

Employment Fund's Preliminary Results for Year 2020

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Employment Fund
Insider information
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The Employment Fund reports as preliminary information on the financial result for 2020.

Key points

- Unemployment insurance contributions collected was 2,088 million euros, decrease 21 %
- Other income was 1,248 million euros, increase 82 %
- Unemployment benefits paid was 3,749 million euros, increase 52 %
- Adult education benefits paid was 198 million euros, increase 6 %
- Change in net position (profit/loss) was negative 626 million euros
- Net position of the Business Cycle Buffer fund was 1,041 million euros
- Total amount of Investments and assets was 2,421 million euros
- Total amount of Debt and other liabilities was 1,380 million euros
- Average unemployment rate was 7.8 % (estimate), increased by 1.1 %- points
- Investment return was -0.7 %

Full Year 2020 result, preliminary source: Employment Fund, Statistics Finland

	1.1.2020 -	1.1.2019 -	Change
	31.12.2020	31.12.2019	2020/2019
	EURm	EURm	EURm
Unemployment insurance contributions collected	2,088	2,657	-569
Contributions from Ministry of Social Affairs and Health	1,248	688	561
Unemployment benefits (paid)	-3,749	-2,472	-1,278
Benefits for adult education (paid)	-198	-187	-11
Investment and Financing income, net *	-16	8	-24
Profit/loss	-626	694	
Investments and assets	2,421	1,745	676
Debt and liabilities	-1,380	-78	-1,302
Buffer Fund	1,041	1,668	
Statutory limit for Buffer	2,079	2,062	
Unemployment rate %	7.8	6.7	1.1 %

Change in wage sum % (est.)	-0.4	4.2	-4.6 %
Investment return %	-0.7	0.8	
Contribution %, employers (Average)	1.25	1.50	-0.25 %
Contribution %, employees	1.25	1.50	-0.25 %

The figures for 2020 are unaudited.

* includes net investment income, funding costs and other financing income and costs

Employment Fund's Financial Operating Environment Changed Significantly as a Result of the Coronavirus Pandemic

In the first half of 2020, the Coronavirus pandemic changed the outlook for the Finnish economy significantly weaker. The unemployment rate rose significantly and the number of temporary layoffs in particular started to rise sharply during the spring. The change in the operating environment had a significant impact on the amount of earnings-related benefits paid by the Employment Fund and on the Fund's funding needs.

The Decline in Economic Activity Reflected in an Increase in Unemployment

In 2020, the total output of the Finnish economy contracted by estimated 3 per cent. The companies adjusted their operations as a result of the Coronavirus restrictions, and the number of layoffs in particular increased significantly during the year from the previous year. The unemployment rate rose by just over one percentage point and the wage sum fell for the first time in ten years.

The Amount of Unemployment Benefits Funded Grew Strongly

The amount of earnings-related unemployment insurance contributions paid by the Employment Fund increased by about 52 per cent in 2020. Unemployment insurance contributions collected by the Employment Fund decreased by 21 % compared to the previous year. The decrease in collected insurance contributions was mainly due to lower premium rates and to some extent to the reduced wage sum.

The Amount of Adult Education Benefits Paid Increased Slightly

Adult education allowances and scholarships for qualified employees were granted in the amount of EUR 198 million in 2020, an increase of about 6 percent from 2019.

Significant Growth in the Number of Recipients of Adult Education Allowance, Slight Increase in Scholarships for Qualified Employees

A total of 27,066 people received adult education allowance, which was about 5 per cent more than in 2019. The number of scholarships for qualified employees granted increased slightly from the comparison year 2019. Last year, 26,443 persons were awarded with a scholarship for qualified employee, which is about 1 per cent more than a year earlier.

The Net Position of the Employment Fund Decreased Significantly

The change in net position in 2020 was EUR 626 million negative. At the end of the year 2019, Employment Fund's net position, i.e., the business cycle buffer was EUR 1,668 million, and the corresponding amount at the end of 2020 was EUR 1,041 million. The business cycle buffer's maximum amount specified by law was approximately EUR 2.1 billion.

Employment Fund's Liquidity Was Strengthened with Debt Financing

The Employment Fund strengthened its liquidity by issuing two EUR 600 million bonds with maturities of three and seven years in June 2020. In addition, funding was secured by renewing revolving credit facilities (RCFs) with five Nordic banks. The total amount of the limits is EUR 800 million. During 2020, Employment Fund also issued short-term commercial papers with a maturity of less than one year and thereby improved its liquidity. Liquidity was also ensured by the fact that the state contributed to the financing of increased layoff costs by paying a contribution equal to the basic allowance for almost the entire period of 2020.

The Employment Fund's liquidity position was good during 2020 and the Fund was able to take care of the earnings-related unemployment insurance contributions well under very challenging conditions.

The Outlook for 2021 Is Unclear

The economy is expected to return to growth slowly, but unemployment is expected to remain at an elevated level in 2021. According to Employment Fund's budget, the number of unemployed jobseekers would be slightly lower than in the

previous year and the unemployment rate slightly higher in 2021. The total amount of unemployment insurance contributions was increased by 0.32 percentage points for 2021, which contributes to improving the Fund's income development. It is estimated that the change in net position will remain in deficit this year as well.

The Employment Fund will publish its financial statements bulletin and annual report for 2020 on Tuesday, March 23, 2021, and at the same time provide its revised assessment of the outlook for 2021.

Helsinki, 26 January 2021

Employment Fund

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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

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