

**THE FINANCING OF
LIFELONG LEARNING**

FINLAND'S COUNTRY REPORT FOR THE OECD

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FOREWORD

The topic of the OECD meeting of the Education Committee at Ministerial Level held in January 1996 was “Making Lifelong Learning a Reality for All“. The OECD Secretariat had drafted wide-ranging background material for the meeting, which after having been given its final touches was published by the organisation under the title “Lifelong Learning for All“. In their joint statement given at the conference, the Ministers of Education declared:

“There are substantial potential benefits from lifelong learning, and increased investment is likely to be needed if these are to be realised. Incentives must be found which will mobilise new resources, but how the responsibility of such investments is shared will depend on the traditions and circumstances of different Member countries. While some countries are prepared to fund lifelong learning largely from the public purse, others will need to find ways of mobilising investment if it is to be affordable... Ministers... request the OECD to deepen its analysis of policies which offer incentives for learners, their families, employers and other partners to mobilise larger investments for learning, and which promote cost-effectiveness, equality and quality in tertiary education.“

The Education Committee of the OECD initially agreed in April 1996 to undertake work to follow-up on financing questions raised in the Ministerial Meeting. In November 1996, the Committee recommended focusing further work on the underlying issues in finance, particularly incentives and affordability, and document good examples of how various financing options might be used as instruments of strategic policy. Affordability, in this context, is understood to refer to the methods and the extent to which the resources needed to meet the costs are mobilised. To this end, three avenues of work are to be explored:

- developing, on the basis of country reports compiled by national experts, an inventory of current, new and emerging strategies for mobilising the investment required for the implementation of lifelong learning for all, and for improving its returns and reducing its costs;*
- undertaking an analysis of issues and options in the financing of specific sectors and stages in lifelong learning provision, using sectoral case*

studies prepared by national experts in volunteering countries, as well as materials and reports emerging from on-going work in the Secretariat; – establishing, with input from national and invited experts, a set of goals and related criteria for judging the affordability of aspects of lifelong learning and the appropriateness of the various arrangements that might be used to finance it, and to draw out the policy lessons and implications.

In order to launch the first avenue of activity, the OECD Secretariat began to prepare drafting instructions for country reports. This draft was discussed at the experts' conference in Stockholm in March 1997. In April 1997 the OECD Secretariat sent final instructions to the Member Countries and asked them to express possible willingness to compile a report. Mr Olli-Pekka Heinonen, Finland's Minister for Education, decided in May 1997 that Finland will draft a country report.

The essential contents of the instructions drafted by the Secretariat for country reports can be summed up as a request to answer the following questions:

How extensive is the supply of learning opportunities and their use, or in more traditional terms, the participation in each form of education at the present moment?

What political objectives have been set to increase participation in education?

What kinds of costs would the implementation of these political objectives involve under the present forms of financing?

Could public funding be found for implementing these political objectives by savings through developing the financing of various forms of education in such a way that they would encourage educational institutions to organise education in a more cost-effective and influential way?

Could incentives be developed in order to obtain private funding to reach the political objectives which would increase the willingness of individuals and employers to invest in education?

This report deals with these questions as follows:

Chapter 1 *presents the present rate of participation in education.*

Chapter 2 describes the objectives for increases in educational participation set out in present political documents.

Chapter 3 presents an analysis of how these objectives have already been reached and how participation in education should still be increased in order to meet these objectives.

Chapter 4 describes the suggestions made by the Committee for Lifelong Learning to increase participation in education. These suggestions have been compiled in preparation for political decision-making and provide a view of the questions which are likely to be the focus of political discussions in the near future.

Chapter 5 provides a description of education insurance and the public debate surrounding it. The idea of this chapter is to make visible some aspects of the political atmosphere in which the strategy for lifelong learning is being developed.

Chapter 6 presents calculations of the costs included in the present financing arrangements realising the objectives mentioned in political documents and the suggestions made by the Committee for Lifelong Learning would cause with the present financing arrangements.

Chapter 7 presents the present funding arrangements of the various forms of education and an evaluation of their effects on cost-effectiveness.

Chapter 8 presents two examples of good practice: the reform of AMK institutions (polytechnics) as an example of a reform aimed at increasing the effectiveness of educational financing, and the competence-based vocational qualification system as an example of a reform aimed at reducing the costs of education and finding new sources for the financing of education.

Chapter 9 presents the conclusions.

Minister Heinonen gave Counsellor of Education Jorma Ahola responsibility for compiling the report. The following experts have contributed to the report: Counsellor of Education Jorma Ahola (adult education, general texts), Counsellor of Education Risto Hakkarainen (competence-based vocational qualifications), Senior Inspector Virpi Hiltunen (students' financial aid), Development Manager Kirsti Kylä-Tuomola (universities, education insurance), Secretary Markku

Lahtinen (apprenticeship education), Senior Government Secretary Tarja Lehtinen (vocational education), Senior Government Secretary Marjatta Lindqvist (polytechnics), Senior Inspector Tarja Olenius (vocational education), Special Researcher Olli Poropudas (vocational education), Counsellor of Law Arto Sulonen (government subsidy system), and Counsellor of Education Matti Votka (general education). Senior Inspector Tuija Leminen has written the parts of the text which fall under the responsibility of the Ministry of Labour.

Helsinki, 30 June 1998

Director Markku Linna

THE SYSTEM OF EDUCATION IN FINLAND

Finnish educational policy characteristically strives to achieve a consistent improvement in the overall level of education and to ensure that all population groups have as equal access as possible to education to the benefit all geographical regions. The expansion of higher education into a network covering the whole country in the 1960s and 1970s, the transfer from the parallel system to the comprehensive system during the 1970s, the overhaul of initial vocational training in the 1980s, and the establishment of the polytechnics in the 1990s are all manifestations of this approach. During the present decade, the aim of improving educational standards and equality has been supplemented by the objectives of flexibility in the educational system, the expansion of individual options, and internationalisation.

The comprehensive school is a nine-year system providing education for all children of compulsory school age, usually from the age of 7. Approximately two thirds of 6-year-olds attend pre-school education provided either by a day care centre or a comprehensive school.

Post-comprehensive school education is provided by upper secondary schools and vocational institutions. **The upper secondary schools** offer a 2–4 year general education curriculum, at the end of which the pupil takes the national matriculation examination. **The initial vocational qualifications** take 2–3 years to complete, but the two-year qualifications are being gradually phased out.

After the upper secondary school or initial vocational qualification it is possible to continue on to a polytechnic or university. In 1998 it is still the option of commencing studies leading to higher vocational (post-secondary level) qualifications in a vocational institution, as under the previous system.

The polytechnics began to function in 1991, when the Council of State granted the operating licences for the first trial units (the so-called temporary polytechnics). The aim of the polytechnic reform has been to raise the level of the higher vocational education and to clarify the educational structures. The curricula of the polytechnics take 3–4 years to complete, and their compilation has been based on the previous post-secondary and higher vocational levels.

The consolidation of the polytechnics began in 1996. The target is to consolidate the whole of the polytechnic system by the year 2000. The number of polytechnics will then be 25–27, and the majority of them will be multi-disciplinary.

There are 20 **universities** in Finland, half of which are multi-disciplinary. Higher education is also provided by the Military Academy which comes under the jurisdiction of the Ministry of Defence. In universities, the Bachelor's degree takes 3–4 years to complete, while the Master's degree takes 5–6 years. On completion of the Master's degree, students can continue on to take a licentiate's or doctor's degree.

Within the domain of **adult education**, the comprehensive school and upper secondary school education, initial vocational training, and post-secondary level education as well as training leading to polytechnic and university degrees is provided with the same objectives as in youth education. Those at work are provided continuing training at all levels in order to help them maintain and improve their professional skills. The different forms of general studies allow adults to improve their general knowledge and acquire a variety of civic skills and other practical knowledge and skills needed in every-day life.

Chart 1. *Youth education system*

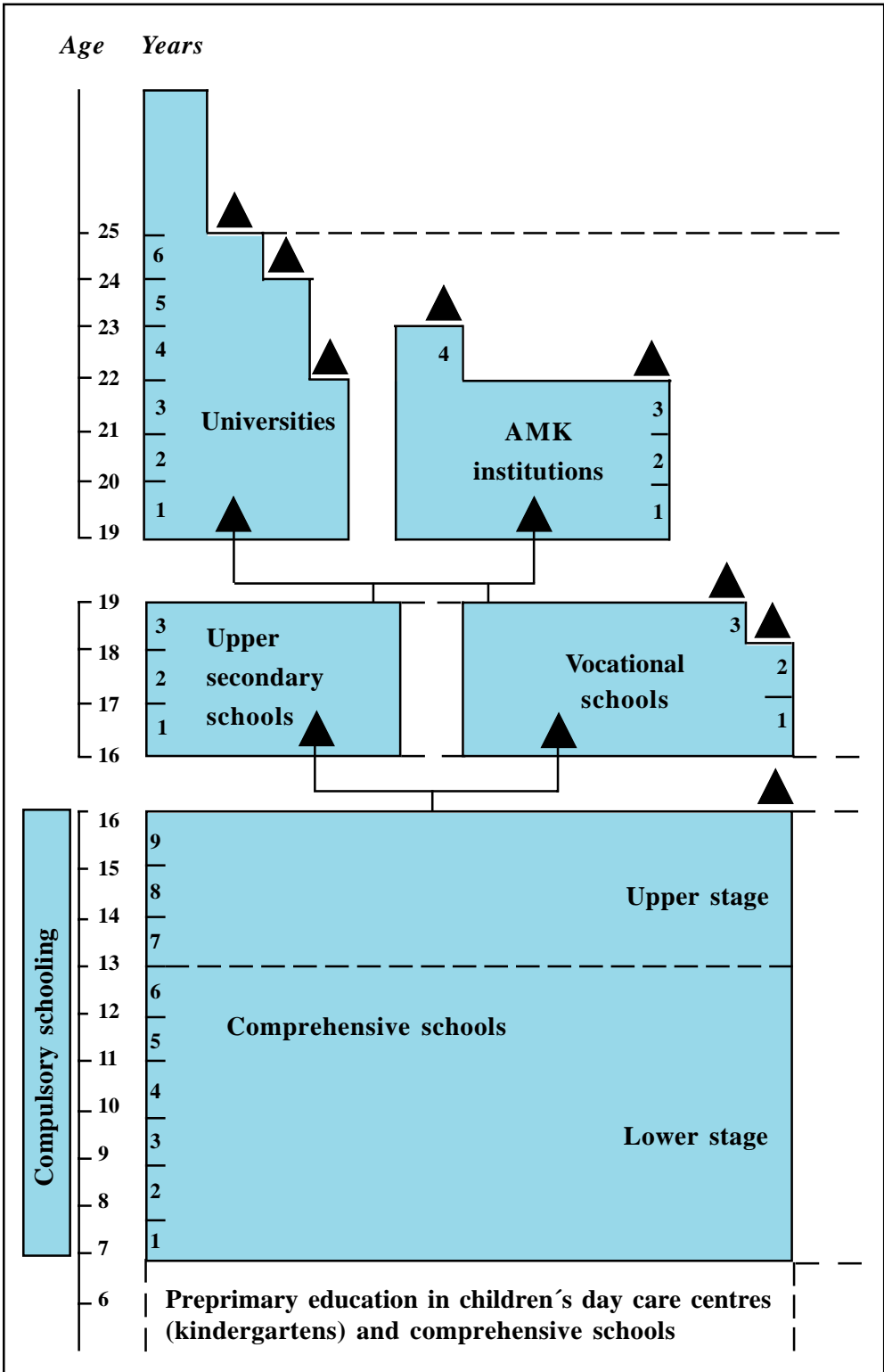
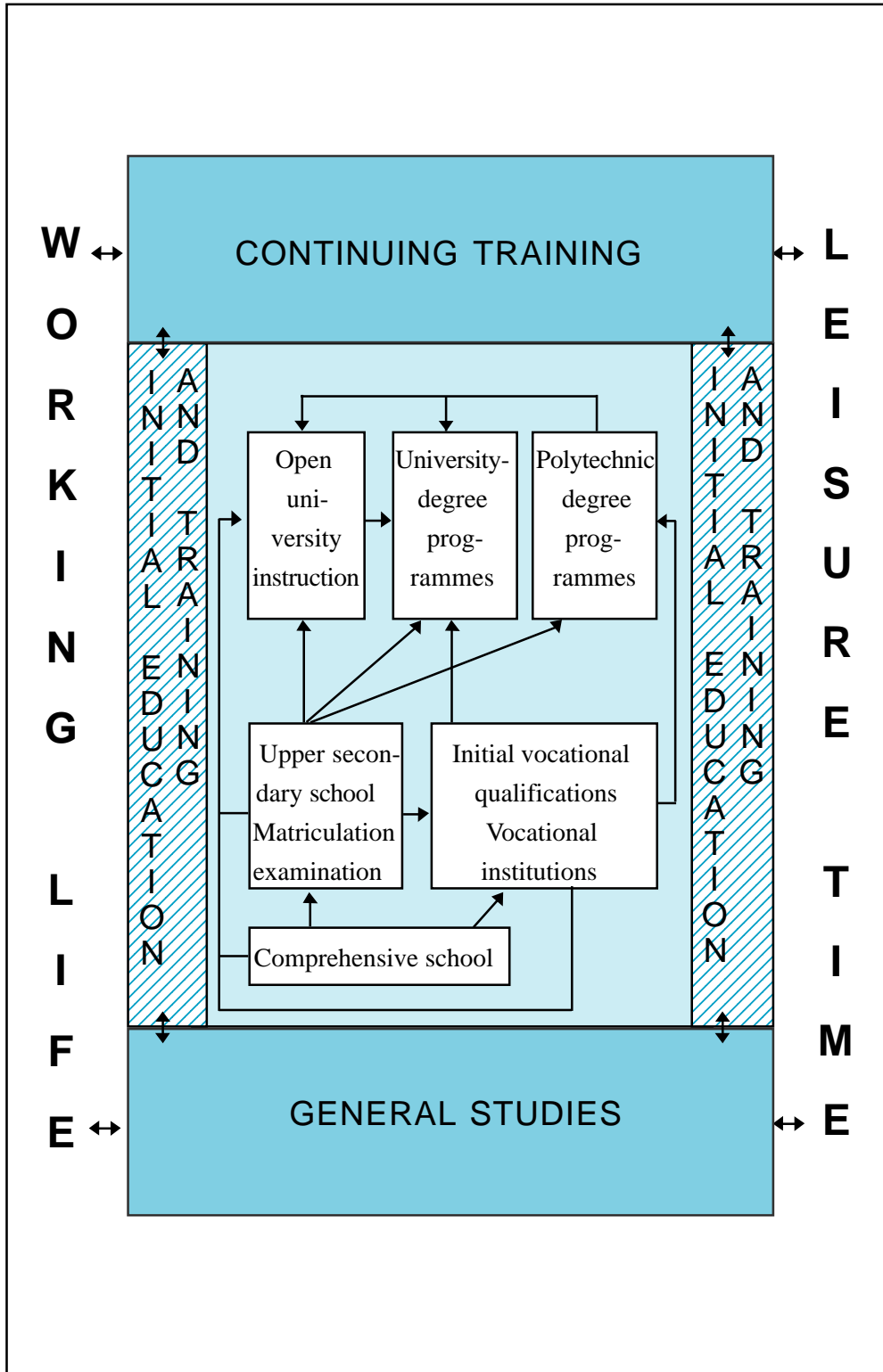


Chart 2. Adult education system



1. CURRENT PARTICIPATION IN EDUCATION AND THE STUDENT FINANCIAL AID SYSTEM

1.1. Pre-school education

The Finnish school system does not include separate schools at pre-school level, although pre-school education is provided at comprehensive schools and day-care centres. Pre-school education provided at comprehensive schools is free. At day-care centres the fees depend on the size and income of the family, and on the number of siblings in day-care. There are no legal provisions obliging the local authorities to arrange pre-school education at day-care centres.

The development of pre-school education for 6-year-olds began in earnest in the early 1970s with the joint experiments of the social and school services. The aim was to develop and test a study plan drafted by the Committee for Pre-school Education and to explore various models of pre-school education suitable for different working conditions.

Pre-school education was only entered in the Comprehensive Schools Act in 1983. Under the Act, a maximum of one year of pre-school education before compulsory schooling can be arranged at comprehensive schools with a licence from the Ministry of Education and on the grounds defined by the Ministry.

The Council of State report concerning educational policy presented to Parliament in 1990 stated that in the 1990s 6-year-olds are to be secured the right to participate in pre-school education corresponding to current pre-schools or organised at day-care centres, and that in the long run a decision is to be made concerning the lowering of the compulsory school age to six years.

The extension of free pre-school education to cover all 6-year-olds has not yet been possible, mainly for financial reasons. The Ministry of Education has attempted to improve the situation by increasing the number of places in pre-school education. The numbers have increased as follows:

Table 1. *The number of children participating in pre-school education at comprehensive schools in 1993-1997*

<i>Year</i>	<i>Students</i>
1993	1 555
1994	2 069
1995	2 925
1996	3 591
1997	4 539

There are no separate annual statistics available on the number of 6-year olds participating in pre-school education at day-care centres, but by 1997 it can be noted that some 2/3 of 6-year-olds have participated in pre-school education at day-care centres or comprehensive schools. The number of 6-year-olds in day-care was c. 35,000.

Day-care centres are often organised according to age groups (e.g. under 3 years of age, 3-6-year olds). In the largest day-care centres, pre-school education for 6-year-olds is arranged in separate groups; if necessary, the activities of the 6-year olds are streamed according to the children's developmental needs. There may also be sibling groups consisting of children between 1 and 6 years of age.

The pre-school education for 6-year-olds provided at comprehensive schools can either be arranged in a separate pre-school class or integrated into the first (or joint first and second) grade.

Together with the National Research and Development Centre for Welfare and Health STAKES, the National Board of Education drafted in the spring of 1996 an outline for the pre-school curriculum for 6-year-olds. The goal of pre-school education is to create a learning environment providing the child with stimulating activities and offering it an opportunity for many-sided development. Focal starting points are the child's individuality, active learning, and growth as a member of a group.

1.2. Comprehensive school

Local authorities are responsible for providing education at comprehensive schools for students of compulsory school age living in the municipality, or

to ensure that the students have access to education corresponding to the comprehensive school. In Finland, most comprehensive schools are maintained by the local authorities. Only c. 1% of schoolchildren attend a private school.

The Finnish comprehensive school lasts nine years. According to the Comprehensive Schools Act, every Finnish citizen is required to achieve a certain standard of education. Compulsory education starts at the beginning of the autumn term in the year of the child's seventh birthday. For special reasons a child may be granted the right to start school one year earlier or later. Each child of compulsory school age living in Finland but who is not a Finnish citizen also has a right to education.

Compulsory school age lasts ten years. Compulsory attendance at school has been fulfilled when the person has completed the upper stage of comprehensive school or other corresponding education. The right to attend the comprehensive school continues until the student has completed the courses required for comprehensive school education or until the end of July in the year of the student's 18th birthday. For special reasons the student may be granted the right to continue at the school even after this date.

The lower stage of the comprehensive school lasts six years and the upper stage three years. There is no selection between lower and upper stage, the students transferring automatically to the upper stage. The administrative demarcation between the lower and upper stages is to be eliminated in connection with the overall legislative reform.

At the beginning of the autumn term 1996 there were altogether 589,100 students at comprehensive schools, of whom 380,900 were in lower stage and 200,300 in upper stage and 2,600 in supplementary education. Supplementary education, or 10th grade, at the comprehensive school is independent and not included in the requirements for compulsory education.

The comprehensive school is a compulsory school and the number of students is a factor of the age structure.

Table 2. *The number of students at comprehensive schools and those finishing school with a final report in 1990-1996*

<i>Year</i>	<i>Schools</i>	<i>Lower stage, grades 1-6 (aged 7-13)</i>	<i>Upper stage, grades 7-9 (aged 14-16)</i>	<i>Extra teaching, the 10th grade (aged 17)</i>	<i>Total</i>	<i>Number of students receiving final reports</i>
1990	4,869	389,410	197,719	3,602	590,731	61,054
1991	4,843	392,059	197,505	4,193	593,757	64,175
1992	4,758	392,537	195,532	3,777	591,846	65,634
1993	4,610	390,892	193,591	3,369	587,852	65,483
1994	4,539	387,306	193,657	3,434	584,397	64,297
1995	4,474	384,369	196,642	3,178	584,189	63,756
1996	4,391	380,932	200,349	2,554	583,835	63,514

1.3. Upper secondary school

The goal of the upper secondary school is to continue the educational tasks of the comprehensive school and to offer general education, which is the requirement for studies at an institute of higher education. The local authorities are mainly responsible for providing education at upper secondary schools. C. 8% of schoolchildren attend a private school. Permission to establish an upper secondary school is granted by the Council of State.

To enter upper secondary school the student must have completed comprehensive school. The upper secondary schools offer a three-year curriculum. Upper secondary schools have either separate grades or streaming. In practice all upper secondary schools have adopted the system of streaming.

Upper secondary school following the grade system takes three years to complete. Streaming allows the students themselves to influence their personal study plan and the time required for its completion so that the three-year curriculum can be completed in 2-4 years. At the end of the upper secondary school the students take the national matriculation examination, which is the general eligibility criterion for higher education. The students are usually 15-19 years of age.

At the beginning of the autumn term 1996, there were 109,900 students at upper secondary schools. The number of students at upper secondary schools has grown every year since 1989. In the autumn term 1996 the

number of students attending upper secondary day schools was larger than ever before in the 1980s and 1990s. In 1996, upper secondary school education was completed by a total of 32,800 students. This number has increased during the last few years due to an increase in the number of students attending upper secondary day school. Courses required at the upper secondary school can be completed in 2-4 years. 93% completed the upper secondary school in three years.

Table 3. *Students at upper secondary schools and those having completed upper secondary school in 1990-1996*

<i>Year</i>	<i>Number of upper secondary schools</i>	<i>First-year students</i>	<i>Total number of students</i>	<i>Students having completed the upper secondary school¹⁾</i>
1990	463	33,388	88,160	26,125
1991	463	35,443	92,278	25,263
1992	464	37,292	99,477	24,679
1993	463	38,053	105,096	27,523
1994	456	38,107	107,824	30,634
1995	450	37,565	109,108	31,944
1996	448	37,153	109,878	32,753

¹⁾ *The course of study required at upper secondary school can also be completed at upper secondary schools for adults, adult courses at the upper secondary school, adult education centres, folk high schools, or as a private student at an upper secondary school.*

1.4. Vocational education

Institution-based education

Initial vocational education for young people and adults is mainly organised at vocational institutions, but in some fields of education also at folk high schools, conservatories, and physical education centres, and only as adult education in certain vocational adult education centres and special vocational institutions. Vocational institutions are owned by the municipalities, municipal federations, or private corporations. There are currently only five state-owned special vocational institutions providing upper secondary education leading to initial vocational qualifications as well as preparatory and rehabilitative education for disabled students.

The structure of initial vocational education was reformed in 1995 by

cancelling the existing multi-level system based on basic courses and general periods and by introducing in secondary education after comprehensive school initial vocational qualifications taking 2, 2½ or 3 years to complete, and college level and higher qualifications based on these. Having acquired initial vocational qualifications, young people were able to enter working life or to continue their studies at college level, in higher vocational education, or at a polytechnic. After the implementation of the reform, it was no longer possible to continue onto post-secondary education directly from comprehensive school as under the previous system. The path to college level and higher vocational qualifications for students having passed the matriculation examination was retained. In addition, such students were still able to participate in upper secondary vocational education if they so desired.

Experimental polytechnics were first introduced in 1992 and have since been complemented by new institutions that had been providing college level and higher vocational education. The first polytechnics began operating on a permanent basis in 1996. The expansion of the polytechnic system has decreased the provision of college level and higher vocational education, which will gradually be removed entirely from the vocational education system. The last intakes of new students for college level education will take place in 1998.

The number of students in initial vocational education has increased continuously over the last ten years: in 1985 the number of students totalled 147,000, in 1990 c.162,500, and in 1993 over 185,000. Although the number of students in upper secondary education has increased even further, the total numbers of students in initial vocational education (upper secondary vocational education, college level education, and higher vocational education) developed a downward trend since 1994 due to the expansion of the polytechnic experiment.

The increase in the number of students in initial vocational education has been concentrated on adult education in particular. Adult education covers those adult-oriented lines of study with a minimum age requirement of 25 years. If the student has work experience, this is reduced to 20 years. Adults may also participate in youth education, but there is no systematic data available on their numbers.

Despite the strong expansion of the polytechnics, the number of students participating in youth education was in 1985 c. 142,000, in 1990

over 148,000, and in 1996 still over 143 000. In adult education the corresponding figures were in 1985 c. 5,500 students, in 1990 c.14,000 students, and in 1996 already nearly 23,000 students.

Table 4. *The number of students in initial vocational education at different levels in 1985 - 1996*

<i>Year</i>	<i>General-period I)</i>	<i>Upper secondary education</i>	<i>College level education</i>	<i>Higher vocational education</i>	<i>Total</i>	<i>Adult education</i>
1985	19 800	70 400	46 400	10 800	147 400	5 500
1986	33 500	55 900	47 900	11 200	148 500	5 800
1987	33 600	54 300	50 200	11 300	149 400	6 600
1988	34 400	53 500	52 200	11 700	151 800	8 300
1989	32 700	54 200	55 000	12 600	154 500	10 700
1990	33 500	54 600	62 500	11 900	162 500	14 200
1991	36 100	59 100	68 500	13 300	177 000	18 900
1992	35 300	67 800	66 900	14 400	184 400	25 800
1993	31 700	75 100	65 700	12 600	185 100	29 000
1994	28 900	76 900	63 400	10 100	179 300	27 500
1995	400	102 800	61 200	7 200	171 600	26 400
1996	200	106 200	54 000	5 600	166 000	22 700

1) The 1996 statistics include those in participating in the orientation period.

A time series comparison between the numbers of students participating in education at various levels is somewhat hindered by the fact that until 1995 vocational education was arranged according to the general period system described above, which meant that after completing comprehensive school students would first enter the general period of a basic course and only then select a special course at upper secondary level, college level or higher vocational level. Students attending general periods were not included in the statistics as studying at any particular level. Those taking the matriculation examination, however, directly entered education leading to a degree, so in the statistics these students were included on the correct level from the start of their education.

For purposes of time series comparisons, the number of students in upper secondary education before 1995 can be extended to cover students

in general periods, which would result in a rough number comparable with later statistics. (Students who have moved on to a specialist course in college level education or higher vocational education should not be included in this number.) The total number of students in upper secondary education has increased in the 1990s, but not much before this: both in 1985 and 1990 the number of students in general period and upper secondary education totalled c. 90,000, in 1995 nearly 103,000, and in 1996 c. 106,000.

Changes in the number of students attending vocational institutions in the 1990s can be explained partly through the temporary increase in educational provision and particularly through changes in educational structures, such as the move to successive education, the extension of the AMK (polytechnic) system, and shifting the focus to longer education. In connection to the network of institutions, the AMK reform, which will in the future reduce student numbers and finally phase out attendance at vocational institutions at college or higher level, may in the long run increase the numbers of students participating in upper secondary education.

Apprenticeship training

Apprenticeship training is governed by the act on apprenticeship training which entered into force in 1993. Apprenticeship is based on a work contract with a fixed duration, under which the student undertakes to work for the employer, receiving instruction and payment for the work in order to achieve professional skills in a given profession or field. The wages received by the apprentice are determined according to the collective agreement on wages, as a rule 80 - 90% of the wages of a skilled worker. During theoretical instruction, for which the student receives no pay, (s)he is entitled to receive social benefits covered by the calculated unit costs paid by the government.

Initial vocational qualifications, college level qualifications, further and specialist vocational qualifications can be acquired through an apprenticeship. The length of apprenticeship training varies from 4 months to 4 years.

Compared with traditional institution-based education, apprenticeship training enjoyed in the past few decades only a minor position as a pathway to vocational qualification. In the early 1970s the number of apprentices hardly exceeded 3,000. In the early 1980s the number of students temporarily exceeded 8,000, but the numbers declined again to c. 5,000 students by the beginning of the 1990s.

The position of apprenticeship training as a structural element of the vocational education system has been significantly strengthened in the 1990s. This is due to the previously mentioned reform of the apprenticeship act and the Vocational Qualifications Act, which entered into force in May 1994 and made it possible to acquire initial, further and specialist vocational qualifications through apprenticeship training. As a work-based form of education, apprenticeship training has supported national education policy in attempting to improve the correspondence between the requirements of the labour market and of vocational education.

The extension of apprenticeship training has continued apace, particularly since 1996. The growth has been accelerated by national advertisement campaigns organised by the education administration and labour administration, the support targeted at the young unemployed under Objectives 3 and 6 of the European Social Fund , and the employment support granted to employers by the labour administration.

Table 5. *The average number of apprentices in 1993-1997*

<i>Year</i>	<i>Apprentices in initial training</i>			<i>Apprentices in continuing training</i>			<i>Apprentices total</i>
	<i>Young people</i>	<i>Adults (25- v.)</i>	<i>Total</i>	<i>Young people</i>	<i>Adults (25- v.)</i>	<i>Total</i>	
1993	..	..	4 143	..	..	2 757	6 900
1994	..	..	4 708	..	..	4 548	9 256
1995	2 608	4 307	6 914	651	2 828	3 479	10 393
1996	4 346	7 342	11 688	1 250	2 987	4 237	15 925
1997	6 397	11 259	17 656	1 573	3 280	4 853	22 509

1.5. AMK institutions (polytechnics)

In Finland, polytechnics form a non-university sector which operates alongside the university sector. The principles underlying polytechnic education derive from the need for a highly-trained expert workforce in the labour market. The polytechnics have been developed from former vocational institutions which provided the highest level of vocational education.

Students apply for entry to the polytechnics after completing their general or vocational upper secondary education. The requirement is a Finnish matriculation certificate, i.e. an upper secondary school leaving certificate, a initial vocational qualification, or an equivalent international or foreign qualification.

The scope of polytechnic degree programmes is governed by legislation. They require a minimum of three and a maximum of four years of full-time studies; in special cases they may exceed four years.

Experiments with the ammattikorkeakoulu system began in 1991, when the government granted permission to set up 22 experimental institutions (AMK institutions or polytechnics).

The Polytechnics Act was passed by Parliament at the beginning of 1995. Consequently, the Government authorised nine polytechnics to begin operating on a permanent basis in August 1996. In the same year, the Government accredited another seven permanent polytechnics to begin operating at the beginning of August 1997. Furthermore, in the spring of 1997 the Government passed a decision on four new permanent polytechnics which will begin operating at the beginning of August 1998. This will raise the number of permanent polytechnics to 20. Thus the total number of polytechnics is 32, 12 of which continue on an experimental basis. The degrees awarded by the permanent and temporary polytechnics are equivalent.

The reform is to be fully implemented by the year 2000. The projected final number of polytechnics is smaller than the present, perhaps some 25 or 27. This will require some institutional fusions.

Table 6. *The number of students at polytechnics in 1992-1997*

<i>Year</i>	<i>Students at experimental polytechnics</i>	<i>Students at permanent polytechnics</i>	<i>Total</i>
1992	6 900		6 900
1993	14 200		14 200
1994	23 600		23 600
1995	31 100		31 100
1996	28 100	16 800	44 900
1997	24 200	39 300	63 500

The figures include programmes for young people and adults, and additional places under the employment programme in 1996-1997. Some 19-21% of students participate in adult programmes. Adult education means studies leading to qualifications at polytechnics and specialist studies for those who already have qualifications, the studies being tailored to meet the specific needs of mature students.

1.6. The universities

The 20 Finnish universities are state universities run by the Ministry of Education. The universities are largely autonomous in terms of teaching and research and other internal affairs. Until the mid-1980s, the Finnish university system was extremely centralised. The use of appropriations was controlled in detail by the university budget.

Since the late 1980s, control by the government has been lessened so that in international terms the universities currently have a lot of latitude. An essential move from previous practice is the intended move from controlling the “input” i.e. student intake, number of staff, and appropriations targeted at given purposes to defining “output” i.e. objectives and results. Targets regarding degrees will be recorded in the target agreements between the Ministry of Education and the universities, while student intake will be left at the discretion of the universities. As for adult education, the targets recorded in the target agreements are the number of students both at open universities and in continuing education, with funding coming mainly from outside the university budget, mainly as participation fees.

Numbers of students have increased notably in the 1990s, both in university education leading to a degree and the two main sectors of adult education.

The number of students studying for degree at universities increased in 1991-1996 by c. 20 %; in 1991 the number of students totalled 115,000, and in 1997 slightly under 143,000. The number of new students studying for a first degree increased by 9%, or c. 1,500 students, as compared with c. 17,000 students in 1991.

The number of Master’s degrees taken in 1991 was almost 8,500, and in 1997 almost 10,900. The numbers increased by c. 24 %. The corresponding numbers of doctor’s degrees were 525 and 935, which

corresponds to an increase of almost 80 %. The number of other degrees has varied, being in 1997 c. 4300.

Table 7. *The total number of students, new students, and degrees at universities in 1991-1997*

<i>Year</i>	<i>Total number of students</i>	<i>New students</i>	<i>Master's degrees</i>	<i>Doctor's degrees</i>	<i>Other</i>
1991	115 600	17 200	8 400	525	2 400
1992	122 000	17 700	8 700	530	2 200
1993	126 000	17 300	9 400	650	2 400
1994	128 000	17 300	9 600	700	2 700
1995	135 000	18 700	9 800	765	3 000
1996	138 000	18 500	10 600	850	3 400
1997	143 000	18 700	10 900	935	4 300

At institutions of higher education, the number of students participating in continuing education increased by almost 100 % from 1991, being in 1996 c.123,000. The number of students at open universities was in 1991 c. 43,000, and in 1997 c. 74,000, which indicates over 70 % growth. During the last few years the number of students participating in open university education has levelled out at c. 75,000 students, while in continuing education the numbers seem to be still increasing.

Table 8. *Students participating in university adult education in 1991-1997*

<i>Year</i>	<i>Open universities</i>	<i>Continuing education</i>
1991	43 000	62 000
1992	50 000	71 000
1993	60 000	78 000
1994	68 000	96 000
1995	75 000	98 000
1996	75 000	109 000
1997	74 000	123 000

The increase in student numbers is partly due to the general rise in educational attainment, which increases the pressure in higher education.

Including university degrees in the result objectives increases the number of completed degrees. This is particularly evident in the number of Master's and Doctor's degrees. The flow-through is intensified, but this does not necessarily lead to an increase in student intake. The number of students studying for a Doctor's degree is further increased by the graduate schools established in 1995, where young graduates are supervised and obtain their doctorates in approximately four years.

The number of students participating in adult education reflects the effects of labour market appropriations. The increase in open university education under the Relander programme in the early 1990s is particularly clear. In continuing education the focus lay on education commissioned by the labour administration. Since 1995, the end of the economic depression and the boom in personnel training have contributed to the increase in continuing education offered at universities. Appropriations received from EU structural funds also have varying effects on the numbers of students in different regions. This has only been evident since 1996. In addition to the implementation of continuing education, EU funding is also used for conversion training at university level and Master's programmes.

1.7. Adult education and training

The Finnish adult education and training system is divided into two main parts: general degree-oriented adult education and general studies, and vocational adult education.

General degree-oriented adult education and general studies

In general degree-oriented adult education, adults can study courses required at comprehensive and upper secondary school as well as courses included in university degrees at open universities. In 1995, comprehensive school was completed by 500 adults, and upper secondary school by 2,100 adults. Most of the students only take some courses included in the syllabus of the comprehensive or upper secondary schools. On average, there were 26,000 students participating in education. The education is mainly funded by the government and local authorities. Fees are also paid by the students. Open university education was already discussed in the previous chapter.

General studies refer to general interest adult education. It has a history stretching back over 100 years. The general studies focus on languages, data processing, interpersonal skills, and both aesthetic and ethical personal development. Important areas of interest-oriented studies include manual skills, the arts, self-expression, and physical education. Studies range from evening studies in the student's home area to short full-time courses at various institutions. General studies are also offered in the form of education lasting several months at residential institutions. Some 20% of the adult population participate annually in general studies. General studies are primarily financed by the central government and the students themselves. The municipalities mainly contribute to the funding of adult education centres.

Vocational adult education

Vocational adult education is divided into initial vocational education and continuing vocational education. Adults can acquire the same upper secondary level initial qualifications, college level qualifications and higher vocational qualifications as the young. The students are given an individual study plan taking into account previous education and work experience. In 1996 the number of students participating in adult education at upper secondary level, college level, or higher level totalled c. 25,000 adults. The number of students participating in adult education leading to a polytechnic degree was 7,300.

Continuing vocational education can take many forms, ranging from short supplementary courses lasting a few days to programmes extending over several years. According to a survey conducted in 1995, 43% of the workforce, or c.1 million people, reported having participated in education related to their work or profession.

According to the participant groups and funding arrangements vocational adult education can be divided into independent education, labour market training, personnel training, and apprenticeship training. Vocational institutions and higher education establishments arrange the majority of adult vocational education. Only in the field of personnel training is the number of educational establishments operating on a commercial basis significant.

Independent vocational adult education:

Independent vocational adult education provides the student with an opportunity for personal development regardless of employer or position on the labour market. Educational costs are paid by the State (education administration), municipalities, and the students themselves, and in some cases by employers. Independent vocational adult education can be both initial or continuing education.

The volume of independent vocational adult education was rather small until the mid-1980s. Towards the end of the decade the volume was increased as a result of extensive committee work on the development of adult education. In 1993, the full time equivalent number of students reached nearly 30,000, and in 1995 nearly 40,000. In 1995, the number of participants totalled nearly 400,000.

Labour market training:

The purpose of labour market training is to prevent unemployment and to relieve labour shortage. Most of the participants are unemployed. The training is funded by the State (labour administration). Labour market training is mainly continuing in nature.

Table 9. *Labour market training in 1991-1996*

<i>Year</i>	<i>Entrants</i>	<i>Average number of students</i>	<i>Days of study (million)</i>
1991	51 800	18 400	3,9
1992	72 970	28 900	5,5
1993	70 040	27 200	6,1
1994	81 700	28 400	6,6
1995	93 090	33 900	7,1
1996	118 520	43 200	8,3

In 1996 the number of people starting labour market training was over 118,500. The corresponding average number of students was 42,300. The number of participants has more than doubled in the 1990s. The

volume has paralleled the development of the employment situation. The proportion of unemployed amongst those beginning training was 75 %, having decreased by 8% from the previous year. Economic growth has increased the participation of the employed population: in 1996 their share was 9.5 %.

Labour market training is targeted at people with a longer period of unemployment. In 1996 the number of long-term unemployed with at least one year of unemployment starting training increased by 4,400. The share increased in 1996 to 17 % (19,700), the corresponding figure for 1995 being 16 % (15,300).

Of those entering labour market training, 40% had no previous vocational education, 29 % had completed secondary education, 20 % college level education, and 11 % higher education.

The average length of labour market training in 1996 was four months. 14.4 % of the training lasted 6 to 15 months.

Personnel training:

Personnel training refers to the training of the personnel of a company or a public corporation according to the employer's needs. Personnel training is financed by the employers. It is usually continuing in nature.

According to the results of a labour market survey conducted in the form of interviews, personnel training was in 1995 and 1996 participated in by 760,000 employees, or 44 % of all employees. The average number of days per participant was four. The training focused on those with a high level of initial education and socio-economic position. Taking economic fluctuations into account, the number of participants has been increasing gradually since 1982, when extensive statistics were first compiled. In 1982, the share of employees participating in personnel training was 28.6 % of the employed population. The number of days per participant has remained fairly constant since 1989, the first year for which information is available on this subject. In 1995 the number of employees participating in personnel training commissioned by employers and organised at institutions and universities coming under the authority of the Ministry of Education was 310,000.

Apprenticeship training:

Apprenticeship training refers to vocational studies organised in connection with practical experience in the workplace and complemented by theoretical studies at an institution. Training costs are paid by the State (education administration and labour administration for the unemployed), employers, and to a lesser extent the municipalities. Apprenticeship training can be either initial or continuing.

The volume of apprenticeship training on the whole was fairly small before the 1990s, and since the mid-1990s it has been systematically increased. The proportion of adults in apprenticeship training has been separately entered in statistics since 1995. Since then the number of adults (25 years and over) participating in apprenticeship training has developed as follows:

Table 10. *The average number of adult apprentices (25 years and over) in 1995-1997*

<i>Year</i>	<i>Initial training</i>	<i>Continuing training</i>
1995	4 307	2 828
1996	7 342	2 987
1997	11 259	3 280

An upper limit has been determined for continuing training in the State budget in order to prevent enterprises from transforming personnel training paid for by the enterprises themselves into apprenticeship training partially financed by the government.

No such limits have applied to initial training. On 1 January 1997 there was a change in the legal framework allowing apprenticeships leading to further vocational qualifications to be regarded as initial instead of continuing training, and thus exempted from quantitative limits.

1.8. Student financial aid system

Student financial aid

In addition to student loans, study grants from government funds were introduced in Finland in 1972. The system has been developed further by

increasing the proportion of grants and by simplifying the system by reducing means testing. Student financial aid was transferred to the Social Insurance Institution (KELA) in 1994 and at the same time the National Student Financial Aid Centre, which had previously administered student financial aid, was attached to the Social Insurance Institution. Student financial aid for students other than university students is administered by KELA's Centre for Student Financial Aid and local offices of KELA. At institutes of higher education, the Financial Aid Committees may also grant financial aid to their students in accordance with the agreement signed with KELA. The institutes receive compensation from KELA for administering student financial aid. Other institutions also have tasks connected with the administration of student financial aid. The Ministry of Education bears the responsibility for the overall organisation and development of student financial aid.

Student financial aid includes study grants or adult study grants, housing supplements, and government guarantees for student loans. Study grants and adult study grants are taxable income. Due to student tax relief, a student may be exempted from paying tax if (s)he has no other income. Student loans are granted by the banks on market terms. The student and the bank agree on terms and repayment in more detail. The State pays part of the interest of old student loans granted to university students before 1992 and to other students before 1994 in the form of interest subsidy. Furthermore, the interest of both old and new student loans (interest assistance) may also be paid by the State during unemployment, performance of national military service, or receipt of maternity or parenthood allowance. Furthermore, university students also benefit from meal subsidies in the form of cheaper meals. Subsidies are paid to the caterer by KELA according to the number of meals sold.

Student financial aid can be granted in respect of full-time post-compulsory studies. The amount of student financial aid depends on the student's age, type of accommodation, educational level, and means testing. Eligibility for student financial aid is determined on the basis of full-time studies, success at studies, and the need for financial aid. If the student attends an institution other than a higher education establishment (vocational institution, upper secondary school, and folk high school) and is under 20 years of age, the amount of study grant depends on parental income as

well as the student's own income; for housing supplement the age limit is 18. At university level parental income is not taken into account.

Table 11. *Maximum study grants FIM/month 1.1.1998*

<i>Students</i>	<i>At universities</i>	<i>At other institutions</i>
Married students or students with maintenance liabilities	1 540	1 270
Students over 19 years living on their own	1 540	1 270***
Students under 19 years living on their own	750*	500**
Students over 20 years living at home	630*	380*
Students under 20 years living at home	230*	130**

* *can be raised on grounds of parental income*

** *can be raised or lowered on grounds of parental income*

*** *can be lowered on grounds of parental income*

At institutions other than higher education establishments, financial aid can be granted for more than one successive degree. At the universities, financial aid is available for a maximum of 55 months for one degree. At the polytechnics, the maximum length of aid is 45 or 55 months. For studies at higher education establishments, financial aid is available for a maximum of 70 months. The maximum amount of State guarantee is FIM 1,300 a month.

Students can get help with housing costs either as housing supplement as part of student financial aid or as general housing allowance. The housing supplement covers 67% of reasonable housing costs during the months of study. The general housing allowance covers 80% of the housing costs during the entire year. Housing allowance is meant to help students living alone in rented flats. Other students are covered by general housing allowance.

Table 12. Financial aid granted during the academic year 1996-1997

<i>Study grant and housing supplement</i>				<i>Student loans</i>				
<i>number of recipients</i>	<i>% of students</i>	<i>Total FIM million</i>	<i>average per recipient FIM/month</i>	<i>number of recipients</i>	<i>% of students</i>	<i>Total amount of guarantees FIM million</i>	<i>average per recipient FIM/month</i>	
Upper secondary schools	42,706	33	116	302	2,923	2	27	1,031
Vocational institutions and folk high schools	155,218	77	1,382	990	75,951	37	808	1,182
AMK institutions (polytechnics)	14,442	85	211	1 628	7,182	42	83	1,279
Universities	76,848	57	1,244	1 799	31,970	23	395	1,371
Foreign institutions	4,795		938	2 173	2,557		47	2,060
<i>Total</i>	<i>294,009</i>		<i>3,049</i>	<i>1, 152</i>	<i>120,583</i>		<i>1,360</i>	<i>1,253</i>

Number of recipients of student financial aid (study grant, adult study grant, housing supplement and student loan) developed in 1990-1997 as follows:

Table 13. The number of recipients of student financial aid in 1990-1997

<i>Academic year</i>	<i>Number of recipients</i>
1990-91	243 507
1991-92	260 365
1992-93	275 272
1993-94	294 514
1994-95	307 324
1995-96	298 872
1996-97	303 329

Financial support against school bussing

Students attending an upper secondary school or a vocational institution may be eligible for assistance for daily transportation costs. For the student to qualify for assistance the distance travelled must be long (over 10 km) and the costs significant. Depending on the mode of transport, assistance is paid to the owner of the institution, the ticket seller, or the student. The Ministry of Education bears the responsibility for the overall organisation of financial support against school bussing, and KELA for administration of the benefit. C. 55,000 students enjoy this benefit. Annual costs total c. FIM 140 million.

Financial support against school meals and accommodation allowance

At upper secondary level, students receive a free meal offered by the provider of the education. The value of this benefit is c. FIM 270 a month. The students may also be offered free student accommodation. The total costs of accommodation allowance for educational providers reach c. FIM 80 million a year. Accommodation allowance covers c. 17,000 students in vocational education.

Benefits related to adults

Benefits particularly targeted at adults such as adult study grant, vocational training allowance, adult education supplement to redundancy pay, job alternation compensation and the additional partial vocational training allowance are geared to education leading to vocational or higher-level qualifications or supplementary studies or for separate study units required for the acquisition of competence for a given profession or office. Both general and vocational studies are possible during a job-alternation leave. The minimum age limit for adult study grant, vocational training allowance and adult education supplement to redundancy pay is 30 years.

Adult study grant corresponds to 25 per cent of the previous income level of the student with a maximum of FIM 2,800 and minimum of FIM 1,540 a month. The maximum amount of the student loan is FIM 1,800 a month. Aid is granted on much the same basis as for young students. In means-tested financial aid only the student's own income is taken into account.

Table 14. *Adult study grants awarded in 1990-1997*

<i>Academic year</i>	<i>Adult study grants awarded</i>
1990-91	13 653
1991-92	26 412
1992-93	30 893
1993-94	22 207
1994-95	17 280
1995-96	13 639
1996-97	10 286

The amounts of vocational training allowance (FIM 1,400 a month) and the adult education supplement to redundancy pay (FIM 1,100 a month) are fixed and the applicant's previous income level is not taken into account. These benefits may be granted in addition to student financial aid to students with an adequate work history. The recipient of adult education supplement to redundancy pay must have been made redundant on production or financial grounds. Vocational training allowance requires the recipient to have a work contract during the period of education and to be on a leave of absence for study. Employers contribute to the funding of these benefits. The benefits are administered by Education and Redundancy Pay Fund and State Treasury.

The compensation paid during job-alternation leave corresponds to 70% of the person's calculated unemployment benefit, not exceeding FIM 4,500 a month. The student must be absent from a full-time job according to an agreement with the employer. A person entering job-alternation leave may also be granted partial vocational training allowance (FIM 1,000 a month) for independent vocational studies. Job alternation compensation is paid by unemployment funds and KELA.

Table 15: *Benefits targeted particularly at adults: the number of recipients and funding in 1996*

<i>Form of support</i>	<i>Coverage</i>	<i>Costs FIM million</i>
Adult student grant (1996-1997)	10,300	154
Vocational training allowance	4,144	33
Adult education supplement to redundancy pay	7,566	41
Job alternation compensation	543	30
Partial vocational training allowance	543	4

Other benefits payable during education

Rehabilitation allowance is granted on grounds of substantial loss of ability to work and earn an income due to illness or injury. The benefit is determined on the basis of the recipient's earned income, either assessed by the tax authorities or on actual earnings during the six months preceding application. The average amount of the benefit is c. FIM 4,000 a month. During the academic year 1996-1997 the benefit covered altogether 5,655 students, 90 % of whom participated in upper secondary education and the rest in higher education. The benefit is administered by KELA.

Farmer's study grant is FIM 150 per day of study. The average amount of the allowance is FIM 2,000 a month. During the academic year 1996-1997 the allowance covered participation by c. 6,000 farmers in upper secondary level education. The allowance is administered by Employment and Economic Development Centres.

Labour market training allowance

Labour market training is free to the student. The student's subsistence during training is guaranteed through a training allowance or cash labour market support corresponding to the amount of unemployment allowance. Days of study are not included in the days for which unemployment benefit is paid or the maximum length of the said benefit.

In addition to the training allowance the students may receive tax-free meal support and travel assistance. This maintenance allowance is FIM 30 a day. Students requiring accommodation may also receive a corresponding allowance for their accommodation costs. If the training is organised abroad, the students receive 50% of the daily allowance for staying abroad.

The allowance is paid by unemployment funds or KELA.

Table 16. *Labour market training allowance: recipients and funding in 1991-1996*

<i>Year</i>	<i>Recipients of training allowance or cash labour market million supports</i>	<i>Costs FIM million</i>
1991	54 750	768,6
1992	80 800	1 164,7
1993	84 400	1 239,4
1994	71 350	1 074,2
1995	84 300	1 072,0
1996	99 850	1 219,7

Financial aid for independent education for the long-term unemployed

Entering into force on 1 August 1997, the act on financial aid for independent education for the long-term unemployed marked the first stage of the implementation of the education insurance agreed between the Government and the employees' organisations in relation to the reduction in the unemployment allowance. This benefit can be granted to people who have been unemployed and seeking employment for at least 12 months, and who have during the past 18 years spent at least 12 years in employment or as entrepreneurs. The amount of the benefit corresponds to the unemployment allowance. The system now allows assistance corresponding to the unemployment allowance to be granted also for independent education financed by the education administration. Previously it was granted only for training financed by the labour administration.

Support may be granted for studies leading to vocational qualifications at vocational schools, colleges or AMK institutions, as well as interrupted studies at comprehensive school, upper secondary school, or higher education establishments, if they prevent employment. The education must start between 1 August 1997 and 31 July 1998. The maximum period for support is two years. Education must be full-time and continuous, with a minimum extent of 20 credits.

In 1997 the number of long-term unemployed starting their studies on this benefit was 570.

2. OBJECTIVES CONCERNING THE EXPANSION OF PARTICIPATION IN EDUCATION IN POLITICAL POLICY DOCUMENTS

2.1. Government Programme

Prime Minister Paavo Lipponen's government began its work in the spring of 1995. In its governmental programme it declares itself the government of employment and joint responsibility. It has summed up the essential aims of its four-year office in nine objectives, the first two of which are to increase employment and decrease the public debt in relation to GNP. In 1994 unemployment stood at 18.4 % and public debt equalled 59.6 % of GNP. One of the government's main objectives also concerns education: "The significance of education and research will increase, and anticipation of the future will become more effective."

The chapter of the government's programme which concerns education, science and culture defines lifelong learning as an essential principle in the development of education: "The ability of the individual, society, and industry and commerce to respond to change, internationalisation and the increasing significance of information is dependent on basic all-round education, specific skills and creativity. The principle of lifelong learning has to be converted into practical action in co-operation with the labour market. Our aim must be to raise the whole nation's level of education."

The government's starting point is basic security in education for all, regardless of place of domicile, language or economic situation. The government guarantees free comprehensive schooling and upper secondary or vocational education for all.

In the chapter which concerns education the government announces that it will invest in the use of networks and the possibilities offered by the information highway, increasing choice for students, and raising the level of mathematical and scientific know-how. The government also aims to consolidate non-university (polytechnic) education at a high level of quality to meet the demands of the labour market, and also to continue the structural development of the universities. The government also announces that it

will develop co-operation and the division of labour between universities and AMK institutions (polytechnics), and that it will arrange the funding of universities in a way which enables their profitable long-term work. As concerns the funding of universities, the government will focus on the formation of centres of excellence and the employment of graduates.

The government also plans to simplify labour market adult education and independent learning and their support systems so as to encourage the individual to choose education.

In the chapter on employment, the government announces that it will focus on young people and the long-term unemployed. The effectiveness of social provision of jobs and education will be increased to prevent the individual from dropping out of the labour market.

2.2. Development plan for education and research

Every four years the Council of State passes a plan on the development of education and university research for the current year and the following five years. In December 1995 the Council of State passed the development plan for the period 1995-2000.

The introductory chapter of the plan is entitled “Towards a knowledge-based society“. Education and research are seen as part of Finland’s strategy to promote public well-being, cultural wealth, sustainable development and economic success. In the development of education the foremost principles are high quality, equal opportunities and lifelong learning. The developmental emphasis lies on basic security in education for children and young people, the broadening of the institution-centred perspective to encompass all forms of learning, all learning environments and all ages according to the principle of lifelong learning, interaction between education and employment, the international perspective in education, a versatile language programme, the information strategy, sustainable development, mathematical and scientific know-how, the cultural mission of the education system, centres of excellence in research and in the arts, researcher training, and the evaluation of the education system.

The development plan sets developmental objectives for each part of the education system. The aims concerning the expansion of participation in education are as follows:

In pre-school arrangements, the aim is to offer one year of pre-school education for all children before the comprehensive school.

The internationally high graduation rate from comprehensive school will be maintained and the proportion of students who continue on to post-compulsory education will be increased.

Secondary vocational diplomas will be revised by the year 2000. The target duration of studies is three years (while in some diplomas it is at present two years). All diplomas will include at least six months of on-the-job learning. An experiment will be launched on a three-year (2+1) diploma consisting of formal schooling and apprenticeship-style on-the-job learning. The number of new apprenticeship trainees will be increased to equal about 20% of places available in secondary vocational educational.

The reform of AMK institutions (polytechnics) will be completed during the planning period. This so called non-university sector will include all higher vocational and most college-level vocational education.

The number of places in secondary education will be arranged so that the entire generation graduating from comprehensive school can enter secondary education. Ca. 60 to 65 % will be offered a place in an AMK institution or a university. In addition, places will also be reserved in adult education.

Adult education leading to qualifications will be increased and focused especially on additional training in response to changes in the labour market. In the year 2000, the number of beginning places will be 36,700 when in the academic year 1993-1994 it was 26,500. Secondary vocational adult education will be implemented flexibly as a combination of institutional and apprenticeship education; national vocational and specialised vocational qualifications will become primary qualifications. The supply of other continuing and complementary education will be at least 35,000 student work

years, or more, depending on the employment situation.

Between 1996 and 1998 the number of places in vocational and non-university education will increase annually by 9,000, according to the government's employment programme. In adult education, preparations will be made to increase places in education by between 10,000 and 20,000, beginning in 1997. In the year 2000 the supply will decrease as the present exceptionally high need for education will have decreased by then.

The students' financial aid system will be further overhauled to increase individual motivation to opt for education and training.

2.3. The Finnish Employment Programme and related decisions

The Finnish Employment Programme

In the autumn of 1995 the government decided on the Finnish Employment Programme. According to the decision, educational supply in comprehensive vocational education will be increased annually by 5,000 new places, so that in 1998 the increase will be 15,000 places compared to 1995. Efforts were made to start this education as early as January 1996, as a change in the law was also under preparation according to which those under 20 years of age without vocational education would be taken out of the labour market support system from January 1, 1996 if they do not participate in vocational education.

According to the Finnish Employment Programme and the incomes policy agreement, the educational supply should be increased to bring 4,000 new students into vocational education each autumn between 1996 and 1998. This would, according to estimates, have led to 10,000 new students in 1998 compared to 1995.

The programme included preparations for an increase in places in adult education by 10,000-20,000 students annually, beginning in 1997. The decision was later redefined to give an annual increase between 1997 and 1999 to 15,000 places. However, it was later decided that 5,000 of these

places were to be redesignated to increase the supply of study places for young people in 1997 and 1998, as labour market support was expanded on January 1, 1997 to include young people between 20 and 24 years of age without vocational training; this was expected to increase the demand for vocational education. Out of the total number of places in adult education, 4,200 were decided to be allocated to initial vocational education, 4,300 to further vocational education, and 1,500 to university-level continuing education.

Government decision concerning labour market support places

The Finnish unemployment benefit system is divided into two parts, unemployment allowance and labour market support. The allowance is given for a restricted time period; it is a form of aid meant to compensate for loss of income. It is meant for people who have been made redundant. Labour market support is intended as basic social security for people who are entering the job market for the first time or have been receiving unemployment allowance for over the maximum time period. It is meant as social security for those people who have not established themselves in the job market.

Labour market support was introduced in 1994. In the beginning it also included young people who had only completed their compulsory education and, thus, the system did not include an incentive to continue with vocational education.

In order to carry out the Finnish employment programme, the Unemployment Allowances Act was revised so that from the beginning of 1996 young people under the age of 20, and from the beginning of 1997 young people between 20 and 24, without vocational education cannot receive labour market support unless they participate in on-the-job training or vocational education. The background to these restrictions was the aim to shift the focus from passive social security benefit to active interventions which would enhance young people's employment.

The change which came into effect at the beginning of 1996 was not expected to bring such a great increase to the number of young people applying for places in vocational education that there would have been a need for more than the 5,000 extra training places offered under the Finnish employment programme at the beginning of the year. On the other hand,

as the target group was in the beginning expanded to include young people between 20 and 24 years of age, it was decided that 5,000 additional places would be offered at least in 1997 and 1998. Out of these places, 3,500 to be offered in institution-based vocational education, and 1,500 places in apprenticeship-style training. It was decided that the increase in 1997 and 1998 was going to be implemented by transferring 5,000 places from the additional 15,000 places in adult education agreed on in the Finnish employment programme to serve young people in 1997 and 1998 (see above).

2.4. Programme for increase in research funds

According to the programme passed by the Council of State in February 1997, funding for university research will be increased by the end of 1999 by FIM 250 million as compared with the level in the state budget for 1997. The increase in research funds is meant for a more effective national innovation system to benefit the economy, entrepreneurship and employment.

This programme also includes increases in education. Between 1997 and 1999, a total sum of FIM 120 million will be provided for graduate schools, which means about 250 places for students. FIM 85 million will be provided for the expansion of basic instruction within the fields of mathematics, natural sciences and technical sciences. This means about 1,150 new places for students.

2.5. The national age programme

On February 6, 1997, the Council of State made a policy decision on interventions which would enhance the employment of ageing employees. The aim of these interventions is to raise the average age of retirement. The policy decision includes interventions aimed at increasing participation in education among the over-50s. The decision does not propose additional funds to increase the places in education, so the aim is to implement the change through a shift in the age structure of educational participants.

2.6. Increase in education within the information sector

In March 1998 the government decided to launch a policy programme on the expansion of information industry education and training to be carried

out between 1998 and 2002. The programme includes on the one hand one-off interventions with a rapid impact on the job market, and on the other, permanent increases to the supply of places in education. The one-off interventions include re-educating graduates for other degrees (so called conversion education), specialising studies at polytechnics, and training for researchers. These interventions will concern more than 11,000 students in the years 1998-2002. The number of permanent places of study is increased in both universities and polytechnics. The increase will be as high as 2,400 new entrants per annum, which means an increase of 30% in the information sector as compared with previous plans for 1998.

2.7. Summary

The concrete targets given in political policy documents for increasing the level of participation in education can be summarised as follows:

By the year 2000

- *pre-school education for six-year-olds will be expanded to cover the whole age group;*
- *the number of those continuing their education after comprehensive school will be increased;*
- *all initial vocational training on the upper secondary level will be extended to last three years, and the proportion of on-the-job learning will be increased (which in turn will increase the number of students);*
- *the proportion of apprenticeship training in initial vocational training as a part of upper secondary level youth education will be increased to 20 %;*
- *60–65 % of school-leavers will be offered a study place either in a polytechnic or university;*
- *the provision of adult education leading to qualifications will be increased from the 26,500 study places of 1993–1994 to 36,700, and the provision of continuing training not leading to qualifications will meet the minimum level of the study year equivalent of 35,000;*

– the students' financial aid system will be improved to make studying an attractive option.

Between 1996 and 1999, the provision of education and training will be temporarily increased so that

– the supply of places for young people in vocational institutions and apprenticeship training, and in temporary and regular polytechnics will be increased by 9,000 places in 1996 and 14,000 places in 1997 and 1998;

– between 1997 and 1999 the provision for adults will be increased by 4,200 places in initial vocational education, 4,300 places in continuing vocational education and training, and 1,500 places in university-level continuing education.

3. FULFILLING THE OBJECTIVES SET IN POLITICAL DOCUMENTS

3.1. Pre-school education for all six-year-olds

Pre-school education is at present provided within both the day-care and the school systems. In the day-care sector it is part of the care and education of six-year-olds. Within the day-care sector some 38,000 children are estimated to be receiving education which can be defined as pre-school education. Pre-school education in the comprehensive school requires a licence; here normal state funding for the comprehensive school is pending. This year (autumn 1997) it is estimated that about 6,000 pupils participate in pre-school education at a comprehensive school. However, pre-school is not available for the whole age group, and the opportunities to receive pre-school education vary immensely between different areas and municipalities.

Both day-care centre and comprehensive school pre-school education have widely adopted the document on the bases of pre-school education prepared in co-operation between the National Board of Education and the National Research and Development Centre for Welfare and Health.

The revision of the contents of pre-school education is going on at the moment both within the comprehensive schools and the day-care system, and also between the two at both municipal and national level. It is worth mentioning here that municipalities are free to decide on the expansion of pre-school, and its funding.

The development plan for education and research stated:

“In pre-school arrangements, the aim is to offer one year of pre-school for all children before the comprehensive school. The local authorities decide whether pre-school will be provided at comprehensive schools or at day-care centres. The timetable will be determined at a later stage.”

The government’s bill on educational legislation (86/1997 vp.) which is at present discussed in Parliament includes pre-school as it is provided within the school service (comprehensive education) at present, i.e. as an activity based on a licence provided by the Ministry of Education.

A broader solution for the pre-school system had to be dropped from the bill as the government saw that an affordable way of financing from the point of view of the public economy could not at this stage be found.

It should also be noted that, if realised, pre-school education for all would be a major reform, both substantially and financially. Additional expenses would accrue especially from the increased number of children entering pre-school, and the decrease in day-care payments if pre-school education were to be free for all.

3.2. Further increases in the number of students continuing in post-compulsory education

The development plan states that the number of places in education targeted at young people will be arranged so that all students graduating from comprehensive school can be offered a place in secondary education. This objective has already been presented in the Secondary Education Development Act, and it is carried on within the Vocational Institutions Act.

The age group leaving comprehensive school (16-year-olds) has in the 1990s consisted of about 65,000 students: in 1992 there were about

66,500 16-year-olds, in 1994 about 65,000 and in 1996 about 64,500. 1997 saw an increase, and in 1998 there are as many as 67,500 16-year-olds.

During this decade, there have been some 40,500 places in the upper secondary schools for school-leavers. In vocational institutions the number of places included in their normal capacity has varied between over 50,000 places in 1994 and 44,000+ places in 1997. Between 1996 and 1998, this supply has, nevertheless, been increased by additional places provided due to revisions in labour market support and in accordance with the national employment programme. Hence, the overall supply of vocational education has remained fairly stable throughout the decade.

When viewed in relation to the size of the school-leaving age group, the number of places has been kept on fairly high to allow all school-leavers at least in theory the opportunity of entering post-compulsory education. Compared with the size of the relevant age group, there have been 130% - 140% of places on offer in post-comprehensive education. (The figure includes places of study in college and higher-level vocational education meant for comprehensive school-leavers that were in use until 1995.)

If there is a wish to avoid restricting study opportunities for certain age groups only, or to pass any other restrictions concerning entrance to education or training, the educational supply has to substantially exceed the size of the age group leaving comprehensive school. In the present system there is no age limit on education for young people, which leads to the fact that there are always new students who are older than the targeted age group. For instance, in 1995, 45% of those who began their studies in vocational institutions were under the age of 18, 35% were between 18 and 22 years of age and the remaining 20% were older than 22 years. In 1996, 53 % were under the age of 18, 30 % were between 18 and 22 years of age and 17 % were older than 22 years.

Some places meant for comprehensive school leavers should be reserved for upper secondary school graduates who enter secondary vocational education. Institutions have annually offered some 5,000-6,000 places in secondary vocational education to upper secondary school graduates. When arranging this provision, it also has to be taken into account that students entering education can also be upper secondary or vocational education drop-outs or those who for some reason have not obtained any

qualifications after comprehensive school.

According to Statistics Finland, in 1996, about 55 % of those leaving comprehensive school began their studies in an upper secondary school directly in the same year, 34 % in vocational training, 4 % started the so-called 10th grade in comprehensive school, and 7 % did not continue directly with their studies. Out of the 11% who did not proceed directly with their studies, 5 % entered secondary education in the following year. Therefore, it can be estimated that about 6 % (about 4,000 individuals) of comprehensive-school leavers drop out of education after comprehensive school.

On these grounds, it seems that we are relatively close to the aim set in the development plan concerning education for the whole relevant age group. The couple of thousand school-leavers who for some reason or another do not continue directly with their studies would be unlikely to be included within the education system even if the supply were to be increased. During recent years, other measures have been introduced to eliminate the negative development of dropping out and to increase young people's willingness to participate in education. These measures have included supervised training periods, experiments in flexible education structures, interventions concerning the selection of students and study guidance, and workshop activities.

3.3. The lengthening of secondary vocational education, and increasing on-the-job learning

The lengthening of secondary vocational education

The development plan sets the target length for a secondary vocational education course at three years. At the moment secondary education qualifications take 2, 2.5 or 3 years to complete. New places have been increasingly shifted from two-year programmes to those lasting for three years.

Places for new students in secondary vocational education (basic capacity) have been divided between courses which vary in length as follows:

Table 17. *Places for new students in secondary vocational education (basic capacity) by length of programme in 1992-1998*

<i>Year</i>	<i>Beginning places in 2-year programmes</i>	<i>Beginning places in 2.5-year programmes</i>	<i>Beginning places in 3-year programmes</i>	<i>Total</i>
1992	19 600	6 200	9 900	35 700
1994	20 300	6 400	9 800	36 500
1996	22 000	6 100	15 800	43 900
1997	15 700	6 100	21 400	43 200
1998	16 100	6 500	24 500	47 100

A start has been made on implementing the development plan systematically phase by phase. In the autumn of 1997 the initial qualification in administration and trade was lengthened to last three years; next autumn, the new, 3-year initial qualification courses in laboratory studies and navigation in the field of technology and transportation will be launched. In the next phase it is planned that if possible, new, longer programmes will be introduced to the initial qualification programme in the health and social sector, and qualifications in construction and heating and ventilation engineering as early as 1999. In addition to changes in the structure of the educational system, in 1998 experiments in three-year qualifications (so called 2+1 experiments) will be launched within certain fields. In these programmes, the third year will be funded with assistance from the European Social Fund.

The solutions presented above will mean an increase in the total number of students in secondary education. Just to lengthen the courses in the field of health and social studies and construction and heating and ventilation engineering to last for three years would mean an increase of 6,000 annual students as compared with the present situation. To convert all courses in secondary vocational education to last three years would mean an annual increase of almost 20,000 students in young people's secondary education.

As the way in which the lengthening of vocational studies is to be implemented or financed has not been finalised yet, final timetables on introducing three-year programmes to every field have not been drafted.

However, it is clear that this goal will not be totally met during the period covered by the development plan. If the reforms described above remain within the planned timetable, in the year 2000 about 70% of the supply would be in three-year programmes, as against about 50% in 1998.

Increasing on-the-job learning

Finnish vocational education has traditionally been closely institution-based. Education has focused on teaching provided on institution premises, which has often meant that the students have few contacts with working life. The compulsory work placement periods included in the curriculum have mainly been carried out without the organiser of the course or the teacher actively participating in the planning, instruction and supervision of teaching provided at the workplace. Employers have felt that they have had little opportunity to influence institution-based teaching, which has also meant that the changes occurring in working life have not become quickly visible in national educational policy-making, or in the supply or content of vocational education. An essential challenge for the development of secondary vocational education is to bring education and working life closer together.

To enhance links between education and working life, the Council of State and the central labour market organisations signed at the beginning of 1998 a “social contract“ in which they recommend that educational institutions and their owners, organisations, companies and public administration should together investigate the scope for increasing places for on-the-job learning. At the same time, the central labour market organisations recommended their member organisations to organise vocational education and work placement opportunities.

On-the-job learning periods attached to secondary vocational qualifications which last at least six months will require a vast increase in the amount of teaching provided in real working environments, and a systematic rearrangement of the relationship between education and working life. At the moment the parameters for secondary curricula include work placement training, but if compared with the objectives, these periods are relatively short. For example, in the field of technology and traffic, the work placement is usually worth four credits (1 month), while the proposed system would include a 20-credit on-the-job period (6 months).

The 2+1 experiments included in the development plan will be launched at the beginning of 1998. The experiment will cover about 1,200 students and 1,000 on-the-job trainers and teachers in 1998-1999, and the costs will amount to about FIM 40 million. These pilot projects will be used to find alternative ways to combine institution-based and on-the-job learning, new contract practices and financing options and a new division of responsibilities between employers and institutions.

Between 1998 and 2002, the expected average number of students participating in on-the-job learning will develop as follows:

Table 18. *The expected average number of students participating in on-the-job learning in 1998-2002*

<i>Year</i>	<i>Number of students</i>
1998	9 400
1999	11 400
2000	11 300
2001	14 000
2002	16 000

The figure does not include students in apprenticeship training.

3.4. The expansion of apprenticeship training

The Development Plan for Education and University Research for 1995-2000 as passed by the Council of State in 1995 states that during this period the aim is to increase the number of young people entering apprenticeship education to about 20 % of students beginning in secondary vocational education. The expected figure of new students would be 36,300 in the year 2000. According to this figure, the number of young people starting secondary apprenticeship education would in the year 2000 be 7,300, and in 2002, when the system has been expanded to its full extent, apprenticeship training would concern some 22,000 students.

The expansion of apprenticeship training may mean a decrease in the number of students in institution-based vocational education. Even though apprenticeship training is expanding rapidly, it is unlikely that the estimated

20 % will be reached during the planning period. At the moment, apprenticeship training covers about 5 % of secondary vocational education for young people.

3.5. Making places of study available for about 60-65% of the relevant age group in universities or AMK institutions (polytechnics)

Universities

According to the development plan for 1995-2000, in the year 2000 there will be about 53,000 places for new students within the higher education sector. Out of these places, 39,000 will be intended for young people and about 13,500 for mature students. The share of the AMK institutions (polytechnics) equals a good 32,000, while the share of the universities is about 20,000 places.

According to the development plan, the intake in 1996 should have been 19,600, of which 15,800 would have been young students and 3,800 mature students. The actual intake in 1996 was about 1,000 less.

The way of compiling these statistics does not, however, illustrate reality very well. The “new students“ category only includes those who have passed the entrance examination, not the students who have entered the universities through other channels. Thus, the 1996 figure does not include students who have been via the open university channel, participants in specific masters programmes or students who have started their degree course within certain “from college engineer to university engineer“ programmes.

On the other hand, the universities take in both young people and adults through the entrance examinations. The separation of these groups is one of the tasks of the newly-launched national student registry.

At the moment it is impossible to say whether the aims set in the development plan for 15,800 new young students and 3,800 adult students has been realised in the universities in 1996 or not. This figure is greatly influenced by the definitions of the term “new student“; this, however, has not been uniformly defined. The universities admitted through separate intake programmes 1,900 new students in addition to their normal selection

processes. These new students have not so far been carefully identified. If the figures are to include these students, the development plan's aims have been met, at the very least.

AMK Institutions (polytechnics)

The new polytechnic institutions have seen a rapid growth in student numbers. On the one hand, this has been due to advances in the application of the polytechnic reform, and on the other, due to the extra places for new students provided by the government's employment programme. When the experiment began in 1991 there were some 6,700 new entrants in the experimental polytechnics while the number in 1996 was some 20,000 out of a total of 47,000 students and in 1998 some 23,000 out of a total of 70,000.

The aim for the year 2000 is that there will be 24,000 new entrants to the polytechnics and the total number of students will be 110,000. Thus, the goal of offering higher education to some 65% of the relevant age group will be realised by the year 2000. The rapid growth in the non-university sector was made possible by the fact that the reform was based on the existing network of post-secondary vocational institutions.

3.6. Increases in the supply of adult education and training

According to the development plan for education and research, the provision of education leading to a qualification intended for adult students will be increased, and it will especially be focused on additional training which responds to changes in working life. Secondary vocational education will be carried out flexibly between institutions and apprenticeship training; further and specialist vocational qualifications will become the prevalent form of certification. In the year 2000, the number of new students will be about 36,700. The supply of other forms of further and continuing education supported by society will be increased to equal at least 35,000 student working years, and perhaps even over this figure according to developments in the employment situation.

The aim for new students entering study courses leading to qualifications in 2000 has been divided in the development plan as follows:

- upper secondary school	8,000
- secondary vocational education	15,200
- polytechnics	8,600
- universities	4,900
<hr/>	
<i>Total</i>	<i>36,700</i>

Statistics are not compiled on new students who begin the whole **upper secondary school course**. Annually about 2,000 adult students complete the entire upper secondary school course. As the completion of the course in an adult upper secondary school usually takes between three and four years and some students drop out, the aim for new students can be said to have been met.

The target figures for **secondary vocational education leading to qualifications and adult education leading to qualifications at polytechnics** illustrate a situation in which college-level and higher-level vocational education is no longer being organised. Therefore, it is practical to examine these figures as one entity. The target figure for the year 2000 is 23,800 new students. In 1996, 12,100 new adult students began their studies for qualifications in secondary vocational institutions, college-level vocational institutions, higher-level vocational institutions or polytechnics. In total, the number of new students aged over 24 equalled 15,500 as adults also took part in programmes offered for young people. In 1996, 7,300 students over the age of 24 began qualification courses organised through apprenticeship training. In addition, there were 1,300 places available in 1996 in additional vocational training leading to further or specialist vocational qualifications, which means that the actual number of new students was about 2,500. Thus, the total number of new students was about 25,300, which is 1,500 more than in the aims set for the year 2000.

The number of new entrants to education leading to secondary vocational qualifications or polytechnic degrees will, according to the Ministry of Education's plan of action and budget for 1998-2001, more or less remain on the present level until 1999. In the year 2000, the number of annual places in secondary vocational education leading to qualifications will be cut by 4,200, as the educational expansion defined in the government's employment programme comes to an end. The number of new students

will decrease in the year 2000 by about the same number. In the following year, the number of new entrants will be about 1,000 to 2,000 higher and will remain at that level if the number of annually offered places remains the same.

The number of adults participating in apprenticeship training leading to qualifications will remain on the 1996 level in the future.

In 1996 the vocational qualifications system was still undergoing development in several fields of study. As the qualifications system and the system of implementing these qualifications expands and is consolidated, the provision of education leading to further and specialist qualifications will increase rapidly. According to statistics for the first six months of 1997, it can be estimated that about 10,000 new students will begin their studies in this kind of training. The Ministry of Education has decided that in 1998 over 50 % of additional vocational training financed by provincial state offices should lead to further or specialist vocational qualifications. This will mean that the number of new students will exceed 30,000. In the year 2000, the number of places in additional vocational training will be cut by 4,300 in accordance with the government's employment programme; according to the figures presented above, it can be estimated that just over 50 % of this kind of education leads to further or specialist vocational qualifications. The number of students entering this kind of education will decrease by about 4,500 in the year 2000.

As a whole, the number of students entering secondary vocational education and polytechnic degree courses already exceeds the target set in the development plan, and in the year 2000 it is likely to be almost double the target of 23,800 new students. The largest part of the increase owes to the strong expansion of education leading to further or specialist vocational qualifications.

The aim for the provision of **other further and continuing education supported by the Ministry of Education** equals at least 35,000 student working years. In 1995 the amount of this kind of education equalled about 20,000 student working years. The number of students on further education programmes (not leading to qualifications) was about 12,200 and in other education supported by the Ministry of Education about 7,500 student working years. The number of actual lessons taught is the only uniform information available on this kind of education. The figure concerning student

working years has been reached by estimating the length of a working day at seven hours and the length of the working year at 190 days. Students have been estimated to study in groups of 15.

Since 1995, there have not been no significant changes to the level of additional training supported by the Ministry of Education. Almost half of the 4,300 places in additional vocational training which are to be cut in accordance with the government's employment programme will concern other forms of education than those leading to qualifications. To be on the level set in the development plan for the year 2000, the supply should be expanded by 17,000 annual places annually compared to 1995.

It should also be acknowledged that the number of new entrants to secondary vocational education leading to qualifications is likely to exceed the aim by at least 20,000 in the year 2000, especially due to the expansion in additional training leading to further and specialist vocational qualifications. As a whole, it seems that the targets set in the development plans are going to be met numerically, which would mean that there will be no need for further educational expansions.

The development plan has set the target for new adult or mature students entering **university degree programmes** at 3,800 for 1996, and 4,900 for the year 2000. Due to the statistical problem as described in chapter 3.5., detailed information cannot be provided on whether the target for 1996 has been realised or whether the aim for 2000 is likely to be realised. It is, however, likely that these targets will be met.

3.7. Temporary increases in the supply of education

Vocational education for young people

In accordance with the Finnish employment programme and other related decisions, the aim is to expand the supply of places for young people in vocational institutions and apprenticeship training, and in temporary and regular polytechnics by 9,000 places in 1996 and 14,000 places in 1997 and 1998.

The increases were realised as follows:

Table 19. *Temporary increases in the supply of vocational education for young people in 1996-1998*

<i>Year</i>	<i>Temporary extra new places at</i>				
	<i>vocational institutions</i>	<i>poly-technics</i>	<i>apprentice-ship</i>	<i>Total</i>	<i>Percentage of target training</i>
1996	9 500	1 000	-	10 500	117 %
1997	8 000	3 000	1 500	12 500	89 %
1998	5 000	4 000	1 500	10 500	75 %

If fully implemented, the number of extra new students would be 7,000 students in 1996, 21,000 in 1997, and 35,000 in 1998.

According to the actual additional supply provided, the increase in the number of students has been estimated in comparison to 1995 as follows. The figures include estimates on the length of study, the level of actually accepted places and the percentage of drop-outs:

Table 20. *Temporary increases in the supply of vocational education for young people: the estimated increase in the number of students in 1996-2000 in comparison to 1995*

<i>Year</i>	<i>Estimated increase in the number of students at</i>				
	<i>vocational institutions</i>	<i>poly-technics</i>	<i>apprentice-ship training</i>	<i>Total</i>	<i>Percentage of target</i>
1996	5 600	600	-	6 200	89 %
1997	10 200	2 700	1 500	14 400	69 %
1998	12 300	6 000	3 000	21 300	61 %
1999	9 100	7 200	3 000	19 300	..
2000	4 400	6 700	1 500	12 600	..
2001	800	4 500	-	5 300	..
2002	-	2 200	-	2 200	..

On the basis of the tables presented above, it can be noticed that the increase in places of study related to the Finnish employment programme and changes in the Unemployment Benefits Act has been relatively well implemented. However, education and training have been offered in short periods which can last for as little as six months; due to this, the number of

students is relatively low if compared with the total number of places offered. The estimates for the number of students also take into account the fact that it is not necessarily possible to fill all the places that have been offered. Nevertheless, the level of places that have been taken up is not likely to be low, as this increase has been used for the benefit of all, not only the target group. Specific statistics on the number of new entrants, drop-outs or the overall number of students will not be compiled on students who enter through these additional places.

Adult education

Under the Finnish employment programme, the increase of places in education for adults between 1997 and 1999 was to be broken down as follows: 4,200 annual students in initial vocational education for adults, 4,300 annual students in continuing training, and 1,500 annual students in university continuing education. All these places have been taken up.

3.8. The development of students' financial aid to encourage studies

The financial aid provided during studies serves the aims of educational policy-making in providing social security during studies and, thus, encouraging the individual to study. The goal of the Finnish students' financial aid system is to offer everyone an equal opportunity to study. The aid consists of the state-funded share (study grant and housing allowance) and the student's own share in the form of study loans.

The reforms in the students' financial aid system at the beginning of the 1990s meant that the share of the grant of the overall aid (grant and loan) was substantially increased. This structural change has made it economically easier for students to concentrate on full-time studies. Under the reform, the study loans were transferred to the free market and no longer receive interest support from the state. Due to the increases in the grants, fewer students take a loan. Reforms have also been carried out in the regulations concerning the maximum period of financial aid for students in university degree programmes so that the aid can also cover degrees which require excessive studies, and it could also be extended on the basis

of an individual student's needs.

As part of the present government's savings programme, the sum for financial aid for students was cut by FIM 300 million in 1995. The aim was to focus the cuts equally across the various groups of students by cutting the aid for students who live on their own as well as those who live with their parents. As a balancing measure, the maximum sum for loans was raised, and the system which applied to the old student loans in which the unemployed, those in military service and those who are entitled to maternity and parent's allowance received interest support was reintroduced.

The encouraging aspects of the financial aid system for students have been developed after the cuts by lowering the age of students not living with their parents entitled to a full grant in two phases. In the autumn of 1997, the age limit was lowered from 20 to 19, and in the autumn of 1998 it will be further lowered to 18. In addition, from the beginning of 1998 it will be made easier for students to earn money while studying. Reforms have also been carried out in the regulations concerning the maximum period of financial aid for students in university degree programmes so that the aid can also cover degrees which require excessive studies and it could also be extended on the basis of an individual student's needs.

The relationship between students' financial aid and other forms of social security have been clarified by combining these systems (living allowance and unemployment allowance). The aim has been to prevent individuals from falling in between systems and to make studying more attractive an option than a passive life on benefits. Falling in between systems has decreased since the regulations on movement between the systems has been clarified. Individuals have been encouraged to apply to educational institutions by tightening the conditions for labour market support so that a young person under the age of 25 without vocational education can only receive benefit during his or her studies or work placement period. A young person's social security benefit can also be cut if he or she refuses to study.

From the point of view of encouragement and equality, the low level of study grants compared to forms of passive income support is one of the biggest problems, alongside the rigid means testing applied in the case of students under the age of 20 who live with their parents and study in institutions other than universities. Therefore, the parents of children who

study at institutions other than universities have to contribute more to their children's educational expenses than those whose children study at universities.

Inequality is also created by the fact that the housing allowance attached to students' financial aid is relatively smaller than other forms of housing allowance. The percentage which the students' housing allowance covers is smaller than that of general housing allowance and it can only be used during the months of study, whereas general housing allowance can be received throughout the year.

During the 1990s, adult student financial aid has undergone cuts which have led to decreases in students using the support. These cuts have come about, for instance, because of the fact that it has provided better financial support than the ordinary student aid. At the same time there have been strong pressures to make the forms of support for adults more uniform. The so called basic educational security system has clarified the system for the long-term unemployed and other unemployed people. The new training benefit for the long-term unemployed came into effect on August 1, 1997, and the system will be expanded further on August 1, 1998 with the introduction of a training allowance for independent study by the unemployed. The need is to clarify the benefit system for adults moving from working life into studies.

4. PROPOSALS OF THE COMMITTEE FOR LIFELONG LEARNING ON INCREASING THE PARTICIPATION IN EDUCATION

On March 21, 1996, the Finnish Government appointed a committee to devise a national strategy for lifelong learning. The committee submitted its report to the Minister of Education and Science, Mr Olli-Pekka Heinonen, on October 1, 1997.

The committee defines lifelong learning as a composite principle which, when followed, ensures a broadly based and continuous process of learning throughout society. The principle concerns the learning careers of individuals, the activities of communities and the policies employed to promote learning.

According to the committee, people should take their learning careers

into their own hands: the committee has set a target according to which people would have the preconditions and opportunities for acquiring all the knowledge, skills, capacities and understanding they will need during the course of their lives in various environments. The committee would like to develop the activities of communities in a direction which would promote learning: it has set a target for communities – primarily working communities and non-governmental organisations – to organise their proceedings so that individual members would learn new things. The policy for promoting learning is a concept launched by the committee which emphasises the multiplicity of the various parties who impinge on the learning process; learning opportunities are not only influenced by educational policy-making, but also by the policies and activities of other branches of administration and interest groups. The committee has set an objective that all these parties should co-ordinate their activities to further learning at all stages of life and in all environments.

In pursuit of the aim of lifelong learning, the committee sees that measures should be taken to ensure the provision of the basic knowledge and skills which can serve as a foundation for new learning, so that every living environment also becomes a learning environment, and the individual can receive official certification for knowledge and skills acquired in each environment. In addition, adequate information, counselling and guidance services need to be guaranteed, and the skills of teachers and other instructors need to be brought up to date. The various authorities and interest groups have to co-operate to take up work on forming and carrying out a comprehensive policy for the advancement of learning.

In the following paragraphs, the committee's individual proposals are described in greater detail. If implemented, they would involve such an expansion in participation in education and other learning events that the state would have to participate in the expenses. The committee's arguments for these proposals are also outlined here.

4.1. Strengthening learning foundations

The committee proposes that to even out differences in children's basic starting points, pre-school education should begin considerably earlier than at present.

Finnish children begin school in the year when they become seven years of age. In addition, two thirds of six-year-olds participate in pre-school education arranged either within the day-care system or the comprehensive school.

The basis for continuous learning is established in early childhood. According to research results, the experiences children have before school are of the utmost importance in the formation of learning motivation and skills and subsequent development. However, children are not, due to their different home backgrounds, all in the same position. Comprehensive arrangements for early years education can even out differences in children's opportunities.

In most OECD countries pre-school education begins at a considerably earlier stage than in Finland. The normal age varies between three and six years.

The committee proposes that the level of knowledge and skills of adults with the weakest educational background – those with only compulsory education or with outdated secondary-level education – be raised to equal the level of secondary education. Due to the size of this group, the proposal should be implemented in phases.

Compulsory education comes to an end with the last year of comprehensive education. However, educational policy measures have long been aimed at getting as many young people as possible through secondary education and into an upper secondary school or initial vocational education. Thus, secondary education has in practice become the norm for achievement for the whole age group. Comprehensive schooling is no longer an adequate basis for participation in working life and society.

At the end of 1995, 31 % of the population aged 25-59 had only completed comprehensive school or elementary school. In the 40-59-year age group, the figure was 41 %, and in the 25-39-year age group, 19 %. Some of them have improved their skills in working life, but on the other hand, for many who have received secondary education, this initial training has become dated. In the light of changes in working life and society these adults are in a weaker position than the rest of the population.

4.2. A broad range of learning opportunities

The committee recommends that in order to even out the cyclical variations in investments in personnel development, a reserve set aside for this purpose should be incorporated into the system of company taxation.

During a recession, the outlay on personnel development recedes even though there would be more time for employees to get away to study than during periods of peak demand. The development reserve could even out cyclical variation.

4.3. Bringing teachers' and trainers' skills up-to-date

The committee proposes that in-service training for teachers and other trainers operating at work places or non-governmental organisations required for the realisation of the strategy of lifelong learning should be taken up as one of the focal points of the policies to promote learning over the next few years.

The committee's proposals for diversifying and improving learning opportunities place many demands on educational institutions, workplaces, non-governmental organisations and day-care and pre-school education. To meet these demands, changes are necessary in the way organisations operate and, the process of adjustment will require individual and collective development of the professional skills of teachers, advisers, and trainers working in these learning environments.

5. EDUCATION INSURANCE

5.1. The history of education insurance

The term education insurance has become a general cover term for the new forms of financial aid granted to adults during their studies, and drafted since 1995. The background to the induction of these measures lay, on the one hand, in the steep rise in unemployment at beginning of this decade, and the ensuing burden on the national economy, and, on the other hand, in the need to develop the unemployment benefit system to activate the

unemployed to self-improvement, for example through education. The problems of the public sector funding have been partially alleviated through cutting unemployment benefits, which has been a source of growing controversy between the Government and the labour market organisations. A partial solution to these disagreements was reached during 1995 and 1996 when the Government accepted proposals by the labour market organisations that independent pursuit of education should be allowed for those on earnings-related benefits.

In the May of 1996, Prime Minister Lipponen's Government clarified the reform on unemployment benefits, and the related policy memorandum sets preliminary guidelines for the implementation of education insurance. The Council of State appointed Provincial Governor Kalevi Kivistö and Director Tuulikki Petäjaniemi as executors for preparation of the proposals on the right of unemployed people to receive social security corresponding to the level of their earnings-related unemployment allowance during independent pursuit of adult education for periods lasting longer than labour market training. The executors were also to put forward proposals on whether the reform could be expanded beyond the unemployed so that a system of financial aid system could gradually replace the present aids granted for independent vocational studies in adult education. The executors' proposal was published in the beginning of 1997 under the title "A report on financial aid for the independent pursuit of education by the unemployed and subsidised adult training".

The executors divided their proposed system into three phases. In 1997, a training allowance system for the long-term unemployed would be introduced and targeted at long-term unemployed people with an employment history of 12 years or longer. 1998 would see the implementation of the training allowance for independent study by the unemployed, the target group being those who have been unemployed for four months or longer. The employment condition would be 10 years. The general adult training allowance would be implemented in 1999, its aim being to subsidise those taking a leave of absence in order to study and adults embarking on full-time studies. The subsidy would be adjusted according to earnings, but would always be lower than the training allowance for the unemployed. The employment history for this alternative would be a minimum of eight years.

One interesting aspect of the proposal is that the executors have deviated from their initial remit in not limiting their proposal on the training allowance for the independent study by the unemployed to the members of unemployment funds entitled to earnings-related unemployment allowance, but rather expanded the reform to also include those in receipt of basic allowance and labour market support and whose unemployment allowance does not therefore correspond with their previous earnings. This view is manifest in the title of the report where the term education insurance has been replaced by more general expressions. The term education insurance has, however, become an established coinage in referring to the new forms of financial aid designed to support independent studies.

The first phase of education insurance, which is targeted at the long-term unemployed, was introduced in August 1997 and will end after one year. The related legislation came into force in the spring of the same year. It was considered best to provide the opportunity for education first to the group which has the greatest difficulty in finding new employment, and they thus became the 'guinea-pigs' for the rapidly implemented reform. The legislation on the second phase came into force at the beginning of 1998. The allowance is targeted towards the whole of the unemployed population, the arrangement will be permanent from its inception, and studies based on this allowance can be started from the August of 1998.

Phases I and II of the education insurance system will both be implemented as proposed in the report (e.g. the employment condition and the length of unemployment prior to training). During both of the phases, the minimum duration for studies is approximately six months (20 credits), and the studies must be carried out full-time and uninterrupted in an institution under public supervision. The training is closely tied to traditional forms of study and the public educational provision, from which the participant can either choose an option leading to qualifications or a supplementary option. Thus persons who are planning to begin their studies with the help of education insurance have access to a large part of the education and training provided for adults by educational institutions, but in order to qualify for the training they must pass the normal selection procedures.

The allowance is payable for a maximum of 500 days in both phases I and II, equalling approximately two years of study. In the event that the

training would require a longer period of support, the extra period must be funded through students' financial aid, which is substantially lower than the allowance. No concrete initiative for the official preparations for the third phase of the education insurance system has yet been taken. It therefore seems that form of subsidy for those in employment will not come into force from the beginning of 1999 as proposed in the report.

5.2 The factors behind education insurance

The starting point for the original idea of education insurance was that those who have lost their jobs have earned through their employment history the right to pursue self-improvement while unemployed with greater financial security than would otherwise have been possible. The original remit of the executors for the preparation of the education insurance reform also contained the idea that independent studying with benefits equal to the unemployment allowance should be extended to cover those members of the unemployment funds who through a sufficiently long membership (and payments made) have earned a similar right.

The preparation and implementation of the first phase of the education insurance system reflect the variety of factors governing the reform, and they are influenced by a host of different interests. It is probably a fair interpretation that the decisions made have been influenced, in addition to the original idea of insurance, by the three partly independent, but in some respects overlapping, factors listed below. They have each in their own way shaped phases I and II of the education insurance system. In the event that preparatory work on phase III is begun as a continuation of the two previous phases, it is likely that its implementation will be marked by similar thinking. The three factors are as follows:

1) **The Finnish tradition in the education of the unemployed** has dictated that a subsidy of a similar level as unemployment benefit can only be received when the individual is participating in training funded by the labour administration. Other full-time study has not been available to the unemployed without their losing their unemployment benefits. The level of the forms of aid during independent education and training, usually students' financial aid, is substantially lower than that of any unemployment

allowance. Thus, in the tradition of the education of the unemployed, subsistence and adult education commissioned by the labour administration (labour market training) are bound together. This connection is further strengthened by the fact that in practice unemployed persons are not entitled to make their own decisions regarding their education, and in an extreme situation turning down the education offered by the labour authorities can lead to the suspension of the unemployment allowance for a certain period of time.

Labour market training is on average fairly short-term education (approximately four months) and the chances of the unemployed gaining qualifications are, therefore, quite limited. However, there are no stipulations preventing the labour administration from extending the education and training services it purchases to cover education leading to qualifications, for example by financing individual study places. The targets set for labour market training, one being the speedy reduction of open unemployment, do not encourage long-term educational investment. On the other hand, as labour market training is seen first and foremost as being vocationally based, degrees classified as general in nature that lead to no specific qualifications, and require long-term study, are excluded from the educational services purchased by the labour administration.

It can be concluded that the tradition in education for the unemployed has on the one hand tied the unemployed to the education offered for the fear of losing their allowances, and on the other hand restricted and categorised the unemployed as belonging exclusively to the domain of the labour administration.

2) The stratification of the labour market accelerated during the recession of the early 1990s, making age and educational background decisive factors in recruitment in or exclusion from a job. The status of middle-aged people in the labour market has become particularly uncertain, as the educational level of this generation is comparatively low, and a large proportion of those who were made redundant as a result of restructuring during the recession were poorly skilled middle-aged employees. New jobs created during the subsequent economic boom require entirely different, much higher qualifications and skills, and well-educated

young people can easily surpass the older generation. Raising the level of basic education, and providing additional and continuing training that can significantly increase the status of the middle-aged in the labour market are among the few mechanisms that can be employed in order to improve the position of the middle-aged in the competition for jobs.

3) **The Finnish unemployment benefit system has not required active input from the unemployed in their own self-improvement.** On the contrary, it has created obstacles to independent activity. The condition which requires that an unemployed person be always at the disposal of the labour market has led to a situation where the unemployed are even hindered from participating in education arranged outside working hours. If the studies are very demanding and target-oriented, they can be deemed to take up the job-seeker's time during the working hours and therefore present the risk of losing the unemployment allowance.

All these aspects are reflected in the implementation of phases I and II, although their internal logic is somewhat ambiguous and partly contradictory. The biggest strain has been caused by the decision of the executors to extend the reform to cover non-members of the unemployment funds while also retaining the idea of insurance in the requirement of long employment history. It follows that those receiving basic allowance or labour market support must earn their right to participate in independent education with as long a work history as the members of the unemployment funds.

In the light of the labour market situation, the executors' decision to extend the allowance for independent study to include all the unemployed was quite justified, but the preparatory work was left incomplete, which has hindered implementation of the reform. From the standpoint of the original remit and the developments in the labour market, it would have been more logical to implement a scheme in which only the higher level of support, i.e. the earnings-related allowance, would involve an employment condition, whereas the lower level of support, equal to the basic allowance, would only require a certain age (e.g. 35 years). In its present form, education insurance favours those who have a better status due to their work history before becoming unemployed, owing to long periods of

permanent full-time employment, etc. It can be difficult or even impossible for those who have been in quickly changing, short-term employment for several different employers for long periods of time to prove their employment history. The situation is especially problematic for women who have stayed home looking after children and naturally have no employment history at all to show for these periods of time.

The first, one-year-long phase of the education insurance system has not encouraged the long-term unemployed to seek training in large numbers. There are presumably several reasons for this, but an experiment of less than one year cannot really allow any decisive conclusion to be drawn on the willingness of the unemployed to seek training. The threshold for an individual to embark on a training programme leading to qualifications could be extremely high when their previous experiences of education can be from several decades ago.

We can with certain reservations forecast that the first couple of years of phase II, which is being implemented this summer, will see a contest between the different aspects of the reform pulling in different directions. The significance of education to success in the labour market is unquestionable and growing, but the traditions governing education for the unemployed are taking time to recede, and the marketing of new opportunities for potential trainees must be actively pursued. The feasibility of the reform and the success of the choices made can, at the end of the day, only be judged by the potential users of the independent education system, either by their opting for the opportunity offered or by turning it down.

6. COST OF THE IMPLEMENTATION OF THE OBJECTIVES STATED IN THE POLITICAL POLICY DOCUMENTS AND PROPOSALS BY THE COMMITTEE FOR LIFELONG LEARNING

6.1. Pre-school education

Development plan

The implementation plan on extensive, free pre-school education is based on the idea of funding pre-school education using unit costs per pupil as a part of the financing system of education and cultural services.

For pre-school education, the unit costs would be 85% of the unit costs in basic education, since the pupils would not be entitled to free travel and since pre-school education on average is less extensive than basic education. At the level of 1997, the unit costs per pupil in pre-school education would be approximately FIM 16,600.

In the government proposal, the financial effects of pre-school arrangements were calculated using unit costs. The calculations were based on the assumption that 90% of 6-year-olds would use their right to pre-school education and that additional costs would concern mainly those 15,000 children who are not included in municipal day-care or pre-school education at comprehensive school.

For the municipalities, the net increase of state subsidies would be approximately FIM 362 million a year. In school services the state subsidy would increase by FIM 492 million and in social services decrease by approximately FIM 130 million. Municipal costs would increase by approximately FIM 342 million annually. Furthermore, the day-care payments would decrease by approximately FIM 102 million a year. Thus the net expenses of municipalities would increase by FIM 82 million a year.

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As regards the introduction of pre-school education for as young an age group as the 3- or 4- year-olds, there are too many alternative ways of

organising and financing the system for any cost estimate to be made at this stage.

6.2. Increasing the proportion of those continuing their studies after comprehensive school

The objective stated in the development plan of offering a place in education to all students leaving comprehensive school would possibly require that the number of places on offer in the upper secondary schools and secondary level of vocational education be maintained nearly on the recent level of the basic capacity (circa 85,000 places). It may be possible to further reduce the number of places on offer towards the end of the 1990s (for example, gradually to 80,000). This would mean that places on offer for those having completed comprehensive school would remain at the level of some 120-130 % compared with the entire 16-year age group. In 1990s, the level has been 130-140 %. Within this framework it would be possible to increase the percentage of those continuing directly to secondary education from 94 % in 1995.

The decrease in the overall provision of places in education in 1999 is due to the removal of the temporary increase in education provision in 1996-1998. Other factors which will potentially decrease the number of places include the smaller size of the age group, increasing flexibility of the degree structure and intensification of the transfer of previous studies, which will help to reduce the need for acquiring completely overlapping degrees.

6.3. Extending secondary level education, increasing the proportion of on-the-job learning, and extending apprenticeship training

Since no decisions have been made concerning the extension of the length of vocational training to three years which would make it possible to assess its effect on the number of students or unit costs, it is also difficult to assess the cost effect of the extension. According to a rough estimate, there would be an increase of c. FIM 700 million, which would increase state expenditure by FIM 400 million and municipal expenditure by FIM 300 million. This estimate is based on current unit costs and educational provision

corresponding to the current basic capacity.

However, it is likely that the longer training will be financed in a number of ways, one of which is to reduce the number of educational provision, if allowed by the youth employment situation. In some areas, such as trade and administration, there may be additional capacity at the post-secondary level outside the AMK (polytechnic) system to strengthen secondary education. In addition, certain measures such as increasing the flexibility of the degree structure and the intensification of the transfer of previous studies tend to prevent overlaps and thus free resources for the implementation of the extension of the training. Despite the factors mentioned above and other factors compensating for the expenses, the extension of the training on secondary level will probably cause considerable additional costs at the turn of the century.

An increase in the proportion of on-the-job learning will lengthen the time of study and also increase the cost of student financial aid, in so far as subsistence during the on-the-job learning is covered by student financial aid.

Extending apprenticeship training decreases the need for funds allocated to student financial aid, since those in apprenticeship training are not eligible for financial aid. Should the extension be realised in 2000-2001 as stated in objectives, the need for funds allocated to this purpose would decrease by approximately FIM 35 million annually.

6.4. Offering a place at an AMK institution or university to 60-65% of an age group

Universities

Because of the problem described in chapter 3.5. relating to the compilation of statistics, it cannot be said with precision whether the objective of the development plan referring to the number of initial places was realised in 1996 and whether it will be realised in 2000. This is likely, however, in which case no additional costs will be incurred.

AMK institutions

The reform of the AMK institutions was based on the idea that the reform could be implemented with approximately the same resources as were used earlier in the arrangement of higher vocational education. There are no substantial additional funds available. However, the AMK reform may lead to a simplification and clarification of educational structures and student flow and even reduce the costs of the entire educational system after comprehensive school.

As the experimental AMK institutions receive accreditation, the social benefits of the students are changed as they become eligible for financial aid for university students (grants and subsidised meals). The students receive a larger monthly allowance and, instead of receiving free meals, their meals are subsidised. In 1999 this will increase the cost of student financial aid by c. 90 million. There will be some additional costs until all the AMK institutions have been accredited. At the same time, state expenditure will decrease by 40 million since the meal subsidies received by the providers of the education as part of state subsidies are discontinued. Thus the net cost of the change in the students' social benefits in 1999 will total 50 million.

6.5. Raising the level of skills and knowledge of adults with a weak educational background

The Committee for Lifelong Learning proposes that the knowledge and skills level of those with the weakest level of education attainment – those without training after the comprehensive level or with outdated secondary education – be raised to correspond to the attainment level of secondary education. Because of the large number of people involved, the Committee proposes this be done in stages. To emphasise the selection of foci and to realise the objective the Committee also proposes that raising the level of skills and knowledge should be accompanied by adequate social benefits which would serve as motivation for study.

At the end of 1995 the number of 25-64-year-olds without training after the basic level totalled 957,000 (see Table 21). In the same age group the number of those with a secondary-level degree totalled 1,767,000. If

we suppose that a considerable time-span is required for education to become outdated and bearing in mind the size of the population aged 35-64, the number still remains at 1,316,000. There is no information on how many have been unable to utilise their training in their work, in which case their training would be regarded as outdated. The number is unlikely to be small, however. Since the number of those without training after the basic level is so large that the cost of new opportunities offered to even a fair number would be enormous, we shall focus on this group in what follows below.

When setting out to define those with only basic-level training at whom the opportunities to raise their level of attainment should be targeted, position on the labour market and age can be considered key factors. According to the spirit of the national age programme, priority would in this case be given to members of the workforce of at least 45 years of age, whose number totalled 387,000 at the end of 1995. 295,000 were employed and 92,000 unemployed.

Table 21. *The age structure and position on the labour market of the 25 - 64-year-olds with only basic-level training (<ISCED level 3) at the end of 1995*

<i>Age group</i>	<i>Number</i>	<i>%</i>	<i>Total workforce</i>	<i>%</i>	<i>Employed</i>	<i>Unemployed</i>	<i>Outside the workforce</i>
25-34	127 961	13,4	97 309	15,0	63 543	33 766	30 652
35-44	198 222	20,7	166 730	25,6	128 049	38 681	31 492
45-54	312 949	32,7	259 029	39,8	207 741	51 288	53 920
55-64	317 758	33,2	127 823	19,6	86 792	41 031	189 935
Total	956 890	100,0	650 891	100,0	486 125	164 766	305 999

For a person only to have basic-level qualifications does not determine his/her opportunities in working life. A considerable number of people with only folk school or comprehensive school education have, through work experience and training not leading to a degree, attained such high levels of knowledge that the education referred to by the Committee for Lifelong Learning would not affect their careers. The survey on adult education carried out by Statistics Finland in 1995 would give some indication of how large a group would be interested in this kind of education.

According to the survey, 47 % of the work force aged 45-64 reported they were interested in participating in additional training related to their employment or profession. No classification was made according to the level of education. Taking socio-economic position into account, the interest of manual workers fell somewhat below average in the entire population aged 18-64. On this basis it can be assumed that interest remains below average also among those with only basic-level training, most of whom are manual workers in socio-economic status. Estimating the level of interest at 40%, in proportion to the previously defined 387,000 people this means 155,000 people.

Moving from the expression of general interest to actual intention to participate in long-term education or training, the numbers grow noticeably smaller. 4 % of the work force aged 45-54 and 1 % of the population aged 55-64 reported that they intended to participate in training or education lasting at least one year and leading to a degree or qualifications. The proportions of those who were “perhaps” going to participate were 8 % and 2 %. Considering the socio-economic position of the population aged 18-64, the intention of the manual workers to participate in training was approximately half and the proportion of those “perhaps” intending to participate was slightly higher than among clerical employees. Considering the group of 387,000 people defined above, it can be estimated that within the next two years 6,000 intend to participate in training or education lasting at least one year and leading to a degree or qualifications, while 12,000 “perhaps” intend to participate. Altogether this would mean 18,000 people. By way of comparison, in 1996 1,500 over 40-year-olds started vocational training at secondary level, and over 900 started college level or higher-level vocational training.

The most important reasons preventing or hindering participation in training in one’s spare time and at one’s own expense reported by 18-64-year-olds with only basic-level education included lack of interest, poor basic education, economic reasons, the uselessness of education, age, or health-related factors. The proportion of respondents varied from slightly over a third to approximately 50 % for each reason.

The importance of social benefits during studies was also clarified. The respondents were asked how large a grant they would require in order to start studying on a full-time basis. Of those in employment, 25 % of the

population aged 45-54 and 52 % of the 55-64-year age group reported that they would under no circumstances start studying on a full-time basis. 32 % of the 45-54-year-olds and 20 % of the 55-64-year-olds required the level of their current net income, and 25 % and 14 % respectively required three quarters of their current net income. Half of their current net income would suffice for 15 % of the population aged 45-54 and 11 % of the 55-64-year age group. In the entire 18-64-year age group in employment, the relation between the required grants and current income was higher among manual workers and in groups with lower income than among clerical workers and higher-income groups.

The results of the interviews clearly indicate the factors which limit the interest of those with only basic-level qualifications in raising their level of skills and knowledge through long-term education. If education is regarded as unimportant in terms of career or, due to lack of experience, as demanding and unfamiliar, and if the low income level makes it financially difficult to participate in training, an increase in educational provision cannot be expected to have any major effects.

As for motivation, the contents of the training or education should as far as possible be able to correspond to the very different interests of the students. Those participating in training leading to secondary-level qualifications or further and specialist vocational qualifications must be provided with an opportunity to freely choose courses corresponding to this level according to their own interests. Those with a great deal of experience of life should be strongly trusted to be capable of making judgements concerning their study plans.

There should be a strong input into guidance and counselling on education opportunities, instruction supporting the outlining of education plans, counselling concerning the implementation and clarification of education programmes, and counselling concerning the utilisation of the higher level of skills in working life. It is also important that informative material and counselling be made available from sources the students feel comfortable with. Guidance and counselling by the authorities always remains somewhat distant, but information on study opportunities and the guidance and counselling services available for the planning and implementation of studies received through a trade union, for instance, may seem a lot more tangible.

Financial aid during education must remain on such a level that it facilitates the move from working life to full-time studies. Evening or weekend studies and distance studies carried out in the spare time may in some cases be viable, but on the basis of the views on education expressed by those with only basic-level education it can be concluded that significant results will only be achieved through full-time studies and the social support provided by a group.

Based on the above, the new educational opportunities for the 45 - 64-year-olds with only basic-level education could be outlined as follows:

- *15,000 people could start training annually;*
- *the maximum extent of the vocational training would be 80 credits and the average extent 60 credits (the term 'credit' refers to approximately 40 hours of work; the study load for initial vocational qualifications, if no prior learning is accredited, is 80-120 credits);*
- *per student, the work input on guidance and counselling on education opportunities, instruction supporting the outlining of education plans, counselling concerning the implementation and clarification of education programmes, and counselling concerning the utilisation of the higher level of skills in working life would correspond to teaching worth ten credits on average; there would be a high variation between individuals;*
- *the social benefits for students during education would correspond to the social support during labour market training;*
- *education could lead to an initial vocational qualification, a further vocational qualification or a specialist vocational qualification, or it could, according to the individual study plan of the student, consist of education arranged by institutions subject to public control, or education of a corresponding extent and level provided by private institutions, or a combination of these.*

The costs have been calculated using the following assumptions:

- *the education is in its entirety an addition to the current education provision;*
- *the state bears the responsibility for the total costs of the education;*
- *the average costs per student year (40 credits) is FIM 36,000;*
- *no fees are required of the students;*
- *half of the students are employed or outside the labour market, and half unemployed who would in any case be eligible for unemployment benefit;*
- *the cost to the state of the social benefits paid to those entering education from work or outside the workforce would be on average FIM 32,000.*

When the proposals have been fully implemented, the average annual cost will be FIM 945 million. Correspondingly, the cost of the social benefits will total FIM 720 million. The total annual cost for the state will be FIM 1,665 million.

6.6. Reserve for personnel training

Calculation on the cost of the reserve for personnel training are based on the following assumptions:

- *the reserve for personnel training would be tax-deductible for the enterprise in the year when the reserve was created;*
- *the reserve would be entered as income in the year during which the reserve is used for personnel training;*
- *the maximum amount of the reserve would be 20 % of the wages and salaries paid out by the enterprise during the 12 months preceding the end of the accounting period;*
- *20 % of the reserve would be deposited on an account to be opened in the Bank of Finland;*
- *the deposit would be paid interest subject to tax;*

- *the deposit could be drawn when the reserves were used for acceptable purposes;*
- *the reserve could be used to cover the costs of personnel training, apprenticeship training, and the education agreements between the social partners;*
- *the expenses would include all direct and indirect costs such as salaries and commissions with social security costs, material costs, term fees and other fees, travel and accommodation expenses, and the fixed assets investments related to personnel training.*

In 1996, salaries and wages totalled c. FIM 157 billion on the private sector. On condition that during a business boom in a given year 5 % formed reserves to the full amount, the reserves would total FIM 1.57 billion. In the given year the tax revenue would be decreased by c. 440 million. The tax revenue would not decrease definitively, since the reserve would be entered as income during the year the funds are used.

The sum to be deposited would be c. FIM 310 million. Should the state pay the deposits a taxable interest of 1.5 % as for investment reserves, this would cost c. FIM 3 million annually, taking into account the taxation of the interest.

6.7. Maintaining and developing teachers' and trainers' professional skills

The responsibility of creating the financial preconditions for the maintenance and development of the professional skills of teachers and instructors working at working places and NGOs lies primarily with the institutions, enterprises and organisations in question. The state can support the development of new teaching contents and operational models, informing people about them, and the realisation of pilot projects. In the 1998 budget, in areas regarded important from the point of view of educational policy, educational programmes which maintain and increase the professional skills of the educational services staff have been allocated approximately FIM 45 million. A further sum of approximately FIM 4 million will be used on a training

programme for instructors involved in apprenticeship training. The extension of the training given to teachers and instructors in accordance with the proposals of the Committee for Lifelong Learning would annually require an additional input of approximately FIM 20 million.

6.8. Temporary increase in the provision of education and the following liberated resources

Young people's vocational training

The increase in the number of students caused by the temporary increase in the provision of education has been discussed in chapter 3.7. The annual additional cost to the state compared with the 1995 are as follows:

Table 22. Annual additional costs to the state caused by the temporary increase in the number of students in vocational education for young people in 1996-2002, compared with 1995

<i>Year</i>	<i>Additional costs to the state (FIM million)</i>			
	<i>Vocational institutions</i>	<i>Poly-technics</i>	<i>Apprenticeship training</i>	<i>Total</i>
1996	114	10	-	124
1997	208	43	39	290
1998	251	95	78	424
1999	186	114	78	378
2000	90	106	39	235
2001	16	71	-	87
2002	-	35	-	35

The cost of additional capacity peaks in 1998 (c. FIM 424 million), with resources being liberated gradually in 1999-2003 (in 1999 c. 46 million, in 2000 c. 143 million, in 2001 c. 148 million, in 2002 c. 53 million, and in 2003 c. 35 million).

The liberated resources will be likely to remain significantly below this estimate, since decisions have already been made concerning the use of the resources which become available as the temporary increase is

removed on other measures increasing the volume of education. These include a programme for increasing education in the information sector (cf. chapter 6.10.) and the extension of apprenticeship training and secondary-level education (cf. chapter 6.3.).

AMK institutions (polytechnics)

The temporary increase in the provision of education at AMK institutions (1996-1998) has been discussed in Chapter 3.7. As this form of education ceases, the aim is to transfer a third of these places, that is 1,500 new places, to information industry education as part of the permanent resources of the AMK institutions and universities. Naturally, these resources will not become available in 1998, but it can be estimated that the number of students in the temporary education will peak in 1999, and there will be new courses started in 1998 which will last 4 years.

Calculated according to the average cost per student of FIM 27,700 used in the 1998 funding and a state subsidy of 57 %, the resources becoming available in 2001-2003 will total FIM 16 million annually, taking into account the increase in education in the information industry sector mentioned above.

Adult education

The number of student places in adult education leading to vocational qualifications at secondary level and adult education in temporary AMK institutions leading to degrees will be cut in 2000 by 4 200 places as the extension of training according to the Government's employment programme ends. With an estimated average of FIM 36,000 in accordance with the 1998 budget, and with a 57 % state subsidy, the resources becoming available will total FIM 86 million.

Correspondingly, 4,300 places are removed from the provision of continuing vocational education annually. With an estimated average of FIM 27,000, the resources becoming available in 2000 will total FIM 116 million.

At universities, the increase in appropriations corresponding to the employment programme was FIM 44 million annually. This amount has been included in the operating costs of the universities. These resources will become available as the employment programme ends.

6.9. Developing student financial aid as motivation to study

The student financial aid system is currently subject to several developmental needs concerning the motivation to study provided by the system and the promotion of equal study opportunities, which would also help to promote lifelong learning in the wider sense of the concept.

The goals are:

1) to integrate housing supplement and housing allowance. The coverage of the housing supplement is at current levels poorer than that of general housing allowance and is only granted for the months of study, whereas general housing allowance is paid all year round.

2) to raise the level of study grants at least in line with the development of costs. The current maximum amounts have not been adjusted since the student financial aid reform, which has diminished the purchasing power / weakened the subsistence of students living on student financial aid.

3) to raise the income level of parents taken into account for other than university students' financial aid in line with wage development, and later when the national economy so allows parental income should not be taken into account any more. The limits have not been adjusted since the student financial aid reform, which has led to stricter means testing. The practice of taking income into account should be discontinued since it creates groundless inequality between various levels of education.

4) to integrate family allowance and study grant. Currently the study grant received by the under 20-year-olds can remain below the level of family allowance. This problem could be solved by raising the age limit of the family allowance to 18 years, for instance, and by using this money to raise small grants.

5) to increase the number of students will cause additional costs as follows:

A study grant of FIM 1,000 to each new university student

causes annual costs of c. FIM 14 million. A study grant of FIM 1,000 to each new student in secondary education increases the annual cost by FIM 10 million. Some 2/3 of those receiving student financial aid also receive a housing supplement, which means that 1,000 new students each year increase the housing supplement expenses by c. FIM 2 million.

6) to develop support systems for adults

There are several support systems for funding adult education. These systems should be simplified.

Estimated costs to the state:

1) developing the housing supplement systems to correspond better with the general housing allowance, FIM 170 million

2) raising the basic amount of study grant in line with the development in costs, c. FIM 180 million

3) discontinuing the means testing based on parental income in the case of students at least 18 years old studying at institutions other than universities, c. FIM 150 million

4) integrating study grants and family allowance, c. FIM 85 million

6.10. Increasing education in the information sector

The costs of one-off measures included in the programme for increasing education in the information sector in 1998-2004 will total FIM 780 million. Half of the costs will be covered by allocating appropriations granted to Ministry of Education and the Ministry of Labour for this purpose. The other half consists of additional funding, the bulk of which is granted by the State. The owners of polytechnics also contribute to the funding.

The annual costs of the permanent increase in educational provision will gradually rise from FIM 57 million to FIM 440 million. Nearly half of this are additional costs mainly covered by the State and to a lesser extent by the owners of the polytechnics. The rest will be covered by allocating some of the appropriations granted to the Ministry of Education, universities, and polytechnics for this purpose. The increase in the number of students will cause the State additional costs in the form of social benefits. In 1998,

these are estimated to total c. FIM 3 million, and by the end of the programme to rise to FIM 36 million.

6.11. Summary

As stated above, the realisation of the objectives stated in the political policy documents and the proposals of the Committee for Lifelong Learning would on an annual average cause the state the following additional costs (-) or savings (+).

Table 23. *Estimate of the additional costs and savings per annum for the government caused by the implementation of the objectives of the political policy documents and the proposals of the Committee for Lifelong Learning*

	<i>Political policy documents</i>	<i>Proposals of the Committee for Lifelong Learning</i>
Pre-school education	- FIM 362 million	..
Extending secondary level education	- FIM 400 million, in addition probably costs of student financial aid	..
Extending apprenticeship training	+ FIM 35 million (student financial aid)	..
Offering a place at an AMK institution or university to 60-65% of an age group	- FIM 50 million (student financial aid)	..
Raising the level of skills and knowledge of adults with a weak educational background	..	- FIM 945 million (education) - FIM 720 million (student financial aid)
Reserve for personnel training	..	- FIM 440 million (tax revenue transferred to later years)
Increased training for teachers and trainers	..	- FIM 20 million
Resources becoming available after the temporary increase in educational provision	+ FIM 686 million	..
Developing student financial aid as motivation to study	- FIM 585 million	- FIM 240 million
Increasing education in the information sector	- FIM 200 million	..
<i>Total</i>	<i>c. - FIM 1 billion</i>	<i>c. - FIM 3 billion</i>

7. PRESENT FINANCIAL ARRANGEMENTS FOR EDUCATION AND ESTIMATES OF THEIR IMPACT ON COST-EFFECTIVENESS

7.1. State subsidy system

As a whole, the education financing system covers both statutory funding and support for running expenses and projects aimed at starting up new institutions. Funding can be granted and paid to municipalities, federations of municipalities, and private organisations and trusts. This presentation focuses on statutory funding granted to municipalities, federations of municipalities and private organisations and trusts to cover running expenses. The financing system is intended to be neutral in relation which of the judicial communities mentioned above arranges the educational services.

The financial legislation concerning education has developed into its present form through several partial reforms since 1993. During that year, the financing system was altered so that it would be based on calculated unit costs in contrast to the earlier system, under which the state subsidy was based on actual running expenses. Under the old system the state would grant municipalities and other communities subsidies towards actual acceptable expenses according to a percentage stated in the law. In the present system, the state grants funding according to a calculated sum determined by an assessment of unit costs.

The essential characteristics of the system based on unit costs are as follows:

- *Unit costs are determined in advance for the following year; the decisions made concerning the arrangements and financing of education by a municipality or another owner of an institution which receives funding during the fiscal year do not influence unit costs. If the recipient is able to organise education at a lower price than that of the unit costs, its state subsidy will not decrease. On the other hand, if the actual expenses exceed the level of unit costs, the recipient will be solely responsible for these expenses. Therefore, the system encourages cost-*

effectiveness among providers of educational services.

– In a financing system based on unit costs, the use of the funds granted are not tied to the conditions of granting and calculating these funds, which enables municipalities and other providers of services to make independent decisions when allocating funds for various purposes. Primarily, this means that the recipient can decide on the allocation of resources within the educational system. On the other hand, the law does not prohibit the use of unit costs funding for purposes other than education. It has been feared that this will lead, especially in the municipalities, to the allocation of funds granted for education towards other services provided by the municipality, for instance social welfare and health care. However, it needs to be said here that in practice it is not possible to run an educational institution only on state funding without additional funding allocated by the provider of the services, especially the municipalities.

– The system's administration is not as heavy as that of the state subsidy system which was in use earlier, because institutions and other providers of education do not need to compile reports on how the state subsidy funds have been used, nor do these reports have to be dealt with by state authorities.

The sectoral funding of educational services is part of the state subsidy system for the municipalities, the other parts of which are the general state subsidy for municipalities administered by the Ministry of the Interior, and the sectoral state subsidy for social welfare and health care. As a whole, the funding system evens out financial differences between the municipalities concerning their income and spending.

The municipalities' share of funding the expenses of educational services is defined in accordance with the municipal share calculated per capita. The municipality's share of funding the expenses of educational services per capita is calculated on the basis of total expenses on a national level based on unit costs. These total expenses cover the calculated expenses of educational institutions run by the municipalities, as well as federations of municipalities, private organisations and trusts, and state-

run institutions. **The municipality's share per capita is the same in every municipality.**

The municipality's state subsidy is calculated so that the municipal share required by the number of inhabitants is extracted from the municipality's state subsidy. Federations of municipalities and private providers of educational services are granted funding on the full basis calculated on the basis of unit costs.

The state subsidy is determined as mentioned above for the compulsory comprehensive schools, upper secondary schools, and initial vocational education, as well as education leading to a degree at a polytechnic, and long-term specialisation programmes at the polytechnics.

However, the state subsidy towards general adult education is determined by a fixed state subsidy percentage. The education provided within the general adult education system is mainly based on leisure-time learning in various institutions (adult education centres, folk high schools, training centres for physical education, and study circle centres) and does not lead to qualifications. The owner of the institution is responsible for the aims and content of the general adult education it provides.

Continuing vocational training is funded, with some exceptions, through provincial state offices using funds allocated in the state budget to purchase educational services from the owners of educational institutions or other organisations providing such services.

The unit costs which form the basis for the state subsidy on running expenses are calculated **per student** in the comprehensive schools, upper secondary schools, vocational education and polytechnics. The funds are paid, as determined by the unit costs, directly to the owner of the institution which has selected the student. Post-comprehensive education students are free to apply to institutions run by a variety of owners. As in post-comprehensive education the size of the institution does not usually affect the unit costs, the financing system favours large upper secondary schools and vocational institutions which can be run at lower costs. This is in accordance with the goals of educational policy-making, which is aimed, especially in vocational education, at creating bigger and more versatile owner communities for the educational institutions.

The unit costs are calculated once every two years according to realised total expenses at national level. Unit costs are higher in certain circumstances

(e.g. low municipal population density), and the service structure (e.g. the size of the comprehensive school, special needs education for the disabled and expensive fields of education).

For general adult education the unit costs are calculated according to **student working hours, student working weeks, or student working days**. The unit costs are calculated once every two years according to realised total expenses at national level. The unit costs can be graded for education which is more expensive than average, for instance special needs education. The Ministry of Education decides each year on the number of teaching hours, student working weeks, student working days and study circle hours according to a calculation formula.

All the unit costs described above have been cut since 1993 due to savings procedures to balance the public economy. Therefore, the unit costs do not in practice equal the average total national expenses. This has enhanced the cost-effectiveness element included in the unit costs system. On the other hand, the responsibility of the owners of educational institutions, especially the municipalities, has grown in comparison with central government. As the financial situation of the municipalities has become weaker, it has become more difficult for owners of educational institutions to maintain educational services at their previous level. The municipalities have weakened their services where the legislation has allowed it. For example, in the comprehensive schools there have been cuts on school clubs, special needs education and extra tutoring. Because of this development, the position of the last two is to be strengthened by legislation from the beginning of August 1998.

The amount of money which forms the basis for the following year's state subsidy is reached by multiplying the accrual sums described above (for instance, the number of students and lessons taught) by unit costs determined for these sums. For the municipalities, the final amount of the state subsidy is calculated on the basis of the amount of money mentioned above by extracting the municipal funding shares from the calculated state subsidy. The owner of a private educational institution is paid a sum corresponding equal to the full state subsidy. For education which falls under the general adult education system, the state subsidy is, with a few exceptions, 57 % of the sum calculated on the basis of unit costs.

The unit costs system encourages the municipalities and other

providers of educational services to act economically. On the other hand, unit costs are calculated once every two years according to actual educational expenses. If the average expenses for education decrease, so will the unit costs and the state subsidy. Therefore, it is also in the state's interest to see the municipalities and other providers of educational services perform economically. Thus, the system has an in-built element to lower unit costs. As mentioned above, the cuts made to balance the public economy strengthen this element.

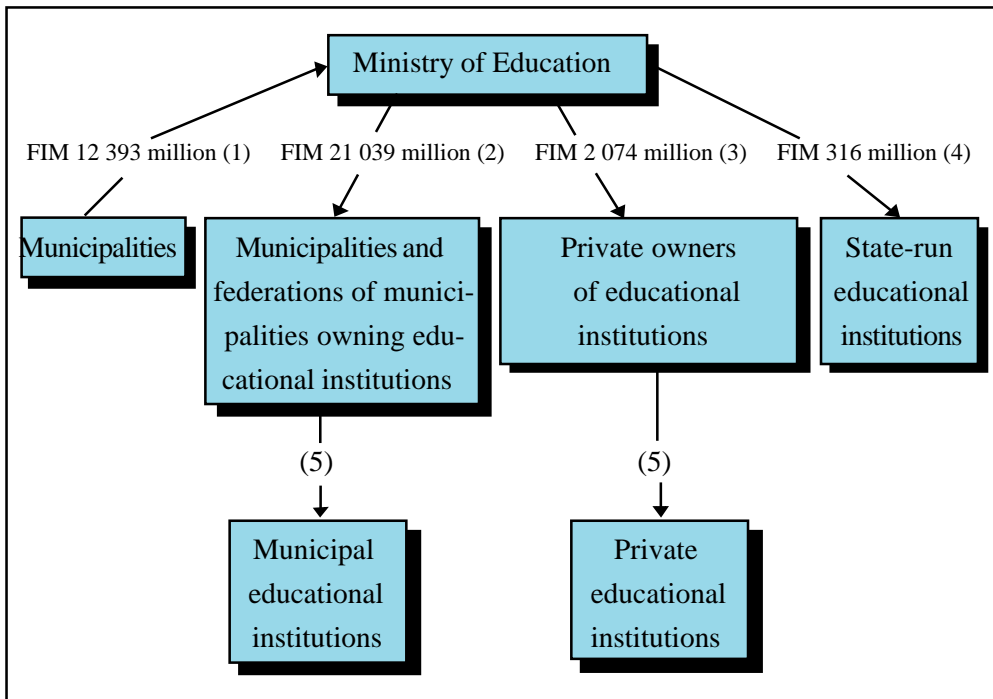
The average annual expenses and unit costs in comprehensive schools, upper secondary schools and vocational institutions have developed between 1993 and 1998 as follows:

Table 24. Average annual expenses and unit costs in comprehensive schools, upper secondary schools and vocational institutions in 1993-1998

Year	Comprehensive schools		Upper secondary schools		Vocational institutions	
	Expenses FIM/student	Unit costs	Expenses FIM/student	Unit costs	Expenses FIM/student	Unit costs
1993	20,344	20,963	18,662	22,104	..	..
1994	20,184	19,589	18,456	20,653	34,783	34,622
1995	21,759	19,001	19,180	20,062	38,572	33,723
1996	22,085	19,068	20,059	20,056	37,892	33,612
1997	..	19,547	..	17,181	..	33,441
1998	..	20,980	..	18,510	..	34,667

In 1998, the finance flows that move within the state subsidy system are as follows:

Chart 3. Finance flows within the state subsidy system in 1998



(1) The municipalities share (based on the number of inhabitants)

(2) The state subsidy for municipalities and federations of municipalities owning educational institutions

(3) The state subsidy for private owners of educational institutions

(4) Funding for state-run educational institutions

(5) Municipal and private owners provide financing for their educational institutions. The owners may allocate part of the state subsidy to other purposes, or alternatively finance the institutions with a sum exceeding the state subsidy.

The scope and content of studies, students' rights and qualifying requirements for teachers in comprehensive schools, upper secondary schools, vocational education and polytechnics are carefully defined within laws and subordinate decrees passed in accordance with these laws. In practice, these norms restrict the scope providers of educational services have to lower costs. It is stated in law that students always have to be provided with minimum adequate services.

The state can use conditional fines to oblige providers of education who operate unlawfully to operate within the law. In these cases, the state can also reclaim funding it has previously granted. In extreme cases, the provider of education can lose its licence to provide educational services or to receive state funding. However, there has so far been no need to impose conditional fines, reclaim state subsidies or cancel operating licences.

Even though the system based on unit costs calculated according to the number of students functions well on the whole, it also has some problems, the most significant being the aforementioned fact that unit costs are on a lower level than the average costs per student on a national level. On the other hand, the mechanism of counting students on two predetermined dates a year only has proved a problem where the ways of arranging education and lengths of educational courses have become more flexible. The counting of students on predetermined dates only weakens students' opportunities to complete parts of their studies in other institutions and to transfer their credits also in practice, as the funding is always given to the institution in which the student is enrolled as a student on the day of counting. The possibilities of completing parts of one's studies in other institutions is in practice dependent on the institutions' willingness to agree on costs and the division of funds. The regulations on the counting of students may have to be altered in the near future, so that, instead of predetermined counting dates, the number of students will be calculated according to studies completed at each institution, based on, for instance, the student working week or student working year.

7.2. Pre-school

Pre-school education at comprehensive schools is funded on the same basis as comprehensive education proper. The costs are split between central government and the municipalities. The organisation of pre-school education in the comprehensive schools requires a licence from the Ministry of Education, as the number of children participating in these activities is dependent on funds allocated for it in the state budget.

Pre-school education which falls under the day-care system is part of the social welfare services, and is regulated through specific legislation – the Day-care Act and Decree. Since the beginning of 1996, all parents of children under the age of seven are entitled to receive a place in the municipal day-care system for their child after their parents' allowance ends (about 9 months after birth). The municipalities are not obliged to arrange pre-school education attached to the day-care system.

Day-care centres are mainly owned by the municipalities. About 40 % of the expenses are covered by state subsidies. The fees collected from

parents to organise pre-school education within the day-care system vary according to family size, income and the number of children in day-care. The fees collected from parents have equalled about 15 % of the running expenses.

7.3. Comprehensive schools and upper secondary schools

The funding of comprehensive schools and upper secondary schools is based on a calculated state subsidy which takes into account the municipality's special characteristics. This funding is not tied to its intended use, as described above. The financing system has deliberately been constructed to be neutral. Thus, the regulations and other directions are in a central position considering actual teaching and questions of quality.

The legislation on these activities determines, for example, the structure of education, teaching and working times, compulsory education, the right to education and student welfare. The Council of State decides on granting licences to start a so called substitutive or corresponding comprehensive school or upper secondary school. The preconditions for starting such a school as defined within legislation are examined at the time of application.

Central factors for the direction of activities are the taught subjects stated in the law, and the division of taught lessons ratified by the Council of State according to the compulsory subjects; this division defines the minimum number of lessons for each subject in accordance with the level of schooling. The national curriculum acts as the basis for the curricula planned in the municipalities for the comprehensive and upper secondary schools. The municipality is responsible for ensuring that all schools have a curriculum drafted on the basis of the national curriculum. The drafting of the curriculum and the planning and execution of teaching are guided by general educational goals and regulations on how education and teaching have to be organised according to the students' ages and abilities.

The law also includes regulations on the amount of teaching. In the comprehensive school the student has a right to receive teaching for 190 days per year. The student's timetable has to include a predetermined number of lessons. The working year for upper secondary schools also equals 190 days.

The Comprehensive and Upper Secondary Schools Act requires each

school to have enough teaching posts available to cover permanent teaching arrangements. An attempt has been made to ensure the he quality of teaching through the required qualifications for teachers. A teacher who holds a permanent post has to hold formal qualifications – usually teacher education included with a master’s level degree.

The municipality is obliged by law to organise transportation for comprehensive school students if their school journey exceeds five kilometres. In upper secondary schools the school journey subsidy is provided through the students’ financial aid system. The law also guarantees free education and free meals in comprehensive and upper secondary schools, and free study materials and books in the comprehensive school.

The loosening of regulations for school services and the decrease in the number of norms have increased local flexibility in the organisation of education. The changes have been considered necessary in order to develop education according to the needs of society and working life. The previous, rather detailed norms are being replaced by an evaluation system created to support national educational policies and their realisation at local level.

The evaluation system is a combination of national evaluation and local self-evaluation. The evaluation should provide information on how national educational policies have been realised in comparison with their goals, and support and advance the development of the school system and individual institutions in an adequate way from the point of view of the individual and society.

The legislation, norms and goals set by the curriculum for educational institutions form a basis for the definition of the targets and criteria of evaluation. The criteria for evaluation are, thus, based on decisions at various levels of the school services.

The legislation reforms concerning schools which are at present being discussed in Parliament are meant to highlight the role of evaluation. Due to the structure of the financing system, the results of evaluation do not affect the actual funding of education.

7.4. Initial vocational education

Funding based on the state subsidy system is tied to teaching as defined in the law. The prerequisite for funding is a licence granted by the Council

of State for operating as an educational institution. This licence also defines the educational mission of each institution. In addition to educational demand, other prerequisites for obtaining a licence are the owner's professional and economic abilities to run a vocational institution. This means, for example, that the owner is able to hire qualified staff for the institution and that the institution has a functioning system of management and administration. The educational institution has to have adequate teaching facilities and equipment and the economic capacity to cover its running expenses. Regulations provide the framework within which the owner has to operate. For instance, the qualifications required of teachers are defined by decree. Qualifications and the extent of the education as well as the bases for the curriculum are decided at national level. The owner decides on the institutions' own curricula in accordance with local circumstances. Regulations also cover evaluation and the legal rights of the student.

If the owner acts against these educational regulations or regulations given in the licence for running an educational institution, the licence can be revoked. This will also lead to the cancellation of funds. The licence can also be revoked as a result of significant changes in educational demand. Moreover, the state can intervene in educational arrangements that are clearly inadequate and uneconomical. During the 1990s, the owning system of vocational educational institutions has been unified, and the network of institutions has been developed by creating multidisciplinary institutions run mainly by the municipalities. The state has shifted responsibility over most of its institutions to the municipalities or federations of municipalities. This has meant that units with a low intake or which have otherwise been run inadequately have been closed down or merged. The owning arrangements for almost 40 institutions are still under scrutiny.

Cases in which the licence is cancelled due to activities contravening the regulations are extremely rare. The most typical cases involve criticism of the quality of teaching caused by disregarding the regulations concerning qualifications or the inability to recruit qualified teachers. An attempt is first made to deal with such inadequacies through the informative provision of guidance. On the other hand, if an institution has a bad reputation, students will not apply for places on its courses, which has an instant effect on the funding received by the owner.

The regulation system for vocational education was reformed as of

January 1, 1998 since when the focus of quantitative calculations has shifted from the number of places offered to the number of full time equivalents. This reform was carried out to simplify the regulatory system, remove certain administrative layers, and enhance local decision-making on educational provision.

Under the new system, the Council of State and the Ministry of Education decide on running licences and the educational missions defined in them. The educational mission determines the fields of education included in the institution and the maximum number of students undertaking studies on different levels. Each year the owner has to decide on the educational provision at the institution within the framework of the fields of education and the maximum number of students.

The educational mission determines on a general level the kind of education the owner can organise under the legally determined financing system within the framework of the maximum number of students. In order to make educational arrangements more flexible, each owner's mission statement allows the possibility to exceed the maximum number of students by 5 % in any given year the excess has to be balanced during the following two years.

The Ministry of Education can alter the educational mission statement largely on application by the owner, but regulations on the fields of education and the maximum number of students can also be changed without application if the educational provision deviates significantly from demand. Nevertheless, the aim is not to examine changes within specific fields of education primarily from the point of view of individual institutions, but as a national or regional whole.

A monitoring and evaluation system is being developed for the implementation and evaluation of this reform. When it passed the law to regulate reforms in the financing system, Parliament required the effects of the system to be monitored. Therefore, the Ministry of Education will after three years carry out a comprehensive survey to establish whether the reform has led to regionally adequate educational provision from the point of view of employment, how possible disputes have been solved when planning education locally and regionally, and how co-operation between several parties has functioned in co-ordinating and steering vocational education both locally and regionally.

In the future the aim is to reform the financial basis of vocational education so that the effectiveness of the education has an impact on the funding. This could mean, for instance, that finding employment after education and finding places in further education and training would be supported if they were taken into account as a basis for how educational financing is determined.

7.5. The AMK Institutions (polytechnics)

In Finland, the universities are run by the government, while the polytechnics are either locally or privately run. Under the Polytechnics Act, it is possible to establish state-run polytechnics, but at present there is no foreseeable need for this.

This ownership structure mainly derives from the ownership of the vocational institutions on which the polytechnics are based. Because of their regional nature, most of the publicly-owned polytechnics are run by municipal federations. In other words, local authorities in the area have joined forces for this purpose. One new feature is that in some cases local authorities have founded a private limited company to run a polytechnic. This has been done to highlight the polytechnic's independence of the local administration.

Legislation

The regulation of polytechnics is based on the Polytechnics Act and Decree and some other statutes, including legislation concerning financing and student financial aid.

The Polytechnics Act contains provisions on studies and degrees, the status of polytechnics in the higher education system, administration, entry requirements, free education, and teachers. The relevant Decree contains more detailed provisions on the same things, especially studies, degrees and teachers' qualifications.

Licensing of polytechnics

The licence granted by the government to a polytechnic defines the overall framework for its operation, the fields to be provided, the teaching language

or languages, student numbers and the location of the constituent units. The government may also require further development of operations or provision.

Management by objectives and results

The government steers polytechnics mainly by means of agreements on target outcome, which at this stage are concluded with the polytechnics for a year at the time. In the longer term, agreements will be for three years, except as concerns financing. The university sector has already adopted this arrangement.

In the annual agreement, the Ministry and the polytechnic agree on target outcome and relevant measures. The agreement also contains an analysis of the results obtained during the previous year.

The agreements for 1998 define common targets, the polytechnic's mission, structural development, educational provision (intakes and degree programmes), some other development objectives (such as teaching and studies, international cooperation, personnel development, library and information services and the polytechnic's contribution to the national information society project, education-industry relations, and R&D), as well as the necessary resources. The agreement is drafted in a process comprising a joint seminar, the polytechnic's own proposal for an agreement, feedback from the Ministry, and negotiations between the Ministry and the polytechnic.

Although the degree programmes are defined in the agreements, under current legislation the Ministry also confirms them separately. The Ministry decides on the extent of degree programmes and the titles to be awarded to graduates.

Evaluation

Under the Polytechnics Act, a polytechnic is responsible for the quality of the education it provides and its future development, and must participate in external evaluation at regular intervals.

Nearly all polytechnics have undertaken self-evaluation. Many of them have also taken part in external evaluations, part of which are carried out by foreign peer groups.

A Higher Education Evaluation Council was established at the beginning of 1996 for quality assurance and the development of the polytechnics and

universities. The Council is attached to, but independent of, the Ministry of Education. The Council decides on the evaluation projects to be undertaken each year and their financing.

Financing

Polytechnics receive almost one hundred per cent of their financing to degree programmes from public funds. There are no tuition fees. Polytechnics also seek external funding, mainly for continuing education services and R&D. The polytechnics receive three kinds of funding:

1) Core funding

The determination of the core funding of polytechnics (state subsidy for running expenses) is described in chapter 8.1. In 1998 the core funding will cover about 94 per cent of the polytechnics' operational expenditure.

2) Project funding

The government also grants additional funding to the polytechnics. Most of this is project funding, which at present is largely intended for teachers' continuing education, the implementation of the national information society project, and international contacts and exchanges. In 1998, project funding will amount to 5.5 per cent of operational expenditure.

3) Performance-based funding

Part of the additional funding is allocated on the basis of performance. Next year about 0.5 per cent of operational expenditure will consist of these funds. The aim is to increase its share of the polytechnics' budgets in the near future.

7.6. The universities

All Finnish universities are state-run, and most of the funding for their basic tasks, is included in the state budget. In 1997, the total income of universities was some FIM 7,7 billion. Education leading to a university degree is free. However, adult education is based on fees: open university

education is partly fee-based, and continuing education is run as a business. Policy-making for the universities began at a national level in the mid-1960s with the first development act for the universities; this act was in force between 1967 and 1986. One aim of the act was to secure the steady growth of university funding. Growth was tied to an increase in places offered, for example.

The aim of the new development act passed in 1987 was to continue to secure the steady development in university funding which had been visible before 1986, but the idea that funding should be tied to offered places was abandoned. Because of the recession, the third section of the development act concerning resources was not in force during 1993 and 1994. In 1995 it was reintroduced, so that between 1997 and 2000, the funds allocated for university activities will increase at least to cover pay rises.

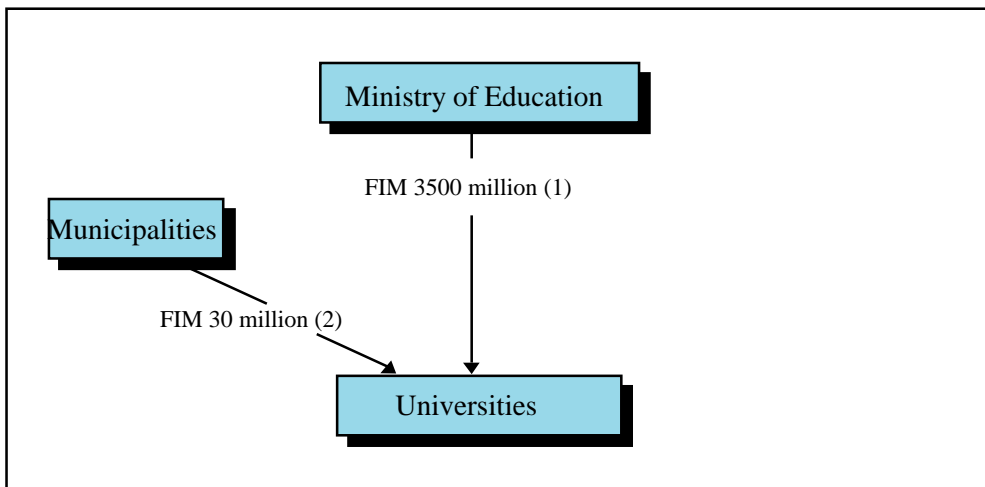
University funding comprises three elements: core funding of about 90 %, project funding of about 5 %, and effectiveness funding of about 5 %. In 1997, effectiveness funding was allocated on the basis of centres of excellence in research and teaching, internationalisation, adult education, external funding and graduate employment.

At the turn of the century, funding will undergo a thorough overhaul, after which the core funding of universities will increasingly be determined by the results achieved. The aim is not only to even out past distortions, but also to tie university funding more effectively to activities and results.

The changes in university funding will involve introduction of a 'calculated budget system' in which 65 % of core university funding will be paid on the basis of master's degrees and 35 % on the basis of doctoral degrees. Each field has been given a coercion figure based on its costs. Calculated budgeting will be introduced phase by phase; in 1997, the amount of calculated funding in overall basic funding is 10 %; it will reach the 100 % level in the year 2003. The universities and the Ministry of Education are to agree on three-year result-based contracts; the present contracts are in effect between 1998 and 2000.

Throughout the 1990s, the universities have been encouraged to seek external funding. In 1997 direct budget funding constituted about 69 % and external funding about 31 % of the overall funding of the universities.

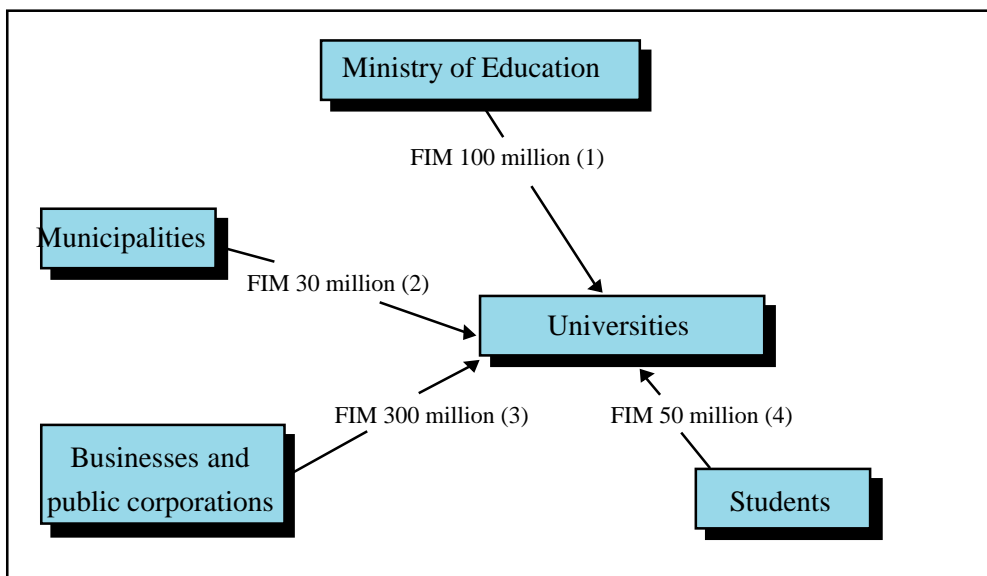
Chart 4. Finance flows within the degree programmes of the universities in 1997



(1) State budget funding (funding for degree programmes is estimated as 65 % of the total state budget funding for universities)

(2) Municipal funding for regional educational programmes

Chart 5. Finance flows within the adult education of the universities in 1997



(1) Direct state budget funding for open universities, continuing education and training programmes for the unemployed

(2) Municipal funding for the regional activities of the centres for continuing education

(3) Personnel training fees

(4) Open university and continuing education fees

7.7. Adult education and training

7.7.1. Independent vocational adult education

The financing models for education: the state subsidy model and the subscriber-provider model

There are two models in use for financing independent vocational adult education, the state subsidy model and the subscriber-provider model. The state subsidy model was presented in chapter 7.1. The aim of both models is to generally support educational demand by maintaining free education, or education with nominal fees only, and by offering students financial aid which guarantees them adequate social security throughout their studies. Both models also aim at the adequate direction of educational supply by giving the organisers funding needed for arranging education and by using state decision-making to steer the use of these funds.

The state subsidy model is based on the belief that the institutions are the best judges of regional educational demand, and that this knowledge will help them focus their supply. The costs education causes to the state are examined as part of the overall activities of the owners, especially the municipalities; mechanisms created to control costs are constructed so that short-span cost savings which have a positive effect on an individual owner's economy will in the long run decrease public spending.

The subscriber-provider model is also based on the presumption that institutions are aware of the educational demand in their area. Educational institutions are also believed to have internal interests which can affect educational supply. Therefore, decision-making on the financing of education has been removed outside the institutions. The provincial state offices act as decision-making bodies.

The state subsidy system is mainly in use in secondary and college-level vocational education leading to qualifications, education leading to polytechnic degrees, and long-term specialisation studies at polytechnics. The subscriber-provider model is in use in parts of secondary-level and college-level education leading to qualifications, and in continuing training.

In the subscriber-provider model, the Ministry of Education grants funds for the provincial state offices to purchase educational services from institutions for public use. The price of education is determined by a contract

negotiated between the subscriber (the provincial state office) and the provider (the educational institution).

The provincial state office can purchase secondary and college-level vocational education leading to qualifications only from such institutions which the National Board of Education has accepted as being able to organise such education. The students' home municipalities pay central government for the costs of secondary and college-level vocational education on the same grounds as in the state subsidy system. In this kind of education the adult student may be liable to pay fees, although these are nominal.

The students' home municipalities do not participate in the costs of continuing training. Student fees in continuing training equal 5-10 %. In some cases, the provincial state office can also purchase educational services for the personnel of privately-owned companies. In this case the company pays for about half the expenses. The share of fees paid by companies equals almost 5 % of the overall cost of continuing training.

Regardless of the financing model, the student can be granted financial aid as described in chapter 1.8.

The reforms in school legislation which are at present being discussed by Parliament will transfer all secondary and college-level vocational education into the state subsidy system from the beginning of 1999.

The state subsidy system in vocational adult education

The state subsidy system has been constructed as a system to finance initial education for young people. A separate financing system was not created for adult vocational education, which became part of the initial vocational education system in the mid-1980s, or the 4-to-7-month further study programmes for students who had completed their initial vocational education, which was added to the educational provision in the late 1980s. As the system, which by its basic characteristics resembles the present system, was introduced in 1993, it included initial vocational education for adults and further study programmes.

Little by little, discussions arose about the problems some characteristics of this model caused for adult education.

As the adult students' previous education and experiences are taken

into account when planning a personal study programme, the students' periods of study varied in time and costs, unlike those of young people. Opinions were aired according to which the internal dynamics of the state subsidy system as described in chapter 7.1. were inadequate to maintain cost-effectiveness. The argument was that a system cannot be cost-effective if being registered within an educational institution on the day of calculation (20th January or 20th September) would gain the institution six months' state subsidies for the average costs of full-time studies. It was also claimed that tying funding to two days of calculation prevents the timing of educational services to correspond to the changing needs of adults.

In 1994, Parliament acknowledged these problems. It required a general survey into the funding of adult education to be immediately carried out, and any legal problems that arose to be dealt with quickly. As a result of this survey, preparations were begun for new legislation – these preparations were also influenced by differences in opinion concerning the role and position of the provincial state offices. According to another point of view, educational institutions and their owners, usually the municipalities, should be given as much power of decision-making as possible concerning educational provision, as in young people's vocational education, and the Ministry of Education should pay the funds directly to the institutions on the bases of stable numerical facts and trust the internal dynamics which maintain the cost-effectiveness of the state subsidy system. According to this view, provincial state offices would not have any role in the financing and steering system of adult education. According to another view, funding should be directed to take direct account of the different lengths, timing and costs of adult education programmes, and encourage instant cost-effectiveness. This view includes the idea that the task of steering this system would lie with the provincial state offices. After complicated preparatory phases, the present legislation was accepted in which secondary and college-level vocational education leading to a qualification would continue to receive funding through the state subsidy system, but that the system of funding continuing training would follow the subscriber-provider model from the beginning of 1997. The financing of polytechnic degree courses and long-term specialisation studies at the AMK institutions (polytechnics) which began in the early 1990s has from the beginning been included in the state subsidy system.

The subscriber-provider model in vocational adult education

The subscriber-provider model has been used as the financing model for centres for vocational adult education since 1991. Centres for vocational adult education were first opened in the early 1970s (when they were called course centres for vocational education) to cater for the expansion of labour market training required by the rapid changes in the structure of society and widespread internal migration. The responsibility for the steering and financing of the centres for vocational adult education was divided between the labour and education authorities. Tensions started to grow within the system, especially as the labour administration took the view that the system did not provide it with adequate measures to focus education in a way which would benefit the job market. The legislation was reformed in 1991 to transfer the Ministry of Education's funding for labour market training to the Ministry of Labour and enable the regional labour market authorities to begin to purchase educational services from institutions selected through competition. The centres for vocational adult education remained under the administration of the Ministry of Education, and the education authorities provided their basic funding in the form of a grant, which initially equalled 30% of the annual expenses, but has gradually fallen to 10%. Under the new system the provincial state offices as regional educational authorities began to purchase independent vocational education for the public from centres for vocational adult education.

The new subscriber-provider model was, on the one hand, based on a similar reform in labour market training carried out a few years earlier in Sweden, and, on the other hand, on discussions initiated by the Ministry of Finance concerning free market methods for providing welfare services. The subscriber-provider model works in such a way that where the producers of services represent not only the interests of their own organisation, but also the interests of the actual recipients of the services, the recipients' interests are not wholly taken into account. Moreover, the producers are not seen to take enough care of cost and quality efficiency. Therefore, public funds have to be allocated to units independent of the producers, the task of which is to evaluate the demand for services and to purchase these services from the producing unit it considers the best in each case.

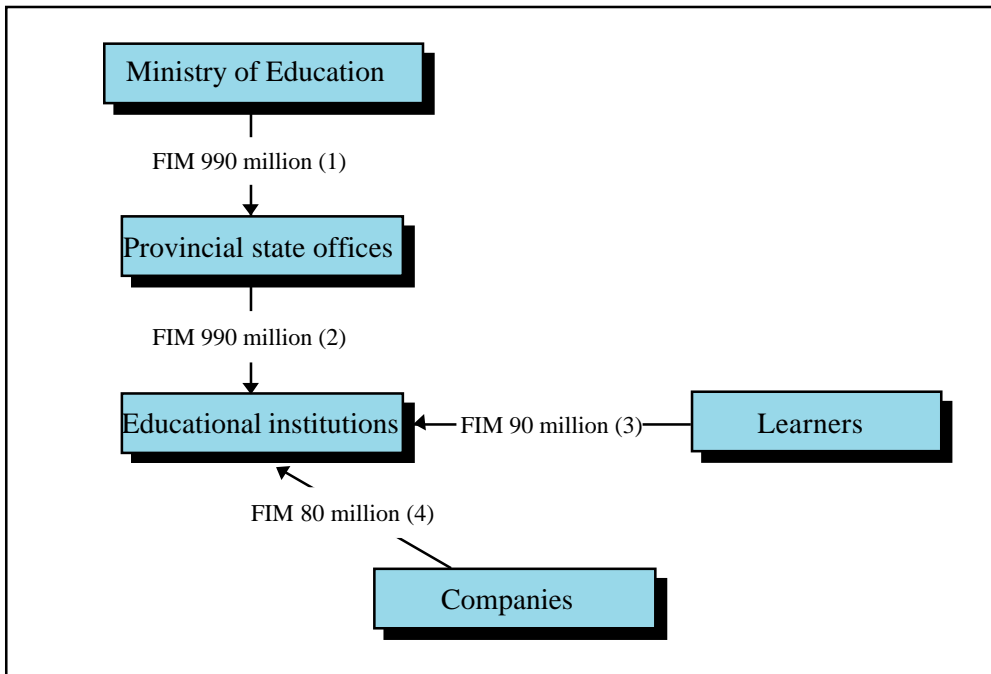
As concerns independent vocational adult education, the reform

touched on the centres for vocational adult education. The provincial state offices began to purchase secondary and college-level vocational education leading to qualifications and further study programmes from these centres under the subscriber-provider model. The provincial state offices were also granted funds to purchase short-term continuing education services from any vocational institution. However, these funds were relatively small.

In 1997, the subscriber-provider model between the provincial state offices and the educational institutions was introduced to all continuing training except long-term specialisation studies at the universities and polytechnics. When the government discussed the reform, the Ministry of Labour claimed that the purchase systems for labour market training and independent vocational education were overlapping and that the appearance of two purchasing bodies representing the state would easily raise the price-level of the producers. After negotiations, the government decided to propose to Parliament that the extended subscriber-provider model would be introduced for a year, as it had already been carefully and widely prepared, and that the government would quickly prepare a bill on transferring all continuing training except that at the universities into the state subsidy system. However, Parliament supported the subscriber-provider model and passed the law. Nevertheless, it required that the law's efficiency be evaluated after it had been in effect for three years. The overall reform in school legislation which is at present being discussed in Parliament will transfer secondary and college-level vocational education leading to qualifications organised by the centres for vocational adult education into the state subsidy system. This will clarify the financing systems: all initial vocational education and long-term specialisation studies at the polytechnics will be funded according to the state subsidy system and other continuing training according to the subscriber-provider model.

Finance flows in continuing training

Chart 6. Finance flows within independent continuing training in 1997



(1-2) The Ministry of Education grants funds (1) to the provincial state offices according to result contracts with which they can purchase continuing training from educational institutions or, in some cases, private companies offering educational services for the use of the public (2).

(3) Students pay tuition fees to the institutions.

(4) Companies pay institutions a part of the expenses of education when the education is especially provided for their personnel.

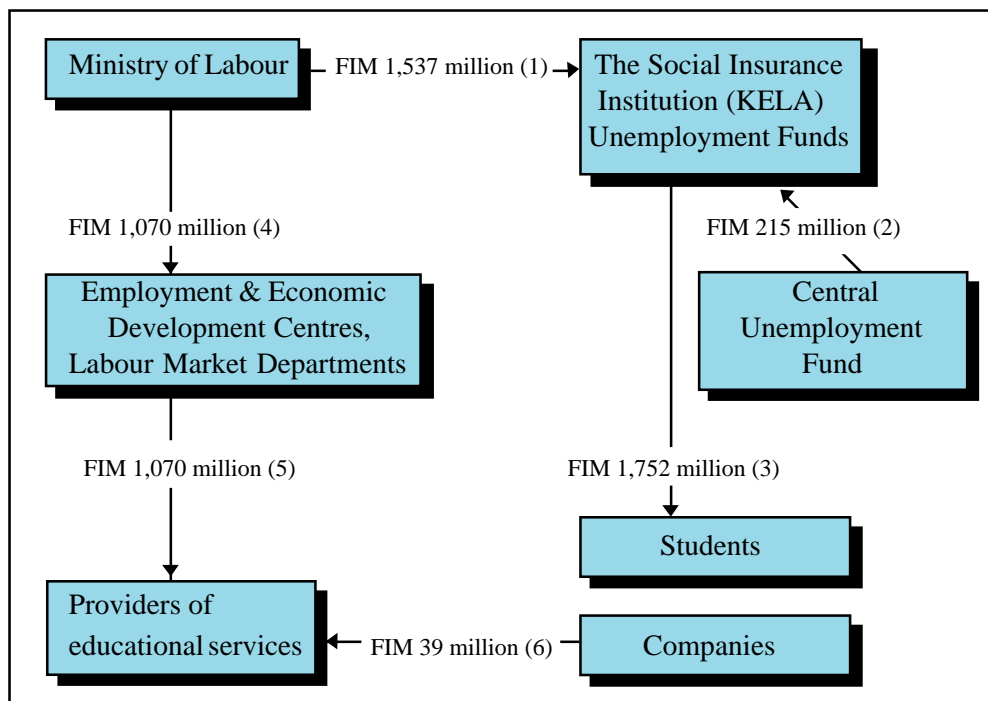
On the cost-effectiveness of financing systems

Characteristics which enhance the cost-effectiveness of the state subsidy system have been discussed in chapter 7.1. Vocational adult education is part of the system, so it is impossible to examine it separately.

In the subscriber-provider model it is believed that cost-effectiveness will result because the provincial state offices can control the costs of education. This is because the educational institutions have to compete with each other for funds. However, because of the changes in the educational services and institutions included in the subscriber-provider model, there is no statistical information on which to base conclusions.

7.7.2. Labour market training

Chart 7. Finance flows in labour market training in 1997



(1) The Ministry of Labour transfers the funds required for the training allowance for the use of KELA and the unemployment funds

(2) The Central Unemployment Fund provides the Unemployment Funds the employers' share of income-related training allowance (47 % out of the income share)

(3) KELA and the Funds pay training allowance to the students in monthly arrears

(4) The Ministry of Labour transfers the funds allocated for labour market training to the Labour Market Departments at the Employment and Economic Development Centres (15 centres). The use of the funds is outlined in result-based contracts.

(5) The Employment and Economic Development Centres purchase educational services from the most suitable provider on the basis of competition

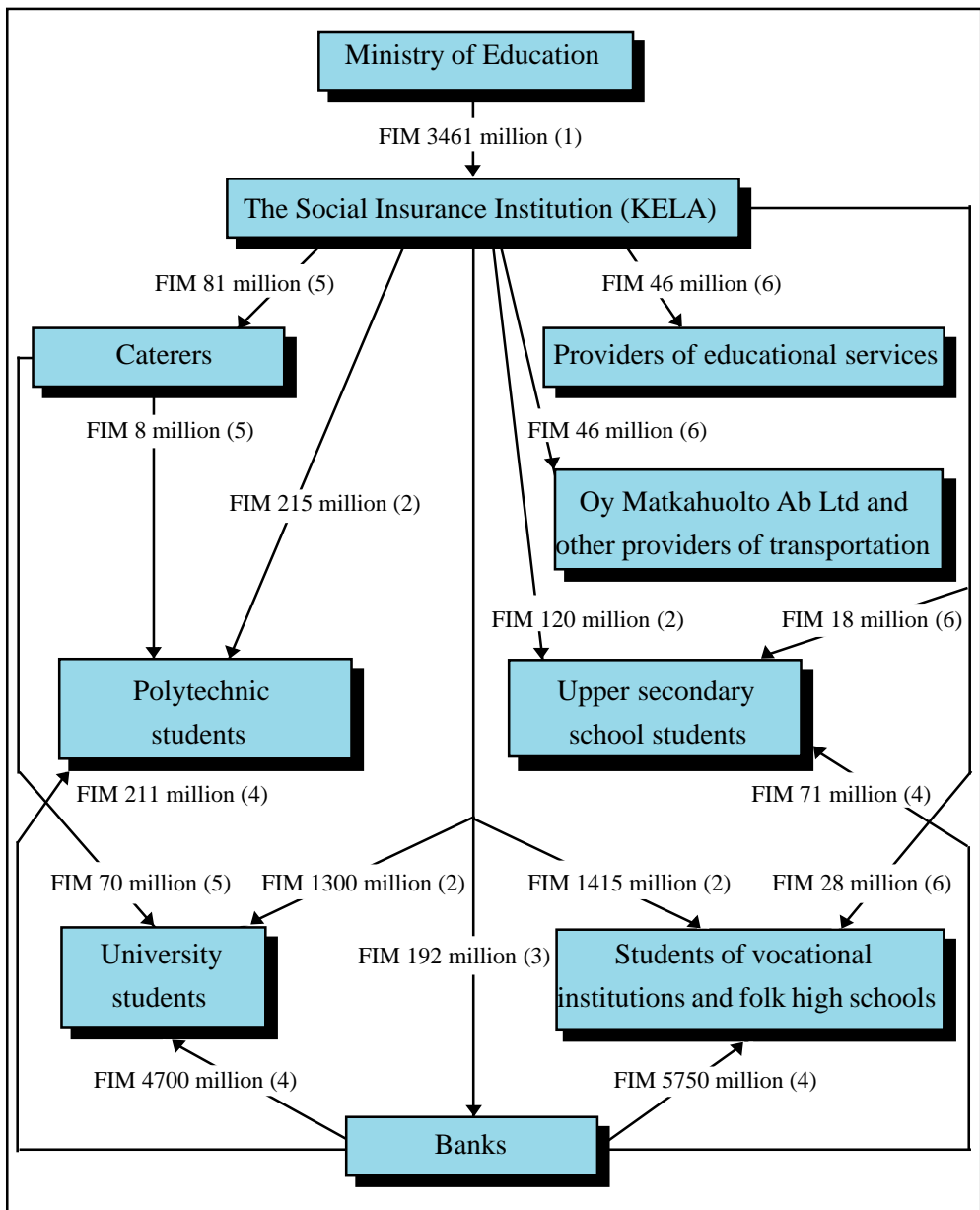
(6) Companies fund about 60 % of the joint training in which they are involved

Table 25. Funds allocated for purchasing labour market training services in 1991-1996

Year	Funds allocated FIM million
1991	614
1992	764
1993	788
1994	837
1995	921
1996	1 082

7.8. Students' financial aid

Chart 8. Finance flows within the students' financial aid in 1997



(1) Fund transfers to KELA

(2) Financial aid

(3) Interest subsidies to old student loans, repays of unpaid student loans

(4) Study loans

(5) Meal subsidies

(6) Travel assistance

In more detail, the finance flows are as follows:

1) *Financial aid* *FIM 3,242 million*

The Social Insurance Institution uses state funds to pay study grants, adult study grants and housing allowance, and in some cases aid for students to pay the interest on their student loans. The Social Insurance Institution also pays interest subsidies out of state funds to banks for 'old student loans' and, as guarantor, repays old unpaid student loans.

Universities	FIM 1,300 million
Polytechnics	FIM 215 million
Vocational institutions and folk high schools	FIM 1,415 million
Upper secondary schools	FIM 120 million
Interest support	FIM 60 million
Guarantor responsibilities	FIM 132 million

2) *Study loan* *FIM 10,732 million*

The state guarantees the study loans. The banks provide the loans.

Universities	FIM 4,700 million
Polytechnics	FIM 211 million
Secondary vocational education	FIM 5,750 million
Upper secondary schools	FIM 71 million

3) *Meal subsidies* *FIM 81 million*

The Social Insurance Institution pays caterers a meal subsidy according to the number of meals sold. Students pay for their meal a sum minus the meal subsidy (7 FIM). Restaurants that operate on other than university premises also receive additional meal subsidies to meet the costs caused by this.

Universities	FIM 70 million
Polytechnics	FIM 8 million
Additional meal subsidies	FIM 3 million

4) Travel assistance

FIM 138 million

The Social Insurance Institution uses state funds to pay travel assistance according to the student's means of travel to upper secondary school and also for vocational education, and to providers of transportation and owners of educational institutions.

To the students	FIM 46 million
To the organiser of education	FIM 46 million
Oy Matkahuolto Ab Ltd, State Railways etc.	FIM 46 million

The students' financial aid system and cost-efficiency

The idea of students' financial aid is to provide that part of the student's social security during his or her studies which cannot be considered the parents' responsibility, or which is not covered by other systems. Therefore, at present the student and the student's family are partly responsible for financing studies. The state only provides financial support on the basis of means testing and as the guarantor for study loans. The responsibility for the rest of the students' livelihood falls on the students themselves, and in some cases their families in the form of study loans, wages or support from parents. The parents' responsibility is especially emphasised in respect of young students, students studying at institutions other than universities, and students living at home. The present system is result-oriented, as students can only receive financial aid if they show progress in their studies. If they do not, the state can stop paying aid to the student. This would lead to a situation in which students would have support themselves by other means.

The system is not only based on the public economy, but it is also intended to emphasise the responsibility of the individual and the family for the costs of education (cost-awareness). This can be justified by the fact that studying usually benefits the student when she or he enters the labour market and means a better income than for those without qualifications. From the point of view of society, it is certainly justified to pay this kind of aid, as a well-educated workforce usually means better productivity and

international competitiveness.

As the present study grant is not enough to secure a student's livelihood, study loans are a vital part of it. Due to the way in which the system is organised, students whose courses last a long time need to take out more loans than those who have chosen shorter courses. This also means that those lacking an opportunity for other kinds of income end up more in debt than others. Very large loans can naturally have a negative impact on the willingness for further studies.

An adequate grant-based system is the most efficient way to promote equal opportunities in education. From the point of view of the public economy, raising the level of the study grant would at the present number of recipients mean a significant increase in costs. If the role of the of study grant was significantly increased, it would be likely that the monitoring of how this aid is used would become more efficient from the point of view of cost-efficiency.

Considering the low level of the student financial aid paid by the state, the lowering of it would have a negative impact on individuals' willingness to study. Even at present, the aid system is considered as hardly conducive to study, as financial aid lags behind with other forms of social support.

8. EXAMPLES OF GOOD PRACTICE

8.1. The polytechnic reform as an example of a reform whose objective is to increase the efficiency of education financing

In Finland, polytechnics form a non-university sector which operates alongside the university sector. The principles underlying polytechnic education derive from the need for a highly-trained expert workforce in the labour market. This is why the polytechnics are more professionally and practically oriented than the academic universities.

The polytechnics have been developed from former vocational institutions which provided the highest level of vocational education. The educational provision to be incorporated into the polytechnics has been developed and detached from these institutions and incorporated into the higher education system.

Experiments with the ammattikorkeakoulu system began in 1991, when the government granted permission to set up 22 experimental institutions (AMK institutions or polytechnics). The purpose of the experiment is to raise the standard of higher vocational studies and to rationalise the structure of the education system. The three and a half- or four-year AMK degree programmes have been developed from post-secondary and higher vocational programmes.

In autumn 1997, there were sixteen permanent AMK institutions and fourteen experimental institutions. The AMK system is expected to finally consist of some 25-27 institutions, comprising over 150 vocational colleges. Most of these institutions will be multisector establishments. The whole network of AMK institutions will be ready by the end of this decade.

In the late 1980s, the points of departure and objective-setting in the polytechnic reform were largely based on national considerations. The reason for both the polytechnic reform and the secondary education and training reform was to correct certain problems in the education system and student flows.

During the 1990s, the aims of the reform have been further developed and polished.

The central aims of the polytechnic reform are:

- 1) *To raise the standard and improve the quality of vocational and professional education*
 - *A professionally and practically oriented higher education degree.*
- 2) *To improve the international comparability of Finnish education and promote international co-operation*
 - *A non-university sector of higher education.*
- 3) *To respond to young people's demand and need for higher-level education*
 - *Catering for young people's needs and preferences and their future.*
- 4) *To increase the attractiveness of vocational and professional education*
 - *An alternative to the universities in higher education.*

- 5) *To respond to changes in the workplace*
 - *A multi-field (multidisciplinary) approach.*
 - *A higher standard of know-how for the labour force.*
- 6) *To strengthen regional development*
 - *Development of regional infrastructure.*
- 7) *To promote conditions for the development of small and medium sized industry*
 - *Focus on the private sector.*
- 8) *To simplify and clarify the structure of vocational education*
 - *More flexible educational paths.*
- 9) *To rationalise the network of educational institutions*
 - *Bigger and stronger units.*
- 10) *To enlarge the competence and authority of educational institutions*
 - *Decentralised of administration.*
 - *Less regulation by the central authorities.*

The reform is to be implemented using the resources of the previous higher vocational education. The implementation of the reform is to be supported by a separate support programme.

Achieving the objectives set for the polytechnic reform entails improving the conditions in which the polytechnics work. In this, the essential components are the level of teachers' education, library and information services, measures geared to support the transition to the information society, and closer international co-operation. These aspirations are supported by the Ministry of Education by means of separate funding.

In teacher's continuing education the aim is to raise the education of one third of the teachers to the next level. The goal set for 1998 is for some 2,000 teachers to study for a master's, licentiate's or doctor's degree.

As regards library and information services, the aim is for the polytechnics to allocate some five per cent of their operational expenditure to these services in the long run; the goal for 1998 is 3.5 per cent.

In international co-operation the aim is to increase student and teacher exchanges. The longer-term goal in student exchanges is to offer

opportunities for one in three students to go abroad to study or train for at least three months before graduation. The 1998 goal for student exchanges is for 4,000 Finns to go abroad and 2,500 foreign students to come to Finland to study or train. With regard to teachers, the goal is reciprocal exchanges of 600 teachers.

8.2. The competence-based vocational qualifications system as an example of a reform whose objective is to reduce the costs of education and to find new sources of finance for education

The degrees and qualifications in the Finnish educational system can, with some simplifications, be divided into three categories according to their nature, content and manner of completion: diplomas and certificates completed in general or vocational education, or competence-based qualifications which emphasise working life and are based on the demonstration of skills. The competence-based qualifications have in turn been divided into three sub-categories: **vocational qualifications** attesting to the basic skills in the field, **further vocational qualifications** attesting to the skills of a skilled worker in the field, and **specialist vocational qualifications** attesting to the most demanding skills in the field.

The competence-based vocational qualifications system, which has been developed especially for the adult population and with the needs of businesses and other working communities in mind, is based on the legislation on vocational qualifications which came into force in the spring of 1994. An extensive experimental period preceded the passing of the legislation, during which the different parties to the labour market, teachers, and the education administration worked towards developing the system in exceptionally smooth co-operation. The additional political spur came from the Council of State's Development Plan for Education for 1995–2000. According to this plan, vocational adult education outside higher education was to be arranged for the major part through education leading to initial, further and specialist vocational qualifications. Further emphases included the co-ordination of the qualification system with the skills required by actual working life and the closer integration of labour market training into the vocational education system.

A simple but important realisation was reached – actually through

the legislative process – on how the qualifications system can promote the principle of lifelong learning, and especially its practical application in co-operation with the sphere of work. The perception of learning in different surroundings – not just in schools and institutions – and the utilisation of the subsequent vocational skills became central to the development work. A key goal for the competence-based vocational qualifications system is to develop examination procedures leading to qualifications regardless of the form of acquisition of skills or study. This approach is aimed at lowering the threshold for motivated adult learners to participate in education preparing for skills testing.

It is commonly acknowledged that practically all human action contains an element of useful learning. However, the evaluation of learning that takes place outside a formal educational context – or even inside it – has been regularly deemed problematic. Therefore, the discourse on lifelong learning usually settles for discussing practices within the domain of organised, structured and conscious learning processes. It follows that, in addition to the learning processes themselves, the methods of skills evaluation are becoming more crucial. It is only through them that the vocational skills can be measured in a comparable way. In this respect, the skills testing of competence-based qualifications system opens up new scenarios.

Close contacts with the sphere of work are crucial to the promotion of lifelong learning. Vocational adult education, in particular, should be in as close a symbiosis as possible with working life. The success of this education relies heavily on good relations with the working community, just as the success of the working community relies on the educational services and their quality. Regulations and practices are therefore drafted and agreed with the understanding that the consensus between the sphere of work and educational field is paramount for the functioning of the qualifications system. A tripartite procedure is always applied in every case when approving the qualifications, drafting the qualification requirements, forming qualification committees, and ensuring the quality of the testing.

The competence-based vocational qualifications are based on three cornerstones: the non-regulated manner of acquiring skills, the demonstration and evaluation of skills, and the close co-operation between the work sphere and the educational sphere. However, the teaching activities and the certification of the qualifications based on the needs of working life will still

be closely linked to the question of organised adult education leading to qualifications. It is likely that the completion of qualifications on the sole basis of work experience and learning at work will not become a popular option. Education and study will retain their position as the main source of learning for adult learners, although the competence-based system will significantly alter the steering system of adult education.

The vocational qualifications, defined in the qualification requirements based on the needs of working life, and their evaluation principles have become crucial guidelines for the providers of adult education. Their task is now to approach the planning of teaching and skills testing, as well as the provision of more tailored teaching, according to the study programmes of the individual learners. What is required is an efficient and constantly active adult education system, where both the education leading to qualifications and the testing of the qualifications themselves is to be flexible and tailored around the different situations in adult learners' lives. This perspective is supported by the alternative which allows for qualifications to be completed in smaller sections arranged in a modular structure corresponding to the tasks and structure of activities in working life. The plan is not, therefore, to make the skills test a comprehensive final test covering the whole qualification, rather the idea is that the skills demonstrations can be given after each completed module throughout the course of the education. These module-based skills tests can also be attended by candidates from outside organised education. In order to ensure a flexible system, the organised education should be articulated according to the module structure of the qualifications. Should this policy not be followed, it would be impossible to link, especially, labour market training more closely with qualifications.

9. CONCLUSIONS

The realisation of the objectives concerning educational development as presented in the political policy documents would cause the government additional expenditure of approximately FIM 1 billion marks on a yearly basis. The largest items of expenditure would be the lengthening of all vocational training at secondary level to last three years and the arrangement

of free pre-school education for 6-year-olds.

The realisation of the objectives as stated in the proposals of the Committee for Lifelong Learning would cause the government additional expenditure of approximately FIM 3 billion on a yearly basis. The largest items of expenditure would be for raising the level of skills and knowledge of adults with a low level of education, and starting the pre-school education before the age of six.

At the same time, it seems that in order to prevent the incurring of any additional debts central government expenditure will need to be reduced in the next few years, and it will probably not be possible to increase the burden on the municipalities. If the quality level of the comprehensive school and secondary education is to be maintained, the polytechnic system properly established, and the innovative quality of the universities maintained, there seems to be little room for any school reforms which increase public expenditure, without reallocating the state subsidy towards education.

It is difficult to estimate the cost-effectiveness of the current educational financing arrangements since there is very little statistical data available. Nevertheless, it is clear that the cost-effectiveness of the financial arrangements is even now so good as to preclude any significant increase. Thus there is very little latitude for new items of expenditure.

The cost of the basic education system for young people to the state can in principle be considered to be decreased by minimising the overlaps in the system. Factors potentially in need of clarification include the question of whether there are any obstacles related to secondary level education or studies at AMK institutions or universities which would lead to the students applying for separate studies at other institutions.

As for the adult population, unemployment will probably remain the key social problem in the next few years. There thus seems little scope for any great compromises over the opportunities of unemployed people to improve their position through training. Nevertheless, the principle of lifelong learning requires that not only unemployed adults but also other groups must be provided with a wide range of opportunities to improve their skills.

The financing of the extension of study opportunities must increasingly be found from sources other than tax revenue. Would it be possible to determine new forms to increase the financing provided by employers? Would it be feasible to require trainees themselves to increase their

contribution? Could the parties mentioned above be encouraged by tax relieves to increase their own contribution?

The location and integration of new sources of finance also requires close co-operation within public administration and with the labour market organisations. In public administration the partners include the Ministry of Education, the Ministry of Trade and Industry, the Ministry of Social Affairs and Health, the Ministry of Labour, and the Ministry of Finance.

The new Government which will be elected in the spring of 1999 will find itself in a difficult position as regards the promotion of lifelong learning. If reforms which have significant effects on public expenditure are to be included in the government programme, there are in principle only two options available for the Government. The proportion of education and learning opportunities in the state budget must be increased, or the arrangements for education and other learning opportunities must undergo structural changes, in which case the financing of certain current activities must unavoidably be reduced.

In 1999 the government will also have to decide on the new development plan for education and university research for 1999 - 2004. Problems relating to the drafting of the government plan also affect this decision.