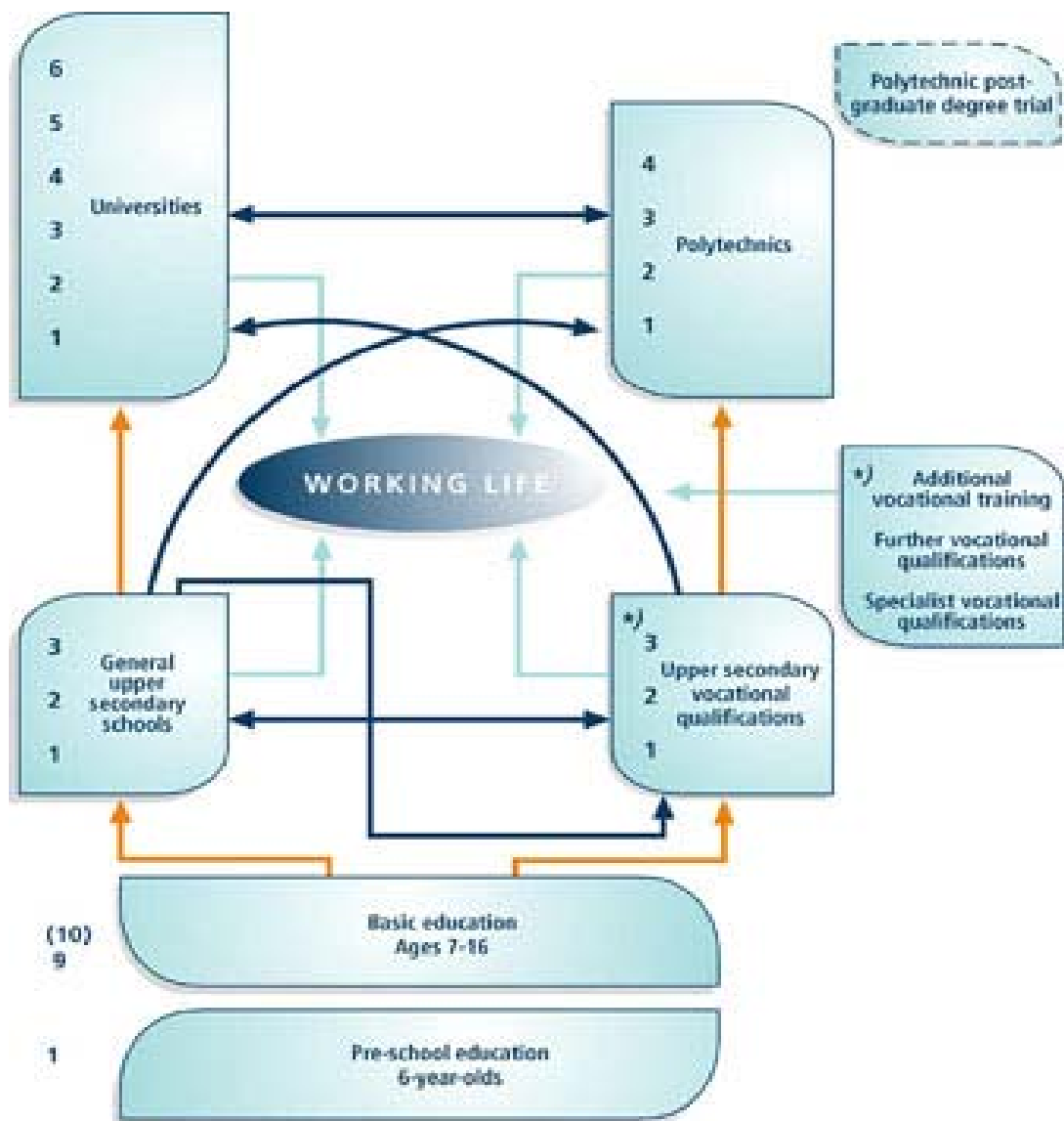




The Performance-based Financing of VET in Finland

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THE FINNISH EDUCATION SYSTEM



*.) Also provided in the form of apprenticeship training




■ Funding of VET in Finland - Basic elements

- The responsibility for funding of VET is divided between the State and the education providers
 - The state subsidy is calculated to cover 57% of the operating costs
 - Government transfer is paid the provider of education
 - The funding criteria are the same irrespective of ownership (public/private)
- The state subsidy for operating costs of VET is granted on calculatory grounds, which are confirmed annually per student
 - The most significant factor influencing the amount of state subsidy is the student quantity



■ Funding of VET in Finland - Basic elements


- Government transfer for providers of VET = Number of students * Unit price (calculatory unit)
- Unit price is calculated for each provider separately and is affected by different factors according to nature of activity
 - Based on actual current expenditure of education at national level (national average)
 - Unit price is supposed to cover 100% of current expenditure
- The providers of education are independent in their financial decisions



■ Performance-based financing of VET

The system

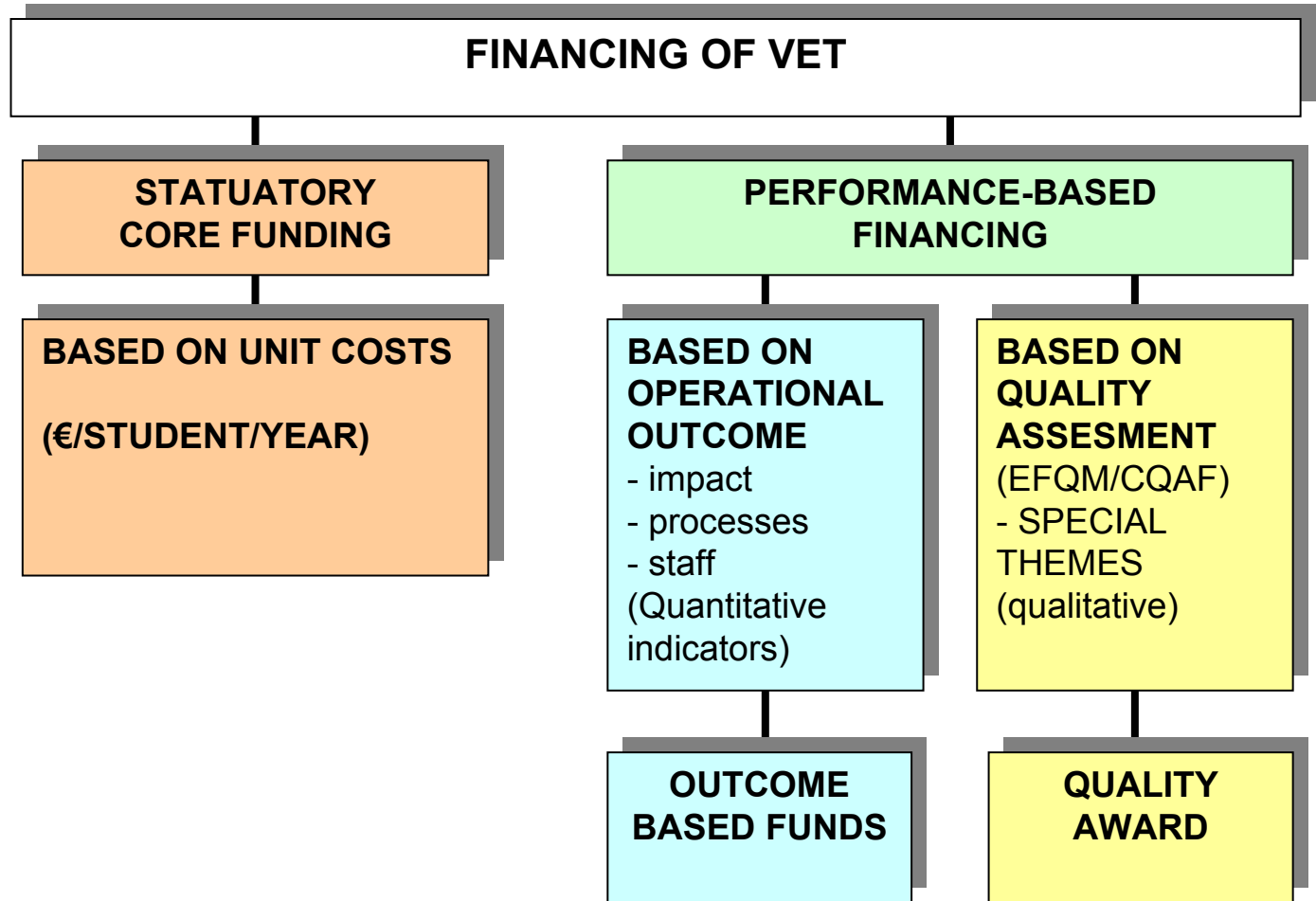
- Complements the calculatory statutory transfer system for operating costs of initial vocational education and training
- Comprises two elements
 - Outcome-based funds based on statistical indicators
 - Quality awards




■ Performance-based financing of VET

- Outcome-based funds and quality awards form the whole of performance-based financing
 - both elements have their own profiles supporting the whole
 - common goal: to support developing the quality and effectiveness of vocational education
 - the interconnection between quality and performance
 - results are achieved through persistent and consistent and goal-oriented work

Performance-based financing of VET





■ Performance-based financing of VET

- Objectives of performance-based financing
 - to promote achieving the goals set for vocational education
 - to support developing the quality and enhancing the effectiveness of education
 - to encourage education providers in persistent and goal-oriented development
 - to guide education policy and operation of education providers through positive incentives
 - to provide comparative information for use by education providers and educational administration



■ Measures for performance-based financing

- Starting points and principles of the performance measurement system
 - Measures have been developed to measure the result area under scrutiny as relevantly and reliably — and simply — as possible.
 - Measures are calculated from statistical material
 - Measures are combined into an index describing the performance of the education provider
 - Education providers can be compared through measures and indices
 - Operational and regional spectrum of education providers is taken into account through standardisation of regions and student materials
 - The results are public and in Internet



■ Measures for performance-based financing

■ The Sources of information

- Statistics Finland
 - Individual information on student, graduation and employment statistics
 - Information on teachers formal competence
- National Board of Education of Finland
 - Information on teachers formal competence
 - Information on graduation and staff development on a provider's level



■ Measures for performance-based financing

■ EFFECTIVENESS

- placement in labour market
- transition to further education

■ PROCESSES

- dropout rate
- graduation rate

■ EMPLOYEES

- formal qualifications
- staff-development

■ FINANCES



■ Measures for performance-based financing

Effectiveness

- **The Placement Measure** indicates the placement of graduates in the working life
 - The Placement Measure shows the aptness of the education provider's study-field structure in relation to the labour market.
 - Regional differences in the operational environment of education providers are taken into account through regional standardisation.
 - The Measure does not describe the content of placement, e.g. placement into a profession corresponding to the qualification.



■ Measures for performance-based financing

Effectiveness

- **The Further Education Measure** indicates the placement of graduates in higher education.
 - Measures the role of vocational education as a channel for further studies.
 - Differences in the student material of the education providers are taken into account through standardising student material.



■ Measures for performance-based financing

Processes

- **The Retention Measure** indicates if the student has quit studies in the the educational system without completing a qualification and has not been employed.
 - Those dropouts who were employed or changed the educational institute are not counted as part of dropout in this measure
-> "negative dropout"



■ Measures for performance-based financing

Processes

- **The Graduation Measurement** indicates the proportion of students graduated within the normative duration (maximum of 4 years) of studies (Vocational Education and Training Act 630/1998).
 - indicates how the education provider takes care of the progress of the study process from the beginning to completing the qualification
 - all actions affecting on how the student proceeds in the studies



■ Measures for performance-based financing

Employee outcomes

- **The Teacher Qualification Measure** indicates the formal competence of the teaching staff for their work.
- **The Staff-Development Measure** indicates the financial input by the education provider into updating the personnel's professional skills, especially knowledge of working life, and maintaining work capacity.



■ Measures for performance-based financing

Performance-Based Funding Index

- Calculation of the final Performance-Based Funding Index is based on the measures described above.
- In calculating the Performance-Based Funding Index, different measures are given different weighting.



■ Measures for performance-based financing

- Weights of measures (2004)
 - The Placement in employment 40 %
 - The Further education measure 15 %
 - The Retention measure 15 %
 - The Graduation measure 13 %
 - The Teacher Qualification measure 11 %
 - The Staff-Development measure 6 %




■ Quality awards in performance-based financing of VET

- Encourage to pursue long-term and target-oriented quality management
- Creates basis for persistent and independent assessment and development of VET for education providers
- Act as a steering mechanism for promoting the achievement of the aims and targets set for VET
- Diffuse best practises of VET



■ Quality awards in performance-based financing of VET


- Based on EFQM/CQAF
- Modified for VET
- Yearly Changing special themes
 - 2004 Vocational education as a developer in regional working life
 - 2005 Different learners in VET
 - 2006 Management and developing teachers know-how
 - 2007 Skills tests in vocational education
- Awarded to providers of vocational education
- Max four awards/year



■ Performance-based financing from the education provider's point of view

Challenges for performance-based funding connected with quality management

- Operationalising the measures for performance-based funding in the quality management system
 - Defining what actions can affect performance
 - Establishing how the result described by each measure is formed
 - Understanding what kind of processes lead to results
 - Defining how operation is followed and evaluated
 - Developing a system for auditing and follow-up
 - Prioritising own operations



■ Performance-based financing from the education provider's point of view

- Values of the measures for productivity can be affected by persistent and consistent development of quality.
- Current results describe actions in the past - work carried out now becomes visible in the future.
- Central to productivity and performance are the strategic guidelines of the education provider and the actions defined based on them.
- The whole should be assessed rather than separate measures
- Interpreting and mirroring the results of the measures against own operations - what are the possible conclusions