S&P Global Ratings

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The Employment Fund

June 24, 2025

This report does not constitute a rating action.

Primary contact

Niklas Steinert
Frankfurt
49-693-399-9248
niklas.steinert
@spglobal.com

Secondary contact

Karen Vartapetov, PhD
Frankfurt
49-693-399-9225
karen.vartapetov
@spglobal.com

Credit Highlights

Overview

Key strengths	Key risks
In our view, Työllisyysrahasto - The Employment Fund (EF) plays a critical role in Finland's labor market policy and social security system as the sole entity responsible for funding the country's earnings-related unemployment insurance scheme.	Although remote, any erosion of EF's position in the policy architecture of the Finnish welfare state could reduce EF's interconnectedness with, and importance for, the government. This could diminish the government's readiness to provide support to EF.
EF has an integral link with the Finnish government, evident from the comprehensive legislation framework governing the entity, its direct links to government ministries and other public institutions, and past financial support from the government, including in 2020.	EF's financial buffers will continue to erode this year, in line with its public policy mandate.
We expect EF's financial results will improve only from next year, also reflecting a moderate recovery in Finland's labor market.	

EF is an indirect public administration entity mandated with funding the earnings-related share of Finland's unemployment insurance scheme. EF remains a key part of Finland's labor market policy and social security system. As such, we believe that the entity will benefit from an almost certain likelihood of extraordinary government support in times of financial stress. We therefore equalize our ratings on EF with those on Finland (unsolicited, AA+/Stable/A-1+).

EF has a strong track record of receiving government support during past crises. This was evident during the COVID-19 pandemic, when the government provided EF with financial support in the form of direct financial assistance and a guarantee for some of EF's liabilities.

EF's financial performance is closely linked with developments in Finland's labor market. Given the weaker-than-expected labor market as well as lowering of unemployment insurance contributions, EF's financial buffers continue to decline, although from peak levels.

Outlook

S&P Global Ratings' stable outlook on EF reflects the outlook on Finland, given our view of EF's critical role for and integral link with the Finnish government. In our view, the authorities will continue to safeguard the entity's solvency and liquidity in a hypothetical stress scenario.

Downside scenario

Risks to the rating could build if we observed an unwinding of EF's role in the execution of key public policy, leading to a lower degree of government involvement and support for EF's activities. We consider this scenario unlikely over the next two years and expect our ratings on EF to move in line with our ratings on Finland.

Upside scenario

We could raise the ratings on EF if we raised our ratings on Finland.

Rationale

We equalize our ratings on EF with those on Finland. This reflects our expectation of an almost certain likelihood that the Finnish government would provide timely and sufficient extraordinary support to EF in the event of financial distress. In accordance with our approach for rating government-related entities, we base our assessment of an almost certain likelihood of government support on EF's:

- Critical role for Finland’s welfare system and in the execution of key labor market policy in Finland. EF is the sole entity responsible for funding the Finnish earnings-related unemployment insurance scheme; and
- Integral link with the Finnish government, as indicated by the government's strong supervision and control over EF and its status as an indirect public administration.

We believe that there is virtually no risk of the almost certain likelihood of extraordinary government support for EF changing. Accordingly, we do not assess EF's creditworthiness on a stand-alone basis. We effectively view EF as a department of the government, reflected in its status as an indirect public administration. As a result, EF must comply with the same rules as public authorities. This status not only underlines EF's integral link with the government, but also implies that, if EF did not exist, the government would have to manage EF's functions directly itself. Eurostat consolidates EF's net financial position into Finland’s gross general government debt.

In administering the financing of statutory unemployment allowances, EF plays a central role in managing what is a key pillar of the Finnish social security system. Because of this key public policy role, its interacts closely with the central government, and EF has enjoyed support from the government to fulfil its statutory tasks during periods of financial stress. The government clearly demonstrated its supportive stance toward EF in 2020, as the COVID-19 pandemic tested the Finnish social security system. The economic shock from the pandemic led to a significant increase in temporary layoffs that prompted an unprecedented rise in statutory benefit payments administered by EF. These developments prompted swift actions from EF, which, thanks to direct financial support from the central government, fully executed its statutory responsibilities during this time.

Changes in employment and unemployment rates affect both EF's revenue (premium income base) and expenditure (unemployment payment base). The shock to the Finnish economy and labor market during the pandemic resulted in deficits of 23% of turnover in 2020 and 18% in 2021. Consequently, the central government extended €333 million of direct financial support to EF in 2020 to help it finance temporary layoff schemes. Since then, Finland's labor market has recovered significantly and remains resilient despite a slight softening over the past two years. Unemployment has inched above 9% while the employment level stands at about 72%, still near historical highs. We note that total wages have increased significantly since 2021, which is important since it correlates with EF’s revenue collection.

EF replenished its financial buffers during 2022 and 2023, in line with the recovery of the Finnish labor market after the pandemic. EF also benefited from adjustments to the unemployment insurance contributions in 2021 and 2022, for which it had to obtain parliamentary approval. In line with EF’s public mandate, the unemployment insurance contributions have been lowered in 2024, which explains EF's deficits in 2024 and 2025. The lower revenue from unemployment insurance contributions has more than offset reduced expenditure from the recent changes to unemployment benefits and the government's discontinuation of the Adult Education Program in August 2024. We expect a planned rise in unemployment insurance contributions from next year will translate into improved financial results from next year.

In 2020 and 2021, EF also tapped its financial buffers and benefited from a strong precautionary financial arrangement with the government to navigate the repercussions of the pandemic for the labor market. To safeguard liquidity during the pandemic, the Finnish government provided a guarantee for a €800 million revolving credit facility (RCF) for EF in April 2020. (The current RCF stands at €600 million and no longer benefits from a government guarantee.) Furthermore, the central government directly financed the temporary layoff schemes that ran from April 2020 through to year-end 2020, saving EF over €300 million in outlays. We consider the central government to be ultimately responsible for the functioning of the Finnish social security system and hence believe that it will stay committed to ensuring EF's solvency and liquidity position.

In accordance with the Act on the Financing of Unemployment Benefits, EF also maintains a business-cycle buffer that it generates from the difference between its income and expenses. The stipulated maximum buffer is tailored to the annual benefits that EF pays at an unemployment rate of 6%. This buffer is to safeguard EF's solvency and even out changes in unemployment insurance contributions caused by cyclical trends in the national economy. EF seeks to ensure the sufficiency of the business-cycle buffer by setting unemployment insurance contribution rates at an appropriate level.

As mentioned above, EF tapped into its business-cycle buffer extensively over 2020-2021, but subsequently replenished these funds. The funds reached peak levels of over €2.0 billion at year-end 2022, compared with €2.9 billion of benefits paid that year. In the same year, the business-cycle fund exceeded its maximum threshold, resulting in a reduction of annual unemployment insurance contributions, weakening EF's annual results in 2024. We expect EF’s business cycle buffer could decline further, to below €1 billion by year-end 2025. EF also placed two bonds each totaling €600 million in 2020 (and has since repaid one), indicating its strong access to loans and its capital market funding capabilities.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021

- Criteria | Governments | Sovereigns: Sovereign Rating Methodology, Dec. 18, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009

Related Research

- Finland, April 28, 2025
- Default, Transition, and Recovery: 2024 Annual Global Sovereign Default And Rating Transition Study, March 24, 2025
- Sovereign Risk Indicators, April 10, 2025

Ratings Detail (as of June 24, 2025)*

Tyollisyysrahasto, The Employment Fund	
Issuer Credit Rating	AA+/Stable/A-1+
Senior Unsecured	AA+
Issuer Credit Ratings History	
30-Sep-2016	AA+/Stable/A-1+
06-Oct-2015	AA+/Negative/A-1+
21-May-2015	AA+/Stable/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.