

Social service delivery: Finland

Abstract

Countries experiencing demographic decline and tightening fiscal space often face difficulties in delivering high-quality social services. Yet Finland appears to be bucking this trend as service delivery has remained strong despite an ageing population and generous benefits levels. Finns are well educated but spend less on education than most other OECD countries. They live healthy lives, on average five years longer than the typical European. In 2010, Newsweek magazine named Finland the best country to live in. How does Finland deliver high quality social services at reasonable cost? The government uses “citizens as customers” approach that minimizes layers of bureaucracy between users and public decisionmakers. The education system is decentralized, with municipal authorities funding and schools that are responsible for daily management. The absence of layers of government between municipalities and the education ministry makes decision making more efficient and lowers costs. Students are encouraged to engage in self-assessments and taking charge of their learning schedules. Teachers are free to plan their classes, and choose textbooks. There are no national tests, so teachers are responsible for measuring the results. Health care services are lean and decentralized, with municipal government responsible for their delivery. Since 1990, the government has introduced several measures, such as user charges, to limit public spending on health care. And since 2006, “citizens’ offices” have improved communications between society and government.

Delivering high-quality social services becomes problematic when countries experience demographic decline and tightening fiscal conditions. Despite an ageing population, however, Finland appears to have maintained strong delivery and generous benefits levels. Finns are well educated yet spend on education less than most other OECD countries (figure 71). They live healthy lives (life expectancy at birth of 72 years), five years longer than a typical European. In 2010 Newsweek magazine named Finland the best country to live in, while in 2011 Monocle magazine named Helsinki the world’s “most livable city.”¹

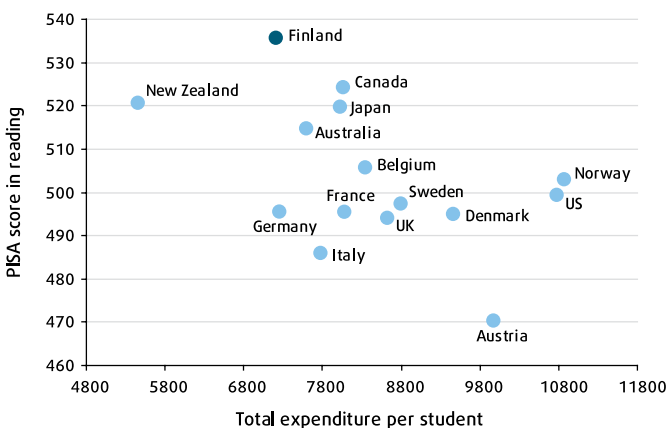
Education: Getting the results

Education in Finland is a shining example of delivering value to citizens. Finnish students were rated third in the OECD 2009 PISA ranking that captures students’ capabilities in terms of reading, mathematics, and science. The basic and secondary education system reaches nearly all students, regardless of their social background. Public schools deliver a range of services beyond teaching, such as a hot meal for students and teachers, health services, and counseling. The country has also the highest ratio of youth enrollment in the tertiary education (43 percent) among OECD countries (average: 25 percent).

Surprisingly, young Finns spent less time in the classes than their international counterparts. The OECD estimates that a Finnish teacher in middle school teaches on average 600 hours per year in comparison with the average of 1,080 hours for an American one. The annual public expenditure per student on primary, secondary, and postsecondary nontertiary education in 2007 (US\$7,216) was slightly under OECD average (US\$7,572). Total public expenditure on education, as a portion GDP, was 5.6 percent in 2007, compared to 7.1 percent in Denmark and 6.3 percent in Sweden.² Finally, an annual salary of around US\$57,000 for a mid-career teacher is not substantially higher than in other OECD countries.



Figure 71: Total annual expenditure on primary, secondary, and postsecondary nontertiary education per student in 2007 and PISA 2009 ranking results in reading in selected OECD countries³



Source: OECD.

The transformation toward a modern education system came gradually. Equal access to education was recognized as early as 1860 and in 1915 education became a civil right. The reforms that paved the way to the current system started after the Second World War, reinforced by political willingness and a commitment to reforms of all parties. The current system consists of basic, upper secondary, and vocational schools. Upper secondary schools are more academically oriented, whereas vocational schools focus on professional qualifications.⁴ Most schools in the country are small, up to 500 students, allowing the staff to know each child. The system is based on trust and community building, because most students go to local schools until they are 15. It is lean and decentralized, with municipal authorities funding and schools themselves responsible for their daily management.

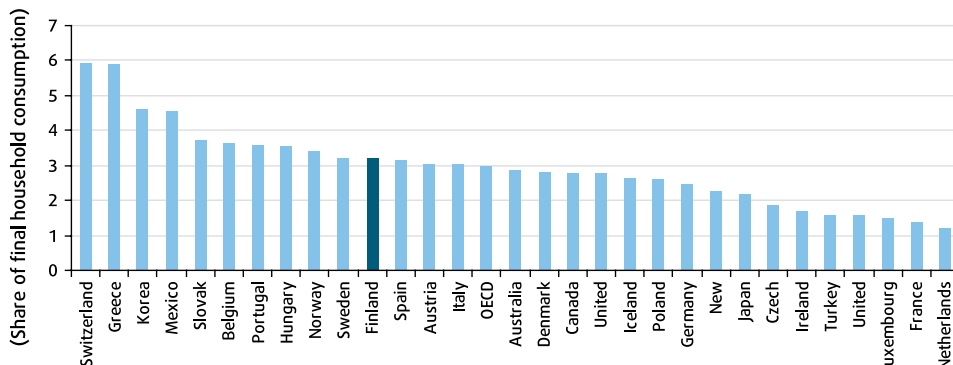
Students are encouraged to engage in self-assessments and take charge of their learning schedules. The national core curriculum gives teachers a lot of freedom in planning their classes and choosing textbooks. There are no national tests, so teachers are responsible for measuring the results. They also receive high-quality training to identify children requiring additional help in the learning process. The profession is very prestigious: teachers are selected from the top 10 percent of upper secondary graduates. Before getting the teaching qualification, even primary school teachers are obliged to obtain a master's degree. The professional preparation programs for teachers are run at the universities and include a two-stage recruitment process. In 2010, there were 6,600 applications for 660 slots in preparation programs for primary school teachers.

Health care in transformation

Finns live relatively long, with life-expectancy at birth amounting to 79.5 years (in comparison to the OECD average of 79.1) and one of the lowest infant mortality rates among OECD countries.⁵ They go to the doctor relatively seldom, on average 4.2 times a year. The government spends approximately 6.1 percent of GDP on health care, slightly lower than the OECD average (6.4 percent). Private spending accounted for 2.1 percent of GDP, adding up to total expenditure of 8.2 percent GDP.

The Finnish National Health Insurance is funded by state taxes and payroll contributions. Reforms in 2006 introduced a division in health care financing between medical care insurance and earned income insurance. Nearly three-quarters of spending on health care comes from public sources. Patients may switch to private providers with partial reimbursement of costs. The system is fairly decentralized, with municipal government responsible for the organization of the services. Since 1990, the government has introduced several measures, such as user charges, to limit public spending on health care. Although, these charges cannot exceed certain annual level, they remain relatively high with a lack of transparency in the pricing policies, pushing the out-of-pocket expenditure of households (figure 72).

Figure 72: Out-of-pocket expenditure as a share of final household consumption in 2007 (%)



Source: OECD (2009a).

Citizens become customers

Apart from education and health care, the Finnish government acts proactively in other areas of social services. Luo et al. (2010) found that Finland was the best among European countries in customs regime, regulatory policy, and information technology infrastructures.⁶ The Finnish authorities set up “Citizens Offices” country that facilitate communication between the society and government. To boost international competitiveness, the government adopted a National Knowledge Strategy in 2006 and as well as the Finnish Productivity Program in 2007.

Some limitation

Yet the Finnish model has some limitations. On the education side, Finnish universities do worse than primary and secondary schools. As for health care, there are some pressures on the expenditure side. Increasing prices of pharmaceuticals and treatment methods will push spending even further. There are already significant discrepancies between the number of visits to the doctor between the wealthier and poorer Finns (figure 73).

Finally, recent states’ initiatives that embark on the creation of a knowledge economy should be followed by better execution, flexibility, and collective commitment, according to the OECD (2010b).

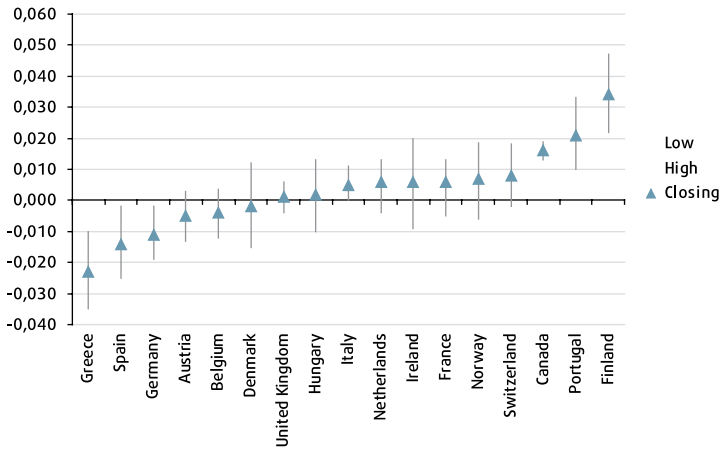
A model?

What others can learn from Finnish experience? The delivery of education is an unquestionable strength. Low spending together with top results of the students makes the Finnish model one



of the most successful in Europe. In health care, the aging of the society and consequently the growing expenditure will be a tougher issue to tackle. Yet Finland seems to be much closer to providing its citizens with high-quality public services than many of its European counterparts. And in the end, it is the policy mix that counts.

Figure 73: Horizontal inequity indices for the probability of a general practitioner visit (with 95% confidence interval), 17 countries, 2000 (or nearest available year)⁷



Source: OECD (2009a).

Sources

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Notes

- 1 Newsweek rankings take into account health, education, quality of life, economic dynamism, and political environment. In its annual "most livable cities" metric, Monocle considers prevalence of crime, international connectivity, climate, quality of architecture, public transport, tolerance, environmental issues, urban design, business conditions, the pro-activity of policy developments, and the quality of medical care.
- 2 Including primary, secondary, postsecondary nontertiary, and tertiary education.
- 3 Annual expenditure in equivalent USD converted using PPPs for GDP. Expenditures include educational core services and ancillary services (transport, meals, housing provided by institutions).
- 4 Pursuing a tertiary education is possible after both schools.
- 5 Finland 2.7 as opposed to the OECD average of 3.9. Indicator: deaths per 1,000 live births. Reference year: 2007.
- 6 Paper includes 75 sample countries from Europe and Central Asia.
- 7 If the index is around zero there is no equity. Values above zero imply a preference toward high-income groups. Values below zero imply a preference toward low-income groups.