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THE CHANGES IN THE HUNGARIAN HIGHER EDUCATION SYSTEM DURING THE CHANGE OF REGIME – THE SPREAD OF CHURCH AND FOUNDATION RUN INSTITUTIONS

Leila Csontné Vezendi[1], Edit Gizella Szűcs[2]

[1,2]University of Debrecen, Faculty of Engineering Debrecen, Hungary

[1]Corresponding author e-mail adress: vezendi.leila@eng.unideb.hu

Abstract: *This study examines the transformation of the Hungarian higher education system during the change of regime (1989-1990), with particular emphasis on the spread of church- and foundation-run institutions. It presents the legal framework that enabled the establishment of non-state institutions, highlighting Act XXIII of 1990 and subsequent legislation. It uses statistical data to support the significant increase in the number of institutions and students in the non-state sector. It illustrates the different development paths of these institutions through case studies of Károli Gáspár Reformed University and Kodolányi János University. The article analyzes the socio-economic impacts of the changes, including social mobility, economic development, and educational equality. Finally, it reflects on the current challenges and future prospects of Hungarian higher education.*

Keywords: *change of regime, privatization, church institutions, foundation institutions, educational reform*
(JEL code: I23, L33)

INTRODUCTION

The period of system change (1989-1990) brought radical changes to the Hungarian higher education system. After the fall of the communist regime, the liberalization and decentralization of higher education became essential for the country to adapt to the requirements of a democratic society and a market economy. A significant increase in student numbers, the expansion of the institutional network, and the emergence of church- and foundation-run institutions fundamentally changed the higher education sector.

Legal instruments have been the main drivers of the evolution of higher education policy (Derényi, 2009, 32.). This can also be seen from the example of the establishment of non-state institutions based on Law XXIII of 1990 (Böcskei, 2003, 37.). It is important to note that the transformation, which proved necessary despite the economic problems of the 1990s, affected not only the institutional network, but also the increase in student numbers and the integration into the Bologna system.

This study analyzes these changes in detail, with a special focus on the role and impact of non-state institutions and the privatization process. It aims to provide a comprehensive overview of post-transition higher education reforms, while examining the topic from an academic perspective.

LITERATURE REVIEW

The higher education reforms that took place in post-communist countries were crucial for democratic transition and the establishment of market economies. Numerous studies have addressed issues such as privatization, decentralization, and quality assurance. (Csizmadia, 2009; Polónyi, 2012). Non-state funded higher education institutions have played a significant role in the transformation of the sector through their flexibility and rapid adaptation to market demands (Szemerszki, 2003). In the case of church institutions, the preservation of religious and cultural identity provided additional motivation (Gloviczki, 2021).

Legal background and institutional changes

Act XXIII of 1990 marked a turning point in Hungarian higher education, as it enabled the establishment of non-state-maintained institutions. This legislation paved the way for legal and natural persons, as well as foreign institutions, to establish higher education institutions (Böcskei, 2003). The 1996 amendment further relaxed the dual system, allowing universities and colleges to launch programs at each other's educational levels, provided they met the conditions (Derényi, 2009). The Bologna Declaration signed in 1999 and the three-cycle education system introduced in 2006 brought further structural changes in line with European trends (Temesi, 2016).

The main drivers of change

One of the goals set at the time of the change of regime was to increase the number of students based on Western patterns, affecting 30% of the age group concerned. The trend towards expansion was not only typical in the West but also worldwide, leading to a differentiation and diversification of the higher education sector and the students within it (Doktor, 2008, 57.).

From 1989 to 1993, the number of students admitted every year doubled, and from 1993 to 2003, it increased 6.5-fold (Derényi, 2009, 33.). In concrete terms, while in 1989, 15,000 applicants were admitted to higher education, in 2004, 100,000 students started their higher education studies. The expansion was necessary due to specific demographic characteristics, as the cohort entering higher education in the 1990s was already larger than before (Böcskei, 2003, 62.).

In addition to the number of students, there has also been an increase in the number of institutions. This peaked in the academic year 1992/1993, when there were ninety-one institutions. This process then stagnated until the integration measures of the 2000s (after which the number of institutions fell to sixty-two) (Doktor, 2008, 66.).

The increase in the number of students has had consequences such as changes in the social composition of students (Sárhegyi, 2019, 8.) and the emergence of fee-based courses from 1998 onwards (Temesi, 2016, 70.). The first period of an increase in the number of students was from 1990 to 2004-2005 (Derényi, 2009, 33.), and there has been a decrease since 2011 (Temesi, 2016, 56.). Some experts, however, report on the expansion in a negative way, as the process took place in a shorter period of time than in other countries and at a time when Hungary was experiencing particularly unfavourable economic conditions.

„It could be argued that Western European countries have implemented a gradual, interdependent process, and that no harmful interference has occurred there. They were able to carry out structural reforms in a favourable economic environment, in parallel with expansion, and then, once this was complete, they could embark on training reforms and large-scale mobility. (...) Assuming that multi-cycle training and the changes it entails are flawed in Hungary, are these flaws not the result of the negative interaction between delay, forced catching-up and the - also forced - pace of training reforms in the meantime?" (Temesi, 2016, 65.)

„(...) In 15 years, the number of teachers has increased by only 37 percent, while the amount of state aid per student has fallen to 38 percent of the 1990 level by 2000. Capacity has therefore not followed the growth in the number of students at all." (Derényi, 2009, 33.)

It is undeniable, however, that in addition to the external pressure and "duress", there was also an internal need for change (Temesi, 2016, 65.)

The amendment of the law in 1996 enabled the introduction of higher vocational education for higher education institutions and cooperating institutions offering secondary education. However, the positioning of this form of education was questionable for a long time, as neither the higher education sector nor vocational education considered it as its own (Derényi, 2009, 35.). The same amendment to the law loosened the dual system, allowing universities to offer college-level courses and colleges to offer university-level courses, provided they had the necessary conditions (Derényi, 2009, 37.). Legal equality between universities and colleges was enacted in 2005 (Derényi, 2009, 38).

In the mid-1990s, at the suggestion of experts from the World Bank, the government initiated a process of higher education integration, so that, with the exception of Budapest, one large integrated institution was established in each of Hungary's major cities, into which the smaller institution(s) within a 50-kilometre radius were merged (Derényi, 2009, 38.).

In 1999, Hungary, as a member of the European Higher Education Area, signed the Bologna Declaration, and subsequently the three-cycle system was introduced in 2006 (Temesi, 2016, 60.). In addition to the re-accreditation of the foundation courses, the number of degree programmes also changed, as previously it was common to start more than 300 degree programmes, but in the new system about 120 bachelor's degree programmes were launched (the number of master's programmes was not limited) (Temesi, 2016, 59.).

Other changes in the period to come included the introduction of the ECTS-based credit system, the compulsory use of the diploma supplement, the quality assurance of higher education in line with European standards, and the enactment of the national qualifications framework (Temesi, 2016, 59.).

The emergence of foundation and church run institutions

Compared to the 1980s, after the change of regime, the government funded the higher education sector more significantly, leading to the creation of "alternatively funded institutions". In her study, Elvira Böcskei argues that Western examples are proof of the need for non-state higher education institutions: "It is no coincidence that the names of the Sorbonne, Yale or Columbia University are a guarantee of the knowledge of the professionals trained there" (Böcskei, 2003, 37.).

Although we are talking about universities of high reputation, I think it is worth bearing in mind the accessibility factor in higher education, in the spirit of equal opportunities. Similar criticisms were levelled at universities in the late 1990s, labelling them as 'elite' training institutions, 'fee-paying colleges', as there were many who considered tuition fees to be equivalent to a degree without investing time, energy and study (Böcskei, 2003, 62.). However, to speak of free higher education provided by the state is to say, in simple terms, that taxpayers contribute to the costs of higher education. In his study, Tamás D. Horváth points out that, in this process, middle and low-income families also contribute to the education of the children of wealthier families who would be more likely to be able to pay for their children's education (Horváth, 1992, 250.). There are several sides to accessibility and equity and the solution that is more favourable to the masses at a given time changes dynamically. Therefore, I do not necessarily think it is a good method to make a strong commitment to either side.

State funding did not increase in proportion to the expansion of higher education, which triggered the introduction of cost-efficiency measures by the institutions: such as shorter and cheaper courses, distance learning and restructuring of some elements of the structure, including privatisation (Doktor, 2008, 58.).

Based on a study by J.B.C. Tilak, Andrea Németh-Doktor distinguishes four levels of privatisation in higher education.

• Extreme privatisation, leaving institutions entirely exposed to and dependent on the market. This is not a typical form.

• Strong privatisation: most common in Latin American countries, it aims to recoup the costs of public education.

• Moderate privatisation: supplementing the costs provided by the state with tuition fees, endowments and other external sources.

• Pseudoprivatisation: they have both a legally autonomous status and state support, but their policies are in line with the higher education policy set by the state (Doktor, 2008, 58-59.).

According to D. C. Levy, it is important to keep certain criteria in mind when it comes to defining privatised institutions:

• Form of funding and level of state funding
• Degree of autonomy.
• Quality, type and societal benefits of training.
• Designation (Doktor, 2008, 59.).

Since 1991, it has been possible to set up institutions not maintained and funded by the state. This meant that both natural and legal persons were allowed to establish and maintain non- profit institutions, and foreign institutions were allowed to operate in Hungary (Derényi, 2009, 36.).

25 years ago, in 1998, there were a total of 89 higher education institutions, of which 34 were non-state institutions, 28 of which were church-run. In 2002, 15 percent of students were studying in foundation or church-run institutions, a proportion that stagnated at the beginning of the following decade (Temesi, 2016, 57.). Typically, these institutions are small and fragmented in terms of disciplines, and over time, they have evolved into professional colleges, polytechnics and universities of science with several faculties (Derényi, 2009, 37.).

Table 1 shows that in the 1992 academic year the share of students enrolled in private higher education was less than 1 per cent. This proportion had increased to 14 percent by the mid-2000s. In the academic year 2004/2005, "the share of students in foundation colleges was

8.2 percent, 5.4 percent in church-run colleges, within which the share of students in university education (3 percent) was slightly higher than that of students in colleges (2.4 percent)" (Doktor, 2008, 67.)

Table 1. Number of higher education institutions and students, classified by type of authority responsible for maintaining the educational institution, between 1990 and 2005

Academic year	Public		Church		Private		All	
1990/1991	66	107 607	10	550	1	219	77	108 376
1991/1992	66	113 788	10	623	1	279	77	114 690
1992/1993	66	122 842	21	1903	4	1129	91	125 874
1993/1994	59	135 695	28	6110	4	2755	91	144 560
1994/1995	59	157 404	28	7154	4	5382	91	169 940
1995/1996	58	177 482	28	9055	4	9049	90	195 586
1996/1997	56	191 291	28	10 629	5	13 195	89	215 115
1997/1998	56	224 695	28	12 655	6	17 343	90	254 693
1998/1999	55	243 077	28	14 291	6	22 029	89	279 397
1999/2000	55	266 144	28	16 227	6	23 331	89	305 702
2000/2001	30	283 970	26	17590	6	25 729	62	327 289
2001/2002	30	300 360	26	18 922	9	30 019	65	349 301
2002/2003	30	327 456	26	19 821	10	34 283	66	381 560
2003/2004	31	351 154	26	21 626	11	36 295	68	409 075
2004/2005	31	363 961	26	22 666	12	34 893	69	421 520

Source:Doktor, 2008, 66.

János Setényi distinguishes between economic privatisation and privatisation in higher education: while the former refers to the transfer of state property into private hands, in higher education it is understood as marketization, the two most common forms of which are the introduction of student fees and the transformation of educational goods into services (Setényi, 1992b, 284.). When the non-state institutions were established, the market objective was to cover the areas not targeted by the state institutions: thus, the offer was characterised by correspondence courses, and courses in economics, IT and social sciences with a transfer of knowledge regarding current problems (Derényi, 2009, 37.). In the 1990s, János Kodolányi University also offered courses in communication and art management, which were still new, and courses in journalism, tourism, jazz music and jazz singing were exceptional. In order to acquire practical and up-to-date knowledge, agreements with various institutions, businesses and editorial offices were common (Forray and Bognár, 2022, 16.). It can be said that the courses offered by non-state institutions are among the most popular ones, so that, in addition to detecting demand, these institutions also create and shape the demand side by offering courses (Szemerszki, 2003, 64.). This may be due to the fact that these institutions are able to react more quickly to changes and are more flexible compared to their state-maintained counterparts (Doktor, 2008, 59.) In her doctoral thesis, Mariann Szemerszki concluded that non-state higher education institutions do not form a homogeneous group: the historical and social circumstances of their foundation may be different, as some of them were already in existence in some form before the 1990s. We can also speak of higher education institutions with a strong regional interest or international character (Szemerszki, 2003, 84.). János Setényi also draws attention to the heterogeneous nature of privatisation and argues that it is not worth focusing on ideological, ideal-typical approaches, but rather on the elements within the process, which may be mixed in the case of a single institution (Setényi, 1992a, 190).

Church-run universities

In Hungary, Act CCIV of 2011 on Higher Education defined that ecclesiastical higher education institutions are considered as educational institutions maintained by ecclesiastical legal entities. The fact that non-ecclesiastical higher education institutions are not allowed to offer theological studies or religious education contributes to the relevance of church- maintained institutions (Gloviczki, 2021, 68-69.).

According to József Zsengellér, Vice Rector for Strategy at the Károli Gáspár Reformed University, the task of ecclesiastical higher education is to "serve the education, teaching and identity formation of the social strata and groups represented and covered by the church." (Zsengellér, 2018, 3.)

Church-run higher education institutions exist all over the world. In his study, Zoltán Gloviczki cites Pope John Paul II's 1990 encyclical Ex corde Ecclesiae, an apostolic encyclical that defines the vision of the Catholic Church on higher education and is a guiding document for higher education institutions that also offer secular courses.

„At the heart of the guidelines is humanity: the achievements of science and technology must be assessed by these institutions from the perspective of the whole human person. Their fundamental vocation is to organise the university citizenry into a true community, and to be outwardly mindful of and supportive of the larger community of society at all times. Commitment to the search for and the transmission of truth, and the assertion of organisational and academic autonomy, do not conflict with the need to be faithful to Catholicism and to suggest a Christian outlook" (Gloviczki, 2021, 66.)

Compared with universities run by the Catholic Church, Protestant-affiliated institutions are more fragmented, partly because of their decentralised nature and partly because they are smaller. As a consequence, they do not have a mission statement of a similar scale or a common direction (Gloviczki, 2021, 67.). Thirty years ago, in 1993, the Hungarian state recognised the Pázmány Péter Catholic University and the Károli Gáspár Reformed University. Prof. Dr. József Zsengellér, in his writing about the Károli Gáspár Reformed University, recalls that during the first 15 years of the university, due to constant change, it did not necessarily fulfil the role expected of it, but since then he considers that the university has established a solid place in the church (Zsengellér, 2018, 3.).

The foundation-run universities

Katalin Forray R. and Mária Bognár in their study argue that most of the colleges that were founded in the period after the change of regime, were able to survive if they were maintained by the church or the state. In this respect, they consider the history of the János Kodolányi University, founded in 1992, to be outstanding (Forray – Bognár, 2022, 13.). The foundation of the institution was organised from below and geographical interest played a significant role.

„The idea of creating a college in 1991 was the brainchild of the excellent professional staff of the Attila József High School in Székesfehérvár. The initiative of two ambitious young teachers, Lajos Rockenbauer and Péter Ottó Szabó, was the reason for the foundation of the college (...) Bertalan Andrásfalvy, Minister of Education, supported the initiative, since Székesfehérvár, a city with a long history and good economic potential, had been trying to join the higher education system in Hungary for quite some time." (Forray – Bognár, 2022, 15.)

They found that there was no "protective line" behind private sector institutions compared to church universities, yet there were positive examples of survival - the reason for this is explained with the idea of the "protagonist" and the "patron" (Forray – Bognár, 2022, 15.). These institutions received support from the municipality and the World Bank to purchase the necessary equipment. Initially, tuition fees were charged, but there was still a great interest in the courses: in the first academic year, there were already 3,000 students, and after a certain time external training sites were opened - in Budapest, Siófok and Orosháza (Forray and Bognár, 2022, 16.).

The gradual decline in the student population from 2005 onwards affected the Kodolányi János University, as it threatened the very existence of the institution. Although the beginnings were defined by building from the bottom up, it can be seen that, in addition to expanding the range of courses and innovative teaching methods, the period of crisis meant that a 'patron' had to step in to ensure survival (Forray – Bognár, 2022, 19-20.).

Current situation and challanges

The privatization of higher education in Hungary can be compared in many respects to the experiences of other post-communist countries, such as Poland and the Czech Republic. In all three countries, non-state institutions emerged as part of the liberalization that followed the change of regime, but in Hungary the proportion and role of church institutions was particularly significant (Polónyi, 2012).

Rapid expansion and privatization brought a bunch of problems to the surface, like quality control issues, funding problems, and growing social inequality. The introduction of tuition fees was especially controversial, as many thought it would reduce equal opportunities (Horváth, 1992).

The expansion of higher education has increased the proportion of highly skilled workers, which has had a positive impact on the Hungarian economy. At the same time, the declining value of degrees and the saturation of the labor market have created new challenges (Szemerszki, 2003).

Today, church and foundation institutions are stable players in Hungarian higher education. However, demographic decline and changing funding models necessitate further reforms. Due to the decline in birth rates, fewer students are entering higher education, which threatens the capacity utilization and sustainability of institutions. In addition, changes in funding models—such as declining state subsidies and the rise of foundation-supported institutions—require new economic and operational strategies. Together, these factors are pushing the higher education system to adapt (Gloviczki, 2021).

Gloviczki emphasizes that institutions need clear and unique profiles in order to be competitive. This applies in particular to church and foundation institutions, which must make use of their specific values and traditions. Cooperation between institutions and the reduction of duplication are recommended as reforms to avoid unnecessary competition in the same areas of training (Gloviczki, 2021).

Due to demographic decline, fewer students are expected, so training programs need to be adapted to labor market needs. Gloviczki points out that higher education needs to respond more quickly to economic and social changes, such as digitalization and the challenges of the green economy. This could include introducing shorter, practice-oriented courses, strengthening adult education and lifelong learning, and programs aimed at attracting international students (Gloviczki, 2021).

he emergence of foundation-supported institutions has brought new funding structures. With declining public funding, institutions need to diversify their sources of income, for example through grants, corporate partnerships or own services (e.g. research, consulting). It may be necessary to develop a more sustainable financing model that balances public, private, and foundation resources while ensuring the quality of education (Gloviczki, 2021).

The reforms in Hungarian higher education following the change of regime, particularly the spread of church-run and foundation-run institutions, fundamentally transformed the sector. Although privatization and expansion have brought challenges, they have contributed to the diversification of higher education and increased social mobility. Future research should focus on issues of quality assurance and equal opportunities.

CONCLUSION

Parallels between the model change and privatization after the fall of communism

Hungarian higher education reforms following the regime change, particularly the emergence of church and foundation-based institutions, show parallels with the transition to foundation- based models in the 2020s. In the 1990s, Act XXIII of 1990 enabled the establishment of non- state-funded institutions, introducing new financing and operational models to the sector (Böcskei, 2003). Similarly, in the 2020s, several state universities transitioned to foundation- based management, such as Corvinus University, which began this shift in 2019 (Keczer, 2022). This transformation responds to declining state funding and aims to increase institutional autonomy, much like non-state institutions in the regime change era sought flexible adaptation to market demands.

Elvira Böcskei's study emphasizes that Western examples, such as the Sorbonne, Yale, or Columbia University, demonstrate the excellence and competitiveness of non-state-funded institutions (Böcskei, 2003, 37). This idea remains relevant today, as the introduction of the foundation model at Corvinus University and other institutions aims to adopt the operational structures of leading international universities, for instance, through diversified funding sources and strengthened corporate partnerships (Keczer, 2022). However, as during the regime change, this process faces challenges: quality assurance, maintaining equal opportunities, and ensuring financial stability remain critical issues.

A common feature of post-regime change privatization and the current foundation-based transition is that both aim to make higher education more flexible and globally competitive. The key to success lies in whether institutions can adapt to the changing environment while preserving their unique profiles and societal roles. The future of Hungarian higher education depends on the success of these reforms, which, inspired by the Western models cited by Böcskei, could open a new chapter in the sector's history (Böcskei, 2003, 37).

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