

Employment Fund's Board of Directors proposes a significant reduction in unemployment insurance contributions

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At its meeting on 29 August 2023, Employment Fund's Board of Directors decided to propose to the Fund's Supervisory Board a significant reduction in unemployment insurance contributions for 2024.

The employer's average unemployment insurance contribution would be 0.82 percent of salary, which is 0.72 percentage points less than in 2023. The employer's average contribution includes a separate 0.03 percentage point contribution that is used to finance the transition security. The employee's contribution would be 0.79 percent of salary, which is 0.71 percentage points less than in 2023.

According to the proposal, the employer's lower contribution would be 0.27 percent of the wage sum (up to a maximum of appr. EUR 2.3 million per year) and the higher contribution would be 1.09 percent of the wage sum (for the part that exceeds EUR 2.3 million).

According to Statistics Finland, the median salary of a Finnish wage earner for regular working hours in the private sector was 3,625 euros per month in 2022. According to the proposal, an employee earning the median salary would pay unemployment insurance contributions of 343.68 euros per year (28.64 euros per month), which is 308.88 euros less than in 2023.

The proposition on unemployment insurance contributions is based on forecasts used by Employment Fund, which have also been used to draw up the Fund's budget for 2024. The proposition on contributions also takes into account, among other things, the number of benefits to be financed and other expenses of the Fund in the coming year.

*- Despite the challenging operating environment, 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, says **Janne Metsämäki**, Employment Fund's CEO.*

*- Together, these factors, the outlook for the economy and employment, the business cycle buffer approaching its maximum amount, and the estimated cost-reducing effect of government programme's entries, influenced our assessment of the possibility of a significant reduction in unemployment insurance contributions, continues **Karo Nukarinen**, Employment Fund's CFO.*

Employment Fund's business cycle buffer had net assets of EUR 1,575 million on 30 June 2023 (1,258 million on 31 December 2022). We estimate that the amount of net assets at the end of 2023 will be approximately EUR 2,040 million positive, which exceeds the maximum amount defined by law. 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 of contributions.

Employment Fund's Supervisory Board will make a final decision on the proposal regarding the level of unemployment insurance contributions to the Ministry of Social Affairs and Health on Thursday, August 31. The Finnish Parliament will confirm the final unemployment insurance contributions in the autumn. The unemployment insurance contributions are specified by law every year.

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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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