



2021



Työllisyysrahasto  
Sysselsättningsfonden | Employment Fund

# HALF-YEAR REPORT

1 JANUARY-30 JUNE 2021

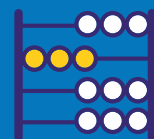


# Contents



## **HALF-YEAR REPORT 1 JAN-30 JUN 2021**

- 3** The Employment Fund's half-year in brief
- 4** Financial development
- 5** Managing Director's review
- 7** The Employment Fund's operating environment
- 12** Personnel
- 13** Risk Management
- 15** Business cycle buffer
- 17** Investment activities
- 19** Events after the review period and outlook for the end of the year



## **20 HALF-YEAR REPORT FINANCIAL STATEMENTS**

- 21** Statement of changes in net position
- 22** Statement of net position
- 23** Statement of cash flows



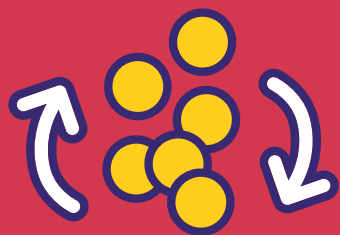
## **24 ACCOUNTING PRINCIPLES USED TO PREPARE THE HALF-YEAR REPORT**

## **26 NOTES**



## The Employment Fund's half-year in brief

We were able to deliver our services successfully, although the effects of the COVID-19 pandemic were still reflected in our activities in the first half of the year.



We financed unemployment allowances and adult education benefits with

EUR **2,080** million.



We also participated in the preparatory legislative work on the new security package, which will be funded by the Employment Fund.



The possibilities for expanding the Employment Fund's tasks were examined during the first half of the year.



## Financial development

The Employment Fund (the “Fund”) complies with the International Financial Reporting Standards (IFRS) adopted by the European Union. Unless otherwise stated, the comparative figures in parentheses refer to the corresponding period for the previous year.

**The Employment Fund’s half-year result (change in net position) remained in deficit and the net position (business cycle buffer) is at low level due to the prolonged COVID-19 pandemic**

- Unemployment insurance contributions and other income EUR 1,647 (1,453) million
- Unemployment allowances, adult education allowances, and administrative expenses paid EUR 2,093 (1,771) million
- Change in net position (half-year result) EUR -444 (-331) million
- Net position EUR 600 (31 Dec 2020: 1,045) million
- Total investments and assets EUR 2,017 (31 Dec 2020: 2,423) million
- Loans disbursed and other liabilities EUR 1,417 (31 Dec 2020: 1,379) million
- Unemployment rate 7.6% June 2021 (7.7% June 2020)
- Return on investments +0.3% (-0.9%)



## Managing Director's review

### THE EFFECTS OF THE COVID-19 PANDEMIC WERE STILL BROADLY EVIDENT

The effects of the COVID-19 pandemic were still reflected in the activities of the Employment Fund in the first half of 2021. Unemployment rates remained high at the beginning of the year, although the number of layoffs started to decrease from the previous year's highest numbers. We have seen signs of more positive economic and employment developments since late spring. Economic recovery is expected to gain further momentum in the second half of the year.

Despite the challenges posed by the COVID-19 pandemic, we were able to perform our statutory tasks in accordance with our objectives in the early part of the year. This is all thanks to our personnel. We were able to collect a good proportion of unemployment insurance contributions and secure the financing of unemployment benefits.

”

Economic recovery is expected to gain further momentum in the second half of the year.

After the adult education allowance reform entered into force in August 2020, the number of applications increased as the applications are now submitted retroactively on a monthly basis. We have responded to the increase by, among other things, automating the processing of allowance applications. We have been able to process applications and pay benefits in the target schedule.

A new information system developed to support the revised processing of adult education allowances was completed in March. Further development of the system began in April and will continue into 2022. >>





A large part of the Employment Fund personnel continued to work remotely, as they did last year. In the autumn, depending on the COVID-19 situation, we will assess how we can begin to return to our normal routine. At the same time, we will be preparing for our move to new premises in Ruoholahti, Helsinki.

#### **WE REFORMED OUR ORGANISATIONAL STRUCTURE**

High-quality customer service and the improvement of services through digitalisation are at the heart of the Employment Fund's strategic goals. Efficient operations, automation, and functional information systems are a prerequisite for achieving these goals. In the spring, we reformed the Fund's organisational structure so that we could better develop and digitalise our operations and services in the future.

In accordance with our action plan, our activities also included improving the Fund's information security, developing our internal control and compliance function, putting our customer strategy into practice, and developing our communications.

#### **WE PARTICIPATED IN THE PREPARATION OF A NEW SECURITY PACKAGE**

In December 2020, the government of Prime Minister Sanna Marin made a decision to phase out the unemployment pathway to retirement from the beginning of 2023. In practice, this means that additional days of unemployment insurance for the elderly will be completely phased out, and the related employer's liability component will no longer be collected after the transitional period. These will be replaced by a new security package, which will be funded by the Employment Fund. At the beginning of the year, we started preparing for the future changes and participated in the preparatory legislative work on the new security package in a working group led by the Ministry of Social Affairs and Health.

#### **POSSIBILITIES FOR EXPANDING THE EMPLOYMENT FUND'S TASKS WERE EXAMINED**

The scope of the Employment Fund's current tasks was assessed by appointed rapporteurs, and their proposals for expanding the Fund's tasks were presented in June. Expanding the Fund's role in developing vocational competences among adults was not included

in the proposals. However, the assessment included many proposals related to the Fund's current tasks. The assessment was extensive, and we collaborated with the rapporteurs and provided the necessary information to support the process. Discussions concerning the rapporteurs' proposals are likely to continue after the summer.

#### **UPWARD PRESSURE ON UNEMPLOYMENT INSURANCE CONTRIBUTIONS FOR 2022**

Unemployment insurance contributions were moderately increased for 2021. In August, the Employment Fund Supervisory Board will make a proposal regarding the amount of unemployment insurance contributions for 2022. The economic outlook for 2022 is currently positive. However, the outlook remains uncertain due to the COVID-19 pandemic, among other things. In May, the Employment Fund's Board of Directors issued an estimate of next year's contribution rates. According to the estimate, the amount of unemployment insurance contributions is likely to be raised in 2022.

**JANNE METSÄMÄKI**  
Managing Director



# The Employment Fund's operating environment

## **In early 2021, the Finnish economy**

contracted by about one per cent in terms of GDP compared to the first quarter of the previous year. The economy also showed positive signs of recovery as the outlook for industry improved with the increase in order volumes. In addition to industry, various trade sectors also experienced positive growth. The service sector and the construction sector also picked up towards the summer.

The COVID-19 pandemic continued to have a significant impact on both the Finnish and global economy at the beginning of the year. The number of COVID-19 infections increased and the restrictive measures caused by the pandemic continued to stifle economic activity. During the first quarter of the year, the number of unemployed jobseekers was higher than during the corresponding period of the previous year. However, the number decreased significantly during the second quarter, and as a result, the total number was lower in the first half of the year than in the

corresponding period of the previous year. Employment rates improved compared to the first half of the previous year, and there was a significant number of new vacancies. As we moved towards the summer, we became more and more confident that the economy would continue its upward trend in the second half of the year.

**The financial markets** developed fairly favourably in January-June 2021, and the stock market performed particularly well. Stock prices increased by approximately 14% from the beginning of the year, as measured by the MSCI World Index. Stock price development on the Helsinki Stock Exchange was slightly stronger as measured by the OMXH25 Index. The fixed income market saw a turn towards increasing interest rates, and long-term interest rates in particular were under upward pressure due to rising inflation. Short-term interest rates remained at historically low levels, and central banks were expected to continue to pursue an

accommodative monetary policy in the near future.

## **The changes in the Finnish economy**

affected the Employment Fund's financial results retrospectively. During the period under review, the number of unemployed jobseekers and laid-off workers was high, and the amount of contributions and benefits financed and paid by the Fund clearly exceeded the amount of unemployment insurance contributions collected. The change in net position was a EUR 444 million deficit during the period under review.

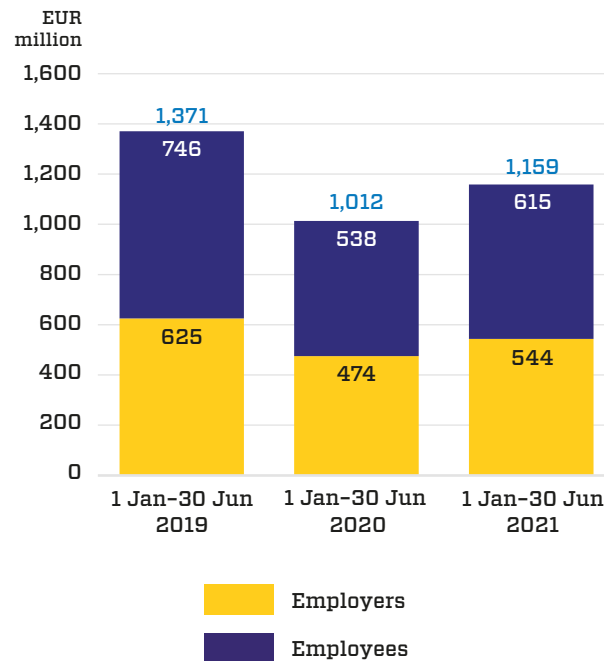


### UNEMPLOYMENT INSURANCE CONTRIBUTIONS

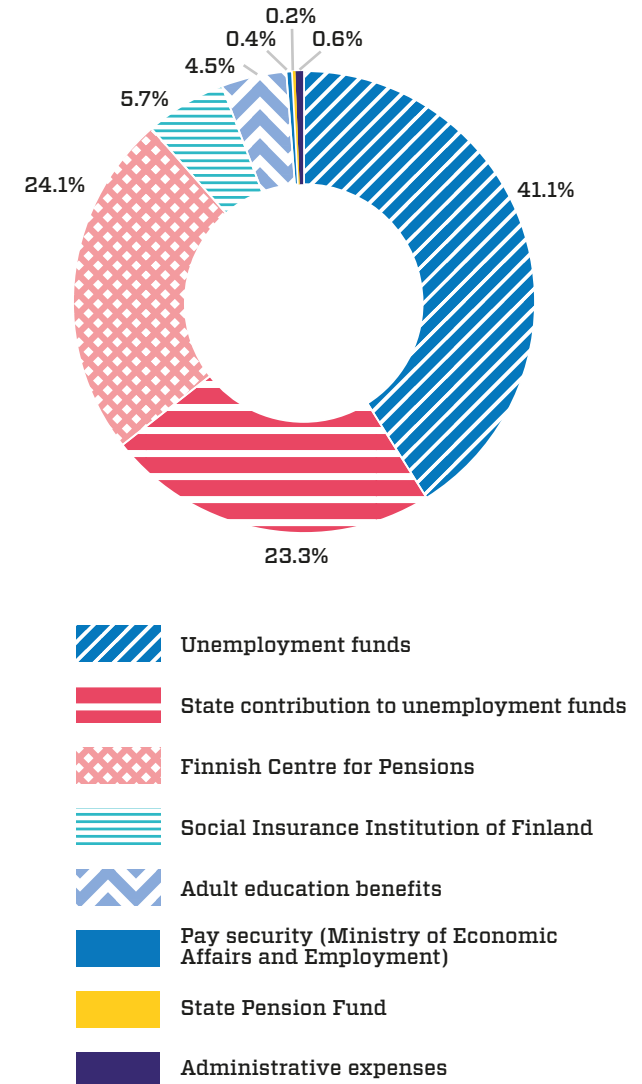
The total amount of unemployment insurance contributions for 2021 is 2.8% of the total amount of wages (2.5% in 2020). The amount was increased to cover increased unemployment expenses. Employees' unemployment insurance contribution is 1.40% of their wages. Employers' contribution is 0.50% of paid wages, if wages are less than EUR 2,169,000, and 1.90% for the part of wages and salaries that exceed it.

Between 1 January-30 June 2021, unemployment insurance contributions collected amounted to EUR 1,159 million (1,012 million) and the state contributions paid by the Ministry of Social Affairs and Health amounted to EUR 489 million (440 million). The amount of unemployment insurance contributions and adult education benefits paid was EUR 2,080 million (1,761 million).

### Unemployment insurance contributions collected



### Financing contributions paid





**The prepayment model for unemployment insurance contributions was waived**

Due to a legislative amendment, the prepayment model used for the invoicing of unemployment insurance contributions was waived on 1 January 2021. The amount of unemployment insurance contributions is determined based on the actual wages paid by the employer. Prior to 2021, the amount of unemployment insurance contributions could be determined as an advance at the employer's request.

As of 2021, the amount of unemployment insurance contributions is determined four times a year (in April, July, October, and January) based on the actual wages paid by the employer that have been reported to the Incomes Register.

**We participated in the preparation of a new security package**

The Finnish Government made a decision in December 2020 about a new security package for people over 55 years old who have worked for the same employer for more than five years. The Employment Fund would

cover the employee's salary for two months of training and one month of severance pay, respectively. The reform is scheduled to come into effect in 2023.

Drafting changes to the security package legislation began in early 2021 at the Ministry of Social Affairs and Health. We have participated in drafting the law as a financier of the package, and we are prepared for the impact future changes might have on our operations. For example, we have started to prepare out IT systems to meet the requirements of the reform.



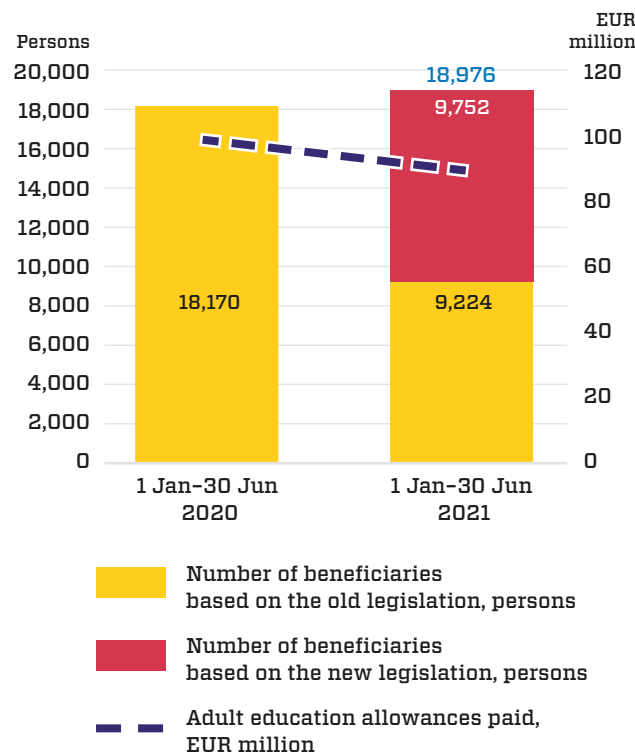


### ADULT EDUCATION BENEFITS

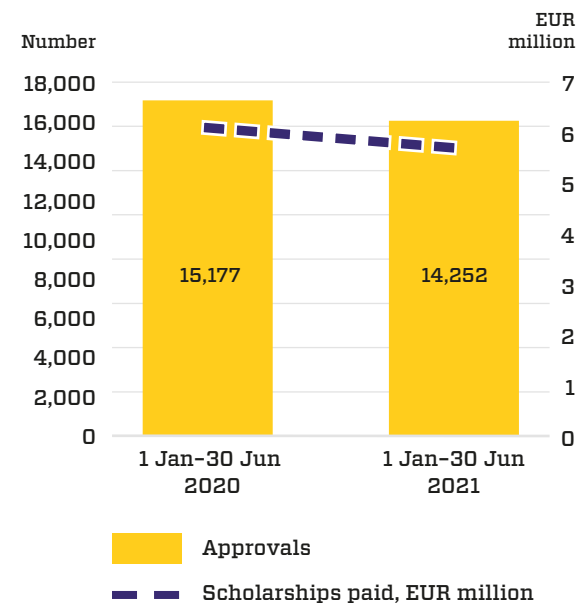
The amendment to the law on adult education allowance, that came into force on 1 August 2020, changed the application for allowance into a two-stage process. The first application clarifies the conditions for receiving the allowance, after which the allowance is paid monthly in arrears for the validity of the period of the first application. As two-stage application process has increased the number of applications, the number of applications for the period under review cannot be fully compared with those from one year ago.

Between January and June 2021, the Employment Fund received 5,496 applications for adult education allowance under the old legislation. We received 8,952 first applications and 38,906 payment applications in accordance with the new legislation. (In the previous year, before the legislative amendment entered into force, we received 18,390 adult education allowance applications.) Between January and June, we paid adult education allowances to 18,976 (18,170) people, totalling approximately EUR 89.5 million (98.6 million). 51.4% of beneficiaries received allowances in accordance with the new legislation.

### Adult education allowance beneficiaries and adult education allowances paid



### Approvals and scholarships for qualified employees paid





There was a slight increase in the applications of scholarships for qualified employees. We received 17,643 applications in total, which is 3.2% more than the previous year (17,097). Between January and June, we paid scholarships for qualified employees to 14,252 (15,177) people, totalling approximately EUR 5.7 million (6.1 million).

Since the beginning of 2021, we have reported paid adult education benefits to the Incomes Register. In addition, we began using information reported to the Incomes Register about benefits and pensions as a resource when processing adult education allowance applications from 1 February 2021. In March we concluded the legislative amendment project that started in early

2020, as well as the first phase of the online service and processing system update project. Further development of the system began in April and will continue into 2022. In April we also launched a secure, easy-to-use messaging feature in our online service. Our customers have embraced the new messaging channel and become active users.

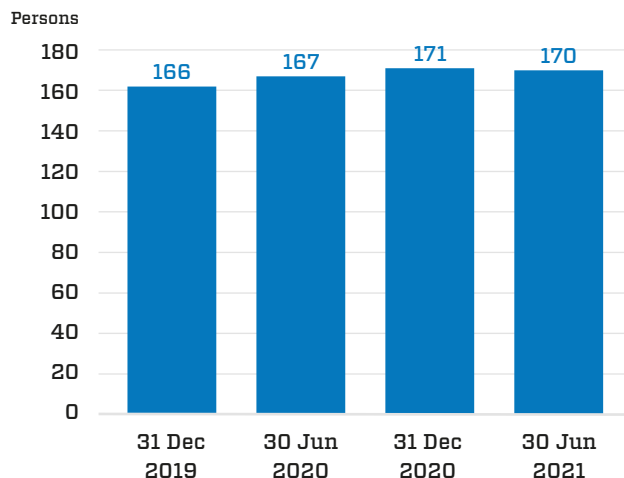




# Personnel

The average number of employees in the Employment Fund was 169 in January-June 2021. At the end of the reporting period, the Fund had 170 employees, including 135 permanent employees and 35 fixed-term employees.

Number of employees



Our goal is to be an attractive employer and to have thriving personnel. During January-June 2021, our operations have focused on developing leadership and personnel. We have focused on identifying our supervisors' leadership styles and developing them further in our leadership academy. In addition, we have organised coaching training for our supervisors. During the spring, we have developed our customer service systems and increased the use of automation. This constant development requires us to strengthen the digital skills of the entire personnel. This has been achieved with online courses.

Developing and reforming our organisation continues. Between January and June, together with our supervisors, we defined the competence requirements for different tasks. Competences will be evaluated during

the second half of the year, and based on the results, individual development plans will be created. This will ensure everyone has the opportunity to continue learning and developing during their career.

We also made some changes to the organisation of the Employment Fund. In addition to the Managing Director, the Management Group will consist of four other directors instead of five in the future. Service Development and Lifecycle Services were merged into a new service area: Technology and Development. We implemented competency mapping for this new service area. The development work for the new service area will continue in autumn 2021.

The goal of the Employment Fund is to offer excellent service to its customers, which is something we work systematically towards.

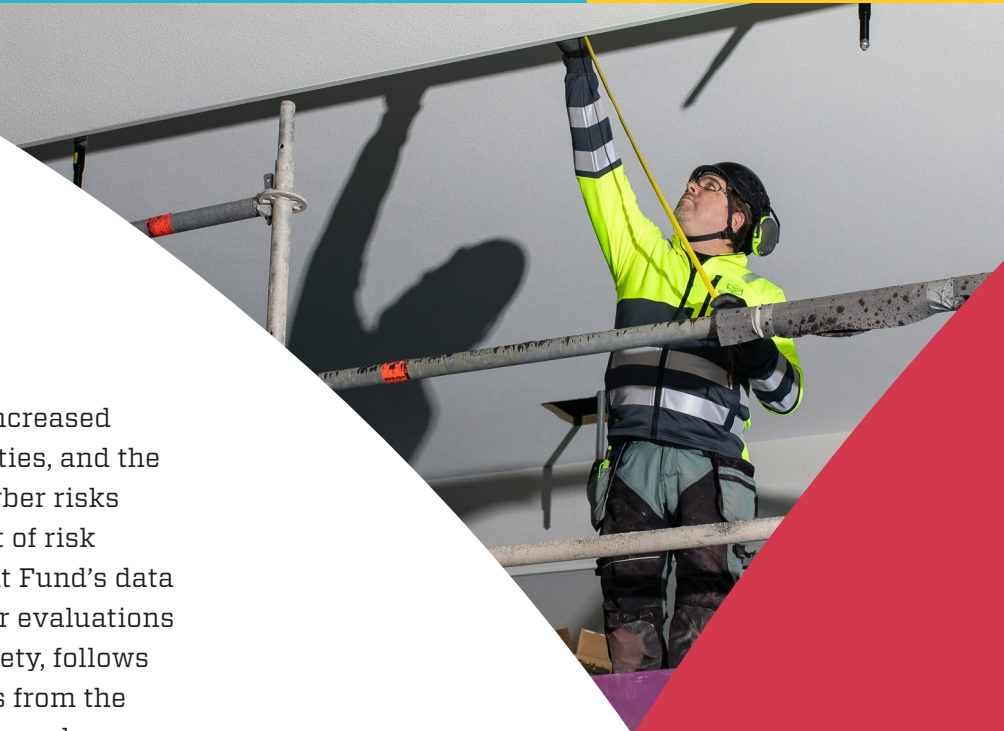


## Risk Management

The main purpose of the Employment Fund's risk management activities is to identify the threats that affect our organisation and that would jeopardise the continuity of the Fund's operations, endanger the Fund's solvency, or prevent the Fund from implementing its strategy. The Employment Fund's risk management efforts are guided by a set of defined risk management principles that have been approved by the Management Group and Board of Directors.

The COVID-19 pandemic has increased and diversified criminal activities, and the identification and control of cyber risks have become a significant part of risk management. The Employment Fund's data security team conducts regular evaluations of the situation concerning safety, follows updates and recommendations from the National Cyber Security Centre, and oversees the safety of the Fund's digital environment. In addition, our crisis management team regularly evaluates the pandemic situation, follows the recommendations of official authorities and provides guidance for personnel in exceptional circumstances.

We ensured the continuity of our operations by transferring most of our staff to remote working early on in the pandemic. This remote work has continued for the entire first half of 2021. Our staff were given training to ensure a smooth and safe transition to remote working, and they act in accordance with our guidelines.





We monitor the effects of long-term remote working regularly, and continuously innovate solutions to maintain our staff's wellbeing. We provide safety guidelines for people working in our facilities, and we monitor the pandemic carefully.

By managing operational risks in a systematic manner, we have ensured, and continue to ensure, the high-quality execution of the Employment Fund's main functions, even during these prolonged exceptional circumstances.

The COVID-19 pandemic has not caused any significant new risks for the Employment Fund during this reporting

period. The level of unemployment remained high, and as a result the amount of expenses paid by the Fund was more than originally budgeted. The difference between the budget and result was, however, average compared to previous historical results.

The Employment Fund aims to control the risk posed by the current economic situation with diverse forecasting methods, by making well-timed changes to unemployment insurance contributions, and taking advantage of good loan opportunities. In addition, we have a business cycle buffer to mitigate the economic impact of cyclical fluctuations.

The interest rate in the euro zone has remained low in early 2021. Bond credit risk margins have decreased, and inflation in the euro zone has increased slightly as the economy has started to grow again.

Financial risk management has been implemented according to the same principles as before. These principles have been described in the latest annual financial statement. The most significant financial risks during the reporting period can be found in the notes under "[Financial risk factors](#)". In other respects, there have been no significant changes in risks or uncertainties during the reporting period since the last annual financial statement.

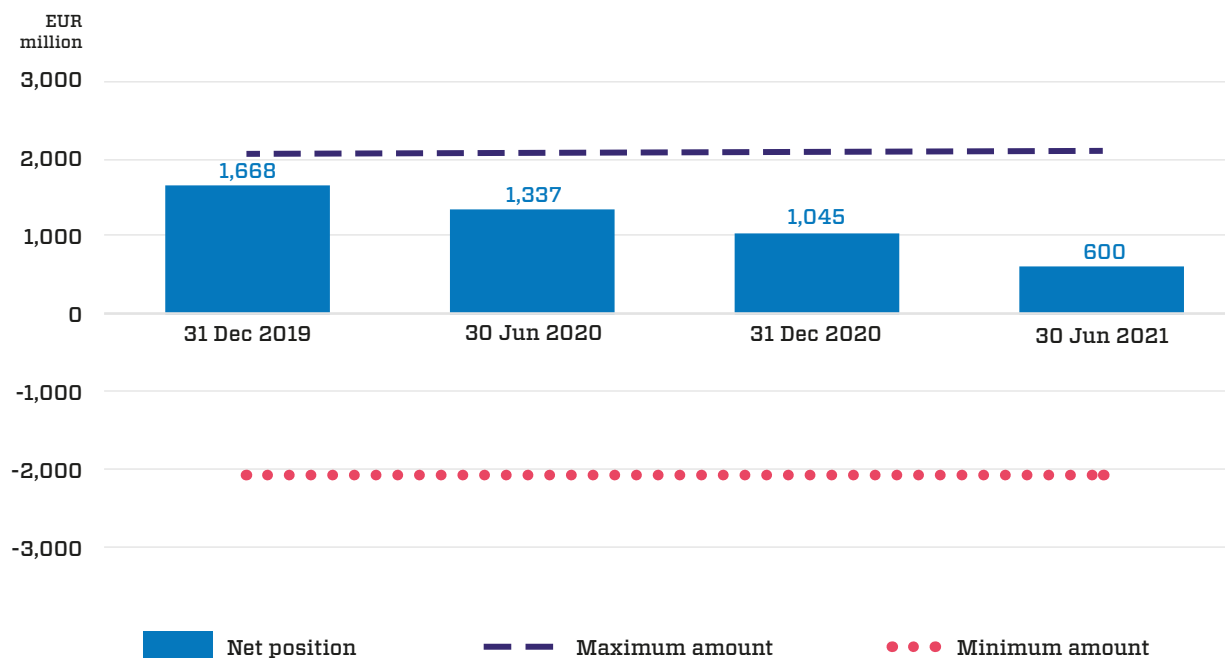


## Business cycle buffer

In accordance with section 3 of the Act on the Financing of Unemployment Benefits, the Employment Fund maintains a business cycle buffer in order 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 the Fund's income and expenses. The maximum amount of the buffer corresponds to the annual expenditure for an unemployment rate of six percentage points. During times of severe economic downturn, the Fund may maintain a deficit equal to the amount of expenditure corresponding to this unemployment rate. The maximum amount of the business cycle buffer is calculated on the basis of the figures in the annual financial statements.

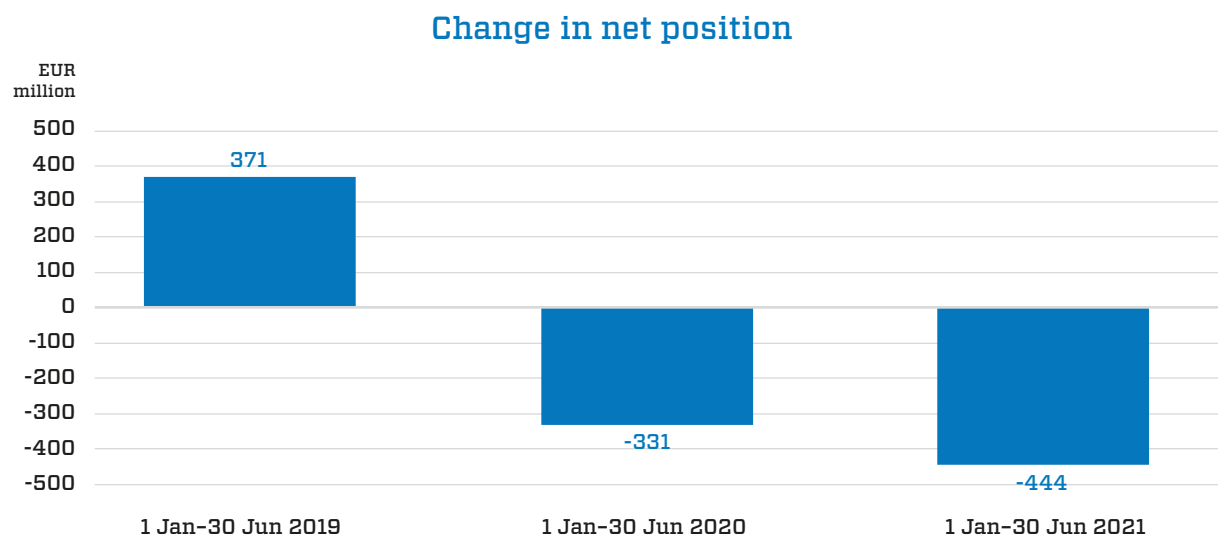
The maximum amount of the business cycle buffer allowed by the Act on the Financing of Unemployment Benefits was EUR 2,078 million on 30 June 2021. The amount of net position in the business cycle buffer was EUR 600 million on 30 June 2021 (1,045 million on 31 December 2020).

### Development of the business cycle buffer





According to the 2021 budget submitted to the Ministry of Social Affairs and Health, the Fund's net position will amount to EUR 228 million on 31 December 2021. In preparing the financial statements, it is estimated that the Fund's net position at the end of 2021 will be around EUR 450 million.



The business cycle buffer accrues on the basis of the difference between the Fund's income and expenses.





## Investment activities

The 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.

At the end of the review period on 30 June 2021, the Employment Fund's investment and financial assets amounted to EUR 1,267 million (1,831 million in 2020).

The stock market developed positively during the first half of the year, and the good return on stock investments, in particular, continued. Long-term interest rates rose slightly, which weakened yields on interest rate instruments during the review period.

One of the main goals of our investment activities is to support the performance of the Fund's statutory duties and to ensure sufficient liquidity to finance expenses that are the responsibility of the Employment Fund. The Fund's Board of Directors determines the goal for our investments in the annually approved investment plan, and decides on the allocation of investment funds across different asset classes.



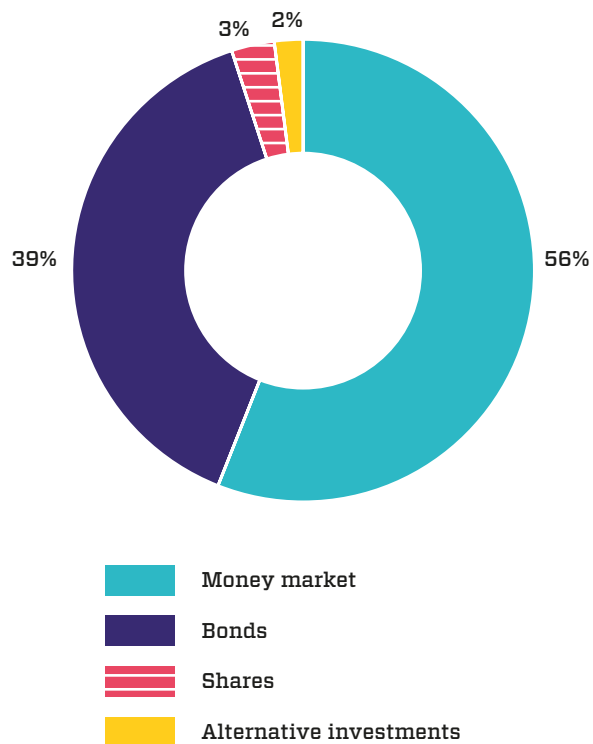


In January-June 2021 we invested more in fixed-income funds and alternative investments than before. Our investment portfolio's allocation weights were reasonably close to the neutral weights defined in our investment plan on 30 June 2021.

We invested actively in money market instruments, bonds, funds and also equities, as well as alternative investments. Inside the parentheses, the amount of investments at the end of 2020 is shown. At the end of the review period, EUR 704 million (1,127 million) of the Fund's assets were invested in money market instruments, EUR 499 million (682 million) in bonds, EUR 37 million (0 million) in equities, and EUR 27 million (21 million) in other investments.

From January through June 2021, we achieved a return of 0.3% (-0,9%) on invested assets. The return exceeded the expectation entered in the investment plan and was quite close to the reference return on investment activities.

### Investment spread



The return on investments exceeded the expectation entered in the investment plan.



## 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 7.6% in June 2021, a decrease of 0.1 percentage points from the previous year. According to the Ministry of Economic Affairs and Employment, the number of unemployed jobseekers decreased by 100,700 in comparison to the previous year. The number of people laid-off decreased by 90,400 compared to the previous year. However, compared to the situation two years ago, the number of unemployed jobseekers is still approximately 24 per cent higher. Employment growth towards the end of the year will be mainly affected by how quickly the Finnish economy recovers, and whether vaccinations have a positive impact on the COVID-19 pandemic.

In August 2021, the Employment Fund assessed that economic recovery from the COVID-19 pandemic will continue during the second half of 2021, and that employment will improve towards 2022. The Fund also estimates that its result for the financial year 2021 would have a deficit of approximately EUR 600 million, and that its net position would be approximately EUR 450 million on 31 December 2021.

Helsinki, 24 August 2021

Employment Fund  
Board of Directors

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The development in employment during the rest of the year crucially depends on the revival of the Finnish economy.

A large, stylized white silhouette of a bird, possibly a crane or heron, is positioned on the left side of the page. The bird is facing right and has its neck curved upwards. The background is a solid red color.

# Half-year Report financial statements

**STATEMENT OF CHANGES IN NET POSITION**

EUR thousand	Note	1 Jan-30 Jun 2021	1 Jan-30 Jun 2020	1 Jan-31 Dec 2020
<b>Contributions collected</b>				
Unemployment insurance contributions	<a href="#">1</a>	1,647,334	1,452,651	3,340,330
<b>Total contributions collected</b>		<b>1,647,334</b>	<b>1,452,651</b>	<b>3,340,330</b>
<b>Financing contributions paid</b>				
Financing contributions paid	<a href="#">2</a>	-2,080,123	-1,760,983	-3,926,051
Administrative expenses	<a href="#">3</a>	-12,637	-10,179	-20,672
<b>Total financing contributions paid</b>		<b>-2,092,760</b>	<b>-1,771,162</b>	<b>-3,946,723</b>
Net gains on investments	<a href="#">4</a>	2,172	-11,898	-13,072
Financing costs		-1,044	-437	-3,344
<b>CHANGE IN NET POSITION</b>		<b>-444,299</b>	<b>-330,846</b>	<b>-622,809</b>

**STATEMENT OF NET POSITION**

EUR thousand	Note	1 Jan-30 Jun 2021	31 Dec 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant, and equipment		3,721	730
Intangible assets		5,689	6,902
Other receivables		328	328
<b>Total non-current assets</b>		<b>9,739</b>	<b>7,960</b>
<b>Current assets</b>			
Receivables from unemployment insurance contributions		2,733	7,097
Accruals of unemployment insurance contributions		645,157	535,768
Other receivables		92,107	41,751
Investment assets	5	967,489	1,194,442
Cash and cash equivalents		299,989	636,292
<b>Total current assets</b>		<b>2,007,475</b>	<b>2,415,352</b>
<b>Total assets</b>		<b>2,017,213</b>	<b>2,423,312</b>

EUR thousand	Note	1 Jan-30 Jun 2021	31 Dec 2020
<b>NET POSITION</b>			
For previous periods		1,044,765	1,667,574
For the period		-444,299	-622,809
<b>Total net position</b>		<b>600,466</b>	<b>1,044,765</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bonds		1,199,089	1,199,122
<b>Total non-current liabilities</b>		<b>1,199,089</b>	<b>1,199,122</b>
<b>Current liabilities</b>			
Loans		100,242	87,512
Unemployment insurance contribution liabilities		1,816	1,800
Other liabilities		115,601	90,113
<b>Total current liabilities</b>		<b>217,658</b>	<b>179,425</b>
<b>Total liabilities</b>		<b>1,416,748</b>	<b>1,378,547</b>
<b>Total net position and liabilities</b>		<b>2,017,213</b>	<b>2,423,312</b>

**STATEMENT OF CASH FLOWS**

<b>EUR thousand</b>	<b>1 Jan-30 Jun 2021</b>	<b>1 Jan-31 Dec 2020</b>
<b>Unemployment insurance contributions collected</b>	<b>1,504,371</b>	<b>3,440,824</b>
<b>Benefits paid</b>	<b>-2,085,569</b>	<b>-3,908,302</b>
<b>Interests paid</b>	<b>-1,850</b>	<b>-5,151</b>
<b>Net cash and cash equivalent used in ordinary operations</b>	<b>-583,047</b>	<b>-472,629</b>
<b>Cash flows from investments</b>		
Purchases of property, plant, and equipment	-10	-43
Purchases of intangible assets	-683	-2,462
Investments in financial instruments	-652,205	-2,970,114
Sales of investment instruments and realised income	886,944	2,629,648
<b>Net cash and cash equivalents generated from investments</b>	<b>234,046</b>	<b>-342,972</b>
Loans withdrawn and repaid	12,698	1,287,593
<b>Net cash and cash equivalents generated from financing activities</b>	<b>12,698</b>	<b>1,287,593</b>
Net increase/decrease in cash and cash equivalents	-336,304	471,992
Cash and cash equivalents at the beginning of the financial period	636,292	164,300
<b>Cash and cash equivalents at the end of the financial period</b>	<b>299,989</b>	<b>636,292</b>



# Accounting principles used to prepare the Half-year Report





## Accounting principles used to prepare the Half-year Report

The half-year report of the Employment Fund has been prepared in accordance with the IAS 34 Interim Financial Reporting standard. The same accounting principles and calculation methods of the previous annual financial statements have been adhered to in the half-year report.

The published data of the half-year report has not been audited.





# Notes

**1 UNEMPLOYMENT INSURANCE CONTRIBUTIONS**

<b>EUR thousand</b>	<b>1 Jan-30 Jun 2021</b>	<b>1 Jan-30 Jun 2020</b>	<b>1 Jan-31 Dec 2020</b>
<b>Employer's unemployment insurance contribution</b>			
Employer's insurance contributions	530,942	460,054	990,144
Employer's insurance contributions, co-owners	1,027	999	2,003
<b>Total</b>	<b>531,969</b>	<b>461,053</b>	<b>992,147</b>
<b>Employee's unemployment insurance contribution</b>			
Employee's insurance contributions	613,524	536,632	1,070,893
Employee's insurance contributions, co-owners	1,341	1,459	1,157
<b>Total</b>	<b>614,865</b>	<b>538,091</b>	<b>1,072,050</b>
<b>Collection fee income and credit losses</b>			
Interest on overdue employer contributions	51	-51	268
Interest on overdue employee contributions	-11	-15	445
Collection fee income	48	52	190
<b>Total</b>	<b>88</b>	<b>-14</b>	<b>903</b>
<b>Liability components of employer's unemployment allowances</b>			
Liability components	7,149	7,983	14,113
Accruals	3,993	4,866	12,266
<b>Total</b>	<b>11,142</b>	<b>12,849</b>	<b>26,379</b>



EUR thousand	1 Jan-30 Jun 2021	1 Jan-30 Jun 2020	1 Jan-31 Dec 2020
<b>Compensation in accordance with the Employment Contracts Act (ECA)</b>			
Compensation and lay-off income according to the ECA	594	448	1,046
Settlement to the Ministry of Social Affairs and Health	121		-635
<b>Total</b>	<b>715</b>	<b>448</b>	<b>412</b>
<b>Contributions from the Ministry of Social Affairs and Health</b>			
Earnings-related unemployment allowance	483,643	339,652	882,897
Lay-off allowance		94,849	333,360
Job alternation compensation	3,712	5,133	9,800
Adult education benefits			2,381
Labour market training benefit	1,200	590	
Supplementary financing of administrative expenses			20,000
<b>Total</b>	<b>488,555</b>	<b>440,224</b>	<b>1,248,438</b>
<b>Total unemployment insurance contributions</b>	<b>1,647,334</b>	<b>1,452,651</b>	<b>3,340,330</b>

**2 FINANCING CONTRIBUTIONS PAID**

EUR thousand	Jan-30 Jun 2021	1 Jan-30 Jun 2020	1 Jan-31 Dec 2020
<b>Contributions paid by the Employment Fund</b>			
Other earnings-related unemployment allowance	-469,450	-391,345	-820,091
Additional days of allowance	-53,801	-63,912	-118,512
Lay-off allowance	-325,676	-351,528	-413,129
Job alternation compensation	-4,781	-6,257	-12,641
Compensation for administrative expenses	-6,336	-4,365	-8,716
Equalisation payment for the previous year		622	622
<b>Total</b>	<b>-860,045</b>	<b>-816,785</b>	<b>-1,372,467</b>
<b>Government contribution paid to unemployment funds</b>			
Other earnings-related unemployment allowance	-474,187	-394,355	-866,040
Lay-off allowance		-23,627	-333,360
Job alternation compensation	-3,712	-4,958	-9,800
Unemployment allowance / entrepreneurs	-4,563	-4,446	-10,201
Compensation for administrative expenses	-4,892	-3,333	-6,656
Supplementary financing of administrative expenses			-20,000
Equalisation payment for the previous year		937	937
<b>Total</b>	<b>-487,355</b>	<b>-429,782</b>	<b>-1,245,120</b>
<b>Finnish Centre for Pensions</b>			
Equalisation payment for the previous year	-58,000		-17,813
Payment for the current financial period	-447,000	-289,800	-851,800
<b>Total</b>	<b>-505,000</b>	<b>-289,800</b>	<b>-869,613</b>
<b>State Pension Fund</b>			
Equalisation payment for the previous year	-71		-571
Payment for the current financial period	-4,739	-4,313	-8,625
<b>Total</b>	<b>-4,810</b>	<b>-4,313</b>	<b>-9,196</b>



EUR thousand	Jan-30 Jun 2021	1 Jan-30 Jun 2020	1 Jan-31 Dec 2020
<b>Social Insurance Institution of Finland</b>			
Basic allowance, additional component	-119,500	-103,650	-207,300
<b>Total</b>	<b>-119,500</b>	<b>-103,650</b>	<b>-207,300</b>
<b>Adult education benefits</b>			
Scholarships	-5,710	-6,070	-10,617
Adult education allowances	-89,496	-98,550	-186,858
Collection expenses for benefits	-2	-1	-4
<b>Total</b>	<b>-95,209</b>	<b>-104,621</b>	<b>-197,479</b>
<b>Ministry of Economic Affairs and Employment</b>			
Equalisation payment for the previous year	6,918		
Payment for the current financial period	-15,150	-12,049	-24,909
<b>Total</b>	<b>-8,232</b>	<b>-12,049</b>	<b>-24,909</b>
<b>Member State invoicing for unemployment allowances</b>			
Invoiced by Member States		-85	-85
Invoiced by the Fund	27	101	119
<b>Total</b>	<b>27</b>	<b>16</b>	<b>33</b>
<b>Total financing contributions paid</b>	<b>-2,080,123</b>	<b>-1,760,983</b>	<b>-3,926,051</b>

**3 ADMINISTRATIVE EXPENSES**

EUR thousand	1 Jan-30 Jun 2021	1 Jan-30 Jun 2020	1 Jan-31 Dec 2020
<b>Personnel expenses</b>			
Salaries, bonuses, and benefits	-4,090	-3,453	-6,955
Pension expenses - defined contribution plans	-700	-628	-1,118
Social security expenses	-158	-75	-211
<b>Total</b>	<b>-4,947</b>	<b>-4,155</b>	<b>-8,283</b>
<b>Personnel expenses, management salaries, and bonuses</b>			
Management Group (excl. Managing Director)	-279	-299	-563
Managing Director	-95	-87	-162
Board of Directors and Supervisory Board	-86	-80	-153
Pension expenses - defined contribution plans	-76	-74	-134
<b>Total</b>	<b>-536</b>	<b>-541</b>	<b>-1,013</b>
<b>Other administrative expenses</b>			
IT expenses	-1,936	-1,403	-2,735
Other personnel expenses	-282	-416	-715
Expenses for office premises	-55	-88	-188
Office expenses	-611	-721	-1,430
Other expenses	-2,016	-1,380	-2,968
Amortisation	-2,778	-1,999	-4,268
<b>Total</b>	<b>-7,679</b>	<b>-6,006</b>	<b>-12,304</b>
<b>Auditor's fee</b>			
Statutory audit	-12	-17	-85
<b>Total</b>	<b>-12</b>	<b>-17</b>	<b>-85</b>
<b>Total administrative expenses</b>	<b>-12,637</b>	<b>-10,179</b>	<b>-20,672</b>

Number of personnel	1 Jan-30 Jun 2021	1 Jan-30 Jun 2020	1 Jan-31 Dec 2020
<b>Employees</b>			
Full-time employees	135	139	139
Part-time and temporary employees	35	28	32
<b>Total</b>	<b>170</b>	<b>167</b>	<b>171</b>

**4 NET GAINS ON INVESTMENTS**

<b>EUR thousand</b>	<b>1 Jan-30 Jun 2021</b>	<b>1 Jan-30 Jun 2020</b>	<b>1 Jan-31 Dec 2020</b>
Dividend income	553	810	731
Gains on disposals	693	1,407	2,102
Other income	6	11	37
Net interest income	2,395	2,171	4,011
Net foreign exchange gains		147	147
Net change in value	8,098	-1,069	-3,137
Losses on disposals	-9,446	-15,267	-16,711
Other expenses	-128	-107	-250
<b>Net gains on investments</b>	<b>2,172</b>	<b>-11,898</b>	<b>-13,072</b>





## 5 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 largely 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, either 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.

**In the table, investments have been specified by financial instrument classes divided into fair value hierarchy levels. No reclassifications have been made between the hierarchy levels between January and June.**

30 Jun 2021				
EUR thousand	Level 1	Level 2	Level 3	Total
State and municipal bonds	73,451	70,194		143,645
Bank bonds	252,531			252,531
Corporate bonds	138,303			138,303
Investments in funds and shares	221,314	18,831		240,145
Mezzanine funds			2,189	2,189
Deposits		80,999		80,999
Certificates of deposit		24,019		24,019
Commercial papers		60,973		60,973
Alternative investments			24,684	24,684
<b>Total</b>	<b>685,599</b>	<b>255,016</b>	<b>26,874</b>	<b>967,489</b>

31 Dec 2020				
EUR thousand	Level 1	Level 2	Level 3	Total
State and municipal bonds	295,501	100,121		395,623
Bank bonds	287,424			287,424
Corporate bonds	78,879			78,879
Investments in funds and shares	168,447	13,847		182,295
Mezzanine funds			2,904	2,904
Deposits		62,370		62,370
Certificates of deposit		41,078		41,078
Commercial papers		125,283		125,283
Alternative investments			18,566	18,566
<b>Total</b>	<b>830,252</b>	<b>342,700</b>	<b>21,470</b>	<b>1,194,422</b>



## Changes in Level 3 financial assets measured at fair value

EUR thousand	1 Jan 2021	Unrealised profit/loss	Realised profit/loss	Purchases	Sales	30 Jun 2021
Mezzanine funds	2,904	-75		8	-648	2,189
Alternative investments	18,566	424	-524	6,218		24,684
<b>Total</b>	<b>21,470</b>	<b>349</b>	<b>-524</b>	<b>6,226</b>	<b>-648</b>	<b>26,873</b>

EUR thousand	1 Jan 2020	Unrealised profit/loss	Realised profit/loss	Purchases	Sales	30 Jun 2020
Mezzanine funds	2,037	284		3	-15	2,308
Alternative investments	17,449	-457	-267	6	-824	15,907
<b>Total</b>	<b>19,485</b>	<b>-173</b>	<b>-267</b>	<b>9</b>	<b>-839</b>	<b>18,215</b>

**6 LIABILITIES AND RECEIVABLES SEPARATED FROM NET POSITION**

<b>EUR thousand</b>	<b>30 Jun 2021</b>	<b>31 Dec 2020</b>
Committed capital	5,250	5,250
Realised	-5,035	-5,027
<b>Total investment commitments</b>	<b>215</b>	<b>223</b>

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



## FINANCIAL RISK FACTORS

### Market risk

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

The Fund may make investments directly or indirectly through investment funds. In this chapter, inside the parentheses, the amount of investments at the end of 2020 is shown. At the end of the review period, 19% (17%) of investments were indirect investments.

On 30 June 2021 and 31 December 2020, the market risks for the investments were as follows:

<b>30 Jun 2021</b>	<b>Risk (%)</b>	<b>Capital EUR thousand</b>	<b>Risk EUR thousand</b>
Bank deposits	0.50%	299,982	1,500
Money market	1.00%	333,969	3,340
State and municipal bonds	4.00%	143,645	5,746
Bank bonds	4.50%	272,274	12,252
Corporate bonds	5.00%	153,246	7,662
Shares	25.00%	37,488	9,372
Alternative investments	10.00%	26,874	2,687
<b>Total risk</b>	<b>3.36%</b>	<b>1,267,477</b>	<b>42,559</b>

<b>31 Dec 2020</b>	<b>Risk (%)</b>	<b>Capital EUR thousand</b>	<b>Risk EUR thousand</b>
Bank deposits	0.50%	739,733	3,699
Money market	1.00%	287,607	2,876
State and municipal bonds	4.00%	395,552	15,822
Bank bonds	4.50%	307,391	13,833
Corporate bonds	5.00%	78,879	3,944
Shares	25.00%	4	1
Alternative investments	10.00%	21,476	2,148
<b>Total risk</b>	<b>2.31%</b>	<b>1,830,641</b>	<b>42,322</b>

The total risk was 3.36% (2.31%) of the Fund's assets and 1.2 per cent (1.2%) of the Fund's estimated income in 2021. 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 (100%). Altogether, 8% of the bonds were at variable rates (9%). 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 30 June 2021 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 reduced by EUR -6.42 million (-8.4 million). Respectively, if on 30 June 2021 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 increased by EUR 6.42 million (8.4 million).

### **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, 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 period under review was 1.60 years (1.64 years).

The average credit rating of the investment portfolio is evaluated on Standard & Poor's rating scale, which is based on historical probabilities of credit losses. The investment portfolio credit rating was estimated to be BBB+ on 30 June 2021 (BBB+).

The amount of the Employment Fund's unemployment insurance contribution receivables, liability component receivables, ECA receivables, benefit receivables, and interest receivables, are included in the credit risk. The most important factor for the realisation of the aforementioned credit risk is related to cases in which customers liable to pay unemployment insurance contributions become insolvent or go bankrupt. The number of bankruptcies during the first half of 2021 was lower than during the same period in 2020. The expected wave of bankruptcies has not been realised so far. The trend in the number of bankruptcies in the near future largely depends on the development of the COVID-19 pandemic.



### Liquidity risk

To secure its liquidity, the Fund has investments in liquid money market instruments with less than a year's maturity at an amount that equals the Fund's expenses for one month. When the liquidity buffer decreases below the above limit, the Fund uses short-term borrowing to cover the temporary liquidity deficit. For this purpose, the Fund has a EUR 300 million commercial paper programme (300 million), of which EUR 200 million remain unused. In addition, the Fund has 800 million euros in state guaranteed revolving credit facilities (RCF) with five commercial banks (800 million).

EUR million		
Committed credit facilities, not in use	30 Jun 2021	31 Dec 2020
Facilities expiring within a year		
RCF (State guarantee)*	800	
Facilities expiring after a year		
RCF (State guarantee)		800
<b>Total</b>	<b>800</b>	<b>800</b>

EUR million		
Non-committed credit facilities, not in use	30 Jun 2021	31 Dec 2020
Commercial paper programme	200	300
<b>Total</b>	<b>200</b>	<b>300</b>

\* The contracts are subject to an extension option of 12 months.



The Employment Fund has also secured its liquidity through debt financing during 2021. For financing, the Fund relies on the capital markets, and domestic markets for commercial papers.

The Employment Fund has the following issuer credit ratings as confirmed by Standard & Poor's (29 September 2020):

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

At the end of the review period, EUR 1,200 million (1,200 million) in bonds, and EUR 100 million (87.5 million) in commercial papers were in use. No short-term bank loans were in use on 30 June 2021 (EUR 0).

The fixed interest rate periods for loans in the statement of the net position calculations are shown in the table below.

<b>30 June 2021</b>	<b>Nominal value</b>	<b>Fixed interest rate</b>			
<b>Loan</b>	<b>EUR million</b>	<b>period in years</b>	<b>Interest rate</b>	<b>Due date</b>	<b>Credit rating</b>
Bond 2023	600	1.96	0.00%	16 June 2023	AA+
Bond 2027	600	5.96	0.01%	16 June 2027	AA+
Commercial papers	100	0.75	-0.30%	1-12 months	No rating
<b>Total</b>	<b>1,300</b>	<b>3.71</b>			

<b>31 Dec 2020</b>	<b>Nominal value</b>	<b>Fixed interest rate</b>			
<b>Loan</b>	<b>EUR million</b>	<b>period in years</b>	<b>Interest rate</b>	<b>Due date</b>	<b>Credit rating</b>
Bond 2023	600	2.46	0.00%	16 June 2023	AA+
Bond 2027	600	6.46	0.01%	16 June 2027	AA+
Commercial papers	88	0.18	-0.12%	1-12 months	No rating
<b>Total</b>	<b>1,288</b>	<b>4.16</b>			



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

<b>Maturities of financial liabilities based on contracts (EUR thousand) 30 June 2021</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	1,137				1,137	1,137
Loans		100,000	600,120	600,180	1,300,300	1,299,331
Liabilities associated with right-of-use assets*	3,710				3,710	3,710
<b>Total</b>	<b>4,847</b>	<b>100,000</b>	<b>600,120</b>	<b>600,180</b>	<b>1,305,147</b>	<b>1,304,178</b>

<b>Maturities of financial liabilities based on contracts (EUR thousand) 31 Dec 2020</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	418				418	418
Loans	87,560		600,120	600,180	1,287,860	1,286,634
Liabilities associated with right-of-use assets	574				574	574
<b>Total</b>	<b>88,552</b>		<b>600,120</b>	<b>600,180</b>	<b>1,288,852</b>	<b>1,287,626</b>

\* Lease liability for the Employment Fund's new office premises.





Työllisyysrahasto

Sysselsättningsfonden | Employment Fund