

# Conclusions and recommendations of the National Audit Office

## Reform of vocational education

The audit was targeted at the reform of vocational education, which was one of the spearhead projects of Prime Minister Sipilä's Government Programme. The aim of the reform was to reform vocational education to build a competence-based and customer-oriented entity. The reform was necessary in order to ensure that vocational education can offer the new kind of competence and professional skills needed in working life in the future.

The funding for vocational education totals about EUR 1.9 billion in 2021. Of this, the share of local government is slightly more than half, i.e. EUR 1 billion. The rest of the amount is allocated to education providers by the state as statutory central government transfers to local government and discretionary government transfers.

The audit was targeted at the implementation of the reform of vocational education. The aim of the audit was to ensure that the reform supports the employability of students and the competence-based structural competitiveness of the national economy, and thereby the long-term sustainability of central government finances.

The audit evidence consisted of a questionnaire survey targeted at the principals of vocational colleges (response rate 89.1%), interviews and group discussions of the Ministry of Education and Culture, the Finnish National Agency for Education and different stakeholders, and decisions on performance-based funding for vocational education from 2018 to 2020. However, the audit did not examine how employers viewed the implementation of the reform.

## The challenging starting point of the reform was reflected in the implementation

A special challenge faced by the reform of vocational education was the strict timetable within which the extremely laborious reform was to be prepared and implemented. The preparation of the reform, which entered into force on 1 January 2018, was started in the spring of 2016. At about the same time, it was decided to cut the appropriation for vocational education by approximately EUR 400 million.

In order to meet the time pressures, the Ministry of Education and Culture, which led to the preparatory work, utilized new participatory methods of law drafting in the preparation process. The reform was prepared by a group representing different stakeholders, and comments on drafts were requested in stages as proposals for legislation on specific areas were completed. The participatory preparation process contributed to broad acceptance of the objectives set for the reform among educational institutions. As a result of the

participatory process, some good education practices, such as strong working life cooperation and an education process according to the adult education model, have also been integrated into the reform.

The tight preparation schedule made it difficult for educational institutions to adapt to the cultural change. One example of the difficulty of cultural change is the different expectations that educational institutions have for the steering of the implementation of the reform. While the purpose of the reform was to give education providers more freedom in organizing education, some of the education providers expected that the Ministry of Education and Culture and the Finnish National Agency for Education would have steered the implementation of the reform more actively.

The tight preparation schedule also explains some other problems with the implementation, such as the difficulties in coordinating information systems and compiling the knowledge base required for the new funding system. The differences between educational institutions in the recording of student years, the change needs experienced, and the implementation of continuous admissions may also be explained by the tight preparation schedule. The tight schedule and the simultaneous cuts in appropriations have also increased the administrative workload and burdened the management and staff of educational institutions.

## The reform of vocational education has progressed in line with the objectives

Only some of the key objectives of the reform of vocational education are measurable. No indicators have been set for the targets of the reform, and it is not yet possible to compare the achievement of the targets on the basis of numerical data. However, on the basis of the audit, the achievement of the objectives of the reform seems to be making good progress.

## Extensive problems in working life cooperation could lead to a crisis in vocational education

Learning in workplaces is a key part of the vocational education system. Its success and development are crucial to ensuring the sustainability of the education system. Vocational education is on a sustainable basis if the content, operating model and reciprocity of working life cooperation meet the expectations of business life and enterprises. Extensive problems in working life cooperation would lead to a crisis in the entire education system.

Vocational colleges have invested in working life cooperation. However, economic cycles or regional structural changes in the economic operating environment may weaken companies' ability to offer students workplaces for learning.

## Funding should also promote the organization of targeted training modules smaller than qualification units

The funding of vocational education focuses on qualifications and qualification units. Vocational colleges hardly organize education that does not aim for a qualification because this is not profitable. However, in certain sectors and to support labour policy measures, there would be a need for further or supplementary training organized by vocational colleges, especially when it is not possible for the employer, such as an SME, to train its personnel.

Competence is the foundation of structural competitiveness and one of the success factors of export companies. The competence needs of export companies are to some extent specific. For example, combining different skills or specializing in a narrow area may require further training. For this reason, the education system should support the combination, deepening and targeting of different skills, for example through education modules smaller than qualification units. In the allocation of funding, the distinction between vocational education and personnel training under the employer's responsibility must be unambiguous.

## The funding criteria set for the effectiveness of education are not sufficiently transparent

The funding system of vocational education has consolidated several different objectives and incentives, which has inevitably made the system complex.

From the perspective of the transparency of the funding system, it is a problem that an education provider cannot manage all the factors on the basis of which performance and effectiveness-based funding is allocated to it.

Employment-related information consists of two or three years old statistical data, and effectiveness-based funding cannot be reliably allocated on the basis of the available information. The knowledge base could be significantly strengthened if data from the Incomes Register, for example, were utilized.

## The audit found no unlawful procedures

The audit examined the decisions on performance-based funding for vocational education from 2018 to 2020 and, on a sample basis, some decisions on funding for education providers. The starting point for the examination was the requirements laid down in the Act on the Financing of Education and Culture (532/2017) and the Administrative Procedure Act (434/2003). No unlawful procedures were found in the performance-based funding decisions or the audited funding decisions.

## Recommendations of the National Audit Office

The National Audit Office recommends that the Ministry of Education and Culture and the Finnish National Agency for Education

1. consolidate vocational education measures and funding criteria to form an entity supporting continuous learning so that vocational institutions can profitably also organize training modules that promote employability and are smaller than qualification units
2. survey employers' commitment to learning in workplaces and, if necessary, set policy lines for the necessary means and financial incentives to ensure the required workplaces for learning in vocational education
3. take the necessary measures to strengthen the knowledge base of the central government transfers to local government that are based on the effectiveness of education.