




MINISTRY OF FINANCE  
FINLAND

# Current policy reforms in Finland

19TH ANNUAL MEETING OF THE OECD NETWORK ON FISCAL RELATIONS  
ACROSS LEVELS OF GOVERNMENT

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The background features several overlapping, curved teal lines that create a sense of movement and depth. These lines are thin and elegant, framing the central text.

# **Reform of the organisation of health, social and rescue services**

# 21 wellbeing service counties + city of Helsinki responsible for healthcare, social welfare and rescue services started in 1/2023

- Finland's population is ageing at a rapid pace and will need more services than previously.
- The decline in the birth rate will lead to a smaller share of working-age people and a reduction in tax revenue.
- Restructuring is necessary in order to curb the increase in costs and ensure equal health and social services for future generations.
- Aim is to ensure the equal availability of **especially primary-level services** throughout Finland.

# The funding of the new counties is based on central government funding


- The funding of the wellbeing services counties is based on non-earmarked imputed universal central government funding
  - 80 % of the funding is based on coefficients based on population structure, morbidity and socioeconomic factors
  - Revenue from fees and sales
  - Other central government grants
  - **No right to levy taxes**
- In 2023, the national level of central government funding is based on the 2022 health and social services net costs transferred from municipalities plus volume growth and price index

# Central government funding has to be sufficient

- The Constitutional Law Committee has stated the need for sufficient funding for the counties to organise statutory health and social care and rescue services
- The level of central government financing in 2023
  - Possible underspending by municipalities on health and social care
  - Covid-19 distorts the level of net costs: accumulated service debt, central government grants to municipalities in 2021 and 2022
  - High inflation and new wage deals in the social and health care sector
- Short-term borrowing is allowed
- The counties are entitled to **additional funding** if the central government funding puts the ability to organise health, social and rescue services at risk

# Central government guidance is strategic

- Central government sets strategic objectives for a 4-year-period
- **Local self-government**
  - Central government funding is non-earmarked
  - Counties have autonomy in their budget and how to organise services
- One aim of the reform is to **curb the growth of costs and to ensure long-term sustainability**
  - Funding is approximately 25% of the central government budget
  - How to provide incentives for the counties while maintaining local self-government
  - The new counties vary a lot in terms of population structure and how much service integration has been done

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**Transfer of the public  
employment and business  
services from the central  
government to the  
municipalities**

# Background and aim

- As a part of the government's employment measures public employment and business services will be transferred from state agencies to the municipalities in the beginning of 2025.
- After the reform, municipalities will be responsible for organising services **and** partially funding unemployment benefits.
- The reform aims to create a service structure that will contribute to rapid employment of jobseekers and increase the productivity, availability, effectiveness and diversity of employment and business services.



# Why will E&B-services transfer to the municipalities?

- Municipalities know their residents and local business best and can offer both jobseekers and businesses **individually tailored services based on the local needs.**
- Transfer of services to municipalities and regions will bring them **closer to personal and business customers.**
- With **one organiser responsible** for employment, municipal education and business services, access to employment will improve.



# Responsibility for organising services

- In Finland, municipal segregation has continued for a long time.
  - Demographic and financial situation of municipalities varies significantly, which is also reflected in the municipalities' ability to organise statutory services.
  - Problems in the availability of labour, urbanisation and lower birth rates require new ways of organising services both in municipalities and nationally.
- **That's why E&B-services will be transferred to a municipality or a collaboration area consisting of several municipalities, that have an employment base of at least 20,000 persons.**
- Statutory cooperation of this kind may become a new model for organising also other services in the future.

# Incentive-based funding model encourages municipalities to provide effective services

- Municipalities' responsibility of funding unemployment benefits will increase.
  - Municipalities will gain greater economic benefits from a service system that actually promotes employment.
- Municipalities' financial responsibility tied to the duration of unemployment encourages the prevention of prolonged unemployment.
- Funding for employment services will be financed with a universal central government transfer from local government budgets.
  - Municipalities have a great freedom of choice in service provision and can allocate funding as they wish.
  - Municipalities will have an incentive to curb the costs of organising services.



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# Thank you

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