



MINISTRY OF FINANCE
Finland

Forum on Effective Governance and Partnership Riga, 30 October 2008

A decorative bar chart with five vertical bars of increasing height, colored green, blue, yellow, orange, and red from left to right.

Finnish Government's Productivity Programme
Meeting the Challenges of a Modern Public Administration
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A blue-tinted background image of a classical building with columns and arches, likely a government or institutional building.



Minister of Finance, Mr. Jyrki Katainen: "You have to love productivity"





Why does Finland have a Public Sector Productivity Programme?

- Productivity increase will be the only factor to enhance (material) welfare
- Aging society – need to increase health and social services for the aging people, organised and financed by the public sector
- Decreasing labour force



Decreasing Labour Supply

- If nothing is done in the public sector...
 - to compensate retiring people we need 40 % of young people annually entering the labour market
 - + to cover the need for more age-related services we would need 50 %
 - + if the growth of the public sector continues for other reasons with the speed of last years, we would need even 70 % of young people annually entering the labour market !



Measures to Enhance Productivity

- In the state sector (c. 120 000 civil servants):
 - 12 % (14 500) decrease in staffing numbers in 10 years
 - measures: structures, processes, use of ICT, outsourcing
- In the municipalities (c. 450 000 employees):
 - less municipalities, reforms in service production, social and health care reforms, reform of the state transfer systems



How it is implemented in the state sector

- Based on the Government Programme
- Coordinated and managed in the Ministry of Finance
- Staffing numbers and budget cuts are included in four year financial frame decision and annual budget decision
- Part of the savings as incentive to the ministries
- Investments in productivity increasing projects are supported by special financing (“productivity agreements”)



How do we know there are possibilities to increase productivity

- Results of past reforms (e.g. privatisations, process reforms, digital services)
- Comparisons between public and private organisations (e.g. accounting, invoicing, HRM, procurement)
- Measurement
- Benchmarking



The main measures to increase productivity and decrease staffing needs

- Lean organisations
- Less organisations (regional and local state offices)
- Process redesign and efficient use of modern IT (e.g. taxation)
- Centralised production of basic services of economic and personnel administration
- Corporate IT-strategy
- Corporate procurement strategy



Interim results

- An outstanding number of reforms have been started by the ministries and agencies
- Decreasing staff, c. 1000 reduction in 2007 (2000 without the universities), c. 2000 in 2008 and 2009
- Budgetary savings
- Savings in government procurement c. 100 000 euros/year
- Improved labour productivity
- The idea of the importance of productivity growth has been accepted

Productivity growth in the public sector supports...



- Increased electronic public services
- Regionalisation of state agencies
- Better services given in the regions and locally
- Innovations in the provision and production of public services
- Competitiveness of State as an employer

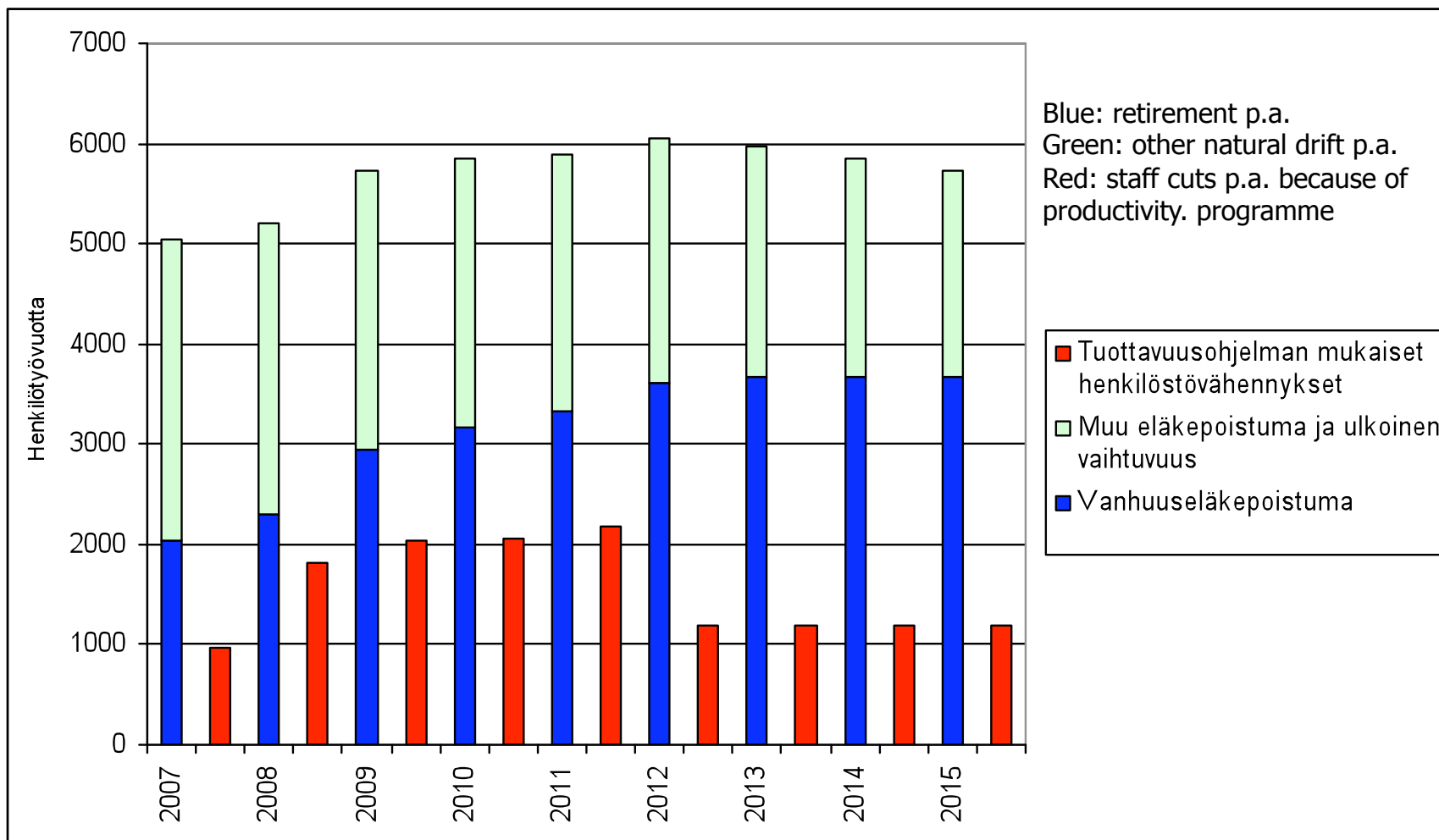


What we have learned

- Political support from the top is needed
 - continuity
 - frequent discussion in the Government
 - Strong steering and incentives
- Open discussion and cooperation with the public sector unions
- Balancing efficiency, effectivity (outcome, impact) and securing human capital



Forecasted natural drift and staff reductions because of productivity programme annually 2007-2015





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