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**Author(s):** Ursin, Jani

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Higher Education Reforms in Finland: from Ponderous to Agile Higher Education System?
Jani Ursin

Introduction

Finland has implemented several higher education (HE) reforms over the past decades in order to make its HE system more competitive in the global educational markets. These reforms are in line with the developments in other Western higher education systems in which the transposition of principles and philosophy from the private sector into the public sector has become more common or even a norm thus reinterpreting the economic, social and cultural basis of higher education (e.g. Exworthy & Halford 1999). Furthermore, the implementation of the reforms is a response to the rapidly changing needs of the labour markets. In Finland, Bologna process was partly incorporated to be part of the reactions to these needs especially in the form of degree reform and efforts to improve quality of higher education. (Välimaa, Hoffman & Huusko 2006).

Despite some challenges, such as that the Bachelor is not recognized as self-standing degree and thus has low employability as well as the transition from Bachelor to Master is not clearly defined, Finland quickly adopted all the Bologna goals (Ahola 2012). One of the main reasons for this rather speedy endorsement was rapid changes made to the legislation which helped considerably the realization of the Bologna goals in Finnish higher education (FINHEEC 2012). At the same time when Bologna reform was taking place the Government introduced several reforms which challenged and changed the role and meaning of Finnish higher education. Välimaa et al. (2008) argue that in the initial phase of the Bologna process the Finnish government tried to sell the ‘the idea by focusing on general problems that the Bologna Process could help to alleviate in Finnish […] higher education (p. 46)’. Välimaa et al. (2006) end up arguing that indeed the Bologna process has changed Finnish policy formulation. Traditionally Finnish higher education system has been rooted to the ideology of Nordic welfare state in which equality (among the institutions and individuals) has been a core value (Välimaa et al. 2014). Nonetheless, the recent reforms seem to contest this universalistic view by highlighting more market-driven arguments such as competitiveness, efficiency and accountability and thus undermining those values originating in the ideology of Nordic welfare state. Indeed, the official goals for the reform of Finnish higher education has been not only to meet the goals of the Bologna Process but also to build up a better and more effectively performing higher education system, to revise the fragmented higher education and research activities, to strengthen top level research and priority areas, and to enhance the internationalisation of higher education (Öpetusministeriö 2008).

Kaukonen and Välimaa (2010) conclude that Finnish higher education policy has been characterized by efforts to increase the autonomy of higher education institutions (HEIs), on the one hand, and to expose HEIs to better serve the needs of economy, on the other hand. Probably the most noticeable example of this was the separation of Finnish higher education institutions from the Government which changed the legal status of higher education institutions from governmental offices into independent legal entities. Altogether in Finland
there has been a movement from expanding the system into strengthening already existing structures and creating more strategic units and institutions (Kaukonen & Välimaa 2010).

Currently, Finnish higher education system consists of 14 universities and 23 universities of applied sciences (UASs). In 2016 universities had around 154 000 and UASs around 129 000 students (Statistics Finland 2016). Higher education institutions are autonomous actors that are responsible for the content of their education and research as well as the development of their own activities. However, the Ministry of Education and Culture (MoEC) as part of the Government steers and finances the activities of higher education institutions through the system of management by results in which the institutions and the Ministry hold negotiations at the start of each four-year agreement period in which all the outcomes are agreed upon. MoEC allocates the core funding to HEIs but they are also dependent of financing from other national sources (such as the Academy of Finland, foundations and enterprises) and international ones (such the European Union). Despite the fact that HEIs have also a full financial autonomy in practice the Government steers the activities of institutions through funding mechanisms.

The aim is this chapter is (1) to describe the realization of Bologna goals in terms of the implementations new degree structure and quality assurance in universities, (2) to illustrate the introduction of new public management oriented initiatives in the form of new Universities Act and mergers of HEIs, and (3) to evaluate of the impacts of these Bologna-related and NPM-originated reforms to Finnish higher education. The introduction of Bologna goals in Finnish higher education are examples of a rather smooth process whereas the implementation of new Universities Act and mergers presents a more contested and challenged reception of a reform.

**Realisation of the Bologna goals in Finnish universities**

*New two-tier degree structure*

In line with the Bologna aims the international comparability of the degrees was an important driver for the degree structure renewal in Finland. All in all the objectives for the degree reform in Finland, as based on the Bologna Process, were strengthening the status of the Bachelor’s degree, increasing international mobility, development of the ECTS credit system, shorter study times and lower dropout rate. (Ahola 2012; FINHEEC 2012.)

How were these aims then fulfilled? Mainly through the changes in the legislation Finnish HEIs adopted a 2-tier degree structure. Before the bill was accepted it was commented by various stakeholders such as student unions, HEIs, trade unions and learned societies. Strengthening the status of Bachelor’s degree in universities nonetheless was challenging. From the formal (legislative) perspective, the two-cycle degree structure is clear, but in practice, it is not fully functioning in the way it was intended. The majority of universities considers the current degree structure problematic and is calling for a “genuine two-cycle degree structure”. However, the lack of recognition of the Bachelor’s degree in the labour markets is seen as the central problem impeding the adoption of a genuine two-cycle system (Ahola 2012).
In terms of student mobility the number of outgoing Finnish exchange students and incoming international degree students has increased. The number of international exchange students in Finland has also increased. From the perspective of HEIs, the degree reform seems to have promoted internationalisation in general through increased use of foreign languages of instruction, studies designed in international co-operation and students’ improved internationalisation skills. A development of ECTS system went relatively smoothly however in many cases ECTS credit allocation was based solely on conversion factors rather than thinking about the core-contents of programmes. (Ahola 2012; FINHEEC 2012.) Thinking more about the content of the programmes did not properly started until around 2010 when Finnish universities started to introduce curricula in which the expected learning outcomes have been defined (Ursin 2014). The objective of the degree reform to reduce study times has remained unattained mainly because by renewing the degree structure it is difficult to tackle with this issue as if often relates to the personal life situations of students, such as working, well-being, and capacity to study. In terms of lowering the drop-out rate new ways of supporting students, such as personal study plans have been widely adopted in HEIs, as they are expected to engage students in completing their studies as planned and thereby enhancing study progress. (Ahola 2012; FINHEEC 2012.)

Quality Assurance

Although quality assurance is no new phenomenon in Finnish higher education and by the mid-1990s quality assessment became a legal obligation of Finnish HEIs, it was the Bologna process which really prompted quality assurance into Finnish higher (Saarinen 2005). For that purpose, the Ministry of Education and Culture (formerly Ministry of Education) set up a working group in 2004 to investigate the current state of quality assurance of Finnish HEIs and to make recommendations to further develop QA so that it meets the requirements set in the Bologna follow-up meeting in Berlin 2003. The working group consisted of representatives from HEIs, student unions, evaluation agency and ministry. The working group proposed that Finnish HEIs have QA systems that meet the quality assurance criteria of the European Higher Education Area; are part of the operational steering and management system; cover the entire operation of the HE institution; are interrelated as part of the normal operation of the HE institution; are continuous; are documented; and enable the participation of all members of the higher education community in quality work (OPM 2004). These recommendations were the final impetus for the nation-wide implementation of quality assurance systems of HEIs and gradually HEIs started to establish their internal QA systems as well.

Finnish Higher Education Evaluation Council, FINHEEC (now The Finnish Education Evaluation Centre, FINEEC) got a mandate to carry out the audits of quality assurance systems. Audits were developed to support the quality of the work done in the higher education institutions and to demonstrate that Finland has a national quality assurance system. Built in conformity with the European quality assurance guidelines (ENQA 2005), the audit model promotes the adoption and application of the European principles in the quality assurance of Finnish higher education institutions. The audits started with two pilots in 2005 after which the audit model was finalised and all the QA systems of Finnish HEIs were audited by the end of 2011. Since then the audit have become a legal obligation for HEIs.
Implementation of quality assurance into Finnish higher education faced also some criticism mainly because it was seen to be a political response to the increased risks and global nature of higher education in which government tries to control rather than support the activities of HEIs through quality assurance systems (Simola & Rinne 2004). Despite these critical voices introduction of quality assurance systems into Finnish higher education is an example of a rather straightforward and ‘soft’ process. There are various reasons for this. First, as Finland was implementing many Bologna goals at the same time, such as two-tier degree structure and establishment of system of credits, it was relatively easy to introduce a more systemic ways of assessing quality of higher education in the form of QA systems. Second, Finland agreed to continue in the audits ‘enhancement-led approach’ of assessment which in practice means a low-stake approach to assessment (as opposed to UK, for example, see Lomas & Ursin 2009). In other words, even if the institutions fail in the audit it has no financial consequences. This made it easier for HEIs to agree on setting up such a system. Third, at the beginning of 2000s Finnish HEIs were targeting to become more internationalised in global HE markets (see also section on mergers) and through QA systems, which meet the European standards, the HEIs were able to show and prove quality of their activities. Fourth, and probably the most importantly, in Finland HEIs have autonomy and responsibility to develop their own practices and procedures in order to assure quality of their activities. As a consequence, HEIs were able to develop a QA system that fitted the best to the needs of institution. Thereby, QA system became a tool for HEI’s to be able to enhance its operations (Ala-Vähälä 2011).

**Realization of NPM-based initiatives**

As a response to the Bologna goal of increasing the competitiveness of the European higher education the Finnish government has since the mid-2000s initiated a series of reforms that were labeled as ‘the structural development of the Finnish higher education system’. The official goals of the structural development reform included: diversifying the funding base of universities, providing better opportunities to compete for international research funding, increasing cooperation with foreign world class universities, and ensuring the quality and effectiveness of universities’ research and teaching. The main ways of achieving these goals were to renew legislation and to introduce system-wide mergers.

**The new Universities Act**

The most important strategy to reform Finnish higher education was the establishment of the Universities Act (558/2009), which separated universities from the state budget and made them public corporations under private law capable of making contracts and functioning as independent economic entities. Two of Finland’s current 14 universities became foundation-based universities under foundation law. Rest of the universities are operating as corporations under public law. With the Universities Act, the institutional autonomy of universities also was increased by introducing 40 percent representation of external members to the University Board (Välimaa, 2012).

The process of implementing a new Universities Act was a versatile, highly debated and occasionally controversial one which prompted, for example, demonstrations. The renewing of Universities Act started in 2007 when the Minister of Education set up a working group which task was to prepare the renewal of Universities Act and the funding and steering system of universities. The government bill was finished in 2008 and – as it is a custom in
Finland – it was sent to round of dictums to all relevant stakeholders. The bill received 160 dictums based on which some changes were made and the bill was accepted in 2009 (Välimaa 2012). Before the bill was accepted students, for example, organized two demonstrations in order to oppose the initiative. Also the trade unions representing university professors and staff were actively opposing the new bill. Working life in general was in favour of the new bill. (Välimaa 2011).

There are at least three profound changes in the new legislation as compared to previous Universities Act. First one relates to the fact that universities were no longer accounting offices belonging to government. Instead they were separated from the state budget so that they operate as independent legal entities. Välimaa (2012) calls this as corporatization of Finnish universities. The second major change is associated with the decision making bodies of universities. The new Universities Act outlined that the University Colloquium (which was a completely new body and is elected by the professors, other staff members and students) appoints the main decision-making body, the University Board. Then the Board nominates the Rector. Under the previous act, Finnish rectors were elected by their peers, and the rector chaired the university board. In the new act the board will appoint the rector, who must enjoy the confidence of that board. One of the most heated debates during the preparation of the law concerned the number of external members in the university board. In the original bill the idea was to have at least 50 percentage of external members in the boards but after strong opposition by many academic stakeholders the number of external members was reduced to 40 percentage. Third profound change was that of the personnel working in universities were ceased to be employed by the government (holding no longer a status of civil servant). Instead, formal contractual employment relationships are with universities thus following the staffing policies on individual universities. (Välimaa 2010).

How has the reception of new Universities Act then been? There is not much research on the impacts of the new Universities Act. An external review made by the government suggests that at least the management of universities seems to be content with the new Act especially with respect to the increased autonomy for the management of HEIs. Nonetheless, the fact that universities are now independent legal entities has also posed challenges such as a non-crystallised strategies, a fragmented organisational structures as well as increased facility costs and modern research infrastructures. (Opetus- ja kulttuuriministeriö 2015).

However, despite the fact that universities are independent legal entities with their own budget still majority of the funding comes from the government. This is a big controversy in the system. This has led in a situation where universities are highly dependent on basic funding coming from the government thus subjecting some of the funding of HEIs to the fulfillment of government’s education policy goals. In order to fulfill institution’s own strategic goals, external funding becomes crucial. This kind of situation has its impact on the daily lives of academics too as the pressure to apply funding from external sources is very strong (see Ylijoki & Ursin 2013).

Mergers of Finnish Universities

The idea of mergers of Finnish HEIs was essentially nothing new, however, the final impetus was so called Brunila’s report (Brunila 2004) which, among other things, called for an establishment of a ‘world class university’ in Finland. As a consequence and also in line with MoEC’s aim at structurally develop Finnish higher education, MoEC launched several
investigations (Jääskinen & Rantanen 2007; Linna 2007; Sailas; Vihko 2007) about the feasibility of mergers of Finnish universities. What all the investigations agreed was that by merging HEIs the Finnish higher education and science can better cope in the contested global education markets. At first MoEC decided to support four merger processes financially and to give one of them a considerably higher financial support with the aim of establishing world class university. Ultimately, this led to three mergers as of 1st of January 2010, namely University of Eastern Finland, University of Turku and Aalto University (Ursin et al. 2010; Välimaa et al. 2014).

The establishment of University of Turku was a rather smooth process. It was composed of Turku School of Economics and University of Turku which already located in the same campus and had history of collaboration. The establishment of University of Eastern Finland was a more complicated endeavor as it was composed of two universities (University of Joensuu and University of Kuopio) which had three campuses in three different cities quite far away from each other. The geographical distance raised several concerns (Ursin et al. 2010) and ultimately also one of the campuses was merged with the two remaining ones. However, probably the most interesting case was Aalto University because of the government’s ambitious goal for it to become a world-class university through the combination of business, technology, and design in the capital of the country. The Finnish government supported the merger by promising to give 500 million Euros to the new Aalto University if and when it managed to get at least 200 million Euros from the private sector. Before this merger, Finnish legislation did not recognize the practice of having a tax reduction based on a donation to a university (Välimaa, 2012). However, other Finnish universities found the government’s decision to support Aalto university by 500 million Euros to be unjust. The decision led to a heated public debate and heavy political pressure on the Finnish government. As a result, the government was forced to extend this policy principle to cover all Finnish universities. Thus, every university was rewarded 2.5 times the funding it managed to get from private sources, following the funding formula of Aalto University (Välimaa et al. 2014).

What then was learnt from these initial three mergers? Välimaa et al. (2014) argue that two lessons can be drawn. First, the creation of Aalto University initially challenged the principles of equal educational opportunities and fair development of public universities, but it was balanced by the fact that all universities were eventually given more money. Fairness and social justice were used as strong arguments to resist the concentration of resources to Finland’s metropolitan area and to just one university. Second, Aalto University did ultimately receive more funding than all the other universities together because it was strongly supported by business enterprises located in the metropolitan area that is one of the economic hubs in Finland. This may, in turn, eventually lead to the creation of status hierarchies between Finnish universities.

Another interesting question is whether the mergers would have happened without the governmental impetus. Before giving and answer to that mergers can be, roughly speaking, divided into two groups: those initiated mainly by the universities themselves (voluntary mergers) or those imposed by the government (involuntary mergers). In practice, purely voluntary mergers scarcely exist, since many voluntary mergers have been stimulated via the financial incentives provided by the state (Harman and Harman 2003). This is also true for Finland as without the financial support and political pressure from the government the
mergers would never have happened but without the genuine efforts made in the merging HEIs an establishment of a new university would not have been a complete process.

Now that it is almost a decade of these first three mergers what can we say about the success of the mergers? Firstly, all the three merger processes followed broadly similar paths in terms of their starting points and aims. However, the issues and implications of the merger were primarily connected to the merging institutions’ own organisational culture and history. This was evident when the new universities were established, for example, in the form of putting much more energy on renewing the organisational structures that the basic mission (education, research and service). It was observed, for instance, that there was a lack of emphasis on education issues during the implementation of mergers (Ursin et al. 2010). Secondly, it was challenging to create a new joint culture and we-spirit to a new university (Ursin et al. 2010). Nonetheless, now it seems that all three new universities are well on the way of developing their own collective identities with little yearning in the past. The focus from developing organizational structures has also shifted on improving the basic missions too.

What can be said for sure is that mergers seem to be one of the Government’s primary ways of developing Finnish higher education system. Since the original three mergers described above there has been more mergers both between universities and between universities of applied sciences. The latest and probably as debated as the establishment of Aalto University was is a merger process between two universities and a university of applied sciences in Tampere (called Tampere3) which is planned to officially start as a foundation-based institution at the beginning of 2019. This is a completely new merger model as in that two different types of HEIs are merging. Currently it is too early to say much about this merger but it will be interesting to see whether more similar mergers between different types of HEIs will take place in the new future. At least, this avenue was highly recommended in the external review of Finnish higher education in 2015 (Opetus- ja kulttuuriministeriö 2015).

A Grand Story behind the Reforms

The reforms related to the Bologna process were for the most part a relative smooth process. This can be explained by the fact that the Finnish higher education system did not experience any major reforms right before when the Bologna reforms started and therefore no fatigue for reforms existed. The other explanation is that many initiatives that Bologna Process pursued were already – more or less – in place: Finnish HEIs already had their own metric system to measure the working load of courses, assessment of the operations of HEIs was already a legal obligation and essentially 5-years Master’s degree was quite easy to divide into 3-year Bachelor’s and 2-year Master’s degree. However, Bachelor’s degree in the Finnish universities still has little relevance in the eyes of the working life and Master’s degree is typically a basic requirement to enter the world of work. Nonetheless, the Bologna process also paved a way for more structural reforms of Finnish higher education system especially providing Government with a discourse of ‘creating internationally competitive’ higher education system.

Nonetheless, structural reforms such as the ones described above are typical in Finland where the nation state continues to be the strongest actor in the field of higher education policy making (Välimaa et al. 2014). Typically, within Finnish higher education policymaking, all reforms are prepared and planned by national committees including representatives from
various stakeholders (HEIs, students, working life) nominated by the MoEC, then (if it is feasible) there are few trials after which the reform is fully implemented. But is there a deeper rational behind these reforms? As stated already in the introduction section the economic and New Public Management-driven motives are the main rational behind HE reforms in Finland. Nonetheless, in reality these motives are coexisting and occasionally colliding with Nordic welfare state ideology in which the nation state still has control over education policy for the most part. In this respect Finnish higher education is an example of a hybrid model where both Professional Bureaucracy and NPM discourses (Broucker, De Wit, Mampaey, 2017) co-exists. There are still some reminiscences of the collegiality for example in the form of academic freedom (guaranteed in the Universities Act), on the one hand, but more and more elements of marketization and corporatization of higher education, on the other hand. This is especially evident in the funding of the HEIs; Government still wants to regulate the HEIs through funding mechanisms but at the same time universities are expected to be organisations capable of performing more efficiently and effectively. The University Act guarantees much autonomy for institutions but they are not able to utilize the opportunities fully because of Governmental interventions via regulative actions. The attempts to create larger institutions through mergers is another example; although in practice institutions could (or could not) make voluntary mergers, the Government steers the mergers projects by allocating funding to most strategic mergers.

All in all, in Finland the implementation of Bologna reforms has been a persuasive process rather than an authoritative one – as Saarinen (2005) has shown in terms of quality assurance. In terms of NPM-based initiatives the case can be argued to be the opposite: the implementation has been more authoritative than persuasive. The economic motives are strong drivers behind the recent reforms in Finnish higher education. This partly reflects the challenges that Finland has in attempts to keep welfare state alive at times when there is less and less money to support public services. By restructuring the public services, including (higher) education, Finland is trying to find a solution to this complex situation. Therefore, at the very least, the examples of HE reforms presented in this chapter indicate efforts of transforming Finnish higher education system from being a ponderous resources-consuming into a more agile and adaptive one.

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