

## Employment Fund's Board of Directors proposes a reduction in unemployment insurance contributions

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At its meeting on 27 August 2024, Employment Fund's Board of Directors unanimously decided to propose to the Fund's Supervisory Board a reduction in unemployment insurance contributions for 2025.

The employer's average unemployment insurance contribution would be 0.61 percent of salary, which is 0.21 percentage points less than in 2024. The employer's average contribution includes a separate 0.02 percentage point contribution that is used to finance the transition security. The employee's contribution would be 0.59 percent of salary, which is 0.20 percentage points less than in 2024.

According to the proposal, the employer's lower contribution would be 0.20 percent of the wage sum (up to a maximum of appr. EUR 2.5 million per year) and the higher contribution would be 0.80 percent of the wage sum (for the part that exceeds EUR 2.5 million).

In addition, the Board proposes that for the year 2025 the full transition security multiplier, that is used for determining the amount of transition security contribution, would be set to be 2.2. In 2024 the multiplier has been 2.9.

An employee whose earnings level would be 4,000 euros per month would pay unemployment insurance contributions of 283.20 euros per year (23.60 euros per month) in 2025, which is 96.00 euros less than in 2024.

The proposition on unemployment insurance contributions is based on forecasts and calculations used by Employment Fund, which have also been used to draw up the Fund's budget for 2025. These have taken into account different options for the development of the economy and employment, as well as assessed the effects of the Government programme's entries and the decisions made by the Government during the budget framework negotiations in April 2024.

According to the forecasts used by the Employment Fund, the economic situation in Finland will remain challenging in 2024, but the situation will improve in 2025. Employment is expected to remain at a good level, and in the Employment Fund's basic forecast, the unemployment rate is predicted to be 8.3% in 2024 and to decrease to 8.1% in 2025.

The cost-reducing effect of the Government programme's entries on the expenses under Employment Fund's financial responsibility is estimated to be around 200 million euros in 2024 and around 700 million euros more in 2025.

During the Government's budget framework negotiations in April, decisions were made on channelling the savings included in the Government programme. According to the decisions, unemployment insurance contributions will be allowed to change normally and the previous channelling of 50 million euros will be dismantled.

According to the basic forecast prepared by the Employment Fund, the change in the Fund's net assets will be approximately EUR 700 million negative in 2024 and will remain approximately EUR 350 million negative in 2025 at the proposed payment level. In addition, it is estimated that mainly due to the effect of Government programme's entries, the maximum level of the business cycle buffer will decrease in 2025 and the maximum amount of the business cycle buffer would be reached at the end of 2025 without the proposed change in the payment level. With the proposed change the business cycle buffer would be below the forecast maximum business cycle buffer.

*-The poor employment development has continued longer than expected, but in 2025 the economy and employment are predicted to pick up. The good situation of the Employment Fund's business cycle buffer gives the opportunity for a moderate reduction in unemployment insurance contributions in 2025. With the second consecutive year of reduction of payments, unemployment insurance contributions would be less than half of the 2023 level in 2025, says Employment Fund's Managing Director **Janne Metsämäki**.*

*- Together, these factors, the estimated cost-reducing effect of the Government programme's entries and the decisions of the budget framework negotiations, the improving outlook for the economy and employment, and the good level of*

*business cycle buffer and its decreasing maximum amount in 2025, influenced our assessment of the possibility to reduce unemployment insurance contributions, continues* **Karo Nukarinen**, CFO of the Employment Fund.

Employment Fund's business cycle buffer had net assets of EUR 1,541 million on 30 June 2024 (2,021 million on 31 December 2023). We estimate that the amount of net assets at the end of 2024 will be approximately EUR 1,320 million positive.

Employment Fund's Supervisory Board will make a final decision on the proposal regarding the level of unemployment insurance contributions to the Ministry of Social Affairs and Health on Thursday, August 29, 2024. The Finnish Parliament will confirm the final unemployment insurance contributions in autumn. The unemployment insurance contributions are specified by law every year.

Helsinki, 27 August 2024  
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**About Työllisyysrahasto**

*The Employment Fund brings comfort in the changes of the working life. We collect the unemployment insurance contributions that are among other things financing the earnings-related unemployment benefits and urging forward the innovation of learning with the adult education allowance.*

**Attachments**

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