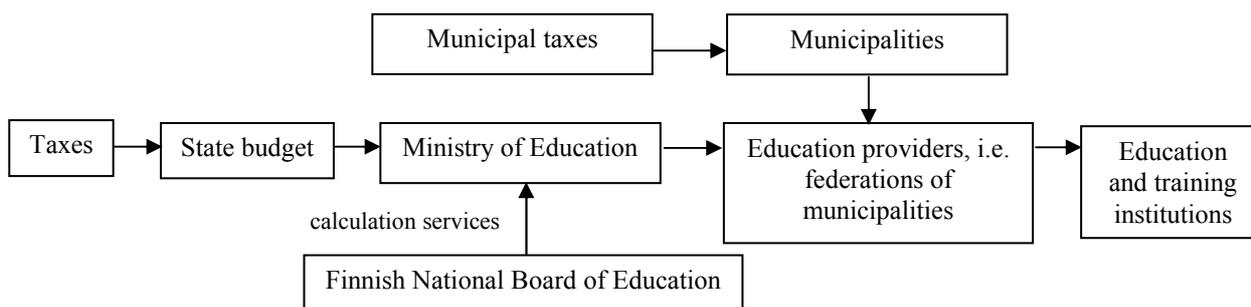


## 10. Financing: investment in human resources

### 10.1. Background information

Figure 6: Simplified chart of flows of funding of IVET in Finland (training provided by federations of municipalities)



Source: Finnish National Board of Education, 2006.

The Ministry of Education is responsible for funding education and training (see Annex 3, Act 635/1998 on the Financing of Educational and Cultural Provision) except for labour market training which is the responsibility of the Ministry of Labour. Responsibility for educational funding and capital expenditure is divided between the State and local authorities. The funding criteria are the same irrespective of ownership. Labour market training is mainly purchased by the labour authorities from the different training providers (see Glossary) but there can also be joint labour and education authority measures for training the employed.

Vocational education and training are primarily financed through public funds. This will continue to be the case, although there are continuing discussions about increasing the share of financial contributions from employers and individuals.

Decentralisation of educational administration has been a key aspect of education policy since the 1990s. Decision-making has been increasingly handed over by central government to education providers. This also applies to funding: education providers have relatively extensive powers to decide on the use of their funds. In recent years, attention has also focused on the effectiveness and quality of vocational education and training.

Funding received from the European Union has diversified the funding model for vocational education and training. EU funding is mainly used to finance development projects related to upper secondary and vocational further education and training (see Glossary). In addition, EU aid is allocated to training intended for the unemployed.

## 10.2. Funding for initial vocational education and training

State subsidies for operating costs (including teachers' wages) are granted according to annual calculations per pupil, lesson or other unit. Unit prices are scaled to allow for cost differences between various fields of education. Other factors included in the calculation are special educational needs. Funding criteria are uniform irrespective of ownership.

The subsidy is calculated to cover 45.3 % of operating costs. The most significant factor influencing the amount of state subsidy is the number of students. The municipality must fund its students even where they choose to study at a provider elsewhere. The state subsidy is payable to the education provider; it is not earmarked for a particular purpose. In addition, some vocational institutions (see Glossary) are awarded performance-based funding. Training providers can also sell services to raise income.

Performance-based funding was introduced in 2002 when education providers were granted separate state subsidies based on their performance. The system became a part of the unit price determination in 2006. Performance-based funding is approximately 2 %, roughly EUR 20 million of the whole funding of vocational education.

The allocation of performance-based funding distribution is based on the performance-based funding index, which has been combined from the following indicators:

- effectiveness (job placement and further studies);
- processes (dropping out, % ratio of qualification certification holders to entrants);
- staff (formal teaching qualifications and staff development).

When the performance-based funding index is calculated, indicators are assigned different 'weights' of importance, as shown in the table below.

Table 10: *Indicators of performance-based funding for upper secondary vocational education and training in 2006*

Indicators	Weight of indicator in 2006
(%)	
<b>Effectiveness</b>	
Employment	40
Further studies (in higher education)	15
<b>Processes</b>	
Dropping out	15
% ratio of qualification certificate holders to entrants	13
<b>Staff</b>	
Formal teaching qualifications	11
Staff development	6

Source: Finnish National Board of Education, 2006 <sup>(12)</sup>.

<sup>(12)</sup> [www.oph.fi/info/rahoitus/tulosr06/turase2006.pdf](http://www.oph.fi/info/rahoitus/tulosr06/turase2006.pdf).

In 2004, total operating costs of vocational institutions amounted to EUR 1 107 million: the average unit cost per student was EUR 8 467.

Instruction is usually free of charge at all education levels. Basic education is completely free of charge for pupils but for higher levels students may have to pay for study materials, meals and transport. Students receive financial aid for full-time post-basic studies lasting at least two months. It is payable for studies at upper secondary schools, folk high schools, vocational institutions, polytechnics or universities through to doctorate level. Financial aid is also available for study abroad. Financial aid comprises a study grant, a housing supplement and a government-guaranteed student loan. There is an adult study grant for mature students, which is determined according to different criteria.

The State covers most of the funding of apprenticeship training, accounts for 77 % of the unit price confirmed by the Ministry of Education, which is confirmed separately for upper secondary and vocational further education and training. The unit price is a calculated amount which does not exactly correspond with the real costs. The employer pays apprentice wages as per the collective labour agreement (see 4.3.2.).

In 2004, total expenditure on apprenticeship training amounted to about EUR 129 million. The funding of the school-based element stood at approximately EUR 61 million, accounting for almost 50 % of total expenditure.

The public costs per student for apprenticeship training leading to qualifications were approximately EUR 4 873 in 2004. The costs of further training per student, where there is no resulting formal qualification, was approximately EUR 3 057.

### **10.3. Funding for continuing vocational education and training**

The Act on the Financing of Educational and Cultural Provision also covers most educational institutions providing adult education and training. Each year as part of the budget, the Ministry of Education confirms the maximum number of lessons or other indicators for each type of institution and the education provider is then granted state funding for adult education operating costs.

Funding for the operating costs of basic education, upper secondary vocational education and training and general upper secondary education arranged for adults (*aikuislukio*, *vuxengymnasium*) is granted along the same lines as for the corresponding education for young people. The local authorities participate in funding certificate-oriented adult education and training along the same lines as apply to youth level education.

A system for funding vocational further education and training has been applied since the beginning of 2001. Examples are training for vocational and specialist vocational qualifications and language proficiency tests. The education provider receives funding from

the State as state subsidies and institutions offering liberal adult education, polytechnics and universities receive subsidies from the State Provincial Offices (see 3.1.2.).

State Provincial Offices, which represent the intermediate level of administration, decide on the allocation of appropriations for the Noste programme (see 5.1.3.). The prime aim of the programme, which has been granted EUR 30 million in 2006, is to raise the educational level of adults with low educational attainment over the years 2003 to 2007.

It is also possible for the institutions providing adult education to receive a discretionary state subsidy for investment, depending on the decision of the Ministry of Education and within the limits of the state budget. Such investment can be directed, for example, to the development of further education and training.

All 40 vocational adult education centres (see Glossary) and eight national specialised vocational institutions receive operating subventions for education provided as chargeable services; these account for 10 % of average operating costs in the three previous years.

Vocational institutions may arrange upper secondary vocational education and training for adults. The financing system of adult education and training is similar to that of upper secondary vocational education and training for young people. Adult education in polytechnics observes the same principles as other polytechnic education.

Some sectors of trade and industry maintain their own institutions, known as institutions for specialised training (*Ammatilliset erikoisoppilaitokset, Specialyrkesläroanstalterna*). These 42 institutions receive a state subsidy, which is included in the funding figures for central government above. In addition the financing of institutions for specialised training is composed of funding from the owner, the revenue from selling products and services, and from trainee fees.

#### **10.4. Funding for training the unemployed and other vulnerable groups**

The targets of labour market training are to balance the supply and demand of the labour force, to meet the demands of the labour force, and to prevent unemployment. Within the framework of the state budget allocation, the labour administration acquires employment training mainly for the unemployed and for those under threat of unemployment. Training for these groups is provided by vocational adult education centres, vocational institutions (see Glossary) and universities.

The training of the unemployed is mainly provided by institutions supervised by the Ministry of Education but funded by the Ministry of Labour. The regional and local labour administrations, under the Ministry of Labour, are responsible for purchasing training courses for the unemployed from a variety of training providers. The Ministry of Labour allocates the

budget to the employment and economic development centres (see 3.1.2.). These district organisations fund employment training directly, they also allocate money to the local employment offices to acquire training locally.

In addition to the state institutional funding structure for training the unemployed, employers can also contribute to financing employment training on a joint basis with the labour administration. Such an arrangement can be used when a company is restructuring its production and needs to hire personnel with new skills and/or needs to retrain its existing staff. The employer and the local labour office negotiate the joint funding for the required training courses. The joint purchasing of employment training by the labour administration and employers represents a minor share of total employment training.

The benefits received while attending employment training follow the pattern of normal unemployment benefits. They include a grant plus maintenance and accommodation reimbursement. In 2004 the majority of labour market training was maintained by local authorities; 54 200 people completed a labour market training.

EU programmes have brought a new element to national employment policies. The Objective 3 programme of the European Social Fund is a development programme to seek, experiment with and produce new solutions and to disseminate good practices to Finnish labour, industrial and education policies.

The total budget of the programme for the period 2000-06 amounts to EUR 1 510 million, of which the EU share accounts for EUR 410 million. National funding comes from the national budget (EUR 540 million) and from the municipal sector (EUR 85 million). In addition, private funding totals an estimated EUR 460 million. The objective of the programme is to provide work and training for about 250 000 people <sup>(13)</sup>.

---

<sup>(13)</sup> Available from Internet: [http://www.mol.fi/esr/en/ESF\\_in\\_Finland/index.jsp](http://www.mol.fi/esr/en/ESF_in_Finland/index.jsp);  
[http://www.mol.fi/esr/fi/\\_\\_yleiset/YleisGBscreen.pdf](http://www.mol.fi/esr/fi/__yleiset/YleisGBscreen.pdf) [cited 10.7.2006].