

Increases proposed to unemployment insurance contributions

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On 27 August 2020, the Supervisory Board of the Employment Fund approved the Fund's budget for 2021 and decided to propose changes in unemployment insurance contributions to the Ministry of Social Affairs and Health as follows.

The total unemployment insurance contribution would be increased by 0.32 percentage points.

The average contribution for employers would be increased by 0.17 percentage points and the employee contribution by 0.15 percentage points. This would take the average unemployment insurance contribution for employers to 1.42 per cent and the employee contribution to 1.40 per cent of payroll in 2021.

According to the proposal, the lower contribution would be 0.50 per cent of payroll (employer's total payroll a maximum of EUR 2.1 million per annum) and the higher contribution would be 1.90 per cent (for the total payroll exceeding EUR 2.1 million). This year, the aforementioned percentages were 0.45 and 1.70.

"The funding of unemployment allowances and adult education allowances will be secured with debt financing in addition to the increases in contributions", says Chief Financial Officer **Tapio Oksanen** of the Employment Fund.

The median salary of Finnish employees is EUR 3,350 per month. After the proposed increase, an employee earning the median salary would pay EUR 562.80 per year in unemployment insurance contributions, which is EUR 60 more than in 2020. The monthly increase would be in the region of EUR 5.

Parliament legislates on unemployment insurance contributions annually.

Deficit despite increases

According to the Employment Fund's budget, the unemployment rate will be approximately 8.3 per cent in 2020 and 8.5 per cent in 2021.

The impact of the coronavirus was seen as a significant increase in unemployment allowance expenses in the spring. Layoff expenses funded by the Employment Fund increased by approximately 45% in January-April compared to the same period in 2019.

In the spring, the Employment Fund made a petition to Finland's Government that the State, e.g. contribute to layoff allowances with a government contribution equal to the basic unemployment allowance. Parliament approved the proposal, and the State will pay a share of layoff allowances until the end of 2020.

No decisions have yet been made on the State's contribution to layoff allowance costs in 2021. The Employment Fund's contribution proposal is based on the assumption that the government contribution will be paid in 2021 as well.

The Employment Fund's net position, or business cycle buffer, will be reduced by EUR 800-900 million in 2020. The change in the Employment Fund's net position is projected to be negative in 2021 too, despite the proposed increases to unemployment insurance contributions. It is also possible that the Employment Fund will have to take out more debt financing in 2021.

"We have secured our funding with proactive and determined action in the unexpected situation caused by the COVID-19 crisis. Our solvency and capacity to operate has remained stable. However, an increase in unemployment insurance contributions for 2021 will also be required in addition to the measures already taken", says **Janne Metsämäki**, Managing Director of the Employment Fund.

| Amounts % | 2019 | 2020E | Budget 2021 |
|--------------------------------|------|-------|-------------|
| Unemployment rate % | 6,7 | 8,3 | 8,5 |
| Change in the total wage sum % | 4,1 | - 1,5 | 1,9 |

| | | | |
|--|---------|---------|---------|
| Unemployment insurance contribution % employers, average | 1,50 % | 1,25 % | 1,42 % |
| Unemployment insurance contribution % employees | 1,50 % | 1,25 % | 1,40 % |
| | | | |
| Key financial figures EUR million * | | | |
| Unemployment insurance contributions | 2 663 | 2 072 | 2 357 |
| Other income ** | 688 | 1 139 | 886 |
| Unemployment benefits and allowances paid | - 2 659 | - 4 068 | - 3 825 |
| Change in net position | 694 | - 858 | - 582 |
| Net position | 1 668 | 811 | 228 |
| Maximum amount of buffer | 2 063 | 2 118 | 2 075 |

* 2020 figures are unaudited estimates

** Contributions from the Ministry of Social Affairs and Health

Source: Employment Fund, Statistics Finland

Helsinki, 27 August 2020

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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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