

Half-year Report 2023

1 Jan–30 Jun 2023



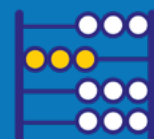
Työllisyysrahasto

Sysselsättningsfonden | Employment Fund



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Employment Fund's half-year in brief

Employment remained at a high level, giving a further boost to our liquidity.



In total, we financed
Finnish social security with

EUR 1,478

million.



From the beginning of
the year, we have been
collecting transition
security contributions
from employers to fund
the new transition
security scheme.



We conducted a customer
survey in which nearly 5,000
adult education allowance users
told us about the motivational
factors behind applying for the
allowance and its impacts.

Financial development

Employment Fund (the “Fund”) complies with the International Financial Reporting Standards (IFRS) adopted by the European Union. Unless otherwise stated, the comparative figures in parentheses refer to the corresponding period for the previous year.

Employment Fund's half-year result (change in net position) showed a surplus due to positive development in employment.

- Unemployment insurance contributions and other income EUR 1,773 (1,715) million
- Unemployment benefits, adult education benefits, and administrative expenses paid EUR 1,478 (1,584) million
- Change in net position (half-year result) EUR 317 (99) million
- Net position EUR 1,575 (31 Dec 2022: EUR 1,258) million

- Total investments and assets EUR 2,350 (31 Dec 2022: 2,703) million
- Loans disbursed and other liabilities EUR 775 (31 Dec 2022: EUR 1,445) million
- Unemployment rate 7.2% in June 2023 (6.8% in June 2022)
- Return on investments 1.3% (-2.7%)



Managing Director's review

Finland's economic growth continued to slow down, and the number of announcements concerning change negotiations and lay-offs increased in the first half of 2023. Despite this, employment remained at a good level in Finland and the total of wages and salaries increased, boosting the income from unemployment insurance contributions. We expect Employment Fund to produce a clear surplus this year, as a result of which our net position, i.e. the Fund's business cycle buffer, will increase and should exceed its statutory maximum amount already during the current year.

Our liquidity has remained good, and the financing for unemployment benefits has been secured. In June, we paid off one of the two bonds taken out during the COVID-19 pandemic, which amounted to EUR 600 million.


We once again managed to achieve the targets set for our statutory services in the first six months of the year. Thanks for this go to all employees of Employment Fund. We have had a particular focus on ensuring a good customer experience, increasing automation and improving efficiency.

We have also built up the capabilities required by our IT strategy and prepared our key development projects.

The collection procedure of unemployment insurance contributions has largely been automated. We have also continued to automate the processing of applications for adult education allowance by increasing the degree of automation in the handling of payment applications and by introducing automated decision-making on applications for continued entitlement to the allowance. The number of applications for adult education allowance reached a record-breaking level in the first six months of the year. While the level of customer satisfaction with the Fund's services was already high, it has continued to improve.

At the beginning of the year, we started the implementation of the new transition security package. Additional days of unemployment security will be phased out and replaced by a transition security package financed by Employment Fund.





We have had a particular focus on ensuring a good customer experience, increasing automation and improving efficiency.

Employment Fund's Board of Directors adopted new strategic objectives for the Fund in May. In line with the updated objectives, we will produce reliable and high-quality services for the digital era, increase productivity and efficiency, and produce an excellent customer and personnel experience. The efforts to update the strategy will continue in the autumn as we work on our values together with the personnel.

NEW GOVERNMENT PROGRAMME TO HAVE A SIGNIFICANT IMPACT ON THE FUND

Prime Minister Orpo's government began its work in the Midsummer week 2023. The Government Programme contains many sections relevant to Employment Fund's tasks. Its entries concerning changes to unemployment security would reduce the unemployment security expenditure for the funding of which Employment Fund is responsible. In addition, the Government Programme makes reference to preparing a universal model of unemployment security by the government's mid-term review.

The plan to abolish the adult education allowance from 1 August 2024 is a significant and surprising policy from Employment Fund's perspective. The proposal has sparked plenty of debate in the media and society in general. Employment Fund's Board of Directors also discussed this issue as soon as the Government Programme had been published in June. The granting of adult education allowance is based on the law, which means that for the time being, we will continue to grant and pay out the allowance in compliance with the valid legislation.

Before the contents of the Government Programme became known in June, we published a study on the perceived impact of the adult education allowance, which was responded to by nearly 5,000 allowance users. Since the Government Programme was published, we have actively produced information on the adult education allowance and its use to support discussions and decisions on this matter. At the time of the writing of this review, we are preparing

an impact assessment of the Government Programme entries from Employment Fund's perspective. The impact assessment will be discussed at Employment Fund's Board meeting in August.

UNEMPLOYMENT INSURANCE CONTRIBUTIONS COULD BE REDUCED IN 2024

In spring, Employment Fund's Board issued an estimate of the level of unemployment insurance contributions in 2024, according to which the contributions could be reduced by 0.00 to 0.50 percentage points. The actual decision on the Fund's proposal will be made at the Board of Directors' and Supervisory Board's meetings in late August 2023. As the proposal on the contributions is prepared, the latest forecasts of economic development and employment trends as well as an estimate of how the Government Programme entries will affect the contribution level will be taken into account.

JANNE METSÄMÄKI
Managing Director

Employment Fund's operating environment

General economic development showed signs of stagnation both in Finland and internationally in early 2023. The strong increase in consumer prices that began in 2022 eroded consumers' purchasing power, the number of investments declined, and confidence indicators in most sectors showed weakening expectations. Finland's total output was expected to remain at the previous year's level in 2023.

While employment had grown for a long while and remained at a good level during the period under review, its long-term growth stalled. The economic slowdown heralded more announcements of change negotiations in companies, and the number of lay-offs increased slightly. The unemployment rate started increasing slightly, which was not yet reflected in the amounts of funding needed for unemployment security.

Employment remained at a good level during the period under review.

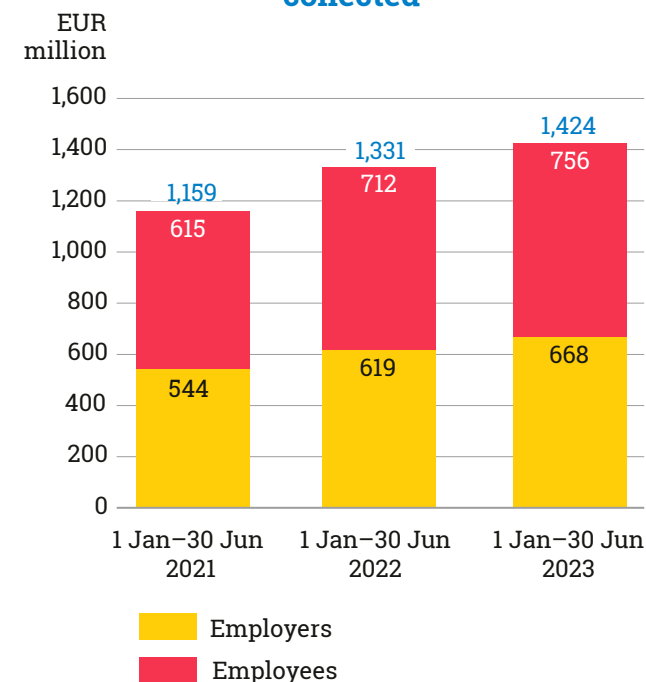


UNEMPLOYMENT INSURANCE CONTRIBUTIONS

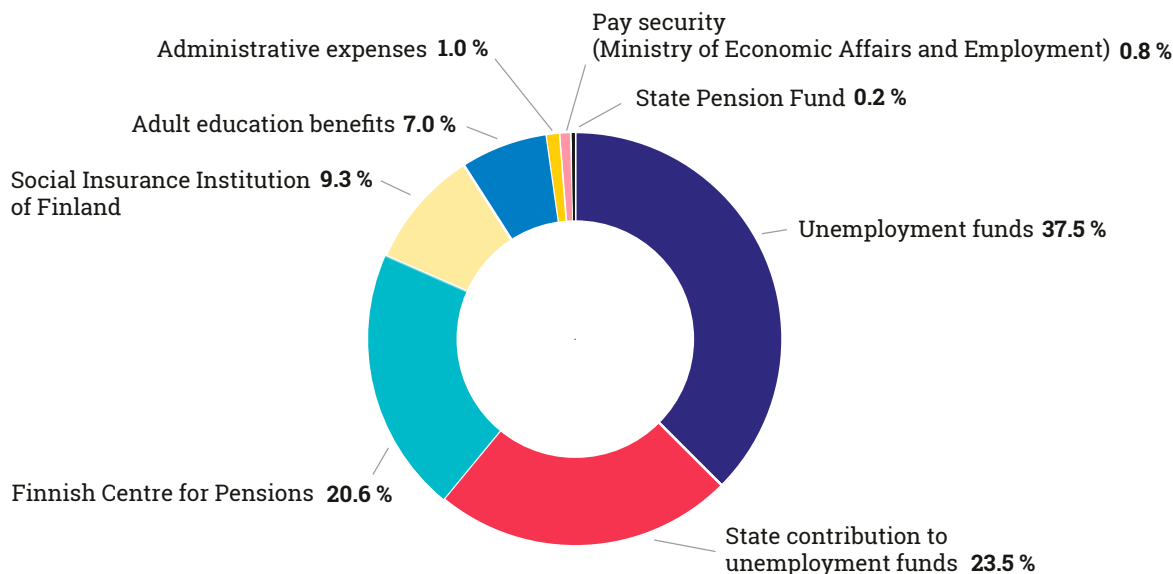
The total of unemployment insurance contributions for 2023 is approx. 3% of the total amount of wages (3% in 2022). While the contributions remained at the previous year's level, a separate 0.03 percentage point increase was included in the employer's average contribution to finance the transition security scheme that entered into force on 1 January 2023. Employers' contribution is 0.52% of paid wages up to EUR 2,251,500, and 2.06% for the part of wages and salaries that exceed this amount. Employees' contribution is 1.50%.

The unemployment insurance contributions collected amounted to EUR 1,424 million (1,331 million) in total, and state contributions paid by the Ministry of Social Affairs and Health were EUR 348 million (384 million) between 1 January and 30 June 2023. The amount of unemployment benefits and adult education benefits paid was EUR 1,462 million (1,573 million).

Unemployment insurance contributions collected



Financing contributions paid



A DEVELOPMENT AREA IDENTIFIED IN CUSTOMER SATISFACTION

The CSAT index of the unemployment insurance contribution service (share of customers who were fully and very satisfied out of all respondents) in January-June was 75%. Itemised by the channel used, the results show that customers were satisfied with the service they received by telephone (92%) and email (85%). The overall customer satisfaction is reduced by the SCAT index of the e-service, which was 36.5% for the first six months of the year. In order to improve customer satisfaction, we have launched an overall upgrade of the e-service.

EMPLOYERS PAY A NEW TRANSITION SECURITY CONTRIBUTION, LIABILITY COMPONENT PHASES OUT

The new act on transition security contributions paid by employers entered into force at the beginning of the year. The employer is obliged to pay the new transition security contribution if they have dismissed an employee aged 55 or over for production-related or financial reasons and the employee had been employed by them for at least five years. The contribution does not apply to the smallest employers, as the payroll on which the unemployment

insurance contribution is based must exceed the annually specified minimum level, which is approximately EUR 2.2 million in 2022. The termination date must be 1 January 2023 or later.

We successfully deployed our new information system for collecting and processing transition security contributions at the beginning of 2023. The collection of contributions from employers has begun as planned, and we have trained the personnel with our new statutory task related to transition security. We have also actively provided employers with advice on questions related to the transition security contributions.

The contributions are used to finance terminated employees' transition security package. It consists of training organised by the Employment and Economic Development Office for the terminated employee corresponding to two months' wages, and transition security allowance corresponding to one month's wages paid by the Social Insurance Institution or an unemployment fund.

Under the new Act, the right to additional days of unemployment security ('pathway to retirement') will be phased out. This also means

that the employer will no longer be obliged to pay a liability component for employees they have terminated or laid off temporarily.

This year, we began handling liability component cases concerning employees born in 1961, who may be entitled to additional days one year later than their predecessors. The benefit expenditure paid for them is calculated up to an age one year higher than for previous cohorts, or until they turn 64. Employees born in 1964 are the last age group who are entitled to the additional days and for whom the employer is obliged to pay the liability component. Consequently, the liability component will be finally phased out by 2035 at the latest.





Automated processing was used for 83.4% of monthly payment applications between January and June.

ADULT EDUCATION BENEFITS

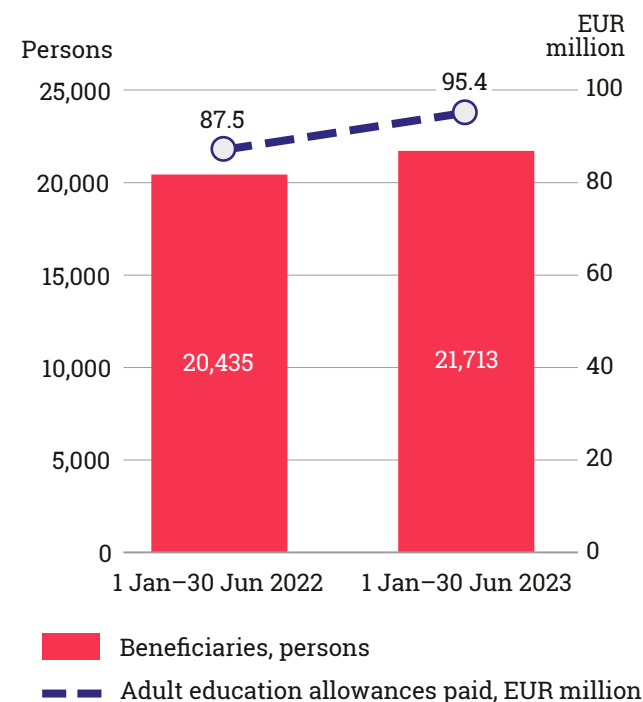
A legislative amendment that entered into force on 1 August 2020 has permanently increased the number of applications for adult education allowance. The increase in the number of applications is due to the multi-stage application process introduced under the new Act: while the initial decision is valid, the beneficiaries apply for payments retrospectively each month. The vast majority of payment applications are received in the first week of the calendar month, which sets requirements for their efficient processing. We have automated the processing of payment applications, and 83.4% of the monthly applications went through fully automated processing in January–June 2023. The automation rate of payment application processing increased by 9.7 percentage points compared to the corresponding period in 2022.

Between January and June 2023, we received 7,961 initial applications and 81,707 payment applications. In 2022, 89,304 applications were received during the same period, which means that the number of applications remained more or less the same (with an increase of 0.4%). In January–June, we paid adult education allowances to 21,713 (20,435) people, totalling approximately EUR 95.4 million (87.5 million). The number of adult education allowance beneficiaries increased by 6.3% year on year.

WE IMPROVED THE E-SERVICE FOR ADULT EDUCATION ALLOWANCE AND EXPANDED AUTOMATION

Our efforts to develop adult education allowance had a particular focus on improving e-services and automated processing. To make using our services easier, we dropped separate application types in our e-service and introduced a single application path on which customers are directed to the next step based on their choices.

Beneficiary numbers and adult education allowances paid



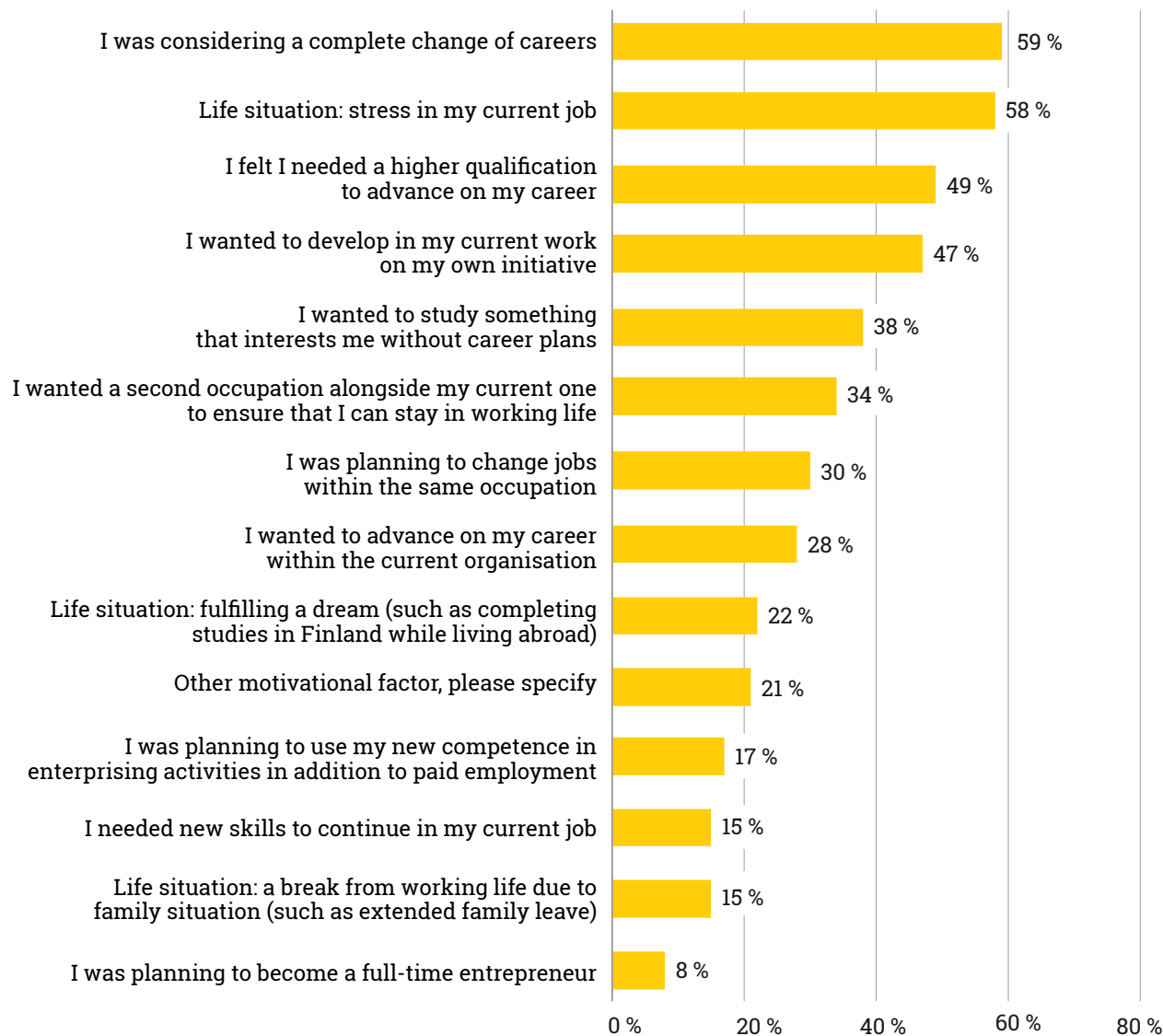
In early summer, we were one of the first organisations to implement the legislation on automated decision-making, which entered into force on 1 May 2023, as we started the automated processing of applications for continued entitlement.

THE FIRST LARGE-SCALE CUSTOMER SURVEY PRODUCED IMPORTANT INFORMATION ON ALLOWANCE USE

In spring 2023, a customer survey was conducted for the first time in the history of the adult education allowance, in which we examined the main motives behind applying for the allowance and impacts of the allowance experienced by customers. The respondents comprised 4,965 customers who had received their most recent adult education allowance in 2019–2021. The main finding was that many people apply for the allowance in order to move to another sector, and in most cases the career change plans were motivated by stress in their current jobs. Almost 70% of the applicants had put their plans for changing careers into practice. The allowance is also used to study for qualifications required for career advancement.

The customer survey showed that beneficiaries use the allowance responsibly and diversely to solve working life challenges.

Main motivational factors for applying for the allowance reported by adult education allowance beneficiaries



APPLICATIONS FOR SCHOLARSHIPS FOR QUALIFIED EMPLOYEES INCREASED

Between January and June, the number of applications for scholarships for qualified employees increased by 3.3% year on year. In total, we received 19,615 applications (18,994). Between January and June, we paid scholarships for qualified employees to 17,944 (14,953) people, totalling approximately EUR 7.4 million (6.1 million).

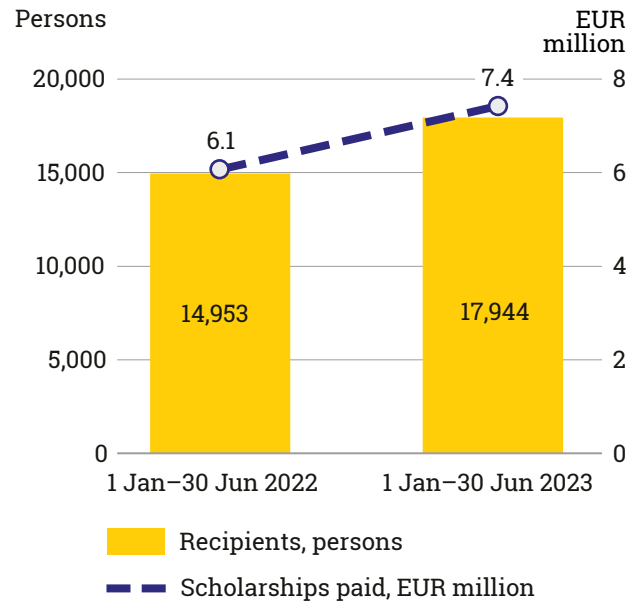
SCHOLARSHIPS ARE FINANCIALLY SIGNIFICANT FOR BENEFICIARIES

In a survey conducted in spring 2023, we examined how those who had received a scholarship for a qualified employee found that the scholarship had impacted the completion of their studies and how and at what stage they were informed of the scholarship. Responses were received from 1,410 people who had received a scholarship in 2019–2021.

The respondents’ views of the scholarship’s impact on completing their studies were divided. The scholarship was regarded as financially very or extremely important by 73.4% of the respondents. Its impact was found high or very high by 34.8%, whereas about one quarter of the respondents felt that it had no impact on the completion of their studies.

The goal of the scholarship for a qualified employee is to encourage students to complete their studies aiming for a vocational qualification, and in order for this goal to be met, it is important that students hear about the scholarship as early as possible.

Recipients and paid scholarships for qualified employee



HIGH LEVEL OF CUSTOMER SATISFACTION

The CSAT index (customer satisfaction index, share of respondents who were fully and very satisfied) of adult education benefits has remained high. The highest level of customer satisfaction was achieved in the telephone service and adult education allowance payment applications, both of which had a CSAT index of over 90% for the period under review. Through process development, we have also succeeded in improving the customer satisfaction index given by those who used the adult education allowance employer form to 76%. Overall satisfaction with the adult education allowance services was 82% in the first half of the year.



Personnel

On average, Employment Fund employed 176 people in the first half of 2023. At the end of June, the Fund had 186 employees, including 166 in permanent and 20 in fixed-term employment relationships.



The Fund’s annual personnel survey was conducted in March. Our People Power index was 66.5, showing a slight decrease from the previous spring’s result of 68.3. A positive trend could be observed in the People Power index for supervisors, however, which was 75 compared to 71.1 in the previous spring.

Based on the personnel survey, we identified clarifying decision-making and developing communication within the work community as particular development areas. We will monitor the success of the development measures with two pulse surveys during the year.

As particular strengths of Employment Fund in this survey emerged knowledge of the values and goals and observing them in everyday life as well as equal and fair treatment of the personnel. The index for the Fund’s line management was significantly higher than the

average significantly higher than in our control group. Our multifunctional offices introduced at the beginning of 2022 and the hybrid work model, which was found very flexible, were also highly praised.

In March we celebrated the Work Community Week, which included training, discussion events and activities to strengthen the sense of community for all Employment Fund employees.



Risk management

Risk management is part of Employment Fund's governance. Its goal is to ensure risk awareness in decision-making and to support goal achievement. Risk management produces high-quality information on risks and threats to the Fund and provides recommendations for measures to prevent them.

Various external threats, including cyber attacks and the risks associated with them, have increased in our operating environment in recent years. The same trend continued in the first half of 2023. We prepare for external threats by such means as exercises and instructions issued to our personnel as well as being closely involved in relevant networks.

Each employee of Employment Fund plays an important role in risk management. This is why our entire personnel has been trained to identify potential threats to our operations and to report them following the agreed process. The Head of Risk Management supports the

personnel in identifying and managing risks and regularly reports on the risk management situation to the Management Group, Audit Committee and Board of Directors.

We identify and manage risks following the principles adopted by the Fund's Board of Directors. We are also continuously developing our risk management practices.

“Each employee of Employment Fund plays an important role in risk management.”

RISK MANAGEMENT SAFEGUARDS LIQUIDITY

To manage financial risks arising from changes in the operating environment, we rely on such means as diverse forecasting methods and timely adjustments of unemployment insurance contributions. To safeguard our liquidity, we make low-risk investments and strive to secure good borrowing possibilities. Employment Fund additionally has a statutory business cycle buffer to reduce the need for changes in the level of unemployment insurance contributions due to cyclical fluctuations.

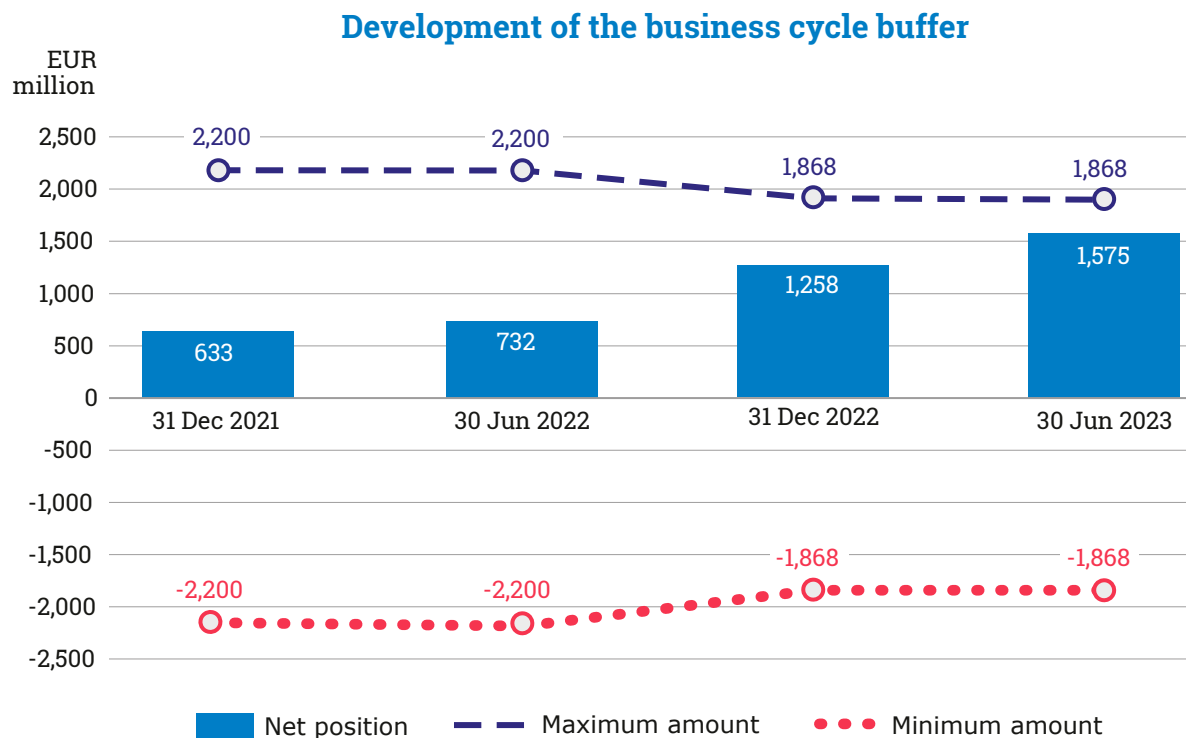
Financial risk management in Employment Fund has relied on the same principles as before. These principles are described in the latest annual financial statement. For the most significant financial risks in the first half of the year, see the notes on financial risks on page 36. In other respects, there have been no significant changes in risks or uncertainties.

“ We manage financial risks arising from changes in our operating environment by such means as diverse forecasting methods and timely adjustments of unemployment insurance contributions.

Business cycle buffer

As required under the law, Employment Fund maintains a business cycle buffer in order to ensure liquidity and balance out changes in unemployment insurance contributions. The business cycle buffer accrues on the basis of the difference between Employment Fund’s assets and liabilities. When the unemployment insurance contributions are set, the forecast for the maximum amount of assets or liabilities in the cyclical buffer may not exceed liabilities corresponding to an unemployment rate of six percentage points. When the decision on the level of unemployment insurance contributions is made, the forecast for the business cycle buffer may by law exceed the maximum amount of assets over two years during a three-year review period in order to ensure a steady payment trend. In this case, however, unemployment insurance contributions may not be set higher than in the previous year. The maximum amount of the business cycle buffer is calculated on the basis of the figures in the annual financial statements.

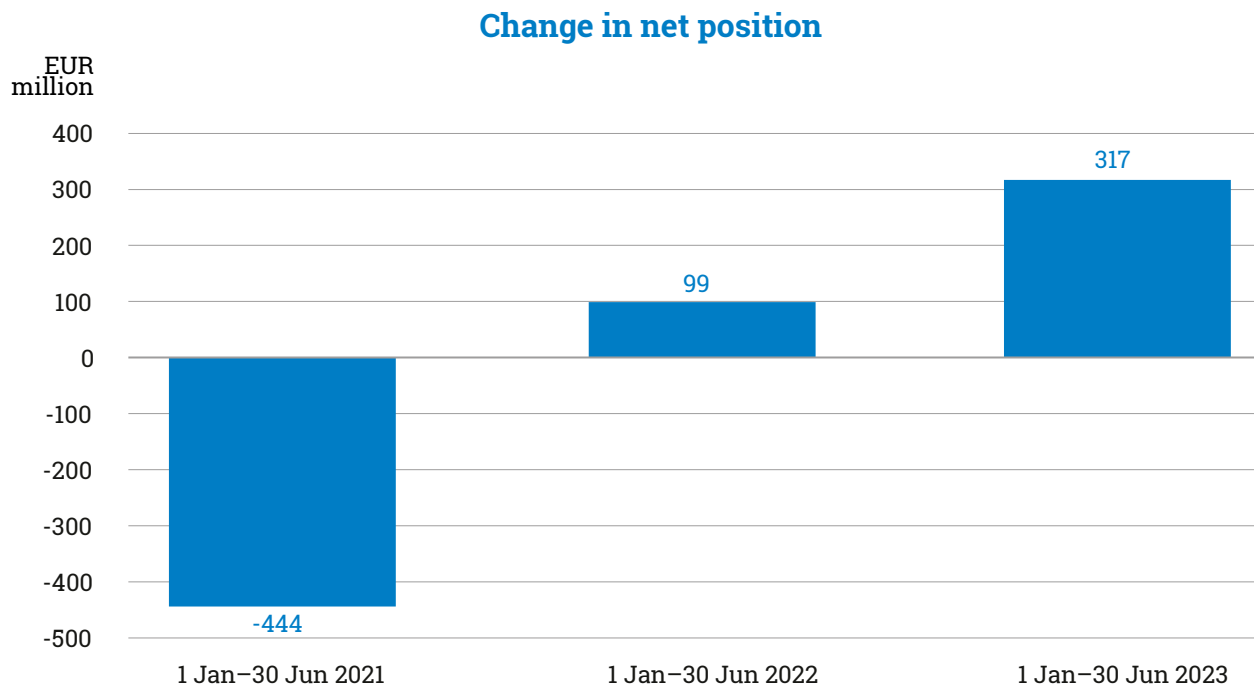
The maximum amount of the business cycle buffer allowed under the Act on the Financing of Unemployment Benefits was EUR 1,868 million on 30 June 2023. The amount of net position in the business cycle buffer was EUR 1,575 million on 30 June 2023 (1,258 million on 31 December 2022).





We estimate that the Fund’s net position would increase by approximately 780 million euros in 2023, which would amount to net position of approximately EUR 2,040 million at the end of 2023.

According to the 2023 budget submitted to the Ministry of Social Affairs and Health in April, the Fund’s net position will amount to EUR 1,800 million on 31 December 2023. At the time of preparing the half-year financial statements, we estimate that the Fund’s net position would increase by approximately 780 million euros in 2023, which would amount to net position of approximately EUR 2,040 million at the end of 2023.



Investment activities

Employment Fund carries out investment activities to the extent necessary to manage the timing differences in the cash flows generated by its income and expenses, and for liquidity management purposes.

On 30 June 2023, Employment Fund's investment and financial assets amounted to EUR 1,340 million (1,885 million at year end in 2022).

During the first half of 2023, the investment market developed relatively well, despite the deteriorating economic situation and rising interest rates. Stock prices recovered from their decline in 2022, and significant drops in value were no longer observed in bond prices, despite the fact that central banks increased key interest rates steadily in early 2023.

One of the main goals of Employment Fund's investment activities is to support the performance of the Fund's statutory duties and to ensure sufficient liquidity to finance the expenses for which Employment Fund is responsible. The Fund's Board of Directors determines the goal for our investments in the annually approved investment plan, and decides on the allocation of investment funds across different asset classes.

In January–June 2023, we made a higher share of short-term fixed-income investments to prepare for the repayment of a EUR 600 million bond due in June 2023. At its June meeting, the Board of Directors adopted a new investment plan for the period 1 July to 31 December 2023, in which the effects of the bond repayment on the amount of the Fund's investment assets are taken into account.

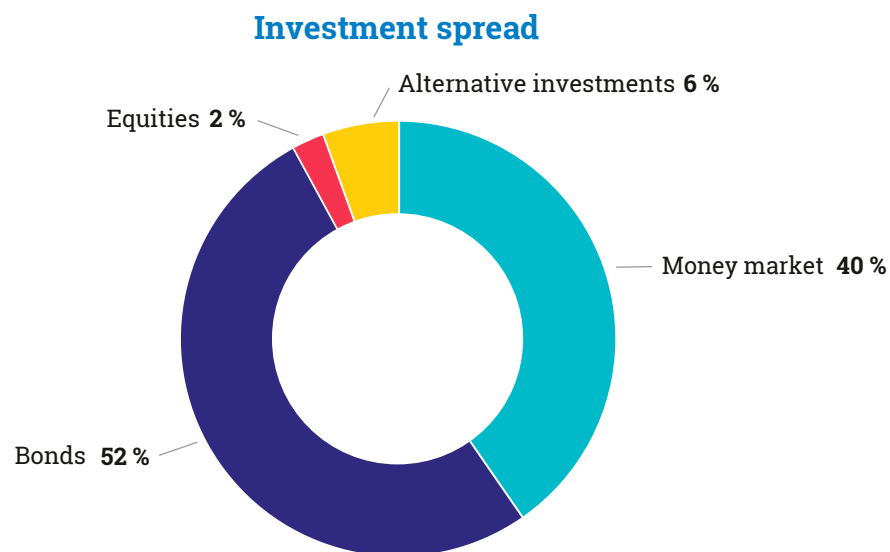




Supporting the performance of our statutory tasks is a key goal of the Fund's investment activities.

We invested actively in money market instruments, bonds, funds, equities and alternative investments. At the end of the review period, money market investments accounted for EUR 547 million (655 million), bonds for EUR 700 million (520 million), equities for EUR 33 million (21 million), and alternative investments for EUR 75 million (73 million) of the Fund's assets.

Between January and June 2023, we achieved a return of 1.3% (-2.7%) on invested assets. This return exceeded the expectation entered in the investment plan and was quite close to the reference return on investment activities.



Events after the period under review

No significant changes occurred in Employment Fund's financial position since the end of the survey period.

Helsinki 29 August 2023
Employment Fund
Board of Directors





Half-year Report financial statements

STATEMENT OF CHANGES IN NET POSITION

EUR thousand	Note	1 Jan–30 Jun 2023	1 Jan–30 Jun 2022	1 Jan–31 Dec 2022
Contributions collected				
Unemployment insurance contributions	1	1,772,645	1,714,614	3,490,831
Total contributions collected		1,772,645	1,714,614	3,490,831
Financing contributions paid				
Financing contributions paid	2	-1,462,398	-1,572,768	-2,809,083
Administrative expenses	3	-15,419	-11,683	-22,685
Total financing contributions paid		-1,477,817	-1,584,451	-2,831,768
Net fair value gains on investments	4	21,925	-31,095	-36,155
Financing costs		-201	84	1,806
CHANGE IN NET POSITION		316,552	99,151	624,714

STATEMENT OF NET POSITION

EUR thousand	Note	30 June 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment		3,478	3,365
Intangible assets		1,576	2,581
Total non-current assets		5,054	5,946
Current assets			
Unemployment insurance contributions receivables		3,883	13,626
Accruals of unemployment insurance contributions		794,506	701,769
Other receivables		206,083	96,348
Investment assets	5	1,205,248	1,660,524
Cash and cash equivalents		135,243	224,711
Total current assets		2,344,963	2,696,977
Total assets		2,350,017	2,702,923

EUR thousand	Note	30 June 2023	31 December 2022
NET POSITION			
For previous periods		1,257,977	633,263
For the period		316,552	624,714
Total net position		1,574,529	1,257,977
LIABILITIES			
Non-current liabilities			
Bonds		598,420	598,205
Total non-current liabilities		598,420	598,205
Current liabilities			
Loans		0	700,404
Unemployment insurance contribution liabilities		2,159	1,533
Other liabilities		174,909	144,805
Total current liabilities		177,068	846,741
Total liabilities		775,488	1,444,946
Total net position and liabilities		2,350,017	2,702,923

STATEMENT OF CASH FLOWS

EUR thousand	1 Jan–30 Jun 2023	1 Jan–31 Dec 2022
Unemployment insurance contributions collected	1,705,460	3,484,581
Financing contributions paid	-1,547,205	-2,901,148
Interests paid	-104	-2,186
Net cash and cash equivalent used in ordinary operations	158,151	581,247
Cash flows from investments		
Purchases of property, plant, and equipment	0	0
Purchases of intangible assets	0	-971
Investments in financial instruments	-1,916,512	-2,954,750
Sales of investment instruments and realised income	2,369,082	2,307,437
Other non-current assets	0	0
Net cash and cash equivalents generated from investments	452,570	-648,283
Loans withdrawn and repaid	-700,189	-578
Net cash and cash equivalents generated from financing activities	-700,189	-578
Net increase/decrease in cash and cash equivalents	-89,468	-67,615
Cash and cash equivalents at the beginning of the financial period	224,711	292,326
Cash and cash equivalents at the end of the financial period	135,243	224,711

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Accounting principles used to prepare the Half-year Report

Accounting principles used to prepare the Half-year Report

The half-year report of Employment Fund has been prepared in accordance with the IAS 34 Interim Financial Reporting standard. The accounting principles and calculation methods used in the previous annual financial statements have been adhered to in the Half-year Report.

The published data of the Half-year Report has not been audited.



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Notes

1 UNEMPLOYMENT INSURANCE CONTRIBUTIONS

EUR thousand	1 Jan–30 Jun 2023	1 Jan–30 Jun 2022	1 Jan–31 Dec 2022
Employer's unemployment insurance contributions			
Employer's insurance contributions	658,623	606,687	1,323,956
Employer's insurance contributions, co-owners	1,019	1,021	2,021
Total	659,642	607,708	1,325,977
Employee's unemployment insurance contributions			
Employee's insurance contributions	754,795	710,638	1,420,828
Employee's insurance contributions, co-owners	1,450	1,500	2,979
Total	756,245	712,138	1,423,808
Collection fee income and credit losses			
Interest on overdue employer contributions	83	34	299
Interest on overdue employee contributions	8	-7	330
Collection fee income	199	175	275
Total	289	201	905
Employer's liability components and transition security contributions			
Liability components	8,454	8,830	19,595
Transition security contributions	48	0	0
Accruals	-783	1,665	2,729
Total	7,720	10,495	22,324
Deductions under the Employment Contracts Act			
Deductions under the Employment Contracts Act	442	496	974
Settlement to the Ministry of Social Affairs and Health	2	45	-489
Total	444	540	484
Contributions from the Ministry of Social Affairs and Health			
Earnings-related unemployment allowance	343,322	377,864	703,550
Job alternation compensation	4,639	4,696	11,012
Equalisation payment for the previous year	-1,056	-386	-121
Adult education benefits	1,400	1,357	2,892
Total	348,305	383,531	717,334
Total unemployment insurance contributions	1,772,645	1,714,614	3,490,831

2 FINANCING CONTRIBUTIONS PAID

EUR thousand	1 Jan–30 Jun 2023	1 Jan–30 Jun 2022	1 Jan–31 Dec 2022
Contributions paid by Employment Fund			
Other earnings-related unemployment allowance	-321,081	-371,275	-684,505
Additional days of allowance	-74,696	-70,639	-138,902
Transition security allowance	-1,477	0	0
Earnings-related allowance paid during the lay-off period	-147,217	-128,665	-191,114
Job alternation compensation	-5,755	-6,140	-14,481
Compensation for administrative expenses	-5,458	-5,373	-10,732
Equalisation payment for the previous year	1,615	822	822
Total	-554,069	-581,270	-1,038,912
Government contribution paid to unemployment funds			
Other earnings-related unemployment allowance	-336,052	-369,928	-688,419
Job alternation compensation	-4,639	-4,696	-11,012
Unemployment allowance/entrepreneurs	-3,073	-3,846	-6,963
Compensation for administrative expenses	-4,197	-4,090	-8,169
Equalisation payment for the previous year	1,056	386	386
Total	-346,905	-382,174	-714,176
Finnish Centre for Pensions			
Equalisation payment for the previous year	31,700	36,872	36,872
Payment for the current financial period	-336,500	-405,000	-633,000
Total	-304,800	-368,128	-596,128
State Pension Fund			
Equalisation payment for the previous year	378	607	505
Payment for the current financial period	-3,753	-4,743	-8,570
Total	-3,375	-4,136	-8,065

EUR thousand	1 Jan–30 Jun 2023	1 Jan–30 Jun 2022	1 Jan–31 Dec 2022
Social Insurance Institution of Finland			
Equalisation payment for the previous year	0	1	1
Basic allowance, additional component, employment programme additional benefit	-136,500	-133,500	-242,700
Social Insurance Institution, transition security	-1,635	0	0
Total	-138,135	-133,499	-242,699
Adult education benefits			
Scholarships for qualified employees	-7,439	-6,139	-11,467
Adult education allowance	-95,428	-87,544	-177,871
Collection expenses for benefits	-2	-4	-8
Total	-102,869	-93,686	-189,347
Ministry of Economic Affairs and Employment			
Equalisation payment for the previous year	0	0	0
Payment for the current financial period	-12,248	-9,929	-19,786
Transition security from the Development and Administration Centre for ELY Centres and TE Offices	-12	0	0
Total	-12,261	-9,929	-19,786
Member State invoicing for unemployment allowances			
Invoiced by Member States	0	-6	-61
Invoiced by the Fund	15	61	92
Total	15	55	31
Total financing contributions paid	-1,462,398	-1,572,768	-2,809,083

3 ADMINISTRATIVE EXPENSES

EUR thousand	1 Jan–30 Jun 2023	1 Jan–30 Jun 2022	1 Jan–31 Dec 2022
Personnel expenses			
Salaries, bonuses, and benefits	-5,066	-4,317	-8,474
Pension expenses – defined contribution plans	-866	-751	-1,494
Social security expenses	-186	-99	-297
Total	-6,117	-5,167	-10,265
Management salaries and bonuses paid			
Management Group (excl. Managing Director)	-280	-257	-568
Managing Director	-114	-98	-179
Board of Directors and Supervisory Board	-81	-79	-152
Pension expenses – defined contribution plans	-84	-78	-159
Total	-558	-512	-1,058
Other administrative expenses			
IT expenses	-3,758	-1,962	-3,258
Other personnel expenses	-338	-195	-450
Expenses for office premises	-58	-191	-232
Office expenses	-967	-820	-1,528
Other expenses	-2,839	-1,912	-4,177
Amortisation	-1,332	-1,427	-2,689
Total	-9,291	-6,507	-12,335
Auditor's fee			
Statutory audit	-10	-9	-85
Other fees	0	0	0
Total	-10	-9	-85
Total administrative expenses	-15,419	-11,683	-22,685

Number of personnel	1 Jan–30 Jun 2023	1 Jan–30 Jun 2022	1 Jan–31 Dec 2022
Employees			
Permanent employees	166	142	151
Fixed-term employees	20	32	16
Total	186	174	167

4 NET FAIR VALUE GAINS FROM INVESTMENTS

EUR thousand	1 Jan–30 Jun 2023	1 Jan–30 Jun 2022	1 Jan–31 Dec 2022
Dividend income	2,290	1,573	1,753
Gains on disposals	2,245	2,443	5,263
Other income	1,299	5	671
Net interest income	13,925	1,668	7,034
Net foreign exchange gains	0	391	391
Net change in value	8,347	-28,070	-35,402
Losses on disposals	-6,040	-9,021	-15,667
Other expenses	-141	-85	-199
Net gains on investments	21,925	-31,095	-36,155

5 INVESTMENT ASSETS

Investments in financial assets have been designated as financial assets at fair value through profit and loss. Measurement of these assets is primarily based on either quoted prices or valuations based on available market data. Financial instruments carried at fair value have been divided into three hierarchy levels based on whether they are traded in active markets, and to what extent the inputs are based on observable market data, as follows:

On **level 1**, the valuation is based on quoted prices in active markets for identical financial assets and liabilities.

On **Level 2**, the inputs used in valuations are also based, either directly or indirectly, on using valuation techniques on observable inputs other than those on Level 1.

On **level 3**, the valuation is based on information other than observable market data.

In the tables, investments have been specified by financial instrument classes divided into fair value hierarchy levels. No reclassifications have been made between the hierarchy levels between January and June.

5 INVESTMENT ASSETS

30 June 2023, EUR thousand	Level 1	Level 2	Level 3	Total
State and municipal bonds	290,384	29,670	0	320,054
Bank bonds	223,714	0	0	223,714
Corporate bonds	162,394	0	0	162,394
Investments in funds and equities	146,116	13,947	0	160,063
Mezzanine funds	0	0	1,071	1,071
Deposits	0	43,811	0	43,811
Certificates of deposit	0	43,212	0	43,212
Municipal papers	0	0	0	0
Commercial papers	0	177,221	0	177,221
Alternative investments	0	0	73,706	73,706
Total	822,608	307,862	74,778	1,205,248

31 December 2022, EUR thousand	Level 1	Level 2	Level 3	Total
State and municipal bonds	181,471	49,587	0	231,058
Bank bonds	297,854	0	0	297,854
Corporate bonds	166,536	0	0	166,536
Investments in funds and equities	146,135	13,795	0	159,931
Mezzanine funds	0	0	1,030	1,030
Deposits	0	168,165	0	168,165
Certificates of deposit	0	372,754	0	372,754
Municipal papers	0	7,979	0	7,979
Commercial papers	0	181,288	0	181,288
Alternative investments	0	0	73,928	73,928
Total	791,997	793,568	74,958	1,660,524

CHANGES IN LEVEL 3 FINANCIAL ASSETS MEASURED AT FAIR VALUE

EUR thousand	1 January 2023	Unrealised profit/loss	Realised profit/loss	Purchases	Sales	30 June 2023
Mezzanine funds	1,030	55	0	1	15	1,071
Alternative investments	73,928	-1,788	0	1,595	28	73,707
Total	74,958	-1,733	0	1,596	43	74,778

EUR thousand	1 January 2022	Unrealised profit/loss	Realised profit/loss	Purchases	Sales	30 June 2022
Mezzanine funds	1,988	3	0	7	-761	1,237
Alternative investments	40,877	269	0	30,768		71,914
Total	42,865	272	0	30,775	-761	73,151

6 LIABILITIES AND RECEIVABLES SEPARATED FROM NET POSITION

EUR thousand	30 June 2023	31 December 2022
Committed capital	5,250	5,250
Realised	-5,058	-5,056
Total investment commitments	192	194

Investment funds acquire call investments based on the financing needs of the investment fund.

The commitments have no maturity date.

FINANCIAL RISK FACTORS**Market risk**

The main market risk factor for Employment Fund's investments and liabilities is the interest rate risk. The Fund's investment portfolio is dominated by fixed-income investments (bonds and money market investments).

Employment Fund may make investments directly, or indirectly through investment funds. At the end of the review period, 19% (31 Dec 2022: 14%) of the investments were indirect.

On 30 June 2023 and 31 December 2022, the market risks for the investments were as follows:

30 June 2023	Risk (%)	Capital, EUR thousand	Risk, EUR thousand
Bank deposits	0.50%	149,191	746
Money market	1.00%	397,697	3,977
State and municipal bonds	4.00%	290,384	11,615
Bank bonds	4.50%	233,316	10,499
Corporate bonds	5.00%	176,520	8,826
Equities	25.00%	32,553	8,138
Alternative investments	10.00%	74,778	7,478
Total risk	3.79%	1,354,439	51,279

31 December 2022	Risk (%)	Capital, EUR thousand	Risk, EUR thousand
Bank deposits	0.50%	218,108	1,091
Money market	1.00%	830,516	8,305
State and municipal bonds	4.00%	231,058	9,242
Bank bonds	4.50%	307,430	13,834
Corporate bonds	5.00%	180,450	9,023
Equities	25.00%	36,111	9,028
Alternative investments	10.00%	74,958	7,496
Total risk	3.09%	1,878,632	58,019

The total risk was 3.79% (31 Dec 2022: 3.09% of the Fund's assets and 1.4% (31 December 2022: 1.7%) of the Fund's estimated income in 2023. The risk posed by the investment portfolio is moderate due to its conservative structure and moderately low risk level of the securities in the portfolio.

All money market investments carry variable interest rates (31 Dec 2022: 100%). Of the bonds, 9% (31 Dec 2022: 8%) were at variable rates. Variable-rate investments expose the Fund to a cash flow interest rate risk, while investments at fixed rates expose the Fund to a fair value interest rate risk.

If, on 30 June 2023, the Euribor rates and interest rate curve (swap rates) had been 0.5 percentage points higher while all other variables remained constant, the total change in net position would have been reduced by EUR 8.9 (31 Dec 2022: EUR 9.4) million smaller. Respectively, if on 30 June 2023 the Euribor rates and interest rate curve (swap rates) had been 0.5 percentage points lower, the total change in net position would have been increased by EUR 8.9 (31 Dec 2022: EUR 9.4) million.

Credit risk

The credit risk of the investments is managed by issuer credit limits. Limits for each issuer are determined by taking account of the absolute size, economic position and future outlook of the issuer. The Fund continuously monitors the credit standing and future outlook of the issuers, and when changes occur, the limits are either increased or decreased. The Fund mainly invests in banks in the Nordic countries that have high credit ratings, states with strong credit ratings (Finland, Germany, the Netherlands, Belgium, France, Austria and Sweden), companies mainly in Finland and some in Sweden, and municipalities. Cash and cash equivalents are only held at banks with high credit ratings.

The spread duration of the credit risk included in the investments at the end of the period under review was 1.45 years (31 Dec 2022: 1.28 years).

The average credit rating of the investment portfolio is evaluated on Standard & Poors' rating scale, which is based on historical probabilities of credit losses. The investment portfolio credit rating is estimated to be approx. BBB+ on 30 June 2023 (31 Dec 2022: BBB+).

The amounts of Employment Fund's unemployment insurance contribution receivables, liability component receivables, and interest receivables are included in the credit risk. The most important factor in the realisation of this credit risk is related to cases in which customers become insolvent (due to bankruptcy, corporate restructuring or debt restructuring). The number of pending bankruptcy petitions increased during the first half of 2023 compared to the same period in the previous year. A similar trend can also be seen in the number of pending corporate restructuring applications, which also shows a year-on-year increase.

Amendments to the Credit Information Act entered into force in December 2022. The fact that a payment default entry remains in the register for a shorter period if the debt is paid has had little impact on the efficiency of collecting Employment Fund's receivables.

Liquidity risk

To secure its liquidity, the Fund has investments in liquid money market instruments with less than a year's maturity at an amount that equals the Fund's expenses for one month. When the liquidity buffer decreases below this limit, the Fund uses short-term borrowing to cover the temporary liquidity deficit. For this purpose, the Fund has a EUR 300 million commercial paper programme (31 December 2022: EUR 300 million). In addition, the Fund has a total of EUR 600 million in committed credit facilities (RCF) with four banks (31 December 2022: EUR 600 million). The commercial paper programme and credit facilities remained unused.

Committed credit facilities, not in use, EUR million	30 June 2023	31 December 2022
Facilities expiring within a year	0	0
RCF (State guarantee)	0	0
Facilities expiring after a year	0	0
RCF (no State guarantee) *	600	600
Total	600	600

Uncommitted credit facilities, not in use, EUR million	30 June 2023	31 December 2022
Commercial paper programme	300	200
Total	300	200

* The contracts are subject to an extension option of 12 months.

Employment Fund has also secured its liquidity through debt financing in 2023. For financing, the Fund relies on the capital markets and domestic markets for commercial papers. At the end of the period under review, the Fund had the following credit arrangements in place.

Employment Fund has the following issuer credit ratings as confirmed by Standard & Poors (21 June 2023):

Long-term credit rating AA+, stable outlook

Short-term credit rating A-1+, stable outlook

At the end of the review period, EUR 600 million (31 Dec 2022: EUR 1,200 million) in bonds, and EUR 0 million in commercial papers (31 Dec 2022: EUR 100 million) were in use. No short-term bank loans were in use on 30 June 2023 (31 Dec 2022: EUR 0 million).

For the fixed interest rate periods for loans in the statement of the net position calculations, see the table below.

30 June 2023 Loan	Nominal value EUR million	Fixed interest rate period in years	Interest rate	Due date	Credit rating
Bond 2027	600	3.96	0.01%	16 June 2027	AA+
Total	600	3.96			

31 December 2022 Loan	Nominal value EUR million	Fixed interest rate period in years	Interest rate	Due date	Credit rating
Bond 2023	600	0.46	0.00%	16 June 2023	AA+
Bond 2027	600	4.46	0.01%	16 June 2027	AA+
Commercial papers	100	0.25	-0.05%	1–12 months	No rating
Total	1,300	2/28			

The following tables show Employment Fund's financial liabilities by group based on the maturities of outstanding contracts.

Maturities of financial liabilities based on contracts (EUR thousand) 30 Jun 2023	Less than 6 months	6–12 months	1–3 years	4–7 years	Total cash flow based on contracts	Book value assets(-)/liabilities
Accounts payable	248	0	0	0	248	248
Loans	0	60	120	600,060	600,240	598,420
Liabilities associated with right-of-use assets	349	349	1,381	1,722	3,801	3,697
Total	597	409	1,501	601,782	604,289	602,365

Maturities of financial liabilities based on contracts (EUR thousand) 31 Dec 2022	Less than 6 months	6–12 months	1–3 years	4–7 years	Total cash flow based on contracts	Book value assets(-)/liabilities
Accounts payable	881	0	0	0	881	881
Loans	700,060	0	120	600,120	1,300,300	1,298,609
Liabilities associated with right-of-use assets	3,588	0	0	0	3,588	3,588
Total	704,529	0	120	600,120	1,304,769	1,303,077



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