

Iceland

In the chapter on 'Human and physical capital', the Commission Staff Working Document Iceland 2012 Progress Report¹, compiled following Iceland's request for accession to the EU, the European Commission states that 'the economic crisis severely affected the labour market. The labour participation rate fell further in 2011, to a historical low of 80.4% (compared to a pre-crisis level of 83.3%), but remains nonetheless high in international comparison. The share of employment in part-time work dropped to 24% (from 27% a year before) and total average working hours per week rose to 40 (from 39 in 2010). Outward migration may have prevented the unemployment rate from rising even faster, but net migration could entail a loss of skills. Net migration however has declined substantially since 2009. The structure of unemployment remains problematic with youth and low-skilled workers representing large shares of the unemployed. The share of youth neither in education nor in the labour force has risen significantly. Under these circumstances, efforts to offer retraining and education, active labour market initiatives and lifelong learning approaches continued, aimed at retraining and upgrading skills of the labour force. The government also introduced measures to grant all persons under the age of 25 access to free secondary education. Total education spending remained at around 7.8% of GDP in 2011, with private households bearing around 10% of total costs. Overall, with unemployment still very high for the country, human capital remains significantly underutilised. Newly introduced measures on education and vocational training are addressing some of these problems.'

In the chapter on 'Social policy and employment', the 2012 Report also states that although the impact of the 2008-2010 financial crisis remains visible and challenges in social inclusion and employment thus persist, 'Iceland has reached a high level of alignment and applies a substantial part of the *acquis* in the field of labour law due to its EEA membership. For example following the EFTA Court Decision of June 2011 regarding the Posting of Workers Directive, Iceland amended parts of its legislation in March 2012. Further amendments are under preparation. Legal alignment has yet to be achieved as regards temporary agency work and the establishment of a European Works Council'. The same is true in the area of health and safety at work.

'Social dialogue has continued to function well. The wage agreements concluded in 2011 are still valid and they contribute to substantial net wage increases for both public and private sectors. Social partners continue to be proactive in labour market policies, and participate in their implementation.'

'There has been progress with regard to employment policy. The consultative committee that was appointed in 2011 and includes representatives from the Ministry of Welfare, the Directorate of Labour and social partners is working

¹ http://ec.europa.eu/enlargement/pdf/key_documents/2012/package/is_rapport_2012_en.pdf

on developing a comprehensive employment strategy for Iceland. However, overall, the labour market situation continues to be adversely affected by the 2008-2010 economic crisis, with young workers and the low skilled being hardest hit. The government has continued to implement active labour market policies according to the *Iceland 2020 Policy Statement* and focusing on efforts to reduce unemployment among young people, in particular for the long-term unemployed. In February 2012, the Directorate of Labour and the Ministry of Welfare introduced a new initiative, 'Working Way', targeting long-term unemployed with the aim of bringing 1,500 unemployed back into the labour market. The government has also stepped up cooperation with civil society and social partners in order to reduce unemployment. A special campaign to reduce undeclared work in the small-scale maintenance and reconstruction sector through means of VAT deductions for house owners has continued in 2012.'

'In the area of social inclusion progress has continued. The impact of the financial crisis continued to be visible, with most households reporting that they make ends meet 'with difficulty' or 'with great difficulty'. Whilst disposable earnings of households fell across the board due to the financial crisis, government policies helped to cushion the effects for the lowest income groups. Targeted debt relief measures were effective. Overall, the percentage of households at risk of poverty remains substantially lower than the EU average. Close monitoring and evaluation of the social situation of single-parent families, low-income elderly, children and social assistance recipients is needed.'

'Social protection expenditures increased to 8% of GDP, the highest level ever in Iceland, although still lower than the EU average. Cuts in the health care system were significant, but high-quality services were maintained. Unemployment expenditures have increased more than six fold since 2007. In June 2012 the parliament adopted legislation on the establishment of an Employment Rehabilitation Fund. The objective of the Fund is to make sure that everyone who is forced to leave the labour market can receive assistance to return.'

Conclusion

Overall, Iceland has reached a high level of alignment and continues to apply a substantial part of the *acquis* in this chapter due to its EEA membership. Preparations for participation in the European Social Fund have commenced and a comprehensive employment strategy is being drafted. Legal alignment remains to be completed in the areas of anti-discrimination and equal opportunities.

References/sources

Electronic newsletters/websites

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ETUI-AIAS Collective Bargaining newsletter:

<http://www.etui.org/E-Newsletters/Collective-bargaining-newsletter>

ETUC website section on economic and social crisis: <http://www.etuc.org/r/1378>

ETUI website section on crisis: <http://www.etui.org/Topics/Crisis>

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Other

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Contributions by ETUC affiliated organisations:

ETUC Litigation network (meetings 29 June 2012 and 10 December 2012)

ETUC Social Policy and Legislation Ad hoc working group (Meetings 13 November 2011, 5 April 2012, 24 October 2012).

ETUC Legal Experts Network NETLEX (Annual Conference 1-2 December 2011, 11–12 December 2012)