

SYSTEM OF GOVERNMENT: Dual Executive

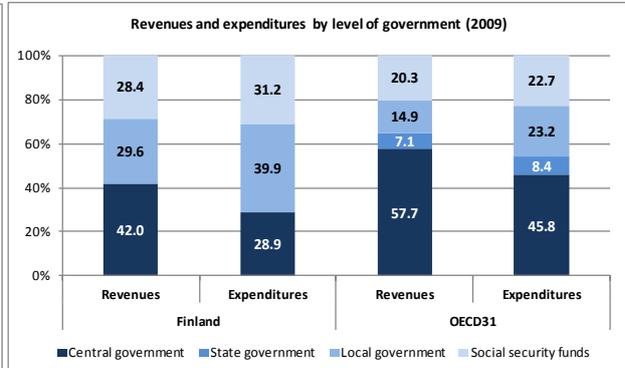
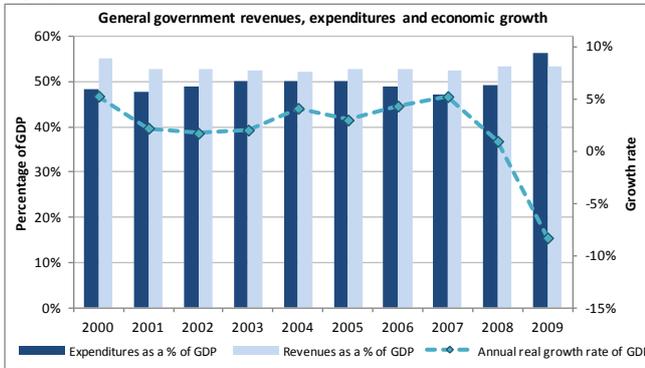
- No. of ministries: 12 (2010)
- No. of governments over last 20 years: 8
- No. of coalitions over last 20 years: 8

STATE STRUCTURE: Unitary

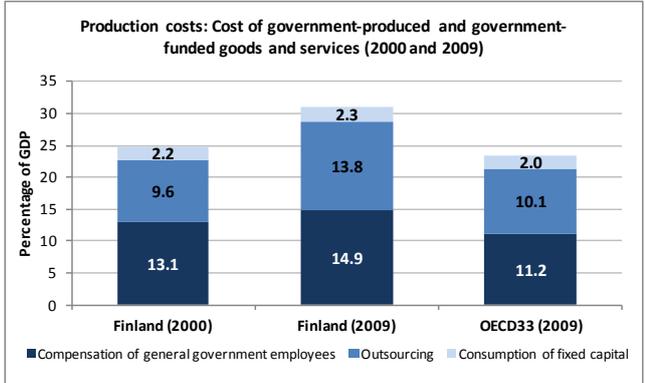
LEGISLATURE: Unicameral

- Upper house: none
- Lower house: elected using Proportional Representation

Revenues have been over 50% and expenditures near 50% of GDP for the past decade, although in 2009 expenditures jumped to 55% of GDP—above revenues for the first time since 1997—due to fiscal stimulus and declining GDP. The central government collects just over 40% of total revenues but accounts for less than 30% of expenditures, indicating that local governments have a lot of autonomy and play a large role in public service delivery. A large portion of the taxes collected at the central level are transferred to local governments and social security funds.

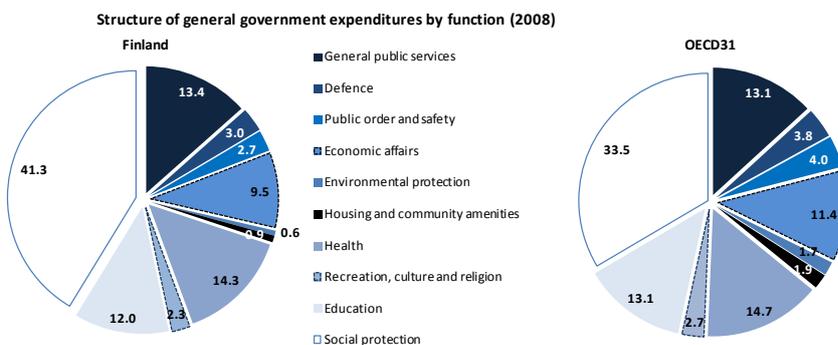


Source: OECD National Accounts and Economic Outlook 89. [\[Revenues\]](#) [\[Expenditures\]](#) [\[Revenues by level of government\]](#) [\[Expenditures by level of government\]](#)



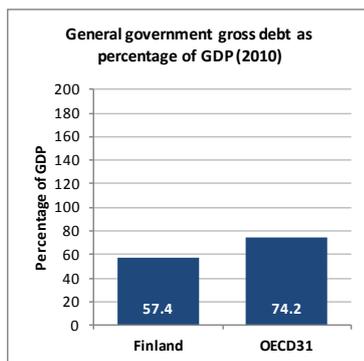
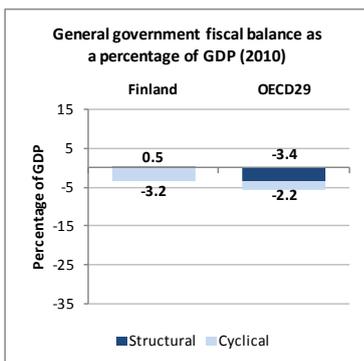
Production costs as a share of GDP increased in Finland from 2000 to 2009, mainly due to a decrease in GDP in 2009. About 31% of the economy was devoted to producing public goods and services in 2009, one of the highest shares in the OECD area. The structure of production costs—the relative use of government employees, private firms (via outsourcing) and capital in the production process—is very similar to the OECD average.

Source: OECD National Accounts. [\[Production costs\]](#)



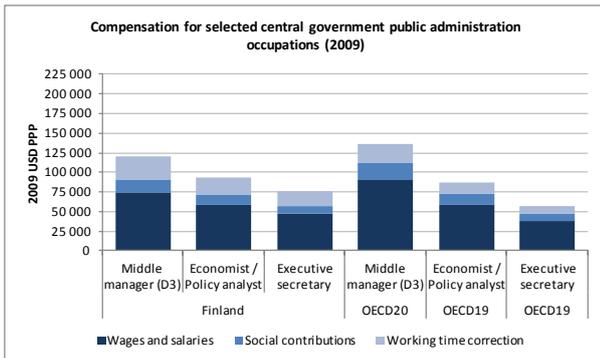
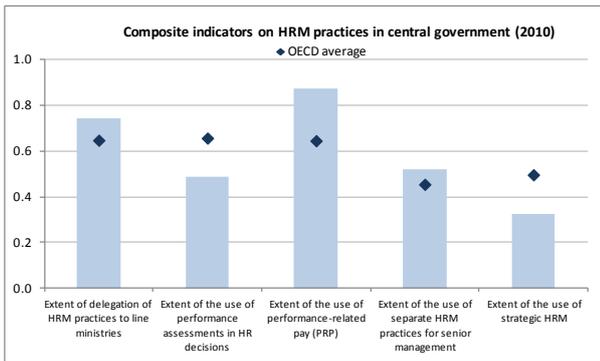
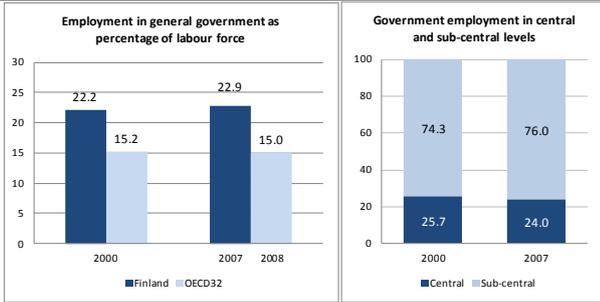
The Finnish government devotes a similar share of resources to health and general public services as in other OECD countries but spends a much larger proportion on social protection programmes (41.3% compared to 33.5%). Old age pensions comprise the largest proportion (just less than half) of expenditures on social protection.

Source: OECD National Accounts. [\[Expenditures by function\]](#)



The 2010 deficit in Finland was cyclical in nature and, at 2.7% of GDP, was much better than the OECD average of 5.6%. Even after running deficits in 2009 and 2010, gross debt in Finland is well below the OECD average at 57.4% of GDP in 2010 due to positive fiscal balances prior to 2009 (OECD definitions differ from Maastricht criteria). Finland has kept its expenditure ceilings in place, as illustrated by its slightly positive structural balance in 2010.

Source: OECD Economic Outlook 89. OECD average refers to the unweighted average [\[Fiscal balance\]](#) [\[Debt\]](#)



Working time correction brings countries to the same basis of comparison in terms of annual working hours (accounting for weekly working hours and holidays).

Transparency in public procurement, 2010

	Central proc. website	Contracting entity website	Domestic printed or electronic journal	Other website	Pct. OECD countries that publish info
Information for potential bidders	Yes	Yes	No	No	97%
Selection & evaluation criteria	Yes	No	No	No	97%
Tender documents	No	No	No	No	82%
Contract award	No	Yes	No	No	100%
Justification for award	No	Yes	No	No	59%
Tracking procurement spending	No	No	No	No	32%

Percentages refer to the share of OECD countries that reported publishing information "always" or "sometimes".

Between 2000 and 2007, general government employment (which includes employment in the state administration and municipalities) as a share of the labour force rose very slightly in Finland, from 22.2% to 22.9%. This places Finland—along with other Nordic countries—at the higher end of the spectrum covered by OECD countries, which ranges from 6.7% to 29.3%, with an average of 15%. There are plans to reduce this share at the central level by efficiency gains under the Productivity Programme and through natural attrition. Public employment is also quite decentralised in Finland, with 76% of government staff worked at the sub-central level, in 2008. *Source: International Labour Organisation. [General government employment] [Distribution by level]*

In the Finnish central government there is a high degree of delegation of HRM decision making to line ministries. State operating units are independent and responsible for developing and implementing their own personnel policy strategies, including determining the number of staff, recruitment policies, personnel development and salaries. Performance assessments are used somewhat less in HR decisions than on average in other OECD countries. However, in the state administration performance-related pay systems are used in practically all units. The status of senior civil servants is regulated by the civil service legislation and it does not differ in any substantial way from the rest of the civil service. The differences relate to a separate mechanism for setting salaries, some specific development programs and joint forums, as well as particular guidelines for the development of the senior civil service issued by the government. *Source: OECD 2010 Strategic HRM Survey. [Delegation] [Performance assessment] [PRP] [Senior management] [Strategic HRM]*

Economists/policy analysts and executive secretaries in the Finnish public service receive total compensation packages slightly above the OECD average, while those for middle managers are slightly below the average. Social contributions make up a relatively small share of this compensation (13%), while wages and salaries make up 63%. A large share is received in the form of holidays and shorter work hours: Finnish public servants are required to work 36.25 hours per week, and work an average of 218 days per year. The compensation structure is fairly flat in Finland, with middle managers making only 1.3 times more than economists/policy analysts and 1.6 times more than executive secretaries. *Source: OECD 2010 Compensation Survey. [Middle managers] [Economist/Policy Analyst] [Executive Secretary]*

Achieving greater transparency in public procurement is important; especially given that Finland spent an estimated 15% of GDP on procurement in 2008. Like the majority of OECD countries, Finland uses its central procurement website: www.hankintailmoitukset.fi (HILMA) to publish some public procurement information. A total of around 16 000 tender notices of public contracts exceeding national and EU thresholds are published on HILMA yearly. Additionally, contracting entity websites may disclose information for potential bidders, information on contract awards (name and amount of selected contractor) and on justifications for awarding a contract.

Finland also publishes information for potential bidders, selection and evaluation criteria, specific guidance on application procedures such as templates and forms, and procurement plans on the EU DG market website. Currently, Finland is one of the countries that publishes information on justifications for awarding a contract to a selected contractor— as do 59% of OECD member countries. However, the single-entry website does not allow tracking online public procurement spending nor does it publish information on contract modifications. Providing an adequate degree of transparency throughout the entire public procurement cycle is critical to minimise risk of fraud, corruption and mismanagement of public funds in order to ensure fairness and equitable treatment of potential suppliers. Additionally, it allows for effective oversight by concerned institutions and the general public. *Source: OECD 2010 Survey on Public Procurement. [Transparency in public procurement]*

REGULATORY GOVERNANCE

Regulatory governance mechanisms, 2008

Functions of the oversight body	Year	Percentage of OECD countries responding "yes"	FINLAND
Consulted as part of process of developing new regulation	2005	73%	Yes
	2008	82%	Yes
Reports on progress made on reform by individual ministries	2005	43%	No
	2008	56%	No
Authority of reviewing and monitoring regulatory impacts conducted in individual ministries	2005	43%	No
	2008	50%	No
Conducts its own regulatory impact analysis	2005	43%	No
	2008	47%	No
Anticipating compliance and enforcement			
Regulatory policies require that issue of securing compliance and enforcement be anticipated when developing new legislation	2005	57%	Yes
	2008	70%	Yes
Guidance for regulators on compliance and enforcement	2005	37%	No
	2008	47%	No
Existence of policy on risk-based enforcement	2005	N.A.	N.A.
	2008	30%	Yes

This table presents two elements drawn from the wide range of activities for managing regulatory quality.

The government of Finland has developed an institutional structure for regulatory management. Against the backdrop of strongly autonomous ministries, there is no single central coordinator or unit responsible for all aspects of regulatory management in Finland. A networked approach has emerged instead.

Key players for regulatory management are the Prime Minister's Office (development of reform strategies), the Ministry of Justice (legal quality of law proposals), the Ministry of Economy and Employment (improving the framework conditions for businesses, eg. coordination of the recently launched administrative burden reduction programme), and the Ministry of Finance (consulted on a large part of law proposals). The Ministry of Justice has spearheaded regulatory management policy in Finland, which has flown from its central responsibility for legal quality. For example the Ministry of Justice is active in the promotion of impact assessment, which is done mainly by support, through the production of guidelines and training, rather than constraint. A ministerial group for Better Regulation and a cross ministry expert group have been established to encourage cooperation across ministries on regulatory management issues.

There is no common approach to enforcement policy across ministries, with individual ministries making their own policy. There is no guidance for regulators on compliance and enforcement as in 47% of OECD member countries according to the 2008 OECD survey on regulatory management. However, several enforcement bodies have developed risk-based policies.

Source: OECD 2008 Survey on Regulatory Management; OECD (2010), *Better Regulation in Europe – Finland*, OECD Publishing, Paris. [\[Oversight bodies\]](#) [\[Compliance and enforcement\]](#)

OPEN GOVERNMENT

Disclosure of public sector information, 2010

Types of information disclosed	Proactive disclosure		
	Finland	OECD32	Publication channels
Budget documents	●	94%	CP, MA
Audit reports	●	72%	CP
List of public servants and their salaries	○	28%	Not published
Sharing of administrative data			
Administrative data sets	●	66%	CP, MA
Requirements on publishing in open data formats	No	53%	–
<ul style="list-style-type: none"> ● Required to be proactively published by FOI laws ⊙ Not required by FOI laws, but routinely proactively published ○ Neither required nor routinely published <p>CP= central portal; MA= ministry or agency website; OW=other website OECD percentages refer to the percentage of the 32 responding OECD countries that either require that information be published by law or do not require it but routinely publish information.</p>			

Finland's Act on the Openness of Government Activities (621/1999) requires the government to publish budget documents and audit report. Administrative data sets must also be proactively published; however there is no requirement that this information be made available in open data format which could hinder the re-use of published datasets by other parties. Lists of public servants and their salaries are neither required nor routinely published in practice, however the information is provided if requested.

Source: OECD 2010 Survey on Access to Information. [\[Disclosure of information\]](#) [\[Publication channels\]](#)

E-GOVERNMENT

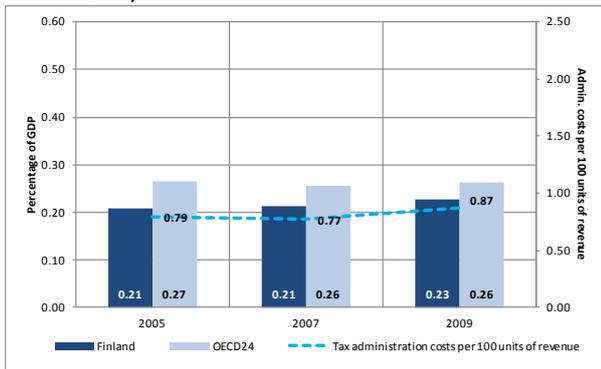
E-Government building blocks and e-procurement, 2010

e-enabling laws and policies	Finland	OECD25
Recognition & use of digital signature	●	100%
Electronic filing within the public sector	●	88%
Administering PPPs for e-government projects	○	64%
Services offered on single-entry procurement website		
Tender searches	●	62%
Tracking of outcomes of contracts	○	32%
OECD percentages refer to percentage of responding countries answering in the affirmative. ● Yes ○ No .. Data unavailable		

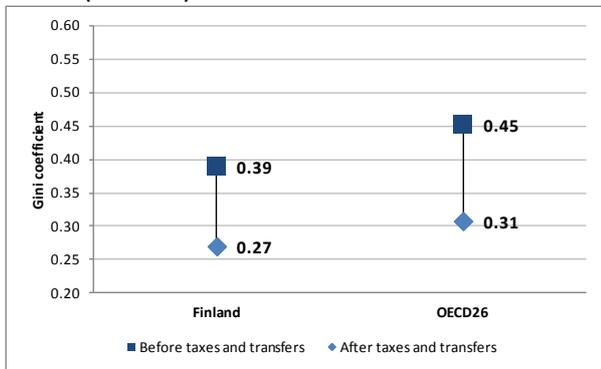
Similar to most OECD countries, the Finnish Government has put laws and/or policies in place to promote the use of digital signatures and electronic filing in the public sector. The new Act on Data Administration in Public Administration will come into force in 2011. The purpose of the Act is to intensify operations of public corporations and improve quality of public services by developing the interoperability of data systems. As in most OECD countries, Finland's procurement website (www.hankintailmoitukset.fi) allows businesses to perform tender searches on its single-entry procurement website, but the site does not allow users to track the outcomes of contracts. This practice is important for improving transparency in public procurement transactions.

Source: OECD 2010 e-Government Survey and OECD 2010 Public Procurement Survey. [\[E-enabling laws\]](#) [\[E-procurement\]](#)

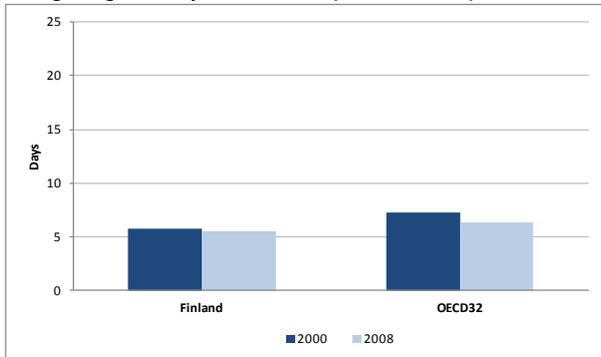
Tax efficiency: Total revenue body expenditures as a percentage of GDP and tax administration costs per 100 units of revenue (2005, 2007 and 2009)



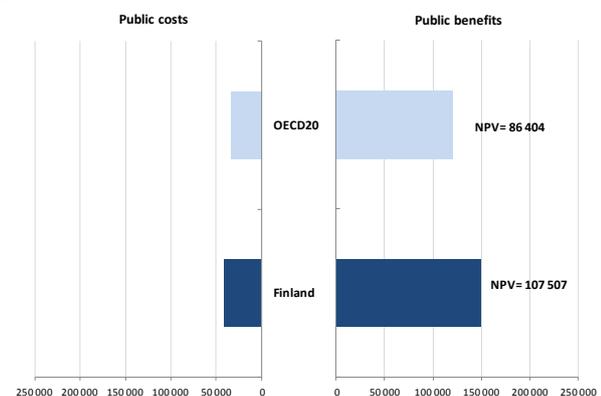
Differences in income inequality pre- and post-tax and government transfers (mid-2000s)



Average length of stay for acute care (2000 and 2008)



Public net present value for male obtaining tertiary education as part of initial education (2006), USD PPP



Growing fiscal constraints have led to increased attention on improving the efficiency of tax administrations. The “cost of collection ratio,” for instance, is one efficiency measure which compares the annual administration costs incurred by a revenue body with the total revenue collected over the course of a fiscal year. Over time, a decreasing trend could reflect greater efficiency in terms of lowered costs and/or improved tax compliance. In Finland, the administration costs of collecting 100 units of revenue have increased, particularly from 2007 to 2009. Total revenue body expenditure has remained relatively stable during this period, suggesting this change in the ratio could be due to macroeconomic conditions such as a drop in tax revenues following the crisis. Finland reported the reshaping of its basic organizational model by establishing national functions arranged by customer groups, a re-organization of its information technology operations and a rationalization of its regional office structure downsizing from seven to five offices. Source: OECD (2011), Tax Administration in OECD and Selected Non-OECD countries: 2010 Comparative Information Series, OECD Publishing, Paris. [\[Total revenue body expenditures\]](#) [\[Tax administration costs per 100 units of revenue\]](#)

One method of assessing the effect of government tax and transfer policies on income inequality is by assessing a country’s Gini coefficient before and after taxes and transfers. The effect of government redistributive policies on income inequality is slightly lower in Finland than the OECD average. Finland achieved a 0.12 point reduction in the GINI coefficient following its tax and transfer policies, compared to an average 0.14 point reduction in OECD countries. Since the mid-1990s, benefits as a share of households’ income have strongly fallen following the recovery from the deep recession in the early 1990s. However, income inequality in Finland still remains below that of the OECD average.

Source: OECD (2008), Growing Unequal? Income Distribution and Poverty in OECD Countries, OECD Publishing, Paris. [\[Differences in inequality\]](#)

The average length of stay (ALOS) for acute care indicates the average number of days that patients spend in hospital for curative care. Similar to other OECD countries, the ALOS decreased from 5.7 days in 2000 to 5.5 days in 2008 in Finland, and remains lower than the OECD average over all. Over time, reductions in the ALOS could reflect efficiency gains, as it could signal that hospitals are expanding early discharge programmes, shifting to day-case surgery for suitable procedures, utilising less invasive procedures, and/or improving pre-admission assessment, all of which can help reduce costs. In Finland, shorter than average stays in hospitals for acute care are partly linked to the availability of beds for convalescent patients in health centres.

Source: OECD Health Data 2010. [\[ALOS for acute care\]](#)

Both government and society gain economic benefits from increased schooling. Obtaining a tertiary education helps people enter the labour market and earn more, thereby increasing government tax revenues. A more educated and employed population can also reduce the government obligations for benefits and social assistance. At around USD 107 500, Finland’s public net present value (NPV) for a man obtaining tertiary education is higher than the OECD average. This measure represents the public economic returns to education after having accounted for the costs of this education. In the case of Finland, the NPV is over double the net public investment in tertiary education, providing a strong incentive to expand higher education.

Source: OECD (2010), Education at a Glance 2010: OECD Indicators, OECD Publishing, Paris. [\[Public NPV of education\]](#)

Production costs are a subset of total government expenditures, excluding government investment (other than depreciation costs), interest paid on government debt and payments made to citizens and others not in exchange for the production of goods and services (such as subsidies or social benefits). Production costs include compensation costs of general government employees, outsourcing (intermediate consumption and social transfers in kind via market producers), and the consumption of fixed capital (indicating the level of depreciation of capital).

Structure of government expenditures: Data on expenditures are disaggregated according to the Classification of the Functions of Government (COFOG), which divides government spending into 10 functions. More information about the types of expenditures included in each function can be found in Annex B of *Government at a Glance 2011*.

“Gross general government debt” refers to general government gross financial liabilities that require payments of principal and interest. For the European Union countries, gross public debt according to the Maastricht criteria is not presented here (see Annex Table 62 of OECD Economic Outlook No. 89). These data are not always comparable across countries due to different definitions or treatment of debt components. Gross debt is used rather than net debt due to the difficulties in making cross-country comparisons of the value of government-held assets, and because it is more relevant in the context of debt interest payments.

HRM Composites: The indexes range between 0 (low level) and 1 (high level). Details about the theoretical framework, construction, variables and weighting for each composite are available in Annex E at: www.oecd.org/gov/indicators/govataglance.

- The **delegation index** gathers data on the delegation of determining: the number and types of posts needed in an organisation, the allocation of the budget envelope, compensation levels, position classification, recruitment and dismissals, and conditions of employment. This index summarises the relative level of authority provided to line ministries to make HRM decisions. It does not evaluate how well line ministries are using this authority.
- The **performance assessment index** indicates the types of performance assessment tools and criteria used, and the extent to which assessments are used in career advancement, remuneration and contract renewal decisions, based on the views of survey respondents. This index provides information on the formal use of performance assessments in central government, but does not provide any information on its implementation or the quality of work performed by public servants.
- The **performance-related pay (PRP) index** looks at the range of employees to whom PRP applies and the maximum proportion of base pay that PRP may represent. This index provides information on the formal use of performance related pay in central government, but does not provide any information on its implementation or the quality of work performed by public servants.
- The **senior management index** looks at the extent to which separate management rules and practices (such as recruitment, performance management and PRP) are applied to senior civil servants, including the identification of potential senior civil servants early in their careers. The index is not an indicator of how well senior civil servants are managed or how they perform.
- The **strategic HRM index** looks at the extent to which centralised HRM bodies use performance assessments, capacity reviews and other tools to engage in and promote strategic workforce planning, including the use of HRM targets in the assessments of middle and top managers. The index does not reflect situations where strategic workforce planning has been delegated to the ministry/department/agency level.

Compensation data: Total compensation includes wages and salaries and employers’ social contributions (those to statutory social security schemes or privately funded social insurance schemes, as well as unfunded employee social benefits paid by the employer, including pension payments paid through the state budget rather than through employer social contributions (mostly for some pay-as-you-go systems)). In most cases data are for six central government ministries/departments only (interior, finance, justice, education, health and environment or their equivalents). Working time adjustment compensates for differences in time worked (both weekly working time and holidays). Compensation was converted to US dollars using purchasing power parities (PPPs) for GDP from the OECD National Accounts database. Differences in compensation policies can be the result of different bargaining powers; the state of the labour market (such as compensation in the private sector for similar positions); specific labour shortages; and the attractiveness of the government as an employer. While the survey uses the International Standard Classification of Occupations (ISCO) to standardise job categories, full comparability of responsibilities behind the occupational titles across countries presents difficulties in some cases. Annex D in *Government at a Glance 2011* fully details all limitations to data comparability, including those related to the measurement of employer’s social contributions (which were based on sources outside the survey for a number of countries, leading to potential inconsistencies).

Regulatory governance: The OECD average refers to the following number of countries:

- Functions of oversight bodies 2005: OECD30. Data are not available for Chile, Estonia, Israel and Slovenia.
- Functions of oversight bodies 2008: OECD34. Data for Chile, Estonia, Israel and Slovenia refer to 2009.
- Anticipating compliance and enforcement 2005 and 2008: OECD30. Data are not available for Chile, Estonia, Israel and Slovenia.

Tax efficiency: Tax administration efficiency ratios are influenced by differences in tax rates and the overall legislated tax burden; variations in the range and in the nature of taxes collected (including social contributions); macroeconomic conditions affecting tax receipts; and differences in the underlying cost structures resulting from institutional arrangements and/or the conduct of non-tax functions.

Differences in income inequality pre- and post-tax and government transfers: The values of the Gini coefficient range between 0 in the case of “perfect equality” (*i.e.* each share of the population gets the same share of income) and 1 in the case of “perfect inequality” (*i.e.* all income goes to the individual with the highest income). Redistribution is measured by comparing Gini coefficients for market income (*i.e.* gross of public cash transfers and household taxes) and for disposable income (*i.e.* net of transfers and taxes).

Public net present value for male obtaining tertiary education: Tertiary education refers to levels 5 and 6 in the International Standard Classification of Education (ISCED 97). Public costs include lost income tax receipts during the schooling years and public expenditures related to tertiary education. Public benefits include additional tax and social contribution receipts associated with higher earnings, and savings from transfers (housing benefits and social assistance) that the public sector does not have to pay above a certain level of earnings. The discount rate is set at 3%, which largely reflects the typical interest on an investment in long-term government bonds in an OECD country.