

# Financing of vocational education and training – system that rewards outcomes and efficiency

Vocational education and training (VET) falls within the financing system for educational and cultural provision. VET is jointly financed by central and local government. The decisions on appropriations are made in accordance with the Budget and the local government's contribution. The funding is granted and paid directly to the VET providers. VET providers can independently decide how they use and allocate the appropriations. The purpose of the financing system is to guide VET providers to work in line with the objectives of vocational education and training and to effectively address skills needs.

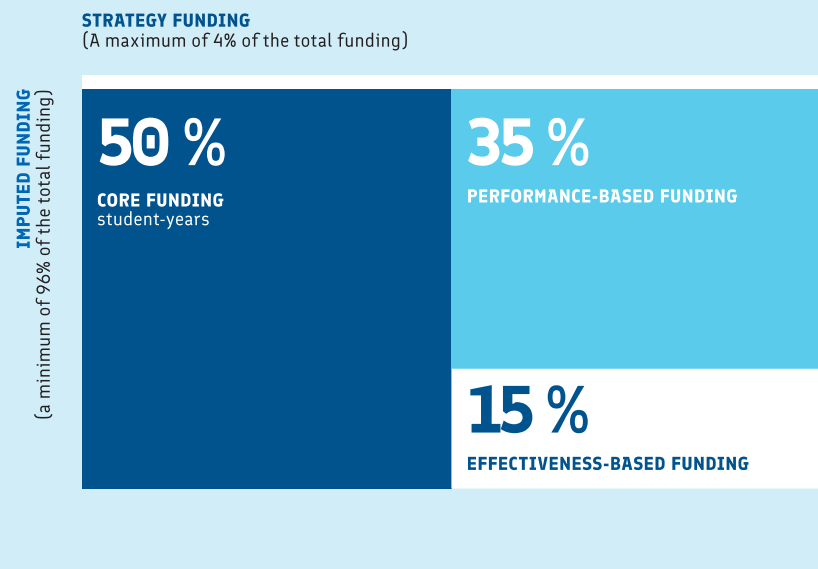
Most of the financing for vocational education and training is allocated according to a given formula. This so called imputed funding is made up of core, performance-based and effectiveness-based funding. The amount allocated to the VET provider in each category depends on the provider's outcomes, and it corresponds to the proportion of the provider's outcomes of all VET providers' outcomes.

**From 2022 imputed funding will be allocated to education providers as follows:**

(Breakdown of contributions in brackets in 2020 and 2021):

**Core funding** accounts for **50%** (70% and 60%) of imputed funding. This financial contribution is based on the VET provider's targeted number of student years. The targeted number of student years and a minimum number of student years are both specified in the VET provider's education licence. The minimum is approximately 90% of the

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targeted number of student years. The remaining 10% is allocated according to needs estimation. A small proportion, about one per cent, is allocated as a discretionary increase. On one hand, core funding contributes to the stability and continuity of VET provider's operations.

On the other hand, the system enables the reallocation of resources between the providers according to their need. In addition, a discretionary increase enables the financing of special features that have not been taken into account in the funding system.

**Performance-based funding** accounts for **35%** (20% and 30%) of the imputed funding. This financial contribution is based on completed qualifications and competence points (correspond to ECVET points) of qualification units. The performance-based funding rewards the VET provider for the outcomes. The main focus is on financing completed qualification units. However, financing based on competence points of qualification units encourages the VET provider to tailor the studies and to intensify study processes. In addition to this, performance-based funding guides the VET provider to target education and training and qualifications in accordance with skills and competence needs. A full qualification will be rewarded in particular if the student does not yet have other upper secondary qualifications.

**Effectiveness-based funding** accounts for **15%** (10% and 10%) of the imputed funding. The main focus is on access to employment and further studies (10 percentage points). The purpose of the effectiveness-based funding is to direct education towards sectors which need more labour, and to ensure that the VET provision meets the labour market requirements and facilitates access to further studies. In addition, 2.5 percentage points of effectiveness-based funding is allocated for feedback received from students and employers. Collecting feedback from students and employers encourages the VET provider to plan and organise high-quality education and training so that it meets the needs of both students and the labour market.

In addition to imputed funding, education providers can apply for strategy funding from the Ministry of Education and Culture. Its purpose is to develop vocational education and training in line with objectives that are important for education policy. The strategy funding has been used to support, for example, the strategic development activities of VET providers, the development of provider structure and the organisation of skills competitions. The amount of strategic

funding is determined annually in the Budget, accounting for between 0% and 4% of the total funding.

Cost of education and training varies depending on qualifications, types of qualifications and forms of education and training. For example, any special support or accommodation required by students generates additional costs. The financing system identifies the essential factors affecting the cost of education and training. The costs are taken into account by weighting some of the providers' outcomes by means of multipliers. In addition, there are multipliers for steering effects.

### **COLLECTING DATA FOR THE CALCULATIONS**

Data used as the basis for calculating the financial contributions is mainly obtained from the National Study and Qualifications Register maintained by the Finnish National Agency for Education. The Register provides the qualifications and completed units from all levels of education for each student. Data is also available from Statistics Finland, which collects data on student's previous qualifications and access to employment or further studies. In addition, VET providers use a joint student feedback system to collect feedback from their students starting

and finishing their studies. The plan is to automate the collection of employer feedback in a similar way.

### **FINANCING IS SUBJECT TO A DECISION ON FUNDING**

Most of the appropriations for vocational education and training will be allocated by means of a decision on funding, which takes into account:

- targeted student years for core funding
- any discretionary increases
- data on outcomes for performance-based and effectiveness-based funding as the basis for the calculation.

The VET provider may put forward reasoned proposals for its targeted number of student years or discretionary increases in funding. These proposals will be taken into account, even though the allocation of core, performance-based and effectiveness-based funding is mainly based on data on the outcomes. Decision on the funding for the financial year are made at the end of the preceding year. Additional decision on funding are made during the financial year to allocate a small part of the funding. Additional decision on funding can be made, for example, in situations where education must be reallocated or increased.

