

# Transitions from Initial Vocational Education and Training Qualifications to Working Life in Finland – Observations and Reflections from an International Expert Panel

## 6.1 Decentralised governance and horizontal dissemination of good practices

The governance of education in Finland is characterised by high levels of trust (Cerna, 2014). The central authorities and the Ministry of Education and Culture have strong confidence in the managers of local and regional VET providers. This is associated with a highly decentralised model of governance that affords high degrees of autonomy to VET providers and gives them room for local initiatives. A major strength of this model is that it allows adaptation of educational provisions to the specific needs of local and regional labour markets. This is particularly important given the significant differences between urban and rural regions.

However, decentralisation also brings challenges. Greater variation in practices between providers may reduce transparency regarding the quality and comparability of outcomes, for example the skills of VET graduates. The testing of skills through competence demonstrations in cooperation with local working life is one way to address this risk.

Another issue concerns the dissemination of good practices. In a decentralised system, innovations developed locally are not automatically shared across regions. Our interviews show examples of strong collaboration at local and regional levels, but we did not identify any organised mechanisms for systematic cross-regional learning. There seems to be room for strengthening evaluation, dissemination and mutual learning between providers, for example through more structured exchange programmes or stronger national coordination.

### Many reforms in a short time

Several interviewees reflected critically on the number and pace of governance reforms introduced in recent years. The changes have been extensive and have concerned multiple

aspects of VET governance – funding, steering mechanisms, accountability requirements and performance indicators.

Some respondents questioned whether it is fair to attribute high unemployment rates primarily to VET. They argued that VET is often negatively portrayed in national debates and that policymakers sometimes treat VET as an “easy target.” Compared to higher education, interviewees felt that VET has been subject to more frequent reforms. As one respondent put it: “Every government wants to experiment with VET; this is less so the case for universities”.

In several cases, reforms were introduced before earlier reforms had been fully evaluated. One interviewee commented: “We are sometimes repairing something that is not broken”.

VET in Finland is characterised by long-standing traditions, and several interviewees noted that change takes time. Rapid policy shifts, especially when multiple reforms are introduced simultaneously, may create pressure at provider level.

## Expanding expectations and classroom-level complexity

Within the same regulatory and funding framework, Finnish IVET plays a central role across several policy areas. It is expected to respond to labour market needs, support youth transitions, provide adult reskilling, promote social inclusion and contribute to regional development. These multiple objectives place high demands on providers' capacity and ability to adapt the provision.

Interviewees pointed out that this complexity is also visible at classroom level. Teachers, who have traditionally enjoyed a high degree of professional autonomy, are now expected to manage diverse objectives and reporting requirements. Providers therefore need stable long-term conditions for planning, recruitment and investment. Without sufficient stability, it becomes difficult to develop capacity and support teachers in their daily work.

## From trust steering to financial incentive steering

The interviews reflected a view that the governance model is shifting. The system is moving from predominantly normative trust steering towards steering based more strongly on financial incentives. The state continues to express trust in providers, but this trust is now combined with outcome-based accountability. As one interviewee noted: “Funding is the easiest way to steer”.

Funding has increasingly become linked to measurable outcomes, such as completion rates and employment results. This marks a shift from a model that mainly incentivised enrolment growth to one that emphasises performance and efficiency. Before the 2018 reform, funding for vocational education was based mainly on a student volume-based model. The 2018 reform set the objective of moving to a model in which performance-based funding and effectiveness-based funding were introduced alongside basic funding, thereby strengthening incentives to align the provision of education more closely with qualification completion, employment and

progression to further studies. However, the target model was not implemented unchanged. The funding proportions were later revised so that the proportion of basic funding was increased and the performance-based elements were softened. In the most recent reform, performance- and effectiveness-based funding have again been strengthened, particularly with regard to employment and progression to higher education.

While autonomy formally remains in place, the stronger emphasis on measurable outcomes and negotiated targets introduces a more managed form of governance. Outcome-based funding may also create tensions, since employment outcomes are influenced by regional labour market conditions that providers cannot fully control.

In several interviews we explored how these changes had been perceived. The interviews did not indicate any major problems with the introduction of performance-based funding. Instead, they suggested a shared understanding of the government's governance approach and that "something needed to be done." The interviews also confirmed the view that the reforms have contributed to a strengthened focus among providers on increasing the proportion of students who enter employment after VET.

## Towards a hybrid governance model

Currently, Finnish VET governance seems to be developing into a hybrid model. The new operational steering pilot (2026–2033) in VET involving 40 providers was mentioned as an interesting attempt to explore how governance can be redesigned and how such changes affect quality and outcomes. Several interviewees emphasised the importance of giving reforms time to unfold before introducing new ones.

Trust-based autonomy and decentralisation remain important principles, but they are increasingly combined with financial steering, performance indicators and structured negotiations. A challenge now is to balance flexibility, equity and accountability.