I think it is justified – in the case of first degree - to decrease and even abrogate the difference between the subsidised and fee-paying statuses. With regards to the following 20 years of student financing in this essay, as well as insupportability of the current state of affairs, we believe that the introduction of the model would worth the conflict against those who would lose their rights obtained so far.

### Final Notes

<sup>1</sup>I rely on Balázs MÁJER's work (2003) [6] in the short international lookout. He states that main feature of trends outside Europe is that credits have been exchanged the role of aids, and a larger and larger share of costs of studies are paid by the student and his family. The European practice is not uniform, the author categorises the countries applying various supporting systems:

1. Considerable individual contribution to the costs of higher education (relatively high share of tuition fees) and role of families in meeting the expenses of students. Countries of this model created a supporting system operating basically with aids. Belgium, Greece, Spain, France, Ireland (up to 1995), Italy, Portugal can be ranked into this category. In the meantime, in the cases of allowances to parents, there is also a general tendency of (each time considerable) extending the expanded tax-reductions. In these countries student credit is not an integral part of the student allowance system.
2. Exclusive role of the state in financing the studies, and role of families in meeting the expenses of students. Form of supporting is a combination of aid and credit, with some allowance to the parents through the tax-

- system (Germany from 1973, The Netherlands up to 1986).
3. Main role of the state in financing the studies, students have a financial independence. Definitive forms of state support are aids and credits (or merely credits), with no support to the parents. (Denmark, The Netherlands from 1986, Finland, Sweden, United Kingdom from 1990 till 1999, and Norway).
  4. Personal contribution to the costs of studies and halfway between the roles of family and the students' financial independence (United Kingdom from 1999).'

The author characterises the student allowance systems applied in Western-Europe as follows:

- As regards their base distribution and financing principles, systems born in the 60s-70s in European countries remained surprisingly stable, even in spite of reforms and changes in the last 30 years. There are only two countries (The Netherlands and the United Kingdom) which changed their financing models.
- A clear tendency in financing costs of higher education is the increase of students' share. In countries where institute of tuition fees exists, considerable increase in fees is a general issue. With the exemption of Ireland, there was no example for abolition of the tuition fees, but there were numerous examples for its introduction and liberalisation. General decrease in the measure of student credits' interest-reduces also raises the students' share in meeting the expenses.
- Increase in tuition fees accompanied the rapid increase in financial supports allocated to the students or families of students in need (in the fiscal budget, the net effect is positive, even together with this).
- In countries where devices depending on the families' income play an important role in the student financing, communal resources available are allocated after centrally defined criteria of income. The distribution besides differentiates according to the costs really raised at those in need, i.e. they try to take the differences between different costs raised at individuals into consideration.
- These are mainly social viewpoints, and not the school achievement which plays an important role in allocating allowances.
- In every countries involved, there is an element within the state supporting system that is available for everyone (no matter whether we emphasise the supports to families or financing priorities promoting the student's financial independence).
- Finally: Student financial support system of all countries involved are characterised by the integrated approach of different supporting systems (credits, aids, tax-reductions, etc.). Harmonising of the allowances available enables the efficient and fair allocation of communal resources.'



<sup>2</sup>The rules mentioned are the *orders No. 21–25/1986 MM* and *No. 105–107/1986 MM*. The largest problem is the absence of the current version of the *order No. 21/1986* about the Order of studies and exams of students in higher education, since the concept system of other activities (allowance-fee, disciplinary, etc.) attendant with main institutional process should be harmonised with the concept system defined in this. Autonomy-ambitions of institutions of higher education hinder the publication of a rule about it, therefore well-known terms applied were defined in other different rules. (i.e. the fact that the year of study is divided into 2 terms and 10 months can be read in *state order No. 51/2002 about allowances allocable to and fees obliged to be paid by students of universities and colleges*).

<sup>3</sup>DESSEWFFY in 2001 in the paper ‘Kritika’ [3] composes the ‘normal western order of values’ as follows:

‘There has not been a silent life in Hungary since the change of regime: a war of the forms. Two cultures’ two ethos’ battle with each other day after day, on every fields of the everyday life. With simple words: on one side there are post-Kádár forms fined with post-feudal elements fighting for life, this is the world which was pretty properly defined as ‘careless society’ by Hankiss in the 80s. This ethos created a rich world of verbal representations: such as ‘buhera’, ‘mutyi’, ‘umbulda’, ‘fusi’ (moonlight-work), ‘megzsugázni’, ‘lepacsizni’, ‘elbugázni’, and the dear collector-reader could probably continue this series of words for a while. This construction was created by vassal connections (against contracted relationships), the important thing was not the ability of a person when filling in a position, but the person’s membership in the party, or the ones the person used to hunt with. As a result of this, general drawing away of rules turned to grow to considerable proportions (the mimicry), almost all members of the society emphasised that they were not what they were really waiters were philosophers, cab drivers were opinion-formers, actors were politicians, if the negative identity manifested itself ever at all. So this had defined the whole of the relationships of life, resulting negligence, the approach of ‘scratch shorty’, as well as giving up every form of the social solidarity.

What we – emphasisedly idealised – call ‘normal western order of values’ stands against this ethos. We would feature this culture with three T’s, which is naturally not the same as the former era’s well-known 3T (which was responsible for the total loss of values in the intellectual field). The normal western order of values can be characterised by Performance (Teljesítmény), Honesty (Tisztesség) and Transparency (Transzparencia). This ethos surrounded by the three T’s is uniform, reasons of separation of dimensions are rather heuristic.

On performance I mean if someone is able to play the given role efficiently. We can speak about honesty when someone wants to and is able to meet all the requirements of the role related with the given status-position. Finally, on transparency I mean that rules for playing a certain role are as transparent as relations between the players and mechanisms controlling these.

We had our reasons to be optimistic during the change of regime regarding the result (if not the period) of this fight. We could believe that diffusion of market conditions as well as the work-ethic, rules of behaviour, value-constellations will gradually repress the regressive structures of being 'careless'.

And it is no doubt that there are developments that proved this expectation. There are enterprises, institutions, restaurants and perhaps cab drivers who follow the western way of normality... However, today it is also clear that war of forms will be a long lasting string of battles, and its outcome is absolutely not as clear as we optimistically thought before. The ethos of carelessness, incompetence, political clientism, neglecting contracted relations turned out to be much more standstill than we could hope. '

<sup>4</sup>According to *OECD (2002)* the relative premium of income is more than 2,2 times at men, more than 1,6 times at women between chartered and non-chartered ones.

<sup>5</sup>The special postponed form with instalments proportional to income (based on Australian model) of tuition fees (which is in fact a tax for chartered ones) was elaborated by T. SZABÓ and KUNTÁR in 1993 [12]. An interesting thing is that introduction of it was opposed by the Ministry of Finances the hardest, since it did not mean a prompt income to the budget. The postponed tuition fees with instalment proportional to the income has now a second-peak, (see: text of professional debate, named 'Conception of development of the higher education with the aim to modernise the Hungarian higher education and to access to the European Region of Higher Education' on the website of Ministry of Education after the 10<sup>th</sup> of July, 2003. [13]) numerous economists support it for allocating excess resources for the higher education. Education cost of the degree of economist is relatively low, while the reachable income is relatively high. It might be the reason why education-economist experts supporting the paying by instalments proportional to income all would like to introduce it for the time of repayment of the proportional part of defined cost of education (and not the time when being active on the labour market of chartered).

<sup>6</sup>RÓZSÁS and T. SZABÓ (1993) [11] made calculations with the same aim, and I take over the method of this.

<sup>7</sup>Data used for calculation

- Number of students involved in base courses: 301764
- Number of subsidised full-time students involved in base courses: 167779
- Number of subsidised non full-time students involved in base courses: 26791
- Number of fee-paying full-time students involved in base courses: 22968
- Number of fee-paying non full-time students involved in base courses: 84226
- Number of student hostel beds: 48368
- Central budget of student normative: 15.620,922 mFt
- Central budget of living allowance: 2.899,347 mFt
- Central budget of allowance for notes and school books: 1.170,96 mFt
- Central budget of grant of republic: 421,318 mFt
- Central budget of allowance for sports and culture: 139,23 mFt

- Allowance for Chance of Studying public foundation: 350 mFt
- Allowance for Bursa Hungarica public foundation is: 610 mFt
- Planned central budget for institutional (and student) allowance for exemption of expenses (including 20 mFt as interest-reduction of credit!) for students on maternity leave: 820 mFt
- Institutional support for student hostels: 2.411,25 mFt
- Central normative support for student hostels: 1.591,425 mFt
- Total: 25.214,452 mFt + 820 mFt
- Altogether: 26.034,452 mFt

These data are from the inner statistics of the Ministry of Education. There are a few data that are not separated in the act about budget of 2003 (e.g. allowance for notes on course levels), therefore data published are corrected, and were calculated from the amounts in budget of Ministry of Education instead of those can be calculated from the rules.

<sup>8</sup>We calculated the amount taking 15000 Ft/month/person cost-price into consideration.

We calculated 1200 Ft/month/person as 'fee for extra services in student hostel' beyond the 3300 Ft/person/month/bed + 4500 Ft/person/month/bed. The state order knows this title, about this amount is asked for in the hostels of Technical University. Subtracting the (3300 + 4500 + 1200) Ft off the average monthly cost of 15000 Ft we can obtain the result of about 5000 Ft (per bed and per month) 'forced institutional contribution'.

<sup>9</sup>It is instructive that the many times mentioned 'normative financing' manifested itself in fact only in the round of student allowances (a part of it). Unlike normative of training-maintenance, the amount of student normative (more exactly in 2003 also the allowance for notes and schoolbooks, living allowance, grant of republic, allowance for sports and culture as well as central support for student hostels) is defined in the Act of Budget. Exactness of budgets calculated with student normative is strictly monitored by student self-governments – unlike the management of institution with regards to the training-maintenance normative –, deprivation would also be more complicated due to the definitiveness in law.

<sup>10</sup>The change of philosophy has happened with the modification of the Act of Higher Education in 1994. The 6th paragraph (that has been modified since then) of the Act's 31.§ clearly states that different allowances-reductions 'have the aim to compensate tuition fees to be paid in institutes of higher education for the sake of equal chances'. Due to the frequent changes it would be hard to find 'what' the Act considers the student (employee, person utilising a service, etc.), and what are the principles applied when defining his allowances and fees. According to the actual 30.§ students can obtain allowances under different titles (which is 'of course' hard to derive from the student budget (9/A §) that 'collects' student allowances), and are obliged to pay fees. The original text (only a few rows) has been considerably extended due to the 'political orders', the only thing that can be 'obtained' from it is the need for drafting a state order when implementing directions of the Act.

<sup>11</sup>According to RÓBERT (2000) [15] the real social line of break can be found between the ones applied for admission to the higher education and the ones did not. In MAJER's (2003) [6] opinion main reason of it is that a lot of students from poor families fall out from the education on any level prior to the higher education, or choose a career that makes

their apply for an admission to the higher education impossible. I agree with the statements – based on my experiences -, therefore I find compensation of 30 percent of the students sufficient.

<sup>12</sup>Generally, in Hungary there is no tradition of the social solidarity (compare with final note No. 5.), as it is called by BOKROS (2003) [16]. It is assumable that ‘welfare politics supporting the wealthy ones’ is valid also for this – with a special view to the typically conservative (prestigious, protecting and obtaining privileges for its ‘citizens’) traditions of the sector.

## References

- [1] SZABÓ, T., Role of the Allowance-Fee System in the Performance Motivation of Students, Thesis, Budapest University of Economics, 1996.
- [2] KASSAI, Á., About the Student Financing System Instead of Tuition Fees, *Hungarian Higher Education*, 5 1999.
- [3] DESSEWFFY, T., A New Magic for Every Day, *Kritika*, June of 2001.
- [4] SZABÓ, I. E., Research of the Student Allowance-Fee System, with a Special View to the Role of Higher Education in Quality Assurance, Thesis, Budapest University of Techniques and Economics, 2003.
- [5] RÓZSÁS, P., About Certain Questions of the Student Credit System and Student Financing, Budapest University of Techniques and Economics, Faculty of Economics and Arts, Workshop Studies Periodics, pp. 39–53.
- [6] MAJER, B., Student Allowance System of EC Countries, *Közgazdasági Szemle*, year of L., July-August 2003, pp. 671–690.
- [7] SÁRKÖZY, T., Attempt to Establish a Popular Political Media-Marketing Government in Southern-Europe, 2002.
- [8] SZABÓ, T., Management and Organising in institutions of Higher Education – Some Reasons to Change, Budapest University of Techniques and Economics Faculty of Economics and Arts, Workshop Studies Periodics, pp. 61–71.
- [9] BERLINGER, E., A Simple Model for Student Credit System Paid by Instalments Proportional to Income, *Közgazdasági Szemle*, December, (2002), pp. 1042–1062.
- [10] MAJER, B., The Hungarian Student Credit System, *Közgazdasági Szemle*, July-August, (2002), pp. 641–663.
- [11] RÓZSÁS, P. – SZABÓ, T., Student Financing System, OFÉSZ, 1993.
- [12] KUNTÁR, Á. – SZABÓ, T., A Possible Conception of Tuition Fees, OFÉSZ, 1993.
- [13] Operative Team: Conception of Development of the Higher Education with the Aim to Modernise the the Hungarian Higher Education and to Access to the European Region of Higher Education, OM website (www.om.hu), Presented on the 10th of July, 2003.
- [14] Education at a Glance: OECD Indicators 2002., A.1.3.1 Table, pp. 132, OECD, Paris, 2002.
- [15] RÓBERT, P., Extending Higher Education: Who Waves in? *Educatio*, No. 1 (2000).
- [16] BOKROS, L., Poverty and Solidarity, *Élet és Irodalom*, year XLVII, 22nd of August 2003, pp. 3–4.
- [17] Rules, statistics of Ministry of Education, KSH (Central Bureau of Statistics) publication.