



EUROPEAN SOCIAL POLICY NETWORK (ESPN)

Social protection and inclusion policy responses to the COVID-19 crisis

Finland

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EUROPEAN COMMISSION

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European Social Policy Network (ESPN)

**ESPN Thematic Report:
Social protection and inclusion
policy responses to the
COVID-19 crisis**

Finland

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Olli Kangas and Laura Kallioma-Puha

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SUMMARY

Between Monday 3 February 2020 and Sunday 18 April 2021, the total number of confirmed COVID-19 cases per 100,000 people was 6,740 for the EU-27 as a whole; in Finland, it was 1,549. The total number of deaths per 100,000 people was 151 for the EU-27, versus 16 in Finland.

The pandemic has hit Finland relatively gently. Finland's political decision-makers had the luxury of seeing how COVID-19 was developing in other countries. In addition, the national and regional authorities had also adequate powers to act due to emergency legislation already in place. However, despite that, there has been a great deal of discussion concerning the level of national preparedness.

The pandemic has acted as a "stress test" and indicated that the Finnish social security system has performed rather well in buffering the negative economic effects of the pandemic. Due to universal coverage, there are no new groups excluded from social protection. For example, no changes were made in sickness insurance (which covers all permanent residents) or in the housing allowance system that supports both the tenants and home-owners. As regards support for homeless, the "housing first" policy applied in Finland was also effective during the pandemic.

Only a few temporary emergency measures were introduced and some of them have already been abolished. Almost all policy measures to mitigate the effects of the pandemic were amendments to existing schemes and there is hardly any need to make temporary social protection measures to permanent ones.

However, despite the relatively good performance of the welfare state, the pandemic may still have long-lasting negative consequences. The pandemic has treated different socio-economic groups differently. For example, possibilities for teleworking (which are rather widely used in Finland) are strongly correlated with educational level, hierarchical position, and the sector of the employee. There are big differences in the disposable household income levels between the unemployed, furloughed and employed. The average earnings of the unemployed are about one third of the earnings among employed people. Experiences of financial stress in lower-income groups are common

As the social services are an important part of the social protection system in Finland, the disruptions in the services may have far-reaching consequences for the most vulnerable groups, such as homeless people, vulnerable children, people with substance abuse problems and people living in institutionalised care.

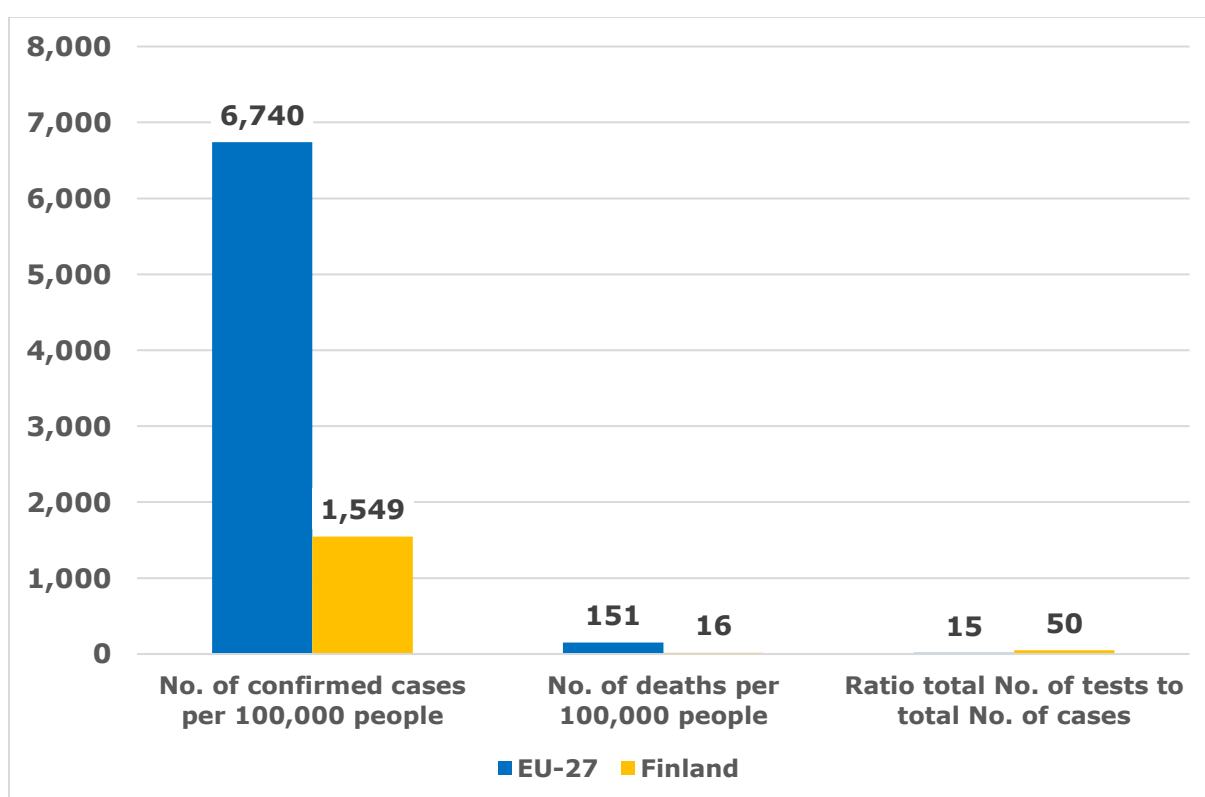
The government has tried to reduce the negative effects of the pandemic by increasing public spending. The state financed the increased spending by taking out additional loans (€17.5 billion, which is about 7% of GDP in 2019). The budget deficit was 8% in 2020. Consequently, the public debt will rise to 70% of GDP in 2021 (59% in 2019) and further to 80% in 2024. Fiscal adjustments will be needed when the pandemic is over. This means cutting expenditure, increasing taxes, and implementing structural measures to improve the employment rate. The main political challenge is to plan a feasible post-COVID-19 adjustment strategy that is socially just but economically ambitious enough to tackle the expanding public sector indebtedness.

1 TRENDS OF THE PANDEMIC AND SOCIAL AND ECONOMIC IMPACT¹

1.1 Epidemiological situation

During the 63 weeks considered for these three indicators (from Monday 3 February 2020 to Sunday 18 April 2021), the total number of confirmed COVID-19 cases per 100,000 people was 6,740 for the EU-27 as a whole; in Finland, it was 1,549. The total number of deaths per 100,000 people was 151 for the EU-27 versus 16 in Finland. The ratio of the total number of COVID-19 tests conducted to the total number of confirmed cases was 15.3 for the EU-27 and 50.2 for Finland.

Figure 1: Total number of COVID-19 cases and deaths per 100,000 people & ratio of total number of COVID-19 tests to total number of cases, 3 February 2020 to 18 April 2021 (EU-27 and Finland)

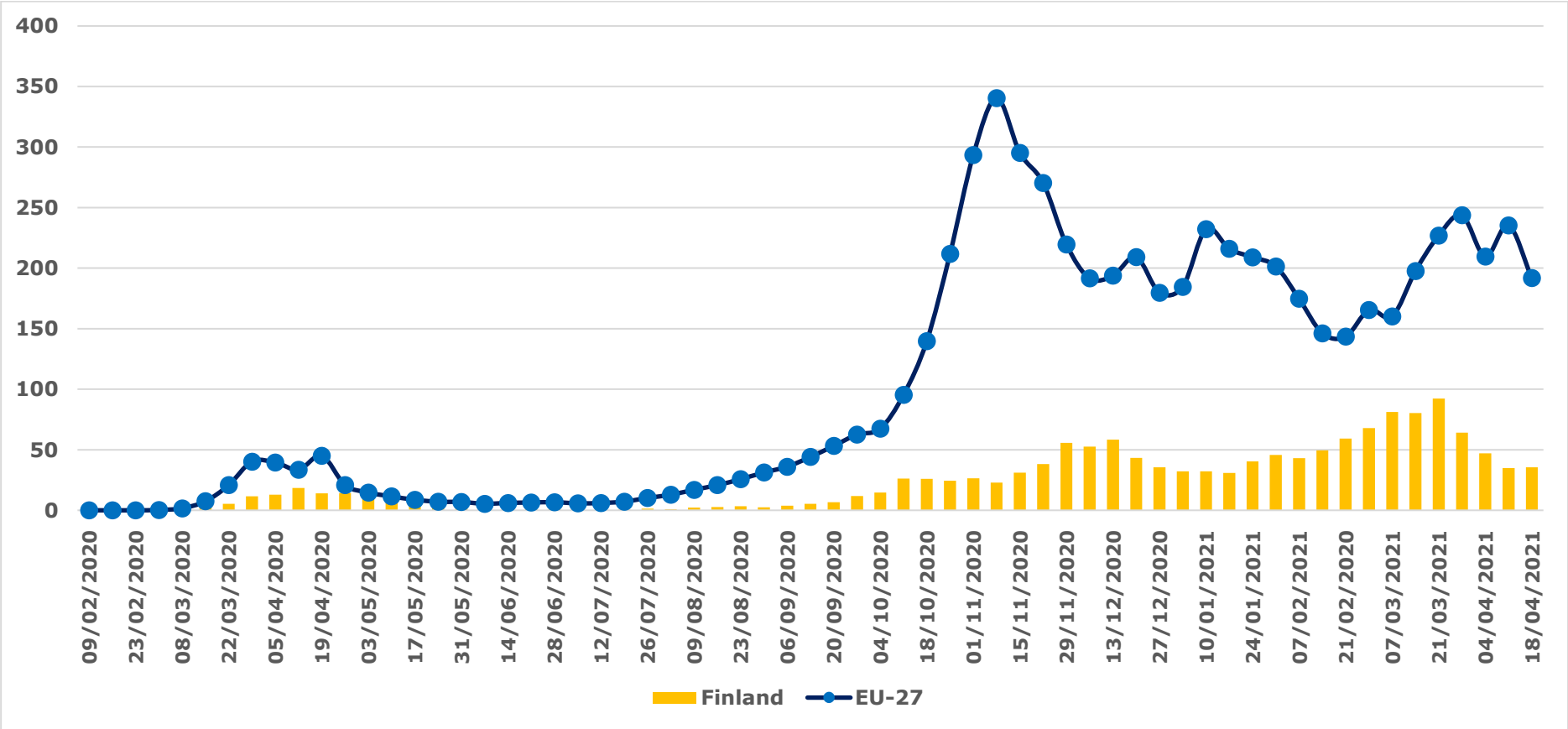


Source: Our World in Data (OWID) online database on COVID-19 - downloaded 26 April 2021

¹ Except if otherwise specified, the indicators presented in Sections 1.1 and 1.2 were calculated by the ESPN Network Core Team on the basis of data coming from two data sources: Our World in Data (OWID: <https://ourworldindata.org/coronavirus-source-data>) and the statistical office of the European Union (Eurostat: <https://ec.europa.eu/eurostat>). These indicators were calculated for all the 35 ESPN countries for which data were available. All of them are presented in Annex B of the following report: Isabel Baptista, Eric Marlier, Slavina Spasova, Ramón Peña-Casas, Boris Fronteddu, Dalila Ghailani, Sebastiano Sabato and Pietro Regazzoni (2021), *Social protection and inclusion policy responses to the COVID-19 crisis. An analysis of policies in 35 countries*, European Social Policy Network (ESPN), Luxembourg: Publications Office of the European Union. This report also provides additional explanations on the data sources used and the calculation of the indicators. In addition, Annex B of the report provides the country results related to all ESPN countries included in the two international data sources used (see Tables B1.1, B2.1 and B3.1 for Figure 1, Table B1.2 for Figure 2, Table B2.2 for Figure 3, Table B3.2 for Figure 4, Tables B4.1, B4.2 and B4.3 for Figure 5, Table B5 for Figure 6, Tables B6.1-3 for Figures 7a-c, and Tables B7.1-3 for Figures 8a-c). The full report and its various annexes can be downloaded [here](#).

In the last week of observations (from Monday 12 April 2021 to Sunday 18 April 2021), the number of confirmed COVID-19 cases per 100,000 people reached 191.8 for the EU-27. In Finland, it was 35.6.

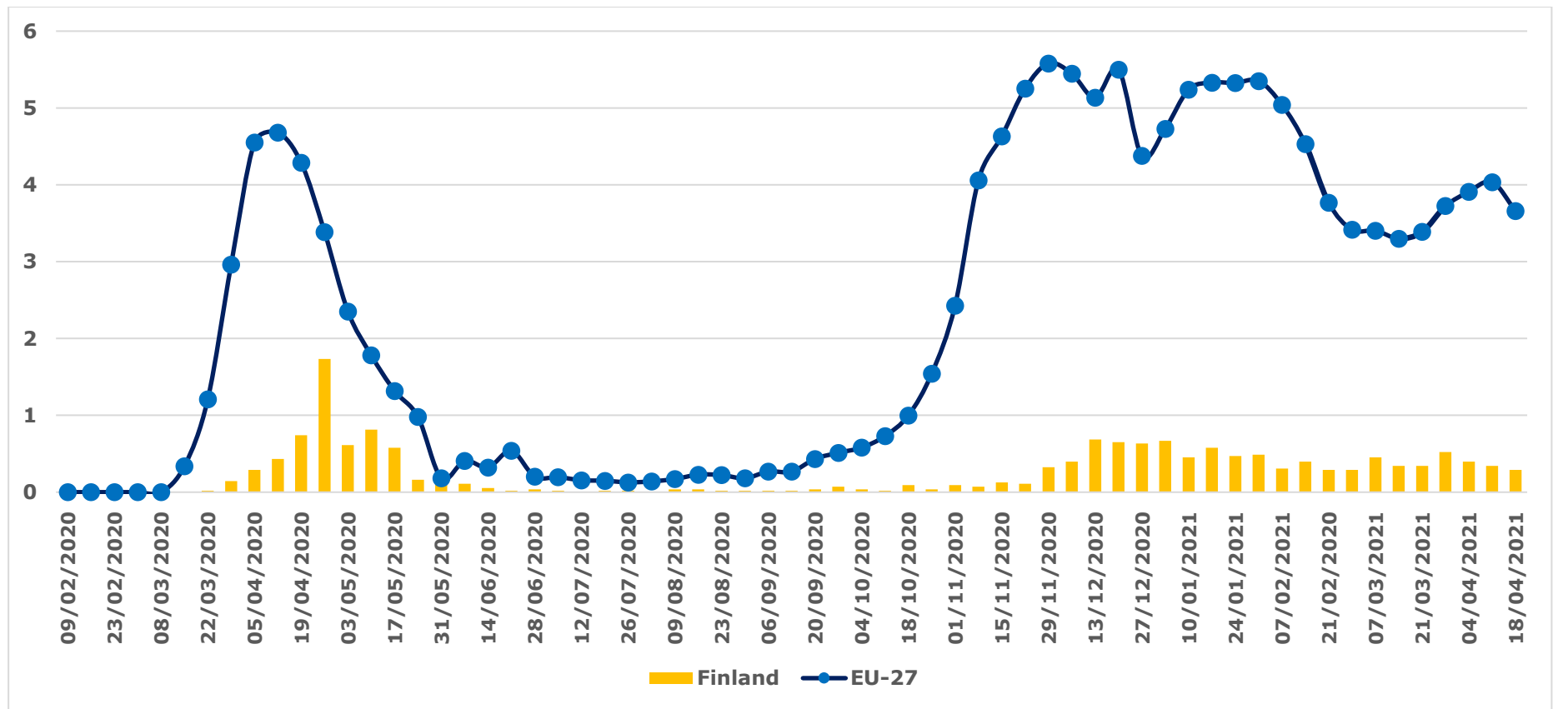
Figure 2: Weekly evolution - Number of confirmed COVID-19 cases per 100,000 people from 3 February 2020 to 18 April 2021 (EU-27 and Finland)



Source: Our World in Data (OWID) online database on COVID-19 - downloaded 26 April 2021.

In the last week of observations (from Monday 12 April 2021 to Sunday 18 April 2021), the number of COVID-19 deaths per 100,000 people reached 3.66 for the EU-27 as a whole. In Finland, it was 0.29.

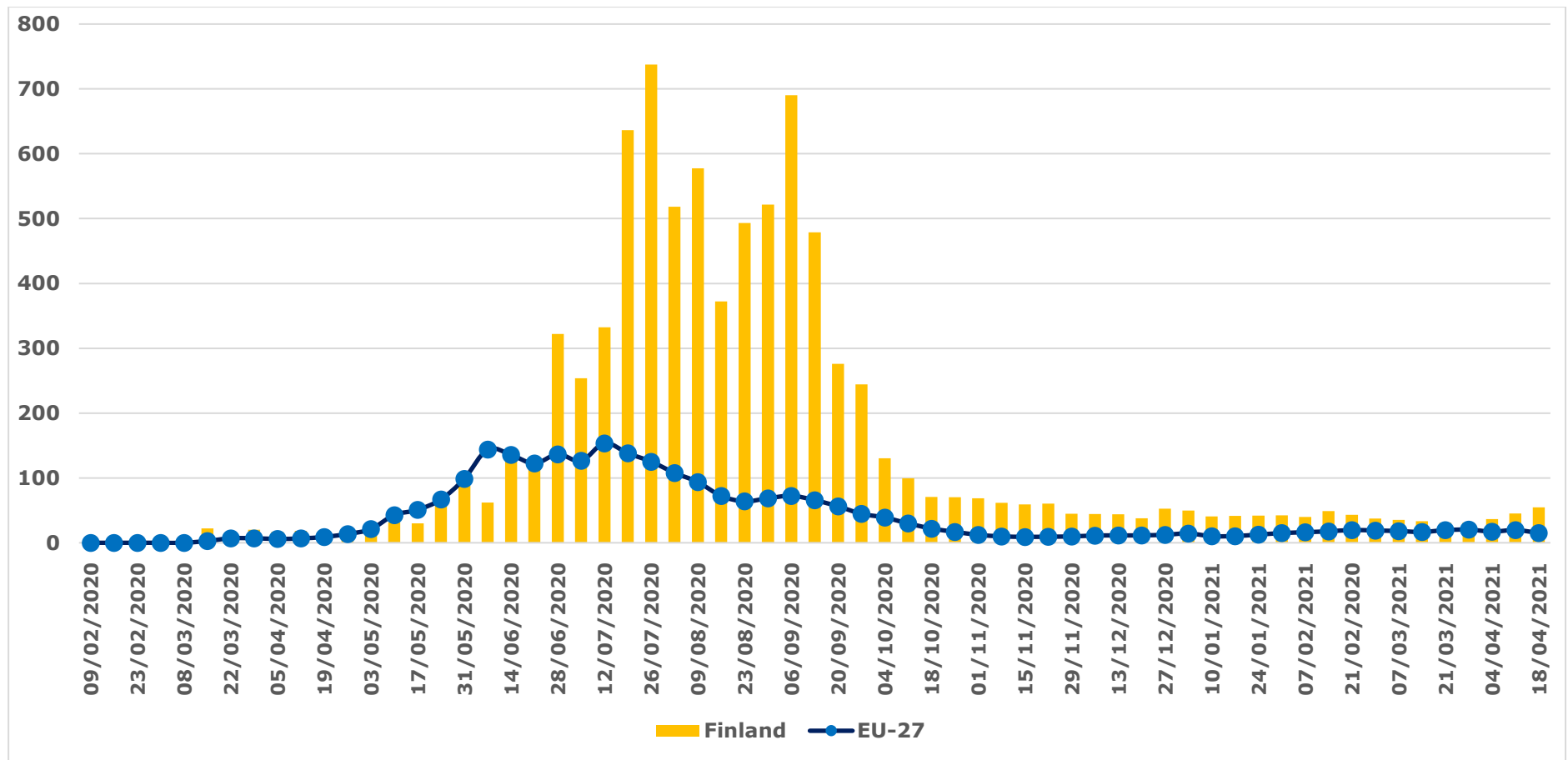
Figure 3: Weekly evolution - Number of COVID-19 deaths per 100,000 people, 3 February 2020 to 18 April 2021 (EU-27 and Finland)



Source: Our World in Data (OWID) online database on COVID-19 - downloaded 26 April 2021.

In the last week of observations (from Monday 12 April 2021 to Sunday 18 April 2021), the number of COVID-19 tests per new confirmed COVID-19 cases was 15.2 for the EU-27. In Finland, it was 54.6.

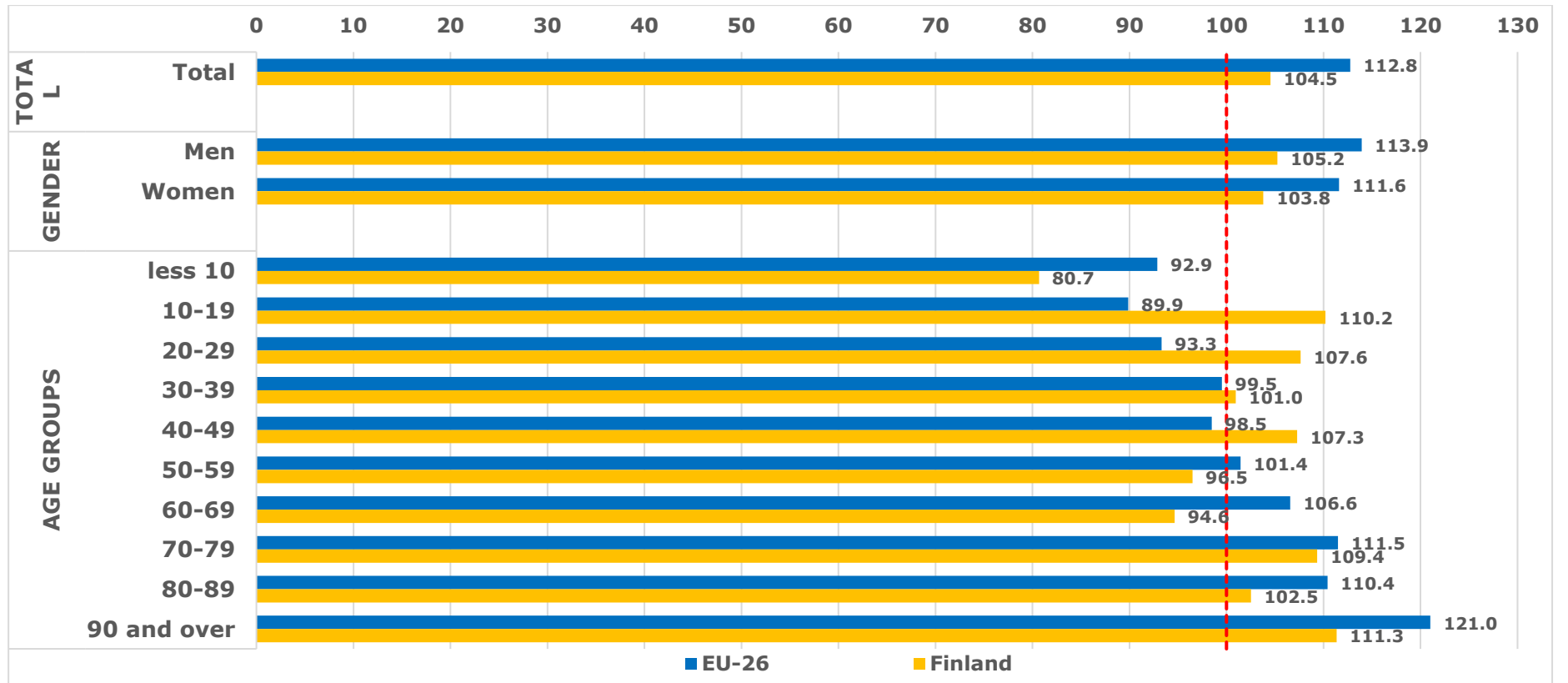
Figure 4: Weekly evolution - Number of COVID-19 tests per new confirmed COVID-19 case, 3 February 2020 to 18 April 2021 (EU-27 and Finland)



Source: Our World in Data (OWID) online database on COVID-19 - downloaded 26 April 2021. Full quote for these testing data: Hasell, J., Mathieu, E., Beltekian, D. et al. (2020). "A cross-country database of COVID-19 testing". *Sci Data* 7, 345 (2020) (<https://www.nature.com/articles/s41597-020-00688-8>).

The excess mortality ratio for 2020 is the total number of deaths (without distinction of causes) in the year 2020 expressed as a percentage of the previous 4-year (2016-2019) annual average of the total number of deaths. For the EU-26 average (no data for Ireland), the ratio of the total population is 112.8% while it is 104.5% in Finland. For the EU-26, it is 113.9% for men and 111.6% for women. In Finland, these gendered ratios are 105.2% and 103.8% respectively. Excess mortality is higher among older age groups. For those aged 90 years and more it reaches 121.0% for EU-26 and 111.3% for Finland.

Figure 5: Excess mortality - Total number of all deaths in 2020 as percentage of the 2016-2019 annual average (including gender and age breakdowns (EU-26 and Finland))

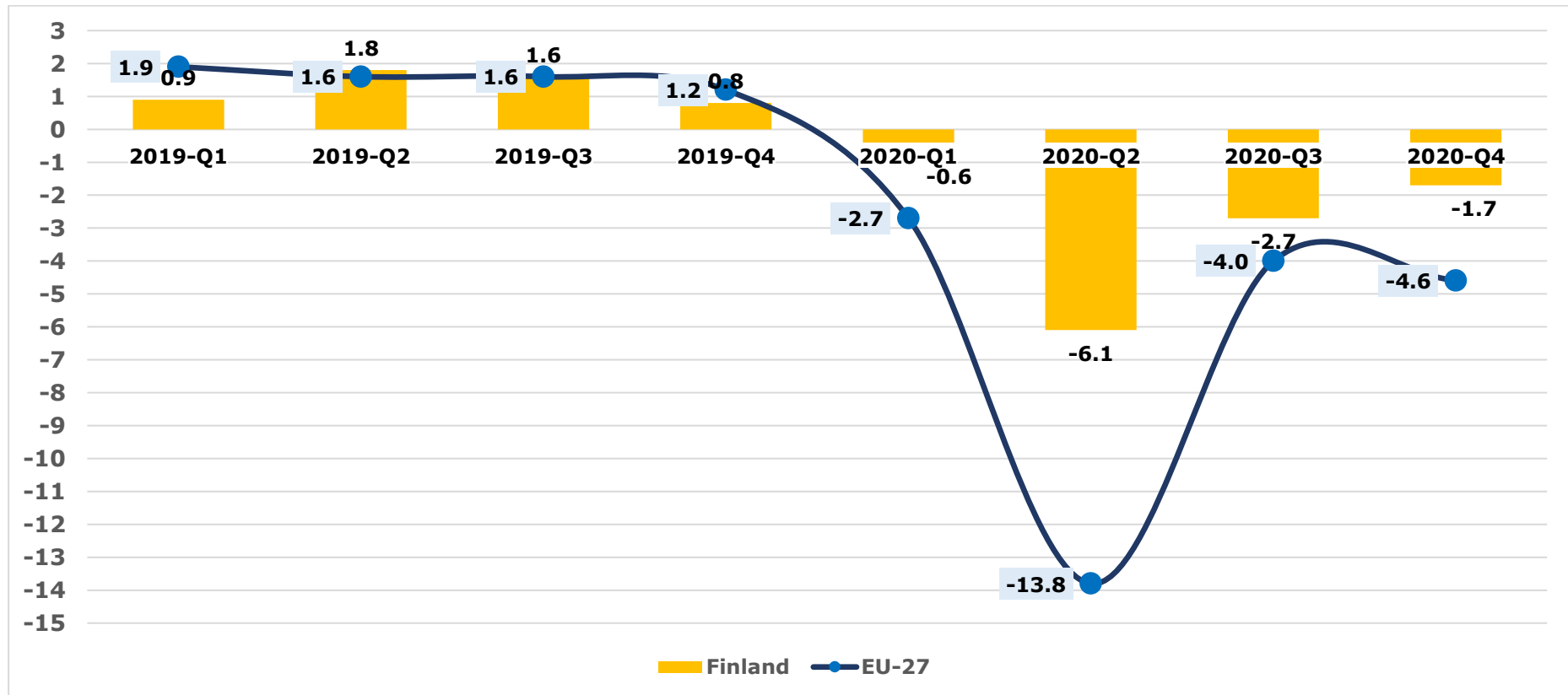


Source: Eurostat - indicator [DEMO_R_MWK_10__custom_560457] Deaths by week, sex and 10-year age groups - downloaded 26 April 2021. For Bosnia and Herzegovina: Agency for statistics of Bosnia and Herzegovina (data received upon request on 19 April 2021).

1.2 Economic and (un)employment situation

In the EU-27, GDP in the fourth quarter (2020-Q4) of 2020 fell by 4.6% compared to the fourth quarter of 2019 (2019-Q4). In Finland, the decrease was 1.7% for the same period.

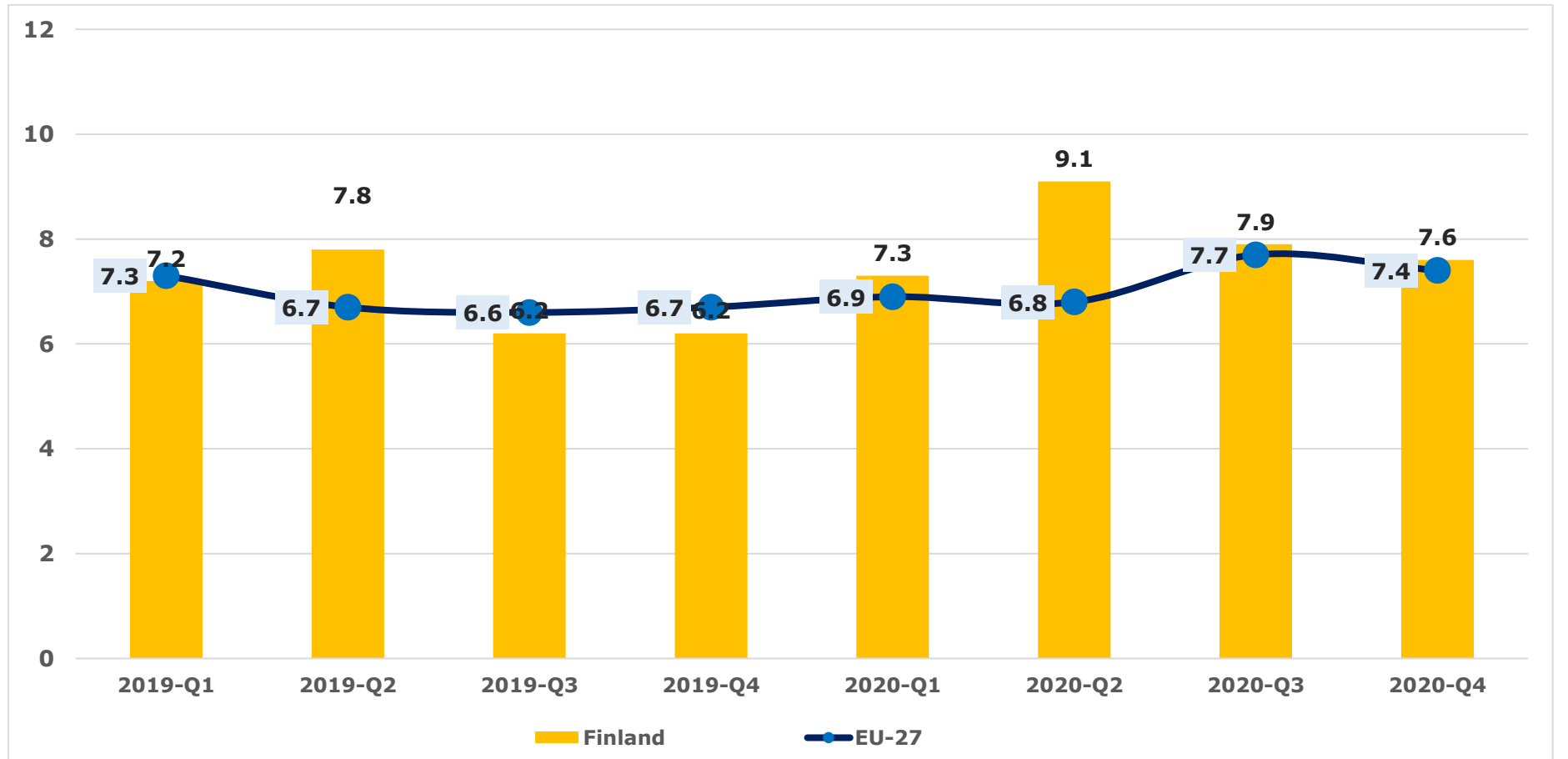
Figure 6: Gross domestic product at market prices, chain-linked volumes prices adjusted, percentage changes in quarter compared with same quarter in previous year (2019-2020, EU-27 and Finland, %)



Source: Eurostat -GDP and main components (output, expenditure and income) - indicator [NAMQ_10_GDP__custom_507806] - downloaded 26 April 2021.

In the fourth quarter of 2020 (2020-Q4), the unemployment rate in the EU-27 for people aged 15-64 years is 7.4%. In Finland, it is 7.6%.

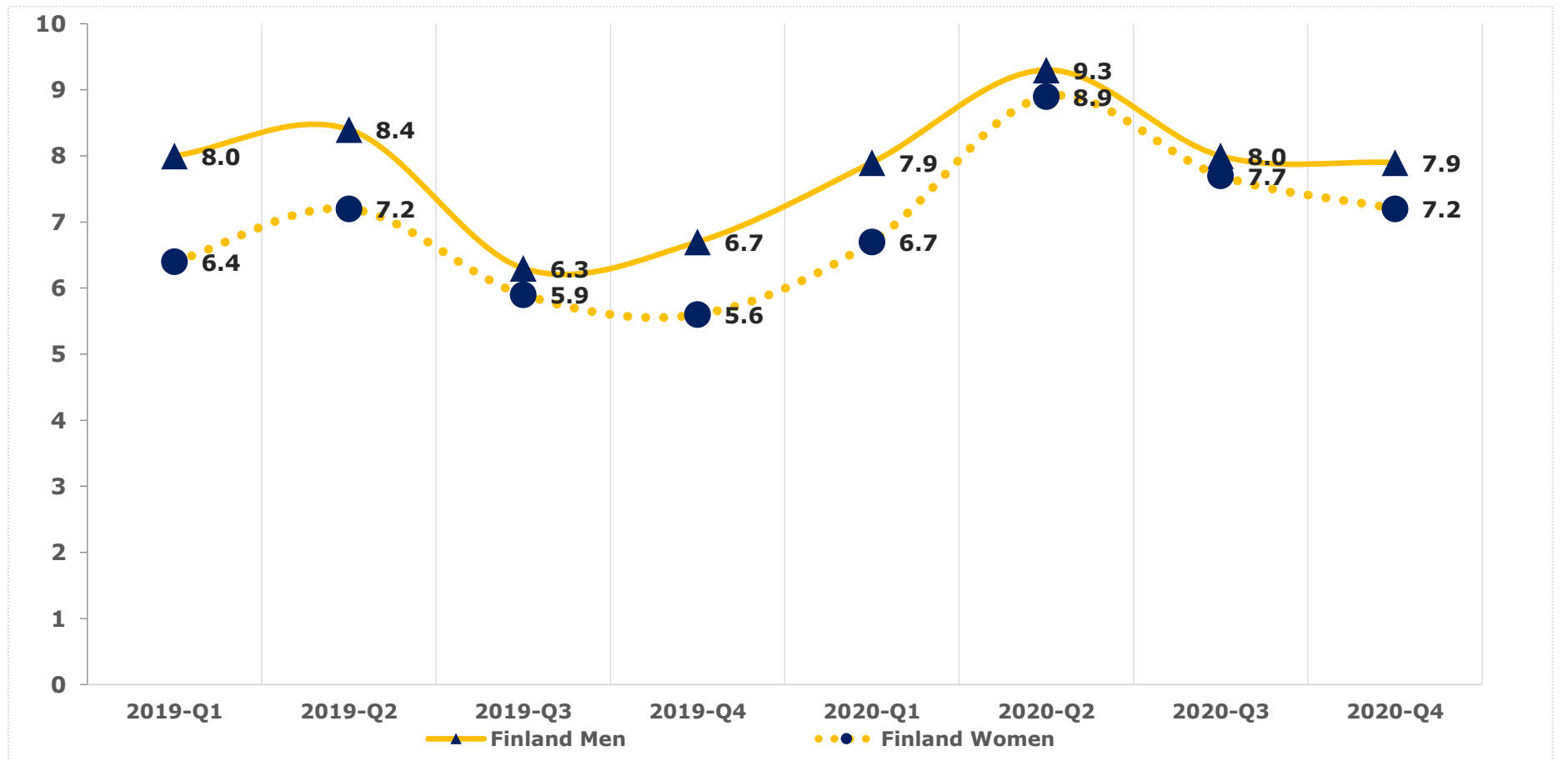
Figure 7a: Seasonally-adjusted unemployment rate, quarterly data, total population aged 15-64 (2019-2020, EU-27 and Finland, %)



Source: Eurostat LFS - indicator [lfsq_urgan] - downloaded 26 April 2021.

In the fourth quarter of 2020 (2020-Q4), the unemployment rate in the EU-27 for people aged 15-64 years is 7.1% for men and 7.7% for women. In Finland, these figures are 7.9% and 7.2% respectively.

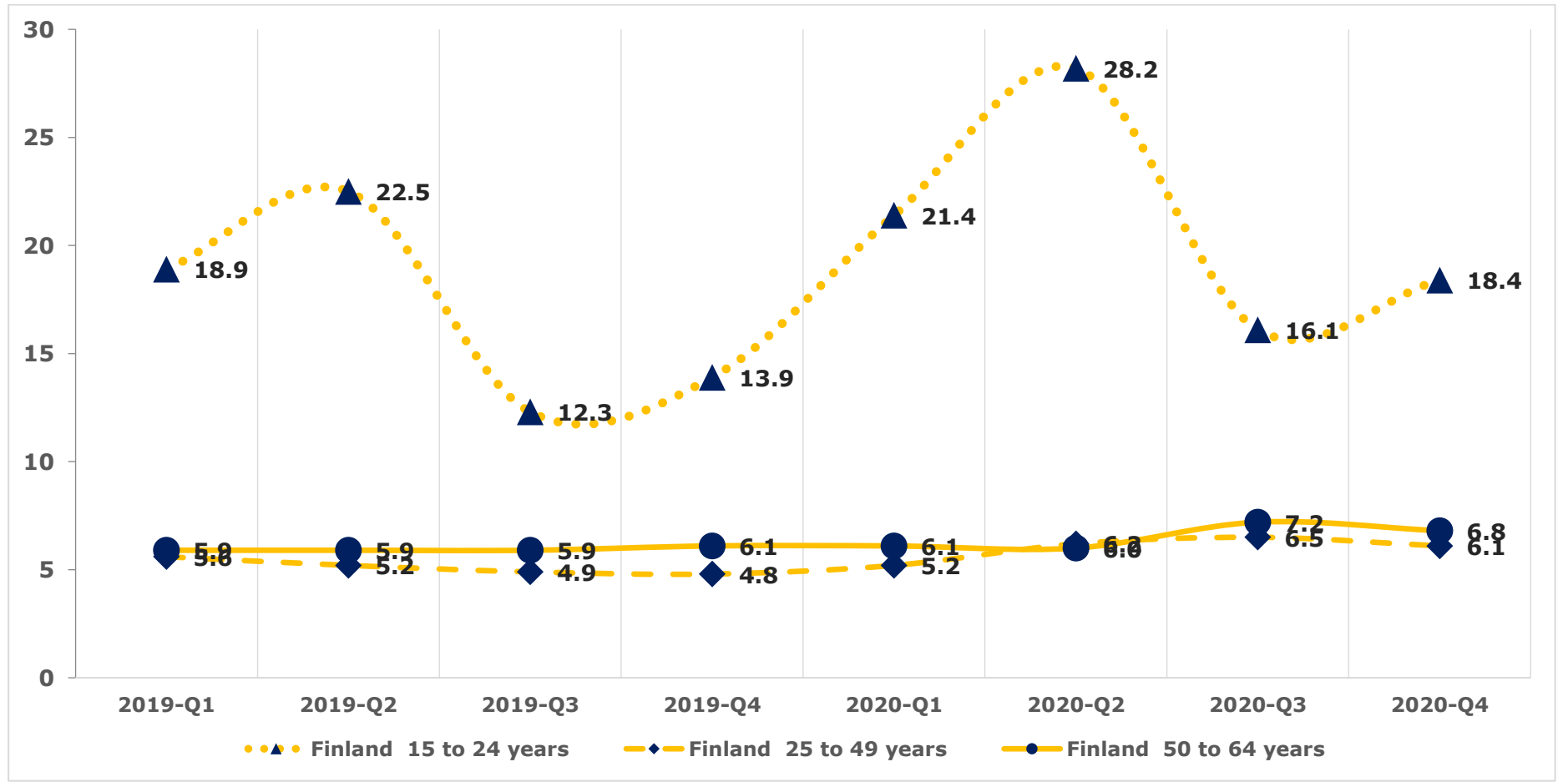
Figure 7b: Seasonally-adjusted unemployment rate, quarterly data, total population aged 15-64 – by gender (2019-2020, Finland, %)



Source: Eurostat LFS - indicator [lfsq_urgan] - downloaded 26 April 2021.

In the fourth quarter of 2020 (2020-Q4), the unemployment rate in the EU-27 is 16.9% for the 15-24 age group. In Finland, it is 18.4%.

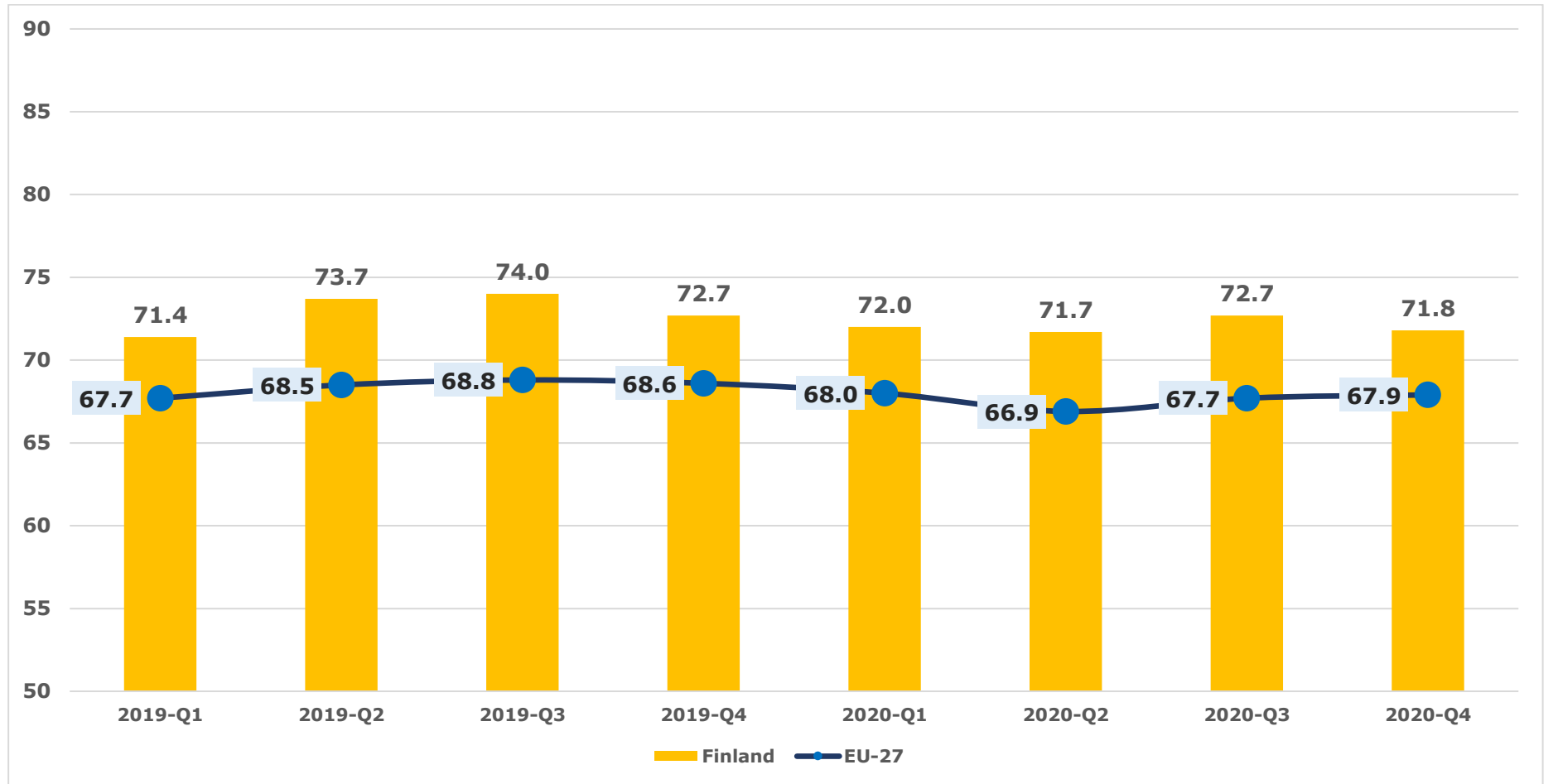
Figure 7c: Seasonally-adjusted unemployment rate, quarterly data, total population aged 15-64 – by age group (2019-2020, Finland, %)



Source: Eurostat LFS - indicator [lfsq_urgan] - downloaded 26 April 2021.

In the fourth quarter of 2020 (2020-Q4), the employment rate for people aged 15-64 in the EU-27 is 67.9%. In Finland, it is 71.8%.

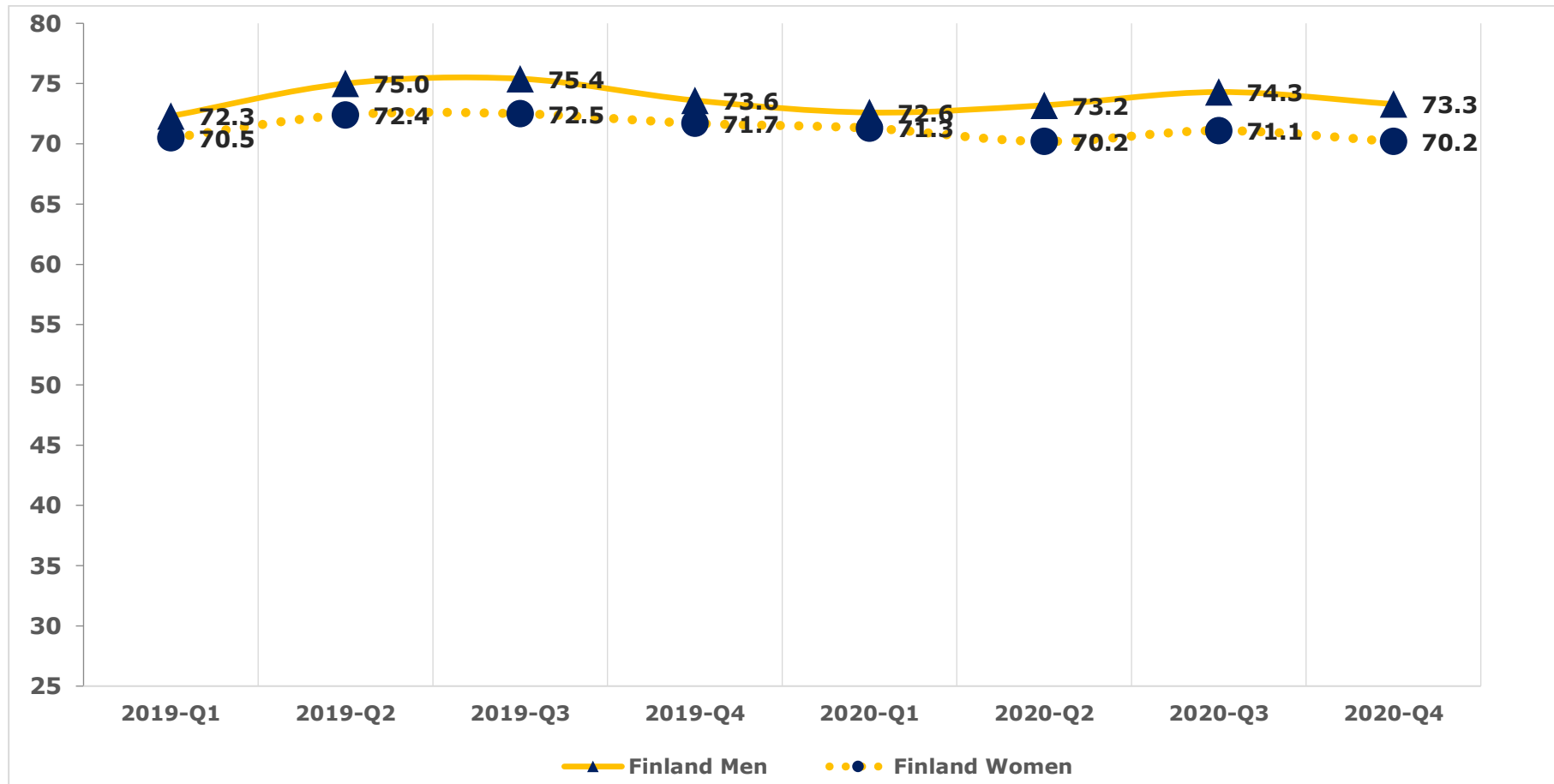
Figure 8a: Seasonally-adjusted employment rate, quarterly data, total population aged 15-64 (2019-2020, EU-27 and Finland, %)



Source: Eurostat LFS - indicator [lfsq_ergan] - downloaded 26 April 2021.

In the fourth quarter of 2020 (2020-Q4), the employment rate in the EU-27 is 73.0% for men and 62.8% for women. In Finland, these figures are 73.3% and 70.2% respectively.

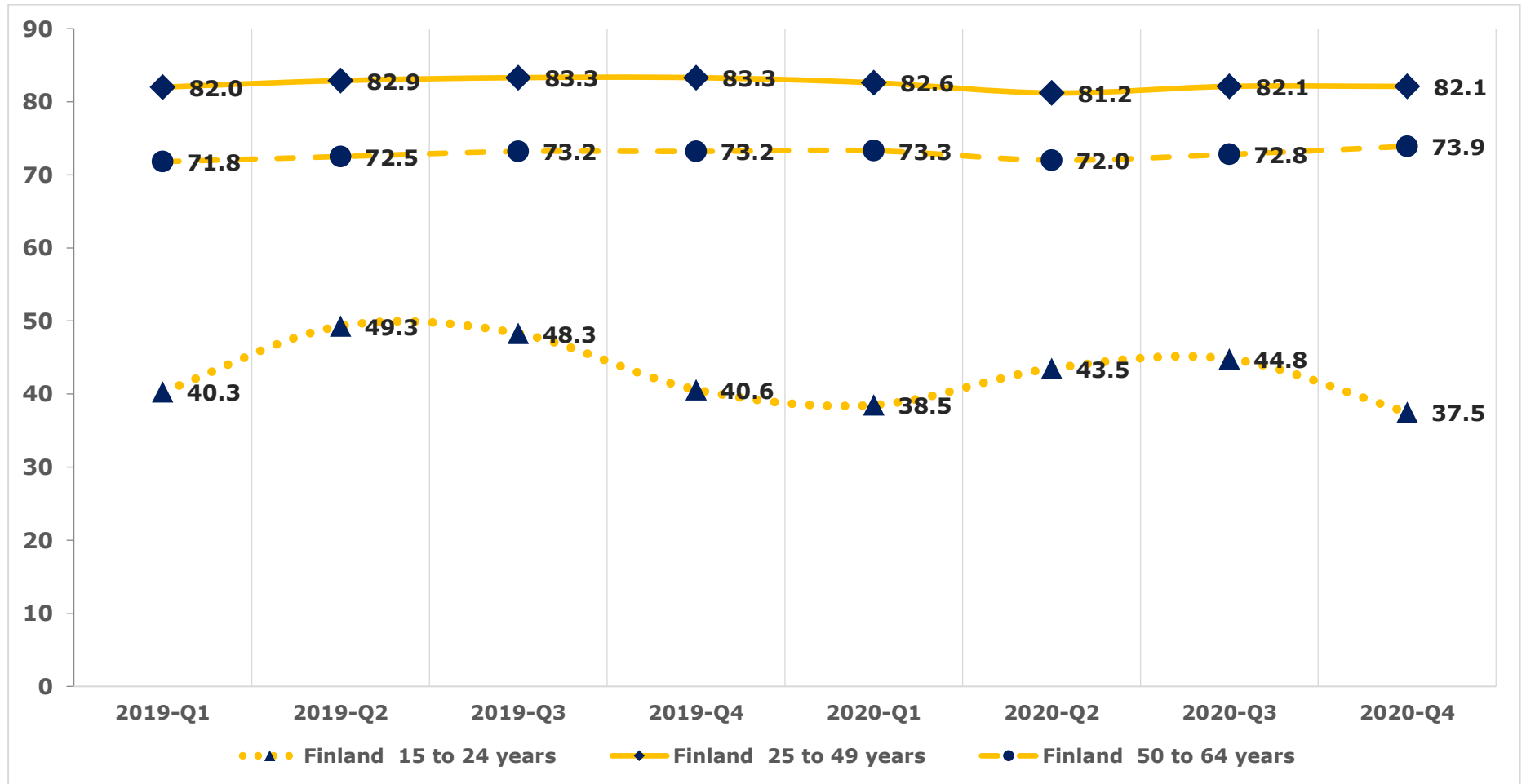
Figure 8b: Seasonally-adjusted employment rate, quarterly data, total population aged 15-64 – by gender (2019-2020, Finland, %)



Source: Eurostat LFS - indicator [lfsq_ergan] - downloaded 26 April 2021.

In the fourth quarter of 2020 (2020-Q4), the employment rate in the EU-27 is 31.1% for the 15-24 age group. In Finland, it is 37.5%.

Figure 8c: Seasonally-adjusted employment rate, quarterly data, total population aged 15-64 – by age group (2019-2020, Finland, %)



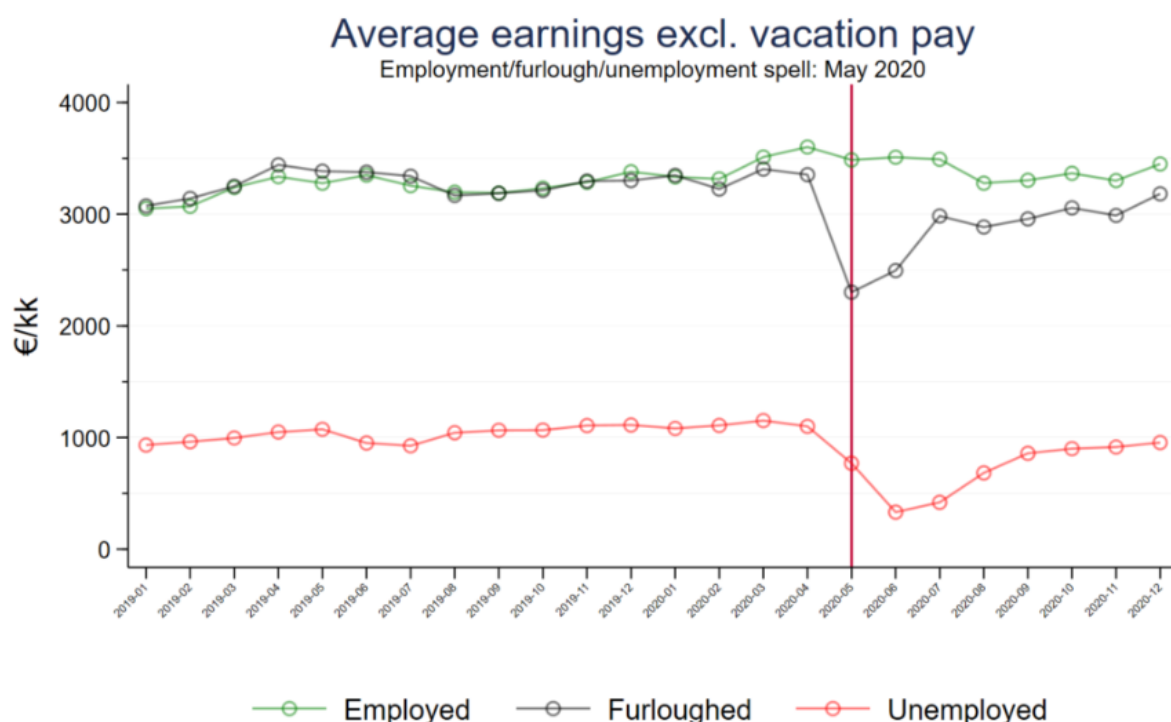
Source: Eurostat LFS - indicator [lfsq_ergan] - downloaded 26 April 2021.

1.3 Poverty, inequality and social exclusion situation

The Act on Emergency Powers (*Valmiuslaki 1552/2011*) gives national and regional authorities the power to limit the civil liberties of residents and regulate other activities in exceptional circumstances. The emergency powers were applied from 16 March to 16 June 2020. During the lockdown caused by the government's decisions, 60% of the working population in Finland switched to telework and 30% experienced reductions in their working hours; the corresponding averages for the EU-27 were 37% and 50% (Eurofound, 2020). Thus, possibilities for teleworking significantly mitigated the detrimental economic effects of the pandemic. Consequently, although real gross disposable household income per capita also fell in Finland, the annual reduction was smaller than in many other Member States. However, in Finland experiences of financial stress are rather common (about 20%) in low-income groups (Employment Committee and Social Protection Committee, 2021).

For example, possibilities for teleworking are strongly correlated with the educational level, hierarchical position, and the sector of the employee. All these factors are decisive for possibilities to continue to work at home, being furloughed or becoming unemployed; and these aspects, in turn, affect the development of household disposable income. Figure 9 depicts the development of monthly average earnings among those who kept their employment, those who were furloughed and those who were made unemployed.

Figure 9: Average earnings among the employed, furloughed and unemployed (2019-2020, Finland, € per month)



Reading note: The income of those who were furloughed in May 2020 gradually returned to the same trend as those who preserved their jobs, but without fully closing the gap between the two – which indicates that not all of the furloughed have found a full-time job.

Source: GSE Tilannehuone, 2021a.

The figure indicates big differences in the income levels between those employees who had employment those who were unemployed. The average monthly earnings of the unemployed are about one third of the earnings among the employed people. The figure also shows that those who were furloughed in May 2020 gradually returned to follow the same income trend as those who preserved their jobs but their income development seems

to stay at a lower level, which indicates that not all of the furloughed have found a full-time job.

The pandemic has treated different age and socio-economic groups differently. As regards changes in earnings by age group, earnings in March 2019 to March 2021 fell most among those aged under 30 and only slightly in the 50-54 age bracket. In the other age groups (40-59 and 60+) earnings increased or remained approximately at the same level as in the previous years (GSE Tilannehuone, 2021b).

There are no data available yet on the pandemic's effects on income distribution and poverty. However, those who were already in vulnerable positions have been hit the hardest. According to a survey conducted at the end of May 2021, 12% of Finns said that their financial situation had improved during the pandemic, 66% said that there has not been any change at all and 20% said that their financial situation had deteriorated slightly (14%) or significantly (6%). Deterioration has occurred above all among in low-income groups. Whereas 42% of them said that their economic situation had deteriorated, the corresponding share in the well-off groups was 13% (Sitra, 2021). Vulnerable people also have gotten more problems in terms of social consequences or access to mental and healthcare services or rehabilitation (Eronen et al., 2020) or incidence of the disease (Figure 11 in Section 2.4).

2 SOCIAL PROTECTION AND INCLUSION MEASURES IN RESPONSE TO THE PANDEMIC²

The Finnish welfare state deviates from many other welfare states in two important ways. First, the minimum benefits are intended to guarantee basic security and a decent livelihood for every resident regardless of employment history or citizenship. These flat-rate or income-tested benefits are mainly paid by the Social Insurance Institution of Finland (Kela), which also pays out basic social assistance benefits. Municipalities are responsible for supplementary and preventive social assistance and some cash-for-care schemes. Municipalities are responsible for most social, healthcare and school services (see Figure A1).

Second, earnings-related benefits are designed to guarantee the previous consumption level of claimants whose income from employment ceases because of social risks such as illness, unemployment, disability, and old age. The peculiarity of Finnish income-transfer schemes is that there are no ceilings on benefits. Benefit amounts are wholly based on previous earnings. Furthermore, except for sickness insurance, all major forms of earnings-related social insurance are administered by either private or semi-private insurance companies – as in the case of work accident insurance, earnings-related pensions or voluntary unemployment funds providing earnings-related unemployment allowance.

Third, social security benefits and taxes are individual and social security contributions are based on an individual's own income, as in the other Nordic countries (see Kangas and Kvist, 2019). Only in a very few schemes, such as housing allowance and social assistance transfers, is household income used as the basis for income-testing.

This section provides a brief description of the main measures related to social protection and social inclusion that have been put in place to help mitigate the financial and social distress produced by the economic downturn caused by the pandemic. It is based on readily available data and evidence. For each measure, it provides the following information.

- a) Short description of the measure.
- b) Category: Is it a flat benefit, a conditional benefit, both a flat and a conditional benefit, or neither a flat nor a conditional benefit?
- c) Timing: When did the measure start/end? Has it been extended?
- d) Depending on the category:
 - amount and duration (for flat measures); and
 - range (minimum-maximum), duration and conditionality (thresholds) (for conditional measures).

If the measure is neither flat nor conditional, this is indicated by "Not applicable".

- e) Targeted population: what is/are the target(s) of the measure? – that is to say, which parts of the population or of the labour force, or which sectors. Where data and evidence are readily available, estimated number of people targeted and/or applicants.
- f) Beneficiaries: What is the number of recipients of the measure (if relevant and available)?
- g) Novelty: Was the measure new or an already existing one that was adjusted?

² The temporary measures mentioned in this report refer to the situation as of 15 April 2021. Their duration may have been extended since then.

2.1 Measures related to unemployment benefits

The Finnish unemployment protection scheme is divided into “basic security” and income-related benefits. Basic security comprises *peruspäiväraha* (the basic unemployment allowance) and *työmarkkinatuki* (the labour market subsidy). Both of them are paid by the Kela. They deliver the same gross monthly benefit amount but they differ in their eligibility criteria. The basic unemployment allowance targets applicants who have employment records but are not members of voluntary unemployment funds (a requirement for receiving the income-related unemployment allowance). The basic unemployment allowance is payable on a flat-rate basis for the unemployed who meet the work requirement. The labour market subsidy is an income-tested benefit for those with little or no employment history or for the unemployed whose basic unemployment allowance or earnings-related unemployment benefit spells have reached the maximum duration, which varies from 300 to 500 days depending on the claimant’s work history and age. There is no upper limit on the duration of the labour market subsidy. Figure A2 provides a schematic description of the structures and main characteristics of these schemes.

2.1.1 *Työttömyysturva koronatilanteessa* (Unemployment benefit during the COVID-19 pandemic)

Rising unemployment prompted the government to introduce temporary changes to the unemployment protection system (including the basic benefits and income-related benefits).

a) Short description of the measures:

1. The five-day unpaid waiting period was abolished.
2. The days on which an employee remained out of work would not reduce the maximum duration of receiving unemployment benefits.
3. The work requirement to qualify for unemployment benefits was reduced from 26 to 13 weeks.
4. The exempt amount [*suojaosa*³] was increased from €300 to €500 per month.
5. Self-employed people became eligible for the labour market subsidy if their income fell below €1,089.67 per month because of the pandemic.

b) Category:

1. Both flat and conditional benefit. For the recipients of the labour market subsidy and basic unemployment allowance, it is a flat-rate benefit; and for the members of unemployment funds it is an income-related benefit, with the amount depending on the previous work income.
2. Neither flat nor conditional benefit.
3. Neither flat nor conditional benefit.
4. Flat benefit.
5. Both flat and conditional benefit. Available only for the self-employed with income less than €1,089.67 per month. The loss of income must be caused by the pandemic.

c) Timing: At first, all the temporary changes described above in a) were to be effective from 16 March to 31 December 2020. The duration of the higher exempt amount (4) and the special arrangements for the self-employed to receive the labour market subsidy (5) have been extended until 30 June 2021. The five waiting days (1), the

³ *Suojaosa*, the exempt amount is the amount a recipient of unemployment benefits can earn without it reducing unemployment benefits.

previous maximum duration of the benefit period (2), and previous work requirements (3) were reintroduced from the beginning of 2021 (Kela, 2021a).

d)

- Amount and duration of the flat element:
 - Regarding the abolition of the five-day unpaid waiting period, some approximations can be done. The Kela-based basic unemployment allowance and labour market subsidy in 2020 were €33.66 per day. Thus, for the person who got those benefits, the value of the temporary measure was €168 for a period of five days.
 - €200 per month, from 16 March 2020 to 30 June 2021.
 - Tested against income, at maximum €730 per month, from 16 March 2020 to 30 June 2021.
- Range, duration and conditionality of the conditional element:
 - It is harder to give exact benefit levels for income-related benefits. There are no upper ceilings for benefit purposes. If the average amount (€66 per day) of these benefits is used as a basis for calculation, the average total benefit would be €330 per person during five days.
 - Conditional benefit, €0 to €730 per month; conditional on reduced income due to the pandemic.

e) Targeted population: The first four measures described above apply to every unemployed individual (including the self-employed), and the last one (5) is targeted at those self-employed people who have not insured themselves through voluntary unemployment funds and whose income from self-employment due to the pandemic has fallen below a certain limit.

f) Beneficiaries:

1. All the unemployed people getting unemployment benefits between 16 March 2020 and 31 December 2021. Exact numbers not available. Take-up rate 100%.
2. Exact numbers not available.
3. Exact numbers not yet available.
4. Not yet available.
5. In 2020, there were 44,046 recipients.⁴

g) Novelty: The abolition of the five-day unpaid waiting period, changing the rules how days of unemployment affect the maximum duration of the benefits, the reduction of the work requirement to qualify for unemployment benefits and the increase in the exempt amount were adjustments to the existing scheme. Changes in the entitlement criteria to get the labour market subsidy made access to the subsidy open to self-employed people who previously were not entitled to unemployment benefits unless they were able to prove that their business had totally ceased. This change may have permanent consequences for the institutional design of the unemployment protection system in Finland.

⁴ Direct correspondence via emails with the authors and Head of the Statistic Vesa Ylönen, 11 February 2021.

2.2 Measures of job protection provided through support to employers, employees and the self-employed

The government tried to reduce the negative effects of the pandemic by increasing public spending and implementing other measures such as direct subsidies to enterprises, loans and reductions in social security contributions, and subsidies to self-employed people.

2.2.1 *Lomautusten helpottaminen* (Furlough process speeded up)

- a) Short description of the measure: On 18 March 2020, the trade unions and employer federations reached an agreement to speed up negotiations on lay-offs (furlough) to a maximum of five days. Normally, furlough negotiations lasted for at least 14 days, often longer. Due to COVID-19, the notice period for planned lay-offs was shortened to five days (Kinnunen, 2020). Laid-off employees had right to unemployment benefits (see Section 2.1.1 above).
- b) Category: Neither flat nor conditional benefit.
- c) Timing: The accelerated furlough (lay-off) process was effective from 1 April to 31 December 2020.
- d) Amount and duration/range, duration and conditionality: Not applicable.
- e) Targeted population: The accelerated arrangement only applies to private sector companies, not the public sector. According to the Employment Contracts Act (55/2001) temporary lay-offs of fixed-term employees have not been possible. However, on the basis of the 18 March 2020 agreement between the social partners the right to lay-off was temporarily extended to fixed-term employees. Thus, the same conditions apply for employees with permanent and fixed-term employment contracts (Kinnunen, 2020).
- f) Beneficiaries: Exact numbers not available. By the end of 2020, there were about 60,000 laid off (furloughed) employees, which was about 40,000 more than in February 2020 (Ministry of Economic Affairs and Employment, 2021). Most of them went through the accelerated furlough process.
- g) Novelty: The procedure was an amendment to the existing system.

2.2.2 *Työeläkeyhtiöiden korona-helpotukset* (Reduction in pension insurance contributions)

- a) Short description of the measure: On 18 March 2020, the Finnish government approved the central labour market organisations' proposal to temporarily reduce the income-related pension contributions of private sector employers. The contribution was reduced from 17% of the payroll to 15%. Furthermore, private sector employers and occupational pension insurance institutions (including those for the self-employed) could postpone their pension contribution payments by three months (Finnish Centre for Pensions, 2020).
- b) Category: Neither flat nor conditional benefit.
- c) Timing: The reduction was effective from 1 June to 31 December 2020. The postponement of pension contributions was possible for payments with deadlines from 20 April to 30 June 2020.
- d) Amount and duration/range, duration and conditionality: Not applicable.
- e) Targeted population: The reduction of pension insurance contributions was open only to private sector employers, not for the self-employed. Both private sector employers and the self-employed could utilise the option to postpone their pension contributions by three months.

- f) Beneficiaries: All private sector employers (i.e. take-up rate = 100%); there are no data available on the utilisation of the possibility of postponing payments. However, it was very seldom used.⁵
- g) Novelty: This measure was an adjustment made to the existing practice.

2.2.3 Kuntien jakama yksinyrittäjätuki (Municipal support for sole entrepreneurs)

- a) Short description of the measure: Financial aid paid by local municipalities. This support could be used for any business expenses, particularly fixed costs such as rent. To be eligible for support, the turnover should have dropped by 30% between 16 March 2020 and 31 August 2020 (Ministry of Economic Affairs and Employment, 2020).
- b) Category: Flat benefit.
- c) Timing: The support scheme was effective for six months. The last deadline for the applications was 30 September 2020.
- d) Amount and duration: A lump-sum payment of €2,000 for a period of six months.
- e) Targeted population: The self-employed without employees and an annual income of at least €20,000. By the end of 2020, there were approximately 30,000 applications (Yrittäjät, 2020). There are approximately 180,000 people who are self-employed. Thus, only 15% of them applied for the aid.
- f) Beneficiaries: 85% of the applications received a positive decision (i.e. approximately 25,500 recipient enterprises) (Yrittäjät, 2020).
- g) Novelty: Municipal support was a new device introduced to help local small-scale entrepreneurship and employment.

2.3 Measures related to sickness benefits and sick pay

2.3.1 Sairausvakuutus (Sickness insurance)

In Finland, no changes were introduced to existing sickness and sick pay schemes. Sickness insurance is universal and eligibility to benefits is based on permanent residence. Furthermore, before the COVID-19 pandemic there were already laws planned for such exceptional situations (for example, the Act on Emergency Powers and the Act on Infectious Diseases).

2.3.2 Tartuntatautipäiväraha (Infectious disease allowance)

- a) Short description of the measure: The infectious disease allowance (under an act passed in 2016) compensates for the entire loss of earnings of a person ordered to quarantine. The allowance is paid as long as the quarantine lasts (Act on Infectious Diseases 1227/2016).
- b) Category: Conditional benefit.
- c) Timing: The scheme has been running since the law was implemented in 2016.
- d) Range, duration and conditionality: The benefit compensates for the entire loss of earnings of a person whom a medical doctor orders to quarantine. The allowance is paid as long as the quarantine lasts (Act on Infectious Diseases 1227/2016). In order

⁵ Direct correspondence by emails between the authors of the report and Mikko Kautto, CEO of the Centre for Pensions, 8 February 2021.

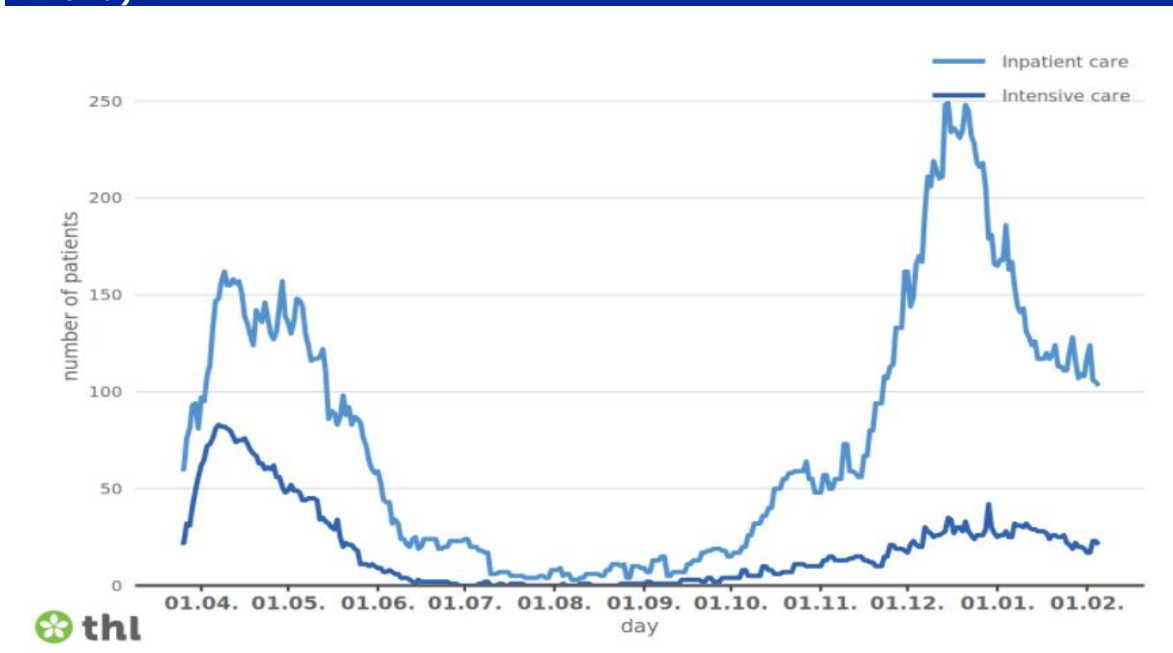
to get the allowance, the claimant has to send Kela information on the loss of earnings during the quarantine period.

- e) Targeted population: People ordered to quarantine. The benefit is universal, covering the entire population.
- f) Beneficiaries: In 2020, 27,080 people benefited from the allowance, whereas in 2019 there were only 120 such cases (Kela, 2021b).
- g) Novelty: An existing scheme.

2.4 Measures related to health insurance

Finnish healthcare is universal and covers all residents. COVID-19 is considered a universal infectious disease for which examinations, treatments, and the isolation of the sick and suspected sick are free of charge. No major reforms have been made. As Figure 10 depicts, there were two peaks in demand for hospital care. The first one was April-May 2020 and the second in December 2020 to January 2021. During April-May 2020, the percentage of patients in intensive care was significantly higher than in the second peak period. As Figure 5 above indicates, the annual excess mortality rate for 2020 in Finland was 4.5%, compared with the EU-26 average of 12.8%.

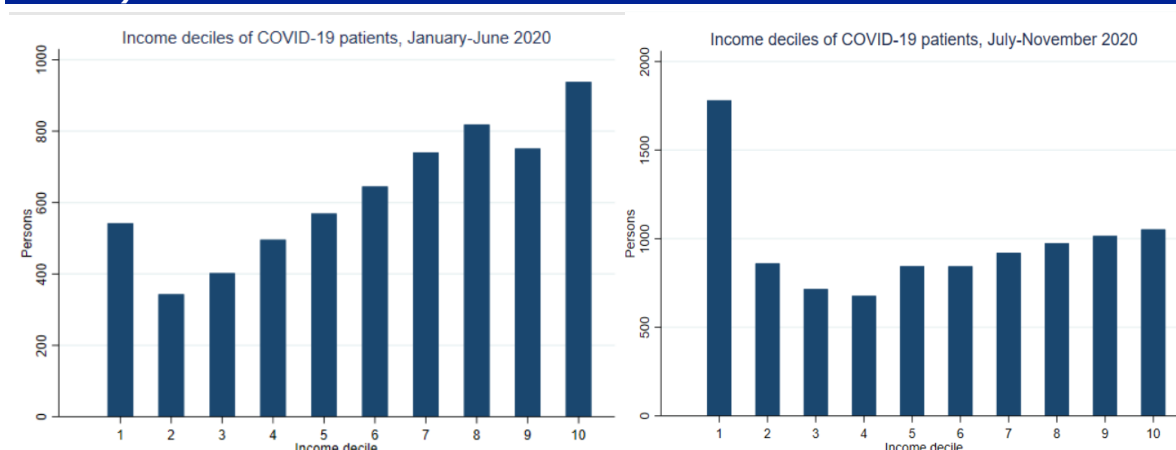
Figure 10: COVID-19 patients receiving healthcare (April 2020 to January 2021, Finland)



Reading note: The figure depicts the trends in the numbers of COVID-19 patients who were hospital in-patients and those who received intensive hospital care (1 April 2020 to 1 February 2021). Source THL, 2021.

Figure 11 reveals different patterns for the spring and autumn of 2020. Whereas during the first part of the year 2020 infections and hospital care were more common among the higher-income groups (as a result of foreign travel), during the latter half of the year the infections increased most in the lower-income classes.

Figure 11: COVID-19 patients by income decile (spring and autumn 2020, Finland)



Reading note: The figure depicts the number of infections according to income deciles. The left-hand panel pertains to the situation in January-June 2020 and the right-hand panel pertains to July-November 2020. During the spring of 2020 infections were more common in the higher-income deciles, whereas during the autumn the infections increased most in the lowest decile.

Source: Helsinki GSE Situation Room, 2021c.

2.4.1 Kela-korvaus yksityisessä terveydenhuollossa tehdyistä koronavirustutkimuksista (Kela reimbursement for corona virus tests performed in private healthcare)

- Short description of the measure: Since 1 April 2020, the Kela has reimbursed part (about 50% in 2021) of the costs of COVID-19 tests done by private sector healthcare providers.
- Category: Flat benefit.
- Timing: The reimbursement has been effective since 1 April 2020 and is continuing for the time being.
- Amount and duration: The Kela reimburses some of the costs of healthcare in the private sector. In 2020, the compensation for private sector COVID-19 tests was €56 per test, and since the beginning of 2021 it has been €100 per test (which reimburses about 50% of the costs).
- Targeted population: The benefit is automatically paid to all clients using private test providers.
- Beneficiaries: No data available yet.
- Novelty: This scheme was an amendment to the existing Kela reimbursement scheme.

2.5 Measures related to minimum-income schemes and other forms of social assistance

2.5.1 Epidemikorvaus (Temporary epidemic compensation)

- Short description of the measure: On 17 June 2020, the government introduced a bill on temporary epidemic compensation (*epidemikorvaus*) to help those who are in difficult economic and social situations.
- Category: Flat benefit.
- Timing: The scheme was effective from 1 September to 31 December 2020.

- d) Amount and duration: The monthly amount of temporary epidemic compensation was €75 per person. The benefit was paid to all those who received basic social assistance from Kela. The scheme was effective during 1 September to 31 December 2020.
- e) Targeted population: The compensation was paid to those income support recipients who received basic social assistance in spring 2020. In 2019 around 7% of the population received social assistance (almost 400,000 people). In 2020, the number of the recipients of the basic social assistance was 5% higher than in 2019 (Kela, 2021b).
- f) Beneficiaries: In 2020, there were 227,500 people in 153,900 households getting the benefit – about 60% of all basic social assistance beneficiaries (Kela, 2021b).
- g) Novelty: The scheme was a new temporary measure.

2.6 Measures related to housing support

No changes made. The housing allowance system mitigated the economic effects of the pandemic. The number of households receiving general housing allowances continued to grow, and rose to more than 400,000 households (in November 2020), which was 30,000 households more than November 2019. For 2020 overall, there were about 5% more recipients than in 2019 (Kela, 2021b). The Finnish housing allowance system is designed to support both tenants and home-owners. As regards support for homeless people, Finland is the only EU country that has managed to significantly reduce homelessness in the last two to three decades. The “housing first” principle applied in the country was also effective during the pandemic.

2.7 Leave for parents whose children are unable to attend school or a pre-school service by reason of COVID-19

2.7.1 *Väliaikainen epidemiatuki* (Temporary financial assistance)

- a) Short description of the measure: Temporary financial assistance (*väliaikainen epidemiatuki*) to cover the income loss for parents who stayed at home to take care of their children when the schools were closed.
- b) Category: Flat benefit.
- c) Timing: Assistance was paid from 16 March to 13 May 2020.
- d) Amount and duration: Temporary financial assistance (€723.50 per month) was paid during the period of 16 March to 13 May 2020.
- e) Targeted population: All parents who were obliged to stay at home to take care of their children while schools were closed. The criterion for eligibility was loss of income (which had to be proved to Kela before it paid out the benefit); thus those who teleworked at home (for example) without loss of income were not eligible for the benefit. Neither the laid-off or unemployed parents nor those who were on maternity, paternity, parental, or care leave were entitled to the benefit. The assistance could be received if the child was in early childhood education (ages 1-5), pre-school settings (age 6), and first to third year in basic education (ages 7-9).
- f) Beneficiaries: There were 2,936 recipients of the benefit.
- g) Novelty: The scheme was a new temporary policy measure.

2.8 Other important temporary social protection/inclusion measures adopted in the context of the pandemic, which do not fall in any of the categories listed in the previous sections

2.8.1 Kouluruokailu (Free school meals)

- a) Short description of the measure: All schoolchildren are equally entitled to free school meals. During the COVID-19 crisis, when schools were closed, there were alternative arrangements.
- b) Category: Neither flat nor conditional benefit.
- c) Timing: 18 March to 15 May 2020.
- d) Amount and duration/range, duration and conditionality: Not applicable.
- e) Targeted population: Some municipalities provided meals for all pupils, some provided meals subject to means-testing, and some used vouchers, take-away food, or paid compensation in cash. According to a municipal survey conducted by the Ministry of Education and Culture (OKM), in the second week of April 2020 about half of the municipalities (47.3%) provided school meals to all students; and 27.5% provided meals only to contact pupils – that is, children in classroom teaching. The remaining 25.4% of municipalities provided meals after means-testing, to pupils and students with special needs, or on other social and economic grounds (Ministry of Education and Culture, 2020a).
- f) Beneficiaries: No exact data available – see above.
- g) Novelty: Alternative arrangements to an already existing measure.

3 SOCIAL PROTECTION AND INCLUSION RESPONSES TO THE CRISIS: OVERALL ASSESSMENT AND POSSIBLE GAPS

This third section briefly considers three aspects: the expected cost of the social protection and inclusion measures put in place by the country (Section 3.1), the impact of these measures on the social protection system and on social inclusion policies (Section 3.2), and the possible remaining gaps in the social protection system and in social inclusion policies (Section 3.3). It concludes with Section 3.4 on debates and recommendations.

3.1 Expected cost of social protection and inclusion measures

It is difficult to determine the exact size of the separate costs incurred due to the pandemic (an attempt is made in Table A1 in Annex 3). Although it is relatively easy to evaluate the costs of the temporary emergency measures, it is harder to separate the specific cost effect of the pandemic on universal schemes, or the impacts of the temporary changes in unemployment benefits (see Section 2.1).

The Kela⁶ estimates that the additional costs caused by the pandemic are about €0.5 billion, which is about 0.2% of the 2019 GDP. The share of the specific measures listed in Table A1 (€1.21 billion) corresponds to 0.5% of 2019 GDP and only 0.1% (€205 million) without the reductions of pension contributions. Thus, while the costs of the extra social policy measures were rather small, there were other direct costs caused by increased numbers of clients in the income-related unemployment scheme and in some other social security programmes. In 2020, unemployment funds paid out earnings-related unemployment benefits of up to €2.7 billion, whereas in 2019 the amount was €1.7 billion

⁶ Direct correspondence by emails between the authors of the report and Pertti Pykälä, Head of the Actuarial Department at Kela, 7 May 2021.

(Finanssivalvonta, 2021). The increase of €1 billion corresponds to 0.4% of 2019 GDP. Thus, the direct additional costs for social security are about 0.7% to 1% of 2019 GDP.

There were also substantial indirect costs in the form of loss of tax revenues of €2.5 billion, subsidies to enterprises of €3.5 billion, €2.5 billion caused by the closure of the Uusimaa county and €1.4 billion for subsidies to municipalities (e.g. to organise distance learning) and to voluntary organisations. These amounts correspond to 6% of 2019 GDP (Kangas, 2021).

The government has tried to reduce the negative effects of the pandemic by increasing public spending. The government introduced a number of crisis packages that have been financed by taking out additional loans amounting to €17.5 billion (7% of 2019 GDP). As a consequence, the general government deficit relative to GDP was 8% in 2020 (it was 1% in 2019) and the public debt in 2020 was 70% of GDP (59% in 2019); and it is estimated to rise further to 80% in 2024 (Ministry of Finance, 2020). Therefore, strong fiscal adjustments will be needed when the pandemic is over. This means cutting expenditure, increasing taxes and implementing structural measures to improve the employment rate (Vihriälä et al., 2020). The main political challenge for the current centre-left government is to plan a feasible post-COVID-19 adjustment strategy that is socially just but economically ambitious enough to tackle the expanding public sector indebtedness.

3.2 Impact on the social protection system and on social inclusion policies

In Finland, the existing social security system has done rather well in cushioning the negative economic effects of the pandemic, and only a few temporary emergency measures have been introduced; some of these were already abolished at the beginning of 2021. Most of the extra policy measures to mitigate the effects of the pandemic were amendments to existing schemes. However, the extension of the labour market subsidy to the self-employed may strengthen the debate on introducing universal and obligatory unemployment insurance. A special characteristic of the Finnish unemployment system is that, in order to get income-related benefits, people must voluntarily join an unemployment fund. However, the fund memberships are socio-economically skewed. About 90% of employees in permanent jobs were members of unemployment funds in 2015. The coverage among non-standard workers and the self-employed is considerably lower: about one fifth of self-employed people and one tenth of self-employed people with employees have membership in an unemployment fund (Kangas and Kalliomaa-Puha, 2016). The majority of the self-employed have to rely on the basic unemployment benefits (basic unemployment allowance and labour market subsidy) paid by Kela. There are demands on a compulsory insurance scheme to legally provide income-related security for all the employed people, be they employees or self-employed (Kotamäki, 2018). The temporary measure that made labour market subsidy more easily accessible for the self-employed may pave the way towards compulsory insurance.

3.3 Remaining gaps in the social protection system and social inclusion policies

The pandemic has acted as a “stress test” and indicated that the Finnish social security system has performed well in buffering the negative economic effects of the pandemic. While the overall well-being of a large part of the adult population has not changed very much during the pandemic, there is a greater incidence of mental ill-health in some groups, such as students, older people and healthcare staff. The epidemic has changed people’s daily lives, time-use and utilisation of various services in many ways (Kestilä et al., 2020). The social protection system was not always able to recognise and meet those changes and there are gaps in the social protection system that the pandemic accentuated.

Despite the relatively good performance of the welfare state, the pandemic may have long-lasting negative consequences. The COVID-19 pandemic has affected the social services

of all vulnerable groups. Even though Finland has not been hit by the pandemic as hard as most other countries (see Sections 1.1. and 1.2.), Finnish social service units were not prepared for the magnitude of the pandemic. Although there were plans for future crisis situations (e.g. the national preparedness plan for an influenza pandemic and the social services' preparedness and contingency plans), many difficulties surfaced.

In principle, all residents, regardless of their background (native or immigrant), should have the same rights to healthcare. Whereas refugees have rights to the same social and health services as municipal residents, adult asylum-seekers are entitled to urgent and necessary healthcare. The rights to healthcare of "paperless" people vary from municipality to municipality but in principle they should be entitled to urgent healthcare (Kangas and Kallioma-Puha, 2018).

Those who were already vulnerable were hit the hardest. Since most face-to-face social and health services are being provided via telephone or the internet, access to these services among those most in need has worsened. The role of parishes and NGOs has been important in filling loopholes in official safety nets and providing social support (Eronen et al., 2020). The pandemic has shown that (physical) service places with low-threshold, outreach work, and neighbourhood services are vital for the most vulnerable people. Among grass-root social workers there are growing concerns about people with mental health problems, or substance users, and people with various life-management problems.

Many municipalities have tried to develop alternatives to face-to-face meetings; various digital services have been developed, and more and more clients are met via WhatsApp video calls or similar digital means. These new ways to work will certainly remain even though it is clear that they are not suitable for all clients.

Running down the face-to-face mental and other healthcare and rehabilitation services hit the most vulnerable clients the hardest, such as homeless people and clients in need of multiple services. Social workers in outreach work report serious problems. Since many of the food serveries were closed down or moved to avoid queues and crowds, people needed to travel to other parts of town to obtain their daily meals, even though many of those homeless people belonged to groups at high risk from COVID-19. Since libraries and meeting places were closed, they had no place to go during the daytime. There are only a few places in emergency housing. Taking care of personal hygiene became even more difficult than usual. However, this said, the mainstreamed "housing first" approach probably has cushioned the impacts of COVID-19 more effectively than policies in many other Member States where homelessness is a bigger problem than in Finland.

At the population level, there are increased feelings of loneliness, insecurity, and anxiety. In the spring of 2020, 75% of the municipalities reported a remarkable increase in loneliness and a sense of insecurity among their residents. Most worrying was the situation of people with mental disorders, long-term unemployed people, and people with many service needs according to social welfare professionals (Eronen et al., 2020). The Mental Health Finland NGO (Mieli ry, 2020) reported 46% more attempted calls to their helpline. Growing problems with mental health and substance abuse were also present in emergency social services and at home: the number of house calls and home alerts dealt with by the police increased (Kivipelto et al., 2020; Kestilä et al., 2020).

There is growing concern about the incurring of debts, and the number of people in need of social assistance was approximately 3,000 more than the average. This hit young people and young women in particular (Jauhiainen et al., 2020). Due to the sudden increase in applications for social assistance and unemployment benefits, handling times have increased (Koponen et al., 2020). Social workers anticipate that the number of arrears of rent will grow, thus increasing homelessness (Eronen et al., 2020).

Finnish schools were closed from 18 March to 15 May 2020, and they operated via distant/remote teaching. As regards remote teaching, 70% of teachers were satisfied with it. However, 20% of them complained that due to lack equipment they were not able to properly communicate with some of their pupils (OAJ, 2020). Therefore, socio-economic

differences in learning may increase (Ministry of Education, 2020b). There are indications that school drop-outs are increasing in pace as the pandemic continues.

Unlike in many other countries, in Finland there is an Act of Emergency Powers (*Valmiuslaki 1552/2011*) that provides adequate powers for national and regional authorities during war or other exceptional situations. During the pandemic it was tested for the first time and it proved to be decisive in providing the possibility for the government to act quickly if needed. There is also the fairly new Act on Infectious Diseases (*Tartuntatautilaki 1227/2016*), which provided effective tools for combatting the pandemic. Furthermore, preparing for emergency situations is a statutory obligation for the local authorities, municipalities and social services. Despite all the planning, none of the plans catered to COVID-19 completely. Chains of commands between different authorities were often too unclear, and the local authorities felt that they were left to their own devices (Yleinen et al., 2021). The discussions revolved around the rights and limits in restricting basic freedoms and rights. For example, the Parliamentary Ombudsman stressed that other social and human rights and individual freedoms should also be considered, and not only health (i.e. also outcomes in terms of mental health, safety and feelings of belongingness should be taken into consideration).

3.4 Debates

The policy measures the government implemented in the early phase of the COVID-19 pandemic tended to be taken on the basis of agreement by all political parties and there seemed to be a consensus that the pandemic must not be politicised. However, the consensus soon evaporated. On the one hand, the government was blamed for taking too heavy and unnecessary measures (e.g. closures of the County of Uusimaa, closing schools and restaurants, and restricting cultural and other mass gatherings). On the other hand, the government was blamed for being indecisive, elusive and unable to react strongly enough to combat the pandemic.

Towards the end of 2020, the pandemic became openly politicised. In early October all the parties in opposition tabled an interpellation question (initiated by the National Coalition party) about confidence in the Minister of Social Affairs, Krista Kiuru. There was dissatisfaction among the opposition parties with the Ministry of Social Affairs and Health (MSAH), led by Kiuru. The argument was that the MSAH had consciously argued about the benefits of using masks in a way that did not correspond to the best information available at the time. Prime Minister Sanna Marin stated that she had total trust in Kiuru, and that the government has relied on the latest estimates from health authorities in fighting the epidemic and acted accordingly. The government won the vote of confidence.

The decision to postpone municipal elections to 13 June 2021 (originally elections were to be held on 18 April 2021) electrified the political debate. In addition, the EU's €750 billion recovery package caused political disagreements, and an interpellation was next tabled against the government's decisions on the package. A parliamentary vote of no confidence was tabled against the Minister of Justice, Anna-Maja Henriksson. She was blamed for insufficient preparations for dealing with the municipal elections.

Although the parties have their strong political disagreements about the proper measures to combat the pandemic, there seems to be a great deal of consensus that there is no major need to turn the temporary social protection measures into permanent ones. The only exception may be the extension of the coverage of the unemployment protection schemes as discussed in Section 3.2. Otherwise, social policy issues have not been that much on the political agenda.

Instead of social policy measures, the debates have revolved around the vaccination strategy, COVID tests and border controls, the extent to which peoples' rights to travel and move should be restricted, whether or not to limit the opening hours of restaurants, and whether mass gatherings (concerts etc.) be allowed or not. Political debates indicate that the chains of command between different public authorities and actors (the central government, ministries, regional state administrative agencies, municipalities, healthcare

districts and the Finnish Institute for Welfare and Health) should be clearer in order to better meet challenges caused by future pandemics or other possible exceptional situations. In fact, there already are many policy processes – not least the two massive reforms of social and health care (SOTE) and the income-transfer system (SOTU).

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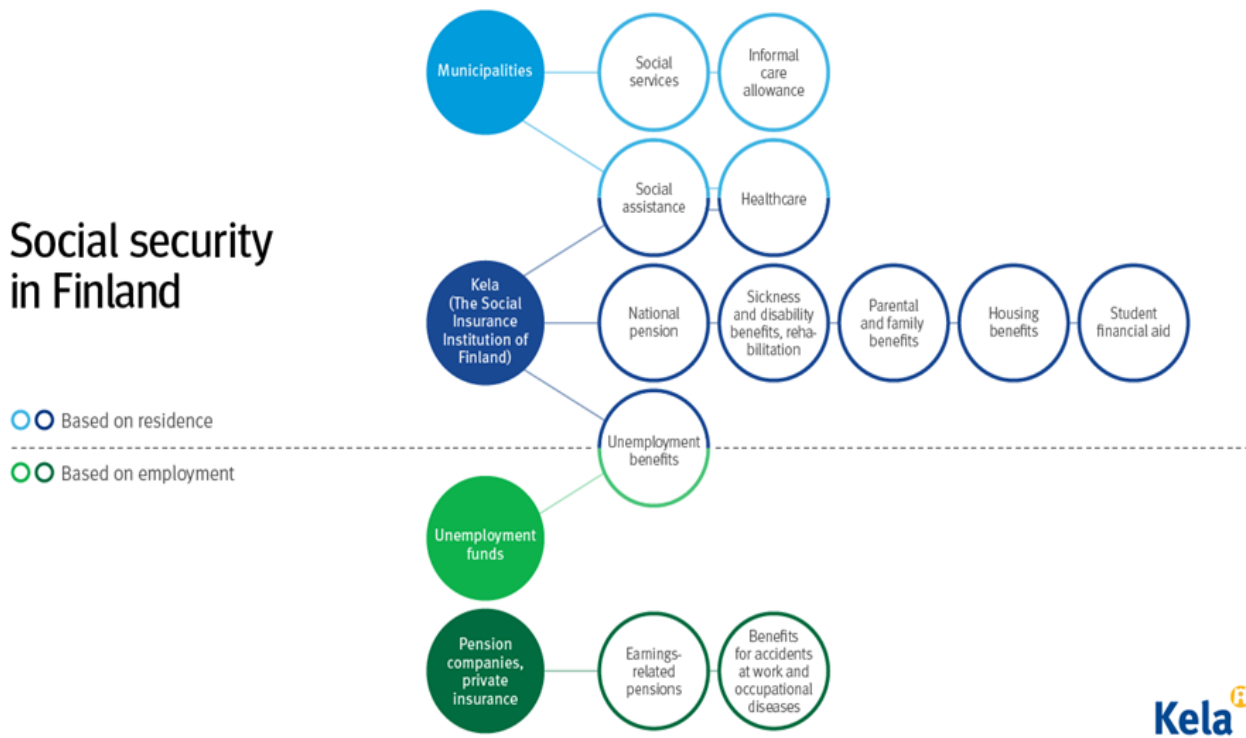
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ANNEX 1: DIVISION OF LABOUR BETWEEN RESIDENCE-BASED AND EMPLOYMENT-BASED INCOME-TRANSFER SCHEMES IN FINLAND

Figure A1: Division of labour between residence-based and employment-based income-transfer schemes in Finland

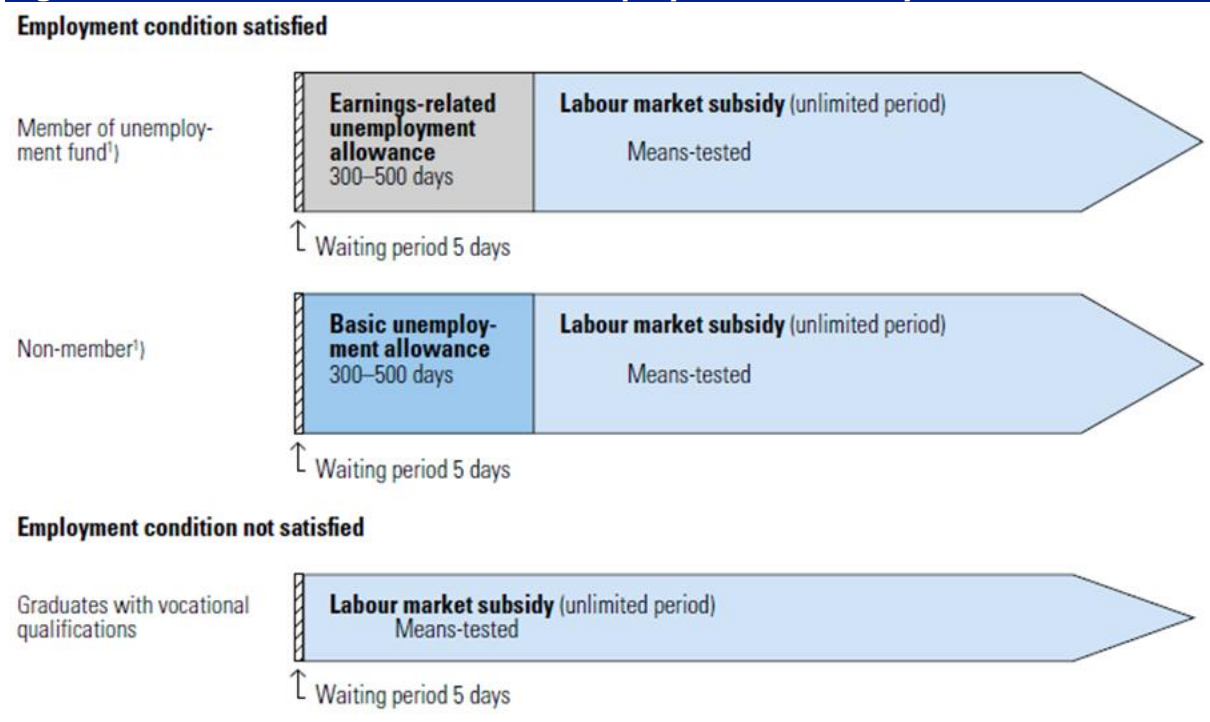


Source: Direct correspondence via email with Kela’s information service.

ANNEX 2: THE FINNISH UNEMPLOYMENT PROTECTION SYSTEM

The Finnish unemployment protection scheme is divided into “basic security” paid by the Kela and income-related benefits paid by unemployment funds. Membership of unemployment funds is voluntary. The structure and main characteristics of those schemes is depicted in Figure A2.

Figure A2: Structure of the Finnish unemployment benefit system



Source: Direct correspondence via email with Kela's information service.

In principle, the coverage of basic unemployment protection is universal in Finland. All residents are entitled to benefits. There are two forms of basic unemployment income transfers, the basic unemployment allowance [*peruspäiväraha*] and the labour market subsidy [*työmarkkinatuki*], both of which are administered by Kela. They deliver the same gross monthly benefit amount (about €740 in 2021) but differ in their eligibility criteria. Whereas the labour market subsidy is a means-tested benefit for those with little or no employment history, the basic allowance targets applicants who have employment records but are not members in voluntary unemployment funds (a requirement for receiving the income-related unemployment allowance). The gross income-loss compensation level in the earnings-related scheme is about 60% at the average income level of €3,300 per month.

All three benefits are paid after a five-day waiting period. There are specific regulations for those younger than 25 who have not completed their vocational education, including a five-month qualifying period prior to eligibility for labour market subsidy, and a requirement to seek education. During the five-month period, they are entitled to social assistance.

There are some adjustments to facilitate temporary and short-term jobs for the unemployed. With “adjusted unemployment benefits” [*sovittelu päiväraha*], work income up to €300 per month (*suojaosa*, the “exempt amount”) does not reduce benefits, but income greater than the exempt amount reduces the benefit by certain tapering percentages, usually 50%.

If unemployment continues longer than the maximum periods for the basic allowance or income-related benefits, the unemployed person qualifies for the labour market subsidy, which has an unlimited duration. The labour market subsidy is an income-tested benefit. Social benefits such as child and housing allowances and income support are exempted from income-testing (Kela, 2021).

There are substantial differences between employment categories in terms of both the coverage and generosity of the unemployment protection schemes. About 90% of employees in long-term and permanent jobs are members of unemployment funds. The coverage among non-standard workers is about 50%, whereas among the self-employed (20%) and entrepreneurs with employees (10%) it is considerably lower, which means that the majority of them must rely on the basic unemployment benefits paid by Kela. The same applies to many researchers, artists, writers, etc., who are working on various grants. They do not have a right to income-related unemployment benefits (see for example, OECD, 2020).

ANNEX 3: COSTS OF COVID-19 MEASURES**Table A1. Costs of COVID-19 measures taken in Finland**

Policy measure	Benefit levels	Total costs	Remarks
Unemployment (Section 2.1.1) - abolished 5-day waiting period - abolishing limitation on duration - work requirement - exempt amount - subsidy to self-employed people	€168 for basic benefits and on average €330 for income-related benefits no data no data €200 per month €730 per month	no data no data no data €166 million 1*	44,046 recipients
Accelerated furlough process (Section 2.2.1)	no data	no data	
Reduced pension contributions (Section 2.2.2)	2.0-2.6% of the company's payroll	€1 billion 2*	will be compensated for later by higher contributions
Municipal support for entrepreneurs (Section 2.2.3)	€2,000	approximately €60 million 3*	about 30,000 applications
Sickness insurance (Section 2.3.1)	depends on income	no data	
Infectious disease allowance (Section 2.3.2)	100% of income	€27 million 4*	27,080 recipients
Healthcare (Section 2.4)	no data yet	no data yet	
Kela reimbursement for COVID tests (Section 2.4.1)	no data yet	no data yet	
Temporary epidemic compensation (Section 2.5.1)	€75 per person per month	€50 million 5*	227,500 clients (75% of basic social assistance recipients)
Housing allowance (Section 2.6)	about €250 per household per month	approximately €90 million extra costs for COVID 6*	In 2020, about 30,000 households more than in 2019 got housing allowance.
Temporary financial assistance (Section 2.7.1)	€723.50 per month	€2 million 7*	2,936 recipients
Free school meals (Section 2.8.1)	€1.75-€8.45 per meal	no extra costs	

Source: 1* Authors' own calculations; 2* direct correspondence by emails between the authors of the report and Mikko Kautto, CEO of the Centre for Pensions, 8 February 2021; 3* Yrittäjät (2020) and authors' own calculations; 4*-7* Kela (2021b).

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