

Employment Fund: Employment Fund's Financial Statement Release 2020

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Financial Statement Release
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The Employment Fund's result for 2020 was significantly in deficit due to the Coronavirus pandemic.

- Unemployment insurance contributions and other income in total EUR 3,340 (3,345) million
- Unemployment benefits, adult education benefits and administrative expenses in total EUR 3,947 (2,659) million
- Change in net position (for the financial year) EUR -623 (694) million
- Net position EUR 1,045 (1,668) million
- Investments and assets in total EUR 2,423 (1,745) million
- Raised debt and other liabilities in total EUR 1,379 (78) million
- Unemployment rate on average 7.8 (6.7) %
- Return on investments -0.7 (0.8) %

Financial information for 2019 is presented in parentheses.

Managing Director Janne Metsämäki:

The Employment Fund started the year 2020 with a good financial standing, as the Fund's business cycle buffer was almost at its maximum allowed level and the Fund's long-term loans had been paid off in the previous year. At the beginning of 2020, we successfully started utilising the income data reported in the national Incomes Register for the processing of adult education allowance applications. In March 2020, the coronavirus pandemic led to substantial changes in the functioning of societies around the world. Finland was no exception, and this was also reflected in the activities of the Employment Fund. We switched to working almost entirely remotely in mid-March. At the same time, our staff quickly adapted to working remotely and learned new ways of working.

Right from the onset of the coronavirus outbreak, it was clear that the precarious economic and employment situation would pose major challenges to the Fund's finances and liquidity. In March, the Board of the Employment Fund called on the government of Finland to secure the Fund's liquidity and the financing of unemployment allowances. Many different measures and successful cooperation with the government and financial institutions ensured that we were able to cover the significantly increased unemployment benefit costs and pay the necessary unemployment allowances. Securing funding for unemployment allowances was a particularly important step for us, as an unemployment allowance may be the only source of income for the people who receive it. Despite the exceptional circumstances, we have managed our main tasks well in 2020.

Key Figures

EURm	2020	Change %	2019
Unemployment insurance contribution income*	3,340	0 %	3,345
Total financing contributions paid	3,947	48 %	2,659
Unemployment funds (Employment Fund's contribution)	1,372	44 %	954
Unemployment funds (Government's contribution)	1,245	82 %	685
Finnish Centre for Pensions (unemployment pension security)	870	51 %	577
Adult education benefits	197	6 %	187
Social Insurance Institution of Finland (Kela)	207	1 %	206

Ministry of Economic Affairs and Employment (pay security)	25	6 %	24
State Pensions Fund	9	19 %	8
Administrative expenses	21	11 %	19
Change in net position	-623		694
Net position (business cycle buffer)	1,045		1,668
Investment return % (for fair value)	-0.7		0.8
Loans withdrawn	1,288		0
Unemployment rate (avg.)	7.8		6.7
Payment % (unemployment insurance contributions)			
Employee contribution	1.25		1.50
Employer, base	0.45		0.50
Employer, large firms	1.70		2.05

* Includes contributions from the Ministry of Social Affairs and Health

Operational environment of the Employment Fund

The Employment Fund's result for 2020 was significantly in deficit due to the coronavirus pandemic. The financial statements show a deficit of EUR 623 million for 2020. The net assets of the Employment Fund were in surplus of EUR 1,045 million at the end of the financial year, compared to EUR 1,668 million in 2019.

The unemployment rate and the number of unemployed jobseekers rose significantly as a result of the coronavirus pandemic. The average unemployment rate was about 7.8% in 2020, whereas a year earlier the average unemployment rate was about 6.7%. Unemployment insurance contributions collected decreased due to large layoffs in Finland and due to reduced unemployment insurance rates for 2020.

In 2020, the income from employers' unemployment insurance contributions totalled EUR 993 million (EUR 1,238 million), and the income from employer's liability components totalled EUR 26 million (EUR 39 million). The income from employees' unemployment insurance contributions totalled EUR 1,073 million (EUR 1,379 million).

The sum of granted adult education benefits increased slightly in 2020. Adult education allowances and scholarships for qualified employees totalled approximately EUR 197 million, showing an increase of about 6% compared to 2019. In 2020, a total of EUR 186.9 (176.6) million of adult education allowance was paid to 27,066 (25,701) individuals. In 2020, 26,511 approvals for scholarships for qualified employees were given and 26,443 beneficiaries received the scholarship. The number of approvals increased by around one per cent from 2019. A total of EUR 10.6 million was paid in scholarships, about one per cent more than the previous year (EUR 10.5 million.).

Continuous Development

Parliament approved the amended Act on Adult Education Allowance in the spring of 2020, and it entered into force at the beginning of August. The Employment Fund prepared for these future changes, for example, by introducing a new online service and processing system for allowance applications, as well as by automating the processing of payment applications. Not all objectives were met according to the original schedule, but the Fund was able to secure the processing of applications and the payment of adult education allowances during the autumn through joint efforts. It was also prepared for the second phase of the Incomes Register, where the benefits the Fund grants will be reported to the Incomes Register, and the benefits data reported to the Incomes Register will be utilised in the processing of applications from 2021 onwards.

In 2020, the Employment Fund collaborated extensively with its key stakeholders. The Fund also continued to study the recognition and reputation of the Employment Fund among the general public and influencers. The results revealed that the public's trust and the support of the Fund's stakeholders have remained at a reasonable level.

In December, the Finnish government made certain decisions that will affect the operations of the Employment Fund.

Additional days of unemployment insurance will be phased out from 2023 onwards. At the same time, the Employment Fund will no longer collect liability components. The decision is accompanied by a new security package, which would be funded

by the Employment Fund.

At the end of the year, the Ministry of Social Affairs and Health appointed surveyors to assess how the current tasks, forms of support and services of the Employment Fund for employers and individuals support continuous learning and work ability from the perspective of employers, individuals and society.

Despite the exceptional circumstances, the Employment Fund managed its main tasks well in 2020. The development of the Fund's operations will also continue in 2021.

Measures to Secure Employment Fund's Liquidity

The Employment Fund implemented a significant debt financing program in 2020, aiming to ensure the Fund's liquidity and to finance some part of the increased unemployment security expenditure caused by the coronavirus pandemic. In the spring, the Employment Fund agreed on a revolving credit facility worth 800 million euros with five Nordic banks. The facility was backed by a state guarantee. The revolving credit facility was not utilised during 2020. In June, the Fund issued two bonds in the amount of 1,200 million euros.

The Finnish state also secured the Fund's funding by contributing a sum equal to the basic unemployment allowance paid as a daily allowance to laid-off workers in 2020. This was important because layoff costs increased significantly during the spring and summer.

Despite the challenging situation, Employment Fund's liquidity remained at a good level during 2020.

Estimate of future developments

The economic outlook for 2021 is uncertain, but the economy is expected to pick up as the coronavirus pandemic is likely to slow down with the rollout of vaccinations. However, the number of unemployed jobseekers is expected to remain at a high level and the change in the Employment Fund's net assets is estimated to be clearly in deficit in 2021.

According to the 2021 budget submitted to the Ministry of Social Affairs and Health, the Fund's net position would amount to EUR 228 million on 31 December 2021. When the financial statements for 2020 were prepared, the Fund's net position at the end of 2021 was expected to be around a positive sum of EUR 400-500 million.

Financial Statement Release 2020

This stock exchange release is a summary of the Employment Fund's 2020 financial statement release and contains its key information. Financial Statement Release 2020 is published in full as a pdf file attached to this Release and is also available in Employment Fund's website at tyollisyysrahasto.fi. The Financial Statement Release 2020 is unaudited.

Financial releases in 2021

The annual report and financial statements for the financial year 2020 will be published on the Fund's website at <https://talous.tyollisyysrahasto.fi/> on 23 March 2021. The Annual Report includes the Report of the Board of Directors, Financial Statements, Corporate Governance Statement and Remuneration report. The Interim report for the period 1 Jan - 30 Jun 2021 will be published on 24 August.

Helsinki, 23 March 2021
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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](#)
- [Employment Fund Financial Statement Release 2020.pdf](#)