

Chapter 2. Improving the transition from school to work in Finland

This chapter takes an in-depth look at the transition from school to work in Finland. It first examines early school leaving and identifies ways to raise completion rates in (vocational) upper secondary education and improve outreach to early school leavers. The chapter then discusses how to ease the transition from upper secondary to tertiary education, by reforming the highly selective tertiary education admission system, improving the student financial aid system and widening the options for vocational students in postsecondary education. Finally, the chapter investigates ways to speed up labour market entry, through tighter collaboration between education providers and the labour market and more attention to mental health in tertiary education.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Introduction

In a labour market that demands ever higher levels of qualifications and skills, low education levels are decisive factors in becoming unemployed or inactive. On average, Finnish NEET rates are three times higher among young people educated to lower-secondary level than among their highly educated peers with tertiary degrees (see Chapter 1). Ensuring that all young Finns obtain at least an upper secondary degree that entitles them to pursue their studies or gives them the vocational skills to succeed in the labour market is essential (see Box 2.1 for an overview of the Finnish education system).

Box 2.1. The education system in Finland

The Finnish education system starts with early childhood education and care, provided for children under six, and is followed by one year of compulsory pre-primary education for all 6-year-olds. Basic education consists of nine years of comprehensive schooling and is compulsory for all children aged between seven and 16. Basic education is free of charge and free school meals are provided to all children.

After completing the compulsory nine-year basic education, young people can choose to continue their educational track either in general upper secondary education or vocational education and training. Upper secondary education has general tracks (academic study programmes) and tracks that have specific orientation to subjects such as music or sports (specialized study programs). At the end of the general upper secondary education, the students take a national matriculation examination. Vocational education and training include seven fields: natural resources, technology and transport, administration and commerce, hotel, catering, and home economics, social and health care services, culture, and humanities and teaching. These fields contain sub-fields that have different study programs leading to vocational qualifications.

The scope of the syllabus in upper secondary education is designed so that it usually takes three years for students to complete them and all tracks give eligibility to higher education. General and vocational upper secondary education is publicly funded and mainly free of charge for the students (students only pay for the textbooks and personal study equipment and materials).

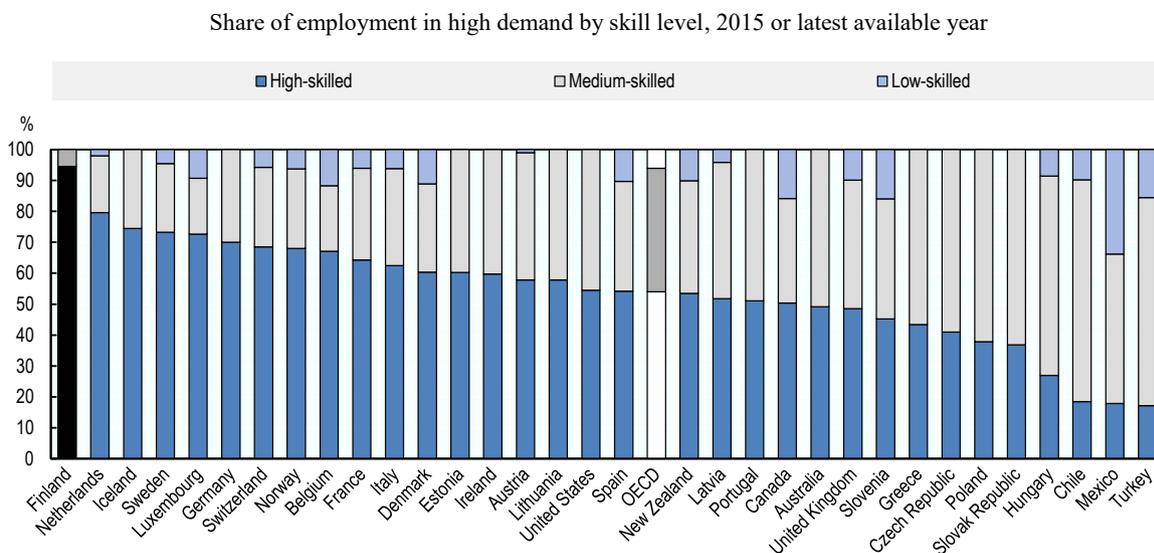
Higher education in Finland comprises universities and universities of applied sciences (UAS). The mission of universities is to conduct scientific research and provide education based on it, while universities of applied sciences provide more practical education that aims to respond to the needs of the labour market. Universities, offering higher scientific and artistic education, award Bachelor's and Master's degrees as well as postgraduate degrees, i.e. licentiate and doctoral degrees. Universities of applied sciences award UAS Bachelor's degrees and UAS Master's degrees.

Source: Ministry of Education and Culture: <https://minedu.fi/en/education-system#ecec>; and Virtanen (2016^[1]), Essays on post-compulsory education attainment in Finland. Aalto University publication series Doctoral Dissertations 87, Elinkeinoelämän tutkimuslaitos, Sarja A, Nro 49.

Finland is the OECD country where high-skilled workers are most needed: nine out of ten jobs in shortage are of the high-skilled type (Figure 2.1). The introduction of new technologies and a significant restructuring in the way jobs and tasks are carried out in the workplace contributed to strong shortages in high-skilled jobs, such as those that

necessitate administration and management knowledge, leadership or other soft skills, such as “co-ordination with others” (OECD, 2018_[2]).

Figure 2.1. Finland faces the strongest shortage of high-skilled workers in the OECD



Note: High, medium and low skilled occupations are ISCO occupational groups 1 to 3, 4 to 8 and 9 respectively. Shares of employment in each skill tier are computed as the corresponding employment in each group over the total number of workers in shortage in each country.

Source: Figure 2.1 in OECD (2018_[2]), *Skills for Jobs*, OECD Publishing, Paris. <https://www.oecdskillsforjobsdatabase.org/>

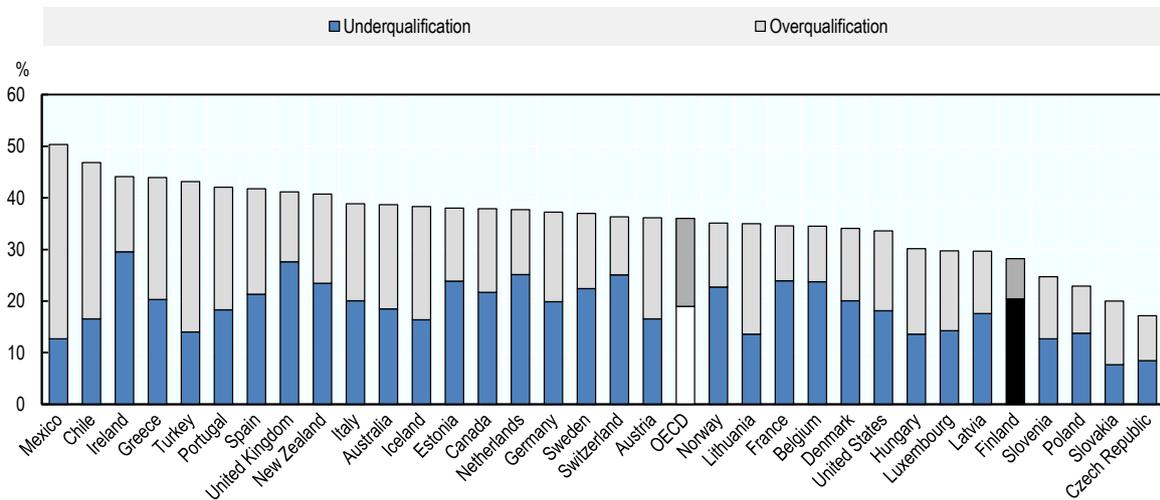
Overall, the qualification mismatch in Finland is substantial. Although the total share of workers whose qualification level is not aligned to that required in their job is lower than in the average OECD country, the share of under-qualified workers is higher: more than one out of five Finnish workers show qualifications that are lower than those usually held by workers in their jobs (Figure 2.2).

Remedying this skill imbalance entails addressing two challenges. First, there is room for raising completion rates in upper secondary education, especially in vocational education and training. Although the completion rate in vocational education is higher than the OECD average, it remains fairly low in absolute terms: one third of vocational students do not finish their programme on time, i.e. within three years, and one fourth have still not graduated five years after having entered the programme (OECD, 2017_[3]).

Second, it is critical to ease the transition from upper secondary to tertiary education and speed up labour market entry. Finland has one of the most selective higher education systems in the OECD, delaying the start of studies and forcing applicants to take unwanted gap years. As a result, the share of Finnish adults under 25 who enter tertiary education is below the OECD average, and even declining (OECD, 2018_[4]). Delayed entry in turn contributes to a first-time tertiary graduation rate among Finnish adults under 30 that is only average. Despite the fact that Finland shows one of the highest proportion of adults with a tertiary degree OECD-wide, the proportion of Finnish people under 30 who enter the labour force for the first time with a tertiary qualification is close to the OECD mean (OECD, 2018_[4]).

Figure 2.2. Finland has a high share of under-qualified workers

Share of workers who are either over- or under-qualified in their national labour market



Source: 8.1 (Panel A) in OECD (2018^[2]), *Skills for Jobs*, OECD Publishing, Paris. <https://www.oecdskillsforjobsdatabase.org/>

This chapter takes an in-depth look at the transition from school to work in Finland. It is structured as follows: Section 2.1 examines early school leaving in Finland and identifies ways to raise completion rates in (vocational) upper secondary education. Section 2.2 discusses how to ease the transition from upper secondary to tertiary education, by reforming the highly selective tertiary education admission system, improving the student financial aid system and widening the options for vocational students in postsecondary education. Section 2.3 investigates options to speed up labour market entry, through tighter collaboration between education providers and the labour market and more attention to mental health in tertiary education.

2.1. Raising school completion rates in upper secondary education

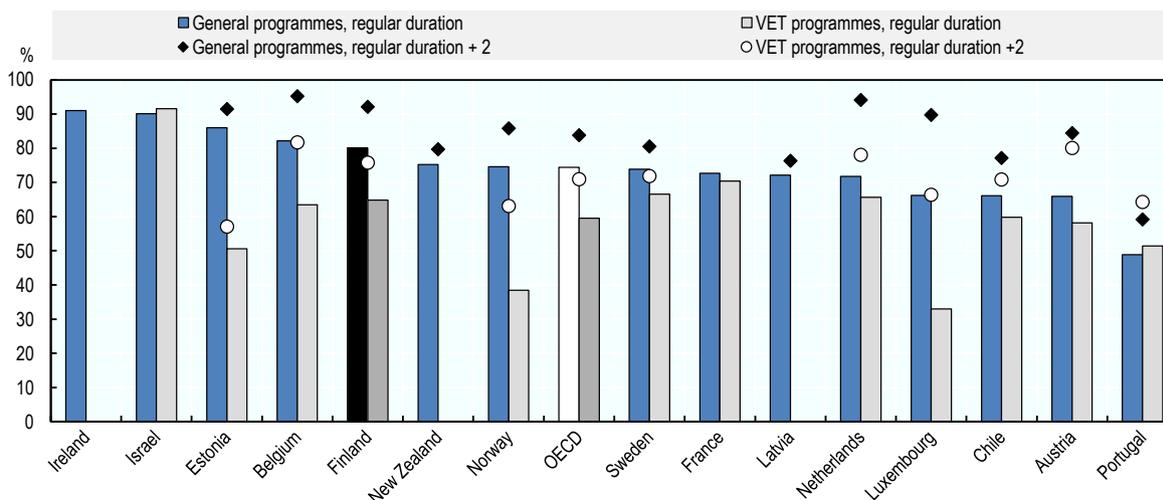
Nearly all Finnish children (99.7%) graduate from compulsory education (Virtanen, 2016^[1]) and more than 95% of these graduates make the transition from compulsory to upper secondary school (Pekkarinen and Myllyniemi, 2018^[5]). Approximately 55% of the students who start upper secondary education chose the general curriculum, while the remaining 45% enrol in vocational education and training.

The completion rate for students who enter upper secondary education is quite high in Finland compared with many other OECD countries: 71% of students graduate within the regular programme duration and an additional 11% within the next two years. The completion rates in the 15 OECD countries for which data are available average 69% and 8% respectively. As in most OECD countries, students in general programmes in Finland have a higher likelihood of finishing their studies (92% within two years after expected graduation) than students in vocational programmes (76%) (Figure 2.3). While the completion rate for vocational programmes in Finland grew a little more than for general programmes over the period 2007-2014, nearly equal completion rates in countries such as France and Israel show that it is possible to further close the gap between general and vocational education (OECD, 2017^[3]). Indeed, despite Finland's comparatively good

performance, still one in four Finnish vocational students do not obtain their upper secondary degree within two years after expected graduation.

Figure 2.3. One fourth of vocational students in Finland have not finished their programme two years after expected graduation

Graduation rates in upper secondary programmes within the regular programme duration and two years later, by programme orientation, in percentages, 2015



Note: Data refers to full-time students who entered upper secondary education for the first time. Completion rates are measured at the end of the standard programme duration and two years later. These are “true cohort data”, meaning that the same students are tracked and completion rates are measured at the expected graduation date and two years on. Data refer to 2014 for Finland and to 2013 for France. Data for Belgium refer to the Flemish Community only.

Source: Figure A9.3 in: OECD (2017^[3]), *Education at a Glance 2017: OECD Indicators*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/eag-2017-en>

The Youth Barometer, which is conducted on a yearly basis to study the values and attitudes of young Finns aged 15-29, investigated the perception of learning and education in 2017 and provides some insights on the reasons for dropping out (Pekkarinen and Myllyniemi, 2018^[5]). The most frequent answers to the question “How much did the following factors affect your decision to withdraw from studies?” fall into three categories:

- Gap between students’ expectations and curriculum, e.g. “I chose a wrong field of study” (56%) and “I did not like the school” (33%).
- Personal and health issues as well as learning difficulties, e.g. “excessive strain caused by matters outside school” (30%), “health-related reasons” (20%), “I had fallen behind in my studies” (18%), and “I did not receive any support for my studies” (14%).
- Myopic behaviour, where adolescents ignore or heavily discount future consequences when deciding to drop out of school, e.g. “I wanted to start working immediately” (20%).

Raising completion rates in upper secondary education would therefore require action along all three dimensions.

2.1.1. Preventing school dropout

Major reform in vocational upper secondary education

The Finnish vocational upper secondary education system underwent a major reform in 2018. The reform was the most extensive in education legislation in decades and aims to make vocational education more competence based and customer oriented in order to meet the changing needs of work-life. Personal study paths, broad-based competence and close cooperation with employers are core issues. A new funding model also encourages education providers to improve the effectiveness and quality of education.

The reform has three major features that could help raising completion rates and reducing school dropout. First, the reform gradually introduces a new financing model between 2018 and 2022. Before the reform, funding was based on the number of students enrolled to ensure that education in all fields demanded by students would be available. Instead, in the new model, funding is based less on enrolment and to a greater extent on outcomes, with 50% of the budget as core funding (in function of the number of students enrolled), 35% for performance (based on the number of completed qualifications and modules), and 15% for effectiveness (based on graduates' employment and enrolment in higher education). The focus on outcomes generates strong incentives for schools to support students throughout their studies to increase their chances for graduation. The effectiveness element in the funding distribution furthermore encourages education providers to work more closely with employers and ensure that their qualifications are relevant for the labour market.

Second, the reform reduces the number of qualifications, from 351 to 164, and broadens the qualification content. More broad-based qualifications increase the chances for students to be accepted in the vocational program of their choice and reduce the risk of choosing the wrong field as the reform delays the need for specializing (see below).

Third, the needs and prior skills of the student are taken into account by giving each student an individual study path. By recognising prior skills, the students can focus on the skills they are missing to obtain their degree and the graduation times can be shortened (Ollikainen, 2017^[6]). Research by the Finnish National Agency for Education (2017^[7]) indeed found that individual study paths are effective ways to reduce drop-out rates and increase the completion of courses.

The wide-reaching reforms in vocational upper secondary education aim to reduce school dropout and raise completion rates, but there may be additional ways to reach this goal, for instance, through cross-age peer career guidance, support for students with additional needs and an increase in the compulsory schooling age.

Closing the gap between students' expectations and curriculum

Admission to upper secondary schools takes place through the centralized application system maintained by the Finnish National Board of Education. Students can simultaneously apply for five different educational institution/track combinations and they are allocated to the predetermined number of open positions based on admission points. As there are generally more applicants than schooling positions, there is a threshold level for each institution-track entry that determines whether students are eligible. Students are offered the highest ranked schooling position for which their admission points are above the threshold level. Those below the thresholds of all of their requests are not offered any schooling position.

Nearly one in five students leaving compulsory education and applying to upper secondary schools are not admitted to their first-ranked schooling position, but only a small proportion of students (4%) receive no offer at all. Even so, admission to a lower-ranked schooling position has a detrimental effect on the probability to complete upper secondary education by engendering gaps between students' expectations and curriculum (Virtanen, 2016^[11]). The impact is particularly negative for students with lower levels of prior school performance: being rejected from their first-ranked schooling position decreases their probability to ever graduate from upper secondary education by 10 percentage points.

In this context, strong career guidance prior to upper secondary education seems critical. In France, for instance, a randomized controlled trial has shown that a series of career guidance meetings facilitated by the school principals helped low-achievers to formulate educational objectives better suited to their academic aptitudes. By changing the upper secondary school plans of the less realistic students, the intervention reduced grade repetition and dropout by 25% to 40% (Goux, Gurgand and Maurin, 2016^[8]).

Finland already ranks among the best-performing OECD countries in terms of student counselling (Musset and Mytna Kurekova, 2018^[9]). Results from the PISA 2012 survey reveal that 80% of 15-year-old students in Finland participate in career guidance activities, be it school-based (e.g. speaking to an adviser in school, filling in a questionnaire about preferences and interests) or employer-led (e.g. internship, job shadowing, career fairs). These shares are well above the average computed for 16 OECD countries for which this information is available (Figure 2.4). In particular, pupils in compulsory education are entitled to both group-based and individual support. The national curriculum affords 76 hours of guidance and counselling during the last three years of basic education. The support is provided by a trained guidance counsellor and covers study skills, school life, self-knowledge, education and training options, occupations, occupational sectors and the world of work. Moreover, the pupils and their parents are invited to meet with the teachers and the guidance counsellor to discuss the pupil's progress and educational choices (Euroguidance, 2011^[10]).

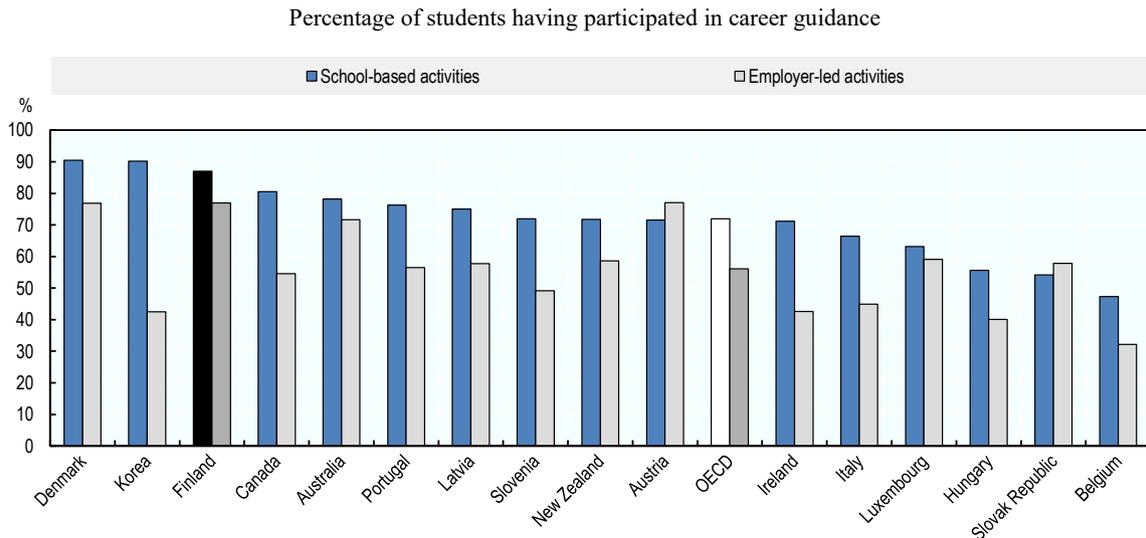
To make career guidance in Finland even more holistic, without the need for additional resources, it could be promising to complement standard school-based and employer-led initiatives by cross-age peer counselling whereby upper secondary students mentor last-year lower secondary students. In the United States, this approach has proven to be successful, by providing learning opportunities to both mentees and mentors (Mentoring Resource Center, 2008^[11]). This strategy has recently been implemented in Denmark as well, to provide guidance on vocational education and training to lower-secondary students (Box 2.2).

Ensuring sufficient support for students with additional needs

Finnish education is based on a fundamental principle: providing equal opportunities for learning and growth to every pupil or student. In compulsory education (i.e. primary and lower secondary education), support for students includes since 2010 general support, intensified support and special support. Every pupil is entitled to general support, which is a natural part of everyday teaching and the learning process. Intensified support is provided when general support is not enough, often when students struggle with one or more specific subjects, while special support is activated when students are facing social and mental health problems that affect their performance in school. For special support, multi-professional teams composed of teachers, school doctors, school nurses, school

social workers and school psychologists devise an individual learning plan that is tailored to the student’s needs. The share of compulsory school pupils who receive intensified or special support among all compulsory school pupils has doubled since the introduction of this policy, from 8.5% in 2010 to 17.5% in 2017 (Figure 2.5).

Figure 2.4. A large share of Finnish students participate in both school-based and employer-led career guidance



Note: Employer-led activities include internship, job shadowing and career fairs. School-based activities include speaking to an adviser in school and filling in a questionnaire about preferences and interests.

Source: Figure 5.2 in: Musset and Mytina Kurekova (2018^[9]), *Working it out: Career guidance and employer engagement*, based on PISA 2012.

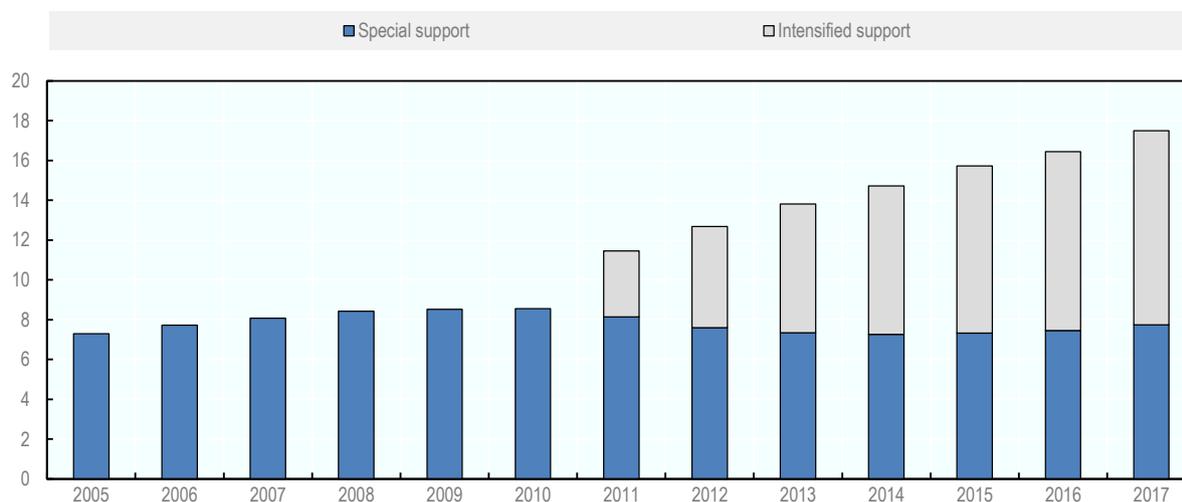
Box 2.2. Cross-age peer career guidance in Denmark

Danish students in vocational education and training act as role models and visit lower-secondary schools to promote vocational programmes through the campaign “The Route to a Vocational Training” that is initiated and led by the Danish Vocational and Technical School Students Union (www.eeo.dk/vejentil/). During the school visit, the young role models present their own experiences on why they chose vocational education or training, their programme and the possibilities they have both within the labour market and for further education. The campaign reflects a partnership between vocational schools, employers and lower-secondary schools to increase first-hand encounters between younger students and older peers able to provide personal insight into vocational pathways.

Source: Erhvervsskolernes ElevOrganisation (2017^[12]), “The Route to a Vocational Training”, <http://eeo.dk/vejentil/om-kampagnen/> (accessed 4 December 2018).

Figure 2.5. Nearly one in six pupils in compulsory schools receive intensified or special support

Percentage of comprehensive school pupils having received intensified or special support among all comprehensive school pupils, 1995–2017



Source: Statistics Finland (2018^[13]), Increasingly more comprehensive school pupils received intensified or special support, www.stat.fi/til/erop/2017/erop_2017_2018-06-11_tie_001_en.html.

An upcoming major reform in general upper secondary education aims to strengthen support at the upper secondary education level as well (Box 2.3). The draft reform, which is under discussion at the moment of writing this report, foresees the right for each student in general upper secondary education to receive special-needs education and other support for learning in accordance with their personal needs (Ministry of Education and Culture, 2018^[14]). It is unclear, however, to what extent the support will match the support received by students in compulsory education and whether general upper secondary education providers will receive sufficient funding for the extra-curriculum support.

The reform of vocational upper secondary education introduced in 2018 also encourages education providers to better support students according to their different needs. With a substantial part of the funding depending on graduation rates and outcomes in the labour market, schools have strong incentives to surround the students with guidance and support them with issues that might affect their study performance.

However, a downside of the new financing model is that schools may be discouraged from taking in low-performing students to begin with, since their probability to complete their education programme is lower. As stated by (Ollikainen, 2017^[6]), 82% of the education providers admitted that this effect is indeed plausible and nearly half of all providers acknowledged that they would tighten their student selection criteria.

Box 2.3. Reform of general upper secondary education

Completion rates in general upper secondary education are already amongst the highest in the OECD, but the share of students who need additional years beyond the regular programme duration is higher than in other top-performing countries (see Figure 2.3 above). The 2018 reform of the general upper secondary education aims to address those issues, among many other objectives. In particular,

- All students would draw up a personal study plan in the beginning of their studies under the guidance of teachers and career counsellors. The plan determines objectives concerning their studies, matriculation examination and further studies and is updated on a regular basis.
- More funding is devoted to support students who suffer from learning disabilities, such as dyslexia or face personal, family and health issues.
- Anti-bullying programs are not restricted to compulsory education anymore. The new act explicitly states that students in general upper secondary education must also be protected from all bullying, violence, harassment and racism.
- Restrictions on the number of times a matriculation examination may be retaken is removed: while it was set to one before the reform, this number is unlimited after the reform.
- Every student is provided with an opportunity to get acquainted with higher education. General upper secondary schools are required to arrange studies or other activities in cooperation with higher education institutions, in view of giving all students an opportunity to familiarize themselves with higher education studies while still in upper secondary education.

Source: <https://minedu.fi/en/reform-of-general-upper-secondary-education>.

To remedy this perverse effect, the impact of the new financing model for vocational education providers on the performance of students with additional needs should be closely monitored in the coming years. If needed, the financing model could be adjusted to take into account the additional effort and budget that is needed to support students who face learning problems or social and mental health problems that affect their performance in school. Either a separate budget for special services is foreseen or a budget multiplier is applied for each student who received intensified or special support during compulsory education. The adjusted funding model would allow schools to increase the chances of graduation for all students and takes away the perverse effect of selecting only students without need for additional support. A recent evaluation of Helsinki's positive discrimination funding policy by Silliman (2017^[15]) indeed shows the substantial benefits of additional resources for low-performing students (see Box 2.4).

Intervention would generate even higher returns if, simultaneously, more attention is devoted to prevention. For instance, low-threshold questionnaires on mental health status could be administered to all students who begin their general and vocational upper secondary education in order to identify those who are the most at risk of anxiety and depression, and therefore give them special attention. A similar survey is already conducted among students aged 18 to 19 in the framework of a school-based medical examination that aims to assess boys' health status before they enrol in compulsory

military service. Running this survey also at entry of upper secondary education would provide more room for anticipating cases of psychological distress among students.

Box 2.4. Helsinki's positive discrimination funding policy

Since 2008, the city of Helsinki provides extra resources to compulsory schools with a larger share of low-performing pupils, based on the educational status and income level of the pupils' parents, and on the number of immigrant families in the area where the pupils come from. These extra resources are primarily spent on hiring additional support staff such as classroom assistants and school psychologists.

A study has analysed the impact of this positive discrimination funding policy by comparing the evolution of dropout between 2000 and 2015 in positively discriminated schools on one hand, and in a comparison group on the other hand (difference-in-difference analysis). The comparison group is composed of two types of control schools: the set of schools in Helsinki that do not receive positive discrimination funding, and "similar" schools in other large cities in Finland in the sense that they would have received positive discrimination funding based on the background of their pupils if the cities in which they are located had the same policy as in Helsinki.

The results show a significant improvement in transitions to upper-secondary education for low-performing native students and for students of immigrant background. For instance, one in every three immigrant students in Helsinki did not continue their studies after compulsory school before 2008. The positive discrimination funding decreased this share by one-fifth.

Source: Silliman (2017^[15]), "Targeted Funding, Immigrant Background, and Educational Outcomes: Evidence from Helsinki's 'Positive Discrimination' Policy", VATT Working Papers 91/2017.

Raising compulsory schooling age

One out of five students interviewed in the framework of the 2017 Youth Barometer justify their decision to drop out of school by the fact that they "wanted to start working immediately". Such a response suggests that they ignore or heavily discount future consequences when they choose to withdraw from studies. Entering the labour market without an upper secondary diploma in Finland is indeed not straightforward: NEET rates are three times higher among young people educated to lower-secondary level than among their highly educated peers with tertiary degrees.

One possible way to limit the impact of myopic behaviour among youth is by raising the compulsory schooling age. Compulsory schooling laws are indeed a common policy tool to achieve greater participation in education, particularly from marginalised groups (Harmon, 2017^[16]). As discussed in Box 2.5, the benefits associated with raising compulsory schooling age can be substantial, including increased educational attainment, better employment and income outcomes, positive intergenerational effects as well as indirect effects in the form of lower crime rates and improved mental health outcomes. An alternative option is to consider a variation of compulsory schooling, referred to as a "participation age", which requires students to remain in education or training until the age of 18 (Harmon, 2017^[16]). This policy option is used in the United Kingdom and is currently considered by the French government. Yet another approach is used in the Netherlands, where the government introduced a "qualification obligation", whereby

pupils have to stay on at school until they are 18 unless they obtain a basic qualification (OECD, 2014^[17]).

Box 2.5. The benefits of raising compulsory schooling age

The intended impact of a change in compulsory schooling is, by and large, to increase the level of education of those most likely to leave school early. If there is strong compliance, this change first translates into a higher average schooling level especially for the most vulnerable populations.

Analysis of various changes in compulsory schooling laws over the period following the Second World War in 12 European countries shows that a change in compulsory schooling translates into 0.3 to 0.4 years of additional education for individuals at the lower end of the educational distribution. But an increase of 0.1 year is also observed among individuals with higher educational attainment, which suggests that better educated individuals react to increases in compulsory schooling by raising their own attainment, possibly in an effort to maintain their educational advantage over the less educated, who are more directly affected by the reforms (Brunello, Fort and Weber, 2009^[18]).

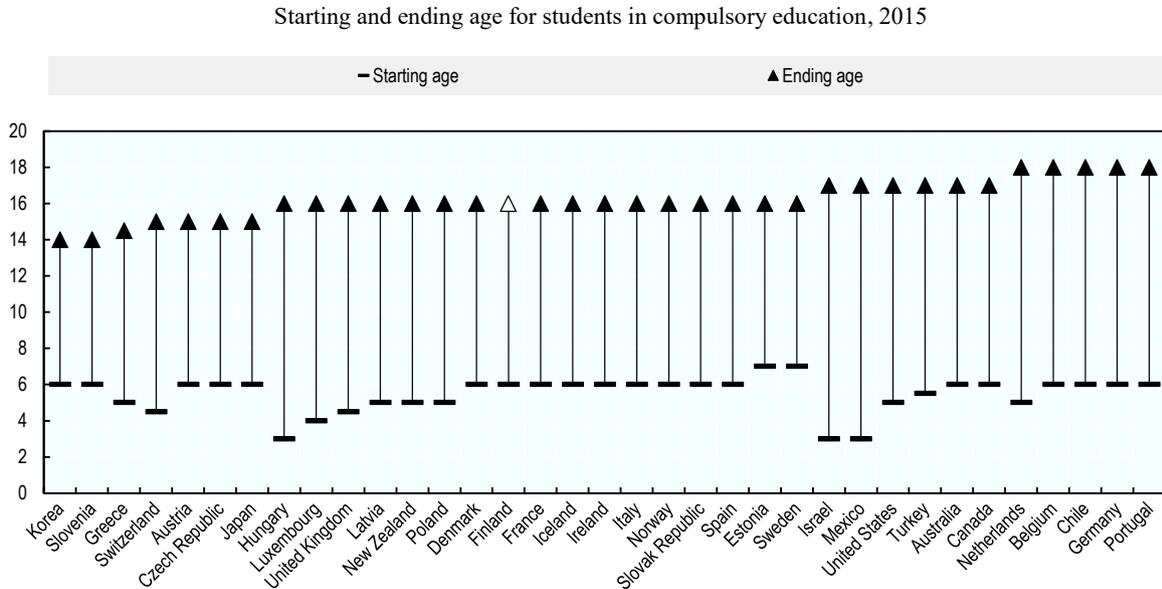
A rise in schooling levels typically yields economic returns in the form of higher labour earnings and, possibly, lower wage dispersion (Brunello, Fort and Weber, 2009^[18]). Economic returns are also intergenerational. The increase in parental schooling has a positive impact on parental earnings, which feeds through to their children's schooling attainment via better schools, better home environments, and so on. Based on US Census data and state-by-state variation in compulsory schooling laws and their changes, a one-year increase in the schooling of parents lowers the probability of repeating high school grades by between two and four percentage points against an average repeat rate of 15%. This result is robust to other schooling measures such as dropout rates (Oreopoulos, Page and Stevens, 2006^[19]).

Compulsory schooling laws also improve wider outcomes such as mental health and cognition in older age, financial literacy and crime. Research based on the Survey of Health, Ageing and Retirement in Europe (SHARE) database of older adults in Europe finds a positive impact of compulsory schooling on depression and cognition, as measured by a word recall test (Crespo, López-Noval and Mira, 2014^[20]). Evidence for the United States shows that an increase in compulsory schooling age enhances individuals' numeracy skills. As a result, more-educated individuals have fewer financial complications, higher credit scores, and lower probability of mortgage re-financing. Each additional year of compulsory schooling increases the probability of having any retirement income by 5.9% and lowers the probability of bankruptcy (Cole, Paulson and Shastry, 2014^[21]). Finally, increases in compulsory schooling changes may reduce crime through at least three channels: (i) education may limit the time available for criminal activity; (ii) more-educated individuals may value the future more than the present and may be more risk averse; (iii) increased labour earnings raise the opportunity costs of illegal activities. Based on the 1972 reform in the UK which raised the minimum school leaving age from 15 to 16, a 10% increase in school leaving age lowers crime by 2.1% (Machin, Marie and Vujčić, 2011^[22]).

Source: Harmon (2017^[16]), "How effective is compulsory schooling as a policy instrument?" IZA World of Labor: 348.

Compulsory education in Finland starts at age six and ends at 16, as is the case in many other OECD countries (Figure 2.6). Even so, six OECD countries decided to raise the ending age to 17 years and five countries have an ending age at 18 years (Belgium, Chile, Germany, the Netherlands and Portugal). Even after the end of compulsory schooling, enrolment rates remain high in many countries, with at least 90% of all 17-year olds enrolled in education in most OECD countries (OECD, 2017^[3]).

Figure 2.6. One third of OECD countries have a higher compulsory education age than in Finland



Source: Table XI.3 in: OECD (2017^[3]), *Education at a Glance 2017: OECD Indicators*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/eag-2017-en>

Estimations by the Association of Finnish Municipalities and Regions in 2014 suggested that an increase in the compulsory schooling age to 18 would be fiscally neutral (Seuri, Uusitalo and Virtanen, 2018^[23]). Since raising completion rates is a priority of the reforms in general and vocational upper secondary education, many of the costs related to increased participation will be incurred anyway, even if the compulsory schooling age is not increased. In fact, the main extra cost induced by a reform of compulsory schooling age would consist in providing learning materials and books for free, a requirement for compulsory schooling in Finland. In turn, free upper-secondary education could further encourage the poorest segments of the population to continue their education.

2.1.2. Reaching out early school leavers

Support networks outside of schools – e.g. social and health services, public employment services and, possibly, non-governmental organisations – play an important role in addressing more severe or long-lasting problems that schools are incapable of dealing with on their own. The range of such services available to youth in Finland is remarkable, including youth outreach workers, youth workshops, integrated services for youth at risk of social exclusion, and comprehensive support for young men excluded from compulsory military service. Even so, services are not equally spread over the country

and there may be room to further develop digital services to reach young people living in distant areas.

Outreach services to reconnect youth with education or employment

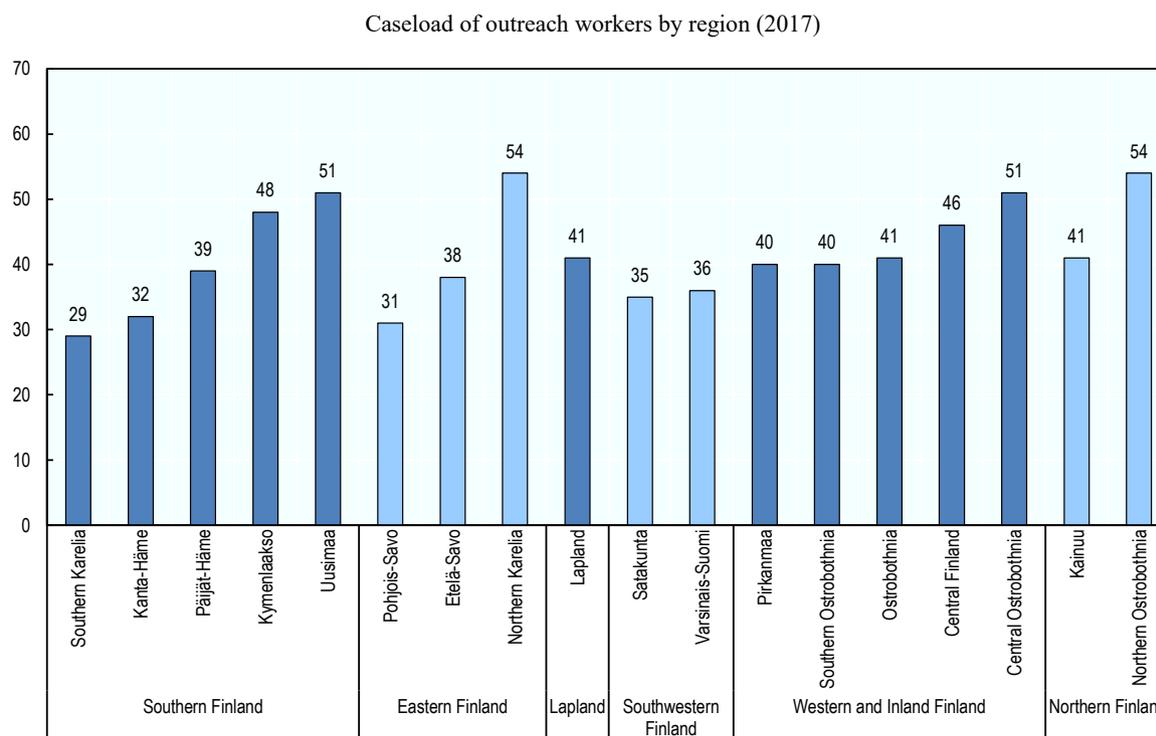
Finland has an efficient structure in place to reach out to youth and connect them with the right service. Schools have to report to the youth outreach administration that a young person has dropped out from school (after having done their own efforts to contact the young person) and they can signal to the administration students at risk of dropout, to facilitate preventive action. The main goal is to find people and reconnect them with education or services to help them. Youth outreach services employ social or youth workers who work with a low caseload of 20-50 young people per outreach worker and collaborate closely with other services. For example, they will often try to find a place in a youth workshop, in line with the young person's interests (see below). The outreach service is involved until the young person turns 30 years of age.

However, the caseload of outreach workers varies widely across the country. On average, outreach workers work with 42 youngsters per year, ranging from 29 in Southern Karelia to 54 in Northern Karelia and Northern Ostrobothnia (Figure 2.7). Within regions the disparity can be even larger: in the municipality of Järvenpää, the two outreach workers had to deal with 245 young people, while the two outreach workers in the municipality of Lapinjärvi took care of 16 young people.

Ensuring a more equal caseload for outreach workers across Finland is key. This objective could be achieved by recruiting more outreach workers and/or reallocating some of them from areas with low caseload to areas with high caseload. This reallocation would be facilitated if a higher number of small municipalities accept to pool part of their resources for youth work, as it is encouraged in the current Youth Act (1285/2016).

Youth workshops for on-the-job training and career guidance

Youth workshops are another independent and quite effective institution in Finland. Over 90% of all municipalities host workshops, targeting young people aged 16-29 years not enrolled in education or having dropped out from it, sometimes several times. Many of these people are very opposed to going back to school even if they recognise their need for education. Workshops provide on-the-job training and career guidance to those people. Some 35% of all referrals to youth workshops are by the public employment service, almost 10% by educational institutions and 28% by youth work or health and social services. Workshops cover all kinds of occupations and sectors but the largest number of training units are in wood and construction, followed by textile and low-threshold services. Municipalities run almost three in four youth workshops, with a minority run by registered associations or foundations. In total, there were 208 workshops available in 2016, servicing 14 870 trainees under age 30 with the help of 1 826 trainers.¹ Youth have an incentive to attend a workshop as they receive EUR 9 per day, in addition to any social assistance.

Figure 2.7. The caseload of outreach workers varies considerably across Finnish regions

Note: The caseload is measured as the number of contacts requested (by the young person herself, her family, her school, etc.) per outreach worker.

Source: Data provided by the Ministry of Education and Culture.

Workshop methods include work and individual training. Work training aims at developing the trainee's work capacity, skills needed in working life and general work skills. Individual training supports the development of functional capacity and life management skills. Youth workshops also involve a planning and assessment phase, have a significant health and well-being focus, and cooperate with both educational institutes and private companies.

Most workshops have a few coaches with a Master's or Bachelor's degree. The average/maximum period of coaching is 4.5-6 months and the typical intensity is five hours a day for five days per week (only 1-4 days for people with special needs). Participants receive a detailed employment certificate, which reviews all that they have done; this is important to find a place outside the workshop. The performance is good: one-third of all participating youth move on to education, around 20% to employment and 30-40% to other services. Between one-fourth and one-fifth remain or become unemployed, generally with entitlement to unemployment benefit.

Integrated services for youth at risk of social exclusion

An interesting initiative with a strong focus on integrated services is *Vamos*. The initiative was founded in 2008 by the Helsinki Deaconess Institute and targets socially excluded youth. These people struggle with a range of problems, often including loneliness, mental health issues, addiction problems, homelessness, family problems, criminal backgrounds, and low self-esteem, and will often rely on social assistance payments throughout large parts of their life. *Vamos* uses intensive group coaching,

individual coaching and youth-centred service integration. Every young client has a personal coach (a youth worker) guiding them through the support process and recognising their individual holistic needs.

Today, Vamos covers seven cities in Finland. Vamos coaches collaborate closely with municipal and other public, private and third-sector actors. With 80 employees, it has helped 8 000 youth in its first ten years, mostly people who have dropped out from school or fallen out of existing services. Around 50% entered employment or education through the coaching process – which is a high success rate given the degree of disadvantage of the target group – and 87% said their life had changed for the better (Sarmia, 2018^[24]). An evaluation also found the Vamos working method to be cost-effective (Alanen, Kainulainen and Saari, 2014^[25]).

Comprehensive support for young people excluded from compulsory military service

Finland operates since 2004 the ‘Time Out! Getting Life Back on Track’ support programme for young people exempted or excluded from military or civil service due to mental health problems – military service in Finland is compulsory for men and voluntary for women. Every year, about 25% of conscripts are excluded from service for various reasons, half of them on mental health grounds (2017 figures from the Ministry of Defence). The military call-up offers an excellent opportunity to reach young men as a cohort in Finland and offer psycho-social support. Time Out operates with personal counsellors specifically trained for the intervention (professionals working in municipal social and health services or outreach youth workers) and offers comprehensive support to address the well-being of those young men. In 2018, 923 young people were referred to Time Out, an increase from 263 in 2011. An evaluation of Time Out has shown that, at one-year follow-up, psychological distress has decreased in the Time Out intervention group more than in the control group (Box 2.6).

Digital support services to complement face-to-face services

Developing a nationwide internet-based guidance service for young people would constitute a useful supplement to face-to-face services. According to the 2017 Youth Barometer, the distance of young people to the nearest youth facility is low on average (4.7 kilometres), and less than 10 kilometres for 90% of Finnish youth. However, a minority live far away from the closest youth facility (over 50 kilometers). This minority would benefit from applying digital media and technology to youth work. Expanding digital youth work would also make youth work more up-to-date and, hence, appealing to young people irrespective of their distance to a youth facility (Verke, 2017^[26]).

According to a survey by the national Centre of Expertise for Digital Youth Work in Finland, 61% of municipal youth workers interviewed in 2017 do not fully understand what is expected from them regarding digital youth work (Verke, 2017^[26]). Moreover, 51% consider that their workload is not compatible with engaging in digital youth work. While two-thirds of youth workers publicly share information relevant to young people on social media, only half use online or messaging services to give one-to-one counselling to young people. Even less (4%) use digital technology to organize online support.

Box 2.6. Randomized control trial of the ‘Time Out! Getting Life Back on Track’ programme

The study involved a total of 356 men exempted from military or civil service and 440 young men conscripted for service in Helsinki and Vantaa in Finland. Men exempted from service were randomly assigned to an intervention group (n=182) and a control group (n=174). Respondents in the intervention group were offered a personal counsellor, a professional working in municipal social and health services and providing the support programme as part of their basic duties. The counsellors were specially trained for the intervention. The young men were able to discuss their current life situation with the counsellor, such as mental health, substance abuse and general well-being, as well as receive support and encouragement in resolving the situation.

Various outcomes were measured at the start of the randomized control trial and one year after. The results show that psychological distress decreased more in the intervention group than in the control group. However, the intervention had no impact on alcohol abuse, perceived quality of life or self-esteem.

Source: Appelqvist-Schmidlechner et al. (2010^[27]), “Effects of a Psycho-Social Support Programme for Young Men - Randomised Trial of the Time Out! Getting Life Back on Track Programme,” *International Journal of Mental Health Promotion*, 12(3): 14-24.

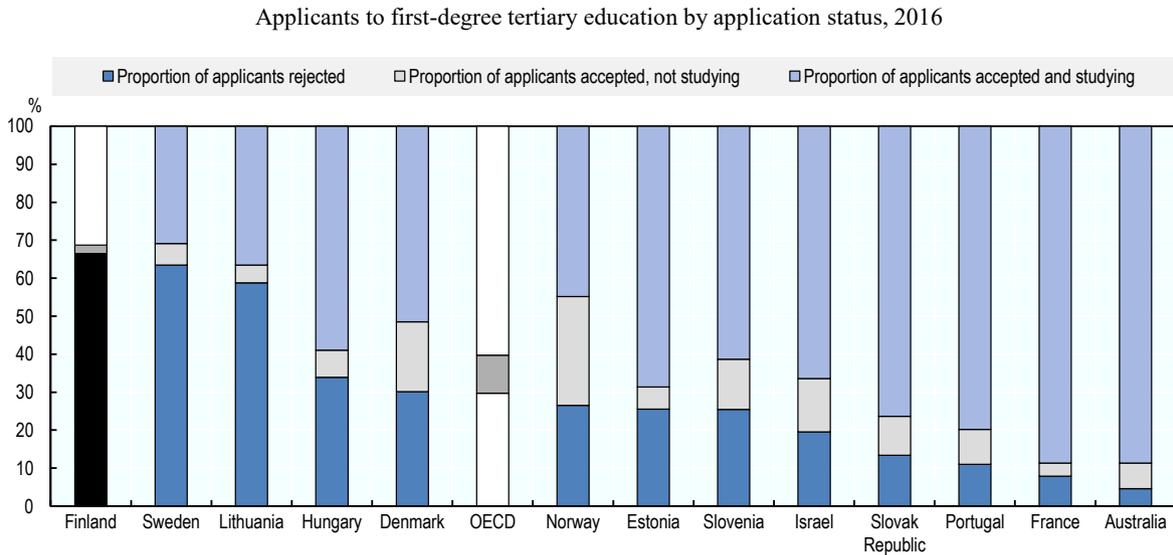
2.2. Easing the transition from upper secondary to tertiary education

2.2.1. Reforming the highly selective tertiary education admission system

Finland has one of the most selective higher education system in the OECD, but an upcoming reform aims to modify selection procedures. Upper secondary education ends with a matriculation examination in the general curriculum that is strictly comparable across schools, and with vocational qualifications in the vocational system. Nevertheless, most universities (approximately 80%) and nearly all polytechnics rely heavily on entrance exams in their admissions, which require intensive preparation. Among OECD countries that were imposing specific entry criteria in 2016, Finland was the most selective with 67% of applicants rejected, compared with an OECD average of 30% (Figure 2.8). Only five other OECD countries (Estonia, Hungary, Japan, Korea and Portugal) impose a fixed limited number of student positions for all fields of study and all tertiary education institutions (OECD, 2017^[3]).

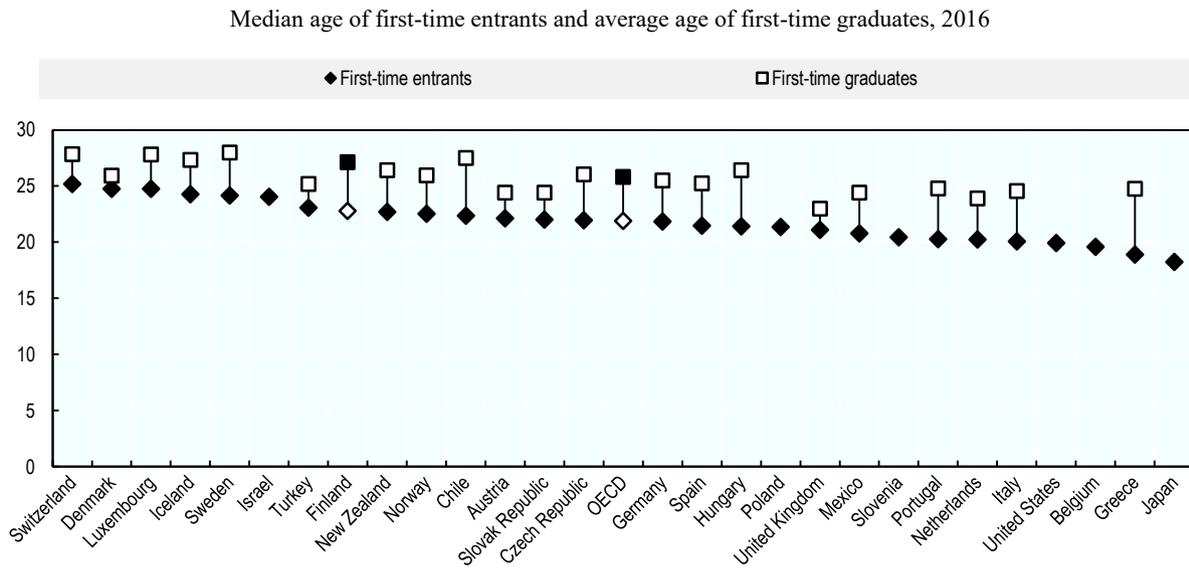
This high selectivity delays the start of studies, forcing applicants to take unwanted gap years and often repeat the tests several times. Only 25% of upper secondary graduates manage to continue their tertiary studies immediately after graduation (Economic Policy Council, 2017^[28]), and the average age at which Finnish students enter tertiary education for the first time is amongst the highest in the OECD (Figure 2.9). Delayed entry, in turn, contributes to a late average tertiary graduation age. Given the strong demand for high-skilled workers and persistent shortages in high-skilled jobs (OECD, 2018^[2]), the high selectivity and limited capacity of the higher education system do not seem appropriate and could be harmful for the Finnish economy.

Figure 2.8. Finland is the most selective of OECD countries that impose specific entry criteria in higher education



Source: Figure B4.a in: OECD (2018^[41]), *Education at a Glance 2018: OECD Indicators*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/eag-2018-en>

Figure 2.9. The age at which students enter and leave tertiary education is amongst the highest in the OECD



Source: Compilation of Figure B4.2 and Table B5.1 in: OECD (2018^[41]), *Education at a Glance 2018: OECD Indicators*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/eag-2018-en>

To improve the transition from secondary to tertiary education, universities and polytechnics agreed to modify their admission procedures. By 2020, matriculation examination results will be the main entry path into tertiary education. The Economic Policy Council (2017^[28]) suggested furthermore that universities should develop flexible ways for students who wish to switch between programmes or complement their studies

with selected parts from other programmes. Currently these students are obliged to re-apply for admission in the regular admission system. A report by the European Parliament (2014^[29]) also points to the need to assess the admission procedures for non-traditional learners and to allow for recognition of prior learning beyond secondary school qualifications. Given the strong demand for high-skilled workers, Finland may also want to expand the capacity of the higher education system to fill the shortages in high-skilled occupations.

2.2.2. Making the reform of student financial aid work

The Finnish Social Insurance Institution (KELA) grants financial aid to full-time students aged 17 and older, in the form of study grants and government guarantee for student loans. Students renting an apartment can also claim general housing allowances. While upper secondary students can apply for a school transport subsidy, higher education students are eligible for meal subsidies. Student financial aid is normally paid over a period of nine months per year.

The student financial aid system underwent a drastic make-over in 2017, with a shift in focus from study grants to student loans. The amount of government guaranteed student loans was raised from EUR 400 per month to EUR 650, while the monthly grant amount was lowered, with the amounts depending on the age, living conditions and parental income (e.g. the benefit dropped from EUR 337 to EUR 250 for students living alone; see Table 2.1). For low-income students living alone in rental accommodation, the new monthly aid package can reach up to EUR 1 175-1 350, including a study grant payment of EUR 250, a student loan of EUR 650 and a housing allowance of EUR 275-405, depending on the municipality in which they live.

Table 2.1. Study grants were considerably lowered for students without children

Amount of study grant (before taxes) for students in higher education, 2016 and 2019

Students	Amount of study grant (EUR per month)		Is the study grant affected by parental income? (2019)
	2016	2019	
Guardian of a minor child	336.76	325.28	no
Married	336.76	250.28	no
Lives alone, aged 18 or over	336.76	250.28	no
Lives alone, aged 17	163.80	101.74	no (as of 1 August 2019)
Lives with parent, aged 20 or over	137.35	81.39	EUR 183.13 (if parental income EUR 41 100 or less)
Lives with parent, aged 17-19	62.06	0.00	EUR 97.67 (if parental income EUR 41 100 or less) EUR 38.66 (if parental income EUR 41 101 - 44 069)

Notes: The study grant amounts for 2016 refer to students who started their first higher education studies after July 2014.

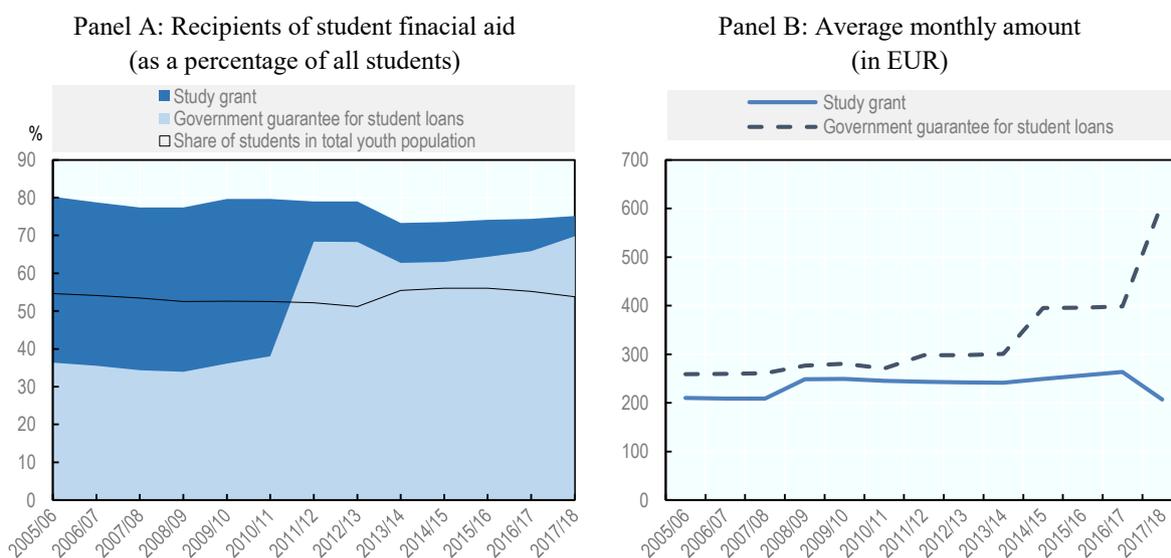
Source: <https://www.kela.fi/web/en/financial-aid-for-students-study-grant>

Students who receive a study grant KELA have the possibility to take out a student loan from a bank of their choice. The loan guarantee is valid for up to 30 years from the first disbursement of loan funds, and the interest payable on the loan and repayment schedule are agreed between the student and the bank. Should the student not be able to pay the loan back to the bank, KELA accepts responsibility for the repayment of the loan, which avoids that students have to put up any other security. The amount owed under the loan guarantee will then be collected through legal means at a later stage, plus 4% interest. Students can also be temporarily exempted from paying interest during periods when

their average taxable income is below a certain income limit. An exemption from all payments on the debt is only possible if the student is disabled for work (permanently or for a consecutive period of at least five years) and their average taxable income is below a certain income limit.

In the school year 2017/18, 75% of all students aged 20-24 received a study grant and 70% opted for a government-guaranteed student loan (Figure 2.10, Panel A). The take-up of loans experienced a notable increase following the reform, suggesting that students effectively compensated the lower grants with loans. The average monthly grant amount indeed declined, from EUR 263 in 2016/17 to EUR 207 in 2017/18, whereas the average monthly loan rose by more than 50% over the same period, reaching EUR 611 in 2017/18 (Figure 2.10, Panel B).

Figure 2.10. Most students complement student grants with student loans



Note: Data are restricted to the age group 20-24 and cover all post-compulsory education programmes leading to a qualification.

Source: OECD calculations based on the KELA database on financial aid for students (http://raportit.kela.fi/ibi_apps/WFServlet) and Statistics Finland's PX-Web database (<https://pxnet2.stat.fi/PXWeb/pxweb/en/StatFin/>).

It is unclear to what extent the lower study grant has discouraged students from enrolling in education. Among 20-24-year-olds, the share of those studying decreased from 55.2% in the school year 2016/17 to 53.8% in 2017/18, though there was already a small decline of 0.8 percentage points a year earlier (Figure 2.10, Panel A). This downward trend should be closely monitored in the coming years to verify whether the reform has negative participation effects. This possibility is reinforced by the existence of significant inactivity traps as young people above 18 years old are entitled to social assistance in Finland. The difference between social assistance and the study grant is considerable: respectively EUR 480/month and EUR 250/month for youth living independently. Even youth living with at least one of their parents are independently eligible to social assistance in Finland. In this case, they receive a social assistance benefit equal to EUR 356/month, as opposed to a study grant of EUR 0-183/month that depends on parental income (Hiilamo et al., 2018_[30]). The disincentive to enrol in tertiary education is

expected to be particularly strong among youth from poorer families who may face strong financial constraints (Mikkonen and Korhonen, 2018^[31]).

To address a possible inactivity trap, Finland may want to exempt students from repaying their loan (and not only interest rates) when their taxable income is too low. In the United Kingdom, this approach has allowed a high take-up of student loans following the shift from a free higher education system to a high-fee, but high-aid, system (see Box 2.7 for more details). According to Azmat and Simion (2017^[32]), enrolment in tertiary education in the United Kingdom remained unchanged following these reforms, while Murphy, Scott-Clayton and Wyness (2017^[33]) argue that the reforms led to a surge in tertiary education enrolment rates among students from the poorest backgrounds.

Box 2.7. Student loans in the United Kingdom

Until 1998, students studying for an undergraduate degree – typically a three-year programme – could attend university free of charge. Starting in the academic year 1998/99, the government introduced a tuition fee that was just GBP 1 000 per year and means-tested so that only the richer students would pay. The Higher Education Act 2004, effective from 2006, changed the tuition regime again. Tuition fees rose to GBP 3 000 per year, but the major change was that these fees were no longer charged upfront. Students could take out interest-free, income-contingent loans that were to be repaid upon graduation, but only by those working and earning over GBP 10 000 per year. In 2012, university fees were increased to GBP 9 000 per year, again backed by an income-contingent loan with slightly different terms (mainly, the repayment threshold rose to GBP 21 000 per year and a real interest rate was added).

According to Murphy, Scott-Clayton and Wyness (2017^[33]), several key features of the UK system have helped to protect enrolment rates and access. First, no student have to pay any fee upfront. Second, all students can access large amounts of liquidity to support themselves through university. Loans for living costs have risen each year, and the poorest students can now access over GBP 8 000 per year in aid, compared with less than GBP 5 000 per year in the period immediately before the introduction of tuition fees. Critical to this situation is the income-contingent loan system, which enables students to safely borrow against their future incomes. Such heavily insured loans are not readily available in other countries like the United States, making tuition fees a greater burden for their students.

Source: Azmat and Simion (2017^[32]), “Higher Education Funding Reforms: A Comprehensive Analysis of Educational and Labor”, IZA Discussion Paper No. 11083; and Murphy, Scott-Clayton and Wyness (2017^[33]), “The end of free college in England: Implications for quality, enrolments, and equity”, NBER Working Paper No. 23888.

In addition, a growing body of experimental evidence across various policy domains demonstrates that providing individuals with simplified information, behavioural nudges and access to assistance can lead to more informed decision-making and improved outcomes. For instance, a text messaging campaign in the United States to prompt loan applicants to make more active and informed decisions about their student loan borrowing amounts, and the ability to access to assistance from a financial aid counsellor by simply texting back if they had questions or needed help, had a positive impact on student borrowing behaviour (Barr, Bird and Castleman, 2016^[34]).

2.2.3. Providing vocational students with sufficient general training

The acquisition of general skills by vocational students, such as language proficiency, math, reading comprehension, information and communication technology and information-gathering skills, is critical for students who plan to continue their studies at polytechnic or university after completing secondary-level vocational education. Such skills are especially relevant in Finland, where the chances of an applicant with vocational education getting accepted into a polytechnic university have weakened relative to an applicant with general education (Ollikainen, 2017^[6]). In the early 2000s, the acceptance rates of applicants with vocational education were on average about 5 percentage points higher than the acceptance rates of applicants with general education. However, from 2004 onwards, the pattern reversed and applicants with general education now have higher chances of getting accepted. The difference in the acceptance rates was as high as 10 percentage points in some years. Even though the acceptance rates for both vocational and general education have gone down since 2008 because of an increased number of applicants, the difference between general and vocational education has endured. This trend does not seem to flow from a selection bias at the entrance of upper secondary education: the number of more gifted students enrolling in general education instead of vocational education has not grown since the early 2000s. The trend rather seems to stem from lower ability of the vocational system to equip students willing to continue in tertiary education with the right skills (Ollikainen, 2017^[6]).

The reform of the vocational system may further worsen vocational students' ability to enrol in higher education, for two reasons. By making vocational training more practical and increasing the time devoted to workplace learning, the weight of general skills in vocational education may decrease (Economic Policy Council, 2017^[28]). Moreover, the performance funding component of the new financing model, which hinges on the number of completed qualifications and modules (see Section 2.1.1), may generate unintended incentives for the education providers to grant qualification and modules with lower criteria, including lower emphasis on general skills.

To avoid this negative side effect, competence tests are always assessed by representatives of two parties: a teacher and an employer representative. In addition, it is the employer committee's task, at the national level, to participate in the quality assurance of the execution of competence demonstrations and of competence assessment, and to notify the Ministry of Education and Culture of any shortcomings observed.

Reinforcing the general skills of vocational students would not only ease the transition from upper secondary to tertiary education, but also improve their labour market inclusion more broadly speaking. Empirical evidence shows that practical training increases employability early in a career but that those with more general training perform better later on: the employment rates of recent vocational graduates are high but decline to a level below those with general training among older age groups (Hanushek et al. (2016^[35]); Woessman (2017^[36])). These findings suggest that general skills are critical to help students who work right after their vocational upper secondary school qualification adapt to labour market needs later in their career (Economic Policy Council, 2017^[28]). Foundation skills indeed counter the risk of practical skills obsolescence when a worker changes employer or occupation. They are also critical should adapting to a changing work life require re-training.

2.2.4. Widening the options for postsecondary vocational education

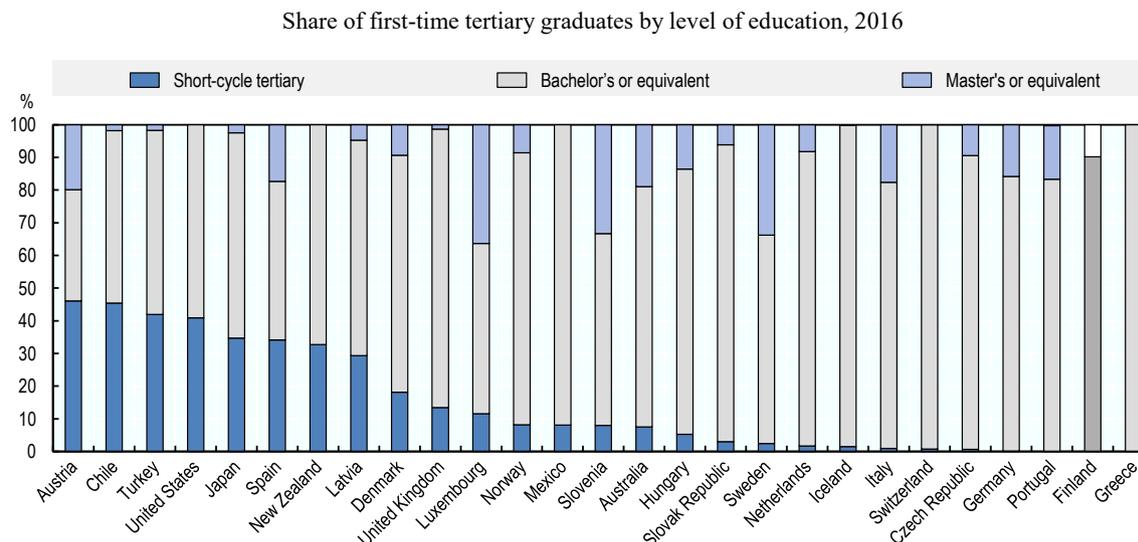
In the Finnish vocational education system, there are three types of qualifications: upper secondary vocational qualifications, further vocational qualifications and specialist vocational qualifications. All qualifications are composed of units of learning outcomes and students can complete entire qualifications, parts of them or smaller units, or combine parts of different qualifications based on their needs. Further and specialist qualifications comprise only vocational units and the necessity for common units is assessed when preparing the personal competence development plan.

While the system does not make a difference between youth and adults, the further and specialist vocational qualifications are mainly intended for people with work experience rather than for upper secondary school-leavers (Eurydice, 2015^[37]). As such, Finland does not really have short-cycle higher education programmes where vocational upper secondary graduates would pursue their vocational education. Such programmes existed until around 2000, but were then gradually replaced by the bachelor degrees offered by the universities of applied sciences (Stenström and Virolainen, 2014^[38]).

As suggested by a previous OECD report on Finland, the development of short postsecondary vocational programmes for upper-secondary graduates would provide an effective way to help vocational graduates to gain more technical expertise, management and other skills, and improve their prospects on the labour market (OECD, 2015^[39]). Many professional and technical jobs require no more than one or two years of career preparation beyond upper secondary level, and in some countries as much as 45% of the tertiary students graduate from short-cycle programmes (Figure 2.11). Postsecondary vocational options would also be a way to reduce the waiting lists for the highly selective tertiary education system and speed up the labour market entry for many youth.

Indeed, one of the main features of the most successful vocational systems in OECD countries is the existence of higher level vocational qualifications to which graduates of initial vocational programmes can progress (OECD, 2014^[40]). Entrants to vocational programmes need to have the promise of opportunities for further upskilling beyond their initial qualification, partly because that is what students increasingly want and expect, and partly because that is what the labour market needs and demands from graduates of initial vocational programmes. Sweden has been successful at creating short-cycle higher education programmes from scratch and rapidly attracting growing numbers of students (see Box 2.8). Lessons can also be drawn from the specialist vocational qualifications that already exist in Finland for adults, which main strengths are the flexibility of studies, varying teaching methods, and the extensive content of the studies (Aittola and Ursin, 2019^[41]).

Figure 2.11. In some countries more than one third of tertiary students graduate from short-cycle programmes



Source: Based on Table B5.1 in: OECD (2018^[4]), *Education at a Glance 2018: OECD Indicators*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/eag-2018-en>

Box 2.8. The Swedish system of higher vocational education

Higher vocational education in Sweden (previously called advanced vocational education and training) was established in 2001 with enrolment increasing rapidly to reach 31 000 (compared with 140 000 enrolments in professional bachelors and masters programmes). Most programmes require between six months and two years of full-time study with 70% of programmes lasting two years. There appears to be demand from students, support by employers, and interest among providers wishing to run courses. About 80-90% of graduates report being in work one year after graduation. Many different providers can offer higher vocational education if they comply with the established requirements. In 2011, out of 242 institutions providing higher vocational education, roughly half were private while the rest belonged to local and regional authorities. All higher vocational programmes are publicly funded, with no tuition fees.

The model fosters a bottom-up and entrepreneurial approach within a publicly funded framework. Workplace training is obligatory in two-year higher vocational programmes and represents one-quarter of the programme duration. This structure builds partnership with employers into the design of the system, since it is only possible to seek funding for a higher vocational programme when a partnership with employers willing to offer the workplace training is already in place. Each higher vocational programme in every institution has a steering group including employers; employers provide training to students and also advise on provision and programme content. To launch a programme an education provider has to show that there is labour market demand for the skills provided by the programme, and that it has a framework to engage employers. The National Agency for Higher Vocational Education and Training is responsible for the sector, and the social partners are part of a council that advises the Agency on the future demand for

skills and on how this might be met.

Source: Ministry of Education and Research Sweden (2013^[42]), *Skills beyond School*, OECD Review of Vocational Education and Training, Background Report from Sweden, www.oecd.org/edu/skills-beyondschool/SkillsBeyondSchoolSwedishBackgroundReport.pdf; and Kuczera, (2013^[43]), *A Skills beyond School Commentary on Sweden*, OECD Reviews of Vocational Education and Training, <http://www.oecd.org/education/skills-beyond-school/askillsbeyondschoolcommentaryonsweden.pdf>;

2.3. Speeding up labour market entry

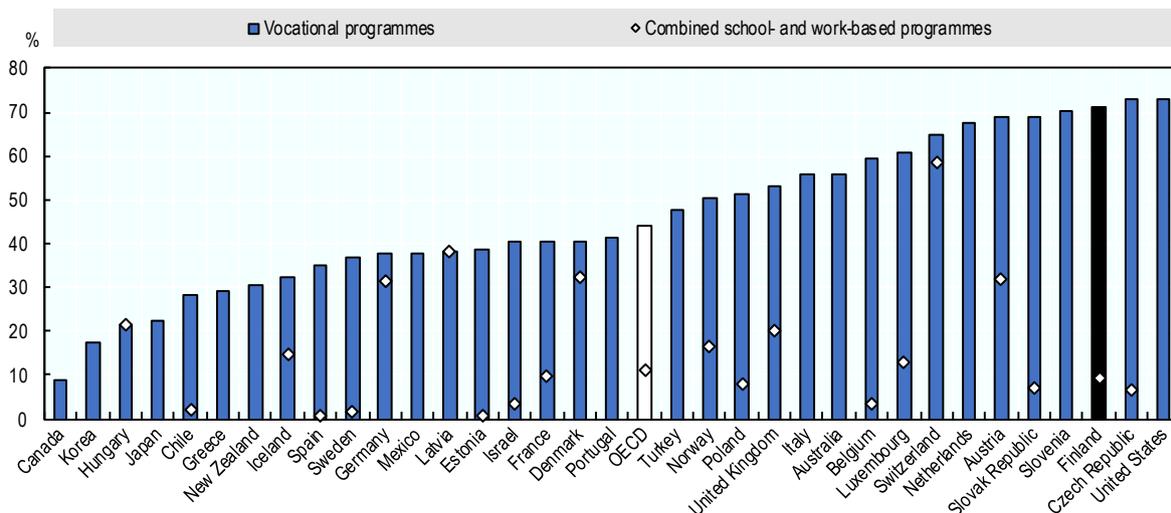
Improving the school-to-work transition in Finland does not only entail raising school completion rates in upper secondary education and easing the transition to tertiary education. It also necessitates a better link between education and the labour market, especially for vocational students, as well as sufficient incentives for employers to offer quality apprenticeships. The time needed to complete tertiary education is rather long in Finland, despite considerable financial incentives in the student financial aid system. Finally, mental health among tertiary students receives insufficient attention.

2.3.1. Promoting collaboration between vocational education and employers

The reform of vocational upper secondary education aims to increase the amount of workplace learning in different forms.² In 2016, only one out of eleven upper secondary students did an apprenticeship in Finland, despite the country's high share of vocational students in an OECD comparison (Figure 2.12).³ Statistics for 2018, when the new training agreement model was introduced, are not yet available.

Figure 2.12. Only one out of eleven young upper secondary students did an apprenticeship in Finland, despite the importance of vocational education

Percentage of upper secondary students in vocational programmes and in combined school- and work-based programmes, 2016



Source: Table B1.3 in: OECD (2018^[41]), *Education at a Glance 2018: OECD Indicators*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/eag-2018-en>

The new workplace learning model allows for different forms of learning at work. Student can have longer or shorter-term work placements through apprenticeships, training agreements, projects or short visits to see how a company works. A personal competence development plan is drawn up for each student, charting and recognising the skills previously acquired by the student and outlining what kind of competences the student needs and how they will be acquired in different learning environments. Skills acquired through training agreements or apprenticeships are demonstrated in practical work situations and competences are assessed by teachers and working life experts (Cedefop, 2018^[44]).

The stronger focus on workplace learning should be conducive to a better alignment of labour supply with labour demand. Apprenticeships and training modules indeed act as a link between the labour market and the training system, as young people cannot choose occupations that employers are not willing to train (OECD, 2018^[45]).

Training agreements differ from apprenticeships as students are not employees and nor the student nor the employer receive compensation. A training agreement always applies to a single qualification unit, while an apprenticeship may be used to gain all skills required for a qualification. Apprenticeships are based on a fixed-term employment contract and the apprentice is therefore employed. Apprentices receive pay for their work and their employer receives compensation for the training. The apprenticeship agreement can cover all parts of the qualification, but may also cover a qualification unit or even a smaller part of the qualification (Ministry of Education and Culture, 2018^[46]).

However, the main question is how to engage employers for this new workplace learning model. Employers' interest in apprenticeships has always been limited in Finland. Between 2015 and 2018, employers were paid a training compensation for students who transferred directly from comprehensive schooling to apprenticeship training. The compensation was EUR 800 per month for the first year of apprenticeship, EUR 500 per month for the second year and EUR 300 per month for the third year. The experience gained has shown that even this increased compensation did not have much effect on the willingness of employers to offer places to young apprentices. Student numbers did not increase to any significant extent. For decades, it has been the culture of the Finnish education system to use public funding to train a skilled workforce that businesses can then employ. Similarly, it is not the culture of Finnish businesses to participate in the education provision and, in that way, to contribute to the costs of making skilled labour available.

The collaboration of employers is essential for a well-functioning workplace learning model (OECD, 2018^[45]). Employers are in a strong position to see if qualifications and curricula meet current labour market needs and they can guide their adaptation to changing requirements. To encourage their engagement with workplace learning and ensure that programmes suit their needs, social partners, notably professional bodies, should be involved in the design and implementation of workplace learning schemes (see Box 2.9 for some examples).

Box 2.9. Social partners in apprenticeship policy development

Norway

Employers and trade unions play a very active role in policy development at national, regional (county) and sectoral levels in Norway. The National Council for Vocational Education and Training advises the Ministry of Education on the general framework of national vocational education. The Advisory Councils are linked to the nine vocational programmes provided at upper-secondary level and provide counselling to the national authorities on programme content and future skill needs. The county vocational training committees advise on quality, provision, career guidance and regional development.

Source: Kuczera, M. et al. (2008^[47]), *OECD Reviews of Vocational Education and Training: A Learning for Jobs Review of Norway 2008*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264113947-en>

Switzerland

The apprenticeship system in Switzerland is steered at the national level by the Confederation, cantons and professional organisations (employers, trade associations and trade unions). This arrangement is stipulated by law. The Confederation ensures quality and strategic planning and development of programmes, while 26 cantonal agencies implement and supervise apprenticeship programmes. Professional organisations establish the course content, develop qualifications and examinations, and play an important role in the provision of vocational education and training by encouraging employers to offer apprenticeship places.

Source: Hoeckel, K., S. Field and W. Grubb (2009^[48]), *OECD Reviews of Vocational Education and Training: A Learning for Jobs Review of Switzerland 2009*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264113985-en>

In addition, competition between apprenticeships and training agreements needs to be fair (OECD, 2018^[45]). Firms may see few reasons to offer apprenticeships if publicly funded vocational programmes provide a pipeline of skilled workers. They may prefer to hire unskilled workers and train them on the job or employ graduates of school-based programmes and top up their skills with training. Apprenticeships must therefore be of high quality to compete with alternative pathways. High-quality apprenticeships where apprentices develop useful occupational skills, reflected in credible qualifications, will lead to good employment outcomes. For individuals considering different options, an apprenticeship then becomes an attractive pathway to skills; and for employers, it becomes an attractive way of securing a skilled workforce. In 2018, the Council of the European Union adopted the Recommendation on a European Framework for Quality and Effective Apprenticeships to improve apprenticeship schemes across the European Union (see Box 2.10 for more information).

Employers will only participate in workplace learning when they believe that the benefits outweigh, or are at least equal to, the costs (OECD, 2018^[45]). Empirical evidence on costs and benefits for Finnish employers could reveal the cost-benefit balance of the different workplace learning options and could underpin policy choices to improve their engagement – see Mühlemann (2016^[49]) for further information and concrete recommendations.

Box 2.10. A European Union approach to high quality apprenticeships

The Council of the European Union adopted the Recommendation on a European Framework for Quality and Effective Apprenticeships on 15 March 2018. The overall objective of the Recommendation is to increase the employability and personal development of apprentices and to contribute to the development of a highly skilled and qualified workforce, responsive to labour market needs. The specific objective is to provide a coherent framework for apprenticeships based on a common understanding of what defines quality and effectiveness, taking into account the diversity and traditions of vocational education and training systems and policy priorities in the various Member States. The Framework outlines 14 criteria for quality and effective apprenticeships: seven for learning and working conditions and seven for framework conditions. Member States have three years to implement the Framework.

Source: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32018H0502%2801%29>

The balance between costs and benefits is particularly relevant for discussions about financial support for employers. As discussed in detail in OECD (2018_[45]), there is certainly a strong case for public investment in workplace learning, but the Finnish government should be cautious with universal tax breaks or subsidies aimed at employers. With the possible exception of well-designed and implemented employer-driven levy systems, the government would be better served by targeting funding at measures to increase how quickly students develop skills and become fully productive. Measures designed to help improve the quality of in-company training and reduce administrative costs can make a difference and are especially important for smaller employers. Non-financial options to support employers include training of apprentice supervisors and the establishment of external bodies that take over some of the tasks related to the provision of workplace learning (see Box 2.11 for some examples on the latter).

Box 2.11. External bodies supporting apprenticeship training

Australia

Group training organisations in Australia are predominantly not-for-profit organisations supported by public authorities, with some charges to host employers. Group training organisations employ apprentices and hire them out to host employers, sometimes focusing on a particular industry or region. Their tasks include: selecting apprentices adapted to the needs of employers; arranging and monitoring training both on and off-the job; taking care of administrative duties; and ensuring that apprentices receive a broad range of training experience, sometimes by rotating them to different firms.

Source: OECD (2010), *Learning for Jobs, OECD Reviews of Vocational Education and Training*, OECD Publishing, Paris. <https://doi.org/10.1787/9789264087460-en>

Norway

Training offices (*opplæringskontor*) in Norway are owned by companies and funded through state grants (firms typically pay half of the apprenticeship subsidy they receive to training agencies). The role of training offices is to establish new apprenticeship places, supervise training firms, train apprentice supervisors and deal with administrative tasks.

Many training offices organise the theoretical part of training and sign the apprenticeship contracts on behalf of firms. About 70-80% of firms with apprentices are associated with training offices. Research has shown that training offices played an important role in supporting apprenticeships and ensuring their quality.

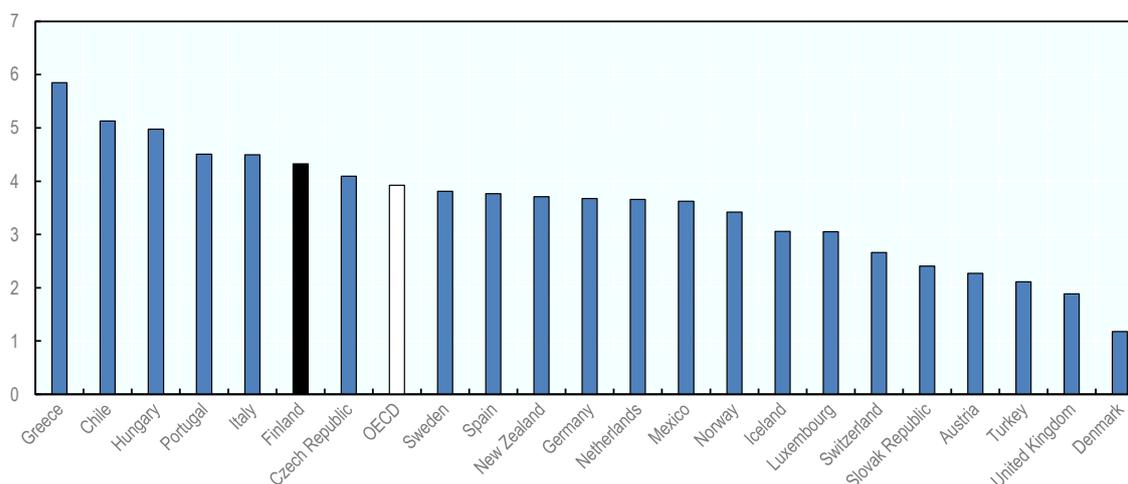
Source: Høst, H. (2015), Kvalitet i fag- og yrkesopplæringen, Sluttrapport, Faforapport 2015:32, www.faf.no/index.php/zoo-publikasjoner/fafo-rapporter/item/kvalitet-i-fag-og-yrkesopplaeringen-sluttrapport-2.

2.3.2. Fastening completion time in tertiary education

Speeding up labour market entry also requires fastening completion time in tertiary education. The difference between the average age of first-time entrants into tertiary education and first-time graduates is indeed slightly higher than the OECD average (Figure 2.13). Part of the difference may be related to the lack of short-cycle tertiary education programmes in Finland, but that effect may again be offset by the lower share of students who continue to a master's degree (Figure 2.11 above).

Figure 2.13. Students in Finland need more time to complete tertiary education than those in the OECD on average

Differences in the average age of first-time graduates and first-time entrants into tertiary education, 2016



Note: The average age of the students refers normally to 1st January for countries where the academic year starts in the second semester of the calendar year and 1st of July for countries where the academic year starts in the first semester of the calendar year. The average age of new entrants is then slightly overestimated and the average age of graduates slightly underestimated (e.g. students will generally be between six and nine months older than the age indicated when they graduate at the end of the school year).

Source: Compilation of Table B4.2 and Table B5.1 in: OECD (2018^[4]), *Education at a Glance 2018: OECD Indicators*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/eag-2018-en>

The student financial aid system has substantial financial incentives for on-time graduation through the student loan compensation feature. When students complete their tertiary degree within the target time, KELA pays back part of the student loan.⁴ For instance, for a degree at a University of Applied Sciences or a Bachelor's level university degree, the target time equals the standard time to degree plus one term (i.e. 0.5 academic years). For a Bachelor's plus Master's level university degree, the target time is equal to

the standard time plus one additional academic year. The student loan compensation is equal to 40% of the amount of outstanding student debt exceeding EUR 2 500. However, these financial incentives had almost no effect on the timing of graduation (Hämäläinen, Koerselman and Uusitalo, 2017^[50]).

The study grant was also redesigned by the reform in order to reduce the graduation time. The maximum period of time for which financial aid is available for higher education study is shortened from 64 months to 54 months for students who already have earned one degree and who begin studying for another higher education degree in or after autumn term 2017. The maximum duration of aid per degree is shortened as well. In order to get financial aid (on top of the student loan), the student must make satisfactory progress with her studies. Otherwise, KELA can make the financial aid payable for a specified period of time only or stop payment altogether. Financial aid can be recovered by KELA if it is discovered that the student's study progress has been particularly slow and if it is evident that the student never intended to study at all.

2.3.3. Devoting attention to mental illness in tertiary education

Finland has been investing a lot to develop the mental health literacy of teachers and students in primary and secondary education systems through compulsory programs like *Mental Health Power*.⁵ A similar focus would be helpful in tertiary education. For many students, university is indeed the first time they live independently and sometimes far away from established networks of family and social support. In adjusting to the student lifestyle, a lot of them struggle to maintain healthy day-to-day routines and are prone to academic, social and financial pressures.

According to the 2016 University Student Health Survey, a cross-sectional survey conducted among Finnish undergraduate students aged under 35 years at four-year intervals, 17% of the female respondents and 14% of male respondents mentioned that they were experiencing psychological symptoms (such as sleep problems, concentration difficulties, tension, depression, anxiety) on a daily basis, and respectively 31% and 24% on a weekly basis (Kunttu, Pesonen and Saari, 2016^[51]). According to the results of the 12-item General Health Questionnaire (GHQ-12) – a common instrument to identify mental illness –, 30% of all Finnish undergraduate students suffers from mental problems.

According to international good practices, ensuring that the mental health of tertiary education students is given full attention requires two sets of policies. The first consists in raising mental health awareness across the whole university population and providing effective training for university staff in mental health awareness and referral. According to Universities UK (2015^[52]), the collective voice of 136 universities in England, Scotland, Wales and Northern Ireland, awareness-raising and training policies should operate at three levels: (1) whole institutional population to raise awareness for mental health problems and disperse mental wellbeing information; (2) staff and students who have leadership roles to train them in identifying problems and referring people to the right services; and (3) staff specifically employed to work with students with mental health difficulties such as counsellors, mental health advisers, university psychiatrists and medical staff.

The second set of policies entails diversifying counselling services. Face-to-face support is crucial, but developing online help would allow reaching out students who are unlikely to seek other forms of help. Mental health websites can also play an important screening role which should allow better managing counselling service demand in a context of high caseload of mental health counsellors. In Australia for instance, the Australian National

University has been developing a *Uni Virtual Clinic*. The clinic aims to provide a range of mental health interventions across the spectrum from awareness and prevention to treatment and relapse prevention. This initiative includes information on student-specific issues (e.g. exam and study stress, sleep issues, moving away from home, relationship problems, etc.), links to support services within the university, online treatment programs embedded within the clinic as well as external links to other sources of help outside of the university. The Clinic also provides a complex problem-solving tool to help students identify issues they are struggling with and follow a path of tailored information generated from their responses (Orygen, 2017^[53]).

Peer counselling also seems promising. A number of higher education institutions in Australia, Canada, the United Kingdom and the United States have developed innovative peer mentor programs, particularly to support first-year students in their adjustment to a new learning setting. In Canada, for instance, the *Jack Project* supports peer-to-peer talks, student summits and student chapters which drive their own mental health programs and awareness-raising activities in high schools and universities (CACUSS/ASEUCC and Canadian Mental Health Association, 2013^[54]). Similarly, *Active Minds* in the United States is a national peer-to-peer organization dedicated to raising awareness about mental health among university students and encouraging them to get help as soon as it is needed (The Jed Foundation and Education Development Center, 2011^[55]).

Of course, universities need to reinforce healthy behaviours in words and in practice. While universities might offer advice on sleep, nutrition, physical activity, stress management and coping strategies, they can also help students to act on this advice. This commitment might include the following set of behavioural nudges: not having libraries open all night to reinforce the need for students to get sufficient sleep, having healthy foods in vending machines to encourage healthy eating, or providing many opportunities on campus for low-cost physical activity and exercise.

Finally, to encourage higher education institutions to reinforce healthy behaviours, the Finnish government could commit to reward them, based on their ability to deliver improved student mental health and wellbeing outcomes. For instance, the United Kingdom launched the University Mental Health Charter in June 2018 with the aim to recognize and support higher education institutions that adopt a baseline of good practice, including early intervention and closer working links with local health services.⁶

Round-up and recommendations

Finland is renowned for the excellent results in its compulsory schools, ranking amongst the highest OECD countries in the latest PISA survey on skills of the 15-year-olds. Even so, the transition from school to work is not straightforward for many young Finns. Low-skilled youth face severe constraints in finding a job in an economy dominated by high-skilled jobs, while a very selective higher education system delays the entry into tertiary education. These barriers do not only contribute to high unemployment rates, but also translate into a qualification mismatch. Nine out of ten jobs in shortage in Finland are of the high-skilled type, and more than one out of five Finnish workers have qualifications that are below those usually held by workers in their jobs – one of the highest shares in the OECD. With a comparative advantage in knowledge-intensive industries, the economy displays a strong need for high-skilled workers, which the education system seems unable to deliver.

Raising completion rates in upper secondary education

Even though overall completion rates in upper secondary education are quite high in Finland compared with many other OECD countries, one in four vocational students do not obtain their upper secondary degree within two years after expected graduation. A major reform of the vocational upper secondary education system in 2018 aims to create a more customer-oriented and competence-based system and to improve efficiency. The funding model will encourage education providers to adopt measures to raise completion rates and reduce school dropout, but there may be additional ways to reach this goal:

- *Introduce cross-age peer counselling.* To reduce the gap between students' expectations and curriculum, Finland could complement standard school-based and employer-led career guidance by introducing cross-age peer counselling, whereby upper secondary students mentor last-year lower secondary students. Such approach is used in Denmark and the United States.
- *Closely monitor the impact of the new financing model for vocational education providers on the performance of students with additional needs and adjust if needed.* The vocational reform encourages education providers to better support students throughout their studies, as a substantial part of the funding now depends on graduation rates and outcomes in the labour market. However, a downside of the new financing model is that schools are discouraged from taking in low-performing students, since their probability to complete their education programme is lower. To remedy this perverse effect, the financing model could be adjusted with a budget multiplier for each student who received intensified or special support during compulsory education. The alternative is a separate budget for special services.
- *Raise the compulsory schooling age to 18 years.* Compulsory schooling laws are a common policy tool to achieve greater participation in education, particularly from marginalised groups. Since raising completion rates is a priority of the reforms in upper secondary education, many of the costs related to increased participation will be incurred anyway, even if the compulsory schooling age is not increased. In fact, the main extra cost induced by a reform of compulsory schooling age would consist in providing learning materials and books for free, a requirement for compulsory schooling in Finland. In turn, free upper-secondary education could further encourage the poorest segments of the population to continue their education.
- *Ensure that youth in all regions are adequately served by youth support networks.* Support networks outside of schools – e.g. social and health services, public employment services and, possibly, non-governmental organisations – play an important role in addressing more severe or long-lasting problems that schools are incapable of dealing with on their own. The range of such services available to youth in Finland is remarkable, including youth outreach workers to reconnect youth with education or employment, youth workshops for on-the-job training and career guidance, integrated services for youth at risk of social exclusion, and comprehensive support for young men excluded from compulsory military service. However, the caseload of such services varies widely across the country and not all regions are properly served.
- *Develop digital services to reach young people living in distant areas.* Nationwide internet-based guidance service for young people would constitute a

useful supplement to face-to-face services. While two-thirds of youth workers publicly share information relevant to young people on social media, only half use online or messaging services to give one-to-one counselling to young people. Even less use digital technology to organize online support.

Easing the transition from upper secondary to tertiary education

Finland has one of the most selective higher education system in the OECD, delaying the start of studies and forcing applicants to take unwanted gap years and repeat the tests. Only 25% of upper secondary graduates manage to continue their tertiary studies immediately after graduation and the average age at which Finnish students enter tertiary education for the first time is amongst the highest in the OECD.

- *Reform the admission procedures for tertiary education.* Universities and polytechnics agreed to modify their admission procedures by 2020 and use matriculation examination results as the main entry path into tertiary education. The admission system could be further improved by developing flexible ways for students who wish to switch between programmes or complement their studies with selected parts from other programmes and to allow for recognition of prior learning to encourage participation of non-traditional learners.
- *Expand the capacity of the higher education system to fill the shortages in high-skilled occupations.* Finland is among the very few OECD countries that impose a fixed limited number of student positions for all fields of study and all tertiary education institutions. Given the strong demand for high-skilled workers and persistent shortages in high-skilled jobs, the limited capacity of the higher education system does not seem appropriate and could be harmful for the Finnish economy.

A reform of the study financial aid system in 2017 shifted the focus from study grants to student loans and an increase in the take-up of loans in the year following the reform suggests that students effectively compensated the lower grant amounts with student loans. However, it is unclear to what extent the lower study grant has discouraged students from enrolling in education. With Finland's generous social assistance system, there is indeed a trade-off for young people, in particular those coming from poorer families, between paying for higher education or opting for generous social assistance benefits.

- *Carefully monitor the trend in education enrolment and adjust the study financial aid system if necessary.* If the enrolment rate continues to drop, Finland could consider exempting people whose taxable income is too low from repaying their student loan, and not only interest rates as is currently the case. A similar approach has proven successful in the United Kingdom, not only to keep enrolment in tertiary education high, but especially to encourage participation from the poorer segments of the population.

Improving the pathway from vocational education to employment

The vocational education reform aims to increase learning in the workplace by allowing for different forms of learning at work and making apprenticeships more attractive. While the stronger focus on workplace learning should be conducive to a better alignment of labour supply with labour demand, employers' interest in apprenticeships has always been limited in Finland. The main question therefore is how to better engage employers.

In 2016, only one out of eleven upper secondary students did an apprenticeship in Finland, despite the country's high share of vocational students.

- *Involve social partners in the design and implementation of workplace learning schemes.* The collaboration of social partners is essential for a well-functioning workplace learning model. Employers are in a strong position to see if qualifications and curricula meet current labour market needs and they can guide their adaptation to changing requirements.
- *Undertake a cost-benefit analysis of employer participation in workplace learning.* Empirical evidence on the costs and benefits for employers would offer a better understanding of the cost-benefit balance of the different workplace learning options and could underpin policy choices to improve employer engagement.
- *Offer support to employers.* The government should be cautious with universal tax breaks or subsidies aimed at employers. With the possible exception of well-designed and well-implemented employer-driven levy systems, the government would be better served by targeting funding at measures designed to help improve the quality of in-company training and reduce administrative costs. Such measures are especially important for smaller employers.
- *Ensure high quality apprenticeships.* Competition between apprenticeships and training agreements needs to be fair and the quality of apprenticeships must be of higher quality to compete with alternative pathways. Otherwise, firms may prefer to hire unskilled workers and train them on the job or employ graduates of school-based programmes and top up their skills with training.

In the Finnish vocational education system, there are three types of qualifications: upper secondary vocational qualifications, further vocational qualifications and specialist vocational qualifications. While the system does not make a difference between youth and adults, the further and specialist vocational qualifications are mainly intended for people with work experience rather than for upper secondary school-leavers. As such, Finland does not really have short-cycle higher education programmes where vocational upper secondary graduates would pursue their vocational education.

- *Develop short-cycle postsecondary vocational programmes for upper secondary graduates.* Short postsecondary vocational programmes would provide an effective way to help vocational graduates to gain more technical expertise, management and other skills, and improve their prospects on the labour market. Finland could learn from Sweden, where such programmes have been created from scratch and rapidly attract growing numbers of students. Postsecondary vocational options would also be a way to reduce the waiting lists for the highly selective tertiary education system and speed up the labour market entry for many youth.

Notes

¹ People over age 30 can also attend workshops. The total number of trainees in 2016 was 25 770; hence, the share of trainees under age 30 is close to 60%.

² <https://minedu.fi/en/reform-of-vocational-upper-secondary-education>

³ Finland has approximately 250 000 students in vocational education and training and three quarters of them are over 20 years of age. The majority of these students make use of apprenticeship training at least as part of their studies, and for students aged over 40 it is the most popular form of skills acquisition.

⁴ <https://www.KELA.fi/web/en/student-loan-compensation>

⁵ <https://www.mielenterveysseura.fi/en/kirjat/mental-health-power-youth-workers-guide-promoting-mental-health>

⁶ <https://www.studentminds.org.uk/charter.html>

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