



# *Characteristics of the Social Security System in Finland*



■  
*For Health  
and Social  
Protection.*

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# *Characteristics of the Social Security System in Finland*



MINISTRY OF SOCIAL AFFAIRS AND HEALTH

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## *General*

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The Finnish social security system consists of benefits based on residence and employment. All persons permanently resident in Finland are covered for pensions, healthcare services and health insurance, parental allowances and family benefits. Further conditions are attached to the award of some benefits to persons resident in the country, relating mainly to duration of residence. The earnings-related pension scheme and accident and occupational disease insurance are areas of social security based exclusively on employment.

The Finnish statutory pension system consists of an earnings-related pension and national pension. Disability, survivors' and old-age pensions are benefits under these schemes.

The purpose of an earnings-related pension is to maintain the living standard which a person in paid employment or self-employed enjoyed while he or she was working. The earnings-related pension scheme is based on a number of different Acts, the main one being the Employees' Pensions Act (TyEL). Self-employed persons, seamen and civil servants have their own pension laws.

The award of a national pension is based on residence in Finland. It guarantees a minimum subsistence income for a pensioner who has no other pension or whose other pension cover is small. The national pension rate is reduced when the earnings-related pension income increases, and no national pension is payable when the earnings-related pensions exceed a certain amount.

There are relatively few voluntary supplementary pension schemes in Finland as all wage/salary earners and self-employed persons fall within the scope of the earnings-related pension scheme. There is no upper limit for pensionable income under the earnings-related pension scheme and no upper limit for the amount of the pension.

The Ministry of Social Affairs and Health is responsible for social security legislation and general development of the social security system. The system is run by a variety of organisations. A particular feature of the social insurance system is that some aspects of it are handled by private insurance companies.

The social security benefits based on residence are administered by the Social Insurance Institution (Kela). It is an autonomous body under

public law supervised by the Finnish Parliament. Local authorities are responsible for health care services.

The earnings-related pension insurance for private sector employees is handled by pension insurance companies, pension funds and pension foundations. The Finnish Centre for Pensions (ETK) is the coordinating agency for the earnings-related pension insurance scheme. International pension and insurance matters also fall within its jurisdiction. Insurance and pension institutions are supervised by the Insurance Supervisory Authority.

The pension schemes of State employees are administered by the State Treasury and those of local authority employees by the Local Government Pensions Institution.

The accident insurance institutions are responsible for the accident and occupational disease insurance of private sector employees. The State Treasury administers the accident insurance of State employees. The Federation of Accident Insurance Institutions is the umbrella organisation. Its functions include acting as the institution of the place of residence or place of stay, in accordance with Finland's international obligations.

The Social Insurance Institution is responsible for basic unemployment provision. Unemployment funds, working in conjunction with trade unions, are in general responsible for the administration of earnings-related unemployment benefits. Membership of such funds is voluntary.

A person obtains decisions relating to social security in writing, and if the person is dissatisfied with a decision, he or she may appeal against it. The appeal procedure and appeal authorities for the various benefits are set out below.

## **Financing**

The State finances, as a rule, the basic security benefits, and the earnings-related security is financed through employers' and employees' insurance contributions.

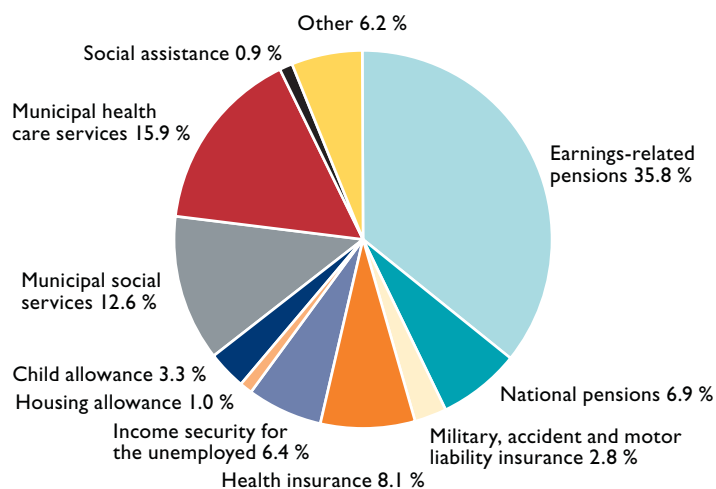
The State finances family benefits, housing allowances and disability allowances. The basic unemployment allowances are mainly financed by the State. Furthermore, the return on the unemployment insurance contributions paid by persons who are not members of unemployment funds is used for financing basic unemployment allowances. The labour market support is funded by the State and the local authorities.

Earnings-related unemployment benefits are financed through the unemployment insurance contributions of employers and employees, the unemployment funds' membership payments and government funding.

The local authorities finance healthcare services through local taxation and fees paid by clients. In addition, the government pays the local authorities central government transfers for the funding of social and health services.

Earnings-related pensions are financed through the insurance contributions of employers and employees. The State contributes to the financing of self-employed persons', farmers' and seamen's pensions. National pensions are financed through the employers' insurance contributions and State funding. Health insurance is financed in regard to daily allowance benefits by the employees, self-employed persons and employers, and in regard to medical expenses insurance by the insured persons and the State. Accident insurance is based on employers' contributions.

Figure 1 Social expenditure in 2006

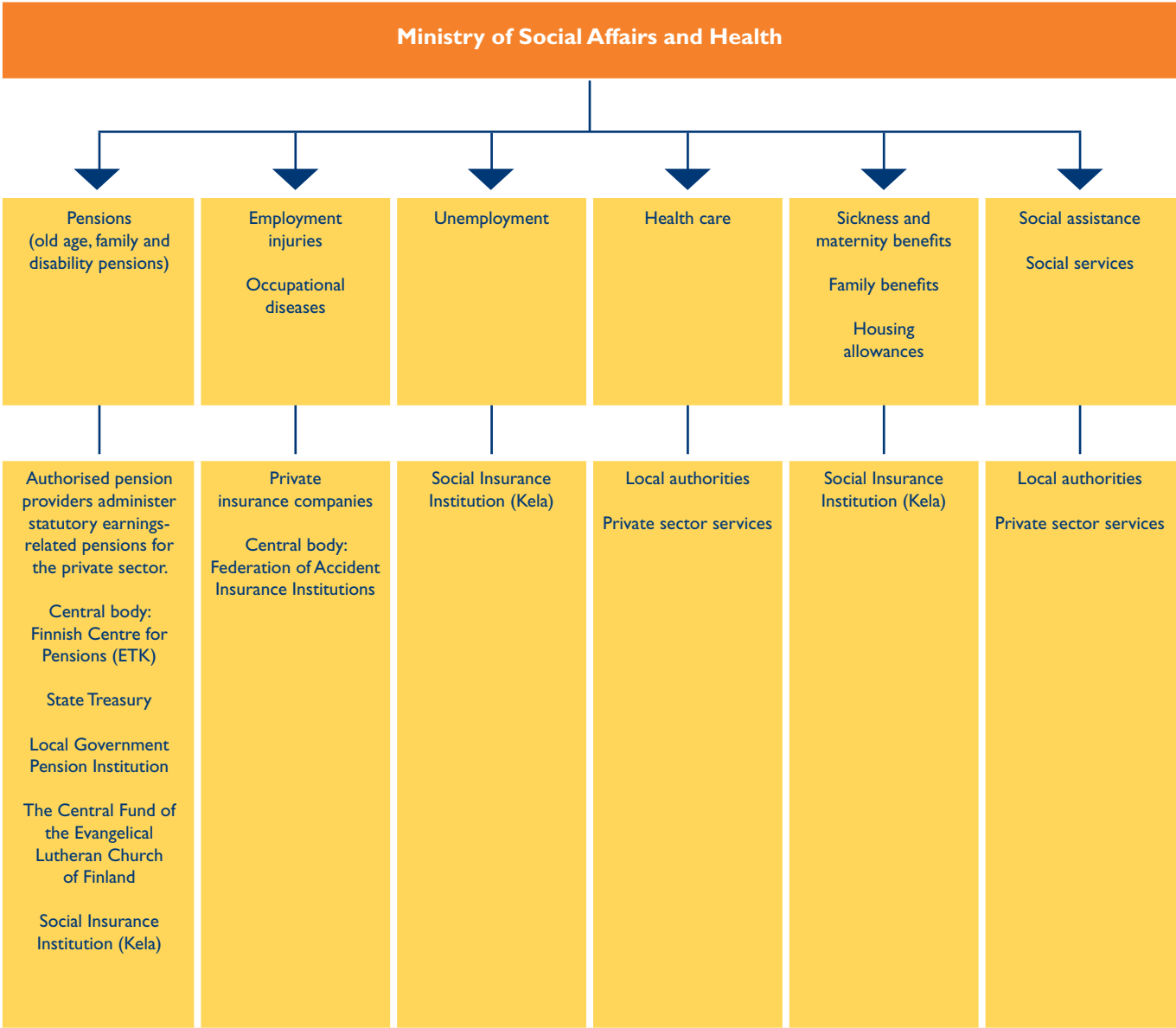


Total EUR 43.4 billion

Source: STAKES



Figure 2 Organisation of social protection in Finland in 2008



### **Sickness benefits, maternity benefits and corresponding paternity benefits**

#### **Public health care services**

Persons residing in Finland are entitled to primary health care and hospital services. Local authorities are responsible for health care services. The services which the local authorities have a duty to provide are laid down by law. A local authority may organise services itself, in association with other local authorities or by purchasing them from another local authority or from other public or private service providers. Services organised by the local authority include health advice and health examinations, medical treatment, mental health care, transportation of patients, dental care, child health clinics, family counselling and child guidance clinics, health care in schools, student health care, occupational health care, and screening and mass examinations. The municipal authorities are also in charge of providing rehabilitation as far as it does not fall under the responsibility of the Social Insurance Institution, the earnings-related pension scheme, motor liability insurance or some other system.

Public health care services are primarily provided by health centres and hospitals. Health services are provided first and foremost for the people residing in the local authority area, i.e. the municipality concerned. Health centres provide treatment at general medical practitioner level. The health centre doctor or a private doctor refers patients to a specialist at a hospital when necessary. The possibility of patients consulting a doctor of their choice varies according to the local authority and health centre concerned.

The timeframes for access to non-emergency care are laid down in the law. Patients must be able to contact their health centre immediately by phone during normal opening hours. The need for treatment can often be assessed during the phone conversation. If the assessment of the need for treatment requires a visit to the health centre, an appointment must be given within three working days of the patient contacting the health centre. At the health centre treatment will usually begin with the first visit. If so cannot be done access to treatment must be arranged within

three months. Patients have immediate access to urgent treatment.

At a hospital the assessment of the need for treatment must be initiated within three weeks from the arrival of referral. If it will be judged on the basis of examinations that the patient is in need of hospital care, the treatment must be initiated within six months from the assessment of the need for treatment. Children and young people must be provided access to such mental health services as is deemed necessary within three months.

Access to dental treatment that is considered necessary must be given within a reasonable period of time, though within six months.

### **Health care fees in 2007**

As a general rule, Finnish health centres charge a health centre fee. The fee depends on the local authority. In the main, fees charged to long-term patients are determined on the basis of income.

If the patient has paid fees of EUR 590 for a calendar year, this forms the upper limit and services are thereafter free of charge. EUR 12 per day may, however, be collected for short-term institutional care.

A petition for rectification of a decision relating to client fees should be submitted to the municipal health board or corresponding body, or to the body responsible for the decision on specialised medical care. The petition must be made in writing within 14 days of the person liable for payment having been informed of the decision.

The patient can lodge an objection regarding other matters relating to health care, medical treatment or associated treatment with the director responsible at the health centre or hospital. The patient can also lodge a complaint with the authorities supervising health care or medical treatment, such as the relevant State Provincial Office or the National Authority for Medicolegal Affairs.

### **Health insurance**

All persons residing in Finland are covered by the health insurance scheme. Also employees and self-employed persons are insured under this scheme on certain conditions although they would not be permanently resident in Finland. Health insurance mainly covers reimbursements on the patients' costs of treatment in the private sector, outpatient medicines, and travel costs incurred in connection with sickness, as well as cash benefits for sickness, maternity and paternity.

The health insurance scheme reimburses a proportion of a private medical practitioner's fees and the cost of the treatment provided by nurses, public health nurses and physiotherapists and includes examination by a psychologist and a laboratory nurse. An official schedule of rates governs the reimbursement of doctors' fees, medical examination and treatment costs. The rates specify the proportion of the fee that the Social Insurance Institution will accept as a basis for reimbursement. In the case of doctors' fees, 60 % of the official rate is reimbursed. Examination and treatment costs are reimbursed up to 75 % of the official rate over and above the patient's share of the costs (EUR 13.46 in 2007) for each prescription. About one third of the real costs incurred by the insured are reimbursed.

Dental care costs are reimbursed to those covered by the Finnish health insurance scheme. Dentists' fees, examinations prescribed by dentists as well as medicines and travel expenses are reimbursed in accordance with the same principles applicable in the case of other medical treatment prescribed or carried out by a medical practitioner.

The health insurance scheme reimburses, either in part or in full, all medicines prescribed by a doctor for the treatment of an illness that are covered by the reimbursement scheme. Reimbursement for medicines falls into three categories. Clients must pay a fixed sum as their share of the costs for medicinal preparations falling into the higher special reimbursement category, whereas the reimbursement in the basic reimbursement category and lower special reimbursement category is calculated as a percentage of the price of the medicine.

In addition, the cost of clinical nutritive preparations used in the treatment of certain serious illnesses is reimbursed, as is the cost of basic creams used to treat persistent skin diseases.

In the case of medicines prescribed by a doctor, the basic reimbursement is 42 % of the costs of the medicine. For certain serious and prolonged illnesses the refund granted will amount to 72 or 100 % of the sum exceeding the patient co-payment of EUR 3 per medicine. There is an annual limit set on the costs of medicines, which the client is expected to pay (EUR 627.47 in 2007). When this limit is exceeded, the amount exceeding the patient co-payment of EUR 1.50 per medicine is refunded in full.

For each one-way journey, any amount exceeding the personal liability of EUR 9.25 will be reimbursed; the journey may cover a visit to a doctor to receive treatment or the doctor's visit to the patient. If, during a calendar year, travel costs exceed the so-called annual personal liability of EUR 157.25, the part in excess is refunded in full.

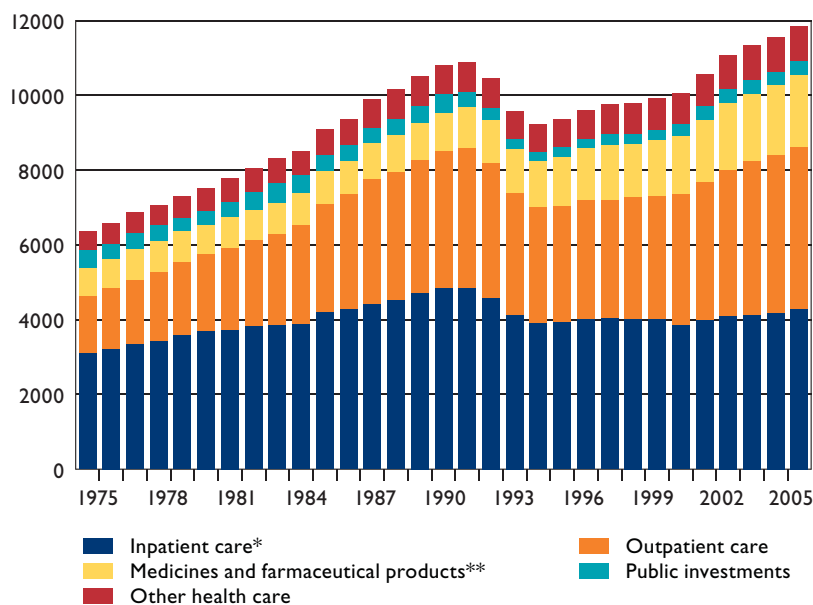
A sickness allowance calculated on a daily basis is paid to an employed or self-employed person aged between 16 and 67. Entitlement to an allowance commences when the illness has lasted for nine working days in excess of the day on which the person fell ill. The sickness allowance is paid for a maximum of 300 working days. A person who has received daily allowance for at least 60 days may receive a partial sickness allowance that may facilitate the return to work from a long sickness leave. The working time and pay must be reduced by 40–60 per cent from the previous, and the partial allowance can be obtained for a maximum of 72 weekdays.

The allowance is generally determined according to the insured person's declared and assessed earned income or on the basis of the applicant's earned income over a six-month period. The amount of the allowance increases in line with earnings. The allowance is treated as taxable income. If there is no earned income, the insured person is paid a daily allowance when the person has been unfit for work for 55 days.

Claims for these benefits should be submitted to the local office of the Social Insurance Institution or to the workplace fund, in the case of fund members. Claims for reimbursement of medical treatment expenses should be submitted within two months of payment of the fee or charges.

It is always possible to appeal against a decision concerning a health insurance matter. The appeal should be lodged with the local office of the Social Insurance Institution or the workplace fund, which will investigate whether the decision can be rectified. If these bodies cannot rectify the decision, the appeal will be dealt with by the Social Security Appeal Board. An appeal against a decision made by the Social Security Appeal Board may be lodged with the Insurance Court.

Figure 3 Health expenditure 1975–2005 in 2005 prices, EUR million



Source: STAKES

## Rehabilitation

The rehabilitation organised by the Social Insurance Institution comprises medical rehabilitation for persons with severe disabilities, vocational rehabilitation for people with disabilities, and discretionary rehabilitation. The Social Insurance Institution is responsible for organising such medical rehabilitation as is needed for securing the work ability or functional capacity of people with severe disabilities who are not in institutional care. Rehabilitation is provided in the form of therapies and institutional rehabilitation. The costs of rehabilitation are reimbursed in full, and travel expenses are refunded except for the rehabilitee's own share of the costs.

People with disabilities are entitled to obtain appropriate vocational rehabilitation with a view to preventing disability for work or improving their work ability and ability to earn their living if their illness threatens to cause disability in the next few years or the person's work ability or ability to earn his or her living has already essentially weakened. Reha-

bilitation is mainly provided in the form of examinations of the need for rehabilitation, rehabilitation examinations, training and institutional training to maintain and improve the person's work ability.

Parliament decides annually on the sum of money by which the Social Insurance Institution organises other than statutory medical and vocational rehabilitation. The aim is either to support a person's functional capacity by medical rehabilitation or to support his/her work ability by means of vocational rehabilitation. Discretionary rehabilitation is organised for persons who are not under the law entitled to rehabilitation organised by the Social Insurance Institution. The types of rehabilitation that are provided to the greatest extent include institutional vocational rehabilitation in support of work ability, medical rehabilitation courses and psychotherapy. Psychotherapy is the only type of therapy reimbursed as medical rehabilitation, and the patient has to pay a certain proportion of its costs, contrary to those receiving other discretionary rehabilitation.

### **Rehabilitation allowance**

A rehabilitation allowance is paid for the rehabilitation period, if the purpose of the rehabilitation is to enable the person concerned to remain in active employment, to return to work or to enter the labour market. The amount of the rehabilitation allowance is generally determined in the same way as the allowance provided by the health insurance scheme.

A claim for rehabilitation and for the rehabilitation allowance should be submitted to the local office of the Social Insurance Institution. Except for discretionary rehabilitation, any appeal against the decision can be lodged with the Social Security Appeal Board whose decision may be referred to the Insurance Court.

### **Parental benefits**

Mothers are entitled to maternity and parental allowances and fathers to paternity and parental allowances, provided that they have been covered by the health insurance scheme in Finland for a minimum period of 180 days preceding the expected date of delivery. Insurance periods in other Member States are taken into account in assessment of whether these conditions have been fulfilled. Maternity and parental allowances are paid for a total of 263 working days. The period is extended by 60 working days if more than one child was born at the same time.

Parental allowances are treated as taxable income.

Maternity allowance is paid to mothers for the first 105 days. Entitlement to maternity allowance commences 50-30 working days before the expected date of delivery. Parental allowance is paid for the following 158 working days to the mother or to the father if he stays at home to care for the child. The parental allowance cannot be paid simultaneously to both parents. The parental allowance is paid also to parents who adopt a child of under seven.

Mothers are entitled to special maternity allowances during their pregnancies if any chemical substance, radiation or infectious disease connected with their work or the conditions of their work is considered likely to endanger the development of the foetus or harm their pregnancies. This applies if they cannot be transferred to other duties.

After the birth of the child, the father can apply for paternity allowance for 18 working days in a maximum of four separate periods during the period of maternity and parental allowance. The entitlement to paternity allowance can be lengthened by 1 to 20 working days if the father has been paid parental allowance for at least the 12 last working days of the parental allowance period. The father's month can be taken flexibly, but at the latest when the child is about 14 months old.

The amount of the maternity and parental allowance is the same as that of the sickness allowance. Increased maternity allowance is paid for the first 56 working days and increased parental allowance for the first 30 working days. At least the minimum amount of the maternity and parental allowance is paid in any case. The mother or father may receive a special care allowance if she or he participates in the care or rehabilitation of their child under 16 in a hospital or, under certain circumstances, at home. The special care allowance is usually paid for a maximum of 60 working days per child during the calendar year. The amount of the special care allowance is the same as that of the sickness allowance.

Claims for these benefits should be submitted to the local office of the Social Insurance Institution or to the workplace fund. The maternity allowance must be applied for two months preceding the expected date of delivery and the paternity allowance should be applied for within two months of the intended date of commencement.

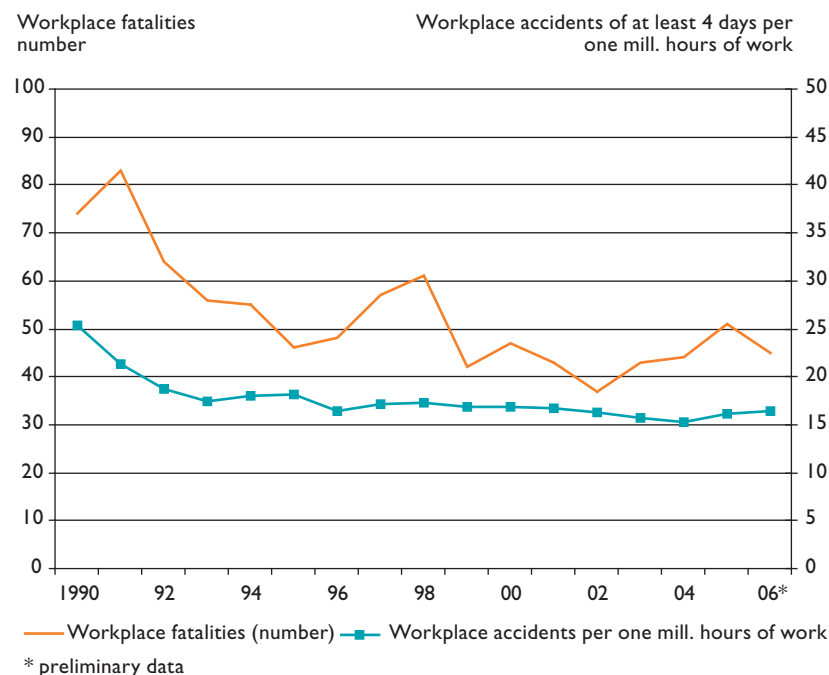
It is possible to appeal against a decision concerning the parental allowance. Appeals should be submitted to the local office of the Social In-



surance Institution or workplace fund responsible, which will investigate the possibility of rectifying the decision. If these bodies cannot rectify the decision, the appeal will be dealt with by the Social Security Appeal Board. An appeal against a decision made by the Social Security Appeal Board may be lodged with the Insurance Court.

## Employment accidents and occupational diseases

Figure 4 Workplace accidents of wage and salary earners in 1990–2006



Source: Statistics Finland, Federation of Accident Insurance Institutions

Statutory accident insurance in Finland is the principal employment accident and occupational disease compensation scheme in relation to health insurance and statutory pension cover. Accident insurance entitles the employee to compensation for financial loss caused by an accident injury at work or an occupational disease. Statutory accident insurance is administered by private insurance companies. An insurance company

cannot refuse to grant and implement insurance lawfully requested from it. Accident insurance for self-employed farmers is handled by the Farmers' Social Insurance Institution. Persons employed by the State receive their accident benefits from the State Treasury.

Employers have an obligation to insure their employees, if the number of working days required by the employer exceeds 12 days in a calendar year. If the employer disregards the statutory obligation to insure his or her employees, or if the employer has no obligation to provide insurance, the injured employee will still be entitled to benefits in accordance with the Accident Insurance Act. These matters are dealt with by the Federation of Accident Insurance Institutions, which also pays the benefits.

In accordance with the Accident Insurance Act, entitlement to benefits is based on contractual employment relationship or public service employment relationship. The insurance covers accident injuries at work and occupational diseases. An accident at work is understood to be an event which has befallen the employee at work or in work-related conditions on the way to or from work or whilst carrying out duties or errands for the employer. An occupational disease is taken to mean an illness, which, in all likelihood, has primarily resulted from physical, biological or chemical factors inherent in the work.

Accident insurance covers all employees with contractual employment or public service employment relationships, excluding members of the employer's family, and the company's executive personnel who, alone or together with members of their family, own more than 50 % of the company. Students engaged in practical training are usually also insured. As a general rule, accident insurance also remains effective when employees are sent on a work assignment abroad.

Although self-employed persons, members of their families and the executive personnel do not fall within the scope of compulsory accident insurance, they can take out voluntary insurance, under the Accident Insurance Act, and this carries the same benefits as the compulsory insurance scheme.

Statutory accident insurance provides compensation to cover essential medical treatment and loss of earnings. A daily allowance for short-term disability for work is payable for a maximum period of one year. For the first four weeks following the accident the benefit is the equivalent of the wage or salary payable during the period of illness. Af-

ter that time, the benefit is 1/360 of the injured person's annual earnings. Annual income is normally determined on the basis of level of income at the time of the accident.

If the injured person's disability persists for a period of one year after the occurrence of the accident, the injured person will receive an industrial injuries pension. The amount of the pension for a fully disabled employee is 85 % of his/her annual earnings until the age of 65, after which the pension will be 70 % of annual earnings.

A partial allowance and partial pension may also be payable in the event of partial incapacity for work. The allowance and pension are taxable. Medical treatment refunds are tax-free.

A disability allowance is also paid to an injured person for consequential permanent incapacity caused by injury or illness. The handicap benefit is a tax-free benefit. In the event of death, a death grant and a survivor's pension will be paid to the widow(er) and to the children of the deceased person if they are under 18 or, in the case of students, under 25. The survivors' pension is taxable.

Medical and vocational rehabilitation costs are also covered by accident insurance. The purpose of rehabilitation is primarily to promote the return of the injured person to appropriate employment and to make it easier to carry out his/her normal daily functions. All reasonable costs incurred during rehabilitation as well as loss of earnings are reimbursed to the person concerned. Generally speaking, the benefits take the form of an employment accident pension.

The employee must inform the employer immediately after the accident, in order to obtain an insurance certificate from him/her. On presenting the certificate the employee will receive the necessary treatment and medicines prescribed by a doctor, and the cost will be borne by the accident insurance institution. The employer must report the accident to an insurance institution so that benefits proceedings may commence.

If the claimant is not satisfied with the decision handed down by an insurance institution, he/ she can lodge an appeal with the Employment Accidents Appeal Board. The insurance institution also has the right to rectify its own decision. A decision of the Employment Accidents Appeal Board may be referred to the Insurance Court and, in certain cases, the decision of the Insurance Court may be referred to the Supreme Court.

## Death grant

Death grant is not payable from the general statutory pension schemes. Death grant is only granted as a registered bonus under the Employees' Pensions Act and the Self-Employed Persons' Pensions Act and as a benefit under the Seamen's Pensions Act.

As a registered bonus, death grant has only been provided for groups of persons, for instance the entire staff of a company, not for individuals. It has not been possible to register for this bonus since 1 January 2001.

## Disability pensions

### Earnings-related pension scheme

Long-term loss of income resulting from incapacity for work is covered by disability pensions. Those include full disability pension, which can be granted for a fixed time (cash rehabilitation benefit) or an indefinite period, and partial disability pension or partial cash rehabilitation benefit.

The full disability pension and full cash rehabilitation benefit generally start when payment of daily allowances under the health insurance system ceases. Other disability pensions can start without a daily sickness allowance period.

A disability pension is paid to an employed or self-employed person of under 63 whose ability to work has been impaired because of illness, defect or injury for at least one year. If a person's ability to work has been reduced by at least three fifths, the pension is granted in full. If work ability has been reduced by at least two fifths, a partial disability pension is granted.

The basis for determining disability for work is a report on the claimant's state of health. In assessment of disability for work, account is taken not only of the medical report but also of the person's education, work experience, age and job opportunities.

A cash rehabilitation benefit is paid to a person who is unfit for work and whose injury or disease is thought likely to be cured through therapy or rehabilitation. For a benefit to be awarded the person must have been unfit for work continuously for at least one year and should have a therapy or rehabilitation plan. The benefit can be withdrawn if there is a change in work ability or if the recipient refuses rehabilitation without good reason.

A full disability pension and cash rehabilitation benefit can be converted into a partial disability pension or partial cash rehabilitation benefit as the person's work ability and earnings change. A person in receipt of a full disability pension may have a maximum of 40 % and a person with partial disability pension a maximum of 60 % of their earlier regular earnings.

Projected pensionable service, i.e. time from the contingency until one reaches the statutory retirement age, is taken into account on certain conditions in disability pensions. The earnings for projected pensionable service are determined, as a rule, based on the earnings of the five calendar years preceding the year of contingency (period of review). During the period of review only the earnings insured under Finnish pension laws are taken into account.

The authorised pension providers, i.e. employee pension institutions, are obliged to organise vocational rehabilitation for those employees and self-employed persons who have been on the labour market on a permanent basis, in case the person concerned is unfit for work. A further condition is that his/her return to work can be promoted by rehabilitation or that the person would, without rehabilitation, be at risk of becoming unfit for work in a near future and this threat can be averted by rehabilitation.

The authorised pension institution pays rehabilitation allowance for the months the person has to be absent from work for vocational rehabilitation. A pensioner is entitled to a higher-rate pension for the period of rehabilitation.

### **National pension scheme**

A person aged between 16 and 64 residing in Finland, or in another EU or EEA Member State who is unable to work is eligible for a disability pension under the national pension scheme. Eligibility for the pension and the amount of the pension is not based on the person's employment history or insurance contributions but on residence in Finland.

The disability pension is paid in the form of a disability pension or fixed-term cash rehabilitation benefit. In order to qualify for a disability pension under the national pension scheme the person must have lived in Finland for a minimum of three years in all after the age of 16. A person under 21 who has become disabled whilst living in Finland receives the pension without the qualifying period.

A person is eligible for a disability pension if, owing to illness, defect or injury, he/she is unable to do his or her usual work or comparable work. The blind, those incapable of movement or in need of constant attendance are always considered disabled for work.

A disability pension is granted when a claimant has been receiving the daily sickness allowance for about 300 days.

## **Old-age pensions and survivors' pensions**

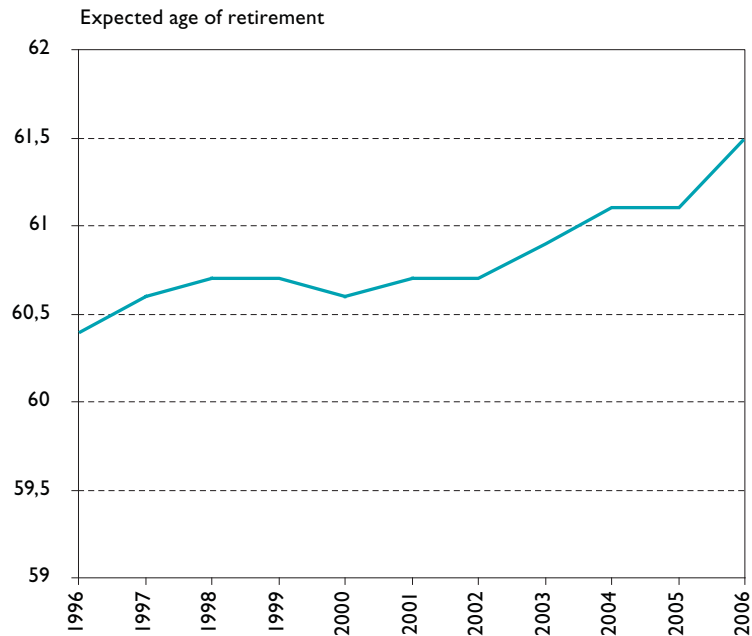
Under the national pension scheme, disability pension, cash rehabilitation benefit and early retirement (disability) pension is payable only if the person concerned is not entitled to any other pension or if the person's pension is small. The amount of the pension also depends on the period of residence in Finland. A full disability pension is payable to persons who have been resident in Finland for at least 80 % of the period between the age of 16 and commencement of the pension. A person who has become disabled under the age of 21 while resident in Finland always obtains full pension irrespective of the period of residence. The pension may also include a care allowance, housing allowance and child increase(s).

### **Old-age pensions**

Within the framework of the earnings-related pension scheme it is possible to retire on a pension at the age of 63–68. A disability pension is converted into an old-age pension as the pensioner attains the age of 63. A person who is 62 can, if he or she so wants, retire before the pensionable age, in which case the pension is paid at a lower rate on a permanent basis.

Upon reaching the age of 65 persons resident in Finland or another EU or EEA Member State are entitled to an old-age pension under the national pension scheme. A person aged 62 may obtain his/her pension before the normal retirement age. In that case its amount is reduced on a permanent basis by 0.4 % for every month for which the pension is taken before the retirement age. It is possible to defer the application for national pension, in which case its amount is increased. It is required that Finnish nationals and nationals of other EU or EEA Member States have been resident in Finland for a minimum of three years after having attained the age of 16.

Figure 5 Anticipated age of retirement of 50-year-olds in 1996–2006



In the earnings-related pension scheme as the time qualifying for an old-age pension is counted as of 1 January 2005 the time in employment since the age of 18 (before 23) until the age 68.

Pensions are calculated based on annual earnings, in regard to self-employed persons based on the annual assessed earnings. Pension accrues by the following percentages according to age:

- 1.5 % 18–52 years
- 1.9 % 53–62 years
- 4.5 % 63–67 years

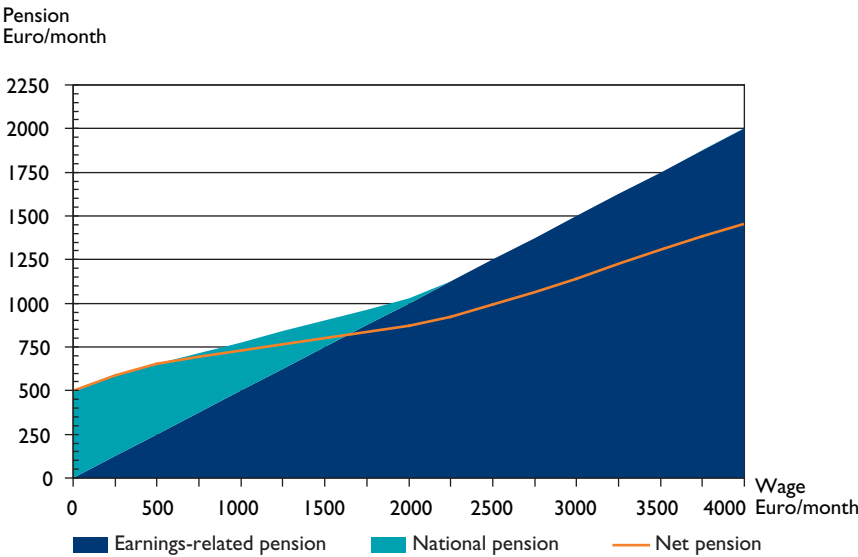
If a person works while in receipt of a pension the pension accrues based on the employment up to 1.5 % of the income from work, irrespective of whether the pension is paid from Finland or abroad. Pension also accrues on earnings based on earnings-related social security benefits (e.g. sickness allowance).

Since 2005 pension has also accrued for periods of studies leading to a degree or diploma and for periods of care of a child under the age of 3. This pension is financed by the State.

An old-age pension under the national pension scheme is paid only if the person does not obtain any other pension or the pension is small. As income is taken into account pensions and continuous compensations comparable to a pension paid from Finland or from abroad. Pensions paid from other EU or EEA Member States based on the same person's insurance covered by the EU Regulation 1408/71 are not taken into account as income. A pension may also include a care allowance, housing allowance and child increase.

The amount of national pension also depends on the length of the period the person has been resident in Finland between the ages 16 and 65. The requirement for entitlement to a full old-age pension is that the person has been resident in Finland for at least 40 years.

Figure 6 Total pension in 2007



Source: Finnish Centre for Pensions (ETK)



## Survivors' pensions

### Earnings-related pension scheme

A widow/widower is entitled to a survivor's pension, provided that the marriage took place before the deceased person, through whom the benefit is derived, had reached the age of 65.

A former spouse also has a right to a survivor's pension if the deceased person was liable to pay maintenance to the spouse. Registered relationships between persons of the same sex are considered on a par with marriage. Unmarried cohabitants are not eligible for a survivor's pension.

A widow/widower is always entitled to a pension if the couple has or has had a child. If the couple has not had a child, the following conditions apply:

- the widow/widower is aged at least 50 at the time of the spouse's death, or
- the widow/widower has been receiving a disability pension for a minimum period of three years.

In addition, the marriage must have taken place before the widow/widower reached the age of 50 and it must have lasted for a minimum of five years. A childless widow/widower born prior to 1 July 1950 may obtain a survivor's pension on easier terms.

The survivor's pension stops if the widow/widower remarries before the age of 50. She/he will then receive a lump sum equal to three years' pension.

In the earnings-related pension scheme a survivor's pension is based on the pension of the deceased person or the pension that the deceased would have received if he/she had become unfit for work on the day he/she died. The aggregate amount of the surviving widow's/widower's and child's pension may not be higher than the pension of the deceased person was. A widow's/widower's own earnings-related pension and income affect her/his survivor's pension. They do not affect the amount of the survivor's pension as long as the widow/widower has children under 18, however.

### National pension scheme (general survivors' pension)

A widow/widower is entitled to the pension on condition that:

- the primary beneficiary (the deceased person) was under 65 at the time of the marriage;
- the widow/widower is under 65 and does not receive a national pension;
- the person through whom the pension is derived has resided in Finland for the required qualifying period after the age of 16: three years for citizens of Finland and the other EU or EEA Member States and five years preceding the date of death for others;
- the widow/widower is resident in Finland or another Member State;
- the widow/widower has or has had a child with the primary beneficiary. If the couple have not had a child together, the pension may be granted only if the widow/widower was at least 50 at the time of the spouse's death and the marriage had taken place before the widow/widower had reached the age of 50 and had lasted for a minimum period of five years.

In the national pension scheme the survivor's pension is paid in the form of an initial pension for six months and thereafter as a continuing pension. The continuing pension ceases when the widow/widower reaches the age of 65 or starts to receive her/his own pension. The pension also ceases if the widow/widower remarries before the age of 50. She/he will then receive a lump sum equal to three years' pension.

A survivor's pension consists of a basic amount and a basic amount supplement. The initial pension always consists of the basic amount and a standard basic amount supplement. The entitlement to a basic amount supplement higher than the standard amount depends on the widow's/widower's income, property and family relations. From the beginning of 2008 a widow's/widower's initial pension is always paid in a standard amount.

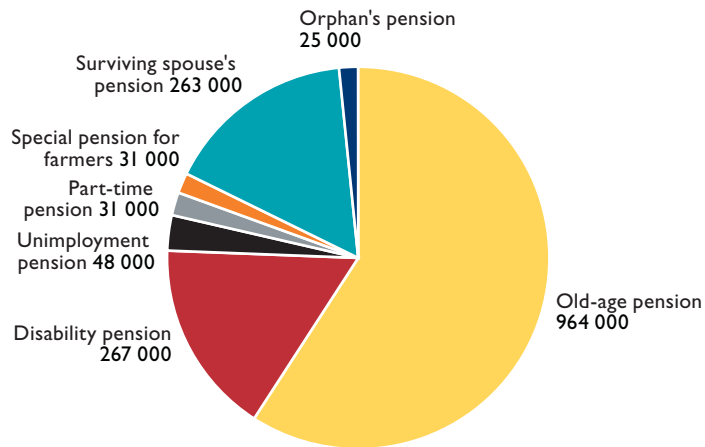
A continuing pension only includes a basic amount if the widow/widower has a dependant child under 18. The widow's/widower's income, property and family relations affect the basic amount supplement of a continuing pension. The amount of the initial and continuing pension also depends on the length of the period the deceased had resided in

Finland. A survivor's pension may include a housing allowance.

A child's pension, under the national pension scheme, is paid to a partial or full orphan under 18 resident in Finland or another Member State. A student receives a child's pension until the age of 21. A full orphan (a child who has lost both parents) receives separate pensions derived from each parent.

A child's pension always includes the basic amount. A basic amount supplement to the pension may be paid in addition. The amount of the supplement depends on the other survivor's pensions received by the child. Children aged from 18 to 20 are only paid the basic amount.

Figure 7 Pension recipients by pension benefit on 31 December 2006



Pension recipients, total 1 368 000. A person may simultaneously receive several pension benefits.

Source: Finnish Centre for Pensions (ETK)

## Unemployment benefits

### Unemployment allowance

An unemployment allowance is paid by the Social Insurance Institution, either in the form of a basic daily allowance (EUR 23.91 in 2007) or by an unemployment fund, in the form of an earnings-related allowance. The earnings-related allowance is calculated on the basis of the employee's regular monthly wages or salary for the 10 months preceding unemployment. Membership of an unemployment fund is voluntary.

The basic unemployment allowance is paid to unemployed job seekers aged between 17 and 64 who were employed for at least 43 weeks during the 28 months preceding unemployment. Self-employed persons are eligible for the allowance, provided that they have worked in a self-employed capacity for a period of 24 months out of the previous 48 months preceding unemployment and their business activity has been adequately large-scale.

An earnings-related daily allowance is paid to employees who were members of an unemployment fund for a minimum period of 10 months before the start of unemployment and who, during that membership period, fulfilled the minimum employment requirement. A self-employed person must have been a member of an unemployment fund for self-employed people for 24 months.

The unemployment allowance is paid after a person has been an unemployed job seeker registered with the employment office for a total of seven working days. The daily allowance is paid for five days per week for a maximum period of 500 working days. When the unemployed job seeker born before 1950 who satisfies the conditions relating to the period of employment reaches the age of 57 before having received the allowance for the full period of 500 days, the job seeker will retain his/her entitlement to the allowance until the age of 60. In case the unemployed job seeker born prior to 1950 or thereafter attains the age of 59 years before he/she has been paid unemployment allowance for 500 days and the job seeker fulfils the employment condition, daily allowance is paid until the end of the calendar month when the job seeker reaches the age of 65 years.

Claims for the basic daily allowance and labour market support should be submitted to the local office of the Social Insurance Institution and claims for the earnings-related allowance to the unemployment fund

of which the claimant is a member. The employment office will give the Social Insurance Institution and the unemployment fund a binding statement linking the benefit conditions with overall manpower policy.

Job seekers from other EU Member States who exercise their right to look for work in Finland should register with the employment office and apply at the local office of the Social Insurance Institution to have their unemployment benefit paid to them.

Appeals against unemployment benefit decisions made by the Social Insurance Institution or unemployment fund may be lodged with the office or fund responsible for the decision, which will investigate the possibility of rectifying the decision. If these bodies cannot revise the decision, the appeal will be dealt with by the Unemployment Appeal Board. The decision of the Board can be appealed to the Insurance Court.

### **Labour market support**

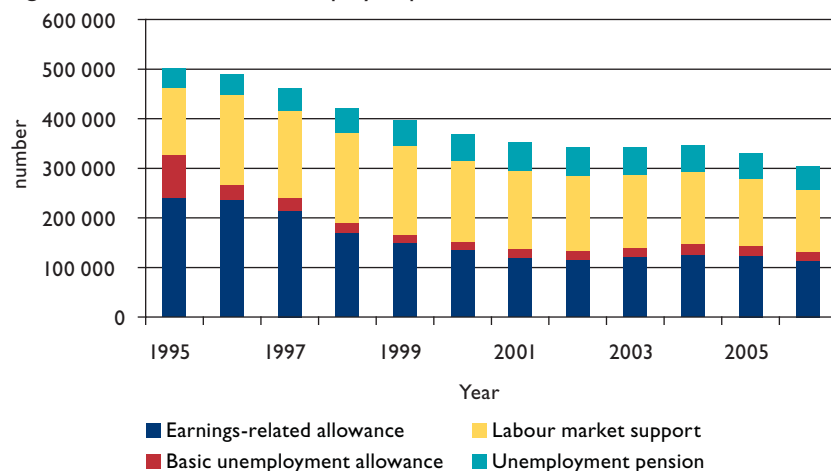
An unemployed person aged between 17 and 64 resident in Finland is entitled to labour market support if she/he has received the unemployment allowance for the maximum period or does not meet the minimum employment requirement for entitlement to unemployment allowance. A person entering the labour market for the first time must complete the qualifying period of five months. The waiting period does not apply to persons who have just completed their education at a vocational education institution.

The labour market support is a means-tested benefit equal to the full basic unemployment allowance. Means-testing takes into account the person's own income in full and the income of his/her spouse for the rate exceeding a certain limit. The means-tested labour market support is paid without a time limit.

The labour market support is paid without means-testing for 180 days after the unemployment allowance has been paid for a maximum of 500 days.

An unemployed person living in his/her parental household and who does not meet the minimum employment requirement receives 50 % of the means-tested labour market support.

Figure 8 Income for the unemployed persons in 1995–2006



Source: Ministry of Social Affairs and Health

## Early retirement pension benefits

The earnings-related pension scheme includes an early retirement pension benefit, i.e. part-time pension. It is meant for insured persons aged 58–67 years who take up part-time employment and who are not in receipt of any other statutory pension. A survivor's pension is not an obstacle to being granted the pension. Those born before 1946 may retire on a part-time pension at the age of 56–64. The amount of the pension is 50 % of the difference between the earnings for fulltime and part-time employment.

## Family benefits

### Child allowance

A child allowance is paid for a child resident in Finland until the age of 17. The child allowance is a tax-free benefit. Child allowance claims should be submitted to the local office of the Social Insurance Institution. Any decision of the Social Insurance Institution may be appealed to the Social Security Appeal Board. The Board's decision may be appealed to the Insurance Court.

### **Child home care allowance**

As an alternative to municipal child day care families are entitled to choose child home care allowance if there is a child under 3 in the family. Then the family is also entitled to the allowance for the family's other children under school age.

The child home care allowance comprises a basic care allowance paid separately for every child entitled to the allowance and a supplement that is only paid for one child. The full supplement is paid if the family's monthly earnings do not exceed the upper limits for earnings determined on the basis of the family's size.

A family may choose private care allowance if the child is in the care of a private care provider approved by the municipal authorities. The care provider may be a private child day care centre, a family child minder or a carer employed by the family. The private care allowance is paid directly to the day care provider.

### **Maternity grant**

A woman resident in Finland who has been pregnant for at least 154 days and who has had a medical examination during the first four months is entitled to a maternity grant. The adoptive parents of a child of under 18 years are also entitled to a maternity grant.

The maternity grant is awarded, according to the wishes of the mother, either in cash or in the form of a maternity pack. The maternity pack contains an assortment of child-care requisites and clothes. The maternity grant is a tax-free benefit. In 2007 the cash grant is EUR 140 per child.

Maternity grant claims should be submitted to the Social Insurance Institution within two months of the estimated date of birth. In the case of an adopted child, the claim should be submitted within two months after the child has been received by the family.

A maternity grant claim may be made in the same application as maternity, paternity and parental allowances and child allowances. The Social Security Appeal Board is the appeal body of first instance and the Insurance Court of second instance in matters related to maternity grant.

## Other benefits

### Care allowance for pensioners

Pensioners' care allowance is paid to pensioners to compensate for the costs of care needed by them or the special expenses incurred. The allowance is graded in three categories, and its amount depends on the need for assistance or special costs due to the illness or disability.

### Disability allowance

The purpose of disability allowance is to support the coping of people with disabilities aged between 16 and 64 in everyday life, work and studies. This allowance is payable to persons who are not in receipt of a pension. Its amount is graded in three categories.

### Child care allowance

Child care allowance is paid for a child who is due to an illness, defect or handicap for at least six months to the extent in need of care and rehabilitation that it causes particular financial or other burden. The allowance is graded in three categories.

### Maintenance allowance

The maintenance allowance that is paid by municipal authorities secures the maintenance of a child in situations when a child under 18 years resident in Finland does not obtain sufficient maintenance from both parents. The child is entitled to maintenance allowance if the child's father or mother has failed to pay the maintenance that he or she has agreed to pay or is obliged to pay by a court decision. The right to maintenance allowance also applies to children born outside marriage if paternity has not been established. Also a child adopted by an adoptive parent alone is entitled to maintenance allowance.

### Housing allowance for pensioners

This benefit is payable to persons aged over 65 years or to persons aged from 16 to 64 who are receiving a pension and are resident in Finland.

Housing allowance is payable for reasonable housing costs exceeding the resident's own share of 85 %. The Government establishes annually the maximum amount of housing costs to be taken into account on the



basis of the family size and the locality where their home is situated. In addition, the amount of the housing allowance depends on family relations and the amount of income and property.

### **Special assistance for immigrants**

The aim of special assistance for immigrants is to secure immigrants' income for old age and disability for work. Persons who have attained the age of 65 or who are aged between 21 and 64 and are unfit for work are eligible for this benefit. A further requirement is a period of residence of at least five years in Finland. The full amount of special support is equal to that of a full national pension. The claimant's and his or her spouse's disposable income and property affect the amount of the support.

### **Social assistance**

Social assistance does not constitute a part of Finnish social security but it is a form of last-resort financial support. It secures a person's subsistence and promotes his or her independent coping. The municipal authorities pay social assistance if the person concerned has no income or it does not cover the person's necessary everyday expenses. Social assistance is granted based on the eligible expenses and the difference between the person's income and assets. The purpose is to cover the basic consumption of those in need of this type of support.

## **Benefits and payments in euro**

### **Health care fees 2007**

The health centre fee varies from EUR 11 to 22, depending on the municipality. The charge for a visit to the hospital outpatient department is EUR 22 per visit and the daily hospital charge EUR 26 per day. The charge for day surgery is EUR 72 per day. The fees charged to long-term patients are mainly determined based on their income.

An upper limit (payment ceiling) per calendar year is applied to the client fees for municipal health care services. If a client has paid client fees totalling EUR 590 during the calendar year 2007, he or she does not need to pay for the rest of the year for the health care services covered by that upper limit. EUR 12 per day in care can however be charged for short-term

institutional care (less than three months). The charges for children under 18 are taken into account in the parent's payment ceiling.

### **Maternity grant 2007**

In 2007 the cash grant is EUR 140. In terms of money the content of the maternity pack is considerably more valuable.

### **Child allowance 2008**

Child allowance is paid for children resident in Finland until the age of 17 years. Child allowance is paid on a monthly basis as follows:

- for the first child entitled to child allowance EUR 100;
- for the second child EUR 110.50;
- for the third child EUR 131;
- for the fourth child EUR 151.50; and
- for each subsequent child EUR 172.

Single parents are paid a single-parent supplement of EUR 46.60 / month to the child allowance for each child.

### **Maintenance allowance 2007**

The full maintenance allowance is EUR 129.91 per month.

### **National pension 2007**

A full national pension is EUR 524.85 /month in 2007 (single, municipality category I, other income EUR 48.12 /month at the most.)

### **Earnings-related pension 2006**

Average earnings-related pension (old-age pension)

men EUR 1,453 /month                      women EUR 932 /month

### **Average sickness allowance 2006**

men EUR 1,200 /month                      women EUR 1,053 /month

### **Average parental allowance 2006**

men EUR 1,545 /month                      women EUR 1,060 /month



Ministry of Social Affairs and Health  
Meritullinkatu 8, Helsinki  
P.O. Box 33, FI-00023 Government, Finland  
Phone +358 9 160 73904

Internet: [www.stm.fi/english](http://www.stm.fi/english) > Publications  
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