Overview of Benefit Programmes


1996
### Pension beneficiaries

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old age pension</td>
<td>766,100</td>
</tr>
<tr>
<td>Disability pension</td>
<td>277,000</td>
</tr>
<tr>
<td>Unemployment pension</td>
<td>35,300</td>
</tr>
<tr>
<td>Survivors pension</td>
<td>39,800</td>
</tr>
</tbody>
</table>

### Recipients of disability benefits

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child care allowance</td>
<td>44,600</td>
</tr>
<tr>
<td>Disability allowance</td>
<td>11,400</td>
</tr>
</tbody>
</table>

### Health insurance beneficiaries

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sickness allowance</td>
<td>275,000</td>
</tr>
<tr>
<td>Parenthood allowances</td>
<td>144,000</td>
</tr>
<tr>
<td>Total</td>
<td>3,614,800</td>
</tr>
</tbody>
</table>

### Recipients of rehabilitation benefits

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rehabilitation services</td>
<td>64,800</td>
</tr>
<tr>
<td>Rehabilitation allowance</td>
<td>42,000</td>
</tr>
</tbody>
</table>

### Recipients of basic unemployment allowance or labour market support

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>207,000</td>
</tr>
<tr>
<td>Basic unemployment allowance</td>
<td>32,300</td>
</tr>
<tr>
<td>Labour market support</td>
<td>174,700</td>
</tr>
</tbody>
</table>

### Recipients of labour market training allowances

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>10,000</td>
</tr>
</tbody>
</table>

### Family allowance recipients (no. of children)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1,093,800</td>
</tr>
</tbody>
</table>

### Child home care allowance recipients (no. of families)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>74,000</td>
</tr>
</tbody>
</table>

### Households receiving general housing allowance

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>191,900</td>
</tr>
</tbody>
</table>

### Recipients of financial aid for students

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>298,900</td>
</tr>
</tbody>
</table>

### Total expenditure (FIM million)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>55,094</td>
</tr>
</tbody>
</table>

### Total benefit expenditure (FIM million)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension benefits</td>
<td>18,336</td>
</tr>
<tr>
<td>Disability benefits</td>
<td>565</td>
</tr>
<tr>
<td>Health insurance benefits</td>
<td>10,189</td>
</tr>
<tr>
<td>Rehabilitation benefits</td>
<td>1,022</td>
</tr>
<tr>
<td>Unemployment benefits</td>
<td>6,476</td>
</tr>
<tr>
<td>Maternity grants and family allowances</td>
<td>8,452</td>
</tr>
<tr>
<td>Child home care allowances</td>
<td>2,041</td>
</tr>
<tr>
<td>General housing allowances</td>
<td>2,254</td>
</tr>
<tr>
<td>Financial aid for students</td>
<td>3,415</td>
</tr>
<tr>
<td>Other benefits</td>
<td>109</td>
</tr>
</tbody>
</table>

### Income (FIM million)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>54,649</td>
</tr>
<tr>
<td>Insured population</td>
<td>8,924</td>
</tr>
<tr>
<td>Employers</td>
<td>12,395</td>
</tr>
<tr>
<td>State</td>
<td>27,196</td>
</tr>
<tr>
<td>Municipalities</td>
<td>2,571</td>
</tr>
<tr>
<td>Other</td>
<td>3,563</td>
</tr>
</tbody>
</table>

### Total benefit expenditure in proportion to total wage and salary bill (%)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>22.8*</td>
</tr>
<tr>
<td>GDP</td>
<td>8.2*</td>
</tr>
</tbody>
</table>

### Total benefit expenditure (excl financial aid for students)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>25.9*</td>
</tr>
</tbody>
</table>

### Branch offices (at year-end)

<table>
<thead>
<tr>
<th>Branch offices</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>371</td>
</tr>
</tbody>
</table>

### Benefit expenditure (FIM million)

<table>
<thead>
<tr>
<th>Region</th>
<th>North Finland</th>
<th>West Finland</th>
<th>East Finland</th>
<th>South-West Finland</th>
<th>South Finland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension benefits and disability benefits</td>
<td>2,343</td>
<td>3,226</td>
<td>3,455</td>
<td>4,323</td>
<td>5,529</td>
</tr>
<tr>
<td>Health insurance benefits: Total</td>
<td>1,116</td>
<td>1,357</td>
<td>1,398</td>
<td>2,108</td>
<td>3,615</td>
</tr>
<tr>
<td>Individual rehabilitation benefits</td>
<td>156</td>
<td>156</td>
<td>171</td>
<td>212</td>
<td>300</td>
</tr>
<tr>
<td>Unemployment-related benefits</td>
<td>692</td>
<td>939</td>
<td>1,051</td>
<td>1,309</td>
<td>2,482</td>
</tr>
<tr>
<td>Maternity grants, family allowances and child home care allowances</td>
<td>1,356</td>
<td>1,660</td>
<td>1,451</td>
<td>2,221</td>
<td>3,803</td>
</tr>
<tr>
<td>General housing allowances</td>
<td>259</td>
<td>284</td>
<td>299</td>
<td>451</td>
<td>1,006</td>
</tr>
</tbody>
</table>

### Population at year-end

<table>
<thead>
<tr>
<th>Region</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>599,600</td>
</tr>
<tr>
<td>North Finland</td>
<td>760,100</td>
</tr>
<tr>
<td>West Finland</td>
<td>746,500</td>
</tr>
<tr>
<td>South-West Finland</td>
<td>1,157,000</td>
</tr>
<tr>
<td>South Finland</td>
<td>1,870,800</td>
</tr>
</tbody>
</table>
Overview of Benefit Programmes

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English summary

1 Finnish social security and the Social Insurance Institution (SII)

1.1 General

Social policy, social security. Social policy is shaped by society and the prevailing social standards. According to a widely accepted definition, social policy is a means of providing for all citizens a reasonable standard of life and living. Aside from social security, social policy can be understood to encompass aspects relating to labour, health, housing, alcohol, and education policies. Social security benefits can take the form of either cash benefits (income maintenance) or services.

The aim of social security is to provide, for individuals as well as families, an income security against a number of social risks, particularly illness, disability, unemployment, old age, or the death of a breadwinner.

The development, targeting and financing of social policy may be examined by means of social expenditure calculations, which show the yearly expenditures on statutory and collectively bargained social and health security benefits. (Of the SII-benefits, student financial aid has not been included in the calculations.)

The social security programmes of the SII. The Social Insurance Institution is one of the bodies carrying out Finnish social security. It is a public agency operating under parliamentary supervision.

The SII is responsible for implementing social security programmes that give protection, in a variety of life situations, to everyone living in Finland, including National Pension Insurance, National Health Insurance, rehabilitation benefits, the Basic Unemployment Allowance Scheme, income maintenance benefits for families with children as well as for the General Housing Allowance Scheme and the National Scheme for Student Financial Aid. In addition, the SII administers various disability benefit programmes, and the National Conscripts’ Allowance Scheme.

The SII has a nationwide network of local offices, 370 in all, to carry out its duties.

The first section of the Summary is aimed at giving a picture of the SII’s social security provision as part of a larger whole.

1.2 Pension provision

Pension schemes

Total pension cover. The Finnish pension system changed from the beginning of 1996. Previously a universal basic pension, the national pension was re-defined as a benefit guaranteeing a minimum pension level for pension recipients. Survivors pensions were not affected by this change.

The Finnish pension system consists of two statutory pension schemes providing employment pensions and national pensions, respectively. Together, these two schemes make up the retirement income security system which provides pensions in respect of old age, incapacity for work, long-term unemployment and death of the provider. There are a number of additional laws that provide for pension security in specific contingencies.

In this Yearbook, the term “employment pension” is used to refer to the pensions paid to wage and salary earners, civil servants, and self-employed persons.

Employment pensions can be granted to persons with past earnings from dependent or independent employment. National pensions are paid in proportion to any other pension income to which the recipient may be entitled. In practice, it is only granted to those who either do not qualify for any other type of pension or whose pension income is small. All residents of Finland are guaranteed a total retirement income that is at least equal to the full national pension.

National pension cover. The national pension is intended to secure the basic livelihood of pensioners
whose other pension income is small or non-existent. In 1996, among the benefits paid as part of national old age, disability and unemployment pensions were pension tested basic and additional amounts, housing allowances, care allowances, and front-veterans supplements.

National survivors pensions are paid in the form of spouses and orphans pensions. Spouse’s pension can consist of a basic amount, an additional amount, and a housing allowance. Both national pensions and national survivors pensions are paid out by the SII.

Employment pension cover. The purpose of the employment pensions is to enable the pensioners to maintain their accustomed standard of living. The amount of the pension is linked to the length of the pensioner’s employment history and the amount of previous earnings. Employment pension accrues separately from each employment relationship and period of self-employment. The resultant pensions are adjusted to cover altogether 60–66% of the recipient’s previous earnings.

The employment pensions system is comprised of several public- and private-sector pension schemes. They are defined in Acts of Parliament providing for pensions for employees in general (Employees’ Pensions Act, or TEL), temporary employees (LEL), the self-employed (YEL), farmers (MYEL), seamen (MEL), freelance employees (TaEL), state employees (VEL), local government employees (KVTEL), and employees of the Evangelical-Lutheran Church of Finland (KiEL). Also included under employment pensions are various old-type pensions paid by the state and local governments as well as pensions paid by a number of public institutions.

The pensions paid under the employment pensions legislation include old age, disability, unemployment, part-time and survivors pensions.

Voluntary pension cover is considered to include all supplementary pensions registered according to Article 11 of TEL as well as unregistered supplementary pensions paid by pension foundations and funds, all of which are aimed at providing a higher pension cover.

The employment pension system is implemented by the employment pension institutions (private-sector pensions), and by the State Treasury and the Local Government Pensions Institution (public-sector pensions). The Central Pension Security Institute is a central organization of the employment pension institutions.

Special pension cover. Special pensions for agricultural entrepreneurs are intended to secure the livelihood of farmers who give up farming. These pensions are defined in the following Acts of Parliament: Act respecting Farm Closure Subsidy (LUTUL), Change-of-Generations Pensions Act (SPVEL), Farm Closure Pensions Act (LUEL), and Act respecting Farm Closure Compensation (LUKL).

Further pension cover under the Accident Insurance, Motor Insurance, Military Injuries, and Military Accidents Acts as well as other comparable retirement benefits (life annuities, assistance pensions) are aimed at protecting the recipient’s livelihood in the event of the specific contingencies to which they refer.

Financing

The SII’s pension expenditure was in 1996 financed by the employers, the state and the local governments. Insured persons’ national pension contributions were abolished with effect from 1 January 1996, local government contributions from 1 January 1997. The pensions for regular and temporary employees as well as those for freelance employees are financed by both the employers and the insured, the farmers’ and change-of-generations pensions by the farmers and the state, and the farm closure compensations and pensions by the state alone. Farm closure subsidies are financed by the state and the European Union. Self-employed persons’ pensions are financed by the insured and the state, seamen’s pensions by the insured, the shipowners, and the state. The state, local government and church employees’ pensions are paid out of the relevant public funds, though the insured also contribute.

Accident insurance cover is financed by the employers, while farmers’ accident insurance is financed by farmers, the state, and the SII. Motor insurance cover is financed by vehicle owners. The military injuries and accidents compensations are paid by the state.

The financing of the SII’s pension schemes is based on the pay-as-you-go principle (i.e. all contributions are used to fund the current year’s pension expenditure). Nearly all of the public- and private-sector employment pensions are partly funded.

Statistics

Each pension institution is responsible for compiling statistics on the pensions it provides. As a single individual may receive a pension under several different Acts, the SII and the Central Pension Security Institute also compile joint statistics on the total number of pensioners and their total pension income from various sources. These joint statistics cover all SII-provided pensions, employment pensions (TEL, LEL,
1.4 Health security

Health care. By means of health care, society aims at systematically promoting and maintaining the good health of the population. As a health-promoting measure, public funds are used to provide health services and to compensate people for the costs arising from the use of the services. Public health services are free or subsidized with public moneys.

In this Yearbook, health care is considered to encompass hospital care, ambulatory care, provision of medication as well as medical equipment and aids, environmental hygiene, health care administration, public investments, and the transportation expenses reimbursed by National Health Insurance. Health care is primarily financed by the state, municipalities, National Health Insurance, and private households.

National Health Insurance provides reimbursement for the costs of out-patient care in connection with illness, pregnancy and childbirth. The costs include doctors’ and dentists’ fees, prescribed medication, the examinations and treatment ordered by a physician at a private institution, as well as transportation costs arising from the treatment of the illness. In addition, National Health Insurance provides part of the funds for occupational and student health care.

Public health care expenditure comprises the financial contributions of the state, municipalities and National Health Insurance to the health services. Besides these contributions, the total health care expenditure includes also the private contributions to health care (e.g., the health expenses of private households).

Income maintenance during illness. National Health Insurance provides compensation, in the form of a sickness allowance, for loss of income due to incapacity for work. Further, it provides a compensation for loss of income to the parents of a sick child during the treatment and rehabilitation of the child. In respect of farmers, the sickness allowance is also paid for the waiting period, i.e., the first nine days after incapacity for work began. The Employment Accident Insurance Act, the Third-Party Motor Insurance Act and the Military Injuries Act require that daily allowance be paid during illness to persons covered under these acts. According to special provisions, compensations may be paid for loss of income due to certain injuries or damages. Private insurances can provide an additional income security for times of illness.

Under the Contracts of Employment Act, employers provide full pay during the initial period of illness, during which the sickness allowance is not yet payable. Collective bargaining agreements often prescribe longer periods of continued pay during illness.

1.5 Unemployment benefits

Unemployed jobseekers are covered for, besides unemployment pension, basic unemployment allowance and earnings-related unemployment allowance as well as labour market support. Unemployed people undergoing labour market training are also financially supported. Persons on leave from their regular job can qualify for a special job alternation compensation. People made redundant may be eligible for severance pay, which can be supplemented by

1.3 Disability benefits

The disability benefits are aimed at helping persons with disabilities manage better in their lives. They can take the form of cash benefits or services.

Financial benefits. The disability benefits paid by the Social Insurance Institution are intended to compensate the recipients for the handicap and financial strain imposed by the disability. Depending on the recipients’ circumstances, the SII can pay child care allowance, disability allowance (for recipients of working age), or pensioners care allowance.

Under the Employment Accident Insurance Act, the Third-Party Motor Insurance Act and the Military Injuries Act, persons with disabilities are eligible for injury or helplessness supplement. Further, under the Act on Services for the Disabled, they have a right to local authority benefits awarded towards the expenses arising from the disability. The municipalities may also provide a home care allowance for persons with disabilities (payable to family members).

Services. Under the Act on Services for the Disabled, municipalities are required to arrange services for the disabled, who can also make use of home help, housing services, services for the mentally disabled, as well as rehabilitation services provided by various bodies, among them the SII.

YEL, MYEL, TaEL, MEL, VEL, VPEL, KVTEL), state and local government employees’ old-type pensions, church employees’ pensions, and the employee pensions of the Bank of Finland, the Social Insurance Institution, and the Province of Åland, as well as special farmers’ pensions (LUTUL, SPVEL, LUEL, LUKL). They do not cover voluntary pension cover. Pension benefits paid under the Accident Insurance, Motor Insurance, Military Injuries and Military Accidents Acts are included in the data on total pension income provided that they are paid to pensioners simultaneously receiving a national or employment pension.
a training allowance, payable to those getting employment-oriented training. In the case of bankruptcy of an employer, the receivables of the employees are paid by the state. Employers as well as unemployed persons are supported through a number of measures with a view to promoting employment.

Unemployment allowance and labour market support. Unemployment allowance is payable under two different schemes, the basic unemployment allowances scheme, which is implemented by the SII, and the earnings-related unemployment allowances scheme, which is implemented by the trade union funds. The SII is also responsible for the payment of labour market support.

The SII-administered basic unemployment benefits are designed to ensure a minimum standard of living during unemployment. Further details on the basic unemployment allowance and labour market support benefit are provided on p. 259.

The earnings-related allowance is paid to unemployed fund members who fulfil specified membership and employment conditions. The calculation basis of the benefit is previous earnings, and it is payable for a maximum of 500 days during four consecutive calendar years. An unemployed person whose earnings-related unemployment allowance has been discontinued can claim labour market support.

The basic unemployment allowances and the labour market support benefits are paid for out of general taxation; the earnings-related unemployment allowances scheme out of contributions from the government, the employers, wage and salary earners, and fund members.

Job alternation compensation. Job alternation compensations are paid to full-time employees who go on leave for a specified period and whose employer hires an unemployed person as a replacement. After the leave, they can return to their regular job or some other comparable position. The compensations are paid by both unemployment funds (to fund members) and the SII. They are financed in the same way as unemployment allowances.

Labour market training allowance. In the same way as unemployment allowance and job alternation compensation, training allowance is payable under two schemes. Members of trade union funds are eligible for earnings-related training allowance, non-members for basic training allowance. Both varieties, and since 1 January 1996, also labour market support paid on account of participation in labour market training may be associated with a maintenance and/or accommodation allowance. The basic training allowances are financed by the state, the earnings-related allowances by the state, the employers, and the insured. Further financing for benefits paid during labour market training is provided by the European Social Fund.

1.6 Income maintenance benefits to families with children

Families with children are eligible for a number of different benefits. To help with the support and care of a child, the following benefits are available: maternity grant, parenthood allowance, child home care allowance, family allowance, orphans pension, child maintenance allowance. Child increases payable in association with various social insurance benefits, as well as benefits from voluntary life assurances.

The maternity grant represents a compensation for costs arising from childbirth. The birth of a child entitles the parents to a parenthood allowance (maternity, paternity, or parental allowance) paid by National Health Insurance. Some collective bargaining agreements require that employers continue to pay wages to workers during part of the maternity (or parenthood) leave.

The child home care allowance is aimed at facilitating the arrangement of day care for a child under three after the parenthood allowance period is over. It is intended as an alternative to municipal day care. In addition to the child home care allowance required by law, some municipalities have their own child home care supplements. The SII pays out the allowance required by law as well as some of the municipal supplements. (The provisions for financial assistance to parents of small children have been revised with effect from 1 August 1997.)

Family allowance is payable for each child under 17. Child maintenance allowance is payable if the person who has been ordered to provide child support has failed to do this or if the court has not established maintenance liability.

The welfare of families with children is also promoted through several benefits relating to housing, illness and disability of a child.

1.7 Support for housing

Housing is supported by society through financial arrangements and the provision of various services. For the purchase or fundamental improvement of a dwelling, loans or interest subsidy for loans can be granted. Financial aid is available also towards repair and renovation expenses. Part of the interest paid on house loans is tax deductible.
Cash benefits are a form of direct support intended to reduce the housing costs of low-income households. They comprise a general housing allowance as well as a housing allowance payable to pension recipients, a housing supplement for students, cash housing assistance payable as part of the conscript's allowance, and an accommodation allowance for persons undergoing labour market training. These benefits are all administered by the Social Insurance Institution (with the exception of the earnings-related part of the last-named benefit).

Various types of housing services as well as institutional and family care are provided for people who need special care and assistance in their daily lives (e.g. elderly and disabled people, intoxicant abusers).

1.8 Income security paid to students

Society supports the income security of students in a number of ways. Student financial aid paid by the State is the most common form of study aid for full-time, independent students.

A vocational training allowance can be paid through the redundancy payment scheme to a person in an employment or civil service relationship who takes unpaid leave during a period of training (also available to persons on job alternation leave in the form of a "partial" allowance), and training supplement to the redundancy payment to persons who have lost their jobs. There is a separate study grant system for agricultural entrepreneurs.

Adult education arranged by the labour authorities is intended mainly for the unemployed. Income support during labour market training can take the form of a training allowance from an unemployment fund (earnings-related support), a training allowance or labour market support from the SII (basic support).

Starting from August 1997, self-initiated training efforts by long-term unemployed persons are financially supported. The aid is provided by unemployment funds and the SII. While in training, unemployed persons can get labour market training allowance or labour market support.

Starting from July 1997, the Social Insurance Institution has paid a school transportation allowance for students of upper secondary schools and vocational institutes. The allowance subsidizes students’ daily trips to and from school.

A schoolchild’s pension is paid in the form of a national survivors pension to a 18–20 year old orphan student. Rehabilitation grants are paid from several sources (e.g. the SII) to the disabled who take training to maintain or improve their working capacities.

2 National Pension Insurance

The National Pension Insurance legislation comprises the National Pensions Act, the Pensioners Housing Allowance Act, the Survivors Pensions Act, the Front-Veterans Pensions Act, the Act on Front-Veterans Supplement payable outside Finland, as well as various enactments that are associated with this legislation.

Certain exceptions to the above Acts result from the application of EU provisions and international social security agreements.

Basic award criteria

National pensions legislation. All residents of Finland are eligible for the national pension. Residence in Finland is defined in the Act respecting the Application of Residence-Based Social Security Legislation. Citizens of Finland are entitled to a national pension if they have lived in Finland for at least three years after reaching the age of 16. Citizens of other countries qualify after a residence of five years.

If a recipient of a national pension or survivors pension moves outside Finland, the payment of the pension is continued for one year, provided that the pension had been awarded at least one year before the move. The pension can be paid beyond this one-year limit if the recipient had immediately preceding the start of pension payment lived in Finland for ten years or if the residence outside Finland is essential due to an illness from which the recipient or his or her close relative suffers.

Surviving spouses and orphans living in Finland are entitled to a national pension, provided that the deceased was living in Finland when the death occurred. The residence requirements applied to the deceased and the surviving spouse are identical to those which must be satisfied to qualify for a national old age, disability and unemployment pension. Orphans are not subject to any residence requirements.

Refugees and stateless persons living in Finland enjoy the same rights as nationals of Finland regarding the implementation of the National Pensions Act and the Survivors Pensions Act.

Two national pension components, the front-veterans supplement and the additional front-veterans supplement, can be awarded to persons receiving a Finnish national pension. Also entitled to the front-veterans supplement are citizens of other countries living outside Finland who are in receipt of a Finnish national pension under a social security agree-
mente. The additional front-veterans supplement is only payable to persons living in Finland. The front-veterans supplement payable outside Finland can be awarded, irrespective of nationality, to persons who are or have been living outside Finland and who are not entitled to a national pension.

Effects of EU provisions and international social security agreements. Certain provisions of the Finnish pensions legislation, based on the residence principle, are cancelled or modified by the EU provisions or social security agreements ratified by Finland. Citizens of EU/EEA countries and countries with which Finland has a social security agreement enjoy equal treatment with Finnish citizens with regard to the length of qualifying periods. The EU provisions apply to workers within the European Economic Area as well as to their family members. The Nordic Convention on Social Security applies to citizens of Nordic countries living in the European Economic Area but not covered by the EU provisions. Bilateral agreements provide reciprocal access to the pension benefits of the other signatory country.

Benefits

National Pension Insurance provides benefits in the following main categories:

Old age pension is payable to insured people over 65. There is also provision for early and late retirement, on an actuarially adjusted pension. Retirement on a reduced pension is possible at 60.

Disability pension is payable to insured people between 16 and 65 who on account of disease, defect, or injury are unable to maintain themselves by their regular work or any other kind of work which, considering their age, occupation, education and place of residence, would be suitable for them. The pension can be granted either indefinitely or for a specified period, in which case it is referred to as a "rehabilitation subsidy".

A special type of disability pension, the individual early retirement pension, is payable to people aged 58 to 64 (or 55 to 64 if born in 1939 or earlier) whose capacity for work has been permanently reduced. The determining factors here are type of disease, ageing, length of service, deterioration of health, and working conditions. This individual early retirement pension is awarded on less strict award criteria than the ordinary disability pension.

Unemployment pension may be paid to insured men and women between 60 and 65 who have been unemployed a long time and have been employed at least five years during the previous 15 years and are entitled to an earnings-related pension that includes an amount representing hypothetical accrual of benefit after the pension contingency.

Survivors pension is payable to widows and widowers under 65, provided that the deceased was under 65 at the time of marriage (surviving spouses pension), and to orphans (orphans pension).

Surviving spouses pension is payable to widows (hereafter also taken to mean widowers), irrespective of age, if he/she has or has had a child with the deceased. It is also payable if the widow was over 50 at the time of death of the spouse, the marriage had lasted for at least five years and had been contracted before the widow had turned 50. However, women born before 1 July 1950 are eligible for surviving spouses pension on easier terms. Spouses starting pension is payable for the first six months following the death of the spouse, and thereafter the widow is entitled to a continuing pension. When a widow aged 50 or over remarries, the spousal pension is not discontinued.

Orphans pension is payable to all half- and full-orphans under 18 as well as those between 18 and 21 who on account of studies or vocational training cannot maintain themselves. Entitlement can be derived through a parent, an adoptive parent, or any other person who has assumed responsibility for the child. Full-orphans are entitled to two separate pensions, one through each parent.

Front-veterans pension is payable to all needy holders of the Front-Veteran’s Badge, the Front-Line Service Badge, or the Fortification Corps Badge aged 55–64. (See 1993 yearbook for a discussion of the structure and calculation of the front-veterans pension).

Front-veterans supplement payable outside Finland. This benefit is payable to front-veterans, to those who in 1939–1940 and 1941–1944 otherwise served on the front or took part in fortifications work, and to veterans of the 1918 war who are 65 or over, are or have been living outside Finland, and are not entitled to a national pension. The supplement is paid semiannually.

Benefit components and rates

With effect from 1 January 1996, the national pension, previously a universal basic pension, became a pension benefit aimed at securing the basic livelihood of its recipients. National pension is paid only to persons whose employment pension is small or non-existent.

National pensions are now tested against any other pensions paid to the recipient. Pension testing is being phased in. The basic amounts of pensions
Table A: National old age, disability and unemployment pension: components by type of benefit and chief qualifying condition as at year-end 1996

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Basic amount</th>
<th>Additional amount</th>
<th>Housing allowance</th>
<th>Pensioners care allowance</th>
<th>Front-veterans supplement</th>
<th>Additional front-veterans supplement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old age pension</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>(award before 65)</td>
<td>(low income</td>
<td>(low income</td>
<td>(low income</td>
<td>(low income; size of</td>
<td>(1918 or 1939–45 veteran’s</td>
<td>(1918 or 1939–45 veteran’s supplement</td>
</tr>
<tr>
<td></td>
<td>from other pension sources)</td>
<td>from other pension sources)</td>
<td>from other pension sources)</td>
<td>housing expenses; age 65 or over)</td>
<td>veteran’s supplement; age 65 or over)</td>
<td>supplement and additional amount; age 65 or over)</td>
</tr>
<tr>
<td>Old age pension</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>no</td>
</tr>
<tr>
<td>(award at 65 or later)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disability pension</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>no</td>
</tr>
<tr>
<td>Unemployment pension</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>no</td>
</tr>
</tbody>
</table>

Table B: National surviving spouses benefit: components by type of benefit and qualifying condition as at year-end 1996

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Components</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Basic amount</td>
</tr>
<tr>
<td>Spouses initial pension</td>
<td>yes</td>
</tr>
<tr>
<td>Continuing pension for spouses with dependent children</td>
<td>yes (low income)</td>
</tr>
<tr>
<td>Continuing pension for spouses w/o children</td>
<td>no</td>
</tr>
</tbody>
</table>
The basic amount was payable at the rate of FIM446 a month at the end of 1996. National pensions not including an additional amount were on 1 January 1996 subjected to a cut which reduced the basic amount of the pension. The basic amounts will be cut further on a yearly basis and will cease altogether by February 2001.

The pensioners care allowance is payable to recipients of disability or old age pension whose functional capacity has diminished due to an illness or injury. The allowance is paid towards costs arising from necessary services and other special expenses. It is graduated in three payment categories according to the amount of the expenses and the need of assistance. At year-end 1996, the smaller allowance totalled FIM278 a month, the larger allowance FIM691 a month, and the special allowance FIM1,382 a month.

The front-veterans supplement – payable to all holders of the Front-Veteran’s Badge who are in receipt of national pension (except those on early old age pension), all holders of the Front-Line Service Badge or the Fortification Corps Badge, and all veterans of the 1918 War, regardless of sex – was FIM216 a month.

The spouse increase was payable at the rate of FIM405 a month. Since 1 January 1996, new spouse increases are no longer being awarded. The existing benefits will be reduced yearly starting from 1 January 1997 and are to be discontinued by the beginning of 2001.

The child increase (payable to beneficiaries under the National Old Age, Disability and Unemployment Pensions Scheme with children under 16) was FIM262 a month. Since 1 January 1996, new child increases are no longer being awarded. The existing benefits will be reduced yearly starting from 1 January 1998 and are to be discontinued by the end of 2001.

The flat-rate part of surviving spouses initial pension was payable at FIM1,237 a month (with area supplement, FIM1,343).

The orphans pension basic amount was payable at FIM262 a month.

Income-related components

The income-related components include the basic amount (if pension began in 1996 or later), the additional amount, the housing allowance, the orphans pension additional amount, and the front-veterans supplement. The rate of all these components decreases in proportion as the claimant’s annual income from other sources exceeds a fixed maximum. The recognised annual income (there are a number of disregards), the level at which the recognised annual income begins to affect the rate of these components, and the rate of the decrease are therefore the significant factors.

Different disregards apply to different benefit components. It is harder to qualify for housing allowance and the additional amount of the surviving spouses pension than for the basic and additional amounts payable to old age, disability and unemployment pensioners. Only personal income from other pension sources affects these two components. However, the following exception applies to pensions that began before 1 January 1996: The basic amount is paid regardless of any other pension income, although – if the recipient does not qualify for an additional amount – at a reduced rate.

The orphans pension additional amount is affected by other survivors pension benefits that the child may have.

Additional front-veterans supplement is as a rule payable only to old age, disability and unemployment pensioners drawing additional amount and front-veterans supplement. People receiving early old age pension qualify for front-veterans supplement, additional front-veterans supplement, and housing allowance at 65.

The rate of the income-related components depends also on the claimant’s district of residence (the basic and additional amounts are payable with area supplement), dependants, marital status, and – where the housing allowance is concerned – location of the dwelling and dwelling expenses.

Other factors affecting the amount of the pension

Retirement before/after normal pensionable age. The basic and additional amounts are payable at a modified rate to those receiving early old age pension or deferred old age pension (each month by which retirement is brought forward decreases the additional amount by 0.5%, each month by which retirement is postponed increases it by 1%).

Institutional care. The housing allowance is not payable during care in a state-subsidized institution that lasts more than nine months. The additional amount is payable at a reduced rate after three months in such an institution, except if the beneficiary (an old age, disability or unemployment pensioner) receives housing allowance, in which case the reduction coincides with the discontinuation of the housing allowance.

Adjustment of pension to the length of the recipient’s residence in Finland. Pensions payable
under national pension legislation are adjusted to the length of the recipient’s residence in Finland after 1 January 1994. However, pensions awarded before this provision came into force are not adjusted.

Old age pension is adjusted if the claimant has lived less than 40 years in Finland after having reached the age of 16. The factor of adjustment is calculated by dividing the length of the residence in Finland by 40 years.

Other national pensions and spouses pension are adjusted if the claimant (or the deceased) lived in Finland less than 80% of the time between age 16 and the start of pension. The factor of adjustment is derived by dividing the length of the residence in Finland by 80% of the time between age 16 and the start of pension.

Pension components that are adjusted comprise the basic amount, the additional amount, the spouse increase and the pensioners care allowance.

Employees within the EU/EEA who have been insured in another EU/EEA country besides Finland will have their pensions calculated according to the EU provisions.

Indexation

The national pension components are adjusted yearly to changes in cost-of-living index. The income and property limits for the pension components are also indexed. Index adjustments are normally carried out on 1 January.

The benefits were raised by 0.3% in 1996 and by 0.8% in 1997. The 1.6% increase indefinitely postponed in 1994 will be left unimplemented.

Pensioners care allowances will not be adjusted to index changes from 1996 to 1998. Index adjustment of spouse and child increases, which are to be phased out, was discontinued from the beginning of 1996.

Taxation

The basic amount and the additional amount of the national old age, disability, unemployment and (according to a law in force since 1 July 1990) surviving spouses pensions and all orphans pensions are taxable income. The rest of the SII pension benefits are tax-free. Tax relief is granted for pension income.

Statistical principles

The pension statistics in this Yearbook analyse, besides pensions in payment, also pension-in-payment changes (new and discontinued pensions). The amount of pensions in payment refers to the pensions that are in payment (at the statistics compilation date) shown at their annualized value. The amount of pensions paid during a year refers, on the other hand, to the cumulated value in FIM of pensions paid during various months, including retroactive payments.

In 1996, it became possible for a person’s right to a national pension to be acknowledged even though no national pension (basic amount) was actually paid because of other pension income. Such cases have not been counted as national pensions for statistical purposes.

3 SII’s disability benefits

The disability benefits are governed by the Child Care Allowances Act and the Disability Allowances Act.

Basic award criteria. The child care allowance is payable to children resident in Finland. Residence in Finland is also a condition for receiving the disability allowance.

Benefits. The child care allowance is payable to children under 16 suffering from a disability or a long-term illness. The allowance is awarded to alleviate the strain caused by the treatment of the child and is graduated in three payment categories.

The smaller allowance (rate as at 31 December 1996: FIM414 a month) is paid to children whose treatment causes an added financial or other strain. The larger allowance (FIM967) is awarded in cases where the strain is considerable, and the special allowance (FIM1,796) in the event that the treatment of the child imposes an extreme strain.

The disability allowance is aimed at making it easier for disabled persons of working age who are not in receipt of a pension to manage in their daily lives and to cope with their work and studies.

Persons between 16 and 64 whose ability to function has been reduced on account of an illness or injury are entitled to the allowance. It is intended to provide a compensation for the handicap, need of assistance and special expenses caused by the illness or injury and, in the same way as the child care allowance, is graduated in three payment categories (see above). It is also disbursed at the same rate as the child care allowance. There are a number of benefits and pensions which preclude the payment of the disability allowance.

The child care allowance and the disability allowance cannot be awarded to persons who are being treated or looked after at an institution operating mainly on public funds. The payment of the allowances is discontinued after the institutional care has lasted three months.

The child care and disability allowances are exempt from tax. They are normally adjusted to annual
changes in the cost-of-living index. However, no adjustments will be made in 1996, 1997 or 1998.

4 National Health Insurance (NHI)

The National Health Insurance Scheme covers the following benefits: sickness allowances, parenthood allowances, special care allowances, refunds of medical expenses as well as occupational and student health services.

4.1 Medical care and income security benefits

Basic award criteria

National health insurance legislation. NHI covers all residents of Finland. Residence in Finland, and consequently also eligibility for benefits under NHI, is defined by the Act respecting the Implementation of Residence-Based Social Security Legislation.

In order to qualify for the parenthood allowance, claimants must have been living in Finland for at least 180 days immediately before the due date.

The cost of medical care provided outside Finland (not including travel costs) is covered by NHI if there was an immediate need for medical attention and the costs cannot be recovered from the host country’s health system. The cost of actively seeking treatment abroad is not refunded.

EU provisions and international social security agreements. Application of the EU provisions and the social security agreements ratified by Finland (those which encompass medical care) results in certain exceptions to the general residence-based health security provisions. Citizens of EU/EEA countries insured under the national health insurance scheme of a Member State are entitled to receive emergency medical treatment during a temporary stay in Finland at the same price as persons resident and insured in Finland. Also persons covered by certain other social security agreements are entitled to equal treatment during a temporary stay in Finland.

Benefits

Sickness and parenthood allowances

The sickness daily allowance system was changed extensively from the beginning of 1996. Sickness allowances can now primarily be seen as compensation for income lost due to illness, whereas before they provided a source of income to all residents during a period of incapacity, regardless of previous earnings.

The sickness and parenthood allowances are both income maintenance benefits payable on account of temporary incapacity for work caused by an illness and of childbirth and child care, respectively. Also adoptive parents are entitled to the latter benefit, which is payable as maternity, paternity or parental allowance.

Sickness allowance. The sickness allowance represents a compensation for loss of income during a period of incapacity for work. It is paid to employed and self-employed persons aged 16–64 who are prevented from carrying out their regular job or a comparable gainful activity, for a maximum of 300 workdays. All workdays for which the allowance has been paid during the two years immediately preceding the onset of the work incapacity generally count towards this maximum. A waiting period, during which the allowance is not paid, comprises the day on which the illness begins plus the following nine workdays.

Parenthood allowance. The parenthood allowance is payable for 263 working days. For the first 105 days, it is paid to the mother ("maternity allowance"); for the next 158 days it can be paid alternatively to the mother or the father ("parental allowance"). Further, fathers are eligible for a "paternity allowance," which is payable

– for 6–12 workdays in connection with confinement
– for 6 workdays within the parental allowance period, and is not deducted from the parental allowance entitlement.

Also a cohabiting father qualifies. Entitlement to the benefit begins on the 155th day of pregnancy, and the recipient can choose to have payment started 30–50 working days before the estimated time of birth.

The amount of the allowance. The calculation rules of the sickness and parenthood allowances were revised from the beginning of 1996. As before, the amount of the allowance depends on the taxable income of the recipient. As of 1996, the allowance is equal to 70% of annual earnings up to FIM130,000. On earnings exceeding this limit, the allowance will be less than 70% of earnings. There is no maximum limit. (Prior to the calculation of the allowance, 4.5% representing the employees’ employment pension and unemployment insurance contributions is deducted from the earnings.) The parenthood allowance is never paid at a rate below a specified minimum amount. In 1996, this amount was FIM60 per day.
Starting from 1996, the sickness allowance takes the form of compensation for lost income. It is not paid when annual earnings are less than a specified amount (FIM5,000 as of 1996). Persons with small or no earnings can qualify for a means-tested allowance, if the incapacity for work (caused by an illness) lasts more than 60 days without interruption. The means-tested allowance is calculated according to the same income rules as the labour market support (see p. 261).

The allowances are normally adjusted to changes in the TEL employment pension index once a year. No index-based adjustment was carried out in 1996, but on 1 January 1997, the allowances were raised by 1.8%. The allowances are subject to tax.

Special care allowance

The special care allowance is paid for children under 16 to a parent whose presence is considered medically necessary during in- or outpatient treatment, subsequent home care, or a statutory adaptation training or rehabilitation course, provided also that the parent is prevented from working and thus without a salary. The allowance is calculated in the same way as the sickness allowance but always paid at a rate of at least FIM60 per day. It is taxable income.

Other compensations for loss of income

Persons who under the Act on Communicable Diseases have been debarred from their place of work are, besides a sickness allowance, entitled also to a compensation for loss of earnings paid out of NHI moneys.

Organ/tissue donors are entitled to a sickness allowance during the time they are incapacitated for work (also during the waiting period). If an employer pays an employee a wage or salary, or a special bonus, during the employee’s annual leave, and the employee has received parenthood allowance during the time he or she was not at work, the employer can claim compensation for this expense from NHI.

Refunds of medical expenses

Besides providing income maintenance benefits, NHI covers its members for medical expenses in connection with illness, pregnancy and confinement.

Covered are drugs prescribed by a doctor or dentist as well as prescribed pharmaceutical nutrients and ointment bases used for the treatment of respectively severe diseases and long-term skin conditions (OTC drugs excluded), all non-covered medicine costs in excess of FIM3,166 (1996) a year, private-sector examinations and treatments performed or prescribed by a doctor, as well as transportation services and overnight stops necessary for the diagnosis and treatment of illness.

Further, NHI covers scheme members born in 1956 or later for all private-sector services provided or prescribed by a dentist, with the exception of orthodontic and prostodontic procedures. Normally NHI covers dental services only when they are necessary for the treatment of a non-dental disease. Front-veterans are under a special law entitled to refunds of dental costs.

In the case that the annual travelling expenses not covered by NHI exceed the annual deductible (FIM900 in 1996), NHI will refund the exceeding part in full (the so-called additional refund).

The NHI refunds are determined in different ways. Some require that the patient first pay a specified deductible. A certain percentage of the costs exceeding the deductible are then returned to the patient. Also, doctors’ and dentists’ fees as well as examination and treatment charges are refunded according to a fixed scale of charges defined by the Ministry for Social Affairs and Health. If the actual fee exceeds the fixed charge, the refund is calculated on the basis of the fixed charge.

When NHI-covered services are furnished by the private sector, NHI pays 50% of all medicine costs in excess of a fixed minimum per purchase (FIM50 in 1996) or, more rarely, nearly all medicine costs (scheme members suffering from certain specified conditions qualify for a 75% or 100% refund of costs exceeding FIM25); 60% of that part of doctors’ and dentists’ charges which does not exceed the charge specified for these services (75% of dentists’ charges arising from oral or dental examination or preventive treatment), for front-veterans, 100% of the charges for oral or dental examination and treatment and the clinical part of prostodontic treatment given by a dentist or a dental technician, and 60% of the costs of other dental services for veterans; 75% of that part of examination and treatment charges which falls between a fixed minimum (FIM70) and the charge specified for these services per prescription; and all transportation costs in excess of a fixed minimum (FIM45) per single journey. As for overnight stops, NHI will pay all costs not exceeding FIM120 a day.

Aggregate of benefits

NHI is generally liable when a benefit in respect of incapacity for work is payable under both NHI and an occupational scheme. Where, on the other hand, such
a benefit is payable under both NHI and employment accident insurance, or both NHI and third-party motor insurance, NHI is the subsidiary scheme.

When a scheme member receives sick- and maternity-leave pay from his employer, that part of his sickness and parenthood allowance under NHI which does not exceed this employer contribution is paid to the employer. The employer is also entitled to compensation from NHI for any wage or salary paid while the employee was on parenthood allowance.

When a scheme member receives earnings-related unemployment allowance during incapacity for work, that part of his sickness allowance under NHI which does not exceed this allowance is paid to the board and not the insured person.

Payment of benefits

Scheme members who belong to an employee sickness fund receive their NHI benefits through the funds. The rest receive their benefits through their SII local offices.

A scheme member buying covered medicines and drugs need not make a claim for his NHI refund. Under an agreement concluded with the SII, the pharmacy will make the claim and charge him only the remaining costs.

Statistical principles

Sources. The data on National Health Insurance refunds are obtained from the central payment records for the individual benefits. The statistics on illness and occupation are based on a 6.6% sample of the insured population.

Number of refunds. For medical services the number of deductible items is given. This means, for medicines, the number of visits to the pharmacist; for doctors’ and dentists’ services, the number of calls or prescription transactions outside the doctor’s office; for examinations and treatments, the number of doctors’ or dentists’ orders; and for transportation services, the number of single journeys.

Number of compensations. For sickness and parenthood allowances the number of spells begun, beneficiaries, instalments paid, and compensation days is given.

Sickness allowance is not payable for the first nine days of illness, not including Sundays and the day on which incapacity for work began.

Expenditure on benefits. The SII statistics analyse both the amount of NHI refunds and the insured person’s expenses before the NHI refund.

4.2 Occupational and student health services

The refund system for occupational health services was revised with effect from 1 January 1995. As most of the data in this Yearbook that relate occupational health care provision, costs and refunds are from the period before 1 January 1995, the system is described and the data are presented in accordance with the previous refund system.

NHI also covers various health services in workplaces, and will pay 50% of all necessary and reasonable expenses. An employer is covered for both statutory occupational health services (ie, the preventive care services that he must provide for his workforce under the Occupational Health Act) and voluntary occupational health services (any preventive or curative care services that he may provide for his personnel, or his personnel and their dependants, on his own initiative). A self-employed person, as well as an employer, is covered for statutory occupational health services only, and is not bound by law to make use of his cover.

The NHI refund of student health services expenses is paid to the Student Health Services Foundation.

5 SII-provided rehabilitation benefits

The rehabilitation activities of the Social Insurance Institution are governed by three acts, pertaining respectively to the rehabilitation services which the SII is required and authorized to provide, the cooperation between rehabilitation organizations, and the rehabilitation allowances.

Individual rehabilitation

Rehabilitation provided and reimbursable by the SII can be awarded persons insured under the National Pensions Act and the Health Insurance Act.

The SII is required by law to provide vocational rehabilitation for persons with impaired functional capacity and medical rehabilitation of persons with severe disabilities. Out of separate funds, allocated for the purpose, the SII can also arrange other vocational and medical rehabilitation.
Rehabilitation clients can get a refund for any necessary and reasonable expenses they incur while travelling to and from the rehabilitation site. All expenses exceeding a deductible of FIM45 per one-way trip (as of 1996) are covered.

**Vocational rehabilitation for persons with impaired functional capacity.** If a person’s capacity to work and financial self-sufficiency significantly decline due to an illness or injury, he or she must be given the chance to obtain

- essential vocational training in order to maintain or improve his or her capacity to work (eg rehabilitation examinations and work testing, training aimed at maintaining work capacity, and basic education, further education and retraining)
- assistance with running a business or being self-employed
- basic training if required to enter vocational training or
- for persons with severe disabilities, expensive and technically advanced aids necessary to help with work and study.

**Medical rehabilitation of persons with severe disabilities.** A severely disabled person must be given the chance to obtain extensive or elaborate out- or inpatient services which go beyond curative treatment and which are necessary in order to maintain or improve the client’s functional and work capacity. The client must be noninstitutionalised and in receipt of either the higher-rate or special-rate child care allowance or disability allowance or, in connection with an disability pension, the higher-rate or special-rate pensioners’ care allowance.

**Other vocational and medical rehabilitation.** The SII can also provide, at its own discretion, other vocational and medical rehabilitation services than those described above. Such services are eg early rehabilitation measures geared to the requirements of a particular occupation, institutional rehabilitation services, adjustment training and psychotherapy.

An amount equalling at least four percent of the sickness insurance contributions paid by the insured must each year be allocated for this type of rehabilitation services. Further resources for the purpose are allocated in the State budget. These funds can be used for, besides individual rehabilitation services, prevention, research in the field of rehabilitation and, when required, for the activities of the rehabilitation institutions supported by the SII.

**Rehabilitation Services Unit**

A rehabilitation service facility located in Turku provides various types of rehabilitation services both for internal and outside use as well as carries out client surveys for the Social Insurance Institution’s Research and Development Centre.

**6 SII’s unemployment-related benefits**

Unemployment benefits include the unemployment allowance, the labour market support, and the unemployment pension (discussed with other pensions). The unemployment allowance is payable to rehabilitation clients aged between 16 and 64 for the duration of a rehabilitation programme which prevents them from working. It is only paid if the object of rehabilitation is the client’s remaining in, or entry or re-entry into employment.

For the duration of the recipient’s participation in a rehabilitation programme, the rehabilitation allowance is paid for each workday. It is not paid during the waiting period. The length of the waiting period depends on the type and duration of the rehabilitation programme.

In the majority of cases, the rate of the rehabilitation allowance is determined in the same way as the sickness allowance. The allowance is taxable income. The rate of the allowance is generally adjusted on a yearly basis. At the start of 1996, the allowance was raised by 2.8% (in line with the TEL employment pension index).

**Rehabilitation allowance**

Persons who are permanently resident in Finland are eligible for the rehabilitation allowance. The allowance can, on certain conditions, also be paid during rehabilitation abroad.

The rehabilitation allowance is paid in connection with rehabilitation services arranged by the Social Insurance Institution, or the primary health care, social services or occupational health care sector.

The rehabilitation allowance is payable to rehabilitation clients aged between 16 and 64 for the duration of a rehabilitation programme which prevents them from working. It is only paid if the object of rehabilitation is the client’s remaining in, or entry or re-entry into employment.

For the duration of the recipient’s participation in a rehabilitation programme, the rehabilitation allowance is paid for each workday. It is not paid during the waiting period. The length of the waiting period depends on the type and duration of the rehabilitation programme.

In the majority of cases, the rate of the rehabilitation allowance is determined in the same way as the sickness allowance. The allowance is taxable income. The rate of the allowance is generally adjusted on a yearly basis. At the start of 1996, the allowance was raised by 2.8% (in line with the TEL employment pension index).

6.1 Basic unemployment allowance and labour market support

The basic unemployment allowance is governed by the Unemployment Allowances Act, which grants ba-
The employment condition is considered to be satisfied if the applicant has been employed for at least 6 months in the previous 2 years (starting from 1 January 1997, the minimum requirement will be 10 months). Self-employed persons are considered to satisfy the condition if, during the 4 years preceding unemployment, they have run their own business for at least 2 years on a more or less full-time basis. Periods of employment completed in other EU/EEA countries are also fully credited but usually not until the person concerned has worked in Finland for at least four weeks.

Basic unemployment allowance

Eligibility. The basic unemployment allowance is payable to unemployed persons aged 17–64 who have registered with an employment office, are seeking full-time employment, and satisfy the so-called employment condition. Further, recipients must be fit for work and available for employment.

The employment condition is considered to be satisfied if the applicant has been employed for at least 6 months in the previous 2 years (starting from 1 January 1997, the minimum requirement will be 10 months). Self-employed persons are considered to satisfy the condition if, during the 4 years preceding unemployment, they have run their own business for at least 2 years on a more or less full-time basis. Periods of employment completed in other EU/EEA countries are also fully credited but usually not until the person concerned has worked in Finland for at least four weeks.

<table>
<thead>
<tr>
<th>Employment condition satisfied</th>
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</thead>
<tbody>
<tr>
<td>Member of unemployment fund</td>
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</tr>
<tr>
<td></td>
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<tr>
<td></td>
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<tr>
<td></td>
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<tr>
<td>Non-member</td>
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<table>
<thead>
<tr>
<th>Employment condition not satisfied</th>
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</thead>
<tbody>
<tr>
<td>Persons newly graduated</td>
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<tr>
<td></td>
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<td></td>
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<tr>
<td></td>
</tr>
<tr>
<td>Others(^1)</td>
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<td></td>
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</table>

\(^1\) Special conditions apply to persons aged between 17 and 19.
least 6 months during any period of 8 months. (This provision was changed on 1 January 1997; it now requires 10 months’ employment within a period of 2 years.) Unemployed persons who are aged 55 or more (limit set to rise by two years on 1 January 1997) upon exhausting their right to the allowance get an automatic extension to the age of 60.

Payment of the basic unemployment allowance begins once the unemployed person has been registered with an employment office as seeking employment for five days (seven days as from 1 January 1997).

Amount of the basic unemployment allowance. The full basic unemployment allowance was at year-end 1996 payable at a rate of FIM118 per day. It is increased for dependent children. At the end of 1996, the child increase was, for one child, FIM24, for two children, FIM35, and for three or more children, FIM45 per day. The allowance is payable for up to five days per week.

Basic unemployment allowances are not means-tested. The allowance can only be reduced by the recipient’s own earned income and certain social benefits paid to the recipient. The amount of the social benefits is deducted from the full allowance.

The basic unemployment allowance is taxable income. The rates of the allowance are adjusted in line with significant changes in general earnings levels. The most recent adjustment was effected on 1 January 1995, when the rates of both the allowance and the child increase were raised. No adjustment will be carried out in either 1996 or 1997.

Labour market support

In addition to securing the livelihood of the recipients, the cash labour market support benefit is aimed at promoting the recipients’ re-entry to the labour market by means of labour policy measures.

Eligibility. Cash labour market support is payable to unemployed persons who have received basic or earnings-related allowance for the maximum period allowed (500 days) or are not entitled to unemployment allowance by reason of not satisfying the employment condition. A demonstrated need of financial assistance is also required.

The benefit is payable to unemployed persons between 17 and 64 years of age who have registered with an employment office, seek full-time employment, and are fit and available for work. New, tougher eligibility conditions have since been imposed on young persons. For example, to be eligible for labour market support, unskilled persons between 17 and 19 (from 1 January 1996) or between 20 and 24 (from 1 January 1997) may not decline a job or training offer or choose not to apply for vocational training.

Labour market support is payable as soon as the claimant has been registered as an unemployed job-seeker for the waiting period consisting of 5 working days. Until the end of 1996, if a person had completed a waiting period prior to receiving basic or earnings-related unemployment allowance, no further waiting period was required to qualify for labour market support. This provision was repealed at the beginning of 1997.

First-time entrants to the labour market must complete a five-month waiting period, except if they have recently graduated from a vocationally oriented educational institute. No limits apply as to the maximum length of payment.

Amount of the labour market support. The cash labour market support is equal in amount to the basic unemployment allowance (with the exception of the increases for children), but unlike the allowance means tested. However, means testing is waived – during the first 180 days for persons having exhausted their eligibility for unemployment allowance – for recipients aged 55 or more who, at the time they become unemployed, satisfy the employment condition and – during any period in which the recipients participate in measures supporting their integration into the labour market that have been arranged by an employment authority.

First-time entrants to the labour market who live with their parents get 60% of the regular amount of the benefit. However, during participation in a labour policy measure, the labour market support is paid at the unreduced rate.

The means test is applied to the recipients’ own income and (as at year-end 1996) their spouse’s income exceeding FIM300 a month. The full labour market support was at year-end 1996 paid if the combined monthly income of the recipient and his or her spouse was less than FIM5,540 (or in the case of single recipients, FIM3,700). This amount was raised by FIM630 for each dependent child.

Income exceeding these limits reduced the benefit with 75% of the excess being deducted from the benefit. For example, no labour market support was payable to single persons with a monthly income of FIM6,930 or more.

The amount of the labour market support is further affected by the same social benefits as in the case of the basic unemployment allowance. The benefits are deducted from the full labour market support.
The labour market support is taxable income. The rates and the income-related eligibility requirements are adjusted in line with significant changes in general earnings levels. An adjustment was most recently carried out on 1 January 1995. No adjustment was carried out in 1996 or 1997.

**Maintenance and accommodation allowance for persons financing their studies with labour market support.** Recipient of labour market support who participate in labour policy training organized by the employment authorities are since 1 January 1996 entitled to a maintenance and accommodation allowance. Both in terms of its amount and qualifying conditions, the allowance is comparable to that paid to labour market training allowance recipients.

The maintenance allowance is granted in respect of transportation and other regular expenses incurred in the course of the training. The accommodation allowance is paid to students whose school is located outside the area in which they would be expected to seek employment. The allowance is awarded towards the expenses that the student must meet in order to reside in the school’s geographic area.

The maintenance and accommodation allowances were in 1996 both paid at a rate of FIM 30 per day for a maximum of 5 days a week. They are available exclusively to persons in receipt of full-rate labour market support. Both allowances are free from tax.

**Job alternation compensation**

Job alternation leave is an arrangement in which a full-time employee, based on an agreement with his or her employer, goes on leave for a specified period from his or her regular job, and the employer hires an unemployed person as a replacement. The employee on job alternation leave is entitled to a special compensation.

In order to go on a subsidized job alternation leave, employees must have held a job with the same employer for at least a year previously. They are guaranteed the right to return to their regular job or some other comparable job. The job alternation scheme was introduced on an experimental basis, and will continue to the end of 1997.

The leave must be taken in a continuous period of at least 90 but no more than 359 calendar days.

The job alternation compensation is equal to 60% of the unemployment allowance which the claimant would receive were he or she unemployed. The full compensation paid by the SII in 1996 amounted to FIM70.80 per day.

The compensation is subject to tax.

**6.2 Labour market training**

Vocational training for adults which forms a part of labour policy is intended to help keep the supply and demand of labour in balance as well as to combat unemployment and relieve shortages of labour. Persons who attend training schemes arranged under these provisions may be eligible for a training allowance, a maintenance allowance and an accommodation allowance.

The training allowance is available in two forms: the basic allowance and the earnings-related allowance. The earnings-related variety is payable to members of unemployment funds. The basic allowance is, along with various associated measures, administered by the Social Insurance Institution.

**Eligibility.** The benefits described above are payable to persons over the age of 17 who have been accepted for a training course commissioned by employment authorities.

Furthermore, it is required that the employment condition (6 months of employment in the last 2 years or 2 years of self-employment in the last 4 years) was satisfied when employment ended or studies began and that the beneficiary had not been in receipt of unemployment allowance for the maximum time allowed. Persons who do not fulfil these requirements get labour market support during the training course.

The benefits are payable also to foreign nationals attending a training course paid for by Finnish employment authorities. Further, they can be awarded in respect of foreign studies, provided they are financed by a Finnish authority.

**Rates of the benefits.** At its full rate, the basic allowance is equal to the basic unemployment allowance (at year-end 1996, FIM118 per day). Child increases are payable in the same way as with the unemployment allowance.

If a student’s monthly income exceeds FIM750 (year-end 1996 limit), the basic training allowance is reduced by 80% of the amount exceeding the limit.

A maintenance allowance is payable in respect of travel and other recurring expenses incurred while studying, and an accommodation allowance in respect of accommodation costs incurred when studies take place outside the region in which the beneficiary works. Since 1 January 1996, maintenance and accommodation allowance can also be paid to recipients of labour market support who undergo labour market training organised by the employment authorities.

The allowances described above are paid for a maximum of five days per week. The basic allowance is
7 The maternity grant, family allowance and child home care allowance schemes

7.1 Maternity grant and family allowance

Basic eligibility criteria. Maternity grant can be paid to female residents of Finland. Family allowances are paid in respect of children resident in Finland. Whether a certain individual is considered to be resident in Finland is decided on the basis of the Act respecting the Application of Residence-Based Social Security Legislation. The EU provisions and international social security agreements cause certain exceptions to the eligibility rules for residence-based benefits.

Maternity grant. The aim of the maternity grant is to promote the health and well-being of the mother and child. The grant is payable to women whose pregnancy has lasted at least 154 days and who have undergone a medical examination before the fourth month of pregnancy.

The grant is awarded either as a lump-sum cash benefit or a box containing child care essentials (maternity pack). The 1996 rate of the cash benefit was FIM760. It is free from tax.

Family allowance. The family allowance is intended to help with the cost of providing for a child under age 17. Its rate depends on how many children eligible for family allowance there are in the family. The 1996 rates of the family allowance were

- for first child: FIM535
- for second child: FIM657
- for third child: FIM779
- for fourth child: FIM901
- for fifth and each additional child: FIM1,023.

The allowance is increased by FIM200 a month (1996) for each child in a single-parent family.

Family allowances are free from tax. The Council of State is authorized to raise family allowance in line with cost-of-living increases but, did not do so in 1996 or 1997.

7.2 Child home care allowance

Parents of children under 3 can choose between day care organized by the local authorities or a cash benefit, the child home care allowance, which is paid by the Social Insurance Institution. In addition to the statutory allowances, a number of municipalities finance their own supplemental allowances, some of which are also paid out by the SII.

Child day care subsidization was changed extensively with effect from 1 August 1997. The following describes the situation at year-end 1996.

Award criteria for the statutory child home care allowance. Entitlement to the child home care allowance begins after the payment of the parenthood allowance has ended. It can be paid to parents or other guardians of children under three who are not in local authority day care. Families with two or more children under age 7 remain entitled to the allowance until the youngest child is 3 years old.

The amount and components of the child home care allowance. The child home care allowance can comprise a basic amount, a sibling increase and an earnings-related additional amount.

The basic amount is paid at a fixed rate (FIM1,500 a month in 1996) and is not affected by the number of children. The sibling increase is payable for each additional child under seven. Its 1996 rate was FIM300 a month per child.

The additional amount is payable to families whose combined taxable earnings are less than a fixed monthly limit (FIM12,614 in 1996). In 1996, the full additional amount was paid to families with taxable earnings smaller than FIM4,617 a month. Any earnings in excess of this limit were deducted at 15% of their value from the full rate of the allowance (80% of the basic amount, FIM1,200 in 1996). The basic amount and the sibling increase are payable even if the child is in private day care.

The partial child home care allowance is under certain conditions payable to the parents or other guardians of a child under age three who work a maximum of 30 hours a week in order to be able to care for the child. This allowance is equal to 25% of the basic amount.

The child home care allowance is taxable income. The earnings limits and the rates of the components are normally adjusted yearly to the TEL employment pension index. In 1996, the allowance rates were adjusted downwards.
8 General housing allowance

The general housing allowance scheme is governed by an Act of Parliament and a related decree as well as a Council of State Decision regarding the terms under which the allowance is determined.

The scheme is only one of the benefits provided by the SII towards housing costs. There are also provisions for pension recipients, students living alone in a rental dwelling, conscripts and their dependants and persons undergoing labour market training to receive financial assistance with their housing costs.

Eligibility

The general housing allowance is intended to reduce the housing costs of low-income households. A household is considered to comprise all the persons who on a permanent basis share a dwelling. Persons with a familial relationship with the recipient (married or unmarried spouses, children, parents, grandparents and under-age siblings) are regardless of any other circumstances considered to belong to the household.

General housing allowance is payable in respect of rental, right-of-occupancy and owner-occupied dwellings even if the recipients occupy their dwelling as subtenants or have themselves subleased part of their dwelling. The dwelling must be fit for human habitation.

The household may include, and the allowance may be claimed by, a foreign resident of Finland with a residence permit valid for at least one year. (The EU provisions or the Act respecting the Implementation of Residence-Based Social Security Legislation do not apply to the general housing allowance."

The need for housing allowance is determined with reference to the household’s housing costs, combined income and taxable assets.

Amount

The housing allowance covers 80% of reasonable housing costs exceeding a basic deductible (the amount which the household must in any case pay itself). The amount of the allowance depends on the location of the dwelling, the size of the household and the household’s annual income. The basic deductibles are set yearly by the Council of State.

The allowance is recalculated if the household’s monthly income changes significantly (defined as a change of FIM2,000 or more) or if a subtenant moves into or out of the dwelling. It is regularly adjusted once a year.

The general housing allowance is a tax-free benefit.

Housing costs. Housing costs are considered to include rent, maintenance charge or equivalent, and separate heating and water charges. In the case of a detached owner-occupied dwelling, the maintenance costs of the dwelling are determined by means of a fixed scale of standard costs.

In an owner-occupied dwelling, 55% of the interest due on personal loans taken out to purchase or renovate the dwelling is also taken into account as a housing cost. In a state-subsidized owner-occupied dwelling, 80% of the annual payment or fixed interest on the loan is taken into account.

Housing allowance is payable in respect of “reasonable” housing costs. This means that there is a yearly adjusted ceiling on both housing costs and the size of the dwelling. The maximum housing costs are further influenced by the location, age, size and level of equipment of the dwelling.

Income and property. In order to qualify for housing allowance, the regular monthly income of the household members may not exceed an amount determined yearly by the Council of State. Disregards apply for certain social benefits. The combined taxable assets of the household members may not exceed an amount set by the Council of State (in 1996: one-person household – FIM75,000; household with six or more members – FIM150,000). The dwelling occupied by the household is, however, not taken into account.

9 Student financial aid

The student financial aid system is intended to secure the livelihood of students. The aid system is provided for in the Act on Student Financial Aid and other related legislation. It is implemented by the Social Insurance Institution (SII).

Basic requirements

For studies in Finland, student financial aid can be granted to Finnish citizens, employed persons from EU/EEA member states and their dependent spouse and children, and others who are not Finnish citizens, provided that they have been resident in Finland for at least two years in a capacity other than that of student and their residence can be considered permanent.

For studies outside Finland, student financial aid can be granted to Finnish citizens and employed persons
from EU/EEA member states and their dependent spouse and children, provided that they have been resident in Finland for at least two years prior to the start of their studies and the residence abroad can be regarded as temporary. Financial help with studies that take place outside Finland is given insofar as the studies correspond to Finnish studies that would be covered by the student financial aid provisions or alternatively form part of a Finnish degree programme.

Right to student financial aid

Student financial aid can be paid to those who study full time, who progress in their studies and who are in need of financial support. The receipt of certain other benefits (e.g., pensions, basic unemployment allowance and labour market support) can prevent the granting of any student financial aid. Student financial aid is available for full-time post-comprehensive school studies. The following studies entitle the student to receive financial aid: upper secondary school studies, study for a vocational diploma or vocational studies at a secondary-level educational establishment (also other studies in a folk high school), and studies at universities and other institutes of higher education.

Duration of student financial aid

A student at a higher education establishment can be granted student financial aid for a maximum of 70 months, of which 55 months can be used for one higher university degree (starting from 1 March 1997, continuation of the aid beyond 55 months is possible under special circumstances).

For studies at establishments other than institutes of higher education, financial aid is granted for as long as the studies normally take at the place in question. Student financial aid is normally granted for nine months of the school year.

The adult study grant is payable for a maximum of two school years. However, in the case of a licentiate or doctoral degree, the maximum is 12 months.

Financial aid benefits

Student financial aid consists of an (ordinary) study grant or adult study grant, a housing supplement and a state-guaranteed study loan. Interest subsidy and interest allowance are also paid on study loans granted under earlier student financial aid provisions (starting from 1 January 1996, interest allowance also available for loans granted in accordance with the current legislation).

Ordinary study grant. The amount of study grant depends on the age of the student, the type of accommodation, the student’s family circumstances, the type of educational institution and the student’s financial circumstances. Study grant is not awarded to those receiving family allowance.

The full amounts of study grant for the school year 1996–97 were as follows:

<table>
<thead>
<tr>
<th>Students living with their parents</th>
<th>FIM/month</th>
</tr>
</thead>
<tbody>
<tr>
<td>– below 20 years of age</td>
<td>130 230</td>
</tr>
<tr>
<td>– aged 20 or over</td>
<td>380 630</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Students living alone</th>
<th>FIM/month</th>
</tr>
</thead>
<tbody>
<tr>
<td>– below 20 years of age</td>
<td>500 750</td>
</tr>
<tr>
<td>– aged 20 or over</td>
<td>1,270 1,540</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Students who are married or have maintenance liabilities</th>
<th>FIM/month</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,270 1,540</td>
</tr>
</tbody>
</table>

The student’s own income, and in certain cases parents’ income, is taken into consideration in determining the need for financial aid. The student’s income is taken into account as an average monthly income over the period of the term for which the grant is given. Income earned in other months does not affect the study grant.

In the school year 1996–97, the full amount of study grant was payable if the student’s own taxable income did not exceed FIM 1,800 per month. Where income exceeded this amount, the study grant was reduced by 10% for every additional FIM 300. Parental income can either raise or reduce the study grant. For students under 20 or living at home, study grant can be increased on the basis of the parents’ lack of means. On the other hand, if parental income exceeds the defined level the study grant for a secondary-level student under 20 will be reduced.

Adult study grant. A student aged 30–54 has the right to adult study grant provided that he or she has not completed any basic vocational training or that at least five years have elapsed since he or she was last a full-time student. If the student already has a
higher basic degree, an adult study grant will not be awarded to study for a second degree at the same level. Starting from 1 August 1997, adult study grant is awarded only if the claimant has been previously employed for at least one year.

The amount of adult study grant is equal to 25 per cent of the student's regular taxable earnings before studying, ranging from a minimum of FIM1,540 to a maximum of FIM2,800 per month (school year 1996–97). An adult study grant is not payable if the student receives a wage, pension or other similar income during the period of study. The maximum permitted amount of other taxable income is FIM2,000 per month.

Housing supplement. The following are entitled to housing supplement:
– single students living alone in rented accommodation, in right-of-occupancy accommodation or in a student dormitory
– students married or with a family and, on account of their studies, living in rented accommodation in a locality separate from that in which their family lives.

In the school year 1996–97, housing supplement was calculated as 67% of the monthly rent or charge. Amounts in excess of FIM1,275 were not taken into account. Thus, the largest amount of housing supplement payable was FIM854 per month. Housing supplement for students studying abroad was generally FIM900 per month.

In the school year 1996–97, the full amount of housing supplement was paid if the student's own average income during the period of financial support was below FIM1,800 per month. For each additional FIM300, the housing supplement was reduced by 10%. The parents' income may reduce the level of housing supplement awarded to a secondary-level student under 18.

State guarantee for study loan. A state guarantee is granted separately for each school year. The state guarantee is granted for a study loan if the student receives an ordinary study grant or adult study grant. The amount of state-guaranteed study loan per support month for the school year 1996–97 were as follows:

<table>
<thead>
<tr>
<th>Student receiving ordinary study grant</th>
<th>FIM/month</th>
</tr>
</thead>
<tbody>
<tr>
<td>– aged 18 or over</td>
<td>1,300</td>
</tr>
<tr>
<td>– below 18</td>
<td>900</td>
</tr>
<tr>
<td>Student receiving adult study grant</td>
<td>1,800</td>
</tr>
<tr>
<td>Student studying abroad</td>
<td>2,100</td>
</tr>
</tbody>
</table>

The state guarantee is granted separately for each school year. Applications for the state-guaranteed study loan should be made at a bank. The interest rate and other terms of the loan are agreed upon between the student and the bank. All state-guaranteed study loans should be repaid to the bank.

Housing supplement. The following are entitled to housing supplement:

Interest subsidy and allowance. Interest subsidy and interest allowance can be paid on study loans granted under earlier student financial aid provisions (loans taken by university and higher education students before 1 June 1992 and by others before 1 July 1994).

In the case of interest subsidy, the state pays part of the study loan interest. The subsidy is paid during the study period and for about 11/2 years after the completion of studies. During that time, the students themselves pay interest at a variable rate (4.25% in 1996, 3.75% in 1997).

For reasons of unemployment, national service or the receipt of maternity and parental allowance, the interest on old interest-subsidy loans can be paid entirely by the state, and without any repayment obligation (interest allowance).

Starting from 1 January 1996, the interest payable on new market-rate loans, too, can be paid entirely by the state – without any repayment obligation – if the borrower is unemployed, on maternity or parental allowance, or is performing his or her national service (in which case the interest is paid out of the borrower's conscript’s allowance entitlement).

Food subsidy. The SII subsidizes organizations which run student cafeterias providing food for university and higher education students.

Taxation of student financial aid. Ordinary study grant and adult study grant are taxable income. Housing supplement is not taxed. However, tax is not deductible from ordinary study grants alone, as they are tax-deductible.
10 Conscript’s allowance

The Conscript’s Allowance Scheme is aimed at securing the livelihood of the dependants of men completing their national military or alternative service and of women performing voluntary armed service and at helping the conscripts themselves with housing costs. In certain situations, it is also possible to pay the interest due on market-rate student loans on behalf of persons performing their national service. (Assistance with the interest due on older, interest-subsidized loans is provided through the regular student financial aid scheme.)

The allowance is granted where it is apparent that performing the national service has made it more difficult for the conscript and his or her family to secure a livelihood and there is also a demonstrated need of financial assistance.

When paid to a dependant, the conscript’s allowance can comprise a basic assistance, a housing assistance and a special assistance. When a conscript receives the allowance in his or her own right, the allowance comprises a cash housing assistance and help with the interest payable on student loans.

The full basic assistance was in 1996 equal to the sum of the national pension basic amount and the full additional amount paid to a recipient living alone (at year-end 1996, FIM2,532 in municipalities with the highest cost-of-living rating.) The amount of the basic assistance is linked to the number of dependants. The assistance for the first dependant is 100%, for the second dependant 50% and for the third and each additional dependant 30% of the full assistance. Any additional income that the conscripts or their families may have reduces the assistance.

The cash housing assistance covers reasonable housing costs. The special assistance may be granted in respect of specific expenses such as medical care and removals.

The conscript’s allowance is tax-free. Rate adjustments are carried out in accordance with national pension rules, but none will be made in 1997 or 1998.

11 SII finance and administration

11.1 Finance

National Pension Insurance. National Pension Insurance is financed with contributions from the employers, the government, the municipalities, and income from SII investments. Further, in 1996, a part of value-added tax revenues as well as special charges levied on motor and accident insurance companies were used to finance pension insurance. These financing mechanisms are used also in 1997. In 1996, the government provided 45% of the total cost of additional amounts and financed all survivors pensions, front-veterans benefits, and child care and disability allowances, as well as 56.5% of pensioners’ housing allowances while the municipalities provided 43.5% of housing allowances.

The public-sector employers’ contribution rate was throughout 1996 3.95% of their employees’ PAYE earnings, while the private-sector employer rate varied between 2.40% and 4.90% – the exact amount depending on depreciation deductions and their ratio to payroll.

National Health Insurance. National Health Insurance is financed with contributions from insured persons and employers and the yield on assets.

The money recovered by the NHI fund in cases of non-primary liability is regarded as NHI income too. Wage and salary earners contributed throughout 1996 1.9% of their earnings subject to local government tax (3.35% of earnings exceeding FIM80,000) and pensioners 4.9% of their pension income (6.35% of income exceeding FIM80,000) to NHI. The contribution rates for employers were: private sector, 1.60%; state, local government utilities and municipalities, 2.85%; and parishes, 7.85%, in each case of their employees’ PAYE earnings.

The NPI and NHI Funds. Both the National Pension and National Health Insurance Schemes are financed on a pay-as-you-go basis, which means that current contribution revenues are used to finance current benefit expenditures.

Under current law, both the NPI and the NHI fund must at year-end equal at least 8% of the total annual expenditure of NPI and NHI. It is also possible to transfer funds from one fund to another to meet the 8% minimum requirement. If, even after all possible transfers have been made, either of the funds falls short of the minimum requirement, the state will meet the deficit. In addition, the state guarantees the liquidity of the funds.

Rehabilitation benefits. Expenditures arising from the implementation of rehabilitation legislation are financed out of the general revenues of the NHI fund. A specified share of the insured persons’ contributions to national health insurance goes towards the costs of implementing the Act on Rehabilitation Services to be Provided by the Social Insurance Institution (4% of contributions in 1996). Additional funds provision is determined yearly by Parliament.
Other benefit schemes. The basic unemployment allowances and labour market support benefits, the job alternation compensations, the labour market training allowances, the maternity grants and family allowances, the conscripts’ allowances, the general housing allowances, and the student financial aid are financed entirely by the government, which also finances that part of the survey on farmers’ working conditions and front-veterans’ travelling expenses that NHI does not cover. The Child Home Care Allowances Scheme is financed by municipalities.

Staff pension fund. To cover its liability for staff pensions and to pay current benefits, the SII has since 1991 had a staff pension fund, which collects a special contribution from both the national pension insurance and national health insurance funds. Since 1993, employees have also paid their employment pension contributions into the pension fund. Under current law, the fund must cover 19% of pension liabilities. Following an increase in the accumulation rate, the fund reached its specified target level in 1996.

11.2 Administration

As regards the administration of social insurance, Finland is divided into five insurance regions and (as of 31 December 1996) 189 insurance districts, each with a local office. The five regional offices supervise the work of the local offices within their respective areas. In the central administration, two units are involved with benefit matters, i.e. the Departments for Pensions and Income Security and Health and Income Security. For a more detailed presentation of the organizational structure of the SII, see Table D.

Determination of claims for benefit. Of the various types of pension, only claims for disability pension are decided in the central administration. Other pension applications as well as claims for disability benefit are decided by the staff at the local offices. A social insurance board with at least four members is affiliated with each local office. (The boards ceased operation on 1 January 1997.) The social insurance board is mainly concerned with assessing the annual income of the applicant used to determine his or her

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Table D: Organisation of the Social Insurance Institution at year-end 1996

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<table>
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<tr>
<th>Commissioners</th>
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<tbody>
<tr>
<td>Enlarged Board</td>
</tr>
<tr>
<td>Board of Directors</td>
</tr>
</tbody>
</table>

Pension and Income Security Dept.

Health and Income Security Dept.

Information Systems Dept.

Office Services Dept.

Research & Development Centre

Centre for Student Financial Aid

Rehabilitation Services Unit

ADP Centre

Regional offices

Local offices
```
right to pensioners’ housing allowance and additional amount payable with spouses pension.

The local offices determine claims for health insurance benefits, unemployment benefits, maternity grant, child home care allowance, family allowance, conscript’s allowance, and general housing allowance. The social insurance boards generally decide questions that have broader application. In addition to the local offices, the employee sickness funds handle NHI matters (for their members).

Claims for refund of occupational health services expenses incurred by employers are determined centrally as well as locally; claims for refund of occupational health services expenses incurred by self-employed people, locally.

Matters relating to individual rehabilitation and rehabilitation allowance are determined by the local offices.

Students in higher educational institutes file their claims for financial aid with their school’s financial aid committee, other students with the SII’s Centre for Student Financial Aid.

Appeals procedure. The procedure for appealing against decisions on a claim is somewhat different in each scheme. The highest appeal body is either the Insurance Court or the Appeal Tribunal. The appeals system is generally two-tiered.

A revised appeals procedure has been introduced in most SII schemes. The SII can now first review the appeal and then decide whether to accept it. If the appeal is accepted, the earlier decision is changed and there is no need to refer the case to the higher appeal bodies.

Analyses by region, type of disease and occupation

Regional analyses

In the present publication, the statistical analyses by region are based on the beneficiary’s place of residence.

Analyses by type of disease

National Pension Insurance, National Health Insurance, disability benefit, and rehabilitation data are analysed also by type of disease.

The disease codes are from the tenth revision of the International Classification of Diseases (ICD-10), introduced in Finland on 1 January 1996. The data are, as a rule, analysed by important disease group; ie,
The disease statistics covering all recipients of disabilities conferring entitlement to medicines in the 75% refund category are:

- (201) chronic cardiac insufficiency, (202) rheumatoid arthritis and diffuse diseases of connective tissue, (203) chronic bronchial asthma and chronic obstructive diseases of the lung, (204) chronic urethritis until year-end 1993, (205) chronic hypertension, (206) chronic coronary artery disease, (207) chronic arrhythmia, (208) ulcerative colitis and Crohn’s disease, (211) familial hypercholesterolemia, and (212) gout.

Of the diseases belonging to the 100% refund category, the most important ones are:


Pharmaceutical nutrients belong either to the basic or the 75% refund category.

Analyses by occupation and position

In the present publication, recipients of disability pension or disability allowance whose benefit payments have started recently are analysed also by occupation and position.

The analyses of sickness allowance recipients by occupation and position are from the SII’s standing NHI sample, which includes information about the beneficiary’s occupation.

In the analyses of basic unemployment allowance and labour market support recipients by occupation, manpower services records have been consulted.

In the analyses of recipients of rehabilitation services provided by the SII by occupation SII records have been consulted.

The codes used in this Yearbook stem from the Nordic yrkesklassificering (the Nordic classification of occupations), slightly modified by the SII. It has been in use since 1988.

Occupation is classified according to a three-digit code, the first two digits indicating a person’s occupation and the third his or her position.

The SII records the claimant’s last occupation in employment (anybody who has worked for at least three hours a day four months a year has been put down as employed; anybody who has not worked for five years, as non-employed). The manpower services generally consult the job-seeker’s employment or training record.
Copies available from:
The Social Insurance Institution,
Statistical Branch
P.O. BOX 450, 00101 Helsinki
Finland
tel. (09) 434 11
telefax (09) 434 1530

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