

12. Iceland

Halldór Oddsson

General public social security rights as defined by Icelandic law can be divided into three parts. First, general health insurance, meaning access to health care and health services. Second, social security, for example, the right to disability or retirement pensions. Third, so-called obligatory labour market insurance, namely unemployment benefits, maternity/paternity leave and the supplementary pension fund system. Rights in the first two categories are generally acquired for all citizens residing legally in Iceland, but rights in the third category are related to labour market participation.

Table 1.12 Overview of the relationship between form of migration and entitlement to a particular social security service

Third-country-national categories	Social security categories					
	Health insurance	Pension contributions	Unemployment insurance	Basic security (social assistance)	Insurance against accidents at work	Child benefits
Posted workers	No (country of origin)	No (country of origin)	No (country of origin)	No	Yes, according to Icelandic law	No (needs official residence)
Intra-corporate transfers	Acquired in 6 months of legal residence	Yes, contributions from day one	Fully insured after 12 months on an unconditional work permit / partly insured after 3 months on an unconditional work permit	Yes	Yes	Yes, from day one of formal residence
Seasonal workers	Acquired in 6 months of legal residence	Yes, contributions from day one	Fully insured after 12 months on an unconditional work permit / partly insured after 3 months on an unconditional work permit	Yes	Yes	Yes, from day one of formal residence
Temporary agency workers	N/A	N/A	N/A	N/A	N/A	N/A
High-level professionals	Acquired in 6 months of legal residence	Yes, contributions from day one	Fully insured after 12 months on an unconditional work permit / partly insured after 3 months on an unconditional work permit	Yes	Yes	Yes, from day one of formal residence
Self-employed	Acquired in 6 months of legal residence	Yes, contributions from day one	Fully insured after 12 months on an unconditional work permit / partly insured after 3 months on an unconditional work permit	Yes	Yes	Yes, from day one of formal residence

Source: Author's analysis, 2022.

Description of the Icelandic system

1. Overview of social security rights of short-term third-country-national migrant workers

As stated in the introduction, the Icelandic social security system has three pillars; (i) health insurance; (ii) general social security (disability, retirement); and (iii) obligatory labour market insurance. From the social security standpoint there are few, if any exceptions and special rules regarding third-country-national migrant workers and acquiring rights. For systemic reasons, however, it is quite common that third-country-national workers gain limited rights because some are acquired over a period of time and/or are based on participation in the Icelandic labour market. Naturally the options for transferring rights from other EU/EEA countries are not always applicable.

2. Differences in social security rights of different categories of short-term third-country-national migrant workers

Anyone who resides legally in Iceland for six consecutive months benefits from general health insurance (meaning that they are entitled to all general health services needed in Iceland just like any other legal resident). Because it takes six months to acquire this right, employers are obliged to privately insure all working third-country nationals for the first six months of their employment. According to the legislator, this rule is set to protect third-country nationals from any excessive health-related cost that might come up in the period. There is thus no distinction in terms of category of worker, with the exception of posted workers.

3. Conditions for obtaining different social security rights

The right to a social security pension on the grounds either of disability or retirement is calculated based on the individual's period of residence in Iceland between 16 and 70 years of age. The same rule applies to everyone, but naturally many third-country nationals reside in Iceland when they are over the age of 16, so their disability rights are limited. In addition to the condition of continuously residing in Iceland from the age of 16 to be able to receive full disability and/or retirement pension, all applicants must have resided in Iceland for at least three years to qualify for a pension.

The third and final so-called pillar of the Icelandic social security system is the work-related insurance system. To be more precise, these rights cover unemployment benefits, maternity/paternity leave and the so-called supplementary pension fund system that all workers in Iceland are obliged to pay into. One might say that the supplementary pension system is especially important to many third-country nationals because of the limited rights they acquire in the public social security system. The fees amount to 12 per cent of workers' wages, with the worker paying 4 per cent and the employer 8 per cent. The supplementary pension system is

based on the entitlements that people earn over the course of their working lives but even though they are limited in the same way as the public pension scheme the fees from the supplementary funds are in addition to rights in the public system as long as they do not go above a certain level. The right to supplementary disability pension is acquired after three years of payments and the amount is based on the payments the worker would have made if they had continued paying contributions up to pensionable age. The general rule that it takes six months to acquire decent rights applies to unemployment benefits (3–12 months) and maternity/paternity leave.

In relation to that it must be noted, however, that third-country nationals working in Iceland on a temporary permit do not have the right to unemployment benefits. The reasoning is based on the law on unemployment benefits, which requires all applicants to be ‘active in the labour market’, but as temporary work permits are based on the condition of employment – an unemployed third-country national in Iceland without a work permit cannot be considered ‘active’ in the eyes of the law.

4. Portability of benefits between host country and country of origin

The general rule is that there is no possibility to transfer benefits into or out of the Icelandic system, except for nationals of EEA countries and the United States. In addition to general EEA rules on the portability of benefits, Iceland has a special agreement with the USA regarding payment of social security rights, which applies in some instances. An exception from the general rule regarding third-country nationals is the supplementary pension system, which all workers in Iceland must pay into. Third-country nationals have a permit to withdraw the payments they have made into the supplementary pension system when they are no longer residing in Iceland. This is especially common practice for third-country nationals who come to Iceland on short-term work permits.

5. Social security rights of short-term third-country-national migrant workers during the Covid-19 pandemic

The only special measure taken regarding third-country nationals and social security during Covid-19 was that an exception was made from the general rule stating that in order to qualify for unemployment benefits one needs to be ‘active on the labour market’. In general, third-country nationals on temporary work permits do not have the right to unemployment benefits as they do not have an unlimited right to work in Iceland. During the Covid-19 pandemic, a special measure on so-called partial unemployment benefits was introduced. This meant that an employer and an employee could make a temporary agreement to change a full-time job to a part-time job. This was done both in order to protect employees from termination and to provide support for employers during the recession, which hit many sectors because of the Covid-19 lockdown measures. This scheme was introduced as a supplement to general rules on unemployment benefits; in order to protect third-country nationals from being especially exposed to terminations

they were included in the scheme by exempting them from having to be ‘active on the labour market’.

6. Overview of enforcement and monitoring

Enforcement and monitoring of social security is based mainly on information provided by the social security user, as well as information taken from public records, such as tax reports. Social security users who provide false information may be fined and/or subject to punitive measures by the relevant authority. Monitoring is also occasionally done on a case-by-case basis in cases of random checks and tip-offs.