

# **Brave New World: Higher Education Reform in Finland**

by

Timo Aarrevaara, Ian R. Dobson and Camilla Elander  
University of Helsinki, Finland, and Educational Policy Institute  
and Monash University, Australia

*Finnish universities are about to enter a period of radical change. This paper considers the reforms expected of a new Universities Act currently before parliament and a set of institutional mergers. When passed, the new act will provide universities with independent legal status, change their relationship with the government in several ways, affect university governance arrangements, and alter the relationship between staff and their university employers. Although these reforms will be radical for the university sector itself, many of the changes will be all but invisible to those outside the sector. The change that will be noticed is the creation of the new Aalto University through a merger between three existing institutions. The new university will be highly visible to all as it tries to meet the government's aspirations for it to become a world-class university.*

## **Le meilleur des mondes : réforme du système de l'enseignement supérieur en Finlande**

*par*

Timo Aarveaara, Ian R. Dobson et Camilla Elander  
Université de Helsinki, Finlande, Institut de politique éducative  
et Université de Monash, Australie

*Les universités finlandaises se trouvent au seuil de changements radicaux. Cet article analyse les réformes découlant d'un nouveau projet de loi sur l'université actuellement présenté devant le Parlement finlandais et de plusieurs fusions institutionnelles. Une fois adoptée, la nouvelle loi accordera aux universités un statut juridique indépendant, modifiera leurs relations au gouvernement en plusieurs points, affectera les accords relatifs à la gestion des universités et modifiera les relations entre le personnel et les employeurs universitaires. Bien que le secteur universitaire considère ces réformes comme radicales, la plupart des changements qu'elles vont entraîner seront absolument invisibles aux yeux de l'observateur extérieur pour qui le changement apparent résidera dans la création de la nouvelle Université de Aalto, fruit d'une fusion entre trois institutions existantes. Cette nouvelle université occupera en effet le devant de la scène puisqu'elle s'efforcera de répondre aux aspirations du gouvernement qui veut en faire une université internationale de haut niveau.*

## Higher education in Finland

Towards the end of the first decade of the 21st century, the Finnish higher education system is a binary one. In 2009 it comprises 20 universities (*yliopisto*) and 26 polytechnics (*ammattikorkeakoulu*) under the auspices of the Ministry of Education. Universities and polytechnics had about 164 000 and 132 500 enrolled students respectively in 2008 (KOTA, 2009; Statistics Finland, 2009a). The National Defence University, under the Ministry of Defence, is Finland's 21st university. Administration of two other polytechnics falls outside the Ministry of Education portfolio. The higher education system is seen as an essential element of Finland's national and regional innovation systems, and there is a link between higher education and economic policies. These policies have been strengthened by several national policy initiatives and reforms within both the university and polytechnic sectors (Aarrevaara and Holttä, 2008, p. 118).

The first Finnish university was established in 1640, long before Finland became a sovereign nation in 1917. Further institutions acquired university status in the first half of the 20th century, until considerable expansion in the 1960s and 1970s increased the number. Many latter-day universities were established as multi-disciplinary institutions in regional cities (Ministry of Education, Finland, 1996, pp. 29-30). At the time of writing, ten of Finland's 20 universities are multi-disciplinary, three are universities of technology, three are schools of economics and business administration, and four are creative and performing arts institutions (Ministry of Education, Finland, 2008a, p. 38). Constitutionally, Finland is a bilingual nation and two universities teach predominantly in the Swedish language.

Finnish polytechnics are relative newcomers to the higher education scene. They began as experimental institutions in 1991 based largely on the amalgamation of a vast number of small trades and vocational colleges (Ministry of Education, Finland, 1996, p. 79). The purpose of the experiment was "... to raise the standard of higher vocational studies and to rationalise the structure of the education system" (Ministry of Education, Finland, 1996, p. 18). The new polytechnics, established under the Polytechnics Act (2003/351), were primarily non-research organisations offering three- or four-year degrees. Polytechnics are meant to have a close working relationship with "working life" and part of their brief is to foster regional development. Core funding comes from the government. Under the act, a licence for managing a polytechnic can be granted to the

government itself, to a local authority (municipality) or a joint municipal body (municipal federation), or to private organisations (a registered Finnish limited company or foundation). In 2009, six polytechnics are run by local authorities, seven by municipal education consortia and 13 by private organisations. Therefore there are several models of governance for polytechnics, but at present universities under the Ministry of Education operate according to a single, centralised model.

The Finnish government is committed to a binary system built around discrete degrees, degree titles and functions. It has stated its intention to clarify the division of responsibilities between universities and polytechnics (Finland, 2007). The binary system in Finland has strong political support and the system appears to be effective from the national point of view (Aarrevaara, 2007, p. 286).

Change is a constant in the life of higher education institutions in the 21st century, and although polytechnics are not exempt from it, currently there are no proposals for radical reform in the short term, although some polytechnics have merged in recent times, and others might follow suit in the near future. The case with universities is rather different. They have been perceived as institutions struggling to keep up in an increasingly global and competitive world, and perhaps unnecessarily constrained. University reform, therefore, is seen as providing the solution to these problems.

## **University reform**

Finland's reforming of its university sector will be effected through a new Universities Act. At the same time, Finland is moving towards a series of university mergers that will reduce its 20 universities to 15 or 16. Both the new act and the mergers can be seen as attempts to improve university efficiency and effectiveness. The government submitted its proposal for the new act to Parliament on 19 February 2009. If passed, the new law will replace the Universities Act of 1997. The aim is for the law to come into force on 1 August 2009 for application from the start of 2010 (Ministry of Education, Finland, 2008b, p. 15). The reformed structures should be fully established by 2012 (Ministry of Education, Finland, 2008c, pp. 8-11).

Institutional, organisational and managerial changes occur continually, whether stakeholders like it or not. However, Finnish universities have always been tightly controlled via legislation. In effect, many aspects of university organisation have been guaranteed by legislation. The proposed act will change this by freeing up the system and setting the scene for the development of an "entrepreneurial culture". Although it seems likely that only some of the reforms will have an immediate direct effect on the universities, it is essential that flexibility be built into the Finnish university sector so that universities are in a position to react quickly in their own right in the future. It could be argued that

the reforms proposed will allow Finnish universities to act with sufficient independence and with adequate mastery over their own destiny. The major aims of the reform package in the new act are to improve universities' capacity to react to changes in the operational environment; to diversify their funding base; and to compete for international research funding. Other concrete objectives are to increase co-operation with foreign universities and research institutes and to help in allocating resources (Ministry of Education, Finland, 2008d). From the universities' perspective, moving away from tight and direct legislative control represents a sea change in Finnish higher education policy.

The new act, which is expected to be passed in June 2009, will introduce reform on three major platforms:

- Finnish universities will become **independent legal entities** and in one sense will cease to be government-funded public institutions.
- The **ownership and management of university buildings** is to change. The government is to relinquish its 100% ownership and provide universities with majority ownership rights.
- **Governance arrangements** will be different, but not quite as originally planned. The new act was going to require that half of the members of university boards be external appointees. However, Finland's Constitutional Committee examined the act and decided that some of its governance provisions ran counter to the Finnish Constitution (Dobson, 2009).

A fourth platform of the current set of reforms is university mergers. Each of these is discussed in more detail below.

Finland will ultimately have a university sector in which the status quo will be maintained in some areas. Research and education will remain as the universities' main tasks, supported by state-guaranteed core funding, and degree education will continue to be fee-free. In addition, academic autonomy and the rights to freedom of teaching, research and expression will continue (Ministry of Education, Finland, 2008b, p. 3).

The reforms, however, will lead to increased autonomy for universities, which will be afforded legal status in their own right, and will have much increased financial freedom. Governance and authority relationships will change, both between universities and the government, and within universities. In addition, there is to be a trial of a tuition fees system for special master's programmes for students from outside the European Union (EU) and European Economic Area (EEA) (Ministry of Education, Finland, 2008b, p. 2). Universities will decide themselves whether to participate in the provision of fee-paying degree tuition, but there will be conditions for doing so, including establishing a scholarship fund and offering separate master's programmes that satisfy the criteria for such degrees. A pilot programme is to operate until 2014 (Ministry of Education, Finland, 2008b, p. 5).

### **Independent legal entities**

From the legal perspective, the major change that will come with the passing of the new act is that universities will become independent legal entities. Universities are constrained at the moment because they have in effect been a part of the national administration since the 1970s and each university's administrative status has been that of an accounting unit within that administration. The main reform in the new University Act is that there will be a change in universities' legal capacity. According to the act proposal, universities will have the option of becoming either *institutions subject to public law* or *foundations subject to private law*.

From the universities' perspective, the major ramification is likely to be financial. As separate legal entities universities will have more flexibility to seek private funds both on- and off-shore. As Virtanen has noted of the current situation, "Public funding of universities is weak, much less than in the countries understood to be Finland's major competitors in the international economy. [...] As the prospects for the increase in public funding are unpromising, more private funding is suggested, as well as more collaboration with international companies and collection of private donations and endowments" (Virtanen, 2008, p. 57).

The Ministry of Education will continue to be the main source of income, but funding will be provided in the form of a monthly-paid subsidy rather than an allocation through the annual national budget. There will also be a change in the way universities hold and apply cash assets.

A concept which might seem strange to readers familiar with less centralised university sectors is that Finnish universities do not receive regular payments from the government sources that they then deposit in their own bank accounts. Instead, in a sense, the government provides sufficient funding for a university to meet the needs of each day's activities. These funds are drawn down each morning, and unused funds are returned to government accounts each night. Short-term cash flow has not been an issue in the past, but universities will have to take account of this from 1 January 2010.

In fact, universities do have income from other sources, some more than others. They also have their own bank accounts, but these funds are not typically used to meet day-to-day operating costs. Under current legislation, universities are restricted in their capacity to take decisions regarding their business activities. The primary provision in the new bill will reduce these restrictions. In addition, universities will be granted the right to decide how their assets are managed and how they use capital income. From the beginning of 2010, universities will meet their commitments using their own funds, and the government will no longer be responsible. In one sense, this will increase universities' autonomy, but their new independent legal status

will make the universities fully responsible for their finances, which will highlight the importance of strategic management.

Other key changes will not directly affect university finances. For example, once the act is passed, university staff will cease to be employed by the government. At present, university personnel enjoy a civil service employee-employer relationship with the government, but from 2010 formal contractual employment relationships will be with universities. A literal reading of ministry documentation suggests that the highly centralised system of the present will be replaced by one in which universities will follow their own staffing policies. This, it is anticipated, will allow universities to increase their competitiveness by improving their attractiveness as employers (Ministry of Education, Finland, 2008d). However, it isn't likely that wide gaps will open up between salaries paid by different universities. Trade unions will continue to negotiate on behalf of their members, and from 2010 it is the universities' intention to present a common face in any negotiations through a universities' employer body, rather as they do at present. Therefore change in this regard is likely to hasten slowly at first.

It remains to be seen what might befall the broader academic profession under the new act. Although certain freedoms (of teaching and research) are to be guaranteed, it cannot yet be certain whether academic staff will be more or less "independent" in the future.

Another change to flow from the new act will have an impact on interactions between universities and the government. The load created by performance agreement processes is to become lighter as the government takes a step backwards. At the same time the government will continue to guarantee indexed core funding, and has said that universities that have obtained external funding will not be penalised by having government grants cut. It will be interesting to see if the government will try to win back some of its capacity to control university behaviour, for instance by dividing funding into smaller packets and requiring universities to "compete" for such funds, with associated "accountability" requirements for the winners.

### ***Ownership and management of university buildings***

Practices concerned with university buildings are another matter that will be affected by the independence afforded by the new act. The current arrangement for holding and maintaining university buildings is another element of organisation and control that might seem strange to those unfamiliar with the Finnish system. At present, all university buildings are owned and maintained by a government company called *Senaatti Kiinteistöt*. Universities rent buildings and space from the company but, from 2010, universities will be able to exert much greater influence over these major assets.

According to correspondence from the Ministry of Education to universities, buildings will be owned and maintained by three separate companies which in turn will be owned by universities (67%) and the government (33%). One of these companies will manage buildings and property on behalf of most of the region in and around Helsinki universities and a second will do the same for Finland's regional universities. The third will undertake similar duties on behalf of Aalto University, a new university formed through a set of mergers (see below). Under this new arrangement, universities will be able to use their share ownership of these companies as collateral for loans.

Perhaps the changes proposed under the new act will make little difference to some of the smaller institutions; but to larger, older universities, such as the University of Helsinki, holding shares in a company that owns a considerable amount of capital-region real estate could provide it with considerable leverage in its future financial dealings. This change in the organisation of university assets is also a radical departure from what Finnish institutions have been used to. It seems likely to limit one aspect of the firm control typically exercised in the past by government ministries.

### **Governance arrangements**

Overall governance arrangements will change with the passing of the new act. The composition of the university *board* will continue to include representatives of the university community (professors, other staff and students), but external stakeholders will be afforded a much greater role (Ministry of Education, Finland, 2008b, p. 7). Under current arrangements, the role of non-government external stakeholders is limited to minor membership of university boards. The new act originally intended that at least half of the members, including the chair of the 6- to 14-person board, would be external to the university. Finland's Constitutional Committee, a body that examines Finnish legislation before it is placed before parliament, has decided that requiring universities to have a majority of external board members would be unconstitutional, on the grounds that it could adversely affect university autonomy (Dobson, 2009). Universities that are *institutions under public law* will continue to have board members appointed by the university collegiate, but it will not be compulsory for at least half to be external to the university.

Even allowing for the amendments required by the Constitutional Committee, when the current proposals are implemented, stakeholders from outside the university sector will be more significant participants than they are today, playing a much greater role in the administration and funding of Finnish universities. Many university staff might imagine that this new arrangement will not change anything at the organisational level of universities. Of course, this is one possible scenario, but there is nothing to stop new board members demanding a greater role in the day-to-day



management of university affairs. Board members will be responsible for budgets, financial statements and management of assets, and will also be liable for accounting and control (Ministry of Education, Finland, 2008b, p. 6). Given their personal liability, they might demand more information, more often. Staff in university administrative offices might find themselves required to produce performance reports more often than in the past. Boards of some universities are likely to seek a more “hands-on” role than others.

Under the current act, Finnish rectors are elected by their peers, and they chair the university board. This practice is in common with that in many European systems. From 2010 the board will appoint the rector, who must enjoy the confidence of that board. As stated on the ministry website, “The aim is to enhance the community relations, influence and financial competence of the boards of the universities operating as public corporations” (Ministry of Education, Finland, 2008d).

The new act also makes reference to the “collegial body of the university”. This body will have a maximum of 50 members, elected according to the tripartite system of voting by professors, other staff and students. This is the group that will then appoint the external members of the board, and decide on their number and the length of their tenure as board members. The “collegial body” also appoints the university’s auditors, and will wield the considerable power of deciding whether to bring actions for damages against the university board or its members and the rector (Ministry of Education, Finland, 2008b, p. 9). Although this is unlikely to happen, it would be possible for board members to be brought to court on grounds of negligence, principally for financial negligence. This action could not be taken, for example, because the collegial body was unhappy about, say, the quality of teaching provided.

The role of students is such that they will continue to be regarded as full members of the university community, and will continue to be members of the students’ union and represented on universities’ governing bodies (Ministry of Education, Finland, 2008d).

## **Mergers**

Institutional mergers are sometimes seen as a way to improve efficiency and effectiveness in a university sector, and a number of countries have gone down this track. Finland too is looking at the merger option. Perhaps this is appropriate for a nation that currently has 20 universities and 26 polytechnics to service only 5.3 million people.

The one million people living in and around Helsinki are the Finns best-served with universities. However, the university network covers the whole country, including sparsely populated areas to the north and east. The

regional distribution of multi-faculty universities away from the capital is a product of Finland's regional development policies from the late 1950s.

This is not the first time mergers have been mentioned in Finland. Discussions of varying levels of seriousness have arisen on a number of occasions. Typically at least one of the institutions targeted for any given merger was opposed to it, and it has been said that targeted universities sought to minimise the "threat" of merger by ensuring that their internal structures and major information technology systems were incompatible with those of the future "marriage" partner. The climate for merger in contemporary Finland is rather better, and potential partners seem now to see the potential benefit of size.

Mergers discussed in recent times and likely to go ahead include a merger between regional universities: the universities of Joensuu (about 8 000 students) and Kuopio (6 000 students) will merge to form East Finland University (Turunen, 2008, p. 23). There is also to be a merger in the city of Turku between the multi-disciplinary University of Turku (about 15 500 students) and the Turku School of Economics and Business Administration (2 250 students) (Turunen, 2008, p. 23). This merger has also been discussed in the past.

There were also discussions about an alliance between the University of Jyväskylä, the University of Tampere and the Tampere University of Technology to become the Central Finland University (Turunen, 2008, p. 23). Under this alliance, the universities have joint programmes and cooperation agreements on various aspects of teaching and research. Together these three universities have a student population of about 43 000 (KOTA, 2009).

In Helsinki, there is to be an alliance between the Swedish language Hanken School of Economics (2 100 students) with the University of Helsinki (32 500 students) according to which they will co-operate more closely in future (University of Helsinki, 2008). Hanken has been mentioned in mergers in the past, but usually with Finland's other Swedish language university Åbo Academy University (6 100 students), a multi-disciplinary university in the city of Turku 170 km away on the Finnish west coast. However, this has often been perceived as an attempted take-over of the former by the latter.

The merger that has excited the most interest has the unashamed aim of creating a "world-class" university. Three universities from the Helsinki region – one large and two small – are to merge. The Finnish government decided during 2007 to create the new edifice from Helsinki University of Technology (HUT) (approximately 14 000 degree students), Helsinki School of Economics (3 200 students) and the University of Art and Design (1 900 students). The working name of the new university was "the Innovative University" (Virtanen, 2008, p. 53) but it was formally named in mid 2008 as Aalto University in honour of one of Finland's most esteemed architects (Alvar Aalto, 1898-1976). In fact, Aalto was an architecture student at HUT in the 1920s. He also designed HUT's

main building and planned the current HUT campus. As noted by Virtanen (2008, pp. 53-54), “the new university of technology, business and art and design will be a unique entity in the system of Finnish universities in many ways. [...] The main difference will be its legal status as a foundation under private law. [...] This will generate new structures both in the funding and management of the university.”

The mergers to form the Aalto University differ from the other mergers outlined above in two main ways. First, it will become a private university in a legal sense, although much of its funding will come as subsidies from government sources. Second, Aalto University is to receive more government-sourced funding than other universities (Virtanen, 2008, p. 61). The government plans a one-off injection of EUR 500 million as its initial investment in Aalto University. This investment is conditional on EUR 200 million being raised from the private sector.

The concept behind Aalto University is an interesting one. It is quite a challenge to establish an international top-level university through a set of administrative decisions, but perhaps this is a very Finnish way to attempt such a thing. Even though the new university is to be more generously funded than others in Finland, some might see elements of the “Harvard Here” syndrome, by which an expansion of funding is seen as a means to create a local equivalent of Harvard. It has been suggested that this is not as easy as it seems. In a paper presented at a university ranking conference early in 2009, Tony Sheil presented data that suggest that developing a top 20 university is not an option for small countries. Sheil (2009) reported on research that shows that a world-leading university is an enterprise worth USD 1.5-2 billion. These sums are certainly far beyond the assets available to most universities, and particularly Finnish ones. He also refers to other analysis that shows top universities are usually well established (i.e. old), are small or medium-sized by world standards, are extremely well resourced, and are highly selective in their recruitment of both staff and students. According to Sheil (2009), the institutional budgets of Harvard, Princeton, Yale and Stanford are sufficient to provide the equivalent of between USD 149 000 and USD 227 000 per enrolment. Roughly equivalent figures for Aalto University and the University of Helsinki are USD 30 000 and USD 28 000 respectively, leaving them well behind on this measure. (These figures were calculated from data available in the government’s KOTA databases by dividing total funds available in 2008 by the total number of enrolments.)

Several universities have remained unnamed in merger discussions, although speculation suggests some eventual re-organisation of the three remaining creative and performing arts universities is not out of the question. All three are located in Helsinki, and between them they had fewer than 2 000 enrolled students in 2008 (KOTA, 2009). The ultimate intention is that by 2020, Finland will have no more than 15 universities and 18 polytechnics. It is expected that there will be four or five “alliances” between universities and

polytechnics by that date (Ministry of Education, Finland, 2008e). This would seem to be a logical approach in regional cities.

Despite the current political support for a binary system, such “alliances” might eventually lead the way to a future end to the dual nature of higher education in Finland. Such transformations are not without precedent; Australia went down that track and Great Britain shortly after in the 1990s. In any case, most polytechnics are now referring to themselves as “universities of applied sciences” in their English language material (Dobson, 2008), but the Ministry of Education has not adopted this nomenclature.

## **Reforming the university sector: cheques and balances?**

Notwithstanding the rhetoric of reform, in most cases the reason for wanting change is financial: will the changes to the system lead to better “education” (in its broadest sense) at lower cost to the public purse than at present. Over the past two decades university sectors the world over have been subjected to financial pressures because of so-called “massification”. This term was coined to describe the process by which universities changed from being elite organisations to ones providing higher education access to a much larger proportion of the university-aged cohort (Trow, 1999). As reported recently by the OECD (2008), “In some countries, such as Australia, Finland, Iceland, Poland and Sweden, as many as three out of four school-leavers set out to take a degree”.

The major impact of improved access to higher education for a nation's citizens is therefore a significant increase in the total cost of teaching an increased number of students. The fact that the Finnish system is one that has traditionally been funded almost entirely from government sources means that cost considerations are likely to increase the government's desire for a broader funding base. It is also perfectly reasonable for a government to seek to maximise the return on its investment through improved efficiency and effectiveness. Public expenditure on Finnish universities was about EUR 575 million in 1981 (expressed in 2008 prices) for a student population of about 84 000. By 2008, university funding had risen to EUR 1 485 million for 164 000 students. The figures for 2008 do not include the EUR 379 million spent on polytechnic funding (Ministry of Education, Finland, 2008a, p. 13). (Finland was among the first nations to adopt the euro. University expenditure in 1981 was FIM 2 521 million [Ministry of Education, Finland, 1996, p. 118]. The exchange rate between the Finnish markka and the euro was approximately FIM 6 = EUR 1 on its date of introduction; inflation between 1981 and 2008 was approximately 1.37 [Statistics Finland, 2009b]. Calculation:  $2\,521/6 \times 1.37 = 575$ .)

How then, could the government reduce the proportion of the funding drawn from the public purse?

## **Tuition fees**

In theory, the simplest way to broaden the funding base is to increase the charges paid by the direct beneficiaries of higher education. That is, increase fees (where they exist), or impose them where they do not. However, this change is unlikely to occur for Finnish domestic students in the near future. In line with the Scandinavian tradition, Finland's constitution guarantees tuition fee-free education for all students. As noted on the Ministry of Education website, "Degree education will still be provided free of charge. The legislative reforms will, however, make it possible to charge tuition fees on a trial basis to students from outside EU/EEA countries who are taking part in separate master's programmes, provided that the arrangements include a scholarship scheme" (Ministry of Education, Finland 2008d). Therefore the way is open to charge fees to some foreign students, but this would not be likely to raise much additional revenue until foreign students made up a substantial proportion of the total population. Finland, with about 6 000 foreign students in 2007 (KOTA, 2009) (and many of these would be from within the EU/EEA), has a long way to go before reaching the numbers proportionate with the large, experienced players such as Australia, Canada, the United Kingdom and the United States.

In any case, it is likely that neither the Finnish government nor the universities have yet worked out their strategies for increasing the inflow of overseas bachelor and master's degree students. Teaching would most usually be conducted in English, which might place a strain on the language skills of Finland's academic workforce. Quality assurance processes would be needed to ensure that teacher skill levels in English were at an appropriate level.

Of course, teaching foreign students can lead to improved contacts with foreign institutions, which can lead to foreign research partnerships and perhaps research income. However, it is also typical that any expansion in the number of students to be taught places an additional burden on academic staff, reducing their capacity to undertake research.

Tuition fee income cannot be counted on to provide much university income until such time as fees are levied on domestic and EU/EEA students. Will Finland eventually follow this trend?

## **Bequests and donations**

Bequests and donations can provide an additional source of non-government funding for universities, but as with foreign student fees, this is not likely to provide a huge financial boost. Finnish universities already have the right to accept donations and funds bequeathed from foundations or private organisations, but these must be kept in separate accounts. The government supports universities' fund raising efforts in order to speed up university reform. Under certain conditions, tax deductibility will be

permitted on donations made to public EU/EEA universities of EUR 850 to EUR 250 000 during 2009/10. This recent legislative change (18 December 2008) is the first time that individuals have had the right of tax deductibility for such donations, although corporations have had this benefit for some time. In the context of the Finnish welfare state, this is a radical change from the past. If donations to universities continue to be legitimate tax deductions, perhaps this could represent a new source of funds.

However, where donations are concerned, Finland might find itself in the same situation as countries such the United Kingdom where the practice of “giving” to universities is much less developed than in the United States. As Proper (forthcoming) has said, “... there are significant legal, historical, and cultural differences between [the United States and Britain] that may limit Britain’s higher education sector’s capacity to increase voluntary support, at least in the short term. While the British higher education sector was developed in large part by voluntary support, this tradition waned in the 20th century. Today, Britain has stricter privacy laws, fewer tax incentives for giving, a belief that charitable giving usurps what ought to be a government role, a lack of experienced fundraisers, different attitudes about proper motives for giving, and little tradition of active alumni loyalty to alma mater.” One could only speculate on how Finland might fare with funds sourced from donations, particularly with the relatively low limit for tax deductibility.

### **Other sources of income**

There are few other sources of funding beyond those that can be derived from governments, students and donors. According to a recent Ministry of Education document (Ministry of Education, Finland, 2008f, Table 3), 64.5% of total university funding was in the form of direct grants, so-called “budget funding”. Some universities earn substantial sums for research from Finnish government research organisations (about 11% of the total in 2007), and although income from such sources is described locally as “external funding” it still ultimately comes from the Finnish government. Funding from domestic corporations, the European Union and other foreign sources amounted to only 10.4%. The remaining 14.2% of funding in 2007 came from “other domestic sources”, but much of this also came from government departments. Universities will improve their chances of research income from outside Finland with the continuing efforts to engage with the international research market, but when compared with total income, the sums available are likely to be relatively low.

If it is acknowledged that the university funding base would be diversified only minimally through tuition fees to non-EU/EEA students, changes to legislation to make benefaction more common and an environment that makes it easier to obtain off-shore funding; the dominant potential sources of funds are from the public purse or tuition fees levied on

domestic and EU/EEA students. If the latter is considered to be unpalatable, then the major dependence on government funding will remain.

## Conclusion

The Finnish government has established a strong reformist agenda with its new Universities Act and its promotion of institutional mergers. The reforms are essential if Finland's universities are to be able to remain competitive in the international markets for education and research. However, the whole sector will need to perceive the benefits of reform for the impact to meet the government's expectations in the short term. Although the keys to a reformed sector are a diversified funding base and an entrepreneurial culture, it is not self-evident that new entrepreneurial modes of operation will be widely accepted in Finnish universities at first. Problems could occur if there were perceptions of a contradiction between bureaucratic and entrepreneurial attitudes. Finnish universities have been the subjects of tight controlling legislation for many years, leading to the development of a set of "traditional structures" in higher education institutions. The traditional, bureaucratic administrative culture has its advocates in Finnish universities, but the newly-created academic labour market will also bring forth strong arguments in favour of entrepreneurial modes of operation. The universities' ability to implement change will be put to the test when these different administrative cultures are brought face to face in coming years.

There will be more than one approach to the reforms among the universities. Some will have been planning for change since the announcement of impending reform; others might be taking a "wait and see" approach. Some might have used the opportunity provided by official reform to make structural changes internally. The way Finnish universities deal with the current raft of reforms might increase the diversity of the sector. Universities could become more different from each other than they are now.

The major reforms in the Finnish higher education system are scheduled to start from 2010 and continue through to 2012. As is the case in many European countries, Finland has become used to inflexible higher education structures and a reactive university system. This has led to a heavily bureaucratized administration, slow decision making and a permanent funding deficiency in the publicly owned universities. The government has now decided that the major problems of the 21st century are not likely to be solved by traditional means. However, change has got to start somewhere, and in time Finnish universities' capacity to move more quickly will improve.

Most often "reforms" are words on the pages of ministry documents and manifestos, and some of those words will eventually find their way into university mission statements or other slogans. The reality is that Finnish

universities will continue to be supported primarily from the public purse, and even though the mechanism for providing funds will be different in future, these changes will be all but invisible to most of society. Changes to university real estate practices will also not be obvious beyond the university sector. Similarly, most of the changes to governance arrangements will be evident only to those directly involved, until such time as a university collegial body uses its right to bring an action for damages against the university's board. However, this is an unlikely scenario.

The change that will keep people's attention the longest is likely to be the progress of Aalto University. This is the most obvious "new" thing in the Finnish university system, and also the most visible. Many will keep a close eye on its progress, and it is likely to be the subject of many scholarly papers in the future. Interest in this venture will also be scrutinised outside Finland. The Aalto University experiment has the prospect of being imitated by countries intent on improving their university sector. People will also be interested in the outcome of Finland's foray into "private" universities. Aalto University operates through a private foundation and, if the model is a successful one, other Finnish universities might try to follow suit.

The authors:

Timo Aarrevaara  
Faculty of Social Sciences  
University of Helsinki  
00014 Helsinki University  
Finland  
E-mail: [timo.aarrevaara@helsinki.fi](mailto:timo.aarrevaara@helsinki.fi)

Ian R. Dobson (corresponding author)  
Educational Policy Institute and  
Centre for Population and Urban Research  
Monash University  
Victoria 3800  
Australia  
E-mail: [ian.dobson@arts.monash.edu.au](mailto:ian.dobson@arts.monash.edu.au)

Camilla Elander  
Kvestuuri  
University of Helsinki  
00014 Helsinki University  
Finland  
E-mail: [camilla.elander@helsinki.fi](mailto:camilla.elander@helsinki.fi)



## References

- Aarvevaara, T. (2007), "Enhancing Universities in Finland", *Journal of Finance and Management in Colleges and Universities*, Vol. 4.
- Aarvevaara, T. and S. Hölttä (2008), "Finnish Academic Profession Reflect Reforms in Higher Education", report of the "International Conference on the Changing Academic Profession in International and Comparative and Quantitative Perspectives", RIHE International Seminar Reports No. 12, University of Hiroshima.
- Dobson, I.R. (2008), "Polytechnics that Call Themselves Universities", *University World News*, [www.universityworldnews.com/article.php?story=2008041014313989](http://www.universityworldnews.com/article.php?story=2008041014313989), 13 April, accessed 22 May 2009.
- Dobson, I.R. (2009), "Reform Law to be Amended", *University World News*, [www.universityworldnews.com/article.php?story=20090515110659158](http://www.universityworldnews.com/article.php?story=20090515110659158), 17 May, accessed 22 May 2009.
- Finland (2007), "Government Programme of Prime Minister Matti Vanhanen's Second Cabinet", government statement to Parliament on the programme of Prime Minister Matti Vanhanen's second Cabinet appointed on 19 April 2007, [www.valtionuuvosto.fi/hallitus/hallitusohjelma/en.jsp](http://www.valtionuuvosto.fi/hallitus/hallitusohjelma/en.jsp), accessed 20 March 2009.
- KOTA (2009), on-line database of the Ministry of Education, Finland, <https://kotaplus.csc.fi/online/Etusivu.do?lng=en>, accessed 20 March 2009.
- Ministry of Education, Finland (1996), *Higher Education Policy in Finland*, Ministry of Education, Helsinki.
- Ministry of Education, Finland (2008a), "Education and Science in Finland", Ministry of Education, Helsinki, [www.minedu.fi/export/sites/default/OPM/Julkaisut/2008/liitteet/opm25.pdf?lang=fi](http://www.minedu.fi/export/sites/default/OPM/Julkaisut/2008/liitteet/opm25.pdf?lang=fi), accessed 20 March 2009.
- Ministry of Education, Finland (2008b), "Proposal for the New Universities Act", [www.minedu.fi/export/sites/default/OPM/Koulutus/koulutuspolitiikka/Hankkeet/Yliopistolaitoksen\\_uudistaminen/liitteet/proposal\\_uni\\_act.pdf](http://www.minedu.fi/export/sites/default/OPM/Koulutus/koulutuspolitiikka/Hankkeet/Yliopistolaitoksen_uudistaminen/liitteet/proposal_uni_act.pdf), accessed 14 March 2009.
- Ministry of Education, Finland (2008c), "Rakenteellisen kehittämisen suuntaviivat vuosille 2008-2011" (Guidelines for Structural Development for Years 2008-2011), [www.minedu.fi/OPM/Koulutus/koulutuspolitiikka/Hankkeet/rakenteellinen\\_kehittaminen/index.html](http://www.minedu.fi/OPM/Koulutus/koulutuspolitiikka/Hankkeet/rakenteellinen_kehittaminen/index.html), accessed 20 March 2009.
- Ministry of Education, Finland (2008d), "University Reform", [www.minedu.fi/OPM/Koulutus/koulutuspolitiikka/Hankkeet/Yliopistolaitoksen\\_uudistaminen/index.html?lang=en](http://www.minedu.fi/OPM/Koulutus/koulutuspolitiikka/Hankkeet/Yliopistolaitoksen_uudistaminen/index.html?lang=en), accessed 14 March 2009.
- Ministry of Education, Finland (2008e), "Korkeakoulujen rakenteellisen kehittämisen suuntaviivat" 7.3.2008 (Guidelines for Structural Reforms of Higher Education), [www.minedu.fi/export/sites/default/OPM/Koulutus/artikkelit/Korkeakoulujen\\_rakenteellinen\\_kehittaminen/liitteet/KK\\_rak\\_kehitt\\_suuntaviivat\\_muistio.pdf](http://www.minedu.fi/export/sites/default/OPM/Koulutus/artikkelit/Korkeakoulujen_rakenteellinen_kehittaminen/liitteet/KK_rak_kehitt_suuntaviivat_muistio.pdf), accessed 18 March 2009.
- Ministry of Education, Finland (2008f), "Yliopistojen ohjaus ja rahoitus vuodesta 2010 alkaen" (University Steering and Finance from 2010 Onwards), [www.minedu.fi/export/sites/default/OPM/Koulutus/koulutuspolitiikka/Hankkeet/Yliopistolaitoksen\\_uudistaminen/liitteet/Yliopistot\\_ohjaus\\_rahoyitus\\_2010ver08\\_3.pdf](http://www.minedu.fi/export/sites/default/OPM/Koulutus/koulutuspolitiikka/Hankkeet/Yliopistolaitoksen_uudistaminen/liitteet/Yliopistot_ohjaus_rahoyitus_2010ver08_3.pdf), accessed 20 March 2009.

- OECD (2008), "Soaring Student Numbers Pose Funding and Quality Challenges for Universities in OECD Countries", [www.oecd.org/document/11/0,3343,en\\_2649\\_39263238\\_41268811\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/11/0,3343,en_2649_39263238_41268811_1_1_1_1,00.html), accessed 20 March 2009.
- Proper, E. (forthcoming), "Bringing Educational Fundraising Back to Great Britain: A Comparison with the United States", *Journal of Higher Education Policy and Management*.
- Sheil, T. (2009), "Moving Beyond University Rankings: Developing a World Class University System in Australia", International Symposium on University Ranking, University of Leiden, 6-7 February.
- Statistics Finland (2009a), "Polytechnic Statistics", [www.stat.fi/til/akop/index\\_en.html](http://www.stat.fi/til/akop/index_en.html), accessed 20 March 2009.
- Statistics Finland (2009b), Elinkustannusindeksi 1951: 10 = 100, [www.stat.fi/til/khi/2009/02/khi\\_2009\\_02\\_2009-03-13\\_tau\\_002.html](http://www.stat.fi/til/khi/2009/02/khi_2009_02_2009-03-13_tau_002.html), accessed 20 March 2009.
- Trow, M.A. (1999), "From Mass Higher Education to Universal Access: The American Advantage", *Minerva*, Vol. 37, Kluwer Academic Publishers.
- Turunen, I. (2008), "Modernisation of Higher Education", in T. Aarrevaara and F. Maruyama (eds.), *University Reform in Finland and Japan*, Tampere University Press, Tampere.
- University of Helsinki (2008), "HY, Hanken ja Arcada tiivistävät yhteistyötä" (Helsinki University, Hanken and Arcada to Intensify Co-operation), [www.helsinki.fi/ajankohtaista/uutisarkisto/4-2008/22-15-56-35](http://www.helsinki.fi/ajankohtaista/uutisarkisto/4-2008/22-15-56-35), accessed 18 March 2009.
- Virtanen, T. (2008), "Merging and Privatising to Reach for the Top: A New Finnish University of Technology, Business, and Art and Design", in T. Aarrevaara and F. Maruyama (eds.), *University Reform in Finland and Japan*, Tampere University Press, Tampere.