

Current policy reforms in Finland

19TH ANNUAL MEETING OF THE OECD NETWORK ON FISCAL RELATIONS ACROSS LEVELS OF GOVERNMENT

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Reform of the organisation of health, social and rescue services

21 wellbeing service counties + city of Helsinki responsible for healthcare, social welfare and rescue services started in 1/2023

- Finland's population is ageing at a rapid pace and will need more services than previously.
- The decline in the birth rate will lead to a smaller share of workingage people and a reduction in tax revenue.
- Restructuring is necessary in order to curb the increase in costs and ensure equal health and social services for future generations.
- Aim is to ensure the equal availability of especially primary-level services throughout Finland.



The funding of the new counties is based on central government funding

- The funding of the wellbeing services counties is based on non-earmarked imputed universal central government funding
 - 80 % of the funding is based on coefficients based on population structure, morbidity and socioeconomic factors
 - Revenue from fees and sales
 - Other central government grants
 - No right to levy taxes
- In 2023, the national level of central government funding is based on the 2022 health and social services net costs transferred from municipalities plus volume growth and price index



Central government funding has to be sufficient

- The Constitutional Law Committee has stated the need for sufficient funding for the counties to organise statutory health and social care and rescue services
- The level of central government financing in 2023
 - Possible underspending by municipalities on health and social care
 - Covid-19 distorts the level of net costs: accumulated service debt, central government grants to municipalities in 2021 and 2022
 - High inflation and new wage deals in the social and health care sector
- Short-term borrowing is allowed
- The counties are entitled to additional funding if the central government funding puts the ability to organise health, social and rescue services at risk



Central government guidance is strategic

- Central government sets strategic objectives for a 4-year-period
- Local self-government
 - Central government funding is non-earmarked
 - Counties have autonomy in their budget and how to organise services
- One aim of the reform is to curb the growth of costs and to ensure long-term sustainability
 - Funding is approximately 25% of the central government budget
 - How to provide incentives for the counties while maintaining local self-government
 - The new counties vary a lot in terms of population structure and how much service integration has been done



Transfer of the public employment and business services from the central government to the municipalities

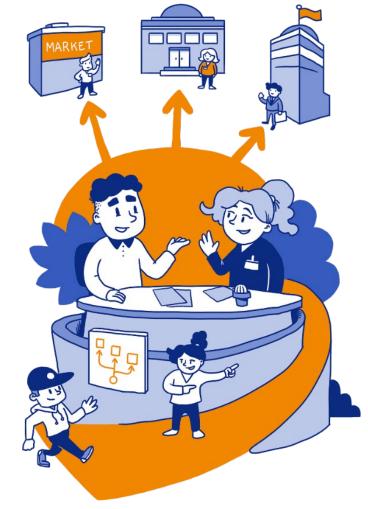
Background and aim

- As a part of the government's employment measures public employment and business services will be transferred from state agencies to the municipalities in the beginning of 2025.
- After the reform, municipalities will be responsible for organising services and partially funding unemployment benefits.
- The reform aims to create a service structure that will contribute to rapid employment of jobseekers and increase the productivity, availability, effectiveness and diversity of employment and business services.



Why will E&B-services transfer to the municipalities?

- Municipalities know their residents and local business best and can offer both jobseekers and businesses individually tailored services based on the local needs.
- Transfer of services to municipalities and regions will bring them closer to personal and business customers.
- With one organiser responsible for employment, municipal education and business services, access to employment will improve.





Responsibility for organising services

- In Finland, municipal segregation has continued for a long time.
 - Demographic and financial situation of municipalities varies significantly, which is also reflected in the municipalities' ability to organise statutory services.
 - Problems in the availability of labour, urbanisation and lower birth rates require new ways of organising services both in municipalities and nationally.
- That's why E&B-services will be transferred to a municipality or a collaboration area consisting of several municipalities, that have an employment base of at least 20,000 persons.
- Statutory cooperation of this kind may become a new model for organising also other services in the future.



Incentive-based funding model encourages municipalities to provide effective services

- Municipalities' responsibility of funding unemployment benefits will increase.
 - Municipalities will gain greater economic benefits from a service system that actually promotes employment.
- Municipalities' financial responsibility tied to the duration of unemployment encourages the prevention of prolonged unemployment.
- Funding for employment services will be financed with a universal central government transfer from local government budgets.
 - Municipalities have a great freedom of choice in service provision and can allocate funding as they wish.
 - Municipalities will have an incentive to curb the costs of organising services.





Thank you

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