

# Reform of the VET funding system

POLICY DEVELOPMENT

REGULATION/LEGISLATION

 FINLAND

## Timeline

2023 Design

2024 Legislative process

2025 Approved/Agreed

ID number 46872

## Background

In Finland, VET funding is based on an appropriation in the State budget. Funding is granted and paid directly to VET providers, who decide on its use and allocation of the financing in their organisation.

VET funding comprises core funding, performance-based funding and effectiveness-based funding. The Ministry of Education and Culture allocates core funding to education providers based on their applications, and performance and effectiveness-based funding is based directly on realised performance. The ministry prepares performance and effectiveness-based funding decisions each year. In addition, separate strategic funding decisions are prepared throughout the year to further specific education policy themes of VET.

The funding system and the annual process of funding VET providers is seen as labour-intensive and complex. There is a need to simplify the process and make the system overall more adaptive to the changing needs of the field of education and working life. At the same time, there is a need to make the funding system and process more transparent and predictable for VET providers.

In addition, VET education providers must have greater incentives to provide education and training that leads to better chances of employment or continuing education. There is a need to create incentives to ensure adequate instruction and guidance for people of compulsory school age, for adults to complete micro-credentials, and to reorient VET provision to better meet the needs of the labour market.

## Objectives

The reform of the VET funding system aims to:

- (a) create financial incentives for VET providers to make sure students complete qualifications and find a job or continue in education after graduation;
- (b) increase the acquisition of micro-credentials especially to upskill or reskill adults in order to enhance their position in the labour market and increase employment prospects after graduating;
- (c) make the VET funding system more simple and responsive to changes in the labour market;
- (d) simplify the funding system and increase its predictability for VET providers.

## Description

The Ministry of Education and Culture has appointed a working group to prepare the legislative changes needed to reform the VET funding system. The reform is prepared simultaneously with the reform of the operational guidance of education providers.

The legislative changes in the VET funding system are planned to come into effect in 2026.

### 2023 Design

The Ministry of Education and Culture appointed a working group to prepare a proposal for the new VET funding system. The working group's term started in October. In 2023, the working group prepared guidelines for the reform and a draft proposal for the new funding system.

The ministry also appointed a monitoring group that started its term in October. It has representation from education providers, students, teachers, and other central stakeholders.

### 2024 Legislative process

In 2024, the working group drafted the needed legislative changes. These were circulated for comments in May and June. The government proposal for the new law was prepared taking into consideration the comments from stakeholders. In October, the proposal was submitted to the Parliament.

In December 2024, the Finnish Parliament approved the legislative changes concerning the new operational guidance model for VET providers and the funding system of VET. The model emphasizes study progress and completion, as well as employment after completing the qualification, and transition to further studies. The weight of completed studies and transition to further studies or working life will increase from the current 30% to 50% in the funding. The calculatory share of student years in the funding will decrease, while the share based on realised completed qualifications will increase.

For students of compulsory education age, no maximum number was defined in the VET provider's permit to provide education, but for other students, a maximum number was set.

The new funding model was set to be launched in 2026.

### 2025 Approved/Agreed

In October 2025, the Ministry of Education and Culture issued a decree concerning the calculation criteria for the funding of VET. The draft of the decree was circulated for comments during spring 2025. The decree provides further specification on the Act on the Financing of VET.

The Ministry of Education and Culture appointed a working group to prepare a proposal for the reform of regulations concerning commissioned education in VET as well as tuition fees for students coming to Finland from outside the EU/EEA to pursue vocational or general upper secondary education.

In the proposal, people from non-EU countries will be required to pay tuition fees in VET since these students will no longer be included in the system of central government transfers to local government. The proposal also clarifies the Act on Compulsory Education so that it will not apply to people from non-EU countries living in Finland for the purpose of study. At the same time, the proposal would make it possible for VET providers to sell commissioned education leading to qualifications to citizens of EU Member States and EEA countries.

The proposal was accepted in December 2025 and scheduled to come into force in August 2026.

## Bodies responsible

- Ministry of Education and Culture

## Target group

### Entities providing VET

VET providers (all kinds)

## Thematic categories

### Governance of VET and lifelong learning

Optimising VET funding

## European priorities in VET

### VET Recommendation

VET agile in adapting to labour market challenges

## Subsystem

IVET CVET

## Further reading

[Press release from the Ministry of Education and Culture: Tuition fees to be introduced for upper secondary students from non-EU countries - commissioned education to be extended to EU and EEA nationals](#)

[Ministry of Education and Culture: Information of the working group reforming regulations concerning commissioned education in VET and tuition fees for students outside the EU/EEA](#)

## Related policy developments

2025 **Approved/Agreed**

### **Making authorisation of VET provision more strategic and flexible**

In Finland, authorisation for providing VET is managed through the so-called operational guidance for VET providers. Updating the operational guidance requires legislative changes. It is prepared together with the reform of VET funding system to ensure coherence of the two systems.

 FINLAND

**Type of development**

Regulation/Legislation

**Subsystem**

IVET CVET

---

**“ … ” Cite as**

Cedefop, & ReferNet. (2026). Reform of the VET funding system: Finland. In Cedefop, & ReferNet. (2026). *Timeline of VET policies in Europe* (2025 update) [Online tool].

<https://www.cedefop.europa.eu/en/tools/timeline-vet-policies-europe/search/46872>