

Financial statement  
release

# 2023

27 February 2024



Työllisyysrahasto  
Sysselsättningsfonden | Employment Fund

## Employment Fund's key figures 2023

The employment situation in Finland remained good and as a result, the Fund posted a clear surplus for the year.

Data for 2022 is given in parentheses.

- Unemployment insurance contributions and other income EUR **3,627** (3,491) million
- Unemployment benefits, adult education benefits, and administrative expenses paid EUR **2,934** (2,832) million
- Change in net position (for the financial year) EUR **763** (625) million
- Net position EUR **2,021** (1,258) million
- Total investments and assets EUR **2,728** (2,703) million
- Loans and other liabilities EUR **707** (1,445) million
- Average unemployment rate **7.2%** (6.8%)
- Return on investments **4.1%** (-2.9%)

## Managing Director's review

Employment Fund experienced successes and achieved many of its objectives during 2023. However, the Fund also experienced unpleasant surprises that changed our plans for the second half of the year.

At the start of the year, we successfully deployed our new information system for collecting and processing transition security contributions. We increased the degree of automation in the processing of applications for adult education allowances and extended the automated decision-making to applications for continued eligibility for the allowance.

Employment Fund's Board of Directors approved the new strategic objectives for the Fund in May. In line with the updat-

ed objectives, we produce digital services reliably and with high quality, we increase productivity and efficiency, we create an excellent customer and personnel experience.

In our role as an executor of social security, we put great emphasis on social responsibility in our operations. In 2022 and 2023, we prepared a sustainability concept for the Fund to support the achievement of the sustainable development goals set by the UN in its 2030 Agenda. Sustainability is also reflected in such areas as our investment activities, acquisition of debt financing, and our equality and diversity work.



In spring, we examined why recipients of adult education allowance decide to take up studies, how they perceive the impact of the allowance on work careers and whether they feel that they have achieved their goals. This was the first such survey in the history of the adult education allowance and nearly 5,000 persons took part. Career changing plans, high work load experienced in the current job, and the desire for career advancement were key reasons behind the decision to take up studies during the work career. Quantitative and qualitative responses showed that the beneficiaries use the allowance responsibly and in a diverse manner to tackle challenges arising in working life.

We published the results of the customer survey on the perceived impact of the adult education allowance in a seminar on 15

June. The Programme of Prime Minister Petteri Orpo's Government was published the following day and it was stated in an appendix to the document that the adult education allowance would be abolished. This was followed by an announcement that the scholarship scheme for qualified employees would also end.

Discontinuation of the adult education benefits is a major change for Employment Fund even though our other statutory tasks will not be affected. Termination of the allowance scheme will also have substantial impacts on our personnel. In fact, the focus in the second half of 2023 was on change management and preparation for the change. At the same time, we produced information on the implementation of the adult education allowance for the media and our stakeholders, compiled an assess-

ment of various development proposals, and communicated extensively with our customers.

The Government proposal for the act abolishing the adult education benefits was submitted to Parliament in February 2024. The final form and approval of the act are still pending, and it has not yet been decided whether the adult education allowance scheme will be replaced with other types of support. The Ministry of Social Affairs and Health has appointed a working group to examine how continuous learning should be supported. The work will be concluded at the end of March 2024.

For Employment Fund, the year 2023 was characterised by good economic performance. The employment situation remained good and as a result, the Fund

posted a clear surplus for the year and our business cycle buffer was approaching its maximum amount. Moreover, the economic and employment outlook as well as the fact that the measures set out in the Government Programme are estimated to decrease expenditure prompted us to propose a substantial reduction in unemployment insurance contributions for 2024.

The changes to unemployment security envisaged in the Government Programme will have limited impact on the expenditure financed by the Fund in 2024 but the impact will be greater in the coming years.

In autumn 2023, a working group was appointed to examine how the savings accumulated by social insurance funds could be channelled to benefit central government finances. As part its work, the working group is also examining the channelling of

the savings accumulated by Employment Fund. We have provided the working group with information on our activities and held discussions with public officials. The tasks of Employment Fund are laid down in the law. Our main task is to finance unemployment security and other separately specified social security with the unemployment insurance contributions that we collect from employers and employees. All assets that we collect are intended for the funding tasks that we carry out as part of our statutory obligations. It is important that under the legislation based on the working group's proposals and the Government's decisions, the Fund will be able to manage the financing of unemployment security and other social insurance and to use the business cycle buffer to balance fluctuations in contributions.

The activities of Employment Fund are based on the work input of skilled and competent personnel. During the second half of 2023, we lived in uncertainty trying to prepare for the change without knowing the final content of the proposal for abolishing the adult education benefits. Our personnel are change-capable and work together for a common goal. Working together is our key resource. This is demonstrated by the fact that despite the change and uncertainty, we were able to provide our customers with an excellent customer experience and perform all our statutory tasks impeccably.

**JANNE METSÄMÄKI**

Managing Director

## Employment Fund's operating environment

The war in Ukraine and geopolitical tensions continued to slow down global economic growth in 2023.

The financial statements show a surplus of EUR 763 million for 2023. Employment Fund's net position was EUR 2,021 (1,258) million on 31 December 2023.

The Finnish economy contracted slightly but the employment situation remained relatively stable in 2023

In 2023, the unemployment insurance contribution income collected from employers totalled EUR 1,413 (1,327) million and the liability components and transition security contributions paid by employers amounted to EUR 20 (22) million. The unemployment insurance contributions paid by employees totalled EUR 1,490 (1,424) million.

In 2023, the employer's unemployment insurance contributions were 1.54% on average and employee's contributions were 1.5%. In 2024, the employer's unemployment insurance contributions will average 0.82% and employee's contri-

butions will be 0.79%. The proposal for lowering the contributions was made possible by the outlook for the economy and employment, the assets that had accumulated in the Fund's business cycle buffer and the fact that the measures set out in the Government Programme are estimated to decrease expenditure.

The popularity of adult education allowance continued to increase in 2023. We paid a total of EUR 189.3 (177.9) million in adult education allowances to 32,518 (30,124) persons. The amount paid was about 6.4% higher than in 2022. Of the recipients, 1,079 received entrepreneurs' adult education allowance and 31,439 received employees' adult education allowance.

Popularity of the scholarship for qualified employees increased slightly. We granted scholarships for qualified employees to 28,485 (27,755) persons in 2023. We paid a total of EUR 11.8 (11.5) million in scholarships.

## Employment Fund's finances

The Fund was able to substantially strengthen its business cycle buffer in 2023.

Under section 3 of the Act on the Financing of Unemployment Benefits, Employment Fund maintains a business cycle buffer to ensure liquidity and balance out changes in unemployment insurance contributions due to foreseeable economic fluctuations in the national economy.

The business cycle buffer accrues on the basis of the difference between Employment Fund's assets and liabilities. When the unemployment insurance contributions are set, the forecast for the maximum amount of assets or liabilities in the buffer may not exceed liabilities corresponding to an unemployment rate of six percentage points. 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. In that case, however, unemployment insurance contributions may not be set higher than in the previous year. The maximum amount of the business cycle buffer is calculated on the basis of the figures in the annual financial statements.

The maximum value of the buffer is calculated by dividing the annual expenses for which Employment Fund is liable (EUR 2,233 million in 2023) by the average unemployment rate for the year (7.2%), and multiplying the result by six. The maximum amount of the business cycle buffer allowed under the Act on the Financing of Unemployment Benefits was EUR 1,861 (1,868) million in 2023. Employment Fund's net position was EUR 2,021 (1,258) million at the end of 2023.

According to the budget for 2024, which we submitted to the Ministry of Social Affairs and Health in August 2023, the change in Employment Fund's net position in 2024 would be negative to the amount of EUR 338 million and its net position would be positive to the amount of EUR 1,701 million on 31 December 2024. When preparing our financial statements for 2023, we estimated that the change in Employment Fund's net position would be negative to the amount of about EUR 570 million in 2024, which would mean a positive net position of about EUR 1,450 million at the end of 2024.

## Liquidity and debt financing

Employment Fund's liquidity remained excellent in 2023 and the Fund repaid EUR 700 million of its loans as planned.

Under the investment principles approved by the Fund's Supervisory Board, in fixed-income investments with less than one year's maturity, the Fund must keep an amount that covers at least one month's expenses. In 2023, this amount was about EUR 300 million. On average, the liquidity buffer described above was 2.6 times the minimum amount in 2023.

For liquidity purposes, the Fund also has a EUR 300 million commercial paper programme (31 Dec 2022: EUR 300 million). In addition, the Fund also has EUR 600 million in committed revolving credit facilities (RCF) with four banks (31 Dec 2022: EUR 600 million). The commercial paper programme and the revolving credit facilities remained unused at the end of 2023 (31 Dec 2022: commercial papers with a value of EUR 100 million were in use).

At the end of 2023, Employment Fund had a bond of EUR 600 million issued in 2020, which is due on 16 June 2027. In 2023, Employment Fund repaid the bond of EUR 600 million withdrawn in 2020 on its due date in June 2023. Employment Fund also repaid commercial papers with a value of EUR 100 million during the first half of 2023.

The credit rating agency S&P Global Ratings has given Employment Fund a credit rating of AA+ (stable outlook)/A-1+. S&P Global Ratings has given the same rating to the State of Finland.

## Investment activities

Employment Fund carries out investment activities to the extent necessary to manage the timing differences in the cash flows generated by its income and expenses, and for liquidity management purposes.

We manage our investment activities in accordance with the investment principles approved by the Fund's Supervisory Board, and the investment plan set by the Board of Directors. Employment Fund's investment assets, cash and cash equivalents totalled EUR 1,869 (1,885) million at the end of 2023.

### FINANCIAL OPERATING ENVIRONMENT

The war in Ukraine and geopolitical tensions continued to slow down global economic growth in 2023. The Finnish economy contracted slightly but the employment situation remained relatively stable in 2023.

Rapid acceleration of inflation and the raising of key interest rates, a measure taken by central banks to combat inflation, continued until late 2023. The cycle of raising key interest rates came to an end in the USA in July, and the European Cen-

tral Bank stopped using this instrument in October 2023.

### INVESTMENT MARKET

For the most part, the stock market grew strongly during 2023. In North America, stock indices increased by about 22% and in Europe by about 17%. The performance of the domestic stock exchange was modest and the index yield was -0.5%.

The returns on fixed-income investments in European bonds were high. This was due to stronger pricing of credit risks and (especially towards the end of the year) lower interest on bonds; this development was mainly prompted by the statements issued by central banks and reports on a substantial slowdown of inflation in both the USA and Europe. Market trends of alternative investments during the year depended to

a great extent on the investment category concerned. For example, investments in the domestic real estate sector yielded low returns during 2023, whereas investments in the forestry sector were characterised by strong returns.

### **ALLOCATION OF INVESTMENTS**

We actively invested our assets in money market instruments, bonds, equities and alternative investments. Depending on the asset class, the Fund made direct investments or invested its assets through funds. We increased the weight of bonds in the 2023 investment plan. In June 2023, we reduced the weight of money market investments to facilitate repayment of a bond of EUR 600 million that we had taken out in

2020. At the end of the financial period, EUR 820 (1,098) million of the Fund's assets were invested in money market instruments, EUR 958 (669) million in bonds, EUR 39 (36) million in equities, and EUR 83 (75) million in alternative investments.

In 2023, the return on our investments was 4.1 (-2.9) %. The return exceeded the expectation entered in our investment plan (2.8%) and was at the level of the reference return on our investment activities.

Our investment plan for 2024 was approved by Employment Fund's Board of Directors on 28 November 2023. Only minor changes were made to the weighting of the plan. They included a slight increase in the size

of the alternative investment category and a slight reduction in the weight of short-term fixed-income investments. Sustainability issues are also a consideration when we make our investment decisions. Sustainability in the Fund's investment activities is described in more detail in the section on sustainability on the next page.

# Sustainability

We promote sustainable development and sustainability in the areas where we can maximise our influence through our core activities.

In our role as an executor of social security, we put great emphasis on social responsibility themes. In 2022 and 2023, we prepared a sustainability concept for the Fund to support the achievement of the sustainable development goals set by the UN in its 2030 Agenda. In addition to our sustainability concept, sustainability is also reflected in our investment activities, acquisition of debt financing and our equality and diversity work.

## **WE DEFINED OUR SUSTAINABILITY GOALS**

In 2022 and 2023, we carried out a materiality analysis to create the basis for the Fund's own sustainability concept. The purpose of the analysis was to identify the sustainability development goals of the United Nations on which we can exert maximum positive influence with our own core activ-

ities. We selected the following key goals of the 2030 Agenda as such objectives:

- Quality education
- Decent work and economic growth
- Peace, justice and strong institutions

These key goals are directly linked to the Fund's core tasks, such as the financing of unemployment security and adult education benefits. The work on the Fund's concrete sustainability measures and indicators is still under way and the work will continue during 2024. Our aim is to build a foundation for systematic sustainability work so that we can report on our sustainability activities on a regular basis in the coming years.

### FRAMEWORK FOR SOCIAL FUNDING

The Fund prepared a framework for social funding in spring 2023. The framework was prepared in accordance with the social bond principles of the International Capital Market Association (ICMA) updated in 2021 and the social loan principles of the European Loan Market Association (LMA) updated in 2023. Within the framework, the Fund is able to acquire different types of debt financing specifically promoting societal improvements.

### EQUALITY AND DIVERSITY WORK

In spring 2023, the Fund established a diversity working group the aim of which is to identify and discuss issues concerning the diversity of the work community and define the practical development measures that may be needed in our work community. The task of the working group is also to promote the experience of all our employees of an open and equal work community. With our equality and diversity work, we can contribute to the achievement of

the objective 'Decent work and economic growth', one of the key goals of the UN 2030 Agenda that we have selected for our sustainability work.

### SUSTAINABLE INVESTING

Sustainability in our investment activities means that we take responsibility and sustainability matters into account in our investment decisions. When we make investment decisions, we take environmental, social and governance (ESG) factors into consideration in addition to financial indicators. With the exception of index investments, we integrate ESG factors into all our investments insofar as is possible. We do our part to ensure that ESG factors are taken into consideration by commissioning an external party to review our investments two times per year and report any deviations.

We exclude companies whose operating methods are considered irresponsible with regard to factors such as corruption, child

labour, employees' rights and human rights from our list of potential investments. We also invest in companies that comply with the UN Global Compact wherever possible.

Numerical methods of assessment are used to monitor and analyse the sustainability of Employment Fund's investments. The goal is to provide a picture of the Fund's sustainability profile and map its development as comprehensively and diversely as possible. Similar metrics have been used for monitoring since 2019. The sustainability analysis includes a review of operational sustainability metrics for the investment items and the companies behind them, such as commitment to equality, good governance, and the development of variables used to measure environmental impact. The assessment is also based on SFDR and MiFID II regulation and EU taxonomy. According to the latest sustainability assessment, our investments performed well against the ESG criteria.

## Risk management

Risk management is part of Employment Fund's internal control. Its aim is to ensure risk awareness in decision-making and to support the Fund in the achievement of its objectives. Risk management produces high-quality information on risks and threats facing the Fund and provides recommendations for measures to prevent them.

### **WE USE EXTENSIVE RISK MANAGEMENT TO ENSURE THE CONTINUITY OF OUR ACTIVITIES**

We monitor and manage such risks as strategic and operational risks, regulatory, economic and financial risks as well as risks arising from our operating environment.

Identifying strategic-level risks and managing them on a systemic basis help the Fund to achieve its goals within the framework of a specific risk appetite level. In 2024, we took further measures to develop our strategic-level risk management.

The purpose of operational risk management is to safeguard the continuity of our key functions and statutory activities and to ensure that the Fund can also operate during emergencies. Over the past few years we have focused on building digitalisation to improve our services and to boost the efficiency of our operations. By increasing automation, we have been able to reduce operational risks and to speed up implementation processes. Providing the personnel with training and instructions on information security matters are also an important part of the prevention of cyber risks.

By managing regulatory risks, we can ensure that Employment Fund acts in compliance with the law and other requirements and in an ethical and responsible manner. Active monitoring of legislative changes is an key part of this process. We also actively monitor developments in information security legislation. We developed data protection processes, especially in the field of impact assessment, and provided our personnel with training in personal data processing.

To manage financial risks arising from changes in the operating environment, we rely on such means as diverse forecasting methods and timely adjustments of unemployment insurance contributions. To safeguard our liquidity, we make low-risk investments and strive to secure good borrowing possibilities. Employment Fund also has a statutory business cycle buffer to reduce the need for changes in the level of unemployment insurance contributions due to cyclical fluctuations. Financial risk

management in Employment Fund has relied on the same principles as before.

Employment Fund has an anonymous channel for reporting misconduct where matters specified in the Whistleblower Act and violations of ethical guidelines can be reported.

**MARKET RISK**

The main market risk factor for Employment Fund's investments and liabilities is the interest rate risk. The Fund's investment portfolio is dominated by fixed-income investments (bonds and money market investments).

Employment Fund may make investments directly, or indirectly through investment funds. At the end of the review period, 17% (31 Dec 2022: 14%) of the investments were indirect.

**On 31 December 2023 and 31 December 2022,  
the market risks for the investments were as follows:**

Investment item, 31 Dec 2023	Risk, per cent	Capital, EUR thousand	Risk, EUR thousand
Bank deposits	0.50%	247,468	1,237
Money market	1.00%	572,186	5,722
State and municipal bonds	4.00%	419,124	16,765
Bank bonds	4.50%	289,759	13,039
Corporate bonds	5.00%	249,064	12,453
Equities	25.00%	38,997	9,749
Alternative investments	10.00%	83,333	8,333
<b>Total risk</b>	<b>3.54%</b>	<b>1,899,931</b>	<b>67,298</b>

Investment item, 31 Dec 2022	Risk, per cent	Capital, EUR thousand	Risk, EUR thousand
Bank deposits	0.50%	218,108	1,091
Money market	1.00%	830,516	8,305
State and municipal bonds	4.00%	231,058	9,242
Bank bonds	4.50%	307,430	13,834
Corporate bonds	5.00%	180,450	9,023
Equities	25.00%	36,111	9,028
Alternative investments	10.00%	74,958	7,496
<b>Total risk</b>	<b>3.09%</b>	<b>1,878,632</b>	<b>58,019</b>

The total risk was 3.54% (31 Dec 2022: 3.09%) of the Fund's assets and 1.9% (31 Dec 2022: 1.7%) of the Fund's income in 2023. The risk posed by the investment portfolio is moderate due to its conservative structure and moderately low risk level of the securities in the portfolio.

All money market investments carry variable interest rates (31 Dec 2022: 100%). Of the bonds, 7% (31 Dec 2022: 8%) were at variable rates. Variable-rate investments expose the Fund to a cash flow interest rate risk, while investments at fixed rates expose the Fund to a fair value interest rate risk.

If, on 31 December 2023, the Euribor rates and interest rate curve (swap rates) had been 0.5 percentage points higher while all other variables remained constant, the total change in net position would have

been EUR 9.8 million (31 Dec 2022: EUR 9.4 million) lower. Respectively, if on 31 December 2023 the Euribor rates and interest rate curve (swap rates) had been 0.5 percentage points lower, the total change in net position would have been EUR 9.8 million (31 Dec 2022: EUR 9.4 million) higher.

#### **CREDIT RISK**

The credit risk of the investments is managed by issuer credit limits. Limits for each issuer are determined by taking account of the absolute size, economic position and future outlook of the issuer. The Fund continuously monitors the credit standing and future outlook of the issuers, and when changes occur, the limits are either increased or decreased. The Fund mainly invests in banks in the Nordic countries that have high credit ratings, states with strong credit ratings (Finland, Germany, the

Netherlands, Belgium, France, Austria and Sweden), companies mainly in Finland and some in Sweden, and municipalities. Cash and cash equivalents are only held at banks with high credit ratings.

The spread duration of the credit risk included in the investments at the end of the review period was 1.63 years (31 Dec 2022: 1.28 years).

The average credit rating of the investment portfolio is evaluated on Standard & Poors' rating scale, which is based on historical probabilities of credit losses. The investment portfolio credit rating is estimated to be approx. BBB+ on 31 December 2023 (31 Dec 2022: BBB+).

The Fund's investments mainly consist of state and bank bonds as well as money market investments. Their creditworthiness has been determined using the S&P credit rating. Most of the banks that the Fund has invested in have good credit ratings. However, not every regional bank and company has an official credit rating, so the credit quality of these entities is determined using credit ratings received from a third party.

The following table describes Employment Fund's fixed-income investments and creditworthiness by group.

Investments distributed by the issuer's rating	31 Dec 2023, EUR thousand	31 Dec 2023, per cent	31 Dec 2022, EUR thousand	31 Dec 2022, per cent
AAA	272,696	15.3%	112,814	6.4%
AA+	250,698	14.1%	130,509	7.4%
AA	13,148	0.7%	7,391	0.4%
AA-	404,829	22.8%	555,907	31.5%
A+	174,641	9.8%	348,434	19.7%
A	77,990	4.4%	47,589	2.7%
A-	91,922	5.2%	145,574	8.2%
BBB+	106,350	6.0%	102,284	5.8%
BBB	213,420	12.0%	176,883	10.0%
BBB-	82,110	4.6%	67,250	3.8%
BB+	29,363	1.7%	40,965	2.3%
BB	9,196	0.5%	4,678	0.3%
BB-	4,959	0.3%	0	0.0%
B+	0	0.0%	0	0.0%
B	215	0.0%	0	0.0%
B-	0	0.0%	0	0.0%
CCC+	0	0.0%	0	0.0%
CCC	0	0.0%	0	0.0%
NR	46,061	2.6%	27,280	1.5%
<b>Total</b>	<b>1,777,598</b>	<b>100.0%</b>	<b>1,767,560</b>	<b>100.0%</b>

The amount of Employment Fund's un-employment insurance contribution receivables, liability component receivables, ECA receivables, benefit receivables, and interest receivables are included in the credit risk. The most important factor in the realisation of the aforementioned credit risk is related to cases in which customers liable for paying unemployment insurance contributions become insolvent (due to bankruptcy, corporate restructuring or debt restructuring).

In 2023, the number of corporate restructurings and bankruptcies increased substantially, compared to 2022. Businesses declared bankrupt in 2023 included a large number of construction companies with wage payments subject to unemployment insurance contributions. This was also reflected in the workload of Employment Fund's collection activities, which increased by about 35% from 2022. However, this has not yet had any corresponding impact on the effectiveness of the Fund's collection process. Especially in corporate restructurings, several years will pass be-

fore it becomes clear whether or not the payment plans have been realistic. The actual credit losses on unemployment insurance contributions in 2023 totalled EUR 4.6 (4.0) million.

### LIQUIDITY RISK

The Fund aims to manage liquidity risk as follows:

1. Liquid realisable investments
2. Short-term loans
3. Maintaining unemployment insurance contributions at a reasonable level and increasing them as necessary

To secure its liquidity, in fixed-income investments with less than one year's maturity, the Fund keeps an amount that covers at least one month's expenses. When the liquidity buffer decreases below this limit, the Fund can also use short-term borrowing to cover the temporary liquidity deficit. For this purpose, the Fund also has a EUR 300 million commercial paper programme (31 Dec 2022: EUR 300 million). In addition, the Fund also has EUR 600 million in committed revolving credit facilities (RCF) with four banks (31 Dec 2022: EUR 600 million). The commercial paper programme and the revolving credit facilities remained unused at the end of 2023 (31 Dec 2022: commercial papers with a value of EUR 100 million were in use).

The figures in the tables are in EUR million.

Unused committed revolving credit facilities	31 Dec 2023	31 Dec 2022
RCF due in more than one year	600	600
<b>Total</b>	<b>600</b>	<b>600</b>

Unused uncommitted revolving credit facilities	31 Dec 2023	31 Dec 2022
Commercial paper programme	300	200
<b>Total</b>	<b>300</b>	<b>200</b>

Employment Fund has also taken measures to safeguard its debt financing capacity by means of credit ratings.

The Fund has the following issuer credit ratings as confirmed by Standard & Poors (4 July 2023):

- Long-term credit rating AA+, stable outlook
- Short-term credit rating A-1+, stable outlook

Employment Fund also secured its liquidity through debt financing during 2023. At the end of the review period, EUR 600 million in bonds (31 Dec 2022: EUR 1,200 million) and EUR 0 million in commercial papers (31 Dec 2022: EUR 100 million) were in use. No short-term bank loans were in use on 31 December 2023 (31 Dec 2022: EUR 0 million).

### FIXED INTEREST RATE PERIODS FOR LOANS

The fixed interest rate periods for loans in the statement of net position were as presented in the table.

Loans, 31 Dec 2023	Nominal value EUR million	Fixed interest rate period in years	Interest rate	Due date	Credit rating
Bond 2027	600	3.46	0.01%	16 June 2027	AA+
<b>Total</b>	<b>600</b>	<b>3.46</b>			

Loans, 31 Dec 2022	Nominal value EUR million	Fixed interest rate period in years	Interest rate	Due date	Credit rating
Bond 2023	600	0.46	0.00%	16 June 2023	AA+
Bond 2027	600	4.46	0.01%	16 June 2027	AA+
Commercial papers	100	0.25	-0.05%	1–12 months	No rating
<b>Total</b>	<b>1,300</b>	<b>2.28</b>			

**MATURITY OF FINANCIAL LIABILITIES**

The following tables show Employment Fund's financial liabilities by group based on the maturities of outstanding contracts. The figures are in EUR thousand.

<b>Financial liabilities, 31 Dec 2023</b>	<b>Less than 6 months</b>	<b>6–12 months</b>	<b>1–3 years</b>	<b>4–7 years</b>	<b>Total cash flow based on contracts</b>	<b>Book value assets(-)/liabilities</b>
Accounts payable	2,319	0	0	0	2,319	2,319
Loans	60	0	120	600,060	600,240	598,638
Liabilities associated with right-of-use assets	377	375	1,482	1,446	3,680	3,419
<b>Total</b>	<b>2,756</b>	<b>375</b>	<b>1,602</b>	<b>601,506</b>	<b>606,239</b>	<b>604,376</b>

<b>Financial liabilities, 31 Dec 2022</b>	<b>Less than 6 months</b>	<b>6–12 months</b>	<b>1–3 years</b>	<b>4–7 years</b>	<b>Total cash flow based on contracts</b>	<b>Book value assets(-)/liabilities</b>
Accounts payable	881	0	0	0	881	881
Loans	700,060	0	120	600,120	1,300,300	1,298,609
Liabilities associated with right-of-use assets	346	346	1,372	2,047	4,111	3,588
<b>Total</b>	<b>701,287</b>	<b>346</b>	<b>1,492</b>	<b>602,167</b>	<b>1,305,292</b>	<b>1,303,077</b>

## Personnel

At the end of 2023, the Fund had 175 (167) employees.

When measured in person-years, the number of personnel was 159 (147) at the end of 2023.

We paid EUR 9,842 thousand in wages, including EUR 59 thousand in fringe benefits. Our pay system is based on the complexity of work, and we also use a bonus system supporting the achievement of our strategic objectives.

Men accounted for 56 (54) and women for 119 (113) of the personnel. The average employee age was 41.5 (41) years, and the average duration of employment at Employment Fund was 6.3 years.

The work to update and develop our organisation continued during 2023. The most extensive development measures were carried out in the Technology and Development service area, which we are strengthening with new roles and expertise so that it can better meet our current and future needs.

The average number of training hours during the year was 14.09 (9.93) per person. The increase in the time invested in training compared to 2022 supports our goal of establishing a closer link between competence development and the work of each employee.

Employment Fund's Managing Director is Janne Metsämäki, LL.M.

## Events after the financial period

No significant changes occurred in Employment Fund's financial position after the end of the review period.

**Helsinki 27 February 2024**

**Employment Fund**

**Board of Directors**



# Condensed financial statements and notes

Employment Fund's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, conforming with the IAS and IFRS standards as well as the SIC and IFRIC interpretations applicable as per 31 December 2023.

IFRS refers to the standards and interpretations applicable to corporations and set out in the Finnish Accounting Act and the provisions issued under it in accordance with the procedure laid down in Regulation (EC) No 1606/2002 of the European Parliament and of the Council.

The notes to the financial statements also comply with Finnish accounting and corporate legislation supplementing IFRS standards.

**STATEMENT OF CHANGES IN NET POSITION**

The figures are in EUR thousand.

<b>Change in net position</b>	<b>1 Jan–31 Dec 2023</b>	<b>1 Jan–31 Dec 2022</b>
<b>Contributions collected</b>		
Unemployment insurance contributions and other income	3,627,462	3,490,831
<b>Total contributions collected</b>	<b>3,627,462</b>	<b>3,490,831</b>
<b>Financing contributions paid</b>		
Financing contributions paid	-2,900,224	-2,809,083
Administrative expenses	-33,528	-22,685
<b>Total financing contributions paid</b>	<b>-2,933,752</b>	<b>-2,831,768</b>
Net fair value gains on investments	70,642	-36,155
Financing costs	-1,293	1,806
<b>Change in net position</b>	<b>763,059</b>	<b>624,714</b>

**STATEMENT OF NET POSITION**

The figures are in EUR thousand.

<b>Assets</b>	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
<b>Non-current assets</b>		
Property, plant and equipment	3,210	3,365
Intangible assets	872	2,581
<b>Total non-current assets</b>	<b>4,083</b>	<b>5,946</b>
<b>Current assets</b>		
Receivables from unemployment insurance contributions	16,158	13,626
Accruals of unemployment insurance contributions	730,652	701,769
Other receivables	108,567	96,348
Investment assets	1,652,468	1,660,524
Cash and cash equivalents	216,479	224,711
<b>Total current assets</b>	<b>2,724,324</b>	<b>2,696,977</b>
<b>Total assets</b>	<b>2,728,407</b>	<b>2,702,923</b>

<b>Net position and liabilities</b>	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
<b>Net position</b>		
For previous periods	1,257,977	633,263
For the period	763,059	624,714
<b>Total net position</b>	<b>2,021,036</b>	<b>1,257,977</b>
<b>Non-current liabilities</b>		
Bonds	598,638	598,205
<b>Total non-current liabilities</b>	<b>598,638</b>	<b>598,205</b>
<b>Current liabilities</b>		
Loans	0	700,404
Unemployment insurance contribution liabilities	1,444	1,533
Other liabilities	107,289	144,805
<b>Total current liabilities</b>	<b>108,733</b>	<b>846,741</b>
<b>Total liabilities</b>	<b>707,371</b>	<b>1,444,946</b>
<b>Total net position and liabilities</b>	<b>2,728,407</b>	<b>2,702,923</b>

**CASH FLOW STATEMENT**

The figures are in EUR thousand.

<b>Cash flows</b>	<b>1 Jan–31 Dec 2023</b>	<b>1 Jan–31 Dec 2022</b>
Unemployment insurance contributions collected	3,516,887	3,484,581
Benefits paid	-2,856,752	-2,901,148
Interests paid	-5,531	-2,186
<b>Net cash flow from ordinary operations</b>	<b>654,603</b>	<b>581,247</b>
<b>Cash flows from investments</b>		
Purchases of intangible assets	-212	-971
Investments in financial instruments	-3,794,334	-2,954,750
Sales of investment instruments and realised income	3,831,681	2,307,437
<b>Net cash flow from investments</b>	<b>37,136</b>	<b>-648,283</b>
Loans withdrawn and repaid	-699,971	-578
<b>Net cash flow from financing activities</b>	<b>-699,971</b>	<b>-578</b>
Net increase/decrease in cash and cash equivalents	-8,232	-67,615
Cash and cash equivalents at the beginning of the financial period	224,711	292,326
<b>Cash and cash equivalents at the end of the financial period</b>	<b>216,479</b>	<b>224,711</b>

### BUSINESS CYCLE BUFFER

Under section 3 of the Act on the Financing of Unemployment Benefits, Employment Fund maintains a business cycle buffer to ensure liquidity and balance out changes in unemployment insurance contributions due to foreseeable economic fluctuations in the national economy. 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. In that case, however, unemployment insurance contributions may not be set higher than in the previous year. The maximum amount of the business cycle buffer is calculated on the basis of the figures in the annual financial statements. The investment of the assets accrued in the buffer is regulated by the Fund's investment principles and the investment plan approved on an annual basis. The use of debt financing is also regulated by the debt servicing plan.

The maximum amount of the buffer is calculated by dividing Employment Fund's annual expenditure by the average unemployment rate for the year and multiplying the result by six. The following table presents the amount of the business cycle buffer and the minimum and maximum amounts of the buffer as specified in the Act.

The figures are in EUR million.

<b>Business cycle buffer</b>	<b>1 Jan–31 Dec 2023</b>	<b>1 Jan–31 Dec 2022</b>
Amount	2,021	1,258
Maximum amount	1,861	1,868
Minimum amount	-1,861	-1,868

## UNEMPLOYMENT INSURANCE CONTRIBUTIONS

The figures are in EUR thousand.

Unemployment insurance contributions by contribution type	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
<b>Employer's unemployment insurance contributions</b>		
Employer's insurance contributions	1,409,566	1,323,956
Training compensation reimbursements	-10,244	-8,765
Training compensation settlements paid by the Ministry of Finance	10,244	8,765
Employer's insurance contributions, co-owners	2,012	2,021
<b>Total</b>	<b>1,411,578</b>	<b>1,325,977</b>
<b>Employee's unemployment insurance contributions</b>		
Employee's insurance contributions	1,486,405	1,420,828
Employee's insurance contributions, co-owners	2,876	2,979
<b>Total</b>	<b>1,489,281</b>	<b>1,423,808</b>
<b>Collection fee income and credit losses</b>		
Interest on overdue employer contributions	513	299
Interest on overdue employee contributions	502	330
Collection fee income	439	275
<b>Total</b>	<b>1,455</b>	<b>905</b>
<b>Employer's liability components and transition security contributions</b>		
Liability components	15,637	19,595
Transition security contributions	5,970	0
Accruals	-1,188	2,729
<b>Total</b>	<b>20,419</b>	<b>22,324</b>

Unemployment insurance contributions by contribution type	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
<b>Deduction based on the Employment Contracts Act</b>		
Deduction and lay-off income according to the ECA	915	974
Settlement to the Ministry of Social Affairs and Health	-538	-489
<b>Total</b>	<b>377</b>	<b>484</b>
<b>Deduction from the Ministry of Social Affairs and Health</b>		
Earnings-related unemployment allowance	690,817	703,550
Job alternation compensation	10,507	11,012
Equalisation payment for the previous year	-1,056	-121
Adult education benefits	4,084	2,892
<b>Total</b>	<b>704,352</b>	<b>717,334</b>
<b>Total unemployment insurance contributions</b>	<b>3,627,462</b>	<b>3,490,831</b>

**FINANCING CONTRIBUTIONS PAID**

The figures are in EUR thousand.

Financing contributions	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
<b>Employment Fund contributions paid to unemployment funds</b>		
Other earnings-related unemployment allowance	-653,539	-684,505
Additional days of allowance	-147,060	-138,902
Transition security allowance	-5,037	0
Lay-off allowance	-270,200	-191,114
Job alternation compensation	-13,358	-14,481
Compensation for administrative expenses	-10,873	-10,732
Equalisation payment for the previous year	1,615	822
<b>Total</b>	<b>-1,098,453</b>	<b>-1,038,912</b>
<b>Government contribution paid to unemployment funds</b>		
Other earnings-related unemployment allowance	-676,196	-688,419
Job alternation compensation	-10,507	-11,012
Unemployment allowance/entrepreneurs	-6,261	-6,963
Compensation for administrative expenses	-8,360	-8,169
Equalisation payment for the previous year	1,056	386
<b>Total</b>	<b>-700,268</b>	<b>-714,176</b>
<b>Finnish Centre for Pensions</b>		
Equalisation payment for the previous year	31,310	36,872
Payment for the current financial period	-631,000	-633,000
<b>Total</b>	<b>-599,690</b>	<b>-596,128</b>

Financing contributions	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
<b>State Pension Fund</b>		
Equalisation payment for the previous year	378	505
Payment for the current financial period	-7,942	-8,570
<b>Total</b>	<b>-7,564</b>	<b>-8,065</b>
<b>Social Insurance Institution of Finland</b>		
Equalisation payment for the previous year	29	1
Basic allowance, additional component, employment programme additional benefit	-262,910	-242,700
Social Insurance Institution, transition security	-65	0
<b>Total</b>	<b>-262,947</b>	<b>-242,699</b>
<b>Adult education benefits</b>		
Scholarships for qualified employees	-11,827	-11,467
Adult education allowance	-189,303	-177,871
Collection expenses for benefits	-5	-8
<b>Total</b>	<b>-201,135</b>	<b>-189,347</b>
<b>Ministry of Economic Affairs and Employment</b>		
Equalisation payment for the previous year	0	0
Payment for the current financial period	-29,779	-19,786
Transition security from the Development and Administration Centre for ELY Centres and TE Offices	-381	0
<b>Total</b>	<b>-30,159</b>	<b>-19,786</b>
<b>Member State invoicing for unemployment allowances</b>		
Invoiced by Member States	-52	-61
Invoiced by the Fund	43	92
<b>Total</b>	<b>-9</b>	<b>31</b>
<b>Total financing contributions paid</b>	<b>-2,900,224</b>	<b>-2,809,083</b>

**ADMINISTRATIVE EXPENSES**

The figures are in EUR thousand.

Administrative expenses by expense type	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
<b>Personnel expenses</b>		
Wages, bonuses, and benefits	-10,073	-8,474
Pension expenses – defined contribution plans	-1,730	-1,494
Social security expenses	-395	-297
<b>Total</b>	<b>-12,198</b>	<b>-10,265</b>
<b>Other administrative expenses</b>		
IT expenses	-7,798	-3,258
Other personnel expenses	-763	-450
Expenses for office premises	-109	-232
Office expenses	-1,751	-1,528
Other expenses	-8,450	-4,177
Amortisation	-2,361	-2,689
<b>Total</b>	<b>-21,231</b>	<b>-12,335</b>
<b>Auditor's fees</b>		
Statutory audit	-98	-85
<b>Total</b>	<b>-98</b>	<b>-85</b>
<b>Total administrative expenses</b>	<b>-33,528</b>	<b>-22,685</b>

Number of personnel	31 Dec 2023	31 Dec 2022
Permanent employees	168	151
Fixed-term employees	7	16
<b>Total</b>	<b>175</b>	<b>167</b>

**NET FAIR VALUE GAINS ON INVESTMENTS**

The figures are in EUR thousand.

<b>Types of income and expenses</b>	<b>1 Jan–31 Dec 2023</b>	<b>1 Jan–31 Dec 2022</b>
Dividend income	2,438	1,753
Gains on disposals	6,528	5,263
Other income	4,381	671
Net interest income	29,859	7,034
Net foreign exchange gains	0	391
Net change in value	36,768	-35,402
Losses on disposals	-9,034	-15,667
Other expenses	-298	-199
<b>Total net gains on investments</b>	<b>70,642</b>	<b>-36,155</b>

### INVESTMENT ASSETS

Investments in financial assets have been designated as financial assets at fair value through profit and loss, and are measured at fair value. Measurement of these assets is primarily based on either quoted prices or valuations based on available market data. Financial instruments carried at fair value have been divided into three hierarchy levels based on whether they are traded in active markets, and to what extent the inputs are based on observable market data, as follows:

**Level 1** The valuation is based on quoted prices in active markets for identical financial assets and liabilities.

**Level 2** The inputs used in valuations are also based, directly or indirectly, using valuation techniques on observable inputs other than those on Level 1.

**Level 3** The valuation is based on information other than observable market data.

**INVESTMENTS BY FINANCIAL INSTRUMENT CLASS DIVIDED INTO FAIR VALUE HIERARCHY LEVELS**

No reclassifications have been made between the hierarchy levels during the financial period. The figures are in EUR thousand.

<b>Financial instrument classes, 31 Dec 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
State and municipal bonds	419,124	29,828	0	448,952
Bank bonds	279,951	0	0	279,951
Corporate bonds	234,375	0	0	234,375
Investments in funds and equities	177,513	13,810	0	191,323
Mezzanine funds	0	0	829	829
Deposits	0	62,180	0	62,180
Certificates of deposit	0	154,908	0	154,908
Municipal papers	0	19,452	0	19,452
Commercial papers	0	177,994	0	177,994
Alternative investments	0	0	82,504	82,504
<b>Total</b>	<b>1,110,963</b>	<b>458,172</b>	<b>83,333</b>	<b>1,652,468</b>

<b>Financial instrument classes, 31 Dec 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
State and municipal bonds	181,471	49,587	0	231,058
Bank bonds	297,854	0	0	297,854
Corporate bonds	166,536	0	0	166,536
Investments in funds and equities	146,135	13,795	0	159,931
Mezzanine funds	0	0	1,030	1,030
Deposits	0	168,165	0	168,165
Certificates of deposit	0	372,754	0	372,754
Municipal papers	0	7,979	0	7,979
Commercial papers	0	181,288	0	181,288
Alternative investments	0	0	73,928	73,928
<b>Total</b>	<b>791,997</b>	<b>793,568</b>	<b>74,958</b>	<b>1,660,524</b>

Changes in Level 3 financial assets measured at fair value. The figures are in EUR thousand.

Financial instrument classes	1 Jan 2023	Unrealised profit/loss	Realised profit/loss	Purchases	Sales	31 Dec 2023
Mezzanine funds	1,030	218	0	2	-421	829
Alternative investments	73,928	-4,061	51	12,637	-51	82,504
<b>Total</b>	<b>74,958</b>	<b>-3,843</b>	<b>51</b>	<b>12,639</b>	<b>-472</b>	<b>83,333</b>

Financial instrument classes	1 Jan 2022	Unrealised profit/loss	Realised profit/loss	Purchases	Sales	31 Dec 2022
Mezzanine funds	1,988	-130	0	17	-845	1,030
Alternative investments	40,877	2,312	0	30,739	0	73,928
<b>Total</b>	<b>42,865</b>	<b>2,182</b>	<b>0</b>	<b>30,756</b>	<b>-845</b>	<b>74,958</b>

Deposits, certificates of deposit, commercial papers and municipal papers at **Level 2** have been valued using the discounted cash flow method based on the Euribor or swap curve of the reporting dates and on the forward rate, insofar as elements of foreign currencies are involved. Based on the management's judgement, the discount factor has been adjusted for the effect of changes in the credit risk of the investment. However, the adjustment has not had any material impact.

Investments classified at **Level 3** are mezzanine funds that are valued based on valuations prepared by the issuer. Alternative investments are investment funds. Investment funds have been measured at the net asset value of the fund as reported by the fund manager as of the reporting date, and they have been classified as Level 1, 2 or 3 assets by their market activity and marketability.

Equity investments are quoted on the Helsinki Stock Exchange, and they have been classified at Level 1. The amount of equity investments is minor. No reclassifications have been made between levels during the financial period.

## LOANS

The figures are in EUR thousand.

<b>Long-term loans</b>	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
Employment Fund bonds	598,638	598,205
<b>Total long-term loans</b>	<b>598,638</b>	<b>598,205</b>

  

<b>Short-term loans</b>	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
Employment Fund bonds	0	600,358
Commercial papers	0	100,046
<b>Total short-term loans</b>	<b>0</b>	<b>700,404</b>

### LIABILITIES AND RECEIVABLES NOT RECOGNISED IN THE STATEMENT OF NET POSITION

The figures are in EUR thousand.

Investment commitments	31 Dec 2023	31 Dec 2022
Committed capital	5,250	5,250
Realised	-5,058	-5,056
<b>Total investment commitments</b>	<b>192</b>	<b>194</b>

Investment funds acquire call investments based on the financing needs of the investment fund. The commitments have no maturity date.

### LEASES

The Fund has rented its office and warehouse premises and three cars on non-cancellable lease contracts. The remaining lease periods for the cars are 10 months, 2 years and 8 months, and 2 years and 11 months. On the balance sheet date, there are 2 years and 3 months remaining on the lease of the office and warehouse premises, after which the contract becomes cancellable and subject to a notice period of 9 months. Some of the office's premises can be released by cancelling the respective part of the contract effective 31 December 2024. The Fund also has a subordinated right to lease vacant premises under the terms of the lease contract.

Helsinki 27 February 2024

Employment Fund  
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Chief Financial Officer

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