



**Aino-Kaisa Pekonen, Minister of Social Affairs and Health**

**STATEMENT BY GENERAL UNEMPLOYMENT FUND YTK ON SECURING THE PAYMENT OF EARNINGS-RELATED DAILY ALLOWANCE DURING THE CORONAVIRUS EPIDEMIC**

**General Unemployment Fund YTK will be unable to process the large number of upcoming lay-offs within the framework of the current legislation. The constitutional right of people to receive social security will be endangered, if the problem with the payment cannot be solved comprehensively.**

The proposed amendments to the legislation will not solve the problem related to the payment of benefits. Individual exemption regulations make implementation more difficult, and providing advice on them is hard. Facilitating adjustment, setting a euro limit for the condition regarding employment or introducing an advance payment system will not solve the problem in the implementation of unemployment security in a situation in which hundreds of thousands of laid off employees will be applying for unemployment security during the spring.

YTK is the biggest unemployment fund in Finland with more than 460,000 members. The members represent all lines of business and personnel groups. The unemployment rate of the members is currently 8.5%.

Based on the inquiries conducted by YTK among its members, it is to be expected that YTK will have more than 100,000 applications for processing during April. With the current arrangements, such a number of applications can be processed by the beginning of next year. If we tripled the number of processing staff, the processing time after recruitment and familiarisation would be over 100 days which still exceeds the time limit set for issuing decisions in legislation (30 days).

Furthermore, there is a risk that YTK employees will fall ill, which would reduce the personnel resources in the processing of applications in an unanticipated manner.

The prolonged payment times of unemployment security will have significant negative impacts:

- The livelihood of people will be endangered for months
- The purchasing power of people will weaken, which will increase the problems of companies
- The number of income support applications will increase

According to our understanding, we now need quick reliefs related to implementation. Similar solutions have already been made in the sector of the Ministry of Economic Affairs and Employment where the examination of labour-policy conditions of laid off employees was suspended temporarily.

We have reviewed the processes of daily allowance applications from the point of view of the upcoming large volume of applications. We have identified determining the salary and complementing of the condition regarding employment as the most laborious phases in the processing of applications.

In order for the unemployment security system to endure the upcoming large number of applications and to avoid the processing of applications to become a bottleneck, YTK proposes the following options in these exceptional circumstances:





## **1. EXEMPTION IN DETERMINING THE SALARY AND CONDITION REGARDING EMPLOYMENT**

The most laborious phase in the payment of unemployment security is determining the salary, within which different types of income are examined. YTK proposes that the examination of the type of income be suspended temporarily, and the salary be determined from the income subject to withholding tax reported to the Incomes Register during the past six months using the information access profile of unemployment funds. That way all necessary income information could be extracted from the Incomes Register, and the manual phase of determining the salary would be eliminated.

Similarly, the condition regarding employment would be fulfilled by six months of income without examination of the type of income, if the salary subject to withholding tax were on average e.g. 1,236 euros per month.

This option would make the payment process more fluent, but due to the system changes required for this option, the payment of earnings-related security would be delayed. It is generally known that there are still problems in the use of the Incomes Register, and information on the benefits paid is not currently included in it. This model would nevertheless speed up the process.

## **2. PAYMENT OF CRISIS SALARY THROUGH THE SALARY SYSTEM OF COMPANIES**

YTK proposes a temporary solution for exceptional circumstances in which the daily allowance of laid off employees (it could be a separately determined percentage of the last salary) be paid as a crisis salary for a fixed period of e.g. three months. The payment would be implemented through the normal salary payment processes of companies using a type of salary determined for this special situation. The funds for the companies' payment of salary would be arranged through such an authority that otherwise makes payments to employers.

The salary paid or payable for the crisis period would be reported to the Incomes Register as per normal using a type of salary determined for this special situation. That would form the sum that would be reimbursed to the companies from state funds. As the payers of benefits use the information in the Incomes Register, the crisis salaries paid can be taken into account afterwards.

Those employees of a company who are still laid off or unemployed after the fixed period would apply for unemployment security as per normal from the unemployment fund or Kela. For those whose lay-off ends and employment continues the payment of salary would continue as per normal.

Registering of lay-offs would not burden the TE Offices, either, because the lay-offs would be processed using a specific type of salary reported to the Incomes Register.

During the temporary arrangement, unemployment funds could adapt their operations by recruiting new employees and making changes in the systems.



## **FACILITATING OF ADJUSTMENT**

The reliefs planned for adjustment will not solve the basic problem, as around 70% of the lay-offs are estimated to be full-time lay-offs for which the salary needs to be determined and the condition regarding employment needs to be checked in any case.

YTK does not advocate transferring to one-month application period. In practice it would happen so that the application period would be the calendar month, and it would pile up the applications at the turn of the month. It is not sensible to change the application period in the current situation, as it would result in challenges in the advisory services and additional work in the processing of applications.

YTK sees problems in the proposal according to which the right to adjusted unemployment benefit would always be determined based on the working hours (working time) used as the basis for the salary to be paid on the pay day. The proposal shall be complemented regarding how holidays and sick leaves are taken into account, because at present those items are reported as a total sum, not as full days. Those items shall be taken into account as converted to hours.

As for lay-offs, harmonisation of the processing of laid off employees in the same way in all types of lay-off is worthy of support. Chapter 4, section 1 a of the Unemployment Security Act would temporarily be not applied during the validity of the law. Furthermore, it is worthy of support to give up the special adjustment period and the calculated pay related thereto. Chapter 4, section 2, subsection 4 and section 4, subsection 2 of the Unemployment Security Act would not be applied during the validity of the temporary law.



## **ADVANCE PAYMENT PROCEDURE**

The earnings-related security system will not be able to process within a reasonable time the flood of applications resulting from the mass lay-offs caused by the coronavirus epidemic. It is not appropriate to look for a feeling of security from the procedure to pay benefits without a decision which is allowed by the Unemployment Security Act.

The processing of applications is manual work. The prerequisites and obstacles of payment are examined by manually combining information from different sources. If there are more applications, more competent employees are needed. Personnel resources cannot be increased as quickly as required by the situation. One important slowing factor is the training of new staff and arrangement of work in exceptional circumstances.

The fundamental problem in the situation is that it is not possible to distribute money at the same time to all applicants through the Finnish social security system and in this case especially the earnings-related security system. It would be possible to transfer the money, but the conditions of payment cannot be processed in the way required by the legislation with the expected volume of applications.

An advance payment has been proposed as a solution. Advance payment is a misleading term. It refers to a procedure in accordance with chapter 11, section 8 of the Unemployment Security Act to pay unemployment benefit without a decision.

The provision has been used in individual cases in which the payment of benefit has been under risk of being delayed due to a missing piece of information. It is required, however, that the payer of benefit has sufficient proof that the applicant is probably entitled to receive the benefit. It means that at least the labour policy statement and the condition on membership and condition regarding employment need to be checked. In addition, any execution and valid claims for recovery need to be checked. Unfounded payments may also lead to increase in claims for recovery, and thus there is a risk that the credit losses of unemployment funds will grow.

The idea is that the livelihood of the applicant can be secured without issuing a decision. When the required information is finally received, the case will be processed again. It is easier to rectify a case afterwards, if there is no decision that needs to be removed.

In practice, the payment of benefits without a decision will not speed up the payment of benefits much. In the time it takes to check the prerequisites for the payment of benefit, the case can also be solved with a decision, if all required information is available.

Unemployment benefit can be paid without a decision for a maximum of two months. After that the case shall be processed and a decision shall be issued. That is all done manually. In addition to making a decision, it involves an additional payment/claim for recovery, statistical corrections, and tax corrections. In practice, payment of benefit without a decision considerably increases the work of the payer.

It is not possible to make advance payments to all expected applicants within two months. After two



months, corrections and decisions need to be made for all benefit paid without a decision, which means that there will be no resources to process the outstanding applications.

If the advance payment is to be used as a solution, chapter 11, section 8 of the Unemployment Security Act needs to be amended. The wording of the law shall unambiguously state that the only requirements for an advance payment are an application, membership in an unemployment fund, and a labour-policy statement. Otherwise the payer has to acquire proof of the condition regarding employment and income, and then the payment will slow down, and there is no benefit from the advance payment.

The legal provision also needs to be amended in such a way that advance can be paid for a maximum total of 12 months. According to the currently valid law that period is two months. It is not enough, because after that a decision has to be issued on the case. Without extension of the period, the basic problem of the payment of benefits will just be postponed by two months and the payment of benefits will be delayed after that.



## **TRANSFER OF EMPLOYEES OF UNEMPLOYMENT FUNDS**

In the first phase the lay-offs caused by the coronavirus epidemic will not concern all lines of business in the same way. It means that the strong increase in the number of applications will not be directly realised in such industry-specific unemployment funds whose members are not touched by the lay-offs.

General Unemployment Fund YTK considers it a good idea that personnel be transferred between unemployment funds. Even at best, that is just a part of the solution. Unemployment funds use two payment systems, so personnel can be directly exchanged only between such funds that use the same payment system. Furthermore, YTK states that the need for extra resources in YTK alone is at least 150 people. Other funds also have needs for resources, and taking into account the weakening trend of the general unemployment rate already before the coronavirus epidemic, it cannot be taken for granted that personnel could be taken out of the funds without passing the problems forward.

GENERAL UNEMPLOYMENT FUND YTK

Loimaa, 31 March 2020

Sanna Alamäki  
Managing Director