

Finland

Exchange rate: US\$1.00 equals 0.80 euros (€).

Old Age, Disability, and Survivors

Regulatory Framework

First law: 1937.

Current laws: 1956 (universal pensions); 1961 (earnings-related pensions); 1969 (survivor pensions), with 1990 amendment to include widowers; and 1986 (partial pension and early pension), with 1996, 1998, 2000, 2002, and 2003 amendments.

Type of program: Universal and social insurance system.

Coverage

Universal pension (income-tested): All Finnish citizens residing in Finland after age 16 for at least 3 years as well as citizens of other countries residing in Finland for 5 years or more immediately before pensionable age.

Earnings-related pension: All regular employees aged 14 or older. (From January 1, 2005, persons caring for a child under age 3 and students who received a degree, for study periods up to a maximum of 5 years.)

Special systems for seasonal, part-time, maritime, and public employees; farmers; and the self-employed.

Source of Funds

Insured person

Universal pension: None.

Earnings-related pension: 4.6% of earnings.

The minimum annual earnings for contribution purposes for employees are €29.34.

There is no ceiling for contribution purposes for employees.

Self-employed person

Universal pension: None.

Earnings-related pension: The self-employed contribute 21.4% of declared earnings (16.05% for the first 4 years of self-employment). Self-employed farmers contribute on average 10.5% of declared earnings.

The minimum annual earnings for contribution purposes for the self-employed are €5,504.14. The minimum annual earnings for contribution purposes for self-employed farmers are €7,752.04.

Employer

Universal pension: 1.35% to 4.45% of payroll (private employers, depending on capital of employer); 2.4% of payroll (municipalities); or 3.95% of payroll (government).

Earnings-related pension: 21.59% for employers with fewer than 50 employees. For employers with more than 50 employees, 16.9% to 24.0%, according to the age of the employee. The average contribution is 21.4%.

The minimum annual earnings for contribution purposes are €29.34.

Government

Universal pension: About 36% (2003) of universal pensions (about 3/4 of which is borne by local government) and the total cost of the universal survivor pension.

Earnings-related pension: The total cost of the earnings-related pension for the self-employed and for farmers not covered by their own contributions. The total cost of covered study periods and unpaid periods of child care for persons caring for a child under age 3.

Qualifying Conditions

Old-age pension

Universal old-age pension (income-tested): Age 65. Retirement is not necessary. The pension is not payable abroad after 1 year unless the person was a resident of Finland for at least 10 years before receiving the pension or is abroad for medical reasons.

Early pension: Aged 60 to 64. The pension is reduced.

Unemployment pension: Between ages 60 and 64 after exhausting entitlement for the unemployment basic benefit (at least 500 days or until age 60) and having worked at least 5 years of the previous 15.

Deferred pension: From age 65.

Earnings-related old-age pension: Aged 65 or older and retired from covered employment. For a full pension, 40 years' coverage is necessary. (From January 1, 2005, the retirement age will be flexible between ages 62 and 68. The pension will be paid without reduction at age 63.)

Early pension: Aged 60 to 64. The pension is reduced. (From January 1, 2005, the current early retirement rules will be abolished. Early retirement will be possible at age 62. The pension will be reduced.)

Part-time old-age pension (earnings-related pension): Aged 58 to 64 with a reduced work schedule (16 hours to 28 hours per week and earning between 35% and 70% of full-time earnings), employed full-time for 12 of the last 18 months, and covered during at least 5 of the last 15 years.

Unemployment pension: Payable at age 60 after exhausting entitlement to unemployment benefit (up to the maximum duration of 500 days) and covered by the scheme for at least 5 of the last 15 years. (From January 1, 2005, the pension will be abolished for persons born in 1950 or later.)

Deferred pension: From age 65.

Disability pension

Universal disability pension (income-tested): Permanent incapacity for suitable work and aged 16 to 64. There is no partial pension.

Individual early retirement pension: Aged 60 to 64, a special type of disability pension granted on less stringent medical criteria than the regular disability pension. (From January 1, 2005, only persons born before 1944 have a right to the individual early retirement pension.)

Disability allowance: Aged 16 to 64 and payable to nonpensioners.

Child care allowance: Payable for children under age 16 with a disability or a long-term illness.

Special assistance for immigrants: Immigrants aged 65 or older or disabled immigrants aged 16 to 64 are eligible for special assistance. The special assistance for immigrants also requires that the person is permanently resident in Finland and has been resident in Finland for at least 5 years before the benefit payment starts and is ineligible for a full Finnish national pension because of insufficient residence.

Earnings-related disability pension: A permanent loss of working capacity of 60% or more. The pension is payable after 300 days of cash sickness benefits have been exhausted.

Partial pension: A permanent loss of working capacity of between 40% and 59%.

Rehabilitation benefit: Payable to a disabled employee or a self-employed person who has a temporary loss of working capacity of 60% or more (40% to 59% loss for partial disability) and is undergoing treatment or rehabilitation. (From January 1, 2005, the employee will have a statutory right to vocational rehabilitation if illness, defect, or injury poses a threat to working capacity within 5 years.)

Survivor pension

Universal survivor pension (income-tested): The insured was a Finnish citizen who had lived in Finland after age 16 for at least 3 years (if not a Finnish citizen, 5 years). The widow(er), if a Finnish citizen, must have lived in Finland at the date of the insured's death or have moved to Finland within 1 year of the death of the spouse and lived in Finland after age 16 for at least 3 years (noncitizen must have lived in Finland for 5 years before the date of death). The initial pension, paid for a 6-month period, includes a basic amount and a flat-rate additional amount. The basic amount is stopped unless the recipient is providing for a child under age 18. The additional amount of the continuing pension is income tested.

A widow(er) must be under age 65, have been married to the deceased before age 65, caring for a child under age 18, or, if childless, be at least age 50 at the time of the spouse's death; in addition, the widow(er) must have been married for at least 5 years.

Universal orphan's pension: Under age 18 (age 20 if a student) and a resident of Finland or moved to Finland within 1 year of the insured's death.

Orphan's supplement (income-tested): Under age 18 (students aged 18 to 20 are excluded).

Earnings-related survivor pension: The deceased was insured or a pensioner at the time of death. The widow(er) has a right to a pension if she or he had a child with the deceased and the couple were married before the deceased spouse's 65th birthday. If childless, the couple must have been married for at least 5 years and the survivor must have been under age 50 at time of marriage and now be at least age 50 or a disability pensioner for at least 3 years when widowed. The pension is paid to a former spouse if she or he received alimony from the deceased.

Earnings-related orphan's pension: Paid to a child under age 18.

Old-Age Benefits

Old-age pension

Universal old-age pension (income-tested): The pension is income-tested and varies from €1.21 to €496.38 a month, according to municipality, marital status, and the value of other pension income received.

Income test: The benefit is reduced to 50% of the difference between other pension income and €46.58 a month; the pension is not payable if other pension income is between €862.42 and €1,016.92 a month, according to family status and municipality. The amount is also adjusted for the length of residence in Finland, with the full amount payable after 40 years of residence; a reduced pension is paid for residence of less than 40 years.

Early pension: Payable from age 60; the pension is reduced by 4.8% for each year the claim is made before age 65.

Unemployment pension: Payable between ages 60 and 64. The pension is income-tested and varies from €1.21 to €496.38 a month, according to municipality, marital status, and the value of other pension income received.

Deferred pension: An increment of 0.6% of the pension for each month the pension is deferred after age 65.

Child supplement: A flat-rate supplement of €18.41 a month is paid for a child under age 16.

Housing allowance: The allowance is proportional to income and housing expenses, up to €495.32 a month, according to municipality, marital status, and number of family members.

Pensioner care allowance: The allowance is set at €1.79, €28.93, or €257.84 a month, according to the extent of care needed.

Benefit adjustment: The universal pension and allowance supplements are adjusted automatically each year for changes in the cost-of-living index.

Earnings-related old-age pension: 1.5% of average pensionable earnings for each year of employment between ages 23 and 59 and 2.5% for each year between ages 60 and 65; 0.5% for each year before July 1962. (From January 1, 2005, the pension accrual rate will be 1.5 % per year between ages 18 and

52, 1.9 % per year between ages 53 and 62, and 4.5% for those aged 63 to 68. The pension will accrue from age 18.)

Pensionable earnings are the average revalued earnings for the last 10 years. The pension is determined separately for each employment contract. (From January 1, 2005, the pensionable earnings will be calculated based on average lifetime earnings.)

Early pension: From age 60. The pension is reduced by 4.8% for each year claimed before age 65. (From January 1, 2005, early retirement will be possible at age 62 with a reduction of 0.6% per month, up to a maximum of 7.2%. The accrued old-age pension will be paid at age 63 without reduction.)

Part-time old-age pension (earnings-related): 50% of the difference between the former full-time income and the part-time income. (From January 1, 2005, for those born in 1947 or later the old-age pension accrual will decrease when receiving the part-time pension.)

Unemployment pension: Pension rights are accrued during years of employment. If the insured has the right to a projected service (time between the onset of unemployment and retirement age) component, this will later be added to the old-age pension or survivor pension.

Deferred pension: An increment of 0.6% for each month of deferral after age 65. (From January 1, 2005, if retirement is postponed after age 68, an increment of 0.4% per month will be granted.)

Benefit adjustment: Earnings-related benefits payable to pensioners aged 65 or older are adjusted yearly according to 20% of the annual average increase in wage (or 50% if pensioner is under age 65) and 80% of annual average increase in price (50% if pensioner is under age 65). (From January 1, 2005, all earnings-related pensions in payment will be adjusted using an index with a 20:80 weighting of wages to prices.)

Permanent Disability Benefits

Disability pension

Universal disability pension (income-tested): The pension is income tested and varies from €1.21 to €496.38 a month, according to municipality, marital status, and the value of other pension income received.

Individual early retirement pension: The pension is income tested and varies from €1.21 to €496.38 a month, according to municipality, marital status, and the value of other pension income received.

Disability allowance: Aged 16 to 64 and payable to nonpensioners. The lower rate is €77.32 a month, the higher rate is €180.34 a month, and the special rate is €335.99 a month.

Child care allowance: Payable for children under age 16 with a disability or a long-term illness. The lower rate is €77.32 a month, the higher rate is €180.34 a month, and the special rate is €335.99 a month.

Special assistance for immigrants: The amount of special assistance is equal to the full amount of the universal pension. The amount of the special assistance is affected by the

disposable income of the applicant and his or her spouse, with the benefit amount decreasing as income increases.

Benefit adjustment: The universal pension and allowances are adjusted automatically each year for changes in the cost-of-living index.

Earnings-related disability pension: 1.5% of the wage for each year of service up to the onset of disability. For projected service (time between the onset of the disability and retirement age 65), 1.5% for the period up to age 50, 1.2% for ages 50 to 60, and 0.8% for ages 60 to 65. (From January 1, 2005, the pension accrual rate will be 1.5 % per year between ages 18 and 52, 1.9 % per year between ages 53 and 62, and 4.5% for those aged 63 to 68. The pension will accrue from age 18. In addition, all disability pensions will have the right to projected service until age 63. The accrual rate for projected service will be 1.5% of salary per year until age 50 and 1.3% per year thereafter.)

The maximum pension is 60% of pensionable earnings. (From January 1, 2005, this limit will be abandoned.)

Partial disability pension: 50% of the full pension, if the assessed loss of working capacity is between 40% and 59%.

Rehabilitation benefit: Awarded for a treatable disability. The benefit (the same as for the full or partial disability pension) is based on the assessed degree of disability, plus a 33% increment for periods of active vocational rehabilitation arranged for the applicant by the pension insurance company.

Benefit adjustment: The earnings-related disability pension is adjusted according to an index that reflects the changes in prices and wages on an equal basis. (From January 1, 2005, all earnings-related pensions in payment will be adjusted using an index with a 20:80 weighting of wages to prices.)

Survivor Benefits

Survivor pension

Universal survivor pension (income-tested): Awarded for the first 6 months following the spouse's death. The maximum basic pension is €347.31 a month, plus a means-tested supplement up to €234.33 a month and a housing allowance according to the geographic area. The pension is payable to a widow(er). From the 7th month, the pension is income tested, except if the surviving spouse is caring for a dependent child. The pension is adjusted according to the length of residence of the deceased.

Orphan's universal pension: Up to €50.08 a month if under age 18 (age 20 if a student); up to €100.15 a month for a full orphan.

Orphan's supplement (income-tested): Single and full orphan's pensions may be increased up to a maximum of €66.90 a month; the increase is not applicable to a student aged 18 to 20.

Income test: The benefit is reduced to 50% of the difference between other pension income and €46.58 a month; the pension is not payable if other pension income is between €82.42 and €1,016.92 a month, according to family status and

municipality. The amount is also adjusted for the length of residence in Finland, with the full amount payable after 40 years of residence; a reduced pension is paid for residence of less than 40 years.

Benefit adjustment: The universal pension and allowances are adjusted automatically each year for changes in the cost-of-living index.

Earnings-related survivor pension: The widow(er) receives up to 50% of the insured's pension.

There is no means test for first 6 months if the surviving spouse is under age 65 and is not receiving a pension in his or her own right. If the survivor is supporting children, there is no income test before the youngest child is age 18.

Income test: The old-age pension or disability pension personally accrued by the surviving spouse (even if not in payment) reduces the amount of the survivor's pension.

Orphan's earnings-related pension: Under age 18. The award is 1/3 of the insured's pension for one orphan; up to 5/6 of the insured's pension for four orphans or more; the pension is increased by another 1/6 for a full orphan. The pension must not exceed the value of the insured's pension.

Benefit adjustment: Earnings-related benefits payable to pensioners aged 65 or older are adjusted annually according to 20% of the annual average increase in wages (50% if the pensioner is under age 65) and 80% of the annual average increase in prices (50% if the pensioner is under age 65). (From January 1, 2005, all earnings-related pensions in payment will be adjusted using an index with a 20:80 weighting of wages to prices.)

Administrative Organization

Ministry of Social Affairs and Health provides general supervision of the private-sector statutory pension schemes.

Social Insurance Institution administers universal and disability pensions through district offices.

A governing body appointed by parliament manages the Social Insurance Institution.

Local boards determine claims for old-age pensions and survivor pensions. Disability pension claims are determined by the central administration.

Municipalities collect the universal pension contributions with communal (municipal) taxes.

Operating as a tripartite board, the Finnish Centre for Pensions is the statutory central body of the private-sector earnings-related pension scheme.

Carriers for earnings-related pension schemes are approved private insurance companies, pension funds, and foundations.

As of April 1, 1999, the Insurance Supervision Authority supervises the carriers.

Local Government Pensions Institute, under the general supervision of the Ministry of the Interior, administers the pension programs in the public sector.

State Treasury Office, under the general supervision of the Ministry of Finance, administers pension programs for state employees.

Sickness and Maternity

Regulatory Framework

First and current law: 1963.

Type of program: Social insurance system. Cash and medical benefits.

Note: Health care is provided by both a private-sector sickness insurance program and a public-sector (municipal) health services program financed primarily by local and national taxes.

Coverage

Medical benefits: All residents.

Cash benefits: All employees, self-employed persons, and students aged 16 to 64.

Source of Funds

Insured person: 1.5% of earnings.

Employer: 1.614% of payroll (private-sector employers) or 1.614% to 2.864% of payroll (public-sector employers).

Government: Necessary subsidies.

Qualifying Conditions

Cash sickness benefits: Employment during the last 3 months, unless involuntarily unemployed.

Cash maternity benefits: Resident in Finland; immigrants must complete a 180-day waiting period.

Medical benefits: Resident in Finland.

Sickness and Maternity Benefits

Sickness benefit: 70% of daily earnings if annual earnings are €6,720 or less, plus 40% of daily earnings for annual earnings between €6,721 and €41,110, plus 25% of daily earnings for annual earnings of €41,110 or more.

The minimum benefit is €0.40 a day. The benefit is payable after a 10-day waiting period for up to 300 weekdays.

Sickness allowance (means-tested): The allowance is payable after 55 days of incapacity provided that annual earnings are less than €1,026. The benefit is €1.45 a day.

Rehabilitation benefit: The benefit is the same as cash sickness benefit if the insured is receiving medical treatment, vocational training, or both under a social security rehabilitation program.

Maternity benefit: 70% of daily earnings if annual earnings are €6,720 or less, plus 40% of daily earnings for annual earnings between €6,721 and €41,110, plus 25% of daily

earnings for annual earnings of €1,110 or more. The minimum benefit is €10 a day.

The benefit is payable to a mother from 50 to 30 days before the expected date of childbirth for 105 work days.

Special maternity allowance is payable throughout the pregnancy if the mother is exposed to risk factors that cannot be eliminated.

Parents allowance: After entitlement to maternity benefit ends, parents allowance is payable to either parent for 158 weekdays. The allowance is payable for 60 extra days for multiple births and from 100 days to 234 days in the case of an adoption.

Special care allowance: The allowance is payable for 60 days a year to parents caring for a sick child in hospital or at home (90 days if the child is seriously ill).

Workers' Medical Benefits

Under the sickness insurance scheme, cash refunds are provided for certain medical expenses according to a predetermined schedule. The cash refunds include 60% of private doctors' fees and 60% of private dental fees; 75% of the cost of prescribed examinations and prescribed treatment over €13.46 is deductible, 50% of the cost of medicines over €10 (75% to 100% refund for drugs used to treat grave and prolonged illness priced over €5 is deductible; a full refund if the annual cost of prescription drugs exceeds €604.72); and 100% of transportation expenses in excess of €0.25 (a full refund is provided if annual deductible expenses exceed €157).

Sickness insurance also covers 50% of the occupational health care costs incurred by the employer.

Under municipal health services, a €22 fee is charged for the first annual visit; subsequent visits are free.

Hospital care is free, except for a €22 fee per outpatient visit, a €26 fee per inpatient day, and a €72 fee for day surgery.

Dependents' Medical Benefits

Same as for the family head.

Administrative Organization

Ministry of Social Affairs and Health provides general supervision.

Sickness insurance: Social Insurance Institution administers the program nationally.

Social Insurance Institution reimburses employees' sickness funds.

Social Insurance Institution reimburses employers providing medical benefits directly to their own employees.

Public health and hospital services: Provided by municipalities or the federation of municipalities.

Work Injury

Regulatory Framework

First law: 1895.

Current laws: 1948 and 1981 (farmers).

Type of program: Employer-liability and mandatory insurance with a private carrier system.

Coverage

Employed persons.

Special systems for farmers and public-sector employees.

Source of Funds

Insured person

General scheme: None.

Farmers' scheme: 32% of total cost.

Employer

General scheme: 0.4% to 7.5% of payroll, according to the assessed degree of risk (the average rate is 1%).

Farmers' scheme: None.

Government

General scheme: None.

Farmers' scheme: 28% of total cost (40% of the cost is covered by funds from the general social security scheme).

Qualifying Conditions

Work injury benefits: There is no minimum qualifying period.

Temporary Disability Benefits

100% of earnings is payable from the day after the accident occurred (unless the duration of incapacity is less than 3 days), 7 days a week, for up to 12 months. The benefit is proportionally reduced for partial disabilities of 10% or more.

Permanent Disability Benefits

Permanent disability pension: A basic pension equal to 85% of earnings for a total disability, up to age 65; thereafter, 70% of earnings.

Partial disability: The pension is proportionally reduced for partial disabilities of 10% or more.

Constant-attendance supplement: Up to €23.41 a day.

Hardship allowance: The allowance is payable in cases of permanent general handicap according to 20 categories of disability. The value of the allowance varies according to age and gender.

Survivor Benefits

Survivor pension: Payable to a widow(er) and orphans.

The maximum survivor pension is 70% of the insured's earnings.

Funeral grant: €3,850.

Administrative Organization

Ministry of Social Affairs and Health provides general supervision.

Federation of Accident Insurance Institutions is the legal coordinating body for the application of statutory accident insurance legislation among member companies and for statistics among member companies.

Insurance is administered by licensed private companies.

Farmers' insurance is administered through the Farmers' Social Insurance Institution.

Public employees' insurance is administered through the State Treasury Office.

Unemployment

Regulatory Framework

First laws: 1917 (unemployment insurance) and 1960 (unemployment assistance).

Current law: 2002 (unemployment security).

Type of program: Social assistance and voluntary subsidized insurance (unemployment fund) system.

Coverage

Basic unemployment and earnings-related unemployment benefits: Gainfully employed workers and entrepreneurs aged 17 to 64.

Membership in an earnings-related unemployment fund is voluntary.

Source of Funds

Insured person

Basic unemployment benefit: None.

Earnings-related unemployment benefit: 0.25% of salary.

Employer

Basic unemployment benefit: None.

Earnings-related unemployment benefit: 0.6% of salary when the total amount of all salaries is under €840,940 and 2.5% when the total amount of all salaries is above €840,940.

Government

Basic unemployment benefit: Total cost.

Earnings-related unemployment benefit: A percentage of the total cost (38.9% in 2002).

Qualifying Conditions

Basic benefit and earnings-related unemployment benefits: Must have worked at least 43 weeks during the 24 months before unemployment. Entitlement to the basic benefit or to the earnings-related benefit under the classification of an entrepreneur depends on work as an entrepreneur for 24 of the last 48 months.

Unemployment is not due to voluntary leaving, work stoppage, or the refusal of a suitable job offer.

For entitlement to the earnings-related benefit, the insured must have been a member of an unemployment fund for at least 10 months.

Unemployment Benefits

Unemployment benefit (basic benefit): €23.16 a day.

Supplement for dependent child(ren): A daily supplement of €4.39 a day for one child, €6.44 for two, or €8.31 for three or more children.

Earnings-related benefit (unemployment fund): If monthly earnings are less than €2,190.65, the benefit is €23.16 a day plus 45% of the daily wage; if monthly earnings are equal to €2,190.65 or more, the benefit is €6.37 a day plus 20% of daily earnings in excess of €6.95.

Increased earnings-related benefit (unemployment fund): The benefit is payable to those who have worked at least 20 years and have been a member of an unemployment fund for 5 years. The increased earnings-related benefit is 55% of the difference between daily wages and the basic benefit. If the monthly salary exceeds €2,190.65, the earnings-related benefit declines to 32.5% for the part in excess.

Supplement for dependent child(ren): A daily supplement of €4.39 a day for one child, €6.44 for two, or €8.31 for three or more children.

The maximum benefit, including the child supplement, is 90% of the insured's daily wage.

All unemployment benefits are payable after a 7-day waiting period. The benefit is payable 5 days a week for up to 500 days (if the recipient reaches age 57 before the benefit has been paid for 500 days, the benefit is payable until the end of the calendar month in which the recipient reaches age 60).

Administrative Organization

Ministry of Social Affairs and Health supervises unemployment insurance.

The Social Insurance Institution, through its local offices, administers the basic benefit program.

The voluntary program is administered by approved unemployment funds.

At least 8,000 members are required for an unemployment fund to receive full government support.

Family Allowances

Regulatory Framework

First law: 1948.

Current laws: 1992 and 1996 (child home care allowance).

Type of program: Universal system.

Coverage

All residents with one or more children.

Source of Funds

Insured person: None.

Employer: None.

Government: Total cost. Municipal authorities meet the total cost of the child home care allowance.

Qualifying Conditions

Family allowances: Child must be under age 17.

Birth grant: Paid to the insured upon the birth of a child.

Child home care allowance: Child must be under age 3. (Maternity benefits are no longer payable.) One of the parents must care for the child at home.

Family Allowance Benefits

Family allowances: €1,200 a year for one child, €2,526 for two, €4,098 for three, €5,916 for four, and €2,064 a year for each additional child.

Single-parent supplement (or legally separated or unmarried parent): €439 a year for each qualifying child.

Birth grant: €40, usually paid in kind.

Child home care allowance: A basic amount of €3,027 a year for one child under age 3 cared for at home; an increase of €600 a year for each additional child under age 7.

Means-tested supplement: Up to a maximum of €135 a month.

Partial home care allowance: €70 a month is payable to a parent who has reduced his or her working hours to a maximum of 30 hours a week.

Administrative Organization

Ministry of Social Affairs and Health provides general supervision.

Social Insurance Institution administers the Family Allowance program on a national basis.