

## Finland

Exchange rate: U.S.\$1.00 equals 1.12 euros (€).

### Old Age, Disability, and Survivors

#### Regulatory Framework

**First law:** 1937.

**Current laws:** 1956 (universal pensions), 1961 (earnings-related pensions), 1969 (survivor pensions amended in 1990 to include widowers), 1986 (partial pension and early pension), 1996, 1998, and 2000 amendments.

**Type of program:** Universal pension program and statutory earnings-related pensions.

#### 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 preceding pension.

**Earnings-related pension:** All regular employees aged 14 or older.

No lower limit of earnings or duration.

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

#### Source of Funds

##### Insured person

*Universal pension:* Employees, none.

*Earnings-related pension:* Employees, 4.4% of earnings; the self-employed contribute 21.1% of declared earnings (15.8% for the first 4 years of self-employment). The maximum earnings for contribution purposes is •87,679.73 a year. Self-employed farmers contribute 10.3% of declared earnings up to a maximum of •18,412 a year.

##### Employer

*Universal pension:* 1.3% to 4.45% of payroll (private employers, depending on capital of employer); 2.4% of payroll (municipalities), or 3.95% of payroll (state).

*Earnings-related pension:* 17.32% for employers with fewer than 50 employees. For employers with more than 50 employees, 11.1% to 21.6%, according to the age and gender of the employee.

##### Government

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

*Earnings-related pension:* Total cost of the earnings-related pension for the self-employed and for farmers not covered by their own contributions.

Earnings-related pension contributions are paid on the total wage.

The combined average contribution for all employees and employers for the universal pension and earnings-related pension is 21.1% of payroll in 2002.

#### Qualifying Conditions

##### Old-age pension

*Universal income-tested pension:* 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.

*Earnings-related pension:* Aged 65 or older and retirement from covered employment. For a full pension, 40 years' coverage is necessary.

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

Part-time pension (earnings-related pension): Aged 56 (58 as of January 1, 2003) to 64 years. 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 months of the past 18 months, and covered during at least 5 out of the preceding 15 years.

Unemployment pension: Payable at age 60 after having exhausted unemployment benefit for the maximum duration of 500 days and being covered by the scheme for at least 5 out of the last 15 years.

##### Disability pension

*Universal income-tested pension:* Permanent incapacity for suitable work and aged 16 to 64.

Early disability pension: Payable from age 60 to 64, and unable to work due to mental or physical exhaustion.

Disabled person's allowance: Aged 16 to 64, payable to nonpensioners.

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

*Earnings-related pension:* A 60% or more permanent loss of work capacity; a 40% to 59% permanent loss for the partial pension. The pension is payable after 300 days of cash sickness benefits have been exhausted.

Rehabilitation benefit: Payable to a disabled employee or a self-employed person who has a temporary loss of work capacity of 60% or more (40% to 59% loss for partial disability) and is undergoing treatment or rehabilitation.

Individual early retirement pension: Aged 60 to 64, and unable to work due to mental or physical exhaustion. Other factors including age, length of service, and working conditions are also considered.

## Survivor pension

*Universal income-tested pension:* Deceased 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 deceased'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 is not income-tested for the first 6 months; a continuing pension is income-tested unless the widow(er) is providing for a child under age 18.

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 50 years old at the time of the spouse's death; in addition, the widow(er) must have been married for at least 5 years.

Supplementary survivor's pension (income-tested): See universal income-tested old-age pension, above.

*Orphan's pension (universal):* Under age 18 (under age 20 if a student) and a resident of Finland or have moved to Finland within 1 year of the bereavement.

Orphan's supplement (income-tested): Under age 18 (not for students aged 18 to 20).

*Earnings-related pension:* Deceased was insured or a pensioner at the time of death. 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 at least age 50 or a disability pensioner for at least 3 years when widowed. The pension is paid to a widower on equal terms and, under certain circumstances, to a former spouse.

*Orphan's pension (earnings-related):* Paid to a child under age 18.

## Old-Age Benefits

### Old-age pension

*Universal pension:* The pension is income-tested and varies from •11.02 to •487.60 a month, according to municipality, marital status, and the value of other pension income received.

Income test: Benefit reduced to 50% of the difference between other pension income and •45.75 a month; the pension is not payable if other pension income is between •847.17 and •998.92 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, reduced on a pro rata basis if less than 40 years.

Child allowance: For a child under age 16. The allowance is a flat-rate increase of •18.08 a month.

Housing allowance: The allowance is proportional to income and housing expenses, up to •486.54 a month, according to municipality, marital status, and number of family members.

Pensioner care allowance: The allowance is set at •50.87, •126.65, or •253.28 a month, based on the extent of care needed.

Early pension: Payable from age 60; the pension is reduced by 4.8% per year claimed before age 65.

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

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

*Earnings-related 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.

Pensionable earnings are the average revalued earnings for the last 10 years. The pension is determined separately for each employment contract.

Early retirement pension: From age 60. The pension is reduced by 4.8% for each year claimed before age 65.

Deferred pension: An increment of 0.6% for each month of deferment after age 65.

Partial pension: 50% of the difference between the former full-time income and the part-time income.

Unemployment pension: Pension rights are accrued during the years of employment. The right to the accrued pension is based on the potential length of service. This component will later be paid in the context of any entitlement to an old-age pension or a survivor pension.

Benefit adjustment: Earnings-related benefits payable to pensioners aged 65 and 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) changes.

## Permanent Disability Benefits

### Disability pension

*Universal pension:* See the universal old-age pension, above. The full pension is awarded to those who have been resident in Finland for 80% of the time after age 16 and who were resident before the disability occurred or who became disabled before age 21 while resident in Finland.

Disabled person's allowance: Paid at •75.96, •177.24, or •329.17 a month, depending on the harmful effects of the illness or injury, the need for assistance, and for additional expenses caused by the illness or the disability.

Benefit adjustment: Universal pensions and allowances are adjusted each year for changes in the cost-of-living index.

*Earnings-related 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% from age 50 to 60, and 0.8% from age 60 to 65.

The maximum pension is 60% of pensionable earnings.

Partial disability pension: Paid at 50% of the full pension, if the loss of work capacity is between 40% and 59%.

Rehabilitation benefit: Awarded for a treatable disability. Same as the full or partial disability pension 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.

## Survivor Benefits

### Survivor pension

*Universal pension:* Awarded for the first 6 months following the spouse's death. The maximum basic pension is •257.41 a month, plus a means-tested supplement up to •230.19 a month and a housing allowance according to the geographical area. The pension is payable to a widow(er). From the 7th month, the pension is income tested using the same criteria as for the universal old-age pension (see above), 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 pension (universal):* Up to •49.19 a month if under age 18 (age 20 if a student) up to •98.38 a month for a full orphan; single and full orphan's pensions may be increased by a maximum of •65.72 a month (income-tested); the increase is not applicable to a student aged 18 to 20 years.

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

*Earnings-related pension:* The widow(er) receives up to 50% of the pension payable to the insured.

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, no income test before the youngest child is 18 years old.

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

*Orphan's pension (earnings-related):* 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 is not to exceed the value of the insured's pension.

Benefit adjustment: Earnings-related benefits payable to pensioners aged 65 and older are adjusted yearly according to 20% of the annual average increase in wage (or 50% if pensioner under age 65) and 80% of the annual average increase in price (50% if pensioner under age 65) changes.

### 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 contribution with communal (municipal) taxes.

Central Pension Security Institute is the statutory central body of the private-sector earnings-related pension scheme. It operates as a tripartite board.

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 employed, all self-employed, and students aged 16 to 64.

### Source of Funds

**Insured person:** 1.5% of earnings. Pensioners contribute 1.9% of earnings.

**Employer:** 1.60% of payroll (private employers) or 1.60% to 2.85% of payroll (public employers).

**Government:** Remaining cost.

### Qualifying Conditions

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

**Cash maternity benefits:** Residence in country; immigrants must complete a 180-day waiting period.

**Medical benefits:** Residence in country.

## Sickness and Maternity Benefits

**Sickness benefit:** 70% of daily earnings, if annual earnings are •25,515 or less; plus 40% of daily earnings for annual earnings between •25,516 and •39,256, plus 25% of daily earnings for annual earnings of •39,256 or more.

The minimum benefit is •2.30 a day.

Sickness allowance (means-tested): The allowance is payable after 55 days of disability provided that annual earnings are less than •979. The benefit is payable after a 10-day waiting period for up to 300 weekdays at •10 a day.

Rehabilitation benefit: Same as cash sickness benefit if receiving medical treatment, vocational training, or both under a social security rehabilitation program.

**Maternity benefit:** See sickness benefit above; the minimum benefit is •10 a day.

Payable to a mother between 50 days and 30 days prior to 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 maternity benefit ends, payable to either parent for 158 weekdays. Benefit 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: Payable for 60 days a year to parents caring for a sick child at hospital or home (90 days if the child is seriously ill).

## Workers' Medical Benefits

Under the sickness insurance scheme, cash refunds operate for certain medical expenses based on a predetermined schedule. The cash refunds include 60% of private doctors' fees, 60% to 75% of private dental fees (for those born in 1946 or later), 75% of the cost of prescribed examinations and prescribed treatment over •13.46 is deductible, 50% of the cost of medicines over •8.41 (75% to 100% reimbursement for drugs used to treat grave and prolonged illness priced over •4.20 is deductible; a full refund if the annual cost of prescription drugs exceeds •594), and 100% of transportation expenses in excess of •9.25 (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 and a •26 fee per inpatient day.

## Dependents' Medical Benefits

Same as for family head (see above).

## 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.

The 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, 1981 (farmers).

**Type of program:** Statutory insurance with a private carrier.

### Coverage

Employed persons. Special systems for farmers and public employees.

### Source of Funds

#### Insured person

*General scheme:* None.

*Farmers' scheme:* 33% of total cost.

#### Employer

*General scheme:* 0.5% to 11.7% of payroll, according to the assessed degree of risk (the average rate is 1.4%).

*Farmers' scheme:* None

#### Government

*General scheme:* None.

*Farmers' scheme:* 33% of total cost (33% 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, reduced proportionately for a partial disability of 10% or more. Benefit is payable from the day after the accident occurred (unless incapacity is less than 3 days), 7 days a week, for up to 12 months.

## Permanent Disability Benefits

**Permanent disability pension:** A basic pension equal to 85% of earnings for total disability up to age 65, thereafter at 70% of earnings; the pension is proportionally reduced for partial disabilities of 10% or more.

Constant-attendance supplement: Up to •22.35 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.

## Workers' Medical Benefits

Medical attendance, surgery, hospital treatment, medicines, appliances, and rehabilitation.

## Survivor Benefits

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

Maximum survivor pension: 70% of earnings of the insured.

**Funeral grant:** •3,680.

## 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 statistics.

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:** 1984 (unemployment security).

**Type of program:** Dual unemployment assistance and voluntary subsidized insurance (Unemployment Fund) systems.

A general program for basic unemployment benefit and a voluntary program for earnings-related unemployment benefit administered by the unemployment funds.

### 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:* 0.4% of salary.

#### Employer

*Basic unemployment benefit:* None.

*Earnings-related unemployment benefit:* 0.7% of the salary when the total amount of all salaries is under •840,940 and 2.7% when the total amount of all salaries is above •840,940.

#### Government

*Basic unemployment benefit:* Total cost.

*Earnings-related unemployment benefit:* Pays a percentage of the total cost (39.2% in 2001).

### Qualifying Conditions

#### Basic benefit and earnings-related unemployment

**benefits:** Must have worked at least 43 weeks during the 24 months prior to becoming unemployed. 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 months out of the last 48 months.

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

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):** •22.75 a day.

Supplement for dependent child(ren): A daily supplement of •4.31 a day for one child, •6.33 for two, and •8.16 for three or more children.

**Earnings-related benefit (unemployment fund):** If monthly earnings are less than •2,047.50, the benefit is •22.75 a day plus 45% of daily wage; if monthly earnings are equal to •2,047.50 or more, the benefit is •55.37 a day plus 20% of daily earnings in excess of •95.23 a day.

Supplement for dependent child(ren): A daily supplement of •4.31 a day for one child, •6.33 for two, and •8.16 for three or more children.

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

Benefit is 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.

Earnings-related 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**

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#### **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:** Provided 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:** •1,080 a year for one child, •2,406 for two, •3,978 for three, •5,796 for four, and •2,064 a year for each additional child.

Single-parent supplement (or legally separated or unmarried parent): •403 a year for each qualifying child.

**Birth grant:** •140, usually payable in kind.

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

Means-tested supplement: The supplement can be up to •135 a month.

Partial home care allowance: •63 a month payable to a parent who has reduced his or her working hours to a maximum of 30 hours per week.

### **Administrative Organization**

Ministry of Social Affairs and Health provides general supervision.

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