

Employment Fund: Employment Fund's Financial Statement Release 2021

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Employment Fund Financial Statement Release February 22, 2022 at 11.00

The Employment Fund's result for 2021 remained in deficit due to the Coronavirus pandemic.

- Unemployment insurance contributions and other income in total EUR 3,335 (3,340) million
- Unemployment benefits, adult education benefits and administrative expenses paid EUR 3,750 (3,947) million
- Change in net position (for the financial year) EUR -412 (-623) million
- Net position EUR 633 (1,045) million
- Total investments and assets EUR 2,018 (2,423) million
- Loans disbursed and other liabilities EUR 1,385 (1,379) million
- Average unemployment rate 7.7% (7.7%)
- Return on investments 0.7% (-0.7%)

Data from 2020 in parentheses.

Managing Director Janne Metsämäki:

The second year of the COVID-19 pandemic was the Employment Fund's third year of operations. This means that we have been working remotely and in compliance with pandemic restrictions for two thirds of the new fund's existence. Despite the effects of the pandemic, we continued to excel in our task in 2021 by financing unemployment security and other types of social security. We also supported adults in developing their competences through adult education benefits.

In 2021, unemployment benefit costs remained high due to the COVID-19 pandemic, which left the Employment Fund's financial result clearly in deficit. However, Finland's economic growth improved in the second half of the year, which was also reflected in a reduction in unemployment and an increase in employment. Despite the deficit, the Fund's financial result clearly exceeded the estimate made when the 2021 budget was approved, and our liquidity was good throughout the year. We were able to collect unemployment insurance contributions comprehensively and excel in the financing tasks we are responsible for. To secure financing, it was decided to raise unemployment insurance contributions by a moderate amount in 2022, based on the Fund's proposal.

Key Figures

EURm	2021	change %	2020
Unemployment insurance contribution income*	3 335	-0.2%	3 340
Total financing contributions paid	3 750	-5%	3 947
Unemployment funds (Employment Fund's contribution)	1 463	7%	1 372
Unemployment funds (Government's contribution)	909	-27%	1 245
Finnish Centre for Pensions (unemployment pension security)	902	4%	870
Adult education benefits	186	-6%	197
Social Insurance Institution of Finland (Kela)	239	15%	207
Ministry of Economic Affairs and Employment (pay security)	14	-42%	25
State Pensions Fund	11	22%	9
Administrative expenses	26	23%	21

Change in net position	-412	-34%	-623
Net position (business cycle buffer)	633		1 045
Investment return % (for fair value)	0,7		-0,7
Loans withdrawn	1 385		1 379
Unemployment rate (avg.)	7,7		7,7
Payment % (unemployment insurance contributions)			
Employee contribution	1,40 %		1,25 %
Employer, base	0,50 %		0,45 %
Employer, large firms	2,05 %		1,90 %

Operational environment of the Employment Fund

The Employment Fund's financial result remained in deficit in 2021 due to the COVID-19 pandemic. The financial statements show a deficit of EUR 412 million in 2021. The remaining value of the Employment Fund's net assets (business cycle buffer) at the end of the accounting period was EUR 633 million compared to EUR 1,045 million in 2020.

The unemployment rate and number of unemployed jobseekers dropped significantly, especially in the second half of the year. The average unemployment rate was approximately 7.7% in 2021, which is on average at the same level as the previous year. There was an increase in the amount of unemployment insurance contributions collected, based on a significant increase in the payroll amount and higher unemployment insurance contribution percentages.

In 2021, the employers' unemployment insurance contribution income was EUR 1,160 (993) million in total, and the employers' liability component income EUR 23 (26) million in total. Income from employees' unemployment insurance totalled EUR 1,241 (1,073) million.

The popularity of adult education allowances continued to increase in 2021. In 2021, a total of EUR 175.3 (186.9) million of adult education allowance was paid to 28,322 (27,066) individuals. 26,257 approvals for scholarships for qualified employee were given and 25,949 beneficiaries received the scholarship. A total of EUR 10.4 (10.6) million was paid in scholarships.

New financing role in preparation

In 2020, the Finnish government decided on measures to improve the employment and promote wellbeing at work of people over the age of 55. One of these measures would be phasing out the additional days of unemployment insurance for people born in 1965 and later. The Employment Fund will face some changes as the additional days of unemployment insurance are phased out. The additional days will be replaced by a new security package, which the Fund will finance by collecting a new security contribution from employers. According to the legislative proposal, the changes will take effect at the start of 2023. We have been preparing for their implementation since early 2021. In addition, we participated in preparatory work to determine how the upcoming transfer of Employment services to municipalities will affect the financing of unemployment allowances.

The reform of adult education allowance boosted the automation of processing applications

The reform of the adult education allowance came into effect in August 2020. As a result, the use of the adult education allowance to combine study and work has increased somewhat, which was one of the objectives of the reform. The reform also led to a significant increase in the number of applications, as a two-stage application process was introduced. We responded to the increase by automating the processing of allowance applications and updating our systems. We aim to further increase the level of automation in the future.

The effects of the adult education allowance reform were assessed over the year, and the Ministry of Social Affairs and Health reported them to Parliament in December 2021. We also reformed our organisation during the year to ensure that we are even better positioned to achieve our objectives and provide services in an efficient and customer oriented manner. In the autumn, we finalised our customer strategy, which facilitates a systematic approach to developing our services and operations in accordance with the needs of our customers and operational environment.

Events after the financial statements

The employment rate and the number of unemployed jobseekers have demonstrated positive trends in early 2022. However, restrictions put in place due to the COVID-19 pandemic have affected employment in some sectors. Developments in the coming months will show whether restrictions can be lifted and society reopened on a larger scale.

Compared to the previous year, some changes are visible in the financial operating environment. Basic economic factors remain reasonably positive, but in the financial market, the year is off to an uncertain start. The stock market in particular

has seen greater fluctuations. At the time of drafting the financial statements, the economic outlook for the Employment Fund remains the same as predicted in December 2021. Our assessment at the time was that the costs of funding unemployment benefits would decrease due to the economy gradually growing stronger and employment improving. We expect this trend to continue in 2022. Modest improvements in employment, combined with a higher amount of unemployment insurance contributions, should lead to the changes in our net position being close to zero in 2022. By our estimate, the value of the net assets in our business cycle buffer will be approximately EUR 700 million at the end of the year.

Financial Statement Release 2021

This stock exchange release is a summary of the Employment Fund's 2021 financial statement release and contains its key information. Financial Statement Release 2021 is published in full as a pdf file attached to this Release and is also available in Employment Fund's website at <https://www.tyollisyysrahasto.fi/en/>. The Financial Statement Release 2021 is unaudited.

Financial releases in 2022

The Annual Report for the financial year 2021 will be published on the Fund's website at <https://talous.tyollisyysrahasto.fi/en/> on 29 March 2022. The Annual Report includes the Report of the Board of Directors, Financial Statements as a whole, Corporate Governance Statement and Remuneration report. The Interim report for the period 1 Jan - 30 Jun 2022 will be published in August in week 34.

Helsinki, 22 February 2022
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About Työllisyysrahasto

The Employment Fund brings comfort in the changes of the working life. We collect the unemployment insurance contributions that are among other things financing the earnings-related unemployment benefits and urging forward the innovation of learning with the adult education allowance.

Attachments

- [Download announcement as PDF.pdf](#)
- [The Employment Fund Financial Statement Release 2021.pdf](#)