



MINISTRY OF EDUCATION AND CULTURE  
FINLAND

# Performance-based funding in VET in Finland

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# VET in Finland

- Part of public education system and funded from the state budget
- Governed by the Ministry of Education and Culture
- Network of 136 non-governmental VET providers who are funded by the state and who act in accordance of the law on VET
- VET in Finland consists IVET, CVET, Apprenticeship training and VET for students with special needs
- Compulsory education for everybody under 18 years even if the comprehensive school ends at the age of 15/16 (9 years)

# How the state steers VET providers?

- Normative steering
  - Legislation on VET and on funding of education and culture services
  - Authorisation to provide VET by the Ministry
  - National qualification requirements (160 qualifications)
- Financial steering
  - Financing model based on legislation
  - Funding based on annual state budget
- Guidance by information based on
  - Legislation
  - Programme of the government

# Current financing model

- Basic funding 70 % based on the volume of the students participation which consists of "student years"
- Performance based funding 20 % based on completion of qualifications and qualification units
- Effectiveness based funding 10 % based on employment, entrance to higher education and employer / student feed back
- Basic and performance-based funding take cost factors into account.
- There are more than 40 different coefficients that increase or decrease the weight of an individual performance output.

# Summary of the financing of VET

- The vocational education and training provider shall be granted, computationally, basic funding (70%), performance funding (20%) and effectiveness funding (10%) of the amount of each contribution in euros corresponding to the proportion of the education provider's performances of all education and training providers of the contribution in question.
- This system has been in use since 2018. Before that there were separate financing mechanisms for IVET, CVET, apprenticeship training and for VET for students with special needs. Those were all based on number of students taking into account variation of costs in different qualifications.

# Weighting factors and coefficients

- The funding model includes 17 different weighting and increase factors that take into account costs and steer the activities of education providers. Each weighting and increase factor has 2-8 coefficients, in total over 40 coefficients. Including:
- cost category: levelling out differences in the costs of qualifications and training at different prices
- type of qualification: three different types of qualifications
- type of training with specific costs: labour market training for unemployed, personnel training (taking into account the the funding share from employers), prison teaching.
- compulsory education: to compensate for education free of charge under the Act on compulsory Education
- accommodation: additional costs of different types of student accommodation
- - special support: additional costs of special support and demanding special support

# Simple evaluation of the system

## Why performance-based funding?

- Focus on outcomes: completion of studies and employment / further studies in higher education
- Right incentives to VET providers to improve their performance

## What are main problems of the system?

- Too complex to understand the connections between performance and funding.
- Difficulty to set focus when everything is taken into consideration
- Too much weight on basic funding (participation in studies) instead of outcomes (graduation and employment)

# Essential elements of financing system

Financing system is

- Based on reliable data
- transparent and easy to understand
- stable and predictable
- in line with policy objectives of the government

Good financing system secures long term funding for VET colleges so that they can invest on personnel and infrastructure needed to provide quality training.