

SPECIALIZED VOCATIONAL INSTITUTES AND GOVERNMENT GRANTS TO COVER THEIR OPERATING COSTS

Specialized vocational institutes are training centres mainly established by businesses to meet their own needs. In 2004 government grants (15,885 million euros) covered about 30% of institutes' eligible operating costs. This includes only part of institutes' activities, however. Although 35 institutes were within the sphere of government grants at the beginning of 2006, the system is quite concentrated: a few institutes in the aviation field receive 60% of grants. Institutes' total costs in 2004 exceeded 100 million euros. On the basis of financing and the number of participating students, this area of vocational training can be considered nationally significant in the adult education field.

The main question in the audit was whether government grants to cover specialized vocational institutes' operating costs meet the objectives that have been set. The audit also sought to determine how institutes' activities have been linked to vocational training and adult education in general and how the state has strategically set policies concerning businesses' training related to institutes' activities.

The general conclusion that was drawn in the audit is that the financing of specialized vocational institutes' operating costs is in many respects deficient. The system, which can be considered a traditional government grant system in structure, needs to be thoroughly re-evaluated and developed. Deficiencies can largely be attributed to the fact that specialized vocational institutes have received little attention in developing the education system and development work in the education administration in general. Although more emphasis has recently been placed on vocational adult education and labour skills, even in these connections specialized vocational institutes have not received much attention.

The objectives in the Act on Vocational Adult Education (631/98) are apparently implemented as a matter of course in specialized vocational institutes' activities, since these activities are directly linked through training to the needs of the working world. When training is arranged in this way, the provisions in the Act do not provide a sufficient basis for evaluating activities.

Institutes' background organizations cover the bulk of training costs. Whether government grants are indispensable and necessary in all respects to arrange this training is difficult to say on the basis of the information produced by the current system. In order to evaluate financing, clearer objectives would have to be set. The present way in which objectives are set is in many respects inadequate. Teaching hours describe institutes' activities quite poorly and only partially. On the basis of the audit it is unclear what the state is actually trying to accomplish in its own supervisory activities with regard to specialized vocational institutes.

The system does not include any procedures along the lines of management by results. The present system can mainly measure and evaluate institutes' productivity. Even this evaluation is unreliable, since only part of institutes' teaching and guidance hours or performance is included within the sphere of government grants. Nor can the costs of producing performances be reliably compared, since institutes' cost accounting is not based on harmonized principles and institutes' practices differ in other respects as well. The basic performance in the system is the teaching hour, which is clear in itself. In developing the system consideration should be given to whether this performance is best suited to the activities of institutes which are different in nature. Learning results set as targets should ultimately form the basis of government grants for institutes.

In recent years different reports, working groups, plans and papers have dealt with vocational adult education extensively in state administration. The matter has also received attention in incomes policy settlements, which have included points dealing with strengthening and developing workers' skills. No clear strategic policy has been formulated concerning employers' and the state's responsibility for arranging and financing training and the division of labour in this respect since the end of the 1980s, however. This must be viewed as a shortcoming. Since workers' skills in the business sector are considered a key competition factor and many defi-

ciencies and problems have been observed in developing skills, the matter should also be examined from the viewpoint of financing and related responsibility. In principle the need for this training has been given a great deal of lip service, but the matter has not proceeded to the level of practical financing solutions.

As a rule businesses' personnel training has been considered an activity that businesses must finance themselves. Businesses' own vocational institutes have formed a clear exception to this rule, however. Other vocational training has also been supported by authorities in different ways. Since the significance of training in developing business has increased particularly in recent years, questions regarding the division of responsibility and labour should be reevaluated as a whole. Since policies have not been formulated in this area, specialized vocational institutes are not easy to position in the education field.

On the basis of transitional provisions in legislation, institutes' licences to arrange training have largely expired. In amending legislation these licences, which in the past were licences to maintain institutes, have not been changed in terms of content. In the opinion of the State Audit Office, licences should be completely reformed in order to provide a better basis for managing activities that takes performance into account. At present there is no concrete objective for the collecting of cost information on institutes.

The unit price system that is the basis of government grants and related categories of vocational institutes should be thoroughly studied. Such a study should produce unit prices and categories that describe institutes' operating costs and possible differences in them and allow changes in unit prices if necessary. In the opinion of the State Audit Office, the present system does not adequately ensure that government grants are based on consistent and comparable information.

The National Board of Education has issued guidelines on recording and calculating teaching hours and costs. These guidelines are too general, however, and have not followed development that has taken place in institutes' teaching activities. Verifying the number of teaching hours reported to the National Board of Education is also problematic in the present control system. Other measures of performance could also be used in place of or alongside teaching hours.

Present standards concerning institutes are not on a clear basis and apparently institutes are not always aware of them. The current state of guidance and the binding nature of standards should be investigated.

In its present form the information that is collected from institutes has little generalizability and practical value. The general objective of transparency that has been set for state aid systems is met quite poorly in the case of these institutes. Nor has the evaluation of institutes so far produced overall information on which information control could be built. In order for information control to have a sufficient foundation, the basis for specialized vocational institutes' activities and financing should be defined more specifically and clearly.

Specialized vocational institutes have a stock of expertise that is not found elsewhere in society. This expertise can also be considered innovative in relation to vocational education. Consequently the State Audit Office believes that possibilities to make better use of institutes' expertise in our entire education system and developing it should be studied.