
FINLAND 2002

1. Overview of the system

There exists a three-tier system of unemployment benefits: a basic benefit, an earnings related benefit and a means-tested benefit. The earnings related supplement is paid to insured people only; insurance is voluntary. Housing costs are covered through a separate income tested scheme. There is a social assistance scheme which guarantees a minimum income for every inhabitant of the country. The tax unit is the individual. The 2002 AW earnings level is EUR 29 495.

2. Unemployment insurance

The basic benefit and the earnings related benefit are for the purposes of this study classified as unemployment insurance. The follow-up benefit (Labour Market Support) is classified as unemployment assistance. The basic benefit is funded by the state and employees (share of employees' unemployment insurance contribution paid employees that are not members of unemployment funds). The earnings related scheme is funded by the state, employers, and employees.

2.1 *Conditions for receipt*

Payable to any registered unemployed person, who is between 17 and 64 years old, who is available for and actively seeking full-time work.

2.1.1 *Employment conditions*

43 weeks of work (minimum of 18 hours per week) in the last 24 months.

2.1.2 *Contribution conditions*

Earnings-related benefit: 10 months of voluntary contribution to an insurance fund preceding the claim.

2.2 *Calculation of benefit amount*

2.2.1 *Calculation of gross benefit*

Basic benefit: EUR 22.75 /day (January – February: EUR 21.91 /day) (5 days /week).

Earnings related benefit: Basic benefit; plus 45 per cent (January – February: 42 per cent) of daily reference earnings (DRE) in excess of the basic benefit until EUR 95.23; plus 20 per cent of DRE in excess of EUR 95.23 ($95.23 = 90 * \text{basic benefit} / 21.5$); January – February: $91.71 = 90 * \text{basic benefit} / 21.5$).

In these calculations, the daily reference earnings are calculated as follows:

M = gross earnings in the reference year / 12.5 (monthly earnings are calculated here to exclude additional holiday pay included in the AW, hence the division by 12.5 instead of 12; note that in practice the 43 week period needed to fulfil the employment condition is usually used as reference period, excluding additional holiday pay).

$D = M / 21.5$ (21.5 working days /month)

$DRE = D * 95.2$ per cent (pension and unemployment insurance contributions are covered by a fixed payment set at 4.8 per cent by the Ministry of Social Affairs in order to avoid “over compensation” since these contributions are paid from wage and salary income). These contributions are not paid on benefit income.

The earnings related benefit is calculated from the basic benefit excluding the child supplement. The child supplement is then added to earnings related benefit.

Child supplement (total)	Rate (in EUR per day*)
1 child	4.31
2 children	6.33
3 or more children	8.16

* Monthly/yearly equivalents are obtained using 21.5 days per month, 12 months per year.

Note that if both parents are unemployed, both receive the basic/earnings related allowance and both receive the child supplement.

2.2.2 *Income and earnings disregards*

If an unemployed person begins to work part-time (including irregular work with reduced working time), the person is entitled to receive (at most for 36 months) a so called adjusted unemployment benefit. The employee may also be entitled to adjusted unemployment benefit for some other reasons (e.g. if employer changes employment from full-time to part-time). The working hours may not exceed 75 per cent of the working hours of full-time work. The unemployment benefit is reduced by 50 per cent of gross income. The maximum amount of combined adjusted benefit (including child supplement) and income from part-time work may not exceed 90 per cent of reference earnings.

2.3 *Tax treatment of benefit*

Taxable, but of social security contributions only the Health Insurance contribution is levied on the benefits.

2.4 *Benefit duration*

Paid for at most 500 days (5 days /week; 100 weeks) after a 7-day waiting period. If there are several separate spells of unemployment during 500 days period only one 7-day waiting period will be applied.

Note that 43 weeks of work during the 24-month period (minimum 18 hours a week) fulfils the employment condition for starting a new 500 days earnings-related period. The reference earnings are based on the most recent earnings fulfilling the employment conditions. However, the new earnings related

benefit level must be at least 80 per cent of the previous benefit level if the employment condition is fulfilled before the 500 days maximum period is exhausted.

2.5 *Treatment of particular groups*

2.5.1 *Young persons*

None.

2.5.2 *Older workers*

Persons who become unemployed at the age of 55 years and one month are entitled to the benefit until the age of 60 (*i.e.* 57 years-old unemployed persons who have not exhausted 500 day maximum period). After 60 they are usually entitled to an unemployment pension until they receive their old age pension at age 65.

3. **Unemployment assistance**

Labour Market Support (LMS) is aimed at promoting first time entrants and recipients' re-entry to the labour market.

3.1 *Conditions for receipt*

Payable to any registered unemployed person, who is between 17 and 64 years old, who is available for and actively seeking work.

3.2 *Calculation of benefit amount*

3.2.1 *Calculation of gross benefit*

The maximum Labour Market Support benefit is equal to the basic unemployment allowance (see Section 2.2.1; since 2002 the child supplements are the same as well).

Child supplement (total)	Rate (in EUR per day*)
1 child	4.31
2 children	6.33
3+ children	8.16

* Monthly/yearly equivalents are obtained using 21.5 days per month, 12 months per year.

Note that if both parents are unemployed, both receive the basic/earnings related allowance/Labour Market Support and both receive the child supplement.

3.2.2 *Income and earnings disregards*

The income test is suppressed:

- During the first 180 days for persons who have previously received the unemployment allowance for the maximum period allowed (500 days).

- For unemployment allowance recipients aged 55 or more, who at the time they became employed satisfied the employment condition (43 weeks of employment during preceding 24 months).
- During any period in which the recipient participates in measures supporting his/her integration into the labour market that have been arranged by an employment authority.

The income-test is applied to the combined monthly gross income of the recipient and the partner; the latter's income is excluded until EUR 236 per month. The disregarded amount equals EUR 848 per month for a couple or EUR 253 per month for a single plus EUR 106 per month for each dependent child. The LMS benefit is reduced by 50 per cent of the gross income exceeding the disregard, e.g. child allowance, home care allowance, maintenance support and housing allowance are disregarded from the income test. For single person the LMS benefit is reduced by 75 per cent of the gross income exceeding the disregard.

Example of an unemployed person with spouse (earnings EUR 1 436 /month) and two dependent children:

Spouse's income in income-test	$1\,436 - 236 = \text{EUR } 1\,200$ /month
Disregard	$848 + 2 \cdot 106 = \text{EUR } 1\,060$ /month
Income exceeding disregard	$1\,200 - 1\,060 = \text{EUR } 140$ /month
Reduction of LMS	$50\% \cdot 140 = \text{EUR } 70$ /month = EUR 70/21.5 per day = EUR 3.26 /day

Example of for a single person with additional income EUR 500 / month (e.g. capital income):

Disregard	EUR 253 /month
Income exceeding disregard	$500 - 253 = \text{EUR } 247$ /month
Reduction of LMS	$75\% \cdot 247 = \text{EUR } 172.9$ /month = EUR 172.9/21.5 per day = EUR 8.04 /day

If a recipient of LMS begins to work part-time (including irregular work with reduced working time), LMS recipient is also entitled to the adjusted LMS. The rules are same as in earnings related unemployment benefit (see section 2.2.2). Note that both the income-test of adjusted benefit due to earnings from part-time work and the usual income-test above are carried out. First the amount of LMS after usual income-test is calculated. After this the amount of LMS is reduced by earnings from part-time work according to rules of adjusted LMS. The earnings from part-time work are not included in usual income-test.

3.3 *Tax treatment of benefit*

Taxable, but of social security contributions only the Health Insurance contributions are levied on the benefits.

3.4 *Benefit duration*

Unlimited. There is a five-day waiting period for all recipients of benefits. First-time entrants to the labour market must complete a 5-month waiting period (unless they have recently graduated from a vocationally oriented educational institute).

3.5 Treatment of particular groups

3.5.1 Young persons

First time entrants to the labour market who live with their parents only get 60 per cent of the benefit, unless they participate in a labour policy measure. A person aged 17-24 may not decline a job or training offer or choose not to apply for vocational training.

3.5.2 Older workers

Means-testing for previous unemployment allowance recipients aged 55 or more has been suppressed (see section 3.2.2.).

4. Social assistance

Social assistance allowance is a residual social benefit which acts as a final safety-net. There are two nation-wide basic standard levels for different municipality categories; Category I (the most generous) is used.

4.1 Conditions for receipt

It is paid conditional on passing a means test. The need for social assistance is estimated each time case by case. For a person or a family that applies for social assistance a calculation is made of their income and expenditure entitling to social assistance. Expenditure that gives entitlement to social assistance consists of a basic amount plus an additional amount to cover outgoings which are assessed separately. If this combined amount is higher than the family's net income, the difference is paid in the form of social assistance. The basic amount is designed to cover the costs of food, clothes, hygiene, transport, information (newspaper, telephone, TV licence) and minor, everyday health care costs. Also 7 per cent of housing costs should be covered by the basic amount (ownrisk, deductible). Rest of the housing costs considered as reasonable are covered by additional allowance. Other expenditure items that are covered by additional allowance are children's day care fees and larger health care costs (pharmaceuticals, fees of health centres, doctors or dentists, cost of spectacles). Usually all income is included into the means test. Taxes are deducted from the gross income. Assets are also included into the means test. There is no asset threshold, but a small part of savings may be disregarded in order to enhance the self-sufficient living of families. Some assets are also excluded from the means test. These include housing if occupied by recipients, furniture, tools for work or studies, etc. The possibility to realise property/assets should also be considered in the means test.

4.2 Calculation of benefit amount

4.2.1 Calculation of gross benefit

Basic amounts:

Family size	Rate (Category I) (in EUR per month)	Per cent of single rate
Single/Lone parent	370.48	100
Couple (per person)	314.91	85
Allowance per child		

Child over 18*	270.45	73
Child 10-17	259.34	70
Child under 10	233.40	63

* Children aged 18 or over, living with their parents constitute their own household when social assistance is calculated (separate means test).

If there is more than one child (0 – 17) in families the rates will be reduced. The rate of the second child will be 5 percentage points lower (e.g. 70 → 65 per cent or 63 → 58 per cent of single rate) the rate of the third and subsequent child will be 10 percentage points lower (e.g. 70 → 60 or 63 → 53).

In addition to these basic amounts for “everyday living costs”, additional social assistance is granted to cover reasonable housing costs or other costs (such as health care, work-related expenses). See above.

For the purpose of this study, SA is calculated as the basic amount plus 93 per cent of the rent.

The municipalities can use their own discretion in setting the upper limit for reasonable housing costs in social assistance. Social assistance covers often higher housing costs than housing allowances (*i.e.* social assistance has higher maximum amount). In calculations it has been assumed that the housing costs do not exceed the upper limit of social assistance.

To calculate the final SA benefit amount, the procedure is comparing the net income from all other sources to this level. If it is above it there is no right to social assistance. If it is below the level then the actual social assistance that is payable is the difference between the social assistance level and the net income from all other sources (including regular housing benefits).

4.2.2 *Income and earnings disregards*

Social assistance: Since April 2002 is 20 per cent of net earnings up to the maximum amount EUR 100 (/month /family) will be excluded from the income-testing. The law will be in force until 31 March 2005. Otherwise no disregards: All earnings from paid work and all social/family benefits included in this chapter reduce the maximum benefit. Some municipalities may disregard some earnings if they are considered to promote the independence of the recipient.

4.3 *Tax treatment of benefit*

Not taxable.

4.4 *Benefit duration*

As long as the means-test is satisfied.

4.5 *Treatment of particular groups*

4.5.1 *Young persons*

See section 4.2.1.

4.5.2 *Older workers*

None.

5. Housing benefits

There are three income-tested schemes:

- A general housing allowance available to families, couples and single people of limited means.
- A housing allowance for pensioners (not considered).
- An allowance scheme for students (not considered).

5.1 Conditions for receipt

Income-tested.

5.2 Calculation of benefit amount

5.2.1 Calculation of gross benefit

The housing benefit is limited to certain income bands that vary with the number of persons in the household and with the geographical location. The general housing allowance is 80 per cent of the difference between the rent and a so-called “deductible amount”. The deductible amount is determined by the family type and the geographical location and increases with small steps as gross income increases (there are several income brackets for each family type and area). The following rates are for the areas of Helsinki (I municipality group since 2002 and Espoo, Kauniainen and Vantaa (together II municipality group since 2002).

Number of persons in the household	Gross income (in EUR /month) where deductible amount = 0	Gross income where deductible amount increases with earnings	Deductible amount associated to increasing gross earnings	Gross income limit above which there is no housing benefit (in EUR per month)
1	0 – 495	496 – 1 245	13 – 298	1 246
2	0 – 585	586 – 1 725	13 – 468	1 726
3	0 – 735	736 – 2 295	13 – 605	2 296
4	0 – 855	856 – 2 565	13 – 708	2 566
5	0 – 1 035	1 036 – 3 105	13 – 826	3 106
6	0 – 1 245	1 246 – 3 465	13 – 894	3 466
7	0 – 1 425	1 426 – 3 825	13 – 982	3 826
8	0 – 1 560	1 561 – 4 155	13 – 1 064	4 156

There are upper limits for the rents (housing costs) that are covered by the housing costs. In some areas these limits may in practice be below the market rate.

The calculation of maximum housing costs is rather complicated. There is a maximum area of the dwelling for each household size:

Persons	Maximum area, m ²
1	37
2	57
3	77
4	90
5	105
6	115
7	125
8	135

Then there are limits for maximum housing costs per m². These limits depend on the municipality group, age and size of the dwelling and for some other criterion that are not important here. Below are the limits for the Helsinki (first municipality group since 2002).

Helsinki (I municipality group)

Size of dwelling, m ²	Age of dwelling		
	...-1985	1986...95	1996...
-25.9	11.25	12.08	12.58
25.9-30.9	10.41	11.23	11.74
31-35.9	9.57	10.39	10.90
36-45.9	8.80	9.91	10.41
46-60.9	8.33	9.60	10.11
61-80.9	8.09	9.17	9.67
81-	8.01	9.08	9.59

Example: the assumption concerning housing costs is that they are 20 per cent of the AW for all family types. For Finland 2002 this is equivalent of housing cost of EUR 469 per month (= 20% * 28 126 / 12). For a single person living in a 35m² dwelling in Helsinki, in a house which was built in 2000, the maximum amount is 35 * 10.9 = EUR 381.5, which is clearly below EUR 469. Result: the costs above 381.5 are ignored when the housing allowance is calculated.

For the purpose of this study the table below is used to calculate the maximum housing cost:

Maximum housing cost per month

Number of persons in the household	Maximum housing cost
1	35*10.90
2	55*10.11
3	75* 9.67
4	85* 9.59
5	100* 9.59
6	110* 9.59

5.2.2 *Income and earnings disregards*

There is a special EUR 90 per month disregard for lone parents with one child. Earnings, unemployment benefits and home care allowance are taken into the income-test; child allowance and maintenance support are disregarded. 15 per cent of the assets above certain thresholds are considered as income. This amount is divided by 12 to get monthly income. The thresholds vary with family size.

5.3 *Tax treatment of benefit*

Not taxable.

5.4 *Treatment of particular groups*

Students and pensioners have special housing allowances.

6. **Family benefits**

6.1 *Conditions for receipt*

To have a dependent child under 17 years old.

6.2 *Calculation of benefit amount*

6.2.1 *Calculation of gross benefit*

	Rate per child (in EUR per month)
1st child	90.00
2nd child	110.50
3rd child	131.00
4th child	151.50
5th and subsequent	172.00

6.2.2 *Income and earnings disregards*

Universal, not means-tested.

6.3 *Tax treatment of benefit*

Not taxable.

6.4 *Treatment of particular groups*

6.4.1 *Lone parents*

Additional allowance of EUR 33.60 per child per month.

7. Child-care benefits and public day-care

Parents can choose to place their child in a day-care centre run by the municipality, look after the child themselves with the help of the child home care allowance, or choose the private day care allowance and arrange for child care privately.

7.1 Conditions for receipt

Public day care is available to all children under school age (7 years old). Even older children who for some specific reason (e.g. health) are exempt from school are entitled to public day care. The day care fees are income related; the higher the family income, the higher the fees. The fee is a portion (percentage value) of the family income exceeding the income limit. These limits and percentages are different for each family type (3 different size categories). There is an additional income disregard (EUR 89 /month) for other children aged 0-17 in the family. Day care fees cover only a small part of the actual costs (about 15% in year 2001).

7.2 Calculation of public day care fees, home care allowance and private day care allowance

7.2.1 Calculation of public day care fees and gross benefit

All amounts in the following table are monthly:

The rules for public day care fees

Family size (parents + children < 7, max 2)	Income limit (in EUR per month)	Per cent of income exceeding income limit
2	918	11.5
3	1 132	9.4
4	1 344	7.9

If there are other children (under 18 years) than those who have been included when the family size is defined, EUR 89 /month /additional child will be deducted from the gross income before income-test, e.g. A couple with 4, 8 and 10 year-old children, family size is 3 so there will be 2 * EUR 89 deduction from the gross income before income-test.

If there are more than two children in the same family in the public day care, the fees of the third and subsequent children are 20 per cent of the fee for the first child. The maximum fee for the first (the youngest) child is EUR 200 /child /month. For the second child the maximum fee is EUR 180 /child /month. If the day care fee of a child amounts to less than EUR 16.82 it is not paid.

For families with children under three years old who do not use public day care, there is a home care allowance, which includes a care allowance and a care supplement. The care allowance is EUR 252.28 per month for the first child under three years old, EUR 84.09 per month for other children under three years old and EUR 50.46 per month for children between three and six years old. Care supplement is means tested. The maximum amount is EUR 168.19 per month and it is payable for only one child. The family definition, income limits and per cent applied to income exceeding income limit are same as in public day care (see table above). The care supplement decreases as the income exceeding income limit increases. There is no similar income disregard for additional children as with day care fees.

The home care allowance supplement

Family size (parents + children < 7, max 2)	Income limit (in EUR per month)	Reduction of care supplement, per cent of income exceeding income limit
2	1 160	11.5
3	1 430	9.4
4	1 700	7.9

In addition to the home care allowance, there is private day care allowance for those who use private day care for children under 7 years old and do not receive home care allowance for any children in the family. (This benefit is not included in our calculations: we assume public day care). The rates and rules are somewhat different from home care allowance. The private day care allowance consists of a basic allowance and an income-tested supplement, which both are paid for each eligible child. The basic allowance is EUR 117.73 /child /month and the supplement is EUR 134.55 /child /month. The income criteria and limits are the same as those that apply to home care allowance. The allowance is paid at 50 per cent of its normal rate if the child is in pre-primary education organized by the local authorities or starts school at age 6. The private day care allowance is paid directly to service provider and is also taxed as the income of the service provider. The allowance is not paid if a relative or some other individual looks after the child without a formal employment contract or charges no fee for his/her services. However, if the child is under three years old, the parents can apply for child home care allowance.

7.2.2 *Income and earnings disregards*

Gross family income is taken into the income-test, e.g. child benefit and housing allowance are disregarded.

7.3 *Tax treatment of benefit*

Home-care allowance is taxable income. The private day care allowance is taxed as the income of the provider of the day care services.

7.4 *Benefit duration*

As long as the conditions are satisfied.

7.5 *Treatment of particular groups*

None.

8. **Employment-conditional benefits**

None.

9. **Lone-parent benefits**

Lone parents receive an additional supplement to child benefit (EUR 33.60 /child /month see section 6). Also a child receives maintenance support when the person liable to pay maintenance payment

neglects this duty. A child is entitled to maintenance support even when the paternity has not been confirmed. The maintenance support is EUR 118.15 /child /month. Since 1999 the rate has been the same also for remarried providers. There is no means-test. The maintenance support is not taxable.

Note: Lone parents receive maintenance support (EUR 118.15 /child /month).

10. Tax system

It consists of a central government tax, a local government tax, a church tax, and social security contributions.

10.1 Personal Income Tax Systems

10.1.1. Central government income taxes

Tax unit

Spouses are taxed separately for earned income.

Standard tax allowances

Standard tax allowances.

- Work-related expenses: a standard deduction for work-related expenses equal to the amount of wage or salary, with a maximum amount of EUR 460 is granted.

Main non-standard tax relief applicable to an AW.

- Interest: interest can be deducted against capital income. Of the excess of interest over capital income 29 per cent can be credited against income tax up to a maximum of EUR 1 400.
- Membership fees: membership fees paid to employees' organisations or trade unions.
- Travelling expenses: travelling expenses from the place of residence to the place of employment using the cheapest means of communication in excess of EUR 500 up to a maximum deduction of EUR 4 700.
- Other work-related outlays: outlays for tools, professional literature, research equipment and scientific literature, and expenses incurred in scientific or artistic work (unless compensated by scholarships).

Work-related outlays other than membership fees and travelling expenses are deductible only to the extent their total amount exceeds the amount of the standard deduction for work-related expenses.

Rate schedule

Taxable income (EUR)	Tax on lower limit (EUR)	Tax on excess income in bracket (%)
11 500 – 14 300	8	13
14 300 – 19 700	372	17
19 700 – 30 900	1 290	23
30 900 – 54 700	3 866	29

54 700 and over

10 768

36

10.1.2. Local income tax

Tax base and tax rates

The tax base of the local income tax is taxable income as established for the income tax levied by central government.

Municipal tax is levied at flat rates. In 2002, the average tax rate was approximately 17.78 per cent.

Municipal tax is not deductible against central government taxes. Work-related expenses and other non-standard deductions are deductible, as for purposes of the central government income tax.

The tax base and allowances of the church tax are identical to those of the municipal income tax. To enhance the consistency of the *Taxing Wages* and *Revenue Statistics* reports, it has been decided that the church tax will not be taken into account for the calculations in this report.

Allowances in municipal income taxation

An earned income allowance is calculated on the basis of taxpayer's income from work. The allowance amounts to 35 per cent of gross earned income between EUR 2 500 and EUR 7 230, and 10 per cent of gross earned income exceeding EUR 7 230, up to a maximum of EUR 2 140. The amount of the allowance is reduced by 3.5 per cent of the income exceeding EUR 12 600. Benefit income does not entitle to earned income allowance. However, the benefit income is included when the amount of income exceeding EUR 12 600 is calculated (*i.e.* benefit income may reduce allowance). In that latter income concept, work related expenses are deductible (while they are not deductible in gross earned income).

A basic allowance is granted on the basis of taxable income remaining when all other allowances have been subtracted. The maximum amount, EUR 1 480, is reduced by 20 per cent of the income exceeding EUR 1 480.

10.2. **Compulsory Social Security Contributions to Schemes Operated within the Government Sector**

10.2.1. *Employees' contributions*

Rate and ceiling

Employees' pension insurance (4.4 per cent) and unemployment insurance contributions (0.4 per cent) amount to 4.8 per cent of gross salary. These two contributions are deductible in income taxation. These two contributions are not levied on benefits.

Distinction by marital status or sex

The rates do not differ.

10.2.2. Employers' contributions

The average rate of the employers' social security contribution in 2001 was 25 per cent of gross wage.

10.2.3. Other social security contributions

In 2002, the rate of the health insurance contribution was 1.5 per cent. The tax base for the health insurance contribution is the taxable income after tax allowances for municipal income tax purposes. For pension income the rate of the health insurance contribution was 1.9 per cent.

10.3. Universal Cash Transfers

10.3.1. Amount for marriage

None.

10.3.2. Amount for children

The central government paid in 2002 the following allowances:

	Allowance (EUR)
For the first child	1 080
For the second child	1 326
For the third child	1 572
For the fourth child	1 818
Fifth and subsequent child	2 064

The child subsidy for a single parent is increased by an annual amount of EUR 403.2.

10.4. Main Changes in the Tax/Benefit System Since 1999

In January 2001 the first central government income tax brackets was removed, and the remaining brackets were adjusted by 3-5 per cent. The central government marginal tax rates were lowered by 1 percentage point. The rate of the employees' unemployment insurance contribution was decreased from 1.0 to 0.7 per cent. The percentage value for the earned income deduction of wage income was raised from 20 to 35 per cent. The basis for the standard deduction for work-related expenses was changed from 3 per cent of the wage or salary to full amount of wage or salary. The maximum amount of the deduction was raised from EUR 403.2 to EUR 454.

11. Part-time work

11.1 Special benefit rules for part-time work

See section 2.2.2 (adjusted unemployment benefit).

Children younger than 3 give entitlement to partial Care Allowance if the parent is working less than 30 hours per week while looking after their child. The allowance amounts to EUR 63.07 per month. The partial allowance is taxable income.

11.2 Special tax and social security contribution rules for part-time work

None.

12. Policy developments

12.1 Policy changes introduced in the last year (2003)

Earnings related unemployment insurance: After unemployed person has exhausted 500 days maximum period 34 (previously 43) weeks of work during the 24-month period (minimum 18 hours a week) fulfils the employment condition for starting a new 500 days earnings-related period (so called return condition). *Note:* the starting condition was not changed and it is 43 weeks.

As a part of the employment pension reform the unemployment pension scheme was abolished for those who were born in 1950 or afterwards. Instead of unemployment pension they are entitled to earnings related unemployment benefit without a maximum time limit until they are 65 years old, if they are 59 years old or older before exhausting the 500 day maximum period. In addition to the 59 year age limit they will have to fulfil an employment condition: 5 years of employment during the last 20 years. Due to age limits these reforms will not have practical implications until 2009.

The redundancy pay system was discontinued at the end of 2002. Persons becoming unemployed as from 1 January 2003 can be paid an increased earnings-related allowance instead of redundancy pay. Eligibility rules for an increased earnings-related allowance are:

- An employment relationship that is in effect for the time being is terminated for economic and production-related reasons.
- The claimant has been a member of an unemployment fund for five years.
- The claimant has been in employment with pension entitlement for at least 20 years.

The amount of an increased earnings-related allowance:

- The increased earnings-related allowance is 55 per cent (normally 45 per cent) of the difference between daily wages and the basic allowance. If monthly salary exceeds EUR 2 071.80 = 90 times the amount of daily allowance, the earnings-related allowance declines to 32.5 per cent (normally 20 per cent) for the part in excess.

12.2 Policy changes announced¹

The government has announced that the family allowance for the first child will be increased from EUR 90 /month to EUR 100 /month from 1 January 2004. At the same time the lone-parent supplement of family allowance will be increased from EUR 33.60 /month /child to EUR 36.60 /month /child. From 1 January 2004 the part of spouses income that is excluded from the income test of Labour Market Support will be increased from EUR 236 to EUR 536 / month.

Government has also announced plans to increase home care allowance, minimum sickness and maternity daily allowance and national pensions during 2004–07.

1. The changes of benefit rules presented here may not have been ratified and their reading in Parliament may be unfinished or not even started.
