Overview of Benefit Programmes

Reprint from
**SII 2000**

<table>
<thead>
<tr>
<th>Description</th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension beneficiaries</td>
<td>1,061,400</td>
<td></td>
</tr>
<tr>
<td>Old age pension</td>
<td>773,000</td>
<td></td>
</tr>
<tr>
<td>Disability pension</td>
<td>220,600</td>
<td></td>
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<tr>
<td>Unemployment pension</td>
<td>23,000</td>
<td></td>
</tr>
<tr>
<td>Survivors' pension</td>
<td>37,200</td>
<td></td>
</tr>
<tr>
<td>Other pension</td>
<td>7,600</td>
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</tr>
<tr>
<td><strong>Recipients of disability benefits</strong></td>
<td>56,800</td>
<td></td>
</tr>
<tr>
<td>Child disability allowance</td>
<td>46,800</td>
<td></td>
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<tr>
<td>Disability allowance</td>
<td>12,000</td>
<td></td>
</tr>
<tr>
<td><strong>Health insurance beneficiaries</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sickness allowance</td>
<td>296,300</td>
<td></td>
</tr>
<tr>
<td>Parenthood allowance</td>
<td>140,300</td>
<td></td>
</tr>
<tr>
<td>Refunds of general health services expenses</td>
<td>3,702,700</td>
<td></td>
</tr>
<tr>
<td><strong>Recipients of rehabilitation benefits</strong></td>
<td>96,000</td>
<td></td>
</tr>
<tr>
<td>Rehabilitation services</td>
<td>82,500</td>
<td></td>
</tr>
<tr>
<td>Rehabilitation allowance</td>
<td>53,500</td>
<td></td>
</tr>
<tr>
<td><strong>Recipients of basic unemployment allowance or labour market subsidy</strong></td>
<td>172,300</td>
<td></td>
</tr>
<tr>
<td>Basic unemployment allowance</td>
<td>16,500</td>
<td></td>
</tr>
<tr>
<td>Labour market subsidy</td>
<td>155,800</td>
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</tr>
<tr>
<td><strong>Recipients of labour market subsidy paid in combination with a wage subsidy</strong></td>
<td>12,200</td>
<td></td>
</tr>
<tr>
<td><strong>Recipients of labour market training subsidies</strong></td>
<td>5,100</td>
<td></td>
</tr>
<tr>
<td>Family allowance recipients (no. of children)</td>
<td>1,063,700</td>
<td></td>
</tr>
<tr>
<td><strong>Recipients of child day care subsidies (no. of families)</strong></td>
<td>84,700</td>
<td></td>
</tr>
<tr>
<td><strong>Households receiving general housing allowance</strong></td>
<td>170,400</td>
<td></td>
</tr>
<tr>
<td><strong>Recipients of financial aid for students (December)</strong></td>
<td>267,100</td>
<td></td>
</tr>
<tr>
<td><strong>Recipients of school transportation subsidy (December)</strong></td>
<td>32,900</td>
<td></td>
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<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total expenditure</strong> (FIM million)</td>
<td>55,303</td>
<td>57,074</td>
</tr>
<tr>
<td>Pension benefits</td>
<td>16,108</td>
<td>16,324</td>
</tr>
<tr>
<td>Disability benefits</td>
<td>605</td>
<td>649</td>
</tr>
<tr>
<td>Health insurance benefits</td>
<td>12,338</td>
<td>13,384</td>
</tr>
<tr>
<td>Rehabilitation benefits</td>
<td>1,340</td>
<td>1,476</td>
</tr>
<tr>
<td>Unemployment benefits</td>
<td>6,052</td>
<td>6,159</td>
</tr>
<tr>
<td>Maternity grants and family allowances</td>
<td>8,300</td>
<td>8,242</td>
</tr>
<tr>
<td>Child day care subsidies</td>
<td>2,268</td>
<td>2,240</td>
</tr>
<tr>
<td>General housing allowances</td>
<td>2,708</td>
<td>2,450</td>
</tr>
<tr>
<td>Benefits for students</td>
<td>3,848</td>
<td>4,215</td>
</tr>
<tr>
<td>Other benefits</td>
<td>67</td>
<td>77</td>
</tr>
</tbody>
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* Estimate from 29 August 2001

<table>
<thead>
<tr>
<th>Description</th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income (FIM million)</strong></td>
<td>55,375</td>
<td>57,153</td>
</tr>
<tr>
<td>Insured population</td>
<td>5,961</td>
<td>6,043</td>
</tr>
<tr>
<td>Employers</td>
<td>14,402</td>
<td>14,447</td>
</tr>
<tr>
<td>State</td>
<td>28,400</td>
<td>31,090</td>
</tr>
<tr>
<td>Municipalities</td>
<td>2,268</td>
<td>2,240</td>
</tr>
<tr>
<td>Wage and salary earners (unemployment insurance contributions)</td>
<td>415</td>
<td>345</td>
</tr>
<tr>
<td>Other</td>
<td>2,930</td>
<td>2,988</td>
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* Estimate from 29 August 2001

<table>
<thead>
<tr>
<th>Category</th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Branch offices (at year-end)</strong></td>
<td>334</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>FIM billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>60</td>
</tr>
<tr>
<td>1990</td>
<td>100</td>
</tr>
<tr>
<td>1995</td>
<td>150</td>
</tr>
<tr>
<td>2000</td>
<td>200</td>
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**SII's benefit expenditures (at 2000 prices)**

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>18.4%</td>
<td>Total benefit expenditure in proportion to total wage and salary bill (%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.9%</td>
<td>gross domestic product (%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>25.5%</td>
<td>Total benefit expenditure (excl benefits for students) % of social welfare expenditure</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<sup>1) at year-end</sup>
# Overview of Benefit Programmes

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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 risks and hardships, including those related to health, work disability and functional incapacity, old age, death of a breadwinner, family and children, unemployment, housing and social exclusion.

The development, targeting and financing of social policy may be examined by means of social expenditure calculations, which show the yearly expenditures on social and health security benefits based on law or labour market agreement. (Of the SII benefits, student financial aid and school transportation subsidy have 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, basic unemployment protection, income maintenance benefits for families with children, general housing allowances, student financial aid and school transportation subsidies. In addition, the SII administers various disability benefit programmes, and the National Conscripts’ Allowance Scheme.

The SII has a nationwide network of offices, 334 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 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. National old age, disability and unemployment pensions can include a pension-tested component and various other components. A national pension may consist entirely of various formerly supplementary components (e.g. housing allowance, care allowance and front-veterans’ supplement).
National survivors’ pensions are paid in the form of spouses’ and orphans’ pensions, which can include a basic amount, an additional amount and a housing allowance (not available with orphans’ pensions). 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 (TEL), the self-employed (TEL), farmers (TEL), seamen (TEL), performing artists (TEL), state employees (TEL), local government employees (TEL), and employees of the Evangelical-Lutheran Church of Finland (TEL). Also included under employment pensions are various pensions paid by the state and local governments on the basis of earlier pension provisions 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 (LUKL), Change-of-Generations Pensions Act (SPVEL), Farm Closure Pensions Act (LUEL), and Act respecting Farm Closure Compensation (LUKL). New pension awards are made according to the Act respecting Farm Closure Subsidy.

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 which they cover.

Financing

The SII’s pension expenditure was in 2000 financed with contributions from employers to the National Pension Insurance, state subsidies, VAT revenues and contributions levied from motor and accident insurers.

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 for the years 1995–99 are financed by the state and the European Union, while the subsidies for the years 2000-2002 will be funded nationally. 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 (meaning that pension benefits are financed with current revenues). 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 SII-provided pensions, employment pensions (TEL, LEL, 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 In-
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 disability 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.

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 health, 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 part of the waiting period. 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 subsidy. Persons on leave from their regular job can qualify for a special job alternation compensation. Financial assistance is also available to unemployed persons who undergo labour market training or conduct self-motivated studies. People made redundant may be eligible for redundancy pay, which can be supplemented by a training allowance, payable to those getting employment-oriented training. In the case of bankruptcy of an employer, any outstanding wages and salaries are covered by the state. Employers as well as unemployed persons are supported through a number of measures with a view to promoting employment.

Unemployed persons' chances of finding employment outside their area of residence is supported with a travel grant scheme, which was introduced in January 2001. Starting from September 2001, the unemployed will have access to rehabilitative working activity, which is aimed at improving their employment prospects and job search motivation.

General benefits

Unemployment allowance and labour market subsidy. 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 subsidy to those who are not eligible for unemployment allowance.

The SII-administered basic unemployment benefits are designed to ensure a minimum standard of living during unemployment (further details on p. 281).

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. If the recipient finds employment and works long enough to again satisfy the employment condition, the full 500-day entitlement is restored. An unemployed person whose earnings-related unemployment allowance has been discontinued can claim labour market subsidy.

Labour market subsidies are financed entirely by the government, the basic unemployment allowances by both government and wage earners, and the earnings-related unemployment allowances by government, the employers, wage and salary earners, and fund members.

Job alternation compensation. Job alternation compensations are paid to workers 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 subsidy payable to employers in combination with a wage subsidy. For the purpose of re-employing a long-term unemployed person, labour market subsidy can be paid to employers either alone or in combination with a government wage subsidy. The labour market subsidy is paid by the SII (though financed by the state like other employment promotion measures), and the wage subsidy by the employment office.

Training-related benefits

Labour market training subsidy. The training subsidy is payable under two schemes. Members of trade union funds are eligible for earnings-related training subsidy, non-members for basic training subsidy. The SII also pays labour market subsidy to those who, though in training, do not qualify for the training subsidy. Both training subsidy and labour market subsidy can include a maintenance and/or accommodation allowance.

The basic training subsidies and labour market subsidies are financed by the state, the earnings-related allowances by the state, the employers, employees and unemployment fund members. Further financing for benefits paid during labour market training is provided by the European Social Fund.

Support for self-motivated learning. Unemployed persons with a sufficient employment history are eligible for a training allowance if they choose to undergo training to improve their vocational skills. The training allowance is paid at the same rate as the unemployment allowance or the labour market subsidy. It is either based on previous earnings or paid at a basic standard rate. The earnings-related allowances are paid by unemployment funds, the basic allowances by the SII. The training allowances are financed in the same way as the unemployment allowances.

Maintenance allowance for persons financing their job training with the labour market subsidy. Long-term unemployed persons receiving labour market subsidy, for whom the employment office has arranged job training, can get a maintenance allowance to help with their living expenses during the training. The allowances are state-financed.
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 day care subsidies, 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 and adoption. 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 day care subsidies are aimed at making it easier to arrange day care for a child under school age after the parenthood allowance period is over. It is payable as either home care allowance or private day care allowance. It is intended as an alternative to municipal day care. Some municipalities provide supplements to the statutory benefits. In addition to paying out the statutory benefits, the SII has agreements with some municipalities to pay out the municipal supplements as well.

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 for 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.

The income security provisions for working adults who leave the workforce to obtain additional training was reformed in August 2001. Employees and entrepreneurs became eligible for an adult education subsidy payable in respect of self-motivated vocational training. State guarantees for optional student loans are granted by the SII. After a transition period, the adult education subsidy will replace the financial aid for mature students paid by the SII and the vocational training allowance provided by the Education and Redundancy Payments Fund.

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 subsidy from an unemployment fund (earnings-related support), a training subsidy or labour market subsidy from the SII (basic support).

Unemployed persons who decide to undergo training designed to improve their vocational potential are eligible for a training allowance. Members of an unemployment fund get their earnings-related allowance from the fund, while the SII administers basic allowances not linked to previous earnings.

For students of upper secondary schools and vocational institutes, the Social Insurance Institution pays a school transportation subsidy. It pays for part of the cost of students’ daily trips to and from school. It is financed by the state.

Orphan’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...
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 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 quality after a residence of five years.

Surviving spouses and orphans living in Finland are entitled to national survivors’ 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.

If a recipient of a national pension or survivor’s 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.

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.

The front-veteran’s supplement and the additional front-veteran’s supplement can be awarded to recognized veterans. The former can also be awarded to persons living outside Finland provided that they receive a Finnish national pension. Under a separate Act of Parliament, the front-veteran’s supplement can be paid also to recognized veterans living outside Finland who do not receive a Finnish 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. 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”. Persons under 18 years of age cannot get a disability pension until their rehabilitation prospects have been assessed.

A special type of disability pension, the individual early retirement pension, is payable to people aged 60 to 64 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.

At the beginning of 2000, the age limit for the individual early retirement pension was raised to 60 years. Since the old age limit of 58 years will continue to be applied to those born in 1943 or earlier, the new limit will not take effect until 2004.

Those who receive a full disability pension from the SII can, in the event that they find gainful employment, choose to put their pension on hold and yet remain entitled to the pension at a later point. During that time, they will be paid a special-rate disability al-
lowance. If a person receiving an individual early retirement pension returns to work, the pension is either cut in half or put on hold.

**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 calendar years. They must also have received unemployment allowance for the maximum period allowed and be registered with the employment office as unemployed and seeking employment.

**Survivor’s pension** is payable to widows and widowers under 65, provided that the deceased was under 65 at the time of marriage (spouse’s pension), and to orphans (orphan’s pension).

**Spouse’s pension** is payable to widow(er)s, irrespective of age, if he/she has or has had a child with the deceased. It is also payable if the widow(er) 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(er) had turned 50. However, women born before 1 July 1950 are eligible for spouse’s pension on easier terms. Spouse’s initial pension is payable for the first six months following the death of the spouse, and thereafter the widow(er) is entitled to a continuing pension. When a widow(er) aged 50 or over remarries, the spouses’ pension is not discontinued.

**Orphan’s 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-veteran’s supplement payable outside Finland.** This benefit is payable to recognized veterans who live outside Finland and do not receive a Finnish national pension. The supplement is paid semi-annually.

### Benefit components and rates

With effect from 1 January 1996, the national 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.

The two main components of national pensions, the basic and additional amounts, were at the beginning of 1997 merged into a single unified national pension, which is tested against any other pension paid to the recipient. Pensions that had been paid before 1 January 1996 and consisted entirely of a basic amount were cut annually from 1996 and were discontinued in 2002.

**National old age, disability and unemployment pensions** were in 2000 paid either as

- a “cut” or pension-tested national pension possibly supplemented by various additional components such as pensioner’s housing allowance, pensioner’s care allowance, increase for spouse or children, and front-veteran’s supplement or additional supplement, which are payable under the Front-Veterans Pensions Act; or

- a pensioner’s housing allowance, pensioner’s care allowance or front-veteran’s supplement paid independently of any other pensions or pension components.

**National survivors’ pensions** (for surviving spouses and orphans) can comprise a basic amount and an additional amount. Surviving spouses can get a pensioner’s housing allowance as well (see Table A).
Flat-rate components

The following pension components are flat-rate: the cut national pension, the pensioner’s care allowance, the front-veteran’s supplement, the spouse increase, the child increase, and the basic amounts of spouses’ and orphans’ pensions, as well as the spouse’s initial pension.

The 2000 rate of the “cut” national pensions was FIM92 per month. These pensions were discontinued at the end of 2000.

The pensioner’s care allowance is payable to
– persons aged 65 or over or
– persons aged under 65 who receive disability pension either as a national pension or a (full) employment pension.

Payment of the allowance also requires that the recipient’s functional status is impaired due to an illness or injury. It is awarded as compensation for home care, services or special expenses. It is graduated in three payment categories according to the amount of the expenses and the need of assistance. At year-end 2000, the smaller allowance totalled FIM284 a month, the larger allowance FIM708 a month, and the special allowance FIM1,415 a month.

The front-veteran’s supplement – payable to recognized veterans of the 1939–45 and 1918 wars – was FIM226 a month.

The spouse increase was payable at the rate of FIM81 a month. Since 1 January 1996, new spouse increases are no longer being awarded. The existing benefits were reduced yearly from 1 January 1997 and discontinued at the end of 2000.

The child increase (payable to national pension beneficiaries with children under 16) was FIM105 a month. Since 1 January 1996, new child increases are no longer being awarded. The existing benefits were reduced yearly between 1998 and 2000. However, the reductions were stopped and the child increase remains payable for those who qualified for it before 1996.

The flat-rate part of the spouse’s initial pension was payable to single recipients at the rate of FIM1,297 a month (with area supplement, FIM1,408).

The orphan’s pension basic amount was FIM275 a month.

Income-related components

The income-related components include the pension-tested national pension, housing allowance, additional front-veteran’s supplement, and the additional amounts of orphan’s pensions and spouses’ initial and continuing pensions. 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 spouse’s pension than for the pension-tested part of the national pension, which is affected only by the recipient’s other pensions.

Pensioner’s housing allowance is payable to persons who are living in Finland and
– are aged 65 or more or
– are between ages 16 and 64 and receive
– a disability, unemployment or spouse’s pension from the SII
– under the employment pension legislation, an unemployment pension or (full) disability pension
– under the Accident Insurance, Motor Insurance or Military Injuries Acts, a statutory disability pension or other compensation payable in respect of full work disability or
– a similar benefit from abroad.

The orphan’s pension additional amount is affected by other pension benefits for survivors that the child may have.

Additional front-veteran’s supplement is payable to those front-veteran’s supplement recipients who also receive a national pension. It is equal to 25–45% of the amount by which the national pension exceeded FIM468 a month (in 2000). The full additional front-veterans’ supplement is equal to 45% of the previous additional amount if the pensioner has no other income that counts against it. The percentage is reduced as other income increases and can be as low as 25% if the pensioner has other income amounting to FIM1,000 or more per month (the limit in year 2000). The rate of the income-related components depends also on the claimant’s district of residence, 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 national pension is 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 pension by 0.4%, each month by which retirement is postponed past age 65 increases it by 0.6%, except if the pension was granted before 1 January 2000, in which case the percentages are 0.5% and 1.0% respectively).

**Indexation**

The national pension components are adjusted yearly to changes in the 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 1.1% in 2000 and by 3.9% in 2001.

**Taxation**

The national pensions, the basic and additional amounts of spouses’ pensions paid under a 1990 Act of Parliament, 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 cumulative 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.

Starting with 1997, national pensions can consist exclusively of a pensioner’s housing allowance, pensioner’s care allowance or a front-veteran’s supplement. In the SII statistics, recipients of such pensions are counted as national pension beneficiaries.

### 3 SII’s disability benefits

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

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

**Benefits.** The child disability allowance is payable to children under 16 with 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 at year-end 2000: FIM424 a month) is paid to children whose treatment causes an added financial or other strain. The *larger allowance* (FIM990) is awarded in cases where the strain is considerable, and the *special allowance* (FIM1,839) 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 disability allowance, is graduated in three payment categories (see above). It is also disbursed at the same rate as the child disability allowance. There are a number of benefits and pensions which preclude the payment of the disability allowance.
Persons who have their full-rate national disability pension suspended can get a special disability allowance as a replacement.

The child disability 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 disability and disability allowances are exempt from tax. They are generally adjusted annually to changes in the cost-of-living index, and were increased by 1.1% and 3.9% respectively in 2000 and 2001.

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 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 usually 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 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 at any time during the maternity allowance period
– for 6 workdays in the maternity or parental allowance period.

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 amount of the sickness and parenthood allowances depends on the taxable income of the recipient. As of 2000, the allowance is equal to 70% of annual earnings up to FIM140,560. 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, 5% representing the employees’ employment pension and unemployment insurance contributions is according to 2000 rules deducted from the
The purpose of the sickness allowance is to provide compensation for lost income. It is not paid when annual earnings are less than a specified amount (FIM5,400 as of 2000). 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 subsidy (see p. 283).

The allowances are normally adjusted to changes in the TEL employment pension index once a year. On 1 January 2000, the allowances were raised by 1.9%, and on 1 January 2001, by 4.1%. However, these increases did not apply to the means-tested sickness allowances or to the minimum-rate parenthood allowances. 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 FIM3,320 (2000) a year (this is referred to as the additional refund),
- 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 prosthodontic 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, including prosthodontic services. As of 1 April 2001, coverage for private-sector dental care was extended to those born in 1946 or later. The whole population is expected to be covered from December 2002.

In the case that the annual travelling expenses not covered by NHI exceed the annual deductible (FIM900 in 2000), NHI will refund the exceeding part in full (known as the 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.

Under the provisions in effect in 2000, when NHI-covered services were furnished by the private sector, NHI paid

- 50% of all medicine costs in excess of a fixed minimum per purchase (FIM50 in 2000) 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);
- Certain significant but high-cost medicines are subject to refund rules which require that their therapeutic value must be shown for each patient individually before they qualify for a 50% NHI refund.
- 60% of that part of doctors’ and dentists’ charges which does not exceed the charge specified for these services.
Payment of benefits

Scheme members who belong to an employee sickness fund receive their NHI benefits through the fund. The rest receive their benefits through the SII's branches.

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.

Also aimed at streamlining the claims process is an arrangement that enables patients to authorize a provider of health services to collect the SII refund to which they would be entitled. Under this arrangement, the patients need only pay the difference between the refund and the actual cost of the service.

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, installments 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.

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- or maternity-leave pay from his employer, that part of his sickness or 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 his unemployment fund.

Sickness allowance and refund of medical expenses are paid to the Patient Insurance Centre when the patient has received compensation from the association during the disability period or for the medical expenses in question.

If a municipal social service board finances NHI-covered services, the refund under NHI is paid to the board and not the insured person.

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- or maternity-leave pay from his employer, that part of his sickness or 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 his unemployment fund.

Sickness allowance and refund of medical expenses are paid to the Patient Insurance Centre when the patient has received compensation from the association during the disability period or for the medical expenses in question.

If a municipal social service board finances NHI-covered services, the refund under NHI is paid to the board and not the insured person.

4.2 Occupational and student health services

Employer-provided occupational health services.

Employers are required by law to provide occupational health services to their employees with a view to preventing work-related health hazards. In addition to the statutory services, employers can opt to provide their workers with wider access to health services.

Under the Health Insurance Act, employers are entitled to a reimbursement of the necessary and reasonable costs of arranging occupational health services. There is maximum per-employee limit for the
reimbursement, and up to 50% of the total costs approved by the SII are reimbursable. The reimbursements are paid once per accounting period based on a claim submitted by the employer.

There are two reimbursement classes. The costs of statutory occupational health services belong to reimbursement class I, while optional general practitioner-level services are included in class II. The maximum per-employee reimbursements applicable in 1998 were as follows:

<table>
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<tr>
<th>Class</th>
<th>Reimbursement class I</th>
<th>FIM640</th>
<th>Reimbursement class II</th>
<th>FIM660</th>
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<tbody>
<tr>
<td>Costs</td>
<td>FIM640</td>
<td>FIM660</td>
<td>Reimbursement</td>
<td>FIM320</td>
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<td></td>
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<td></td>
<td>FIM480</td>
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</tbody>
</table>

Higher reimbursements can be granted for special reasons (e.g. small number of covered workers).

The occupational health services can be offered through the employer’s own occupational health unit or one operated jointly by several employers. In addition, they can be purchased from another employer or the municipal health centre, an organization licensed to provide occupational health services, or some other health care professional.

**Occupational health services for entrepreneurs and the self-employed.** Entrepreneurs and other self-employed persons are entitled to a reimbursement of the necessary and reasonable costs of any occupational health services they choose to purchase for themselves. The reimbursements cover services included within the definition of statutory occupational health services. Up to 50% of recognized costs are reimbursed.

With the aim of intensifying the occupational health care of agricultural entrepreneurs, a national coordination centre was established in 1999. The SII pays part of its consultation, training and other expenses.

**Student health services.** A certain part of the National Health Insurance funds go to the Finnish Student Health Service as reimbursement for the cost of health services it provides to university and college students.

### 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 organisations, 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. The state budget includes a special allocation that the SII can use to arrange other vocational and medical rehabilitation.

**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 (e.g. rehabilitation examinations and work testing, training aimed at maintaining work capacity, and basic education, further education and retraining)
- assistance with running a business or self-employment
- basic training if it is a requirement for starting 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 disability 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, adaptation training and psychotherapy.

An amount equalling at least four percent of the NHI 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.

Compensation of travel costs. 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 2000) are covered.

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/re-entry into employment.

In order to promote the success of vocational rehabilitation measures and to decrease the likelihood of disability pension, young persons aged 16 or 17 whose capacity for work is diminished are eligible for a rehabilitation allowance.

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 rehabilitation allowance for young people aged 16 and 17 is payable at a fixed rate of FIM85.56 per weekday (2000).

The allowance is taxable income. The rate of the allowance is adjusted on a yearly basis. At the start of 2000, the allowance was raised by 1.9% (in line with the TEL employment pension index), and on 1 January 2001, by 4.1%. The rehabilitation allowances paid to pensioners are subject to different adjustment rules.

Rehabilitation Services Unit

The SII’s Rehabilitation Services Unit, located in Turku, provides a variety of rehabilitation and work ability assessment services to clients both within and outside the SII.

6 SII’s unemployment-related benefits

6.1 General benefits

The main unemployment-related benefits are the unemployment allowance, the labour market subsidy, and the unemployment pension (discussed with other pensions). The unemployment allowance is payable as either a basic allowance, administered by the SII, or an earnings-related allowance. Job alternation compensations, whose purpose is to enable job-sharing arrangements, are paid both by the unemployment funds and the SII. Labour market subsidy can be paid directly to employers, either by itself or in combination with the subsidies granted by the employment authorities to create job opportunities for the long-term unemployed.

The basic unemployment allowance is governed by the Unemployment Allowances Act, which grants basic unemployment protection to all residents of Finland (also EU/EEA citizens working in Finland). The EU regulations and various bilateral agreements on social security contain further provisions relating to unemployment protection.

The labour market subsidy is governed by a separate Act of Parliament. It is payable to residents of Finland only.

Various activation programmes have been implemented in recent years to improve the employment prospects of unemployed persons and to increase job search efficiency. Among them is a new programme aimed at promoting rehabilitative working activity, which became effective on 1 September 2001. Recipients of labour market subsidy will be entitled to an additional maintenance allowance for each day they participate in rehabilitative working activity. Another recent measure aimed at improving employability is a programme which provides travel grants to persons who accept work outside their area of residence. The grant is equal to a full labour market subsidy and is paid for up to two months.

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 10 months in the previous 2 years. 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.

The basic unemployment allowance is paid to unemployed persons who do not belong to a trade union unemployment fund for a maximum of 500 days of unemployment. The full 500-day entitlement is restored if the recipient again satisfies the employment condition (i.e. is employed for at least 10 months within a period of 2 years). Unemployed persons who are aged 57 or more 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 seven days.

Amount of the basic unemployment allowance. The full basic unemployment allowance was at year-end 2000 payable at a rate of FIM122 per day. It is increased for dependent children. At the end of 2000, the child increase was, for one child, FIM24, for two children, FIM35, and for three or more children, FIM46 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 and the accompanying increase for children are adjusted yearly to changes in the cost-of-living index.

**Labour market subsidy**

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

**Eligibility.** Cash labour market subsidy 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 subsidy, unskilled persons between 17 and 24 may not decline a job or training offer or choose not to apply for vocational training.

Labour market subsidy is payable as soon as the claimant has been registered as an unemployed jobseeker for a waiting period consisting of 5 workdays. There is no waiting period if unemployment allowance was previously paid for the maximum period of 500 days and is immediately followed by the labour market subsidy.

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

**Amount of the labour market subsidy.** The cash labour market subsidy 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 subsidy is paid at the unreduced rate.

The means test is applied to the recipients’ own income and (as at year-end 2000) their spouse’s income exceeding FIM1,400 a month. The full labour market subsidy was at year-end 2000 paid if the combined monthly income of the recipient and his or her spouse was less than FIM5,040 (or in the case of single recipients, FIM1,500). This amount was raised by FIM630 for each dependent child.

Any income exceeding these limits reduced the benefit with 50% or 75% of the excess being deducted from the benefit (depending on whether the recipient has dependants). For example, no labour market subsidy was payable to single persons with a monthly income of FIM4,840 or more.

The amount of the labour market subsidy 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 subsidy.

The labour market subsidy is taxable income. The rates of the subsidy and the accompanying increase for children are adjusted yearly to changes in the cost-of-living index. Other relevant FIM amounts are adjusted in line with significant changes in the general level of wages.

**Job alternation compensation**

Job alternation leave is an arrangement in which an employee who is employed at least 75% of what would be considered full-time employment, based on an agreement with his or her employer, goes on leave 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 2002.

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 70% of the unemployment allowance which the claimant would receive were he or she unemployed. The full
compensation paid by the SII in 2000 amounted to FIM85.40 per day.

The compensation is subject to tax.

**Labour market subsidy paid to employers in combination with a wage subsidy**

Employers who hire a long-term unemployed person can be paid labour market subsidy either by itself or together with a wage subsidy from the employment office. Regarded as long-term unemployed are persons who have received unemployment allowance for the maximum period possible (500 days) or labour market subsidy on account of unemployment for 500 days.

The decision to pay the subsidy to the employer is made by the employment authorities. The employer must sign a contract of employment or apprenticeship with the long-term unemployed person assigned by the employment office.

When paid to the employer, the labour market subsidy is paid at its full rate, for up to 12 months. Increases for children are not available.

The labour market subsidy paid in combination with a wage subsidy is taxable income.

**Statistics**

In the unemployment benefit statistics, cross-section analyses (number of recipients at the end of the month) refer to the last workday in a month.

**6.2 Training-related benefits**

The aim of labour market training is to improve the changes of people of working age to maintain or regain their position in the labour market. The main types of training provided are further vocational training and skills upgrading. Those undergoing labour market training are eligible for one of two income security benefits, the training subsidy or the labour market subsidy. Both can be supplemented by a maintenance and accommodation allowance.

Both earnings-related and basic training subsidies are paid. The earnings-related subsidy is for members of unemployment funds. The basic subsidy and the labour market subsidy are paid by the SII.

Unemployed persons with a work history are eligible for financial support for self-motivated learning, which makes it possible for them study full-time without suffering any financial loss. The training or studies they choose must be of a kind that improves their vocational skills and employability. A training allowance equal to the unemployment allowance or labour market subsidy is provided to secure the trainees’ livelihood. The earnings-related allowance is paid by unemployment funds and the basic allowance by the SII.

The long-term unemployed who receive labour market subsidy and are in practical training arranged by the employment authorities can get a maintenance allowance from the SII.

**Labour market training**

**Eligibility.** The basic training subsidy and the various supplemental allowances 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 (10 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 fulfill these requirements get labour market subsidy 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 subsidy is equal to the basic unemployment allowance (at year-end 2000, FIM122 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 2000 limit), the basic training subsidy 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. The maintenance and accommodation allowances were in 2000 both paid at a rate of FIM30 per day for a maximum of 5 days a week. They are available exclusively to persons in receipt of full-rate basic training subsidy. (This restriction was removed with effect from 1 January 2001.)

The benefits described above are paid for a maximum of five days per week. The basic subsidy is taxable income, but the maintenance and accommodation allowance are free from tax. The basic subsidies are adjusted to changes in the overall wage and salary level, as are the basic unemployment allowances.
Maintenance and accommodation allowance for persons financing their studies with the labour market subsidy

Unemployed persons who undergo labour market training but do not satisfy the employment condition or have depleted their unemployment allowance entitlement, are paid labour market subsidy instead of the training subsidy, and are also eligible for a maintenance and accommodation allowance. In the Yearbook, these labour market subsidy payments are included in general unemployment expenditures, while the maintenance and accommodation allowances are counted as training-related unemployment expenditures.

Maintenance and accommodation allowances are provided under the same terms and at the same rate as the maintenance and accommodation allowances paid to persons undergoing labour market training (see above).

Training allowance (Support for self-motivated learning for the unemployed)

Eligibility. Recipients must
- have been registered with the employment office as unemployed and seeking employment;
- enrol in a full-time training programme comprising at least 20 credits that is designed to upgrade their job skills and employability;
- have received unemployment allowance or labour market subsidy for at least 86 days during the previous year; and
- have a sufficient work history (earned at least 10 years’ worth of credits for employment pension during the previous 15 years).

The training allowance is payable to residents of Finland only.

Amount and length of payment. The training allowance is equal to the recipient’s previous unemployment allowance or labour market subsidy. It can include increases for children but no maintenance or accommodation allowance.

Any other income (earnings, social welfare benefits) which the recipient gets during the training reduce the training allowance in the same way as they would affect the basic unemployment allowance or labour market subsidy. Unlike the labour market subsidy, the training allowance is however not subject to a spousal income test, and recipients living with their parents do not suffer a reduction in their allowance.

The training allowance can be paid five days a week for up to 500 days. Any days on training allowance decrease the recipient’s total (500-day) entitlement to unemployment allowance. The maximum combined entitlement for unemployment allowance and training allowance is 586 days.

The training allowance is available one time only and only for one course of training. To regain their eligibility, claimants who have already received it once must again meet the specified qualifying conditions. This applies also those who received assistance with self-motivated studies intended for long-term unemployed persons (under a scheme in effect from 1 August 1997 until 31 July 1998). The training allowance is taxable income.

Maintenance allowance for persons financing their job training with the labour market subsidy

Long-term unemployed persons on labour market subsidy who are referred by the employment office to on-site job training can get a maintenance allowance (along with their labour market subsidy) to help with living expenses. Regarded as long-term unemployed are persons who have received unemployment allowance for the maximum period possible (500 days) or labour market subsidy on account of unemployment for 500 days. The allowances are paid under the same terms and at the same rate as the allowance available to persons receiving labour market training subsidy. They are free from tax.

6.3 Integration assistance for immigrants

An Act of Parliament concerning the provision of integration assistance to immigrants became effective on 1 May 1999. The assistance is available to persons who are resident in Finland within the meaning of the Municipality of Residence Act.

Immigrants who register with an employment office as an unemployed jobseeker or who apply for a living allowance are during their first three years in Finland eligible for integration assistance, provided an integration plan is drawn up jointly by the immigrant, the municipality and the employment office. The plan sets out a strategy for helping the immigrant and his or her family acquire the information and skills needed for a successful integration.

The purpose of integration assistance is to secure the immigrants’ livelihood while the integration plan is being carried out. The assistance consists of an SI-provided labour market subsidy and a possible living allowance granted by the municipal authorities. If the immigrant does not satisfy the eligibility requirements for the labour market subsidy, the integration assistance can consist entirely of a living allowance.
To qualify for integration assistance, immigrants must have a demonstrable need for financial assistance and comply with the integration plan. Failure to comply with the plan disqualifies the immigrant from the labour market subsidy component of the assistance.

During their first three years in Finland, immigrants are not eligible for the labour market subsidy except when it is paid as integration assistance. The provisions of the Act on Labour Market Subsidy apply also to its payment as part of integration assistance.

The labour market subsidy provided under the integration assistance scheme is paid at the same rate as the regular subsidy. Similarly, it can include an increase for children, and the benefit is reduced if the recipient lives with his or her parents. During labour policy measures, means testing is suspended and the benefit is not reduced even if the recipient lives with his or her parents. Also, maintenance and accommodation allowances may be available. The subsidy is adjusted to other income and benefits just as the regular labour market subsidy.

The labour market subsidy paid under the integration assistance scheme is taxable income. The maintenance and accommodation allowances are free from tax.

7 The maternity grant, family allowance and child day care subsidy 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 2000 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 2000 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 (2000) 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 1996–2001.

7.2 Child day care subsidies

The aim of the child day care subsidies scheme is to assist families with their child care costs. It is intended as an alternative to municipal day care.

Child day care subsidies are provided under a specific Act of Parliament which the SII implements.

In addition to the benefits prescribed by law, municipalities are free to grant residents additional assistance with their child care costs in the form of the municipal supplement. Some municipalities pay the supplement by themselves while others have an agreement with the SII whereby the SII pays the supplements along with the statutory benefits.

Main eligibility conditions

Child day care subsidies can be granted for children who are living in Finland and whose day care is not arranged by the municipality. Also eligible are children who one year before starting school attend a part-time pre-school class arranged by the municipality, as well as children who start school one year early. Once their eligibility for parenthood allowance has ended, parents can choose between municipal day care and child day care subsidy. Payment of the subsidy ends at the latest on 31 July of the year in which the child starts school.

Types of subsidies available

The child day care subsidies are paid as either a home care allowance or a private day care allowance. A part-time care allowance is also available.
Home care allowance. Payable to families with a child under age 3. Home care allowance is paid also for other children under school age whose day care has been arranged in the same way. The parents can either look after their child themselves or hire a private day care provider. The allowance is available immediately once parenthood allowance has ended and can continue until the child reaches the age of three.

The home care allowance can include a basic allowance and a supplement. The basic allowance is paid separately for each child, while the supplement is paid for one child only and is linked to family income and size. (See Table C.)

The supplement is payable at its maximum rate if the family’s income is below a limit that varies with the size of the family. All taxable earnings and income from investments as well as most tax-exempt income are taken into account. For example, a family of four that at the end of 2000 had a monthly income of FIM10,070 or less would receive the maximum supplement. For a family of two, the corresponding income limit at year-end 2000 was FIM6,890 per month. The income limits starting from which a family of four is no longer eligible for 1) home care supplement and 2) private day care supplement, are FIM22,722 and FIM20,191 per month, respectively.

Private day care allowance. Payable to the day care provider the parents have chosen to look after their under school-age child. The allowance is paid for each child from the end of the parents’ eligibility for parenthood allowance until the youngest child starts school. If the parents have a child under three, they can choose between home care allowance and private day care allowance. The private day care allowance is paid directly to the day care provider, which can be either

– a person or organization licensed to provide child care services or
– a private individual whom the parents have hired to care for the child.

Private day care allowance can include a basic allowance and a supplement, payable separately for each child under school age. (See Table C.) It is linked to family income and size. The income criteria and limits are the same as those that apply to the home care allowance.

The child day care subsidies are taxable income. The private day care allowance is considered as taxable income of the day care provider. The subsidies are not adjusted annually to index changes.

Part-time care allowance. Payable to a working parent or other provider of a child under three who works 30 hours or less a week in order to care for their child. Recipients must be living in Finland. Not payable if the parent receives home care allowance while look-
ing after the child personally, but can be paid even if the child is in municipal day care. Available concurrently with the private day care allowance.

At year-end 2000, the part-time care allowance was payable at a rate of FIM375 per month. It is taxable income.

8 General housing allowance

The general housing allowances 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, 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, living in Finland, 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.

Students who are entitled to the housing supplement for students are for housing allowance purposes usually not regarded as a member of 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 habitable and located in Finland. Persons living with a student who is receiving students’ housing supplement can get housing allowance for part of their shared dwelling.

The general housing allowance is not awarded to households consisting of a single person or a married/cohabiting couple, who are entitled to the housing allowance for pensioners, nor to any household which includes a person receiving that benefit. Further, the general housing allowance is not awarded to students who are entitled to the housing supplement for students or to free lodging in a school dormitory, or who are receiving accommodation allowance under the unemployment security provisions.

In summary, students are covered by the general housing allowance scheme if they
- live in an owner-occupied dwelling (which they or their spouse owns)
- share their dwelling with a dependent child (their own or their spouse’s)
- live with a parent who receives general housing allowance
- have been denied financial aid due to illness or lack of academic progress.

The household may include, and the allowance may be claimed by, a foreign permanent 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.) Students who receive financial aid from abroad are not eligible for the general housing allowance.

The need for housing allowance is determined with reference to the household’s housing costs, combined income and 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 deductible 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. Households whose income qualifies them for the full housing allowance are exempt from the basic deductible.

The allowance is recalculated if the household’s monthly income or housing costs change significantly (by a minimum of FIM1,000 and FIM300 respectively as of 2000) or if a subtenant moves into or out of the dwelling. If a household member starts or leaves school where he or she is eligible for the housing supplement for students, the amount of the general housing allowance is recalculated. Change of residence will also trigger a recalculation. The allowance 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.

If one of the residents in a dwelling is a student who is entitled to housing supplement for students, the student’s share of the household’s housing costs is de-
ducted for the purpose of calculating the amount of the general housing allowance.

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 the type of heating system used in 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. If the combined assets of the household members exceed an amount set by the Council of State (in 2000: one-person household – FIM75,000; household with six or more members – FIM150,000), 15% of the excess is counted as household income. The dwelling occupied by the household is, however, not taken into account.

**9 Benefits for students**

**9.1 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, unemployment allowance and labour market subsidy) 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 an institute of higher education can be granted student financial aid for a *maximum of 70 months*, of which 55 months can be used for one higher university degree (extensions are possible under special circumstances).

At vocational institutes, the time for which financial aid is available depends on how extensive the studies are. One additional year of aid is available. In upper secondary schools, the maximum aid period is four years.

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

**Types of financial aid**

Student financial aid consists of an *(ordinary)* study grant or study grant for mature students, a housing supplement and a state-guaranteed student loan. Interest subsidy and interest allowance are also paid on student loans granted under earlier student financial aid provisions. The interest allowance alone is available for newer loans.

At the beginning of August 2001, the Education and Redundancy Payments Fund began to pay an adult education subsidy which will replace the study grant
for mature students provided by the SII following a transition period from 1 August 2001 to 31 December 2002. Recipients of adult education subsidy can qualify for a state guaranteed student loan. The state guarantees are provided by the SII.

**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 2000–2001 were as follows:

<table>
<thead>
<tr>
<th>Students living in parental household</th>
</tr>
</thead>
<tbody>
<tr>
<td>– below 18 years of age</td>
</tr>
<tr>
<td>– aged 18 or over</td>
</tr>
<tr>
<td>Students living alone</td>
</tr>
<tr>
<td>– below 20 years of age</td>
</tr>
<tr>
<td>– aged 20 or over</td>
</tr>
<tr>
<td>Students who are married or have maintenance liabilities</td>
</tr>
<tr>
<td>– 1,270  1,540</td>
</tr>
</tbody>
</table>

If the student lives in a dwelling owned by or rented from his or her parents, and the dwelling is located in the same building as the parents’ primary dwelling, the study grant will be paid at the rate applicable to students living in their parents’ household.

The student’s own income, and in certain cases parents’ income, is taken into consideration in determining the need for financial aid.

In determining the need for aid, the student’s personal income during the entire calendar year is taken into account. For each month for which the student receives financial aid, he or she can have up to FIM3,000 in other income, and for each month without aid, up to FIM9,000. A personal annual income limit is calculated for each student based on how many months he or she has spent on and off financial aid in the calendar year.

Students must check that their income does not exceed the annual limit. A retrospective eligibility test is performed annually as soon as finalized tax data becomes available. In this test, students’ personal income is checked against the annual income limit. If the income exceeds the limit, the student will have to repay some of the study grants and housing supplements he or she has received. Repayment will not return any eligibility months to higher education students.

**Ordinary study grant or housing supplement paid in 1999 or 2000:**

– If the income limit was exceeded by FIM6,000 or less, half of the excess amount must be repaid. Any excess income above FIM6,000 must be repaid in full.

Repayment of study grant or housing supplement paid in 2001 or thereafter:

– For each FIM6,000 of overpayment, the student must repay one month’s study grant and housing supplement, starting from the last calendar month of the year.

**Parental income** can either raise or reduce the study grant. For students under 18 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*.

**Study grant for mature students.** A student aged 30–54 has the right to 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, a study grant for mature students will not be awarded to study for a second degree at the same level. Study grant for mature students is awarded only if the claimant has been previously employed for at least one year.

The amount of the study grant for mature students 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 2000–2001). It 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 income is FIM2,000 for each month on financial aid.

Payment of the study grant for mature students will end by 31 December 2002.

**Housing supplement.** The housing supplement scheme covers all students who live in rental or right-of-occupancy housing except for students who

– live with their parents
– live with a dependent child (their own or their spouse’s)
– live in housing owned by their spouse
– are entitled to free dormitory accommodation.

Students who are not entitled to housing supplement for students can apply for general housing allowance.

Housing supplement for students can also be paid for a dwelling which has been rented for purposes of study and is located in a different town than the family’s primary dwelling. Students studying abroad are eligible for the housing supplement under approximately the same terms as those attending a Finnish school, except that students at foreign schools can get the supplement even if their household includes a dependent child.

In the school year 2000–2001, housing supplement was 80% 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 FIM1,020 per month. Housing supplement for students studying abroad was generally FIM1,075 per month. For students living in a dwelling owned by or rented from a parent, the maximum is FIM350 per month. The dwelling can be located in the same building as the parent’s primary dwelling.

The housing supplement is determined individually even if the dwelling is shared by several people, for example one or several recipients of housing supplement or general housing allowance, or persons not receiving any assistance with housing costs. The total housing costs are allocated individually by dividing them by the number of residents in the dwelling.

The amount of the housing supplement is affected by the student’s own income, his/her spouse’s income, and in certain situations by his/her parents’ income. In terms of means testing rules, the student’s own income is given the same consideration as in the study grant scheme.

The housing supplement is paid at its full rate to students whose spouse’s income per year is FIM90,000 or less (school year 2000–2001). For each FIM4,000 exceeding this limit, the housing supplement is reduced by 10%, and is not paid at all if spousal income is FIM130,000 or more.

The parent’s income may reduce the level of housing supplement awarded to a secondary-level student under 18.

State guarantee for student loan. A state guarantee is given for a student loan if the student receives an ordinary study grant or study grant for mature students. The amounts of state-guaranteed student loan per support month for the school year 2000–2001 were as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student receiving ordinary study grant</td>
<td></td>
</tr>
<tr>
<td>– aged 18 or over</td>
<td>1,300</td>
</tr>
<tr>
<td>– below 18</td>
<td>900</td>
</tr>
<tr>
<td>Mature student receiving 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 student loan should be made at a bank. The interest rate and other terms of the loan are agreed between the student and the bank. Although the state guarantee is given for the maximum amount of the loan, it is not necessary to take out the full amount.

Each term, the student loan is increased by the relevant amount of interest on the loan. The student pays the student loan interest with the amortization of the loan after his or her studies are completed.

The bank can demand that the loan be repaid immediately if the student fails to pay the interest or instalments. In the event that the SII has to repay the loan to the bank, the SII is entitled to reclaim the sum from the student.

Interest subsidy and interest allowance. Interest subsidy and interest allowance can be paid on student loans granted under earlier student financial aid provisions (loans taken out 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 student loan interest. The subsidy is paid during the study period and for about 1 1/2 years after the completion of studies. During that time, the students themselves pay interest at a variable rate (3% in 2000, 3.1% in 2001).

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).

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).

Meal subsidy. Higher education students can buy meals at a subsidized price provided the school cafeteria participates in the meal subsidy programme.
The SII pays the subsidy (FIM7 per meal) to the cafeteria operator who deducts it from the list price.

**Taxation of student financial aid.** Ordinary study grant and study grant for mature students are taxable income. Housing supplement is not taxed. However, taxes are not payable on ordinary study grants alone, as they are offset by a tax allowance.

### 9.2 School transportation subsidy

The purpose of the school transportation subsidy is to help students of upper secondary schools and vocational institutes with the cost of commuting between home and school. The subsidy is also aimed at reducing regional disparities in the level of assistance students can expect for their transportation costs. The school transportation subsidy scheme is implemented by the SII.

Eligible for the school transportation subsidy are Finnish residents who study in a Finnish school. The subsidy is payable to students who either attend an upper secondary school or are in full-time basic vocational training. It is not payable to those attending an upper secondary school for adults or summer university and those working towards a competence based vocational qualification or in paid practical training with monthly wages exceeding FIM3,000 (2000 limit). The subsidy is not granted to students who have free lodging or do not use public transportation or special school transportation even if they are available for trips to and from school. Finally, students who get assistance with their transportation costs from some other source are also not eligible for the school transportation subsidy.

The one-way trip between home and school must be at least 10 kilometres and the student’s transportation costs more than FIM300 a month. The subsidy covers the difference between the student’s copayment (FIM250 a month) and the actual costs (2000). If the trip exceeds 100 kilometres, no subsidy is available for the kilometres above 100.

The subsidized transportation costs are calculated differently depending on whether the student uses Matkahuolto or VR, some other public transportation, transportation organised by the school, or some other mode of transportation. Public transportation and special school transportation are preferred, and special cause must be shown to have other modes of transportation subsidized.

School transportation subsidy is granted for one school year at a time and is paid for up to 9 months per school year. The minimum period of subsidy is one month. The subsidy is free from tax.

### 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 dependent, 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 can only comprise a cash housing assistance and help with the interest payable on student loans.

The full basic assistance is as a general rule equal to a national pension paid at its maximum rate to a recipient living alone (in 2000 FIM2,655 in municipalities with the highest cost-of-living rating). The amount of the basic assistance is linked to the number of dependants. The allowance 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 (most recently on 1 June 2001).

### 11 SII finance and administration

#### 11.1 Finance

**National Pension Insurance.** National Pension Insurance benefits are financed mainly by the employers (through contributions levied on them) and the state (through payments earmarked for specific benefits). Further, a share of value-added tax revenues is credited to the National Pension Insurance Fund.
The yield on the SII’s own investments is also used to fund pension expenditures.

In 2000, the state financed in their entirety the schemes providing survivors’ pensions, front-veterans’ supplements, and general and child disability allowances, and housing allowances for pensioners, as well as 29% of national pensions.

Contributions from employers were in 2000 levied at the following rates: private-sector employers, 2.00%–4.90%; state, 3.95%; municipalities, local government utilities and parishes, 3.15%, in each case calculated as a share of wage and salary costs. (These rates were effective from 1 July 2000.)

**National Health Insurance.** National Health Insurance is financed with contributions from insured persons and employers, the yield on assets, and funds recovered from outside schemes on account non-primary liability. The state finances the minimum-rate daily allowances paid under the parenthood allowance and special care allowance schemes. Contributions from motor and accident insurance institutions are channeled into the National Health Insurance Fund.

Rehabilitation benefits are financed out of the National Health Insurance Fund. The SII must spend 4% of its annual NHI income from insured contributions on so-called discretionary (i.e. not specifically mandated) rehabilitation. Additional spending is decided year-by-year by Parliament.

**Wage and salary earners** contributed throughout 2000 1.5% of their earnings subject to local government tax and pensioners 3.2% of their pension income to NHI. The contribution rates for employers were: private sector, 1.60%; state, 2.85%; municipalities, local government utilities and parishes, 1.60%, in each case calculated as a share of wage and salary costs.

**The NPI and NHI Funds.** National Pension Insurance and National Health Insurance are both financed according to the pay-as-you-go method, meaning that benefits are paid with the current year’s revenues. A separate fund has been set up for each scheme.

The NPI and NHI funds must satisfy minimum liquidity requirements. At the end of each calendar year, the NPI fund, after provision for liabilities, must be at a level equal to at least 4% of the total scheme expenditure per year. The corresponding requirement for the NHI fund is 8% of annual expenditure. Transfers between the funds are possible to meet the liquidity requirements. If either of the funds is still short of its required minimum level after the possible transfers have been made, the state will cover any deficit that remains. The state also provides an ongoing liquidity guarantee for the funds.

**Other schemes administered by the SII.** The following benefits were in 2000 financed entirely by the state: maternity grants, family allowances, conscripts’ allowances, general housing allowances, student financial aid and school transportation subsidies. The state also provided most of the financing for the benefits related to unemployment. The state also finances that part of the survey on farmers’ working conditions and front-veterans’ travelling expenses that NHII does not cover. The child day care subsidies are financed by municipalities.

A share of unemployment insurance contributions by wage earners, roughly equivalent to the amount of contributions paid by workers who do not belong to an unemployment fund, is used as an additional source of financing for the basic unemployment allowances.

**Staff pension fund.** To cover its liability for staff pensions and to pay current benefits, the SII has 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 the current regulations, the fund must by the end of 2010 cover 41% of pension liabilities.

### 11.2 Organisation and benefit administration

To provide clients with local access to its services, the SII operates out of 86 insurance districts, each of which is served by at least one full-service office. At year-end 2000, the number of client service locations maintained by the SII was 334, while multi-service offices established by the SII together with other state or local authorities existed in 122 communities around Finland. The SII also has five regional offices, each of which is responsible for its own insurance region.

In the SII’s central administration, benefit administration is the responsibility of the Pension and Income Security, and Health and Income Security Departments (See Table D).

**Benefit administration.** Nearly all claims determinations are made by the SII’s branches. Decisions on disability pensions as well as some occupational health care and student financial aid matters are the only ones that are taken centrally.

Claims for disability pension are determined in the Pension and Income Security Department and certain claims for employer-provided occupational health
Table D: Organisation of the Social Insurance Institution at year-end 2000

Commissioners
Auditors

Enlarged Board

Board of Directors
Internal Audit

Administration Dept.

Economics Dept.

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

Branch offices

Table E: Review and appeals system at year-end 2000

Pensions
Disability benefits
Rehabilitation benefits
General housing allowance

Housing allowance for pensioners
Occupational health care (appeals against decisions issued by the SII's central administration)

Health insurance benefits (incl. occupational health care)
Maternity grant, family allowance and child day care subsidy
Conscripts’ allowance

Unemployment benefits

Student financial aid

School transportation subsidy

Appeal Tribunal

Insurance Court

Social Insurance Appeal Board

Appeal Tribunal

Unemployment Appeal Board

Insurance Court

Student Financial Aid Review Board

Insurance Court
services in the Health and Income Security Department. University and college students’ applications for student financial aid are decided by local financial aid committees (not part of the SII), while part of the applications filed by students in secondary education are determined by the SII’s Centre for Student Financial Aid.

National Health Insurance matters are handled by the SII’s branches as well as by workplace sickness funds.

The review and appeals process. The review and appeals process differs somewhat depending on which benefit is concerned. The final court of appeal is either the Insurance Court of the Appeal Tribunal. The avenue of appeal is in most cases two-tiered (See Table E). The SII can also rectify earlier decisions thus making an appeal unnecessary.

12 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, except in the case of the regional statistics on the general housing allowance, which are based on the location of the dwelling.

Analyses by type of disease

National Pension Insurance, National Health Insurance, disability benefits, 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; i.e.

I Certain infectious and parasitic diseases
II Neoplasms
III Diseases of the blood and blood-forming organs and certain disorders involving the immune mechanism
IV Endocrine, nutritional and metabolic diseases
V Mental and behavioural disorders
VI Diseases of the nervous system
VII Diseases of the eye and adnexa
VIII Diseases of the ear and mastoid process
IX Diseases of the circulatory system
X Diseases of the respiratory system
XI Diseases of the digestive system
XII Diseases of the skin and subcutaneous system
XIII Diseases of the musculoskeletal system and connective tissue
XIV Diseases of the genitourinary system
XV Pregnancy, childbirth and the puerperium
XVI Certain conditions originating in the perinatal period
XVII Congenital malformations, deformations and chromosomal abnormalities
XVIII Symptoms, signs and abnormal clinical and laboratory findings, not elsewhere classified
XIX Injury, poisoning and certain other consequences of external causes
XX External causes of morbidity and mortality
XXI Factors influencing health status and contact with health services

In the 10th revision, diseases are classified both in terms of their etiology and their manifestation. However, the SII only uses the etiology based classification. This means that many of the time series with just a single three-digit code have been discontinued.

On 1 January 1996, the national pensions were made dependent on the recipient’s other pension income. This means that only part of all disability pensions are paid out of the National Pension Insurance Scheme and that the SII’s statistics no longer give a full picture of disability pension recipiency in Finland. To fill this gap, the SII and the Central Pension Security Institute compile joint statistics on all disability pension recipients living in Finland as well as the diagnoses on which pension has been granted. This information is shown in Table 7 of the Yearbook.

In the case of disability pensions granted under the National Pension Insurance legislation, disease data are available from the SII’s own registries. These pensions are paid to individuals who either do not qualify for some other form of pension provision or whose other retirement income is small. Further data on diseases resulting in need of treatment or assistance are obtainable from pensioners’ care allowance award records. Further, there are two additional benefits with restricted eligibility: the child disability and general disability allowances, both graduated in three payment categories. The disease category is determined on the basis of the main diagnosis or, where pensioners’ care allowances are concerned, the disease(s) causing the need of help.

The disease statistics covering all recipients of disability pension living in Finland (Table 7) are primarily based on the diagnosis made for the purposes of the employment pension system. These data are not comparable with other SII disability pension statistics focusing on specific diseases in this Yearbook.

In the statistical analyses concerning sickness and special care allowances, the disease category is determined on the basis of the main diagnosis.

Special (75% or 100%) refunds of medicine expenses are paid to patients who have a statement from their doctor attesting to their condition and need of medication.
The diseases conferring entitlement to medicines in the 75% refund category are:

(201) chronic cardiac insufficiency, (202) connective tissue diseases, rheumatoid arthritis and comparable diseases, (203) chronic asthma and similar obstructive pulmonary diseases, (205) chronic hypertension, (206) chronic coronary heart disease, (207) chronic arrhythmias, (208) ulcerative colitis and Crohn’s disease, (211) familial hypercholesterolemia, other severe familial disorders of lipid metabolism, (212) gout and (213) dyslipidemia associated with chronic coronary artery disease

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

(103) diabetes mellitus, (104) thyroid insufficiency, (107) pernicious anemia, (110) Parkinson’s disease, (111) epilepsy and comparable convulsive disorders, (112) severe psychotic and other severe mental disorders, (113) anxiety disorders associated with mental retardation, (114) glaucoma, (115) breast cancer

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

In order to receive basic (50%) refunds for so-called “significant and expensive medicines”, patients must have a statement from their doctor attesting to the need for such medication.

Analyses by occupation and position

In the present publication, recipients of disability pension 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 subsidy 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 (all claimants for SII rehabilitation services over 16 are required to give information about their occupation).

The codes used in this Yearbook stem from the Nordisk 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.
Production of statistics at SII

The Social Insurance Institution (SII) is one of the organisations responsible for implementing the Finnish social security system. The schemes administered by the SII are primarily of the non-earnings-related type and cover the whole Finnish population.

The statistics compiled by the SII illustrate, in numbers, the role that social security plays in meeting the income security needs of people in different situations of life. In addition, they provide information about the level and prevalence of various benefits as well as about their regional and demographic distribution. The statistics are produced by the SII's Statistical Branch.

The latest statistical publications containing material in English

- **Statistical Yearbook 2000**
  Trilingual (Finnish, Swedish, English) overview of the social security programmes administered by the SII. Includes statistics and programme summaries. Non-SII programmes are also covered to the extent that they relate to the SII's own programmes. Contains data updated to the end of 2000.

- **Pocket Statistics 2001**
  A concise version of the statistics compiled by the SII. Published yearly as separate booklets in Finnish, Swedish, English, German and French. The latest edition contains statistics from 2000 and, to some extent, from 2001.

- **Statistical Yearbook of Pensioners in Finland 2000**
  Includes statistics on the entire Finnish pensioner population and their aggregate pension incomes, as well as shows the prevalence of different combinations of national pensions and earnings-related pensions. Drawing upon the registries of both the SII and the Central Pension Security Institute, the Yearbook provides an overall picture of pension recipience in Finland. The latest edition contains data from 2000. Trilingual (Finnish, Swedish, English).

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