



MINISTRY
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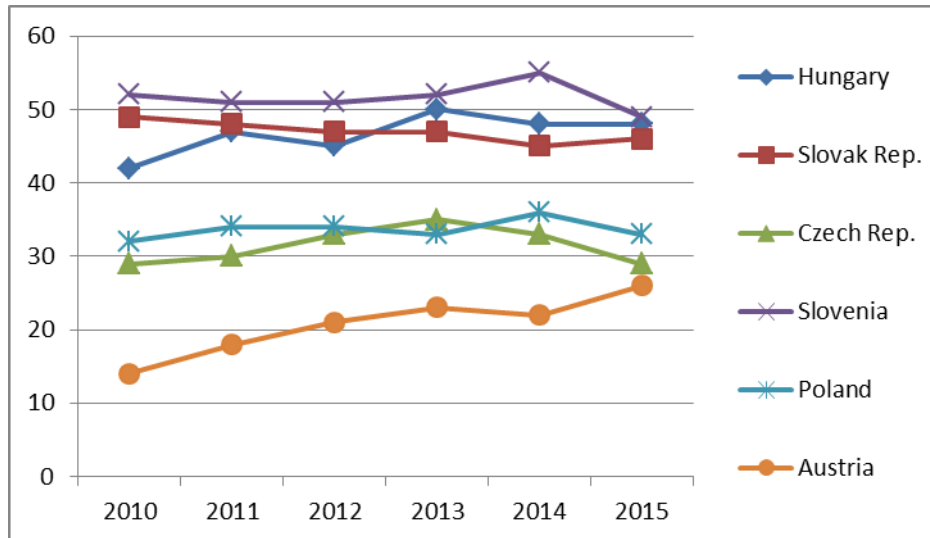
Hungary's competitiveness to be improved through education

One of the key determinants of competitiveness is the quality and effectiveness of education. In order to improve it, in 2016 the implementation of teachers' career model will be continued in Hungary. One element of that is a wage hike of 10 percent which – along with the lowering of the personal income tax rate – is expected to create a career model that will be attractive enough to persuade the most talented youth to become teachers.

The fact that education is one of the components of the IMD World Competitiveness Scoreboard published by Switzerland-based International Institute for Management Development highlights the significance of education in terms of a country's development grade. Altogether eighteen factors are assessed to evaluate how education contributes to competitiveness. These factors include, among others, the level of school attainment, illiteracy, foreign language competence, PISA study results or the teacher-per-number-of-students ratio. In the latest, 2015 Competitiveness Scoreboard Hungary ranked as 48th out of 61 countries examined, which signals that the situation remained unchanged compared to 2014. In Central and Eastern Europe, countries are divided into two groups. There are no large differences between the rankings of the region's best performers, with Austria ranked as 26th, the Czech Republic as 29th and Poland as 33rd. The other group is composed by Slovakia (rank 46), Hungary (rank 48) and Slovenia (rank 49), which countries are close to each other. Over the past years, the placement of Hungary and Slovakia has not changed much, while Slovenia has advanced by six notches and for the first time since 2009 it is now back among the top 50 most competitive countries. The Czech Republic reached rank 29 in 2010 then again in 2015, while over the four years in-between it did not make it to the top 30. Among these countries, in comparison to former years Poland does not signal significant changes in competitiveness, but Austrian data show deterioration year after year. Compared to 2010, by 2015 Austria fell back by 10 places in the ranking following years of weakening performance.



IMD World Competitiveness Scoreboard rankings 2010-2015



Source: IMD

In order to boost Hungary's competitiveness, the quality of education must be improved. According to the latest [OECD study on Hungary](#), among the CEE countries it was Hungary where the education expenditures-to-GDP ratio saw the largest decline between 2008 and 2011. Teachers' wages constitute the bulk of education expenses. Through a 10 percent wage hike, Hungary aims to make this profession more attractive for those leaving the secondary education system and it also hopes to stimulate those who have already decided to become teachers to study more vigorously.

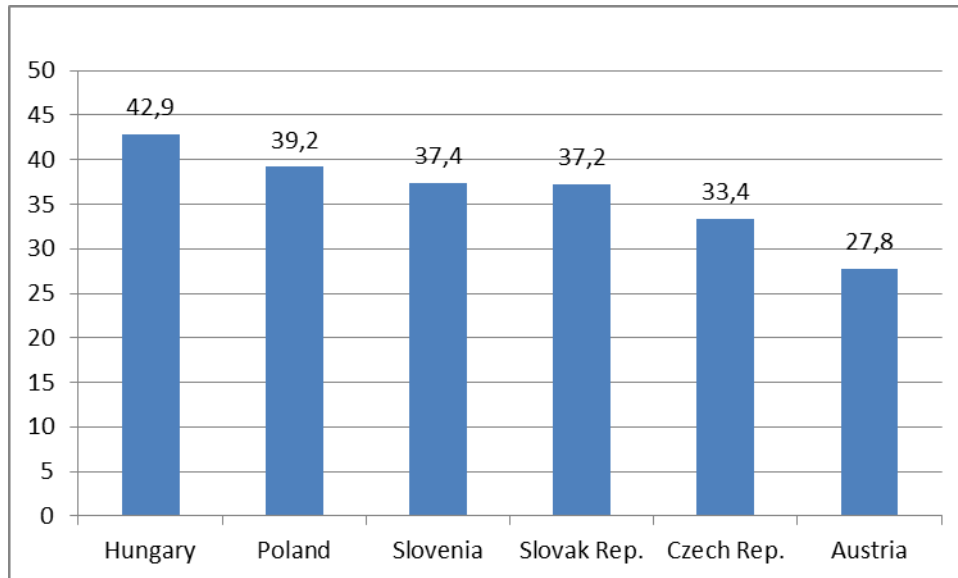
The OECD study shows that a large share of tax revenues comes from income taxes. In 2016, however, the incomes of not only teachers but those of everybody in employment are set to rise, as the Government is to cut the personal income tax rate by 1 percentage point to 15 percent. **The Government even expects to introduce a single-digit personal income tax as of 2018.** The significant increase in teachers' wages is seen to boost the value and social esteem of the profession, more highly talented and motivated future university students will opt for this career and that will produce a higher number of skilled and gifted professionals.

The reduction of the personal income tax is also a vital measure as among the CEE countries it is Hungary where the share of taxes on income and capital gains is the highest: these constituted 42.9 percent of total tax revenues in 2011.



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Breakdown of revenues from income and capital gains taxes in 2011 (% of total)



Source: OECD

In the long term, wage increases are expected to improve the quality of education through boosting teacher excellence, but OECD data indicate that some measures with short-term effects are also necessary. The OECD's international comparative study demonstrates that the PISA results of Hungarian children are well behind the regional average. The PISA study evaluates three main fields: mathematics, natural science and reading literacy. In light of the OECD paper, in 2012 Hungarian pupils scored higher than Slovaks in the field of natural sciences, while with regard to mathematics they performed better than Slovaks and Slovenians. Major education reform measures expected to boost short-term competitiveness are already being implemented. In order to have even better results at the three-yearly test, almost **one-tenth of teachers, some 15 thousand of them, are to sit for qualifying exams** and a new school-inspector system has been launched. In addition to boosting educational efficiency, these measures are also aimed at supporting horizontal knowledge-sharing of teachers and developing an educational knowledge-management system.

The number of full-time teachers within the public education system exceeded 153 thousand in the 2014-2015 school year. This also contributed to the fact that the number of people in employment has been above the 4 million mark for the fifteenth consecutive month. In the period February-April 2015, the number of people in employment aged 15-74 years was up by 73 thousand year-on-year to 4 million 141 thousand.



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The Master Teacher and Researcher Teacher titles have also been introduced with the aim of increasing the attractiveness of the profession. The main objective has been to establish a system which can motivate practising teachers to self-educate themselves. Master teachers will be excellent professionals who participate in the renewal of teaching practices, fact-based development, the sharing of new results and in the support of colleagues. Through their activities they impact mainly their own institution and the work of their immediate professional environment. Activities of a researcher teacher are from several aspects similar to those of a master teacher, except that they also outstandingly and regularly contribute to the field of public education research and development. They share results and the outcomes of R&D processes with their immediate work environment and also beyond.