

## CHAPTER 17

## COVID-19 and Finnish Universities: A Flexible Policy Response

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### Introduction

The level of appropriate government involvement in the management and governance of universities and the balance between public accountability and institutional autonomy have been topical issues in Finnish higher education policy since the latest reform of university legislation in 2010. Now, in the time of the ongoing public health crisis related to the COVID-19 pandemic, the question about the appropriate level of state governance and institutional autonomy seems to have added another unprecedented dimension to this issue.

The aim of this chapter is to describe how the COVID-19 pandemic has influenced the financing and governance of Finnish universities over the period of March to December 2020. The emphasis is given to system-level policy responses to the crisis through regulation and financing, institutional-level crisis management initiatives, and a range of special project interventions intended to tackle the challenges stemming from the pandemic situation. The discussion is framed by the Finnish context of higher education policy, with particular focus on governance and the funding system, the institutional autonomy of universities, and principles of university management in this Country.

The structure of the chapter is as follows: First, we introduce the characteristics of the Finnish university system and general features related to institutional governance and management. Then, we discuss the influence of the COVID-19 pandemic on university funding and institutional management, with a special emphasis on the dynamics

between state governance and institutional autonomy. We end the chapter by discussing the implications of the COVID-19 crisis for Finnish university system.

### **The Finnish University System**

The Finnish higher education and research landscape comprised of 13 universities (with 155,000 students), of which 11 are public entities (corporations under public law) and two are private entities (foundations). The overall configuration of the university system in Finland can be described as having the following characteristics: a flat prestige hierarchy; a wide regional dispersion; and a limited emphasis on specific institutional profiles (10 out of 13 are comprehensive, multidisciplinary universities) (cf. Melin et al., 2015). As in many other European countries, the number of universities has decreased over the past 10 years through institutional mergers (in 2009, there were 20 universities). 11 of the universities are public and 2 private (foundations). The two foundation universities are private legal entities operating under the foundation legislation. However, both private and public universities receive state funding with the same funding formula and regulated by the same university legislation. The main differences between public and private universities are related to internal governance structures and the size of the equity funds (privates have larger equity funds).

The role of state regulation of the Finnish university system has traditionally been strong. For the past 30 years, all Finnish universities have been state-run institutions financed entirely through the national higher education budget. However, the years 2009 and 2010 witnessed the culmination of a major national higher education reform. This reform included the implementation of new national university legislation (Universities Act 558/2009) accompanied by a series of other reform acts and policies. As a result, universities acquired a more autonomous operational status as independent legal entities (Pekkola & Kivistö, 2012). Currently, Finnish universities enjoy relatively high levels of organizational, academic, and staffing autonomy compared to other European countries (Bennetot-Pruvot & Estermann, 2017). In this sense, it could be argued that institutional autonomy, if understood as universities' organizational capacity to make decisions and implement policies concerning their internal matters and their capability to operate in their external surroundings, has strengthened over the past 10 years (Carvalho & Diogo, 2017).

However, much of this institutional autonomy is de facto constrained by a heavy resource dependency on public, especially state, funding. In 2017, public expenditure on higher education institutions comprised 1.4% of Finland's Gross Domestic Product (GDP), the third highest among the OECD and EU countries (EU23 average 1.0%, OECD average 0.9%). Indeed, compared to other OECD and EU countries, Finland is distinctive in its reliance on public financing for higher education: in 2017, 92% of all expenditure on higher education institutions (HEIs) came from public sources (EU23 average 73%; OECD average 67%) (OECD, 2020). Governmental funding (65% of total funding) is allocated mainly through a performance-based funding formula, with the most important indicators being: a) the numbers of BA, MA, and PhD degrees; b) the number of students who have obtained 55 study credits per academic year; c) the number of scientific publications; and d) acquired research funding. Other significant sources (all public) include research funding from the Academy of Finland (national research funding agency); Business Finland (national organization for funding innovations and trade); and other public sources (ministries and local authorities). Education is free of charge for domestic and EU/EEA students, but non-EU/EEA students are required to pay tuition fees for bachelor's and master's level programmes which are taught in English. Due to the tuition waivers and other financial support schemes offered by universities, net revenue from fees has been insignificant to date (Ministry of Education and Culture, 2021).

Finnish universities operate under the tensions between their financial autonomy (they can spend and accumulate their wealth quite freely), financial dependence from the state, and political-administrative steering, which is to a large extent channelled through the performance-based funding model (Christensen, 2011; Kohtamäki, 2020). Even though the central aim of the Finnish higher education policy (as promoted by the Ministry of Education and Culture) has been to encourage greater institutional strategic capacity and capability and to improve institutional distinctiveness and profiling, it is still to be determined how to balance pressure for efficiency and system-level steering by increasing the capacity of individual institutions (Melin et al., 2015).

### **Management and Governance of Finnish Universities**

The Universities Act (558/2009) provides the legal framework for the management and internal governance of universities. As a specific aspect

of management, security management is mentioned in the Universities Act but only from the point of view that all universities must have continuity plans (which will be discussed later in this chapter). The university reform policy, including the Universities Act, emphasizes universities' institutional financial autonomy, organizational actorhood, the capacity of individual leaders and managers to manage the university organization, and the competitive capacity of universities. As a response to the university reform of 2010 described earlier, all Finnish universities have launched internal organizational and management reforms and internal financial management reforms and have made efforts towards independent strategic and financial management (Kohtamäki, 2019). In Finland, as in many other European countries, universities' organizational actorhood is specifically given emphasis in the Universities Act (Kohtamäki & Balbachevsky, 2018).

All Finnish universities were given new legal status, meaning that universities became independent legal persons. They have the right to own property, borrow money, undertake business activities, and engage in other commitments under their own name (Kohtamäki, 2019). Because of these rights, and the legal and financial responsibilities that follow them, universities need university-level management capable enough to take care of these new and challenging responsibilities. Currently, we know that universities are still under the transformation process, and they are learning step-by-step how to operate in their new, more or less independent governance context. Before 2010, universities operated as state accounting agencies and as part of the legal entity of the state and state budget. In that time their internal governance and management were based more on the principles of collegiality. The change has been culturally significant for universities—a complex process—and changes have not taken place as rapidly as expected (Koivukangas, Roine, Kohtamäki & Passi, 2020).

As indicated earlier, the main principle of the management and internal governance of universities in Finland is their institutional autonomy. Universities have almost full institutional autonomy regarding internal matters, internal administration, and organizational structure. We must say “almost” since the legislation determines certain frameworks related, for example, to the role, tasks, and composition of governance bodies. Universities have independence to organize their internal security management as they see fit: Finnish university security management models are based on solutions created by individual universities without any centralized system (e.g. Virta, Kohtamäki, Kreus, Kuoppala & Liljeroos, 2018).

The three administrative bodies that the Universities Act requires are the board, the rector, and the university collegium (or joint multi-member administrative body, in the case of a foundation university) equivalent to an “academic senate”. Based on the university’s internal regulations, the university can also have other administrative bodies. One main difference between public and foundation universities is the composition of the board, which is the highest decision-making body inside the university. Public university boards cannot have more than 60% of their members from the internal parties of the university community (professors, and other academic staff, other university personnel, and students). For foundation universities, it is possible to have exclusively external board members if a university prefers to do so. Before the reform, a highly valued democratic governance principle in which all internal parties had their seats and representation on all internal governing bodies was applied. The tasks of the board include aspects such as strategic and financial planning, asset management, and approval of the performance agreement between the university and the Ministry of Education and Culture.

The university collegium (or the joint multi-member administrative body) has members from the academic community representing professors, other staff, and students. This body has decision-making authority—for example, regarding the number of members of a governing board, the selection of internal and external members to a board, and the approval of the financial accounts of the university (Kohtamäki, 2019; Universities Act, 2009).

The traditional three-tier internal governance and organization model (comprising university-level; faculty-level and department-level governing bodies) is no longer a standard or a requirement in Finnish universities. Each university has freedom to decide on its internal governance and organization within the framework of the Universities Act. Nowadays, mid-level academic and non-academic leaders (such as deans) operate under hierarchical management frameworks and under changing management systems and practices. Financial management is emphasized, and mid-level leaders increasingly have financial management roles and are responsible to the university rector. The hierarchical and power-driven management framework does not fit well with the mindset and background of traditional academic leaders, but mid-level managers make efforts to be more active manager-leaders and utilize new power if and when it is available (Kohtamäki, 2019).

### **The Impact of COVID-19 on University Funding in Finland**

The global COVID-19 pandemic has posed unprecedented challenges for all sectors of the global economy. Unfortunately, financing universities is no exception when it comes to the challenges that need to be solved. According to a recent report by the European University Association (Estermann et al., 2020), it is very likely that all sources of university income will be affected in some way in the short to medium term. Higher education systems in Europe will be affected differently and at different times, depending on the key features of their funding models and the composition types of their revenue (public core funding, international funding, competitive research funding, tuition fees, and other sources like university endowment funds).

The nature of public funding mechanisms typically plays a role in mitigating, or possibly amplifying, the impact of the crisis on universities in the short term (Estermann et al., 2020; EUA, 2020). This applies to the Finnish university system, where the immediate financial impacts on institutional income have so far been positive. In contrast to some other European countries, several policy measures have increased the level of university funding in the short term or just re-directed the existing funding. The most important national policy measures in 2020 have been the following:

Special increase in student enrolment. In June 2020, the Finnish government decided that it would finance extra student places (in total 4,800 new places) and allocated 124 million euros in additional funding for this purpose. Part of this increase was decided before the pandemic, but COVID-19 speeded up the process to increase the enrolments already in place for 2020 in those fields which were most crucial to tackling youth unemployment (e.g. technical sciences, business, and health and welfare). In addition, many universities and other higher education institutions decided to apply fee waivers in open university training for all those students who were unemployed or laid off (Valtioneuvosto, 2020).

Special fast-track research funding earmarked for COVID-19 research. In April–May 2020, the Academy of Finland opened a special call for research into the COVID-19 topic. The Academy of Finland wanted to fast-track a special funding opportunity to support and accelerate research into the COVID-19 pandemic and the mitigation of its effects, and to support the utilization of the research in society. Total funding of 8.45 million euros was allocated to 44 projects to be implemented in 12 universities or research institutions. The funded projects cover a wide variety of topics that deal with the SARS-CoV-2 virus and the COVID-19

pandemic, the societal impacts of the pandemic, and the prevention and/or mitigation of its negative consequences. A special feature of this call was that only existing and already funded research projects were eligible to apply to this call after university-level pre-screening. The Academy considered important that the research to be funded was immediately connected with projects that were already in progress and thereby able to rapidly redirect their research to produce information and solutions to tackle the COVID-19 pandemic and its impacts on society. In addition, in June 2020, the Academy opened a call for research into COVID-19 vaccines and pharmaceutical development. The call was launched based on a one-off appropriation of 10 million euros to research in this field as proposed by the Finnish government in the supplementary budget (Academy of Finland, 2020).

COVID-19 special funding from private foundations. In 2019, approximately 2.5% of total university funding is based on research funding by private foundations (Vipunen Education Statistics, 2020). In 2020, several foundations re-directed their funding or opened supplemental calls directed to the COVID-19 topic. The total amount of funding allocated to COVID-19-related projects is unknown.

It seems that universities are unlikely to face any cuts of state funding in 2021, as the necessary and inevitable austerity measures have been postponed to the post-crisis era. Finnish GDP is expected to fall by 4.3% in 2020 (European Commission, 2020). Despite this fall, the state budget will increase spending for universities by almost 10 billion euros compared to 2019, which will result in a deficit of almost 11 billion euros in 2021 (of a total budget of around 64 billion euros) (Finnish Government, 2020).

Most European higher education systems depend primarily on public funding, although to a lesser extent than Finland. According to the European University Association (EUA), the economic consequences of the COVID-19 crisis create a significant risk that public funding allocations across Europe will decrease in the next two to four years, when considering the enhanced competition for public resources across various sectors of the economy (EUA, 2020). It is foreseeable that in three or four years, Finland will also face difficult times in securing the current level of university funding. As in other countries, it is likely that research contracts, philanthropic sources, and other types of university income will also be affected by the crisis. The possible post-pandemic recession could force companies to rethink their contractual partnerships and collaboration strategies with universities, and the ability of private

foundations to offer funding may be dependent on developments in the financial markets due to their impact on endowment funds.

It is evident that COVID-19 did not immediately affect the Finnish higher education funding model and the balance between private and public funding. The only area where funding was added into the sector was in COVID-19 related research project calls and additional student places.

However, long term effects of COVID-19 crisis to university funding structure remains to be seen. Since tuition fees for domestic students are not a politically feasible option, Finnish universities have little room for manoeuvre in diversifying their funding base. A foretaste of this difficulty was seen in May 2020, when an expert report on the national COVID-19 recovery strategy proposed introducing tuition fees for domestic students. Due to the longstanding political consensus of keeping university access free of charge, it was hardly a surprise that the proposal met a short but intense political and public outcry. This happened even though the Minister of Science and Culture, Hanna Kosonen, decisively shot down the proposal immediately after the report was published.

In addition to revenue-side solutions, universities can explore cost-side solutions to make up for the gap in funding. It is possible that the greater shift towards more digitally enhanced learning and virtual mobility triggered by the crisis will reduce the cost of education and increase collaboration (e.g. in the form of joint course offerings between universities). However, since Finnish universities are already operating efficiently due to the strong influence of the performance-based funding model, it is likely that other cost-saving opportunities may be more difficult to find.

### **The Influence of the COVID-19 Pandemic on University Governance in Finland**

Because Finnish universities are in the midst of the pandemic, at this point we can describe policies and practices related to crisis management and pre-crisis management. Knowledge and information on the COVID-19 pandemic started to accumulate at the beginning of 2020. While university personnel also made work-related journeys in the region(s) where the pandemic started and/or spread, Finnish universities started to inform their academic community members of the pandemic and to restrict travelling abroad (EUA, 2020).



A key group has also been international incoming/outgoing students. Within the limits of their autonomy, universities have applied different policies on how to deal with student exchanges. In some universities, student exchanges were recommended to be interrupted and future student exchanges were cancelled whereas in others they were continued. The hosting of foreign visitors coming from COVID-19 hotspot countries/regions was also forbidden by some universities. Travelling and concerns related to international trips were key issues in the very preliminary phase of the crisis in Finland. Finnish universities started to follow each other in their decisions and practices. Also, universities followed international universities' pandemic response policies and actions aimed at limiting the spread of COVID-19 (Furiv, Kohtamäki, Balbachevsky & Virta, 2021). In Finland, universities gave internal rules for example concerning international traveling, but they followed and were based on national health officials' recommendations and rules given by the state administration. As it can be noted, universities needed to react urgently, provide rules and guidelines, and build up crisis management teams to coordinate their responses to the crisis.

Finnish universities are required to have institutional continuity plans by law. These plans, among other aspects, define crisis management and provide a crisis protocol for different types of crisis events at the institutional level. These protocols pre-existed before the COVID-19 pandemic. The Ministry of Education and Culture oversees that each university has this plan. The contents of plans are university specific. Information-related institutional security practices and processes are usually only available on the intranet for university staff and students (Virta et al., 2018). In terms of COVID-19 crisis management, the continuity plans provide information on how to be prepared throughout the organization through assessment, prevention, and preparedness in the event of a crisis (Pursiainen, 2018).

Continuity plans are not publicly available documents. This is to guarantee the security and safety of universities in cases of crisis management. The continuity plans define the crisis protocol, procedures, guidelines, and coordination of crisis management inside the university. Moreover, they define crisis management personnel and their responsibilities, and crisis management teams. Individual universities have autonomy to organize their crisis management systems and organizations as they see fit.

Finnish universities have moved towards centralized governance and management systems (Kohtamäki, 2019), and this is also the case concerning their crisis management organizations; they are top-down

managed and coordinated organizations and teams. The top-level university managers have a critical and active role in making university-wide decisions on how to respond to the COVID-19 crisis. Departmental and unit-level actors' roles have been to implement the guidelines and decisions taken at the university level. This means that there are no variations internally in managing the security and operations inside the university.

The critical element in crisis management is to understand the nature of a crisis and its potential impacts. In practice and in generic terms, huge variation exists in how universities and the internal and external members of the university community understand the crisis and its impacts (Zdziarski, 2007). Universities Finland (UNIFI), local university hospitals, and the National Institute of Health and Welfare have been a great support for universities on how to deliver immediate responses to the COVID-19 crisis.

Universities have adapted their crisis strategies and actions by benchmarking against each other. However, based on the information offered by Finnish universities' websites, differences between actions and in the timing of actions can be identified between universities. Similarly, the time perspectives in universities' crisis management actions have varied. Some universities made early decisions to transfer fully to the online teaching mode for the whole academic year (or part of it), even though this was not required or suggested by the State Regional Agencies (in Finnish "Aluehallintovirasto"), which are responsible for giving security orders to all public sector organisation operating in their regional area. At the same time, some universities decided to start the autumn semester with on-site teaching (by setting maximum class sizes with hygiene measures in place).

In general, Finnish universities have taken the pandemic very seriously from the beginning and have taken centrally coordinated actions to guarantee the continuation of their academic and administrative functions. Internal and external communication related to the crisis has been active and timely, and praise has been collected from students and staff alike. An emergency action to shift teaching into the online format was planned as an immediate action in all universities. This was possible since all Finnish universities had the necessary technical IT communication infrastructure and the professional support and help of IT personnel. Students or staff members did not have access to campus buildings due to the lockdowns of universities. Only critical staff members and critical functions related to research, distance education, and support services were allowed to work on campus.

As universities' state funding is performance-based, the interest in guaranteeing the continuation of educational and research operations has been very high among university managers and leaders. As pointed out earlier, so far universities have not faced short-term operational funding cuts due to the crisis.

### **Conclusions**

In the Finnish higher education system, crisis management and security management models are based on solutions made by individual universities without any centralized system of coordination or guidance. Finnish universities have responded to the COVID-19 crisis systematically and efficiently on an individual basis and with mutually coordinated activities. The European University Association stated: "Given that the situation was completely new, there was a generally high interest in exchanges of experience, which seems to continue as institutions plan for the next academic year" (EUA, 2020). As this quote indicates, collaboration between universities and a willingness to share experiences and approaches to responding to the crisis have been very high. The value of European collaboration and exchanging experiences have also been assets from the perspective of Finnish universities.

Overall, the COVID-19 crisis has been very challenging for universities. Efficient crisis management, preparedness for crisis management, cooperation between universities, and cooperation between universities and public authorities in Finland have been crucial to continue university operations during the COVID-19 crisis. However, we know only the short-term consequences of COVID-19 and how universities' management and governance have responded. No serious disruptions have taken place so far. Universities have remained open during the crisis and transformed themselves overnight into "virtual universities" offering their teaching fully online and with most of the academic and administrative staff working from their homes.

It is likely that once the COVID-19 health crisis has passed, an economic crisis will immediately follow, especially when it comes to the public economy. This crisis will be particularly difficult for Finnish universities, which are resource-dependent on public funding. This may have the following implications: introduction of small fees or other charges, stronger reliance on private research funding, and further consolidation of the sector via institutional mergers or entire sectors of the higher

education system (universities and universities of applied sciences). Time will tell if the COVID-19 crisis and its economic aftermath will change or reinforce a Finnish higher education policy rooted in institutional autonomy and public financing.

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