



# Public administration characteristics and performance in EU28:

## Finland

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## 1 SIZE OF GOVERNMENT

The total expenditure of Finnish public sector in relation to GDP increased from around 40% in 1970 to 63% in 1993, then declined to below 50% and started to rise again after 2008 reaching 58% in 2015. The high percentages reflect the economic downturns of the early 1990s and the aftermath of the financial crisis of 2008. The welfare policies as political reactions to economic recessions have increased the public expenditure, but the share of the total public expenditure in GDP does not show directly the size of the public sector – as it is often misunderstood – because GDP measures the monetary value of purchases of goods and services made by final users ([IMF](#)). A better measure for the size of the public sector is public employment in relation to total labour force. In this respect, Finland scores the fourth position within the EU countries in 2005 with 24,5% (see the table below). In 2015, the share was 20,3%, according to the national statistics.

The public expenditure shows how much state and municipalities have spent to goods, services, monetary transfers, interests, etc. – i.e. how much of money flows through the public sector. When the GDP shrinks as the result from an economic recession, the percentage of public expenditure increases. The high percentage of the total expenditure in GDP is to do with the fact that the Finnish economy did not recover from the last downturn by 2015 (but is slightly recovering in 2016-2017). So, being ranked the first within EU does not show the size of the Finnish public sector as such but indicates that Finland holds the first position in using public money compared to the purchases of the public sectors in the other EU countries. In addition, the total expenditure depends on how the society is organised. In Finland, the pensions belong to the expenditure of public sector making it bigger than in many other countries where pensions are largely managed by the private sector. The central government share is among the lowest within the EU because of the large municipality sector in Finland.

The gross debt in relation to GDP has traditionally been moderate. It was 6,1% in 1976, rising from 13,8% in 1990 to 56,1% in 1994 due to economic recession, declining to 32,8% by 2008, but rising again since 2008 reaching 63.6% in 2015 due the economic downturn ([Indicator](#)). Some Finnish economists (e.g. [Uusitalo 2015](#)) have reminded that if we calculate the net value of the public debt, taking into consideration also the capital owned by the public sector, the debt of Finland is the lowest in the EU. The massive pension funds explain the Finnish case.

**Table 1: General government budget data**

FINLAND	2010	EU 28 Rank	2015	EU 28 Rank	Δ Value	Δ Rank
<b>Total expenditures (in % GDP)</b>	54.75	4	57.67	1	+2.92	+3
<b>Central government share (%)</b>	51.73	25	48.50	25	-3.23	0
<b>State government share (%)</b>						
<b>Local government share (%)</b>	40.90		40.91			
<b>Public investment (in % GDP)</b>	3.67	18	3.90	14	+0.23	+4
<b>Debt in % GDP</b>	47.12	12	63.64	11	+16.52	+1
<b>Deficit in % GDP</b>	-2.6	4	-2.8	17	-0.2	-13

**Sources:** AMECO, Eurostat

The total public sector employment constitutes a relatively large share of total labour force in Finland. However, 79% of the public sector employment results from the employment by the local government, i.e. self-governed municipalities (see below). The

share of public corporations is so small – due to the fact that most of them have been transformed into joint stock companies under private law already in the 1990s – that the OECD figures of public sector employment (including public corporations) and general government employment (excluding public corporations) are practically the same. A noticeable fact is that the staff of universities and polytechnics (around 40,000 in 2015) is excluded both from the state and municipality employment in the statistics of the public sector employers (Government as Employer; Local government employers), but both types of higher education institutions are included in the public sector (polytechnics also partly to private sector) by the official statistics of Statistics Finland.

**Table 2: Public sector employment\***

FINLAND	2005	OECD EU18 rank	2011	OECD EU12 rank	Δ Value
<b>Total public sector employment in % of total labour force</b>	24.80	4			
	2005	OECD EU21 rank	2011	OECD EU19 rank	Δ Value
<b>General government employment in % of total labour force</b>	23.00	3	22.80	2	-0.20
			2011	OECD EU17 rank	
<b>Central government share of general government employment</b>			22.92	13	

**Sources:** OECD- *Government at a glance*

\*According to the OECD, public sector employment includes public corporations, while general government employment excludes public corporations.

FINLAND	2015
(1) General government employment (in million)*	0,536
thereby share of central government (%)	20%
thereby share of state/regional government (%)	0%
thereby share of local government (%)	80%
(2) Public employment in social security functions (in million)**	0,130
(3) Public employment in the army (in million)	0,012
(4) Public employment in police (in million)	0,010
(5) Public employment in employment services (in million)	0,003
(6) Public employment in schools and day care (in million)	0,072
(7) Public employment in universities (in million)***	0,040
(8) Public employment in hospitals (in million)**	0,135
(9) Public employment in core public administration (in million) calculated (1) minus (2)-(8)	0,127

(10) Core public administration employment in % of general government employment (10)/(1)	25%
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**Sources:** National statistics

*\*According to the OECD, general government employment excludes public corporations. - In Finland, the official general government employment in 2015 was 496 000 (state 74 000 and municipalities 422 000). Official figures do not include the staff of universities and polytechnics (40 000). The organisational form of universities is either public or private foundation and that of polytechnics is a private joint-stock company. However, the basic funding of both of them comes from the state budget. In the above, their staff is included in the share of central government and thus as part of general government employment (amounting to 536 000).*

*\*\* In 2014 both (2) and (8) have joint administrative staff of 0,006, of which 50% is counted in both.*

*\*\*\* Including both universities 0,030 and polytechnics (universities of applied sciences) 0,010.*

The employment data from Eurostat is roughly consistent with the national information. According to national statistics of the Ministry of Finance and Statistics Finland, the staff employed by the general government (public sector, excluding public corporations) reaches 496,000 (excluding universities and polytechnics). This amounts to 20,3% of the total labour force of 2,437,000 in 2015, 21,3% in 2011 and 23,0% in 2005 (around 23% in EUPACK information of 2005 and 2011; see EUROPACK Public Administration Indicators for Task 1, Comparative Data, p. 8). The share of public corporations is so small that the percentages are practically the same with or without them (2005 with public corporations 23,0% without 22,7%; 2011 21,3% with and 21,3 % without; 2015 20,4% with and 20,3% without). Central government employment represents 20% of general government employment in 2015 (close to the figure of 23% or so in the figure of EUPACK information, *ibid.* p. 8). Eurostat NACE figures (*ibid.*, p. 6) about the share of public employment in total employment (%) may include only central government employment and not municipalities, otherwise Finnish figures are clearly different (2011 for central government 4,0% and public sector 24,6%, 2015 for central government 3,5% and public sector 23,8% – excluding public corporations).

## **2 SCOPE AND STRUCTURE OF GOVERNMENT**

### **2.1 State system and multi-level governance**

Finland is a sovereign republic and unitary state that gained its independence in 1917. According to the Constitution (731/1999), legislative powers are exercised by the Parliament which decides also on state finances. The Parliament is unicameral and has 200 representatives, elected every four years. The governmental powers are exercised by the President (elected every six years) and the Government, whose members are accountable to the Parliament. The judicial powers are exercised by independent courts of law. The Supreme Court and the Supreme Administrative Court are the highest instances. The Government consists of the Prime Minister and Ministers of 12 ministries. One or more ministers head each ministry with the mandates divided between them. The Parliament elects the Prime Minister. The President appoints the Prime Minister and other Ministers proposed by the Prime Minister. The Government submits its programme to the Parliament.



The Government proposes acts to the Parliament. An act adopted by the Parliament is submitted to the President for confirmation. The President, the Government and a Ministry may issue decrees as stipulated by law. The Government submits to the Parliament annual reports on governmental activities and on the measures undertaken in response to parliamentary decisions, as well as annual reports on State finances and adherence to the budget.

The Prime Minister represents Finland on the European Council. The Parliament considers those proposals for acts, agreements and other measures which are to be decided in the European Union and which otherwise would fall within the competence of the Parliament.

There are more than one regional division in Finland, each division based on different administrative purposes, but Finland has – so far – no regional government with political organs. There are six Regional State Administrative Agencies (AVI). Their mission is to promote regional equality by execution, steering and supervision in many areas: for example, in education and culture, occupational health and safety, environmental permits, and rescue services. In addition, there are 15 Centres for Economic Development, Transport and the Environment (ELY Centres) which act as regional administrative authorities in the areas of business and industry, transport and infrastructure, and environment and natural resources. They were formed in 2010 by merging several key state regional authorities. Employment services are currently part of ELY Centres. (suomi.fi.) The regional agencies will be restructured as part of the county government reform as of 2020 (see below). As the regional agencies are steered by ministries and not by (non-existing) regional political organs, the staff of these agencies are excluded from the state/regional government (in the table of first chapter).

Finland is divided into municipalities (311 in 2017), whose administration is based on the self-government of their residents. The principle of the self-government of municipalities is strong. It is based on local elections and the right to levy local tax. However, more than half of the municipalities have less than 6,000 inhabitants. Municipalities provide major part of the public services, specified and regulated and largely funded by the state: social and health-care, education (excluding higher education), physical planning, and public utilities (water, electricity, local transport). Municipalities have duties also in the field of environmental protection. For the provision of major statutory public services, municipalities are organized into 184 joint authorities that provide public services in collaboration and on permanent basis. The most important of them are the authorities of hospital districts, public health, and education. Local authorities can also agree on contractual co-operation for the provision of some other services: waste management, water supply, rescue services, building inspection, consumer and debt counselling, and education. Some of these contracts are mandatory, based on governmental regulation (see more: [www.localfinland.fi](http://www.localfinland.fi)).

Municipalities have formed 18 Regional councils that are statutory joint municipal authorities. Each municipality is a member a regional council. The councils operate along the principles of municipal self-government, i.e., they are not part of central government of the country (called state government in Finnish). The regional administration reform of 2010 strengthened the role of these councils in regional development and regional land use, which is their main mission. Thus their functions are different from those of Regional State Administrative Agencies and ELY Centres (see above). However, all these authorities cooperate with each other in questions of mutual importance. ([suomi.fi](http://suomi.fi); [localfinland.fi](http://localfinland.fi).)

The municipalities levy municipal tax. Local income tax paid by residents, real estate tax and a share of corporate tax form less than half of all municipal revenues. Central government subsidies account for less than 20 per cent of all municipal revenues. Central government transfer system evens out financial inequalities between municipalities and attempts to ensure equal access to services. Fees and charges of transportation, water supply etc. form around 25% of the revenue. ([localfinland.fi](http://localfinland.fi))

According to the Constitution, the Sami have linguistic and cultural self-government in their native region. The Constitution requires that the Finnish-speaking and Swedish-speaking populations have an opportunity to receive services in their own language on equal terms. This has effect on suitable territorial division in the organisation of public administration. The Åland Islands have self-government. The universities are self-governing, as provided in more detail by the University Act (2010). Churches and religious communities are also self-governing, based on the freedom of religion.

The current roles and responsibilities of the different government levels with regard to legislation, regulation, funding and service provision for key policy fields are described in the responsibility table (below). As part of the current Government policy, regional government will probably undergo a radical change. County government is to be established as of 2020, according to the Government policy outline of October 2017. The Government pursues a clear division of duties between the local government, the county government and the central government. The purpose of this regional government reform is to harmonise the state regional administration with county government administration and to rationalise the organisation of administration at state, regional and municipal levels. Counties will create a new administrative level in the Finnish government system with elected administrative bodies. They will be responsible for healthcare and social welfare, rescues services, environmental healthcare, regional development duties and tasks related to the promotion of business enterprise, planning and steering of the use of regions as well as promoting the identity and culture of the counties. The responsibilities of municipalities will diminish radically, but they are supposed to continue to exist as communities of local involvement, democracy, culture and vitality that handle the duties related to municipal self-government as decided by the residents (general mandate) and local duties defined by law. In this way, the urgent need for reforming the provision of social and health care services is linked to the new governmental layer. (Regional reform 2017.)

Government level:	Legislation	Regulation	Funding	Provision
Central government	Defense External affairs Internal affairs Justice Finance/tax Economic affairs Environmental protection Public utilities Social welfare Health Science and research Education	Defense External affairs Internal affairs Justice Finance/tax Justice Economic affairs Environmental protection Public utilities Public utilities Social welfare Health Science and	Defense External affairs Internal affairs Justice Finance/tax Economic affairs Environmental protection Public utilities Social welfare Health Science and research Education	Defense External affairs Internal affairs Justice Finance/tax Economic affairs Science and research Public utilities Environmental protection

		research Education		
State/regional government (non-existing in Finnish unitary state with no politically elected regional governments)				
Local government (including joint municipal authorities)		Finance/tax Economic affairs Environmental protection Public utilities	Environmental protection Public utilities Social welfare Health Education	Environmental protection Public utilities Social welfare Health Education

The capacity of local government in providing public services has been considered weak: the resources for providing equal services with good quality especially in social and health care have been seen insufficient. This is the major reason for the regional reform under preparation. There has been a constant attempt to merge small municipalities, but due to the emphasis on voluntary mergers it has been politically difficult. Municipalities have complained of excessive statutory responsibilities without proper funding from the state. The responsibilities of different governmental levels are in change, as the regional reform will create a new administrative level as of 2019. The funding of the new level will probably come from the state, but political initiatives of launching a new county tax system sometime in the future have been proposed as well.

## 2.2 Structure of executive government (central government level)

The Prime Minister and ministers constitute the Government. The number of ministers has varied from 14 to 20 in 2007-2017. Governments are, as a rule, coalition governments of three to six political parties holding majority in the Parliament. The tradition of multiparty governments (with proportional representation in the electoral system), significant participation of stakeholders and corporatist structures have created a consensual approach in policymaking. The term of the Government has been the same as for the Parliament (four years) over many years only with occasional exceptions. Each ministry has a staff of 200-300 persons. The careers of politicians and civil servants are separate. Only highest positions of top civil servants imply party political affiliation (see below). The role of civil service is strong in policy advice, although ministers have recently recruited openly political advisors from their own parties. In the purview of each ministry, there are agencies of central government, altogether nearly 100. The agencies are established by the Parliament and their mission is laid down in legislation (provided their public authority may affect the legal position of private entities, e.g., citizens and business organisations). The regular and semi-independent government agencies are part of the administrative tradition, and not part of agencification reform.

The agencies are independent in their decision-making, but they are steered by the ministry responsible for the policy sector of the particular agency. Steering is based on management by results and performance-informed budgeting in the sense that there is an annual performance agreement between the responsible ministry and the agency. The

agreement is legally a planning document that sets performance targets for the agency within the limits of a lump sum budget. The performance targets may include also targets for the development of human resources (job satisfaction, sick leave, etc.). The operative funding of each agency is based on the preparation of the responsible ministry and the Government and decided by the Parliament as part of the annual budget. Agencies are led by directors who have the main decision making powers. They are recruited for a fixed term after an open call. Agencies have their autonomy from politics in their daily operations. They focus on policy implementation and result-based steering, but they are also active in initiating changes and proposing them to ministries in their policy field, if the changes imply new regulation or resources.

<b>State structure</b> (federal - unitary) (coordinated - fragmented)	<b>Executive government</b> (consensus - intermediate - majoritarian)	<b>Minister-mandarin relations</b> (separate - shared) (politicized - depoliticized)	<b>Implementation</b> (centralized - decentralized)
unitary fairly fragmented	consensus	separate fairly politicized	decentralized

For policy coordination, there are four statutory ministerial committees in the Government for specific purposes: foreign and security policy, European Union affairs, finance, and economic policy. The members of these committees are representatives of the major political parties forming the Government. In addition, the government may appoint ad hoc ministerial committees for preparing other than statutory matters, for example, for preparing and monitoring the spear-head projects and reforms specified in the Government Programme. The ministers work relatively independently within the frames of the Government Programme, but, today, the Programme is structured around horizontal policy objectives, which leads to more collaboration between ministries (OECD 2014). Active discussions and collaboration between the ministers depends largely on the leadership style of the Prime Minister, who is the head of the centre of government. There have been constant worries regarding the silo-effects of the current governmental structures with ministers heading their policy sectors and steering governmental agencies in their purview. Attempts to create more coordinated policy making has been pursued with organisational mergers of agencies, Government’s horizontal policy programmes for certain policies (in use only 2003-2011) and attempts to merge ministries into a single organization (like in Sweden). The centre of the government (the Prime Minister’s Office and Ministry of Finance), is relatively weak, although it is responsible for the implementation of Government Programme (OECD 2015b). The preparation of laws is the ‘monopoly’ of sectoral ministries. The staff of self-governed municipalities reaches almost six times the size of central of government (i.e. the state administration as a whole). Municipalities are responsible for the most important public services and steered by locally elected governments. This adds to the fragmentation of state structure and makes implementation of policies fairly decentralized as a whole. Politicians look for success in both national and local elections, which links the centre of government to local politics.

The Ministerial Finance Committee deals mostly with matters of significant economic importance, performing the role of ex ante control. Another similar mechanism is frame budgeting: setting budget ceilings for the term of the Government by the Government itself, for each ministerial sector separately, which means restrictions and better predictability for annual budgeting. 4/5 of the appropriations are bounded by the frame for the term of the Government but they are adjustable annually within rather than between the ministries that responsible for their policy sectors. The budget ceilings are based on General Government Fiscal Plan that embraces the whole of public finances,

also municipalities, pension system and social security funds. It is a new coordination instrument in central government finances, in use since 2014 (see more [Ministry of Finance](#)). Regulatory Impact Assessment is a standard part of drafting new legislation, but very often the assessment is narrow and imperfect, often due to political pressures of hurrying decision-making (see below).

Ex-post control covers more dimensions than ex-ante control. Major responsible organisations are the National Audit Office, an independent authority operating in connection with the Parliament, and the Audit Committee of the Parliament. The former authority is responsible for external audit and conducts financial audit, compliance audit, performance audit, fiscal policy audit and other audits combining different methods. The Parliamentary Audit Committee oversees the management of government finances and compliance with the budget. It deals with the annual reports of the Government and the National Audit Office, including reports on financial policy and funding for elections received by the members of the Parliament. (<https://www.vtv.fi/en>.)

Attached to the Government, there is a Chancellor of Justice and a Deputy Chancellor of Justice, who are appointed by the President. The Chancellor of Justice oversees the lawfulness of the official acts of the Government and the President. The Chancellor of Justice shall also ensure that the courts of law, the other authorities and the civil servants, and public employees obey the law when performing public tasks. In addition, the Parliament appoints for a term of four years a Parliamentary Ombudsman and two Deputy Ombudsmen. Their aim is to ensure good administration and the observance of constitutional and human rights. They investigate complaints, launch their own investigations and carry out on-site inspections in official agencies and institutions.

The Ministry of Finance is responsible for general governance policy. The ministry supports foresight and evaluation, development of steering systems and administrative structures, quality and assessment, open government, and internal control and risk management. The overall coordination is in the hands of the Prime Minister and the Government Programme, the implementation of which is monitored by the Prime Minister's Office.

### **3 KEY FEATURES OF THE CIVIL SERVICE SYSTEM**

#### **3.1 Status and categories of public employees**

According to the Constitution (118§, 731/1999), a civil servant is responsible for the lawfulness of his or her official actions. In addition, he or she is responsible for a decision made by an official multi-member body that he or she has supported as one of its members. A civil servant is also responsible for a decision made upon his or her official presentation to the decision maker, unless he or she has filed an objection to the decision. A civil servant or his or her employer can be sued for causing damage or infringement on the legal rights of citizens or their organizations. Civil servants are appointed unilaterally following the principles of public law and the Civil Service Act (750/1994), public employees and the government enter into an agreement based on private law. In practice, the differences between the two types of employment are minor, mostly related to establishing the employment and dismissal. A civil servant can re-enter to his or her position, if dismissal is illegal – an employee has only right to financial compensation. The cases are few, and mostly in local government. The criteria for the dismissal of top civil servants (see below) are more flexible than those for other civil servants. Civil servants form the clear majority of the staff of the central government

(63516 civil servants vs. 7090 public employees in 2015). The staff of universities and polytechnics (around 40,000) are public employees. For municipalities, there is a separate act of civil service (304/2003). Only a minority of the staff of municipalities (27%) are civil servants (teachers, medical doctors, leadership, social workers, etc.). The majority (73%) work as public employees. The majority of civil servants and public employees have a permanent appointment (86% in state government, 79 % in municipalities). Fixed-term contracts have to be justified with legally valid criteria (temporary project work, parental leave of permanent official, etc.).

The national civil service is a non-career structure with open, merit-based recruitment (Demmke & Moilanen 2010). The Finnish civil service system is clearly a position-based system, as opposed to the career-based system applied, for example, in France (Kuhlmann & Wollmann 2014). Positions are filled after open calls. Due to the emphasis on substance-related expertise linked to policy sectors, there has been criticism about too strong 'silo effects' and too low mobility between sectors in recruitment practices, not so much between government levels.

### **3.2 Civil service regulation at central government level**

The Finnish system has two employment relationships: civil service and contract employment. The Civil Service Act (750/1994) regulates the responsibilities and governance of the civil service. The Employment Contract Act (55/2001) is applied to both public and private sector employees. In comparative terms, the nature of the civil service and the employment under private law have converged over the years, especially when the employer is the State or a local government. The major justification for maintaining the civil service as a form employment has been the need for public accountability entailed by the staff's exercise of public authority. However, in some instances (like in education), employees can also perform the specific tasks where public accountability is a value (e.g., assessing learning in education), but this is always defined by the law in question. During the last ten years, the changes of the Civil Service Act have increased flexibility of HRM in implementing organizational reforms. As of 2017, a civil servant and the government may agree on a waiting period ("cooling off" period in OECD terminology) of six months at the maximum (with full pay) before the civil servant can enter into a new employment contract. The rationale for the waiting period is the confidential information that may be used, to a major extent, for private purposes or be harmful for someone, when the former civil servant enters into a new employment contract. Recruitment to top civil service positions has changed (see below). There is a general consensus about the need for increased mobility between policy sectors, but career structures still seem to build too much in vertical 'silos'. The shares of part-time civil servants (4.7% in 2015) and public employees (9.2% in 2015) have been declining over the last ten years and even longer in state government. The number of fixed-term staff has been around the same in recent years (14% in 2010 vs. 13% in 2015). (MoF 2015.)

The number of staff in central government has declined considerably, from 215,000 in 1988 to 74,000 in 2015, mainly due to privatization of state service organisations in the 1990s and active measures to reduce staff since 2005. Finland is within the OECD countries one of the few who have used a 'full selection' of instruments to restructure and reduce employment in central government: privatization, decentralization of employment, supporting voluntary departures, dismissals, annual productivity target, outsourcing, recruitment freeze, and non or partial replacement of retiring persons

(OECD 2016). However, Finland has not used reduction to compensation in remuneration, allowance, pay freeze etc. Since 2005 major reductions of staff have concentrated in ministries and agencies, not so much in public service organizations, many of which have been privatized earlier.

<b>HR system</b> (Career vs. position based)	<b>Employment status</b> (civil servant as standard; dual; employee as standard)	<b>Differences between civil servants and public employees</b> (high, medium, low)	<b>Turnover</b> (high, medium, low)
Position based	Civil servant as standard	Low	Low

**3.3 Key characteristics of the central government HR System**

The Personnel and Governance Policy Department of the Ministry of Finance is responsible for collective bargaining (Government as Employer), the development of public management and general personnel management policies, and the preparation of legal regulation regarding the civil service. Collective bargaining is similar to Nordic tradition where certain strong sectors of society lead the bargaining rounds and other sectors follow these agreements (ILO 2015). The Finnish system of collective bargaining is relatively centralized in the hands of a few peak organisations of labour market representing employers and employees. As a rule, there has been a broad ‘income policy agreement’, where the key labour market organisations agree on wage increases and other conditions of work but where also the state, as the ‘third party’, agrees to prepare changes in tax and labour regulation. On national level, employer organisations have talked about a need for stronger local bargaining on the level of work organisations, but centralised trade unions have been reluctant to any major changes.

The core functions of recruitment and selection, appraisal, development and training are decentralized to agency level, as in most EU countries (Lithuanian Presidency Study 2014). There is no specific senior executive system, but major positions of top civil servants (around 100) form a group of senior civil servants with special characteristics (Virtanen 2015). The Civil Service Act (750/1994, § 26-26a) lists a number of civil servants who can be dismissed, “when there is an acceptable and justifiable reason, considering the nature of the position.” These top civil servants are:

- (1) Chancellor of Justice and Deputy Chancellor of Justice;
- (2) Commander-in-Chief of the Armed Forces;
- (3) Permanent secretaries, permanent undersecretaries, and heads of the departments of the ministries and other civil servants with the corresponding official rank in the ministries;
- (4) Heads of the state agencies;
- (5) Special advisors of the ministers; and
- (6) State Secretaries of the ministers.

In passing the law the government bill qualified the reasons for their dismissal. These civil servants were said to have a status and an authority that requires “specific trust or subordination to specific supervision.” They were also seen to have an important role to achieve the government’s performance goals. For these reasons, an opportunity should exist for the termination of the contract. The groups 3 and 4 form the major part of top civil servants. 5-6 are political staff serving the ministers and their term is the same as

that of the minister. Otherwise, there are no official political appointments, but very often the candidates appointed to important positions in groups 3-4 may have informal party-political affiliation.

In 2011, the competencies of the senior managers of ministries have been updated to include 'broad experience', implying that there is a need to recruit candidates whose work experience covers more than one administrative branch. The principles of the personal management agreements have been specified by the Office of Government as Employer in 2013 and updated in 2017. Recruitment guidelines given by the Ministry of Finance specify that bringing about results is the most important qualification of management in assessing the achievements of competing candidates for a position. These changes are part of the general policy of improving the managerial skills of the senior civil servants.

The mobility of top civil servants is seen as generally insufficient in terms of breaking through the boundaries between administrative branches (Virtanen 2015). There have been attempts to create a common pool of public managers in the central state government, but so far there is no formal system in place. The amendments in the Civil Service Act in 2015 were aimed, among other things, at improving the possibilities of mobility: standardization of formal qualification of top civil servants, mandatory appointment for a fixed-term (normally for five years), possibility to be appointed to another position without public announcement of the vacancy after the termination of a fixed-term appointment and the loss of the initial background position after the second fixed-term appointment to a top position.

Most of government staff are members of trade unions. There is a collective bargaining system. Civil servants have the right to be on strike related to their employment but not on 'political' strike (taking part in societal conflicts). The pay system of state government has three components: the requirements of the job, personal performance, and – not in all agencies – additional performance rewards (clearly related to the staff performance and measured in a way specified by the agency and the task in question). Each government agency has its own application of the general pay system. There are no general pay scales for different positions. The top civil servants (around 100 persons), mostly in leadership positions, do not belong to the general performance reward system. Their salaries are based on individual contracts with the Ministry of Finance. Comparison of the compensation between central government and private sector is difficult, because comparable job descriptions are few. Compensation in top positions is much lower compared to the compensation of CEOs in major private sector organisations. In expert positions, the compensation is generally slightly lower than in private sector, but in many leadership positions the compensation is around the same in both sectors (in 2015, according to Statistics Finland's PX.Web databases). In assisting positions the compensation is often higher than in private sector.

The pension system of public and private labour market was unified in 2005. The rules of accumulation of the pension changed and the age of retirement was made flexible (63-68 years, with some exceptions in army offices etc.) – in the same way across both the public and private sector. As of 2017 some additional reforms entered into force. The age of earliest retirement will rise gradually from 63 to 65 by 2027 and after that the retirement age will follow the change of general life expectancy. This linkage has been encouraged by the EU Commission. (FCP 2017.)



Coherence among different government levels (high, medium, low)	Compensation level vs. private sector (much higher, higher, same, lower, much lower)	Formal politicization through appointments (high, medium, low)	Functional politicization (high, medium, low)
Medium	Lower	Low	Low

#### 4 POLITICAL ADMINISTRATIVE SYSTEM AND POLITICAL ECONOMY

##### 4.1 Policy-making, coordination and implementation

According to the comparative analysis of Pollitt and Bouckaert (2011), Finland's state structure is unitary, decentralized and fairly fragmented; the executive government is consensual; minister/mandarin relations are fairly politicized; the administrative culture, formerly Rechtsstaat, is now more plural; and policy advice is provided mainly by the civil service (see also Virtanen 2015). Finland belongs to the Nordic/Scandinavian group with strong local government, rule-of-law, transparency and accessibility of administration for citizens (Kuhlmann & Wollmann 2014). In Finland, elections do not lead to any changes in the composition of top civil service. Governments are majority governments with 3-6 parties, which have created a culture of political negotiations, compromises and 'muddling through'. At the same time, these coalitions pursue more and more rational coordination between policy sectors, commit themselves to budget ceilings for several years and monitor the implementation of the Government Programme in systematic and open manner. Consequently, the policy style is a mix of incrementalism and rationalism. Therefore, political decision making is often considered too slow as regards major reforms (e.g., merging small municipalities, reforming the system of social and health care).

Since 2005, positions for the political coordination of policy making, 'political state secretaries', have been in place. Political state secretaries are officially civil servants, but their role resembles that of a deputy minister. They are – in practice always but they do not have to be – from the same political party as the minister and they are appointed for the same duration as the minister. They are to help the minister in policy preparation and represent the minister in important meetings. The permanent secretaries remain as the administrative heads of the ministries, but in practice there have been tensions in terms of who leads what. Not all ministers have had political state secretaries (9 out of 18 in 2005; 4 out of 14 in 2015). Permanent secretaries and agency heads have traditionally had informal party political affiliations, although they may not have been members of political parties.

Public agencies are relatively autonomous in the sense that their existence and mission is based on law. The need for the contribution from the Parliament hinders instability in the development of the agency structure, but it may also slow down structural flexibility. Within the frames of agency autonomy and rule of law, individual civil servants are assumed to act in the public interest (trustee model), but the introduction of the principles of management by results has strengthened the organisational hierarchy (principal-agent model) to some extent (role categorization of Hood and Lodge 2006).

Policy decision making is based on relatively large input from societal stakeholders, many of which play an open role as an interest group. The tradition of corporatism, based on the interplay of businesses associations and trade unions, is highly developed and affects, for example, reforms in pension policy. Major stakeholder organizations have

party political affiliations that are, however, informal. The Confederation of Finnish Industries has affiliations with conservatives (e.g. National Coalitions Party). Most trade unions are close to social democrats, some are more tightly linked to former communist movement (e.g. Left Alliance). Policymaking has traditionally built on cooperation between the Government and corporatist organizations irrespective of the government coalition, but since the financial crisis of 2008 this collaboration has been often questioned. For example, in 2016 the Confederation of Finnish Industries decided to withdraw from the role of national negotiator of national incomes policy agreements and later on in 2017 unilaterally cancelled a set of national treaties formally agreed on with the national trade unions. The corporatist tradition and a complex regulation of state subsidies to municipalities for the provision of public services point to a coordinated political economy. At the same time the corporatist tradition and a plenitude of municipalities with strong self-government add to the sharedness and decentralization in the distribution of powers and fragmentation of policy making and implementation in general.

After government’s policy proposals have been laid down, all key stakeholders (specific to the proposal) are formally asked to document their views on open digital platform (lausuntopalvelu.fi). This is the standard part of policy making. However, all organisations and citizens are, after simple registration, always free to present their views on all proposals submitted by the public authorities for e-consultation. Internal and external stakeholders with expertise are paid special attention to. Stakeholder dialogue and citizen participation is emphasised and many projects have contributed to their improvement over the years. Recently, the Ministry of Justice has developed a participation platform called demokratia.fi. It has brought together participation services and additional electronic tools to help and support preparing and planning issues jointly and in dialogue. These services include citizen’s initiative (kansalaisaloite.fi), municipal resident’s initiative (kuntalaisaloite.fi), the discussion forum otakantaa.fi, and the channel for ideas from young people (Nuorten ideat.fi). In practice, citizens are not actively responding to all these possibilities, but on the other hand, the authorities do not have resources to cope with a large volume of initiatives and feedback.

<b>Distribution of powers (centralised vs. decentralised) (shared vs. divided)</b>	<b>Coordination quality (high, medium, low)</b>	<b>Fragmentation (high, medium, low)</b>
decentralised and shared	medium	medium

<b>Political economy (liberal – coordinated)</b>	<b>Interest intermediation (corporatist - pluralistic)</b>	<b>Citizen participation (strong – weak)</b>	<b>Policy style</b>
coordinated	corporatist tradition with increasingly pluralistic trends	weak but increasing along with digitalisation	incrementalism and rationalism

<b>Sources of policy advice</b> (mandarins, cabinets, external experts)	<b>Administrative autonomy</b> (high – medium – low)	<b>Patronage &amp; politicization</b> <b>(formal, functional)</b> (merit – patronage) (high – medium – low)	<b>Public Service Bargains</b> (Agency – Trustee)	<b>Stability</b> (high – low – no turnover after elections)
top civil servants and external experts	medium	merit, medium functional politicization	trustee within political and managerial hierarchy	no turnover

## 4.2 Administrative tradition and culture

The Finnish administrative tradition is an amalgamation of former connections to the Swedish empire (ca. 1200-1809) and the Russian empire (1809-1917). The legal culture has German origins and is based on a codified system and principles of Rechtsstaat, but the current administrative culture is less steered by legal norms. Finland belongs to the tradition of Nordic welfare states which have developed since the 1960s. The major actors in Finland have been government coalitions of social democratic and other leftist forces and parties belonging to the political centre. The public sector is relatively large, as in other Nordic countries, but around 80% of the staff is working in self-governed municipalities.

According to a recent study based on an international survey of top civil servants, Nordic countries have certain similarities as opposed to Anglo-Saxon, continental Napoleonic, Germanic and Eastern European countries (Greve et al 2016; Virtanen 2016): coexistence of vertical and horizontal coordination; common role understanding of civil servants; stronger emphasis on public service motivation, professional work values, and usefulness for society as a value; and similar reform trends regarding citizen participation, mergers, contracting out and privatization. Finland's main differences within Nordic countries include low perception of managerial autonomy; reform processes more contested by unions; reforms perceived to focus more on cost cutting; customer orientation, more important external partnerships and flexible employment; more extensive use of contracting out; and improvement of performance perceived as rather low.

The level of corruption is low. Finland has ranked very well in the country rankings of Transparency International, earning the top position in many years (holding the top position again in 2012, third in 2016; <http://www.transparency.org/>). However, some recent cases of illegal funding of election campaigns have affected citizens' perception of ethics in government (Virtanen 2015). Openness and transparency are valued highly, as they are part of the Nordic administrative culture (Erkkilä 2012). Citizens' trust to governmental institutions has remained high, even though they see a threat of unethical behaviour in the working of hidden networks affecting political decision-making (Salminen & Mäntysalo 2013). However, OECD comparison shows that the share of respondents having confidence in government was 47%, a little more than 42%, the OECD average in 2014, and that the Finnish confidence had declined by 29 percentage points since 2007, when the average decline on OECD level was only three points (OECD 2015a), probably reflecting citizens' approval of their country leadership.

Hofstede's value indices (the table below) indicate that in Finland power distance is very low compared to EU average, individualism around the same as in EU, masculinity very low, uncertainty a little weaker than EU average, long-term orientation a little lower and indulgence stronger than in the EU on average. Power distance index tells about the culture of equality and democracy supported by the tradition of welfare society, also linked to lower uncertainty avoidance. The principle of rule of law is well-developed in Finland, contributing to lower perception of risk. Value indices indicate that power seeking behaviour is counter-productive in Finnish work organisations, which softens the managerial practices of public agencies and makes service to the customer more responsive. Relatively well-developed public services, principles of equality and open government and low level of corruption add to the lower perception of risk and contribute to the relatively high level of trust in societal institutions. Finland has the highest value of OECD index of limited government powers in 2015, and the second place (after Denmark) in fundamental rights (OECD 2015a), both ideal for citizens' low risk perception when dealing with authorities. Given the higher trust, there is less need for detailed procedural norms in organisational practices or strong regulation of service production.

Managerial powers as an alternative to procedural norms are not contested, if the leadership works well. Finnish Governments have addressed red-tape and the need for deregulation in service provision over the years, both as such and as part of digitalisation which can transform the nature of service production. The counter-effect of pursuing lower regulatory density is the creation of unequal services and costly fragmentation. The need for contextual approach is recognized but, in the end, the legitimacy of regulation is also related to political ideologies of good governance. According to a survey of top officials (Virtanen 2016b), senior servants of Nordic countries tend to emphasise more following rules (as opposed to achieving results) than senior servants in Anglo-Saxon, Germanic and Napoleonic countries. This reflects the general support of Neo-Weberian approach over the principles New Public Management (Pollitt & Bouckaert 2011).

Empirical studies indicate that the values of public administration have changed somewhat from emphasizing legality, fairness and impartiality to putting more weight on reliability, quality and expertise, openness, and equality (MoF 2007). In 2015, the core values of central administration are expertise, impartiality and legality – openness, trust, and service to the people come after them – according the latest survey of civil servants in central government (Moilanen 2016). The same survey indicates that the legality is perceived to be materializing best, expertise and impartiality rather well, but innovativeness, collegiality and openness are seen to be materializing the least. Two thirds of the respondents perceive that civil service ethics has either improved or remained the same over the recent years.

<b>Hofstede national culture dimensions</b>		
Dimension	Value	<i>Average EU28</i>
<b>Power Distance</b>	33	52
<b>Individualism/Collectivism</b>	63	57
<b>Masculinity/Feminity</b>	26	44
<b>Uncertainty Avoidance</b>	59	70
<b>Long-term Orientation</b>	38	57
<b>Indulgence/Self-restraint</b>	57	44

**Sources:** Geert Hofstede's national culture dimensions, <https://geert-hofstede.com/national-culture.html>.<sup>1</sup>

<b>Administrative culture</b> Rechtsstaat, Public Interest	<b>Welfare state</b> (liberal, conservative, social-democratic)	<b>Public Sector openness</b> (open, medium, closed)
deregulated Rechtsstaat	social democratic	open

<b>Key PA Values</b>	<b>Managerial vs Procedural</b> (Managerial, Mixed, Procedural)	<b>Red Tape (regulatory density)</b> (very high to very low)	<b>Discretion/autonomy</b> (high, low, medium)
expertise, impartiality and legality	mixed	medium	medium

## 5 GOVERNMENT CAPACITY AND PERFORMANCE

### 5.1 Transparency and accountability

Indicator	Value 2014	EU28 rank	Value 2016	EU28 rank	Δ Value	Δ Rank
<b>Access to government information (1-10)</b>	10.00	1	10.00	1	0.00	0
	Value 2013	EU28 rank	Value 2015	EU28 rank	Δ Value	Δ Rank
<b>Transparency of government (0-100)</b>	63.29	8	72.00	5	+8.71	+3
	Value 2010	EU28 rank	Value 2015	EU28 rank	Δ Value	Δ Rank
<b>Voice and accountability (-2.5,+2.5)</b>	1.52	4	1.56	4	+0.04	0
<b>Control of corruption (-2.5,+2.5)</b>	2.18	3	2.28	1	+0.10	+2
<b>TI perception of corruption (0-100)</b>	92.00	1	90.00	2	-2.00	-1
	Value 2010	EU28 rank	Value 2014	EU28 rank	Δ Value	Δ Rank
<b>Gallup perception of corruption (%)</b>	38.00	5	26.00	3	-12.00	+2

**Sources:** Bertelsmann Stiftung, European Commission, World Bank, Transparency International, Gallup World Poll.

**Note:** The ranking of the Gallup perception of corruption is based on 27 countries, and on the 2009 values for Estonia and Latvia.

Access to government information is generally open and reflects the key value of open government and public accountability. All government documents are public unless they have been endorsed as confidential on a legal basis. Confidential material related to policy preparation is generally public after the decision has been made. If the request of material assumes more office work than is reasonable, the costs must be covered by the

<sup>1</sup> Interpretation: power distance (high value = higher acceptance of hierarchy and unequal distribution of power); individualism (high value = stronger individualist culture); masculinity (high value = higher masculinity of society); long-term orientation (high value = stronger long-term orientation); indulgence (high value = indulgence)

requesting body or person. Openness of government is regulated by two major acts. The Act on the Openness of Government Activities was revised in 1999 (621/1999). The openness of administrative procedures is also regulated by the Administrative Procedure Act (434/2003). Media encounters sometimes 'slow service' in accessing even legally public but politically sensitive information, but these problems are made public and solved. Not all civil servants may have sufficient information regarding the legal requirements of open government.

Perception of corruption indices has been favourable for Finland for many years. There have been few legal cases of possible bribery or malfeasance, mostly related to municipal government. The public discussion on these or similar cases is intensive, indicating that there are working accountability mechanisms, probably reflecting also the democratic culture. The quality of democracy indicator of SGI ranks Finland the first in 2015, the first in executive capacity and the second in executive accountability. Finland has also had very favourable position in the World Bank indicators of good governance. Voice and accountability measure citizen participation and freedom of expression and media. The most challenging has been citizen participation, since there are many options available for citizens, but they often do not find them attractive. Since 1999, the government has launched many projects to improve citizen participation. In 2016, the Government decided on the guidelines for citizen consultation, emphasizing equal opportunities for all stakeholders and interest groups and the need for an early start to ensure possibilities for real influence. These guidelines replaced the earlier guidelines given in 2010. (MoJ 2017.)

The Finnish Open Government Partnership action plan has contributed to the recommendations set by the Committee on Ethics of State Civil Servants. The Committee has stressed the importance of integrity-based approach to public-service ethics in its report (7.2.2014). According to the self-evaluation, one achievement is a stronger capacity to implement open government actions, for example, through the established open government network of state government (around 100 members; individual civil servants from ministries and agencies organizing seminars and sharing experiences).

In 2013, Finland joined the Open Government Partnership Initiative and has been implementing national action plans thereafter. The themes of the action plans have covered availability of information, professional integrity, citizen participation, and new technologies. A self-assessment report was completed in 2014 after being open for public consultation on a public access platform [otakantaa.fi](http://otakantaa.fi) ("Have your say" platform, established in 2000). Overall, the implementation of the Finnish action plans is proceeding well.

Transparency of government is relatively good in Finland, but an area that needs continuous attention. Transparency is also a very multidimensional phenomenon and difficult to separate from many other perceptions (openness, accountability, etc.). The indicators of transparency and accountability are useful and relevant for Finnish public administration, but indicators with more dimensions would be beneficial for pursuing and monitoring even better performance. For accountability, also comparative performance indicators and their role in government would be useful.

## 5.2 Civil service system and HRM

Indicator	Value 2012	EU28 rank	Value 2015	EU28 rank	Δ Value	Δ Rank
Impartiality (1-7)	2.08	6	1.67	4	-0.41	+2
	Value 2012	EU26 rank	Value 2015	EU26 rank	Δ Value	Δ Rank
Professionalism (1-7)	5.02	6	5.00	8	-0.02	-2
Closedness (1-7)	5.17	14	3.89	23	-1.28	-9

**Sources:** *Quality of Government Institute Gothenburg.*

The considerable decline of the numbers of staff in state government has affected the capacity of government. New competencies are brought in as part of the recruitment of younger generations, but this has been slowed down by the combination of reducing staff and flexible retirement of earlier generations until very recently. The austerity problems caused by the economic downturn since the 2008 financial crisis have narrowed down also financial opportunities. Civil servants from central government have considered the lack of resources as the biggest source of ethical problems in their work (Moilanen 2016). The Government has pursued more effective and qualified leadership, focusing especially on top civil servants. Management training is the responsibility of each agency, and staff surveys seem to indicate that staff are satisfied with their training opportunities. Digitalisation of administrative processes and their redesign would be more effective if the staff had more time and better training for employing the new digital concepts and instruments. The design of organizational information systems has not been as effective as it could be.

Impartiality and professionalism are principles largely shared by Finnish public servants (see above about survey results). Expertise and merit-based recruitment are part of the civil service culture. According to COCOPS survey (Virtanen 2016b), professional task motivation is stronger in Nordic countries (without major differences between them) than in other country groups on the average. Politicization of civil service is low and it does not affect the capacity in any considerable extent. Political affiliation affect only to minor part of recruitment in the group of top civil servants. HRM functions, including pay systems, are decentralized to agencies, which supports local strategies of HRM but creates also diverse practices and loss of control. Closedness, understood as poor performance in following the principle of open recruitment from outside, may reflect the tradition to recruit 'best experts' who tend to be people already working in the specific functions of government agencies. The goal of increasing staff mobility, especially horizontally between governmental sectors, has not been sufficiently achieved. The social background of civil service follows the social background of citizens with higher education. While it is not adequate to describe Finnish civil service as an elite structure, it is true that the expertise needed for civil service functions favours middle to upper middle class whose offspring attend higher education more often due the phenomenon of educational heritage. However, in comparative terms, the closeness indicator gives Finland a very favourable position in 2015.

These indicators are important, but the indicator of professionalism is too narrow for effective use in improving civil service, HRM and public administration.

### 5.3 Service delivery and digitalization

Indicator	Value 2013	EU28 rank	Value 2015	EU28 rank	Δ Value	Δ Rank
<b>E-government users (%)</b>	44.82	4	58.93	3	+14.11	+1
<b>Pre-filled forms (%)</b>	84.43	3	87.00	3	+2.57	0
<b>Online service completion (%)</b>	85.57	7	92.86	6	+7.29	+1
	Value 2010	EU28 rank	Value 2016	EU28 rank	Δ Value	Δ Rank
<b>Online services (0-1)</b>	0.48	12	0.94	2	+0.46	+10
	Value 2013	EU27 rank				
<b>Barriers to public sector innovation (%)</b>	23.65	17				
			Value 2015	EU28 rank		
<b>Services to businesses (%)</b>			55.00	9		
	Value 2011	EU28 rank	Value 2016	EU28 rank	Δ Value	Δ Rank
<b>Ease of Doing business (0-100)</b>	82.05	4	80.84	5	-1.21	-1

**Sources:** European Commission Digital Economy and Society Index UN e-government Index, EU Scoreboard Public innovation, Eurobarometer num.417, World Bank Ease of Doing Business.

Finland has improved its capacity in e-governance in recent years. This has probably something to do with strengthening coordination on the level of central government. Interoperability (common information technology, IT, architecture and integrated systems), and shared and harmonised IT-services have been on agenda and a common governmental ICT services unit (Valtori) was established in 2014. Since 2011 the coordination of both municipal and state government ICT has been strengthened by establishing a common ICT management unit (called Public-sector ICT) within the Ministry of Finance. The development of the e-infrastructure has required a number of new laws and amendments in already existing legislation in 2003-2016. The general e-infrastructure has clearly improved and the Ministry of Finance action programme (2009-15) on eServices and eDemocracy (SADe) has developed altogether 42 new services. New services and new types of delivery are being developed. One of the main principles is to extend the use of common digital service platform ([www.suomi.fi](http://www.suomi.fi)), where all major services would be described and made digitally available. Attention has been recently focused also on improving citizens' capacity to use all available e-services. The challenges of inter-organisational and joint information systems have been raised in the reforming social and health care services, as public, private and non-profit providers would need to use same information systems to create unbroken service chains.

Barriers to public sector innovation can include very many issues, but many have seen that stronger horizontal collaboration between policy sectors would contribute to better innovativeness. Services to business and ease of doing business have been discussed largely. They have developed favourably, but the mere scope of possible instruments and changes pose challenges to concerted actions. Deregulation has called attention as one instrument and it is currently also part of the Government programme.

On the whole, there seems to be now more resources on the side of general infrastructure than on the side of rethinking available services and innovating new types of delivery and service concepts. This is partly due to time management of reduced government staff.

The indicators are useful but narrow considering the scope of improving the delivery of very many types of services.



## 5.4 Organization and management of government

Indicator	Value 2014	EU28 rank	Value 2016	EU28 rank	Δ Value	Δ Rank
Strategic planning capacity (1-10)	9.00	1	9.00	1	0.00	0
Interministerial coordination (1-10)	9.33	1	9.17	1	-0.16	0
SIG Implementation capacity (1-10)	8.29	2	8.14	2	-0.15	0
	Value 2012	EU26 rank	Value 2015	EU27 rank	Δ Value	Δ Rank
QOG Implementation capacity (1-7)	5.82	2	5.17	15	-0.65	-13

**Sources:** Bertelsmann Stiftung, Quality of Government Institute Gothenburg.

The structural capacity has been developed through mergers in central government. They have resulted in the reduction of agencies and units, especially in central government regional administration. However, according to evaluations (MoF 2011), customers have not perceived major changes in the services of regional agencies, and most administrative functions have only changed marginally. The government has decided to relocate state agencies and functions. The goal of transferring 5,100 persons from the south to less developed areas of the country during 2001-11 has not been fully met. The main concerns have focused on the failure to improve the local economy and employment (Pursiainen 2013). As the majority of the staff has refused to move to new locations, the quality of services has deteriorated temporarily or for a longer period of time. The implementation of the relocation reform of agencies has proved to be very challenging. However, Finland has managed much better in the implementation of many other administrative reforms (Virtanen 2016a). The ongoing reform of central government aims at both more efficient structures and new modes of organisational action, including better management and extensive digitalisation. This is to improve capacity of strategic thinking and coordination. The adopted policy reflects partly political challenges of structural reforms in central government (like mergers of ministries).

The recent OECD Public Governance Reviews (2010, 2015b) about Finland indicated that performance management does not provide an incentive for a collective commitment to whole-of-government outcomes. The shortfall stems from the government's lack of strategic vision, difficulties in linking indicators to the strategic whole-of-view objectives, insufficient prioritisation of overall objectives and a lack of real accountability for shared strategic objectives. The criticism is adequate, but at the same time, Finland seems to use nearly all management instruments, including strategic planning, more often than other European countries on average (based on COCOPS survey, Virtanen 2016a). In a sense, there is instrumental capacity but not political capacity to make decisions that would provide clear direction and effective implementation. However, these challenges are common in Western countries and relative to the level of ambition in reforms. The indicators of strategic planning capacity, inter-ministerial coordination and implementation capacity (in the table) show excellent abilities compared to other European countries. Yet top civil servants are quite critical about the success in inter-ministerial coordination (Virtanen 2016a). The meaningful operationalisation of these general capacities varies by country and its reform challenges, which weakens their direct application in improving organisation and management of public administration. The validity of 'QOG implementation capacity' as an indicator (see the table above) is questionable, as the indicator is based on a singly survey item only.

## 5.5 Policy-making, coordination and regulation

Indicator	Value 2014	EU28 rank	Value 2016	EU28 rank	Δ Value	Δ Rank
Societal consultation (1-10)	10.00	1	9.00	1	-1.00	0
Use of evidence based instruments (1-10)	8.67	1	8.67	2	0.00	-1
Indicator	Value 2010	EU28 rank	Value 2015	EU28 rank	Δ Value	Δ Rank
Regulatory quality (-2.5,+2.5)	1.89	1	1.83	2	-0.06	-1
Rule of law (-2.5,+2.5)	1.98	1	2.07	1	+0.09	0

**Sources:** Bertelsmann Stiftung, World Bank.

Evidence-based decision-making has been the background motive for reforming the organization of state research institutes and research. It has led to several mergers (from six to three units in 2014-15) or other rearrangements and new types of research funding for supporting the information base of policy making. Today, the government specifies the themes for strategic research for each funding period and the Academy of Finland organizes the application process as a separate procedure from financing academic research (55,6 MEUR annually in 2015-18; total budget 200 MEUR in 2016). The Prime Minister's Office is responsible for allocating a separate funding for policy research projects, based on competitive tendering and aimed at improving the knowledge base of policy formulation. The working group for the coordination of research, foresight and assessment activities functioning at the Prime Minister's Office has prepared annual plans for the themes of short-term policy-relevant search and allocates funding. So far, projects have been funded with a total budget of 30 MEUR for 2014-16.

Since 2002, Finland has had a practice of producing Futures Reviews before parliamentary elections. It has been a means to offer political decision-makers an information base about past developments and existing commitments, as well as the core challenges and options in the future. The reports of each policy domain are written by ministries' civil servants and they are accessible for all parties, whether they are in the Government or in the opposition. This is an example of more pragmatic approach to evidence-based decision making.

Although there has been and will be more research-based information for policy making, it is not automatically used. Media and experts have presented also heavy criticism about the lack of research-based information about the impacts of new policies and reforms (e.g. social and health care reform, county reform) suggested by the Government to the Parliament. For these reasons, the Legislation Assessment Council was established in 2016 to improve the impact assessment of new legislation. Very often the Government wants to hurry reforms for political reasons to show some results before the next elections, which may contradict careful preparation and research-informed evaluation of intended and unintended consequences in the longer run. In this sense, the practices of evidence-based decision-making do not necessarily employ all instruments that are available in principle. The availability of instruments may be reflected in the corresponding indicator (see the table) more than their actual usage. There is need for more empirical research about the actual utilisation of research information.

Societal consultation is part of the Nordic and Finnish administrative culture of hearing stakeholders, participation of interest groups to policy making and corporatist structures of interest mediation, especially through labour market organisations. The indicator (in the table) probably reflects these practises, also connected to openness of administration.

World Bank's indicator on regulatory quality is a multidimensional and politically contestable concept referring to formulation and implementation of sound policies and regulations that permit and promote private sector development. Impact assessment of new legislation can also be related to regulatory quality. Current Government Programme pays strong attention to making permit and complaint processes smoother, but similar debureaucratisation or deregulation was paid attention to already in the 1980s. Rule of law, as it is understood by the World Bank, as confidence in and abiding by the rules of society, the quality of contract enforcement, the police and courts etc. is also part of Nordic administrative culture. According to the European Values Study (<http://www.europeanvaluesstudy.eu/>), Finnish citizens trust in police has been highest compared to other societal institutions for several years (over 90%), the next ones are education system, army, public health system and courts (all around 70-90%). Compliance with laws is reflected in the numbers of prisoners which is the lowest in Finland compared to other EU countries (plus 50 per 100,000 inhabitants, according Eurostat 2007-2012 statistics), but equally important is criminal policy which influences the consequences of breaking against the law.

As such, the indicators are not very useful for improving policymaking, coordination and regulation, because they cover only part of it and are not sufficiently transparent. The validity of 'societal consultation' as an indicator is questionable, as the indicator is based on a singly survey item only.

## 5.6 Overall government performance

Indicator	Value 2010	EU28 rank	Value 2016	EU28 rank	Δ Value	Δ Rank
Trust in government (%)	49.00	6	41.00	7	-8.00	-1
	Value 2011	EU27 rank				
Improvement of PA over last 5 years (%)	6.00	17				
Indicator	Value 2010	EU28 rank	Value 2015	EU28 rank	Δ Value	Δ Rank
Public sector performance (1-7)	5.98	3	6.08	1	+0.10	+2
Government effectiveness (-2.5,+2.5)	2.24	1	1.82	3	-0.42	-2

**Sources:** Eurobarometer 85, Eurobarometer 370, World Bank, World Economic Forum.

The indicators of public sector performance and government effectiveness put Finland to top positions, trust in government is not so favourable, and improvement of PA over the last five years gives the position below the average. The last two indicators are both based on a single survey item only. Improvement is, of course, a relative concept, and it does not take into account the level of starting point (the better you are, the harder it is to perform better). This is only one interpretation. Another one is the level of ambition. If it is low, you make progress easily. Also the cultural dimension of showing modesty vs. boast has its effects in survey type measures. These interpretations indicate that more than one conclusion may be equally sound. More adequate conclusions assume more contextual information. For example, trust in government may change quickly after a new government takes over. In Finland, 42% had trust in the Government in 2000, 64% in 2005 and 41% in 2009 (according to European Value Study). The trust in civil service was around the same in the same years: 41%, 60% and 46%. When the trust in Parliament follows the same pattern (44%, 56%, 42%), it seems that Finnish citizens do not see much difference between politicians and administrators. Whether this regularity holds in other European countries, more comparative information is needed for further conclusions.

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