

The level of unemployment insurance contributions decreases significantly

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On 31st of August 2023, the Employment Fund's Supervisory Board approved the Fund's budget for 2024 and decided to propose to the Ministry of Social Affairs and Health 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 unemployment insurance contribution proposal is based on economic forecasts and calculations that take into account different alternatives for the development of the economy and employment, as well as evaluate the effects of government programme's entries.

- 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, says Karo Nukarinen, Employment Fund's CFO.

Employment Fund's economy is strong and stable

In 2020 and 2021, sharply increased unemployment expenses caused by the coronavirus pandemic were financed with the Employment Fund's business cycle buffer and moderate increases in the unemployment insurance contributions. In addition, Employment Fund's solvency was secured by taking loan and issuing bonds.

In 2022 and 2023, funds have steadily accumulated in the Employment Fund's business cycle buffer, and we have paid off one loan worth EUR 600 million. 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.

- Despite the reduction in unemployment insurance contributions, Employment Fund's liquidity and benefit funding will be secured next year as well. In recent years, the business cycle buffer has shown its necessity as a safeguard for the solvency of Employment Fund and as a leveler of fluctuations in the level of unemployment insurance contributions. With the business cycle buffer almost at its maximum amount, the Fund is prepared and ready even for a surprising increase in expenses, says Janne Metsämäki, Employment Fund's CEO.

The Finnish Parliament will confirm the contributions in the autumn. The unemployment insurance contributions are specified by law every year.

Amounts %	2023e	Budget 2024	Change

Unemployment rate %	7.2	7.1	-0.1
Change in the total wage sum %	5.6	3.4	-2.2
Unemployment insurance contribution % (employers, average)	1.54	0.82	-0.72
Unemployment insurance contribution % (employees)	1.50	0.79	-0.71
Key financial figures, EUR million *			
Unemployment insurance contributions	2,996	1,624	-1,372
Other income **	767	683	-83
Unemployment benefits and allowances paid	-2,980	-2,646	-334
Change in net position	782	-338	-1,121
Net position	2,040	1,701	-338
Maximum amount of buffer	1,879	1,703	-176

* 2023 figures are unaudited estimates

** Includes contributions from the Ministry of Social Affairs and Health

Source: Employment Fund and Statistics Finland

Helsinki, 31 August 2023

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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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