

The Icelandic Welfare State in an International Comparison



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- **Characteristics of the Icelandic Welfare State**
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- **Current issues and prospects**



Societal context

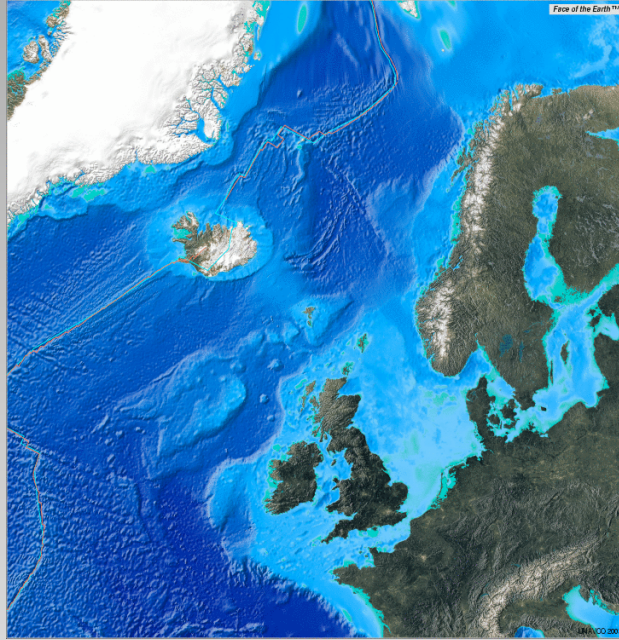
- **Rapid modernization in the 20th century**
- **Culture: Strong individualism, materialism and a forceful work ethic**
- **Reservations about state protectionism**
- **Resistance to taxation**
- **Iceland's Welfare Model deviates a little from the Nordic Model**
- **Iceland is not fully a social-democratic country**
- **Part Scandinavian – Part American culture...**



Societal context

- **Last decade growth was above OECD average**
- **Real pay level has grown significantly**
- **Debt levels have also grown extensively**
- **Overheating of Economy since 2000**
- **Globalization effects were strong from 1995**
- **Immigration into lab. market quite extensive**
- **FDI to other countries extensive since 1995**
- **Icelandic corporations have expanded abroad**
- **So change has been fast ...**

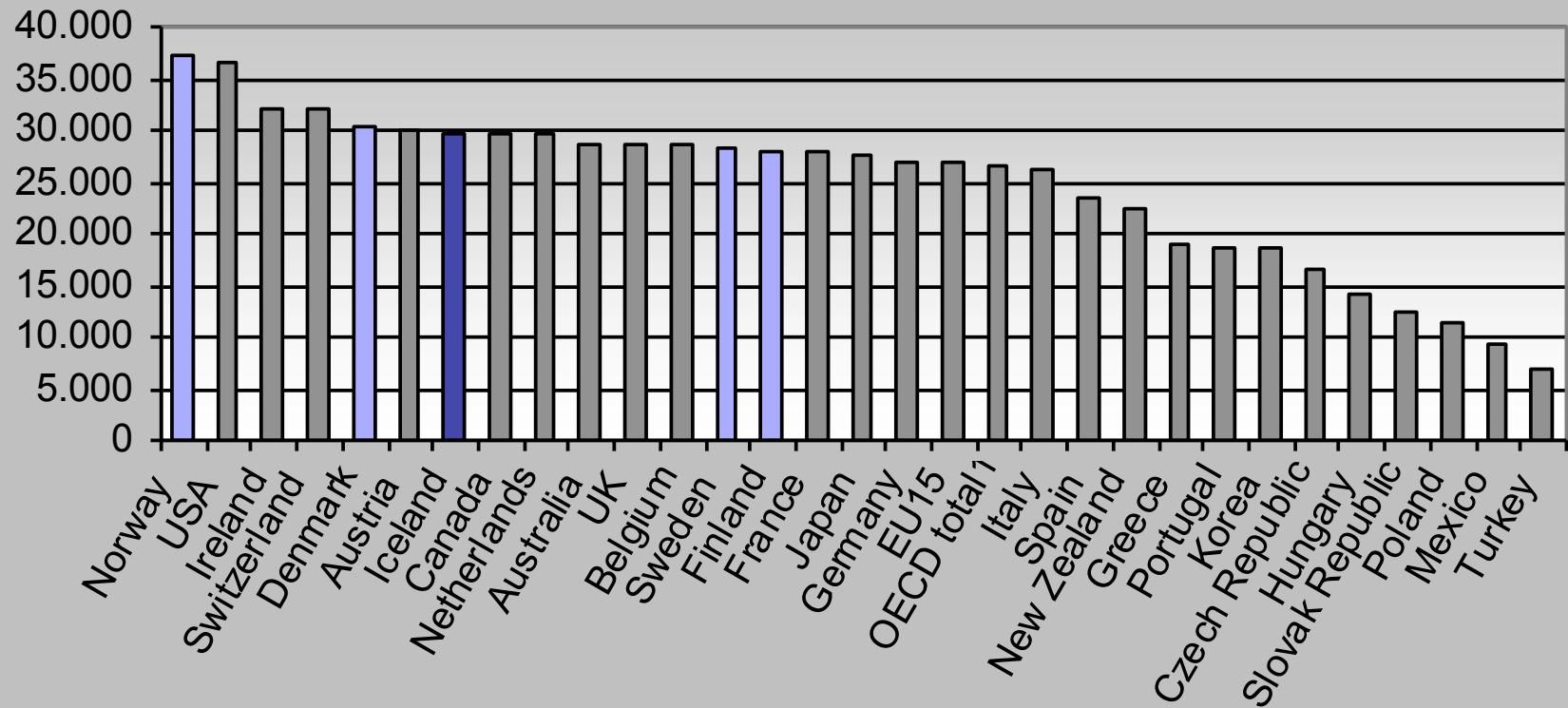




Welfare state comparisons - Profiles in figures -

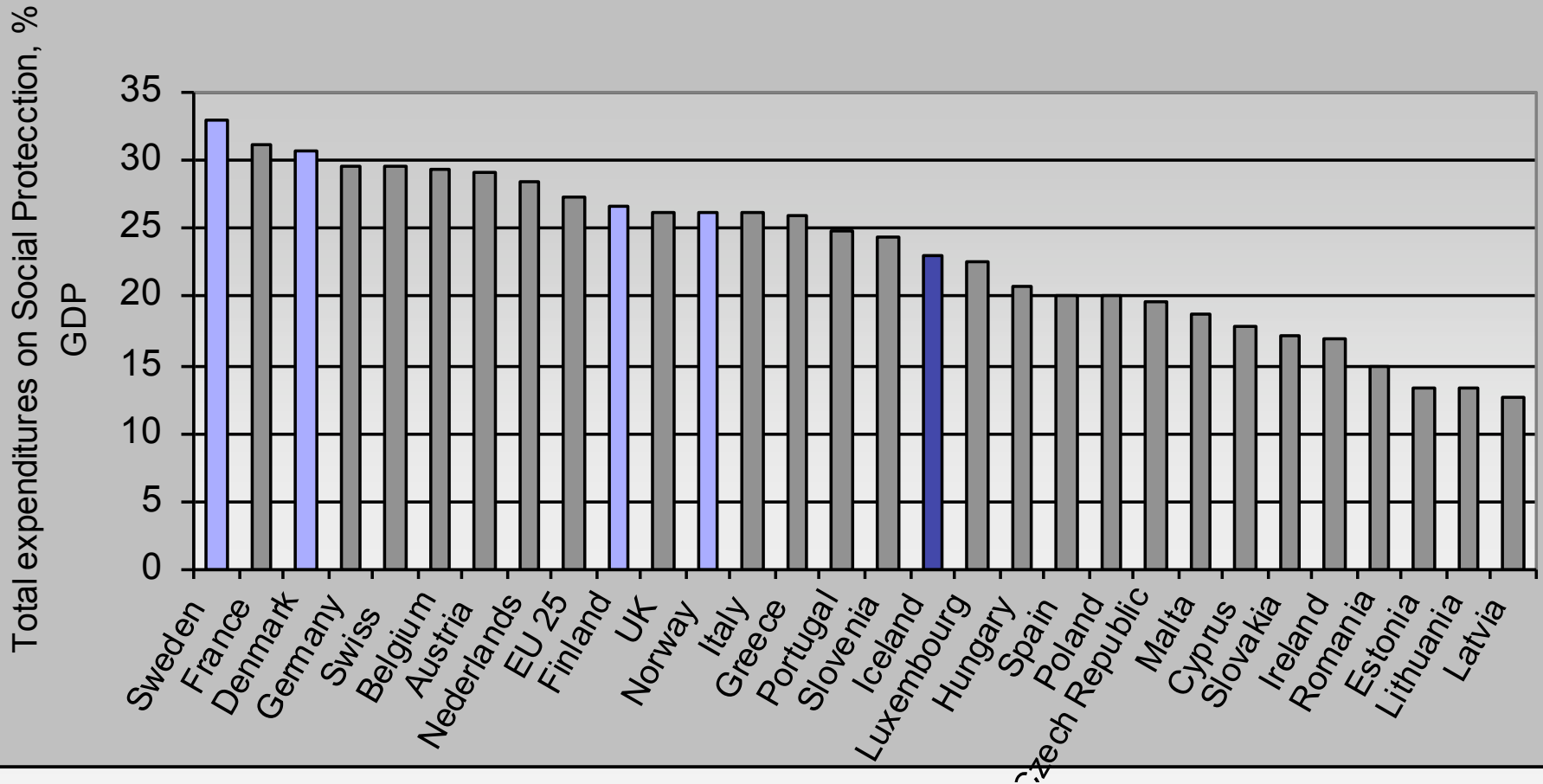
Economic prosperity

Economic prosperity of OECD-Countries
GDP per capita (PPP values), averages for 2000-2004



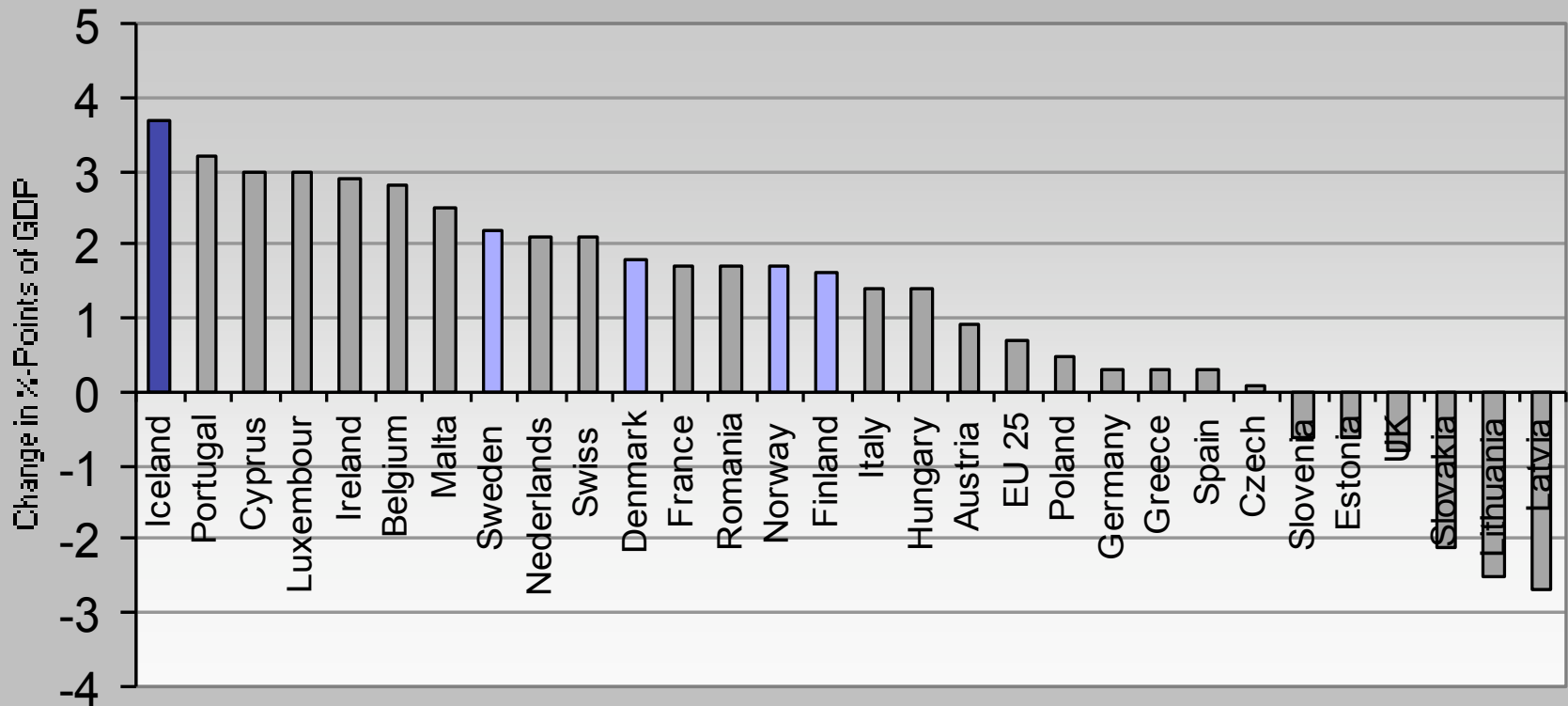
Social Expenditures as % of GDP

Social Protection Expenditures in EU-Countries in 2004
% of GDP



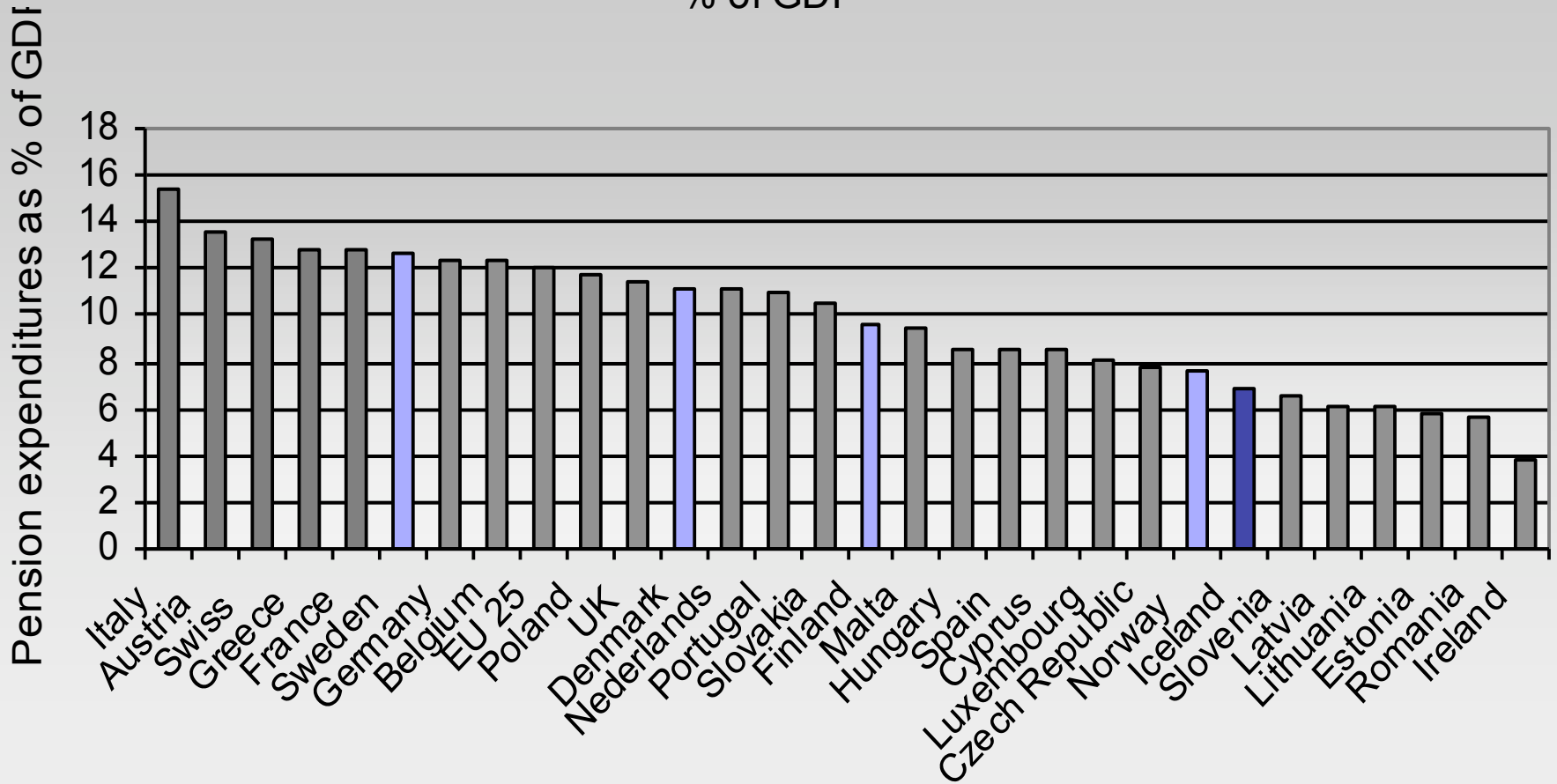
Iceland has been catching up

Change in Social Protection Expenditures 2000 to 2004
Change in % of GDP



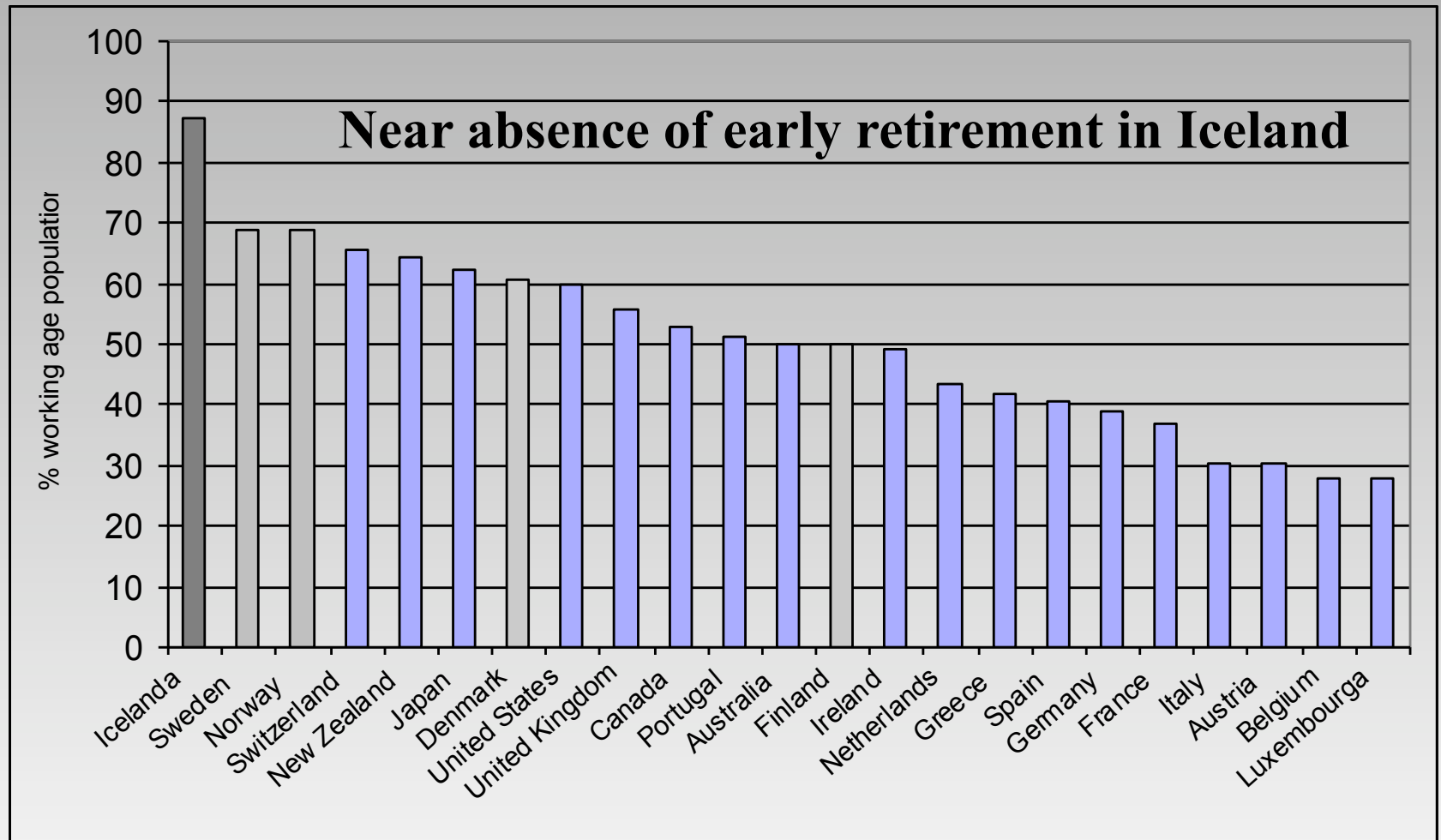
Old-age pension expenditures in 2004

Expenditures on old-age and survivors benefits in 2004
% of GDP



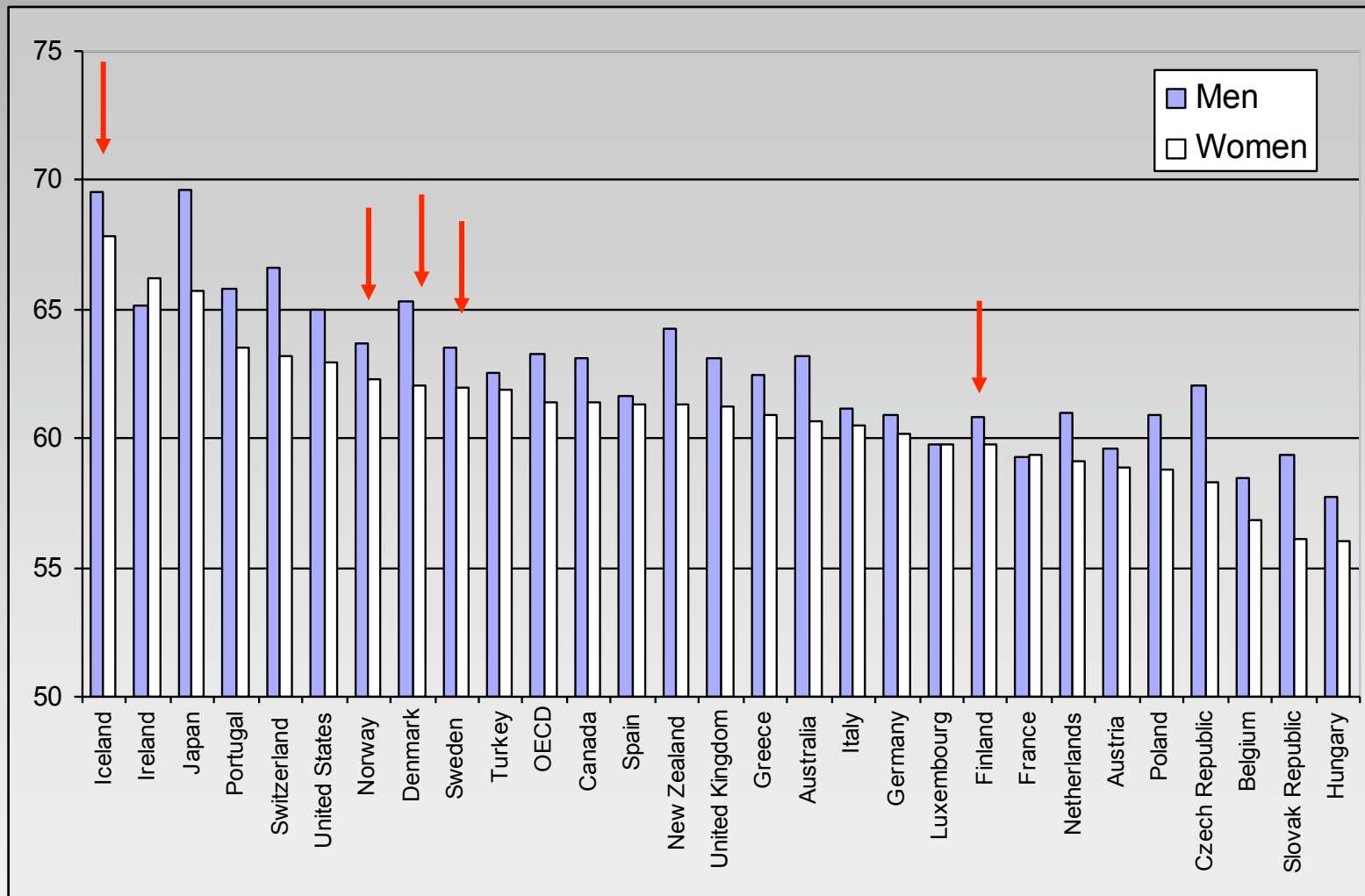
Seniors' Participation

People aged 55-64, at work, year 2003



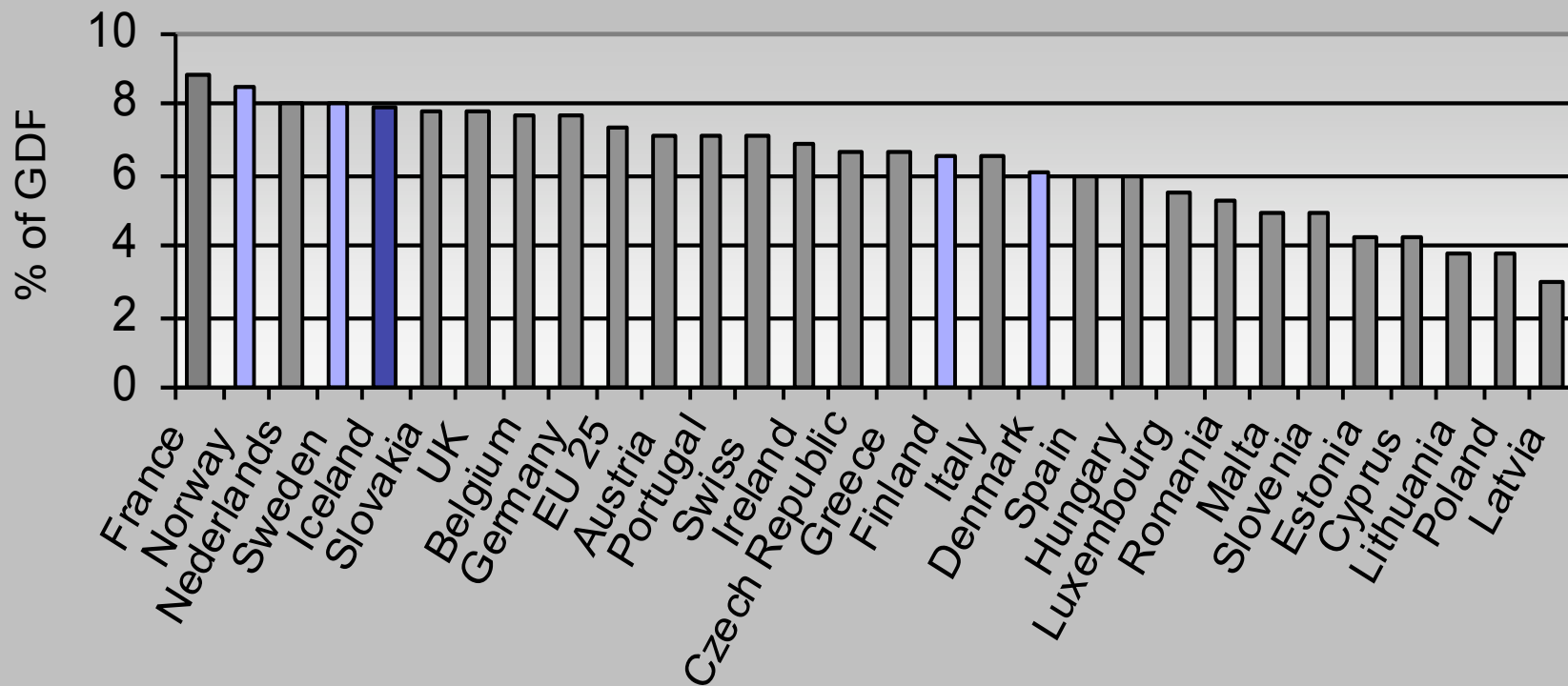
Late retirement

Average age at retirement 1997-2002



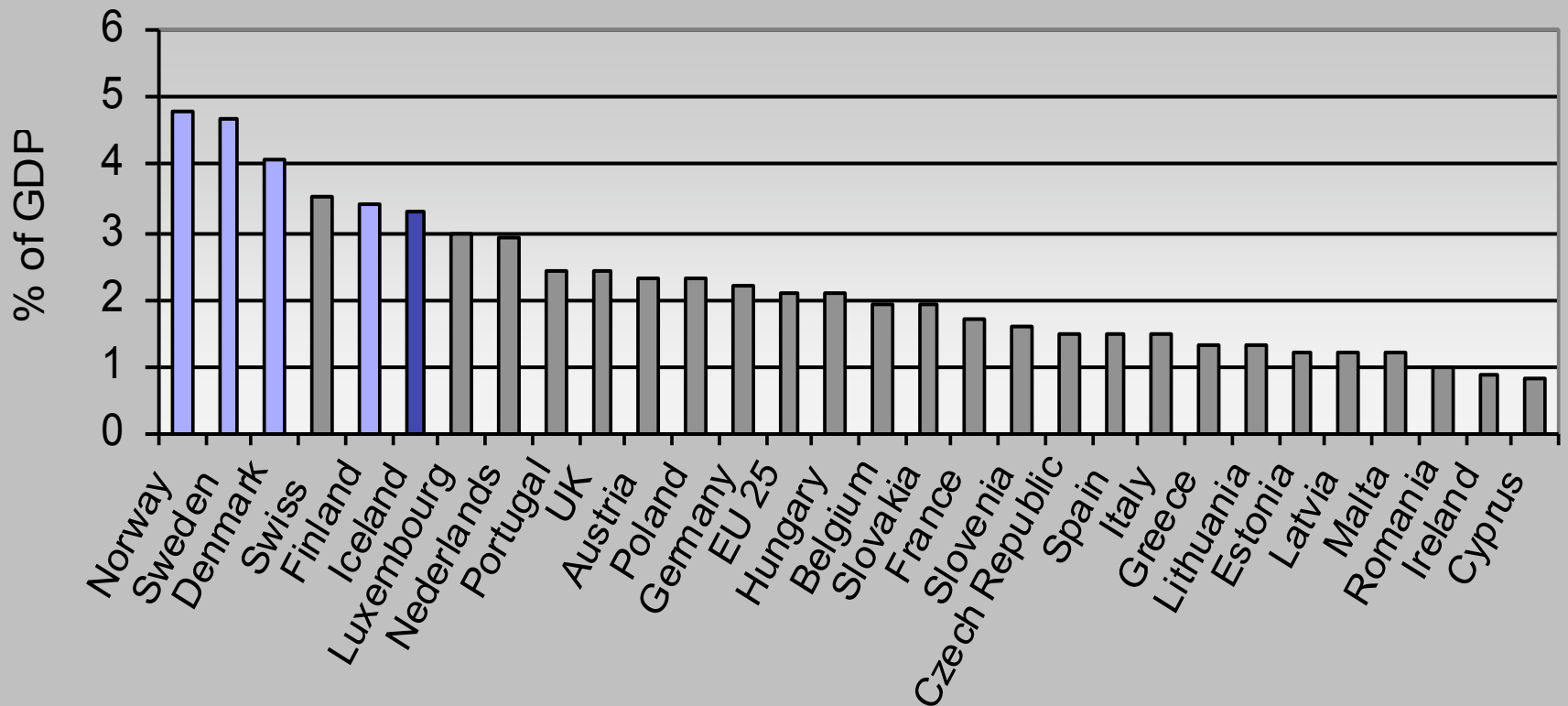
Sickness and health expenditures 2004

Expenditures on sickness and health care
% of GDP



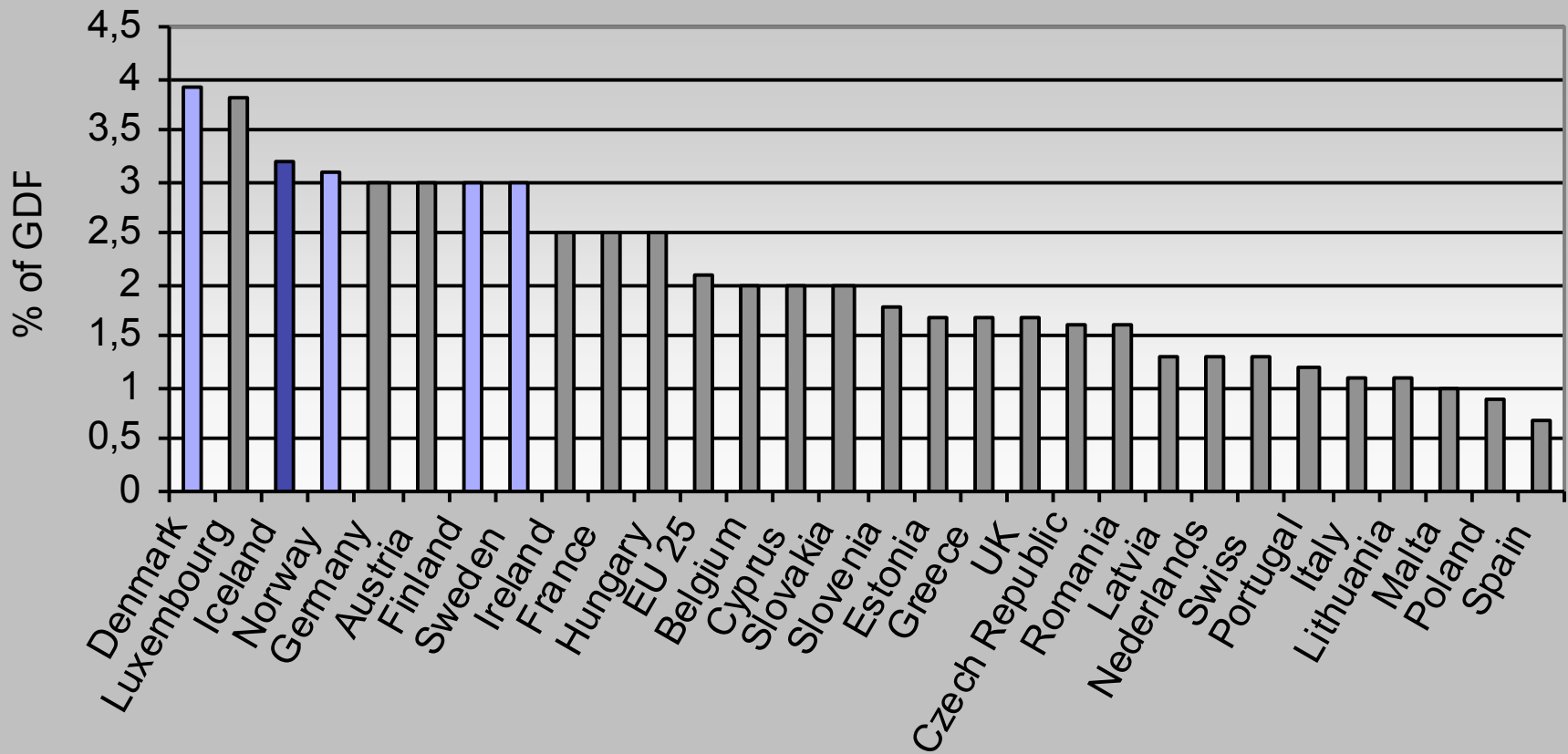
Disability expenditures in 2004

Disability expenditures in 2004
% of GDP



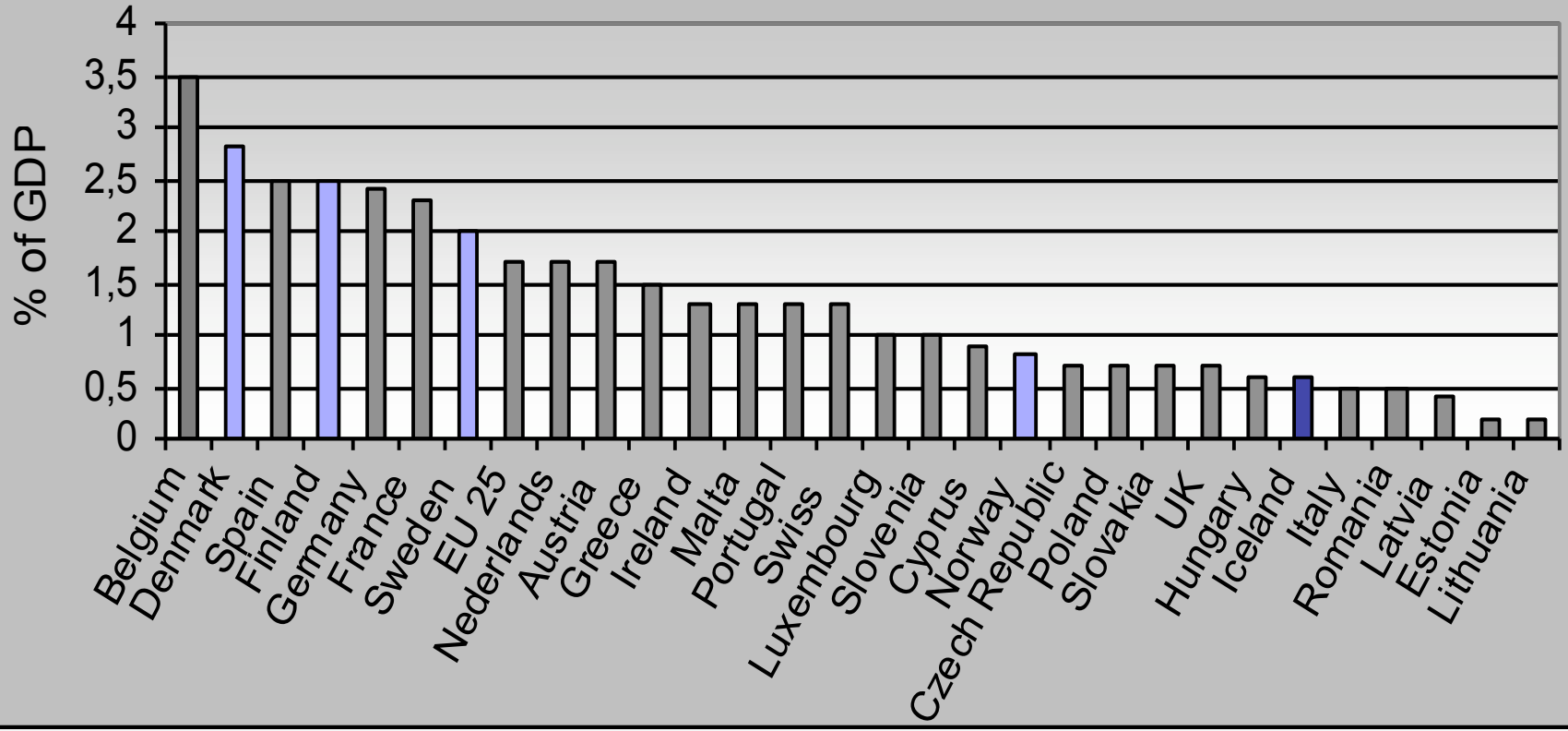
Family and child expenditures in 2004

Expenditures on families and children in 2004
% of GDP



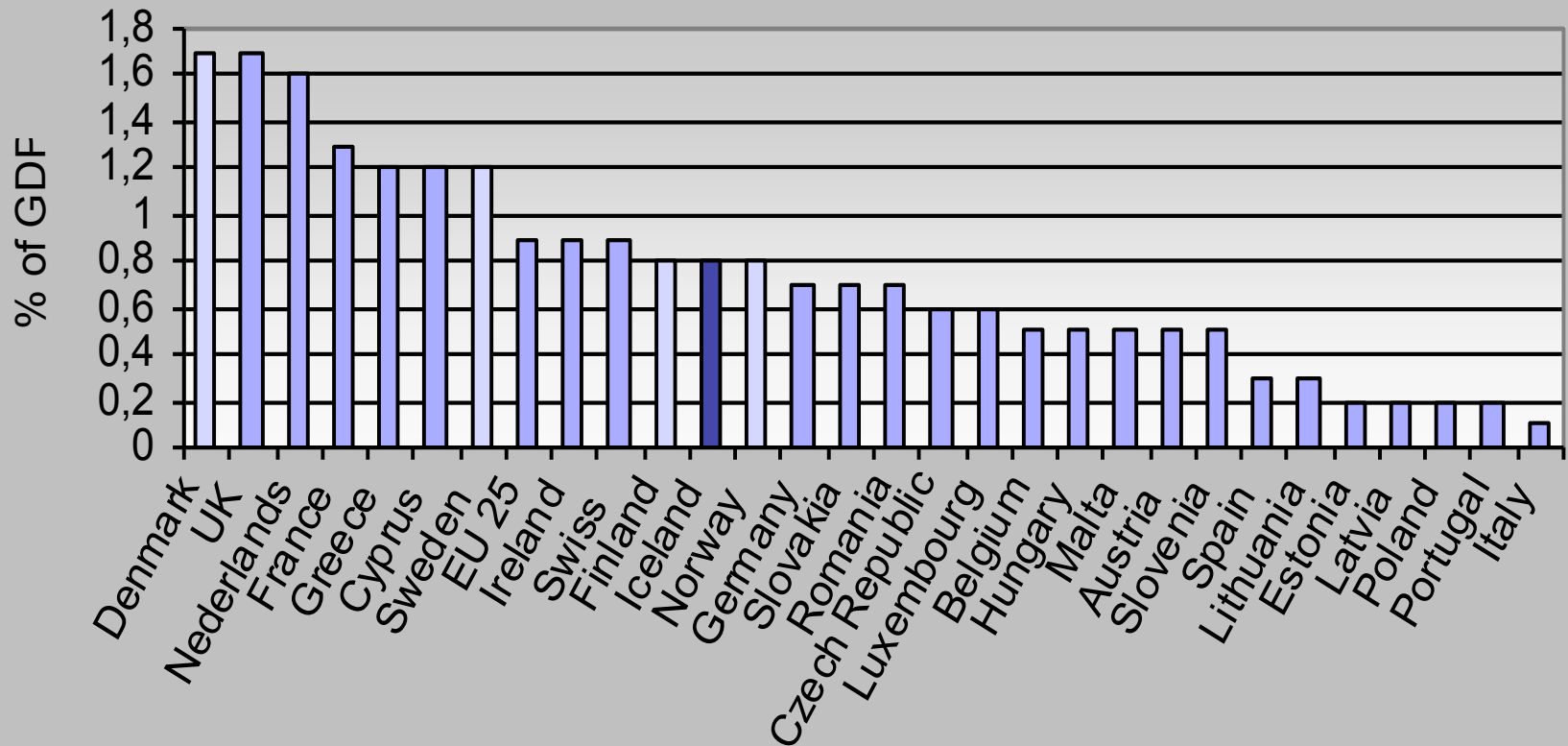
Unemployment expenditures in 2004

Unemployment benefit expenditures in 2004
% of GDP



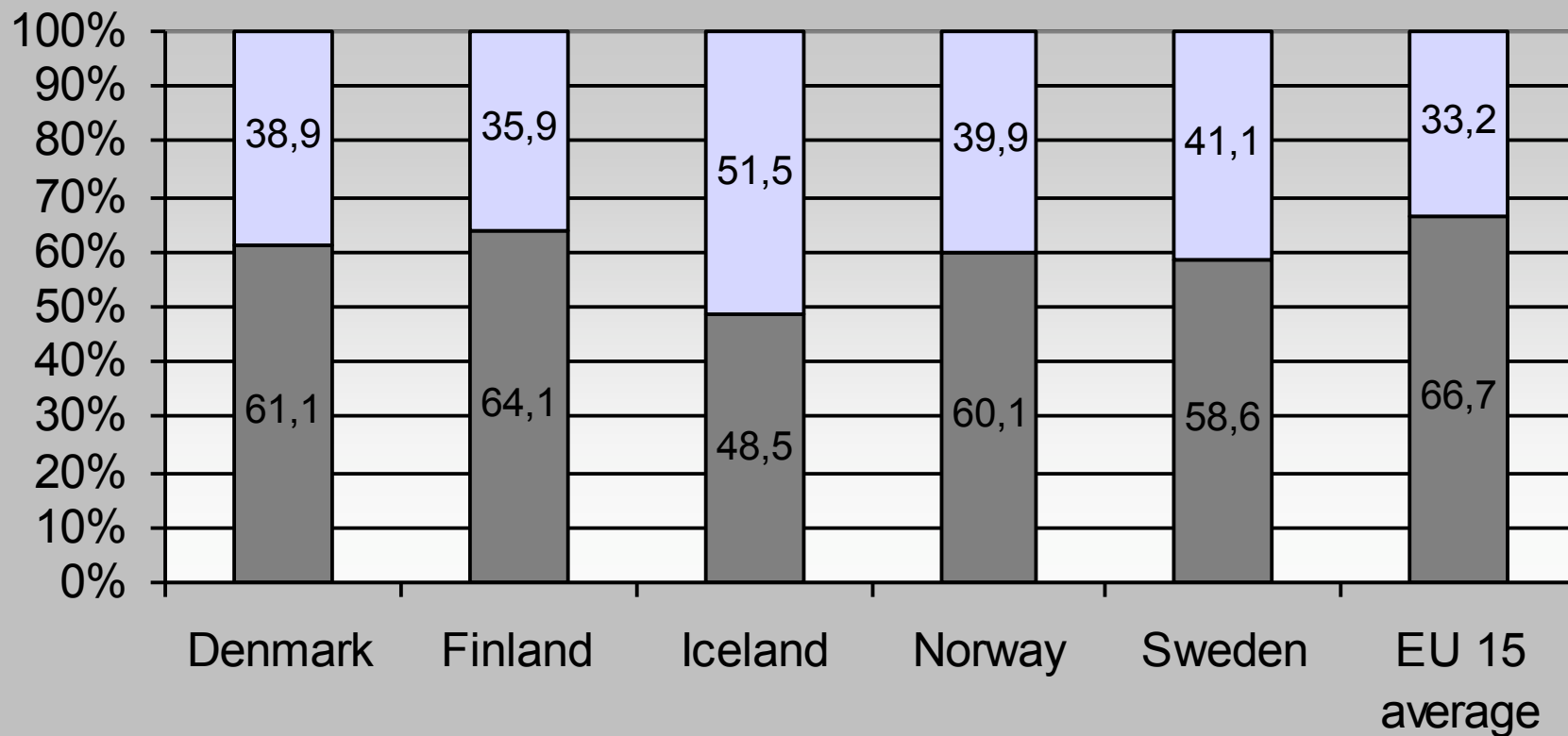
Housing and social exclusion expenditures in 2004

Housing and social exclusion expenditures in 2004
% of GDP



Benefits in cash and services in 2004

Percentage shares



■ Cash benefits % ■ Services in kind %



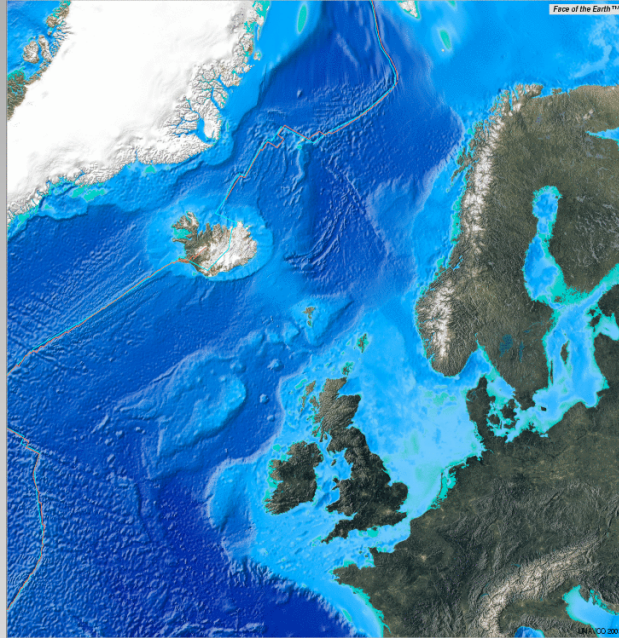
Rather Inexpensive Welfare System

- **The Icelandic Welfare State is one of the less expensive in NW-Europe**

-Why?

- **Extensive use of income-testing of benefits**
- **Basic soc. sec. pensions are rather low**
 - **Population is young**
 - > **Lower expenditures on old-age**
 - > **But should be more on families and children**
- **Role of Third Sector is relatively large**
 - **High employment participation**

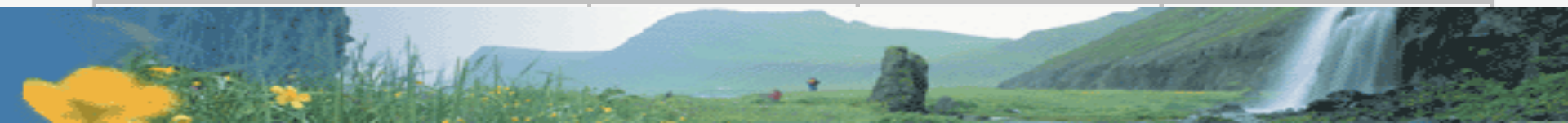




**Welfare system characteristics:
USA, Scandinavia, Iceland**

Comparing USA, Scandinavia and Iceland

	<u>American</u>	<u>Scandinavian</u>	<u>Icelandic</u>
Welfare roles			
Role of the state:	Small	Large	Medium-Large
Role of the market:	Large	Medium	Medium
Role of NGOs:	Large	Medium-large	Very large
Social security system:			
Universality of coverage:	Medium	Large	Large
Main beneficiaries:	The Poor	All citizens	All citizens/the poor
Income-testing of benefits:	Large	Small	Large
Primary services:			
Main provision of care:	Market/family	State/family/market	State, NGOs, family and market
Hospitals:	Mainly private	State run	State run
Education:	Big private role	Primarily state	Primarily state
Public expenditures on welfare:	Small	Large	Medium
Taxation levels	Low	High	Medium



Comparing USA, Scandinavia and Iceland

	<u>American</u>	<u>Scandinavian</u>	<u>Icelandic</u>
Distribution effects:			
Income inequality:	Large	Small	Small-Medium
Extent of poverty:	Large	Small	Small
Gender and class effects:	Neutral	Pro-equality	Pro-equality
Home ownership:	High	Medium	Very high
Employment regimes:			
Employment participation:	High	High	Very high
Work week length	High	Low	High
Actual retirement age:	High	Medium-high	Very high



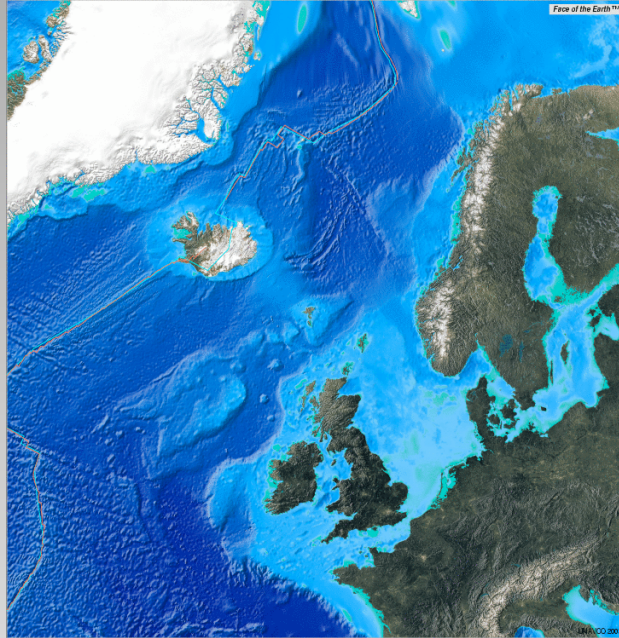
Characteristics of Welfare State

Main features of comparison:

Icelandic Welfare state versus Scandinavian WS:

- **Cash Benefits in Iceland:**
 - **Have some anglo – saxon characteristics**
- **Welfare services in Iceland:**
 - **Similar to the Scandinavian societies**
- **Higher work participation in Iceland**





Explaining different national systems

Influences on Welfare Development: Scandinavian Model

Labour movement

- Struggle for rights
- Collective bargaining

Politics

- Social democrats
- Center parties

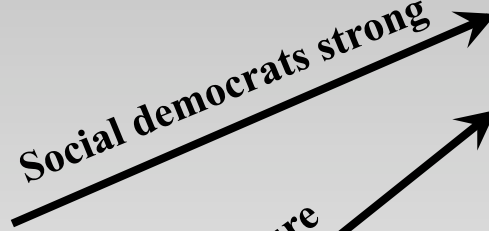
Social conditions

- Social problems,
- Prevailing values

Union pressure



Social democrats strong



Egalitarian culture



Scandinavian
universal
Welfare Model



Influences on Welfare Development: American Model

Labour movement

- Struggle for rights
- Collective bargaining

Politics

- Republicans
- Democrats

Social conditions

- Social problems,
- Prevailing values

New Deal -F.D. Roosevelt



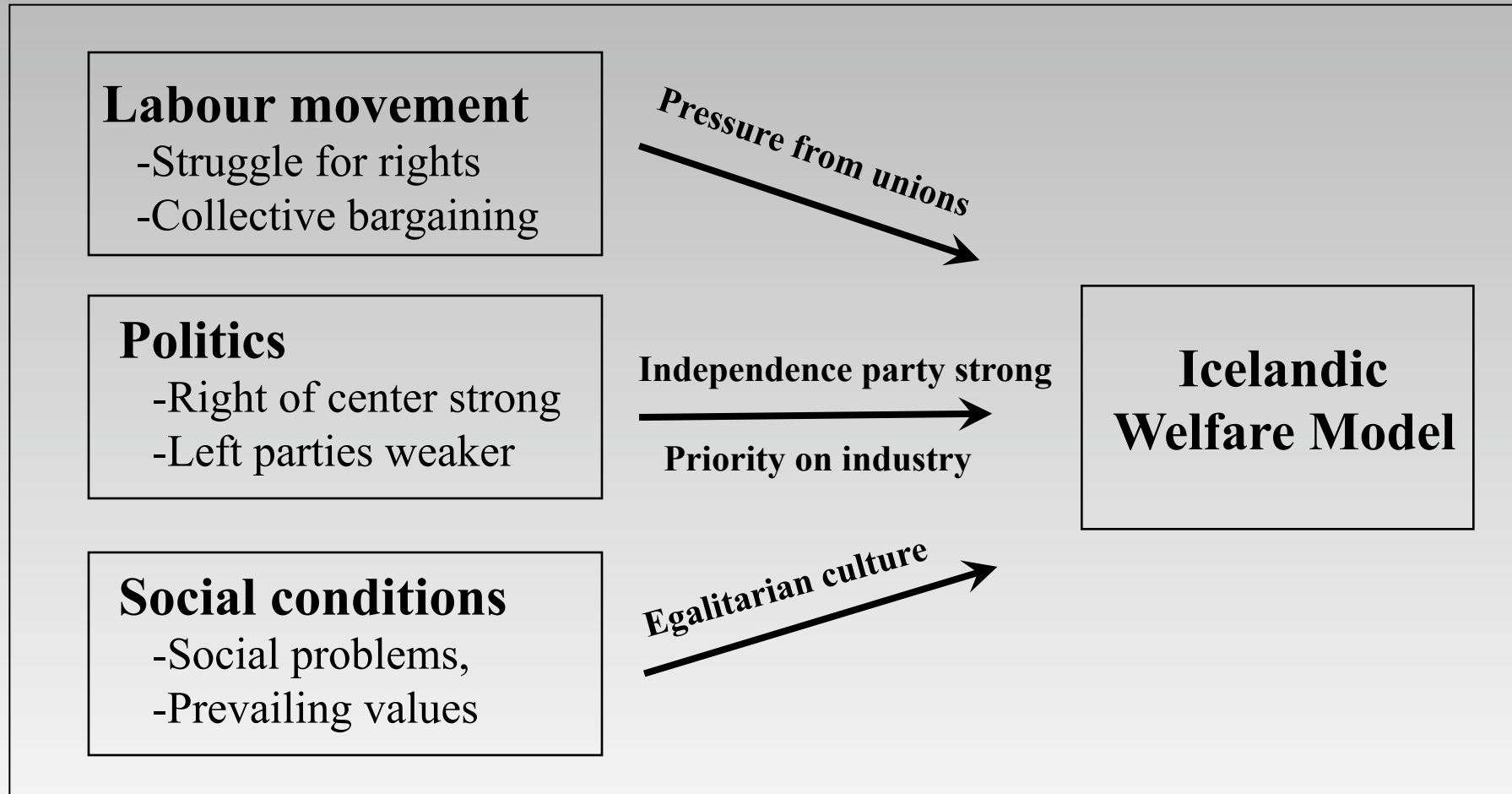
Against state protectionism



**American
residual
Welfare Model**



Influences on Welfare Development: Icelandic Model





Contemporary issues and prospects

Changes since the 1990s

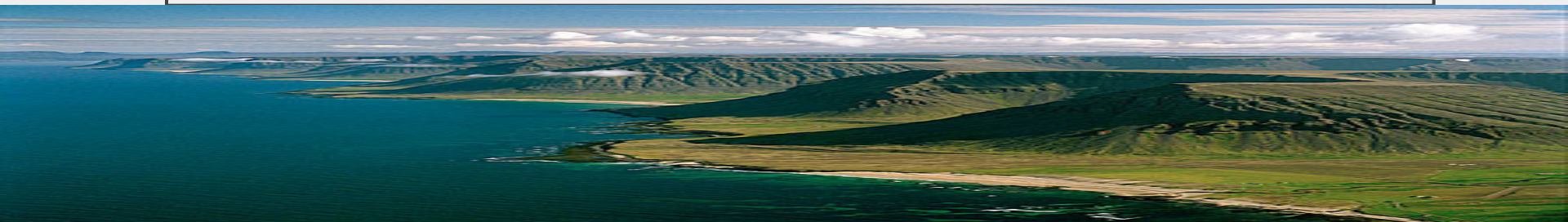
- **Welfare restraint and expansion**
 - Social Security Pensions lagged behind wages
 - Increasing user fees in health sector+education
 - Child benefits were cut relative to early 1990s, but raised again in the last years
- **Unemployment now at a higher level**
 - Unemployment pension lagged behind wages from 1997-2005; new better unemployment benefit from 2006
- **Income inequality increased since 1994**
 - Taxation has increased inequality
- **Maternal and especially paternal leaves for birth were improved**
- **Private pensions are getting a larger role**



Current issues

What consequences of current changes?

- Increasing privatization and marketization
- Growing inequality > different social environment
- What future for welfare citizenship?
- Public pensions – private pensions?
- Increasing user charges?
- Increasing class differences in health, welfare and housing?
- **Increasing globalization:**
- Increasing immigrant population
- Work life – home life tension
- New problems – new design of welfare state



Thank you!

