

Employment Fund's Half-Year Report 1 January–30 June 2020

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Stock Exchange Release
The Employment Fund
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This release is a summary of Employment Fund's Half-Year Report January–June 2020. The Half-Year Report in its entirety is attached to this release and available at website <https://economy.employmentfund.fi/>

The financial result of the Employment Fund deteriorated due to the coronavirus pandemic (COVID-19)

- Unemployment insurance contributions and other income EUR 1,454 (1,720) million
- Unemployment allowances, adult education allowances and administrative expenses paid EUR 1,772 (1,356) million
- Change in net assets (half-year result) EUR -331 (371) million
- Net assets EUR 1,337 (31 Dec 2019: 1,668) million
- Total investments and assets EUR 2,758 (31 Dec 2019: 1,745) million
- Loans disbursed and other liabilities EUR 1,373 (31 Dec 2019: 0) million
- Unemployment rate 7.9% June 2020 (6.2% June 2019)
- Return on investments -0.9% (0.7%)

Managing Director Janne Metsämäki:

Right at the beginning of the coronavirus outbreak, we realised that the significant increase in unemployment allowance contributions, particularly due to temporary lay-offs, called for exceptional measures to ensure our liquidity and the financing of unemployment daily allowances for unemployment funds.

At the end of March, the Board of the Employment Fund called on the Finnish Government to secure the financing of unemployment insurance. The liquidity of the Employment Fund was ensured by various measures. The Employment Fund agreed on a state-backed standby credit facility with several banks. The government undertook to finance the portion of earnings-related unemployment allowance in a layoff period that corresponded to basic unemployment allowance from April until the end of 2020. In June, we secured our liquidity by issuing two bonds for a total of 1.2 billion euros.

The effects of the coronavirus pandemic were also reflected in increased contacts from applicants for adult education allowances as educational institutions cancelled or reorganised their activities. Despite the exceptional circumstances, the services of the Employment Fund have worked well for our clients.

At the beginning of the year, the Employment Fund started using the Incomes Register for processing adult education allowances. The necessary income information of the applicant can now be obtained directly from the Incomes Register.

The Finnish Parliament approved the reform of the adult education allowance scheme in the spring, and the Fund has been preparing itself for the entry into force of the reform in early August. The aim of the reform is to facilitate the combining of study and work and, at the same time, to extend the adult education allowance to new groups in the labour market.

Despite the coronavirus pandemic, unemployment insurance contributions were paid as usual from the first quarter of the year. In May, the Board of the Employment Fund submitted a proposal to the government to waive the prepayment model for unemployment insurance contributions, as the use of the prepayment model has remained very low.

The Employment Fund's operating environment

The growth of the Finnish economy was weak in the early months of the year, and our operating environment changed abruptly with the coronavirus pandemic. The restrictions imposed by the coronavirus, which came into force in March, quickly and widely disrupted economic activities throughout the whole of society. This was quickly reflected in a steep rise in unemployment. In particular, the number of layoffs increased significantly in April–June from the early months of the year.

The expenditure of the Employment Fund increased significantly from what was originally budgeted. Operationally, the coronavirus crisis had a significant impact on the Fund's operations, with staff switching to working remotely in mid-March.

The financial markets experienced significant price declines in March–April, especially in listed shares, as the spread of the coronavirus pandemic increased concerns about global economic growth and corporate profitability. The rise in unemployment and layoffs that simultaneously took place increased the expenditure of the Employment Fund. In order to ensure its liquidity, the Fund had to sell the securities in the investment portfolio at reduced prices, which reduced the return on investment during the reporting period. The market returned to normal fairly soon after the government and central banks launched extensive support programmes and took responsibility for the risks posed by the coronavirus pandemic.

The recovery of equity prices and the reduction of credit risk premiums continued in April–June, and at the end of June, the market had returned to the levels of the beginning of the year in many places.

Events after the review period and outlook for the end of the year

According to the data published by Statistics Finland, the unemployment rate in Finland was 7.9 percent in June 2020, with an increase of 1.7 percentage points from the previous year. As reported by the Ministry of Employment and the Economy, the number of unemployed jobseekers increased by 162,697 people in comparison the previous year. The lay-offs increased during the spring, but have slightly declined since. The evaluation of the employment developments for the end of the year is very difficult, because it depends on the development of the COVID-19 pandemic and the economic recovery in Finland, Europe and elsewhere in the world.

The Employment Fund assessed in August 2020 that the economic recovery from the COVID-19 pandemic will start during the second half of 2020, and employment will improve slowly towards 2021. The Fund has also evaluated that its change in net position in 2020 would have a deficit of EUR 900 million and that the amount of net assets would be EUR 800 million on December 31, 2020.

The reform to the adult education allowance came into force on August 1, 2020. During the first weeks of the reform, the implementation has occurred as planned. We have received a commendable number of applications for adult education allowances based on the new legislation.

There has been considerable public discussions about the earnings-related unemployment benefits and their coverage during the summer 2020. The government programme includes a plan to assess the expansion of the unemployment benefit coverage.

Helsinki, 25 August 2020
The Employment Fund
Tapio Oksanen
Chief Financial Officer

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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](#)
- [The Employment Fund Half-year Report 2020.pdf](#)