



European Minimum Income Network country report Iceland

Analysis and Road Map for Adequate and Accessible
Minimum Income Schemes in EU Member States

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1. Introduction

Objectives of the reports

The reports build on existing research and analysis to produce a national report on the current state of play on minimum income schemes in terms of adequacy, coverage and take-up in Iceland. The report builds in particular on recent MISSCEO and MISSOC data. The report identifies obstacles related to adequacy, coverage and take-up of minimum income schemes. Consensus was sought with relevant actors in order to identify initial practical steps towards progressive realisation of adequate and accessible minimum income schemes in Iceland.

Project definition

For the purpose of the report, *minimum income schemes are defined as essentially income support schemes which provide a safety net for those who cannot work or access a decent job and are not eligible for social insurance payments or those whose entitlements to these have expired.* They are last resort schemes which are intended to ensure a minimum standard of living for individuals and their dependents when they have no other means of financial support. In case several minimum income schemes for different groups coexist in a country, priority shall be given to minimum income schemes for the population at working age.

Methodology

The methodology to prepare the reports involves two approaches:

1. Desk research and use of secondary sources, especially for sections 1 and 2, and
2. Interviews with relevant partners, especially for sections 3 and 4.

The relevant stakeholders included the relevant public authorities, service providers, social partners, NGOs, policy makers at different levels, and include the involvement of people living on minimum income or who benefit from minimum income support.

Content

1. **Panorama: short description of minimum income scheme(s)**
2. **The link between minimum income and the other two pillars of active inclusion**
3. **Identification of obstacles to the implementation of adequate minimum income schemes.**
4. **Suggested next steps to improve adequacy, coverage and/or take-up of minimum income schemes**

2. Panorama: short description of minimum income scheme(s)

2.1. General overview: description of minimum income scheme(s): different schemes for different groups (working age adults, old age, young people, disability...)? Governance arrangements (national, regional, local level)? General scheme or categorical? Cash benefits or in-kind or both? Underlying principles?

The Icelandic welfare state is based on several social transfer systems. Most of those are mainly provided by the state; the public health insurance system, the social security system, the state housing system and the unemployment support system. Social services are provided by the local municipalities. Still another system is neither part of the state nor the municipalities, the Occupational pension funds and the Individual pension accounts ran by the labour market partner.

The Icelandic welfare system is quite comparable to that of the other Nordic countries in the areas of health care and education. However, social services, social security and transfer payments are more limited and the level of expenditure is lower in Iceland (Eydal and Ólafsson, 2012).

There is no official minimum income scheme (MIS) in Iceland but the municipalities have their own definition of minimum income and that varies according to the municipality. Financial assistance from the social services of municipalities is the last stop in the welfare system and as such is the lowest income support in the country and can thus be considered as the minimum income scheme.

Municipalities' Social Services:

Statutory basis: Municipalities' Social Services Act No. 40/1991, (Lög um félagslega aðstoð sveitarfélaga), supplemented by guidelines from the Ministry of Welfare (Velferðarráðuneytið, 2009a, 2009b).

The municipalities are obliged to guarantee financial and social security and to work for the welfare of the inhabitants on the basis of mutual aid. This shall be done by improving the living standard of the needy, securing positive developmental circumstances for children and young persons, offering assistance so that the inhabitants will be able to stay for as long as they can at their homes, work and live as normal a life as possible, and by taking measures to prevent social problems.

In the implementation of the social services, care shall be taken to encourage each individual to be responsible for himself/herself and others, to respect his/her right to self-determination, and support him/her in his/her efforts at self-help.

Financial assistance (fjárhagsaðstoð sveitarfélaga) in Iceland is the last resort of the welfare system and is granted to those who cannot support themselves and their families. The purpose of financial assistance is to assist, temporarily, the person or families in need financially, with minimum income. For the purposes of this report this will be considered the *Icelandic minimum income scheme*.

Financial assistance is a non-contributory system at local level aimed at securing financial and social protection of the local authority's inhabitants and working towards their welfare on the basis of collective assistance. The financial assistance is aimed towards those who cannot support themselves or their children by other means, such as salaries or income from the social security. The financial assistance is at the discretion of the municipalities, but the authorities are encouraged to follow the guidelines of the Ministry of Welfare in accordance with which the amounts are fixed.

2.2. Eligibility conditions: what are the conditions to obtain minimum income (nationality, residence, age...)? Lack of financial resources, property, means-testing? Willingness to work or receive training?

Beneficiaries:

Municipalities' Social Services:

Families and individuals, depending on needs assessment. The Municipalities' Social Services Act (Lög um félagsþjónustu sveitarfélaga) includes needs of children, of youth, of the elderly and of persons with disabilities.

No **nationality** requirements.

Social services are intended to ensure financial and social security of the people in the local community. To qualify for these services, the person in question must be legally domiciled in the community where assistance is applied for. Due to requirements in the Foreign Nationals Act (2012); that foreign nationals must be capable of supporting themselves, receiving financial assistance from a local authority (municipality) may affect the right to register legal domicile and apply for citizenship.

Receiving other assistance from a municipality, such as due to family difficulties, for children and adolescents, divorce or domestic violence, does not have any effect.

Residence:**Municipalities' Social Services:**

For assistance from the municipalities legal **residence** in the relevant community is required, except in case of emergency assistance.

Age:**Municipalities' Social Services:**

Individuals: 18 years and older.

Means testing:**Municipalities' Social Services:**

A majority of the municipalities provide financial assistance according to the guidelines set by the Ministry of Welfare (Velferðarráðuneytið, 2009a, 2009b). According to the guidelines there are two options used for assessing the need for financial assistance according to family composition:

***Option A** takes into account the provisions (i.e. all resources) for adults and children, including all benefits for children,

***Option B** only takes into account the provisions for adults; the benefits for children are not taken into account. Most municipalities use Option B.

According to the Ministry of Welfare these two options were decided upon after the Municipalities' Social Services Act was passed in 1991. Before that the municipalities had based their financial assistance on family size and the number of dependents in the family. In addition the need for financial assistance was dependent on various expenses of the family such as food, housing, heating, travel, clothes, property, etc. All income was considered, including income (benefits) for children. This arrangement is in accordance with option A. In 1995 the City of Reykjavík changed their guidelines following an extensive assessment of their financial assistance system. These new guidelines are the basis for option B of the Ministry's guidelines where provisions for children are not taken into account. The ministry decided to have these two options in their guidelines since both were in use and they wanted to give explicit guidelines as well as respect the autonomy of the municipalities. In the beginning most of the municipalities used option A but as of now most of them are using option B (see Table 1). The guidelines of the Ministry are considered out of date, even though they can still be found on the Ministry's website (I. Broddadóttir, personal communication, September 11, 2014).

In relation to the transfer of the affairs of people with disabilities from the state to the municipalities in 2011, a committee was appointed in February 2014 by the Minister of Welfare to review the Municipalities Social Services Act from 1991 and revise the Act on the Affairs of Disabled People from 1992. The committee is expected to finish its work by the end of 2014 (Velferðarráðuneytið, n.d.). It is expected that financial assistance and guidelines thereof will be harmonized for the country. In addition a bill amending the Municipalities' Social Services Act (1991) is on the schedule for submission at Althingi (parliament) at the winter session 2014-2015. The amendment concerns financial assistance – guidelines on minimum amounts, activation measures (i.e. making it conditional that those who are fit to work participate in inclusive labour market measures) and partner income considerations (i.e. that partner income should not interfere with the amount a person receives in financial assistance (Stjórnarráðið, n.d)).

The income taken into account when the need for financial assistance is assessed includes wages of applicant and partner and all social security benefits, including pensions, unemployment benefits (atvinnuleysisbætur), single parent allowance (mæðra- og feðralaun) and sickness benefits from the sickness funds of the trade unions. Financial support for children is not taken into account when the need for financial assistance is assessed, as it is earmarked for the keeping and upbringing of the children (Option B). The housing allowances (rent benefits and interest relief) are not taken into account either. The income taken into account is the income before taxes, not disposable income. Financial assistance is taxed.

Property: As the municipalities set their own rules for financial assistance this can vary. But a common denominator is that a house/flat for living is the only property allowed as well as a car.

Readiness for work and training: see 1.5

2.3. Amounts of the living wage: differentiation for specific household types, cohabitants, single persons, couples, children, age groups...?

Municipalities' Social Services:

The municipalities are obliged to lay down rules on financial assistance in which the minimum amount is determined. As mentioned above the Ministry of Welfare (Velferðarráðuneytið, 2009a, 2009b) has provided guidelines for the determination of the minimum amount. According to the recommendations of the Ministry of Welfare the monthly amounts, not including housing allowance (húsaleigubætur), should not be lower than the monthly unemployment benefits. It should be noted here that these are only guidelines for the municipalities, not binding. The guidelines indicate that the minimum amount should be the total of:

Old age pension/disability pension	ISK 35.279 / EUR 229
Disability pension supplement	ISK 112.976 / EUR 734
Household supplement	<u>ISK 32. 809 / EUR 213</u>
Total	ISK 181.064 / EUR 1176

For clarification below are amounts for unemployment benefits:

100% Basic Unemployment benefits (paid first two weeks)	ISK 178.823 / EUR 1162
100% Means tested unemployment benefits (after the two weeks for 3 months in total)	ISK 281.909 / EUR 1832
Maintenance for each child under the age of 18 years	ISK 7.153 / EUR 46

The basic unemployment benefits are comparable to the amount the guidelines stipulate, except for maintenance for each child and during each benefit period the unemployed receives higher benefits for three month (Vinnumálastofnun, n.d).

The Municipalities' Social Services Act is a framework law which emphasis the autonomy of each municipality in Iceland. It gives each municipality considerable freedom in the provision of services which explains the difference in services between municipalities. This includes different amounts in financial assistance. Financial assistance thus varies based on the composition of the family and on municipality.

Table 1: Financial assistance granted by 16 out of 74 municipalities in Iceland.

Name of municipality	Financial assistance/ Single person	Financial assistance/ Couple with two children	Ministry of Welfare guidelines Option A or B	Revision rules of the amount of financial assistance
Reykjavík	169.199 ISK / 1.093EUR	253.799 ISK / 1639 EUR	B	In connection with budget proposals
Hafnarfjörður	154.384 ISK / 997 EUR	247.014 ISK /1595 EUR	B	Consumer price index
Kópavogur	153.100 ISK / 999 EUR	244.960 ISK / 1600 EUR	B	Consumer price index
Garðabær	146.864 ISK / 959 EUR	234.982 ISK / 1534 EUR	A	Consumer price index
Mosfellsbær	153.500 ISK / 1002 EUR	245.600 ISK / 1603 EUR	B	In connection with budget proposals
Seltjarnarnes	149.000 ISK / 973 EUR	238.400 ISK / 1556 EUR		
Reykjanesbær	129.766 ISK / 847 EUR	207.625 ISK / 1355 EUR	B	Consumer price index + budget
Akranes	129.240 ISK / 844 EUR	206.784 ISK / 1350 EUR		
Skagafjörður	142.200 ISK / 928 EUR	227.520 ISK / 1485 EUR	B	In connection with budget proposals
Akureyri	150.353 ISK / 981 EUR	240.565 ISK / 1570 EUR	B	Consumer price index
Norðurþing	146.602 ISK / 957 EUR	234.563 ISK / 1531 EUR	B	Consumer price index
Fjarðabyggð	147.211 ISK / 961 EUR	235.538 ISK / 1538 EUR	B	Consumer price index
Fljótshálsa	149.725 ISK / 978 EUR	239.560 ISK / 1564 EUR	B	Consumer price index
Hornafjörður	147.467 ISK / 963 EUR	235.947 ISK / 1540 EUR	A	Consumer price index
Vestmannaeyjar	138.678 ISK 905 EUR	221.885 ISK / 1448 EUR	B	In connection with budget proposals
Árborg	130.022 ISK / 849 EUR	208,035 ISK/ 1358 EUR	B	In connection with budget proposals

Source: Relevant municipalities

For purposes of simplification a further elaboration of the amounts of the assistance will be given for the capital city Reykjavík but about 40% of the population lives there. Reykjavík uses Option B and is reported to have the highest financial assistance in the country:

Table 2: Basic financial assistance per month in Reykjavík 2014

Single person, runs own household	ISK. 169.199/EUR. 1099
Couples	ISK. 253.799/EUR. 1639
Individual who lives with others and rents without registered rent agreement	ISK. 142.559/EUR. 921
Individual 18 years or older who lives in home of parents	ISK. 84.600/EUR. 546
Individual with dependent child who lives in the home of parents	ISK. 142.559/EUR. 921

Source: Department of Welfare Reykjavik City

Amounts are revised yearly in relation to the city's budget proposal. It should be noted that some municipalities adjust their amounts according to the national consumer price index and some do so in relation to budget proposal of the municipalities as can be seen in Table 1 above.

Uprating:

Municipalities' Social Services:

The Ministry of Welfare (Velferðarráðuneytið, 2009a, 2009b) recommends to the municipalities adjustments once a year in accordance with the national consumer price index. However, as mentioned before these are only recommendations and as can be seen in Table 1 not all municipalities follow this recommendation. Some of them adjust financial assistance in accordance with the budget each year, some in accordance with the national consumer price index and some in accordance with both.

2.4. Time duration: is the minimum income scheme limited in time? Are there regular re-assessments?

As long as the claimant's circumstances remain unchanged and conditions are fulfilled.

2.5. Conditionality: submission of application, information on personal situation, social inquiry, availability for work...?

Assessment:

Municipalities' Social Services:

Municipalities' Social Services' staff investigates and evaluates claimant needs. Written application is needed. Necessary documents must be submitted regarding income (i.e. tax return form and pay-slips for the last few months) as well as a medical report if relevant. Most municipalities have a special timeframe within which the claim should be processed. Financial assistance is provided in connection to other services provided by social services, such as social counselling and guidance. Everyone is obliged to be responsible for himself/herself, spouse and children under the age of 18 years. In the case the applicant has refused work or resigned work without any valid reasons the amount of financial assistance will be decreased by half that same month and the subsequent month (true for Reykjavik City, may not be true for other municipalities). This is also true for those unemployed who stop participating in special initiative programs.

Note: According to the Municipalities' Act on social services there is no clause stating that financial assistance could be conditioned. However conditionality can be found in the guidelines on financial assistance set by the Ministry of Welfare and in most of the rules the municipalities in Iceland have set as can be seen above. In 2014 the municipality of Hafnarfjordur became the first in Iceland to condition financial assistance by providing those on assistance a job or an employment-related rehabilitation. Before 2014 other municipalities had set various conditions for financial assistance in their rules. The Minister of Welfare responded by pointing out that the Act on Social Service is not clear enough concerning this matter and therefore the act is now under revision. She was not decisive as to whether the municipality of Hafnarfjordur or any other municipality in the country for that matter were breaking laws by implementing conditionality (Ríkisútvarpið, 2014).

Readiness for work and training:

Municipalities' Social Services:

All individuals are obliged to support themselves, their spouse and children under 18 years of age. Most municipalities' rules require them to prove that they are actively searching for a job. See note above.

2.6. Link with other social benefits: combination with other benefits or wage possible?
Additional social assistance for housing costs, energy, medical expenses, family allowance...?

Municipalities' Social Services:

Other means must have been exhausted.

Means-tested rental housing allowances (húsaleigubætur) are available from municipalities up to ISK 50.000 (€326) per month, depending on family size, income and cost of **housing** (15% of the rent lying between ISK 20,000 and ISK 50,000 may be paid as rent benefit).

Table 3: Rental housing allowances

Basic rent benefits	ISK.17.500 / EUR. 114
First child in family	ISK.14.000 / EUR 91
Second child in family	ISK. 8.500 / EUR 55
Third child in family	ISK .5.500 /EUR 36
15%	ISK. 4.500 / EUR 30
	ISK. 50.000 (€326)

Source: Ministry of Welfare

Most municipalities have rules regarding special circumstances. These include payments for day-care, school meals, after school care, leisure activities for children and dental assistance. In addition special payments and counselling is provided if preventative measures are necessary to protect children because they are at risk of poverty and social exclusion. Some municipalities provide educational grants to specific groups, such as young people who have not finished primary or secondary school and single parents. These grants are conditioned to a signed agreement. Other grants are available, such as special rent benefit in addition to the basic rent benefit, support because of special financial and social hardships and grants for professional help such as social workers, psychologist and psychiatrists. Other financial assistance may be added depending on the municipality. Most of this special assistance is means-tested.

Table 4 below shows the number and proportion of households receiving financial assistance from the municipalities in Iceland for the years 2004 – 2012.

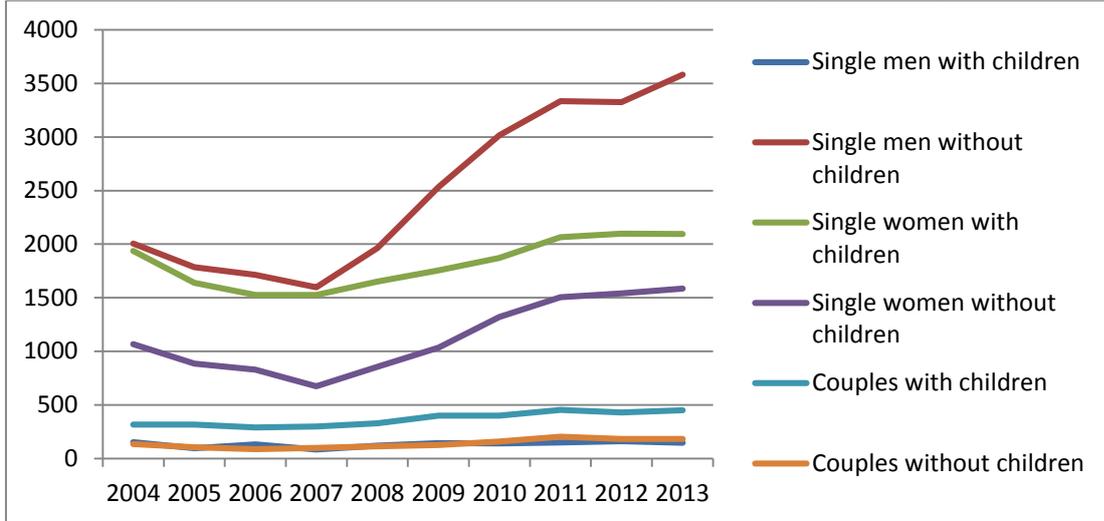
Table 4: The number and proportion of households receiving financial assistance for the years 2004-2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total number of homes	111200	112900	114300	117900	121900	126100	124600	122900	123900	124000
Number of homes on financial ass.	5613	4825	4579	4280	5029	5994	6910	7715	7736	8042
Proportion of homes on financial ass.	5,1%	4,3%	4,0%	3,6%	4,1%	4,8%	5,7%	6,3%	6,2%	6,5%

Source: Statistics Iceland

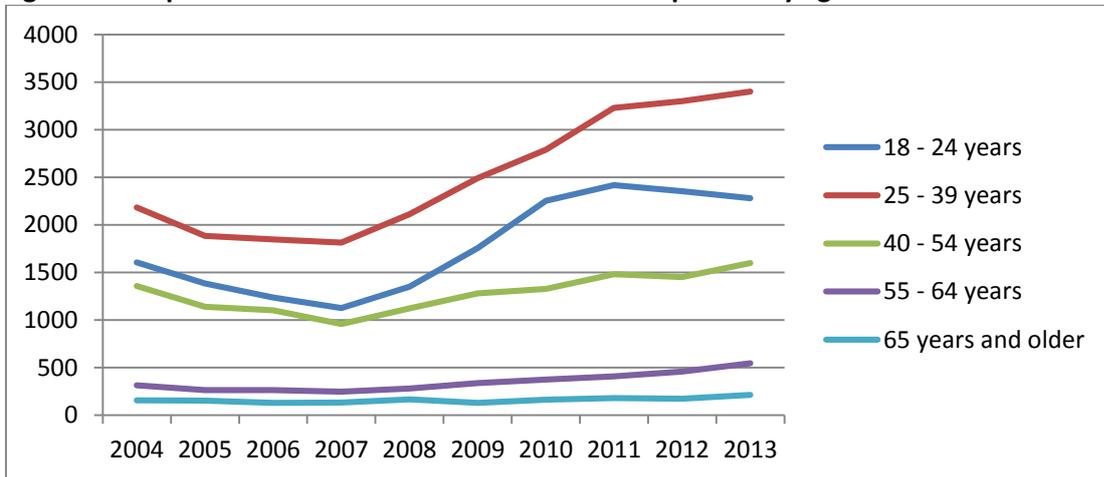
Figure 1 shows the number of those receiving financial assistance by type of family for the years 2004 – 2013. It shows that single men without children and single women with children are experiencing the biggest hardship. Figure 2 shows the number of recipients receiving financial assistance by age in the years 2004 -2013. The youngest age groups 18-39 years are the majority of the receivers of financial assistance.

Figure 1: Recipients of financial assistance from municipalities by type of family 2004–2013



Source: Statistics Iceland

Figure 2: Recipients of financial assistance from municipalities by age 2004-2013



Source: Statistics Iceland

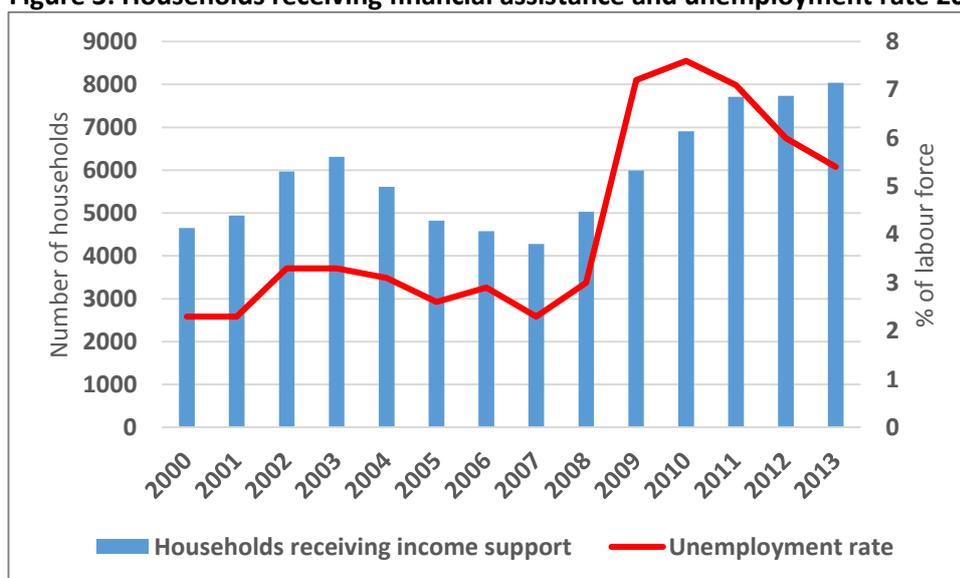
3. Link between the right to social integration and the active inclusion strategy.

3.1. Inclusive labour markets: has a closer link between benefits and activation measures been established? Have minimum income benefits been made more conditional upon readiness to participate in training or work schemes, and what are possible impacts? Have new work or training schemes been put in place for minimum income beneficiaries?

Prior to the crisis in Iceland, the employment rate was very high, around 86% and unemployment was stable around 3% or less. Because of this the importance of active labour market policies was not felt and lagged behind (Ólafsson, 2011c). A new Act on Labour Market Measures had come into effect in 2006, the first to encompass active labour market measures. Its aim is to provide individuals with the appropriate assistance to enable them to become active participants in the labour market. The relevant authorities had just begun organizing themselves according to the Act when the economic crisis hit.

When unemployment rate increased above 5% after the crisis in 2008, the importance of active labour market measures were greatly raised and efforts were put in place to set such measures (Ólafsson, 2011c). Figure 3 shows the unemployment rate in Iceland in the years from 2000 to 2013 and the number of households receiving financial assistance. The rise in unemployment in 2008 was very steep as can be seen in the figure and since 2010 the unemployment has been subsiding. However, the rise in the number of households receiving financial assistance was not as steep and actually it was very similar in 2009 -2010 as in the years 2002 - 2004. A close relationship has generally been between unemployment rate and the number of households receiving financial assistance but this trend appears to have changed somewhat in the aftermath of the crisis (Ólafsson, 2011c). As can be seen in Figure 3 unemployment has been decreasing since 2010 whereas the number of households receiving financial assistance increased in 2011 and has remained about the same until 2013. It is important to follow this trend further in the coming years especially if the number of households on financial assistance will remain this high while unemployment decreases.

Figure 3: Households receiving financial assistance and unemployment rate 2000-2013.



Source: Statistics Iceland

Various new work and training schemes have been formed since 2009 both general labour market activation measures and special strategic programs. Most of these measures are meant for unemployed individuals receiving unemployment benefits. However, some of these have been created to account for those who are unemployed without rights to unemployment benefits and are receiving financial assistance (minimum income) from the municipalities.

The programs that account for those on financial assistance from municipalities have mainly been created in the last two years in response to increased number of people applying for financial assistance as can be seen in Figure 3. Most of these activation measures have been short-term, but the newest measures have been introduced as possible long-term measures and they appear to be improving the situation for the unemployed both those who receive unemployment benefits and those who receive financial assistance from the municipalities (Velferðarvaktin, 2013, Þingskjal nr. 129/2013 and Vinnumálastofnun, n.d.a).

Activation labour market measures were aimed at both young and older unemployed individuals. Special summer time jobs for students and young unemployed have been in effect, various possibilities for returning to secondary schools and to university level education, subsidized work, specific skills training programs, and employment related rehabilitation have been in effect since the crisis. Following is a short description of majority of those measures (Þingskjal 129/2013, and Vinnumálastofnun, n.d.b):

- **Youth to Action (Ungt fólk til athafna).** This program was aimed at young people 16-25 years registered unemployed and ran from January 2010 – May 2011. This involved individualized action plan with educational opportunities, training for special skills or access to any other accepted measure offered by the Directorate of Labour or Public Employment services. Emphasis were set on vocational and educational counselling and finding appropriate measures for each individual. The program resulted in 37% of participants not being registered unemployed by the Directorate and other specific programs were developed. Young people registered unemployed are still offered comparable services and counselling by the Directorate of Labour.
- **Job Square (Atvinnutorg).** This program is offered in cooperation between The Directorate of Labour and the municipalities of Reykjavík, Hafnarfjörður, Kópavogur and Reykjanesbær, but 60% of the population live in these areas. This program came into existence in the beginning of the year 2012. Its aim is to offer services to individuals of all ages who are either registered unemployed or are receiving financial assistance from their municipality. The program also aims to reach out to those who are not in school or work and are not receiving any financial assistance. This program is still running and services offered are: work and educational measures, vocational rehabilitation and alcohol and drug abuse treatment. In 2012 there were 473 participants in the program most of whom were referred from social services. About 40% of them were working or in school at the end of the year.
- **Youth Workshops (Fjölsmiðjur).** These workshops are offered to young people 16-24 years of age who are at crossroads in life and need special training to be able to enter the labour market or to continue their education. They were established in cooperation between Ministries of Welfare and Education, Directorate of Labour, relevant municipalities, federations of unions and the Icelandic Red Cross. The first Fjölsmiðja was established in 2001 in the Capital area. Two other Fjölsmiðja are now operating, one in Akureyri (north Iceland) since 2007 and one in Suðurnes (Reykjanes peninsula) since 2010. Various trainings are offered, including housekeeping, electronics, vehicle, crafts and education and counselling. 80% of those who have attended Fjölsmiðja in the Capital area have either entered the Labour market or continued with their education.

- **Education is a Working Option (Nám er vinnandi the vegur).** This was a special activation measure offered to channel registered unemployed individuals into education and started in autumn 2011 and ended in spring 2012 (one school year) in cooperation between Ministries of Welfare, Education and Finance, Directorate of Labour and SA - Business Iceland (organization for Icelandic businesses). The main object of this measure was to respond to increasing long-term unemployment. Participants continued to receive unemployment benefits for one school year, after which they would either qualify for study loans from the public student loan fund or a study grant from the unemployment benefits fund. These studies offer a range from short-term courses, formal secondary school study and university level study. Of 960 participants only 154 (16%) were registered unemployed 90 days after their study contract expired.
- **Work is a Working Option (Vinnandi vegur).** A special activation measure, beginning in middle of 2011, aiming at recruitment and creating new jobs in the labour market and empower/reinforce long-term unemployed individuals who are about to lose their rights to unemployment benefits, hence increase their possibility to become employed. Companies who participated in the project received a subsidy in the form of basic unemployment benefit with each new employee for 6 to 12 months. In 2013 about 1400 contracts had been made, 844 had expired and 540 were still in progress. Of those 844 contracts 70% of the participants had not registered unemployed. This does not, however, mean that they are all still employed because some may have lost their right to unemployment benefits and are therefore not registered with the Directorate of Labour.
- **Team Power (Liösstyrkur).** This is a labour market measure which officially ended by the end of 2013, where unemployed individuals were given a chance to work temporarily. The project was aimed at unemployed individuals who are about to lose their right to unemployment benefits or had already lost their rights to unemployment benefits and were receiving financial assistance from their respective municipalities. Companies who hire them receive a subsidy from the Directorate of Labour. By the end of December 2013 about 40% of participants had been temporarily hired. Some contracts in this measure will last until 2014.
- **The Pathway (Stigur).** A new formal activation measure named Pathway (Stigur) was introduced in November 2013. It is a collaboration between the municipalities in Iceland and the Directorate of Labour. Its aim is to assist those who have lost their right to unemployment benefits or have not obtained the right to those benefits and are receiving financial assistance (minimum income) from their municipality. These individuals will be assisted to find jobs and/or receive vocational counselling. The social service of each municipality will refer their clients to the Directorate of Labour according to specific procedures. Participants will receive financial assistance from their municipality in the meantime and their active participation in the program may affect their financial assistance, i.e. financial assistance may be conditional upon readiness to participate. In August of this year (2014) about 40% of those who were referred from the social services to the Directorate of Labour were working, 82% in the open labour market and 18% with their relevant municipality. This project will hopefully continue in the future.
- **Forward! (Áfram!).** The newest formal activation measure started in April of 2014 in the town of Hafnarfjörður. The social services made fundamental changes to their regulations for financial assistance. Emphasis being on activation, work and self-reliance. Applicants for financial assistance have the right to an individualized plan and evaluation regarding their situation where activation, respect for every individual and social counselling is the guideline. Those who are able to work are offered a temporary job instead of financial assistance. Those with limitations are offered activation measures or vocational rehabilitation in collaboration with the Directorate of Labour and/or VIRK, vocational rehabilitation fund in Hafnarfjörður, and/or substance abuse treatment with the SAA – the National Centre of Addiction Medicine or other measures appropriate for each individual. In August this year 54% of those referred

to the Directorate of Labour were working, 74% in the open labour market and 26% with the municipality of Hafnarfjörður (Hafnarfjarðarbær, 2014).

The Icelandic Association of Local Authorities (Municipalities) along with number of municipalities in Iceland has been discussing for some time the possibility of changing the rules regarding financial assistance. This year the Association published an article "*Municipalities' Financial Assistance – Active inclusion*". The article discusses the increasing arguments about conditionality and reviews how these issues are in the other Nordic countries, the United Kingdom and Germany. Concluding remarks of the article state that all sources explored were in agreement that conditionality motivates those on financial assistance who are able to work and to become active. Emphasis should be on motivation and additional assistance to those who become active not on reductions or punitive measures. In addition, a great care should be taken in implementing such plans emphasizing on individualized activation plans taking into account the situation of the individual and his/her regional circumstances (Samband íslenskra sveitarfélaga, 2014). As can be seen in the discussion above some of the municipalities have already taken an action towards active inclusion.

3.2. Initiatives and measures taken by various groups in response to the crisis

The Welfare Watch (WW) - Velferðarvaktin

In February 2009 the government appointed a steering committee to monitor welfare developments during the crisis and to propose measures to help households. The WW consisted of representatives of the social partners, interest groups (NGOs), local authorities, institutions and government ministries.

Several working groups were established, each focusing on specific issue:

- Children under 18 years of age
- Youth and young persons ages 15-25 years
- Marginalized groups and individuals
- The unemployed
- Financial situation of families
- Health in time of crisis
- Social indicators
- Research
- The mass media

A special focus in all the working groups was to be on the welfare of children, unemployment and collaboration in all areas.

The WW was an active entity all through 2013, keeping track of the situation of individuals and families, producing reports to the Ministry of Welfare and proposing measures to different groups.

The final report in December 2013 stated that the situation in Iceland was promising. The country so far had been able to tackle the situation in order to counteract the most serious consequences of the crisis with strong labour market measures, better access to secondary education and other educational institutions and the social services often tackling situations beyond their legal duties (Velferðarvaktin, 2013).

The WW states, however, that a fairly large group of children live in poverty and social exclusion and that situation needs to be addressed. Lost opportunities in childhood will not be compensated for later in life. About 9% of children live under the poverty line and 28% of those live in single mother households and reports indicate that the status of single mothers of foreign origins is even worse (Rauði krossinn, 2014 and Velferðarvaktin, 2013). Unemployment among people of foreign origins is much higher than among others who are unemployed. Unemployment rate as of December 2013 is 4.2%, whereas unemployment rate of immigrants is 20% - a serious situation. People with disabilities

are struggling with daily necessities, paying for medication and health services. Those on financial assistance for long-term as well as people with low income are also struggling. Housing costs (rent and loans) are especially troublesome. Quality services such as health services have increased from 16,3% in 2008 to 18,2% in 2012 (Velferðarvaktin, 2013).

The WW and its partners agree that a shortage of collaboration between institutions and a lack of coordination of welfare services is indeed a problem. These voices come from staff, professionals and those who have to use the services. Despite efforts to remedy this there appears to be more effort needed to ensure that the systems and its staff work together in a more holistic way. Despite efforts and measures to alleviate unemployment there is still more to do. Long-term unemployment is increasing and today it accounts for half of those who are unemployed (Velferðarvaktin, 2013).

In June 2014 a new WW was appointed by the Minister of Welfare and its role is comparable to the previous WW that worked from 2009 until end of 2013. The WW's special focus is on families at-risk-of-poverty and social exclusion, especially families with children and single parents.

The WW listed various recommendations which will be discussed further in Part 4 of this report.

Social Indicators (Félagsvísar)

One of the achievements of the WW was the development of social indicators for Iceland. A special working group was initiated which consisted of almost 30 specialist from various places, both state and private, in the society; the University of Iceland, Statistics Iceland, Social Security Insurance, Directorates of Internal revenue and Labour, the Debtors' Ombudsman, the Icelandic Federation of Labour, the Department of Welfare of Reykjavík City and the Ministries of Welfare, Finance and Economic Affairs and Education, Science and Culture to name a few. In 2012 the social indicators were published for the first time. Statistics Iceland is responsible for the social indicators which give a holistic view of the situation of the people in Iceland and analyse groups in difficulties (Velferðarvaktin, 2013).

VIRK – Vocational Rehabilitation Fund – VIRK – Starfsendurhæfingarsjóður

VIRK is a private foundation, established in 2008, of which all the major unions and employers in the labour market in Iceland are members. Its purpose is to help people return to work following an illness or injury. This involves expert advice and services in the field of vocational rehabilitation that requires full participation of the individual concerned. VIRK emphasis early intervention.

VIRK operates in close cooperation with unions, employers, various service providers in vocational rehabilitation and welfare agencies. Vocational rehabilitation counsellors work on behalf of VIRK and are situated with the unions across the country. VIRK services are free of charge for individuals.

Individuals receiving VIRK's services have, in general, been very successful in their vocational rehabilitation. The majority of those who have completed the services are active in the labour market. VIRK's customer surveys have, in addition, demonstrated that participants are almost unanimously happy with the services they have received and believe it to significantly increase their quality of life as well as their work capacity (Virk, n.d).

NGOs initiatives

In 2011 representatives of The Icelandic Church Aid (ICA) and the Reykjavik branch of the Red Cross approached various societies, institutions and councils proposing a joint effort to seek ways of responding to poverty in Iceland. The following became part of this joint effort: The Welfare Watch, Reykjavík City's Welfare Department and Welfare Council, the Faculty of Social Work at the University of Iceland and representatives of EAPN (Associations of the disabled and the elderly, Multicultural Centre, Salvation Army, Samhjálp, and the Bishops Office) which unites various NGOs to work in the

interest of the poor, and which had recently begun operating in Iceland (Hjálparstarf kirkjunnar and the Reykjavík Red Cross, 2012).

This collaborative group formulated new measures to tackle poverty and social exclusion and produced the Prosperity report (Hjálparstarf kirkjunnar and the Reykjavík Red Cross, 2012). The collaborative group in its conclusions states that “a section of the population is in difficulties and without access to an acceptable quality of life..... Support from the community should not take the form of almsgiving, but should rather aim at promoting human dignity” (p.5). The report addresses some basic poverty traps that exist in Iceland and in order to remedy the situation, coordination, remedial action and changes in priorities are needed in individual aspects of the welfare system, the economy and NGOs (Hjálparstarf kirkjunnar and the Reykjavík Red Cross, 2012). Proposals of the report will be addressed in Sections 3 and 4 on obstacles and recommendations.

The Icelandic Church Aid (ICA) – (Hjálparstarf kirkjunnar)

The ICA offers support and counselling to people at-risk-of-poverty and social exclusion as well as those who suffer from considerable material deprivation, all free of charge. The goal is to break-up the vicious circle of poverty. Support is both financial and social. Financial support is offered to low income families with children in the form of gift/debit-cards (food stamps) in food stores, second hand clothing, medicine and medical costs and more. Assistance to youth not financially able to support themselves during secondary studies is offered until they graduate so they can continue to University level studies or become more competitive on the job market. Additional counselling is offered like financial counselling, family and individual counselling, life coaching and special counselling for immigrants. For young children support is offered at the beginning of the school year, summer gifts (i.e. bikes) and summer camp for families. Assistance is also for extra expenses such as for buying prescription glasses, dentists, expensive medical examinations and leisure activities. Special seminars are offered through life coaching; cooking courses, parenting skills, etc. in collaboration with other NGOs (Hjálparstarf kirkjunnar, n.d.)

The Red Cross - (Rauði krossinn).

The Red Cross in Iceland has been an active entity in supporting vulnerable people both before and after the crisis and special additional measures were initiated during the crisis in Iceland. The Red Cross has conducted five studies in the last 20 years for the purpose of identifying which groups in Iceland are the most disadvantaged as it is one of the main role of the Society to work with and for those who are the most vulnerable. The findings are also to be used to help the Red Cross identify the most imperative needs in the country and to better prioritize its activities. Their latest study – *Who are our vulnerables?* was published in May of 2014 and is based on information gathered through questionnaires, interviews with experts, desk study and findings of a public opinion survey undertaken especially for the study by the University of Iceland’s Social Science Research Institute.

Main conclusions of the study indicate that the disabled, single parents, low-income retirees, young people, especially young males, immigrants and children of immigrants and the unemployed face the greatest financial difficulties. Among other findings the report states that the at-risk-of-poverty threshold as defined by Statistics Iceland and Eurostat is shameful, it is indefensible that the threshold be set way below the actual cost of living. The indexing of social transfers and regular earnings tend to trap recipients of social transfers in poverty. It is interesting to note that the groups facing the greatest difficulties in Iceland today are almost the same in all five studies done in the last twenty years (Rauði krossinn, 2014).

Mothers Foundation and the Icelandic Family Aid (Mæðrastyrksnefnd og Fjölskylduhjálpin)

These interest groups have been offering food to those in need. They have offices around Iceland. The Mothers Foundation in Reykjavík, Akureyri and Reykjanesbær also offers financial support to young mothers and families in need.

The Homes Association (Hagsmunasamtök heimilanna)

This group was established in 2009 as a public interest group in the consumer field lobbying and fighting for the rights, protection and prosperity of Icelandic households. The main objective now is to address the impact of the economic crisis on households and the unfair and possibly illegal confiscation of property that has been taking place since the crisis. They believe that index-linked loans are illegal and in violation of European Economic Area agreements. The group believes that minimum income (minimum wages and financial assistance) in Iceland is creating the hardship many Icelanders are facing today. There needs to be a real and reasonable reference budget used as a reference for financial assistance, unemployment benefits and other benefits. The assistance should be enough not just to stay alive but also to be able to live an active instead of passive life. The alleviation of indexation would be the biggest wage improvement (Hagsmunasamtök heimilanna, n.d.). The Homes Association has applied to become a member of EAPN in Iceland.

Reference budget

A reference budget was established by the Ministry of Welfare in 2011, the stated purpose being to provide Icelandic households with criteria to plan household spending, and as a useful tool for financial counselling of individuals and families. The reference budget is neither a definitive measure of what is a reasonable consumption of families or a judgment of what is the cost of living (Ministry of Welfare, 2011). Other reference budgets in use in Iceland are the ones from the Debtors' Ombudsman, the banks, and the Icelandic Student Loan Fund (Sturluson, Eydal and Ólafsson, 2011).

The reference budget by the Ministry of Welfare is based on the household expenditure survey of Statistics Iceland. Basic reference is built on indication of what minimum expenditure may be in specific expenditure groups. Housing and housing maintenance, electricity and heat are not included in the basic reference but partly included is the maintenance of a car and travel. Typical reference indicates real median expenditures of households. Housing cost and travel is included in the typical reference (Sturluson, Eydal and Ólafsson, 2011).

Table 5 below shows a comparison of two of those reference budgets with financial assistance in Reykjavik City:

Table 5: The Ministry's reference budget compared to financial assistance and reference budget of Debtor's Ombudsman

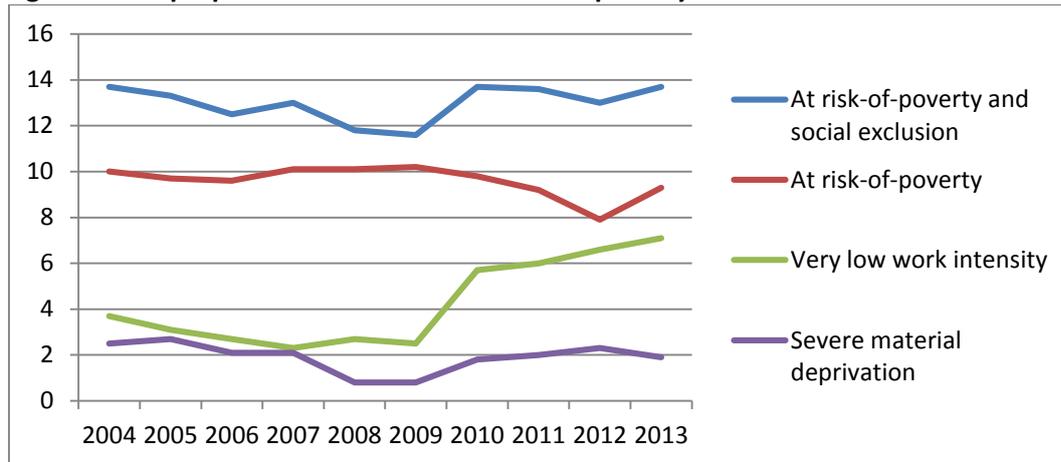
	Financial assistance in Reykjavik	Reference budget from Ministry	Debtors' Ombudsmen
Single person	169.199/EUR 1093		134.979/ EUR 883
Rural Basic ref.		101.046/ EUR 661	
Typical ref.		235.302/ EUR 1539	
Urban Basic ref.		99.758/ EUR 652	
Typical ref.		234.564/ EUR 1534	
Couple with 2 children	253.799/EUR 1639		302.434/EUR 1978
Rural Basic ref.		333.719/ EUR 2183	
Typical ref.		547.926/ EUR 3584	
Urban Basic ref.		332.430/ EUR 2174	
Typical ref.		546.543/ EUR 3575	

Table 6: At-risk-of-poverty rate by most frequent activity status 2004 - 2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total	9,4	9,4	8,8	9,3	9,5	9,9	8,7	8,2	6,9	8,1
Employed	6,9	7,9	6,6	7	6,7	7,7	6,6	6,4	5,2	6,1
Not at work	16,1	14	16,2	17,2	18,9	17,4	13,6	12,3	10,6	12,8
Unemployed	27,1	26,1	13,8	20,6	25,1	29,3	25,5	21,8	20	29,6
Retired	11,3	10,2	13,5	18,8	17,9	14,8	6,3	4,6	3,8	3,4
Other inactive	18,7	16,6	18,7	15,5	19,5	18,5	14,5	14,1	11,6	15,4

Source: Statistics Iceland

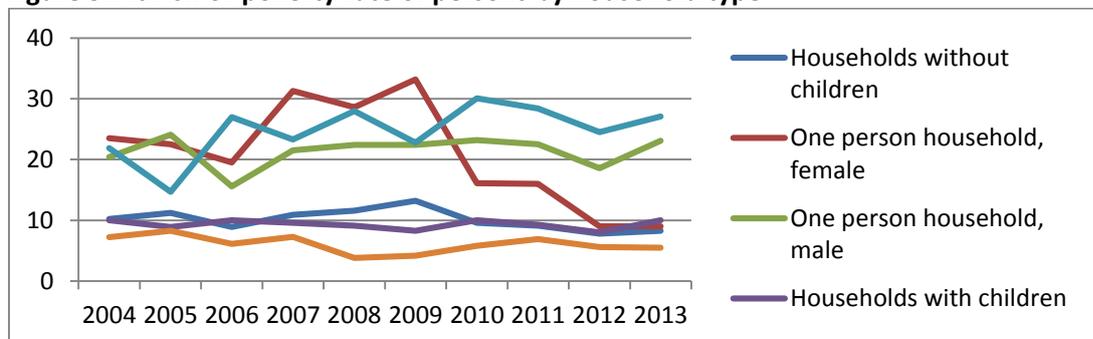
Figure 4: The proportion of individuals at risk of poverty and social exclusion 2004-2013



Source: Statistics Iceland

Before the crisis financial assistance may have reduced the level of poverty but it is questionable now in light of the recession. As Figure 4 indicates the at-risk-of-poverty and social exclusion rate has increased in the last years from 12,5% in 2006 up to 13,7% in 2013 (the 60% median income threshold). Very low work intensity rate increased substantially from the years after the crisis from 2,3% in 2007 up to 7,1% in 2013. In 2008 and 2009 the rate was about the same as in 2007 but went up to 5,7% in 2012 and has increased up to 7,1% in 2013. As seen in Table 6, it is interesting to note that in work at-risk-of-poverty for those in employment is lower today (6,1%), than it was in the years 2004-2006 (6,9%, 7,9%, 6,6%). The at-risk-of-poverty rate for unemployed persons is the highest in the year 2013 in comparison with the years 2004 – 2013.

Figure 5: At-risk-of-poverty rate of persons by household type

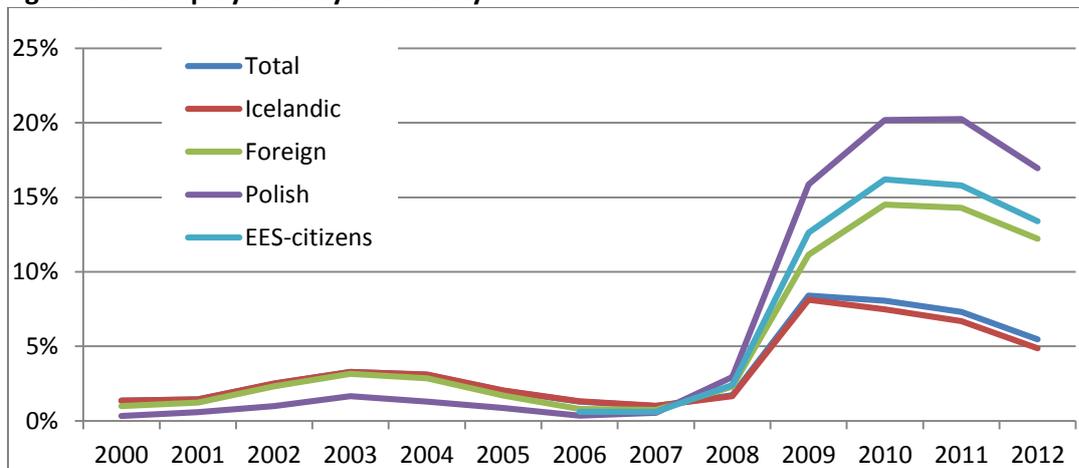


Source: Statistics Iceland

As can be seen in Figure 5 single men without children and single parents with one or more children were hit the hardest in the aftermath of the crisis. At-risk-of-poverty and social exclusion appears to

have lowered the most for single females without children. It is also noticeable that some households (households without children, households with two adults and two children and households with children) are experiencing decreased or about the same difficulties from 2004-2013.

Figure 6: Unemployment by nationality -All



Source: Directorate of Labour

As seen in Figure 6 a special attention needs to be given to the position of immigrants, especially Polish immigrants. Unemployment and the risk-of-poverty and social exclusion have increased significantly for Polish immigrants. One reason for higher unemployment rate amongst the Polish immigrants may be the fact that they predominantly worked in the construction industry, which was badly hit by the crisis. Another reason for the situation of the Polish immigrants is whether active labour market measures are in fact reaching them (Ólafsson, 2012b).

Most of the interviewees for this report agree that labour market measures need to be diverse for all types of groups, especially immigrants who “usually are put into the back seat”. Activity counsellors at the Atvinnutorg (Job-squares) have not been servicing immigrants and some counsellors at social services are reported to refuse to speak English. This needs to change – the active inclusion of immigrants needs to be prioritized.

Counsellors who work with unemployed people and those on financial assistance need to be trained in working with immigrants. They need to have cultural sensitivity, preferable of foreign origin and be able to speak different languages. We also need to acknowledge the education of immigrants, many are highly educated and do not get jobs suitable to their education and many are unable to read or write. In addition, we need a well-organized and concrete reception programme for immigrants, free of charge teaching of the Icelandic language, teaching about welfare issues and about our society as a whole, and teachers/counsellors of foreign origin who are proficient in various languages.

According to most of the interviewees we need to revise the whole social services system not only financial assistance. Social workers who work in the social services are really burdened. They have too “many” cases according to the interviewees. There is a need to have more social workers in social services in order to provide acceptable services. We need to review the guidance obligations that are a part of social workers’ duties and other workers in social services, especially concerning immigrants and borderline groups.

Many homeowners are dealing with debt problems whose mortgage payments climbed steeply and at the same time the market value of their homes collapsed. In addition many have lost their homes. It is very likely that many families who are at-risk-of-poverty and social exclusion are dealing with the same problems, having even lost their homes.

Interviewees gave examples of differential counselling, inconsistent with active inclusion. For instance, a couple, one unemployed and one in a low income job, is encouraged to quit or postpone the unemployed spouse's studies or vocational training and denied financial assistance even though the vocational training might have contributed to better labour market prospects.

In the aftermath of the crisis the government set out to protect the lower and middle income groups from the repercussions of the crisis. Benefits were allocated to the lower income groups and tax burdens were lowered for these groups as well, with tax burdens raised on higher income groups. Active inclusion measures in the labour market were augmented considerably. This included paying unemployment benefits to individuals in educational activities and permit individuals to do benefit-part time work (Ólafsson, 2012c).

As can be seen in Figure 5 there was a considerable decrease in the group suffering material deprivation in the years 2008-2010, as well as for at-risk-of poverty and social exclusion and it stayed the same for very low work intensity group. Since 2010 the rate has increased. This decrease may be the consequences of the protection of the lower and middle income groups in the aftermath of the crisis. However there has been an increase in the at-risk-of-poverty and social inclusion after 2010 indicating that now less protection of the low income groups may be in place.

The decrease in activity rate has been much steeper than in many European countries. The activity rate of men, young people and those with a low educational level has decreased the most. Between 2000 – 2007 salaries increased significantly but after the crisis they decreased rapidly and the at-risk-of-poverty and social exclusion increased for all groups. The risk of poverty for the unemployed had doubled in 2009 from 2006. (Andersen, Hougaard, and Ólafsson, 2011).

Benefits, such as family benefits are relatively low in Iceland for couples on relatively low earnings. Income supplements for fully working individuals are also rare. This may also contribute to in-work poverty rates being higher than poverty rates among pensioners, which have decreased considerably since 2010 (see Table 6).

In the other Nordic countries, the minimum wage seems to have been higher than in Iceland in the last decades. A study by Neumark et.al (2004) shows the minimum wages in the other Nordic countries to be in the region of 51-64% of average pay, compared to Iceland's 40-45%. This suggests that a rather low level of the lowest wages may be a major cause of the higher rates of in-work at-risk-of-poverty that OECD and Eurostat/Statistics Iceland (see Table 6) find in Iceland compared to the other Nordic countries. (Andersen et. al., 2011).

3.3. Access to quality services: did minimum income beneficiaries' access to services improve or deteriorate? Did prices increase? Is accessibility of services reduced, particularly in the light of the crisis and possible austerity measures?

Iceland is still struggling in recovering from the crisis. Public debt still remains high which weakens the government's ability to provide adequately for health care, education and social services. Food prices are 60%-70% higher than they were in 2008 but wages have only gone up by around 10% since 2008, making it hard for the ordinary citizen to make ends meet. In addition, substantial increase in housing loans increased financial difficulties even more for many households. Many have lost their homes. The average citizen is much worse off than before the crisis. Taxes were raised in the aftermath of the crisis for all income groups, but tax increases were proportionally lower for the lowest income groups. Cuts in public expenditures also affected old-age and disability pensioners and those receiving social assistance. The hardship of households were seen in the growing services of NGO's that provided food, clothes, food stamps and financial assistance for medical and medicine expenses. (Eypórrsson, Gylfason, and Jahn, 2014).

As mentioned above food prices have increased considerably after the crisis and the cost for most services, such as medical assistance, medicine, childcare, energy and transport, has increased substantially while benefits and wages have lagged behind.

Household expenditure survey by Statistics Iceland state real expenditures increased by 7,5% from 2009-2011 to 2010-2012. Food and beverage increased from 14,7% in 2009-2011 to 14,9% in 2010-2012. Housing, electricity, water, gas and other fuels increased from 26,5% in 2009-2011 to 27% in 2010-2012. Disposable income rose by 3,8% per household and household expenditures were on the average 89% of the households' disposable income for 2010-2012 but were 86% for 2009-2011. Household expenditure rose about 3,4% above income. (Statistics Iceland, 2013b).

As mentioned earlier rent has risen substantially since the crisis whereas rent benefits have not accordingly. Rent has increased by around 50% from 2008-2013, whereas rent benefits have almost been static. Rent benefits are not indexed whereas rent is. In addition rent benefits are only paid to those who have registered rental agreements. Many do not have registered rental agreements, preferring either to pay lower rent or because of means testing of rent.

Health services have increased and a recent survey by Statistics Iceland found that 10% skipped a dental visit because it was too expensive and 3,7% skipped a doctor's visit they needed because it was too expensive. The percent of those who skipped a visit to the dentist because of expenses increased after the year 2008. The increase was in all income quintiles but the lower the income the higher the increase. The percent of people who skipped a doctor's visit because of expenses increased between the years 2009 and 2012 but decreased between 2012 and 2013 (Statistics Iceland, 2014b).

Reports on Iceland's recovery from the 2008 crisis are mostly positive on how Iceland was able to tackle the economic crisis and the subsequent hardships the country's people suffered. In statistical comparisons to other countries in Europe we appear to be in a fairly good standing on most measures (Ólafsson, 2011a). However, Iceland is a small country with population of around 320.000 and has been doing fairly well for many years, crisis or no crisis. Unemployment has always been low, poverty rates almost non-existent, social and health services among the best and equality rate high. Even so the citizens of Iceland have suffered a hard blow. For them the rise in unemployment was devastating and the real-life situations of many changed drastically – people suddenly found them having a hard time making ends meet. The smallness of Iceland creates closeness and therefore hardship hits harder because most people know someone who was hit by the crisis. Everyone was therefore affected by the situation the economic crash created.

4. Identification of obstacles to the implementation of adequate minimum income schemes

Section 3 on obstacles and Section 4 on next steps for improvements are based on individual interviews with various persons and professionals (See list in Appendix 1), results from group discussions during the National EMIN Conference September 19th 2014 and on information from different secondary sources (desk research).

4.1. Coverage and take-up: are there problems concerning coverage (nationality, residence)? Quid migrants, asylum-seekers, undocumented migrants? Homeless and roofless? Are data available on number of people who are entitled and who actually take up their rights? Those who don't? Possible barriers for take-up (lack of information, complexity of system, conditionality, discretionary nature of benefits, benefits too low in comparison with time and effort for application, lack of support on application, fear of stigma...)?

Interviewees agreed that there are barriers for take-up, but were not sure how extensive they are. Data is not available on the number of people who are entitled and who actually take up their rights. Non take-up is believed to be higher in some groups than others. People lack information and information is often too complicated. Access to information is often difficult and people not referred to the right place. People do not know where to go and they think they do not have the rights to various benefits because no one informed them - failure to inform. Non take - up groups may be immigrants, people with disabilities and illnesses, such as mental illness, drug users, homeless people and young people who live in the home of their parents or with relatives who support them.

Immigrants may fear deportation if they apply for financial assistance or that it will complicate their immigration status or their right to citizenship, but immigrants must prove that they have not received any financial support from the state or a municipality for the past four years in order to receive permanent residence permit.

There is a social stigma attached to receiving assistance from social services, the more so in the minds of older people than young people. Older people may not ask for assistance because of the stigma, look at the assistance as alms.

Some of the interviewees discussed the hidden (latent) prejudice among service providers towards specific groups. Some service providers believing that specific groups may be misusing the system. The reason simply being misunderstanding or ignorance of how the system works or possible misunderstanding because of language difficulties. This may result in exclusion from services. There are instances that service workers refuse to talk English. Staff can be very different, some inform, others do not, and some do their job well, other do not. High turnover of counsellors makes applicants for financial assistance and other benefits explain their situation over and over again. Social workers are overburdened and not able to perform their job like the system is today. With the economic situation social services are overwhelmed by the increase in clientele without an increase in personnel, thus increased pressure and workloads. Some interviewees stated that the increase in the number of social workers would save the municipalities a lot of money in the long run.

The system is too complicated and needs to be simplified or as one interviewee put it "*the system is like a huge quilt*". As mentioned above Iceland is a small country with a small population. Still, the administrative and organizational structure is a complex one and believed by many to be non-transparent and lacking in collaboration. (Andersen, Hougaard, and Ólafsson, 2011). Social and family affairs are divided between Ministries; The Ministry of Welfare (Health and Social Affairs and Housing)

and the Ministry of Interior. Directorate of Labour is a state administration whereas Social Services belong to the local government administrations (municipalities). The Icelandic Association of Local Authorities, sometimes called the third administrative level, is the joint representative of all the local municipalities in Iceland and defends their interests in dealings with the state and other parties. In addition each municipality creates its own regulations regarding social services and the amount of financial assistance is different depending on the municipality one lives in. Interviewees and participants at the EMIN conference agreed that we need specific information centres or places where people in need can obtain comprehensive, integrative and individualized information and counselling.

Most of the interviewees were concerned with the situation of young people stating that there are too many young people with no rights to unemployment benefits. The unemployment rate of the age group 16-24 years is relatively high compared to other age groups, the rate being 11% compared to 5,4% for the total unemployment rate in 2013 (Statistics Iceland, 2014e). Young people have dropped out of school and stay at home and/or they have not been long enough on the labour market to be eligible for unemployment benefits. Some of them are content receiving financial assistance and live in the homes of their parents. They lack the necessary skills and maturity to become active and to understand the importance of education and training for their future prosperity. Many that have decided to go back to school while unemployed lose their unemployment benefits if they are full time students. Middle age men are now increasingly applying for financial assistance as they have lost their right to unemployment benefits (been unemployed for more than 3 years). The group of young single mothers is experiencing increased hardship.

Additional obstacles regarding coverage and take-up were mentioned at the EMIN conference held 19. September 2014. These include the inequality that exists in Iceland regarding the different amounts of financial assistance across the country – an issue that should have been dealt with long time ago. The Municipalities' Social Services Act emphasizes the autonomy of the municipalities which explains the difference in regulations between municipalities. The majority of the participants at the EMIN conference noted that this autonomy of the municipalities should not be more important than the people who need financial assistance, that the basic amount of financial assistance should be the same across the country. Additional obstacles mentioned were the problem with means-testing of partner's income of applicants for financial assistance that many believe is not in the spirit of equality. Single men, whose children reside with their mother but stay up to two weeks a month with their father, are experiencing hardship since they are not receiving the same financial support as the mother (child support, children's benefit). Some single divorced men on financial assistance have collected child support debts they are unable to pay and the social services do not assist in paying these debts. The conference guests also believe that the taxation of financial assistance should be reviewed. Actually that means testing of benefits is highly troublesome. Special measures, for those who were at risk-of-poverty and social exclusion before the crisis and still are, need to be developed.

The position of immigrants, especially after the crisis, is a serious one. There is an indication that immigrants have to some extent been excluded from labour market and education measures for the unemployed. In addition, immigrants that have been long-term unemployed are now applying for financial assistance and may be excluded from the measures the municipalities are now offering because these measures have almost exclusively been offered in Icelandic only, making it difficult for immigrants who don't understand Icelandic to attend. Special efforts need to be initiated to reach them much better (Ólafsson, 2012b). Many immigrants are sending money to their home-country and have less money to live by or work even more as a consequence.

4.2. Adequacy: Criteria and methodology to define adequacy of minimum income? Defined in relation to at-risk-of-poverty threshold (60% of median income)? Or in relation to other social benefits,

minimum wage, standard of living? Use of reference budgets? Uprating mechanisms available (index, other) in line with rises in inflation or standard of living?

Officially there is no minimum income scheme in Iceland and officially minimum wages have not been defined either. As mentioned in Section 1.3. and 1.5. the Ministry of Welfare has issued guidelines concerning financial assistance from the municipalities, i.e. assistance should not be higher than unemployment benefits and the frame of reference used is the total amount of disability base pension, the pension supplement and the household supplement, which today is ISK 181.000 (EUR 1176 for a single person), about ISK 12.000 (EUR 78) higher than the highest financial assistance in the municipalities (ISK 169.199 for a single person). At the National Conference it was stated that these guidelines were out-of-date. So today we can say that the amount of financial assistance of the municipalities is really not based on any criteria that are known of!

The 60% poverty threshold (at-risk-of-poverty and social exclusion as established by Statistics Iceland) in 2013 was ISK 170.600 (EUR 1103 for a single person), a little higher than financial assistance in Reykjavik City and considerable higher than for most of the other municipalities. One can conclude that those who rely on financial assistance are under the at-risk-of-poverty line (single person). The at risk-of-poverty and social exclusion threshold for two adults with two children was ISK 358.400 (EUR 2318). The basic (Reykjavík City) financial assistance for this type of family is ISK 253.799 (EUR 1642), still under the at-risk-of-poverty threshold.

Most of the interviewees agreed that financial assistance should be a temporary assistance – an emergency assistance. However, the situation has changed with the recession and more and more people have been receiving assistance for long-term. Most of them also agreed that the amount of financial assistance is not adequate at all. Financial assistance should be lower than minimum wages but minimum wages are too low. They pointed out that when one benefit increases the same should be true for other benefits but that is not the case. Cost of living is different depending on where in Iceland you live, i.e. housing and food expenses. Each municipality needs to assess the cost of living in its environment and make reference budgets according to that assessment.

We need specific rather than general measures. Cost of living is connected to housing cost, which has increased substantial in the last years. We need measures for poor people, housing subsidies, increased child benefits and increased support to families with many children.

Adequacy needs to be twofold: The emphasis should not only be on benefits but also on social assistance (counselling). We need to have a standard reference budget – basic minimum schemes – common basic reference for all AND individualized social/welfare service. People's situation is evaluated and there should be a clear demand on participation in various measures and activity. The individual's interests should be evaluated and what is appropriate for each person. One interviewee stated that data existed on the adequacy of these twofold measures. This needs to be considered when rules and regulations are reviewed or revised. Poverty exists in Iceland, that is evident for those who work in the field but it is not as visible to the general public.

Criteria measures and reference budgets need to be realistic, uprated regularly and need to be in sync with reality. They should also guard for equality. Some interviewees suggested the use of the reference budget made by the Ministry of Welfare and some mentioned the reference used by the Debtors' Ombudsman. Some felt the typical reference budget from the Ministry was too high and some mentioned that the basic reference budget by the Ministry of Welfare could be used as a reference for a minimum income scheme.

The frame of reference should be mitigating circumstance of people at any given time. Married couple's level of financial assistance is too low, and if one of the spouses is working, the financial assistance is reduced according to his or her wages. This is inequality and takes away people's self-respect.

One interviewee stated that wage agreements set the pace what is adequate financial assistance. Financial assistance should never be higher than minimum wages and disability and rehabilitation pensions are too high in comparison with wages creating no incentive to find a job.

Many municipalities decrease the basic financial assistance if people are not running their own home. This is also true for single parents who cannot afford to rent and live in the home of parents or others. This creates a poverty trap for these individuals, which prevents them to leave poverty.

We should not be looking for punitive measures such as decreasing benefits or conditionality. Instead basic financial assistance should increase if people commit and stay active (looking for a job or participate in activation measures). Directorate of Labour should assist all unemployed but today they mostly attend to those who are liable for unemployment benefits. This is hopefully changing with the agreement between the Icelandic Association of Local Authorities and the Directorate of Labour regarding the measures Pathway (Stígur) and Forward! (Áfram!).

Flexibility is important, especially regarding specific benefits within the financial assistance system: special benefits for different groups such as people with children, rent subsidies, recreational activities for children, etc. The regulations regarding specific benefits are different from one municipality to the other, which makes the system even more complicated.

Refugees/Asylum-seekers are subject to a specific system whereby the Social services in Reykjanesbær and Reykjavík and the Red Cross in Iceland service the group by a contract with the Ministry of Interior. Some interviewees had concerns for asylum-seekers as to the negative treatment they are sometimes subjected to. Information is sometimes not clear enough and often causes more emotional agitation than necessary.

4.3. Effectiveness: Impact of minimum income schemes in preventing and reducing poverty levels and intensity of poverty?

Financial assistance as noted above is just below the at-risk-of-poverty or social exclusion for a single person and a family with two children indicating that it is not adequate and may not be preventing or reducing poverty levels.

The role of minimum income schemes should be to prevent poverty and that people will not end up in a poverty trap. Poverty in Iceland is not visible enough and reforms on the issue of poverty in Iceland are long overdue, i.e. the need for official minimum income schemes and the different regulations for financial assistance across the country to name some.

Before the crisis financial assistance may have reduced the level of poverty but it is questionable now in light of the recession. Poverty levels having increased substantially in the last years from 9,6% in 2006 up to 13,7% in 2013 (60% median income threshold). In-work at-risk-of-poverty rate increased in the years after the crisis from 8,8% in 2006 up to 9,9% in 2009. After 2009 the rate has lowered somewhat, went down to 6,9% in 2012 but was again up to 8,1% in 2013.

Many homeowners are dealing with debt problems whose mortgage payments climbed steeply and at the same time the market value of their homes collapsed. In addition many have lost their homes and cannot afford to rent. It is very likely that many families who are at-risk-of-poverty and social exclusion are dealing with the same problems, having even lost their homes. Food prices are 60%-70% higher now than before the crisis and the cost for most services (such as medical assistance, childcare, energy and transport) has increased substantially while benefits and wages have lagged behind.

4.4. Active Inclusion policy

4.4.1. Link with inclusive labour markets: How conducive are minimum income schemes to labour market integration? Effectiveness in ensuring incentives to work? Use of activation measures, special work or training schemes? Possible incentive or disincentive factors of minimum income (poverty trap)?

It was not until after the economic crisis that activation measures were introduced to the financial assistance scheme in Iceland. Financial assistance was conditioned to actively looking for work but special labour market measures were not developed for this group and people were not able to participate in labour market measures unless they were registered unemployed. Due to increased collaboration between the municipalities and the Directorate of Labour in the last two years specific labour market measures have been introduced for people on financial assistance. Job Square (Atvinnutorg), Pathway (Stígur) and Forward!(Áfram!) are good examples of such measures as mentioned earlier. These measures are considered to be effective so far. These measures are fairly new and some may be temporary measures so it is too early to see how they fair. It is clear though and important that permanent measures be developed for those who are unemployed and are able to work as well as specific considerations be given to groups that are more vulnerable, like people with disabilities, illnesses, drug user, etc. Part time work is important for these groups since they may not be able to work full time but part time work has been hard to get. Inclusive labour market measures need to consider not only measures for full time work but also variety of measures for groups who cannot work full time in addition to vocational and rehabilitation options.

As mentioned before immigrants are facing hardship in the aftermath of the crisis. There needs to be a comprehensive immigration policy making. The affairs of immigrants are spread in too many Ministries.

The most important assistance is to help people help themselves and maintain flexibility in rules and regulations. It is not active inclusion if you can just get by (have food and clothes). Social life also needs to be present. One needs to be able to do other things, take a summer holiday with your children and give your children the opportunity to participate in leisure activities.

As stated by the WW social/welfare services around the country accomplished great achievements after the crisis. They even extended services beyond law and regulations. An example is the social services of Reykjanesbær.

Continual poverty hinders active social inclusion and it is hard to be a recipient all the time. Social phobia, anxiety, depression, low income; all these can be the results of not being active in the society or socially excluded.

4.4.2. Link with access to quality services: measures to improve access to medical assistance, social services, childcare, housing, energy, transport...?

After the crisis the out-of-pocket cost for welfare quality services increased substantially due to cuts in welfare expenditures. Access to health care services has been maintained but the overall cost for recipients have increased, waiting lists for important operations increased, and a considerable strain has been felt regarding manpower restrictions.

Rent has increased substantially but rent compensations have not. Financial assistance needs to be much higher for people to get out of the poverty trap. Cost of living needs to be monitored and up rated regularly.

Rental benefits can only be received if one has registered rental agreement. This has been problematic because many people rent without a registered rental agreement because it lowers the rent. In that case many pensioners and many on financial assistance do neither receive household supplement nor rent benefits.

It should be noted that after the crisis wages decreased but consumer prices have increased considerably.

5. Suggested next steps adequacy, coverage and/or take-up of minimum income to improve schemes

Section 3 on obstacles and Section 4 on next steps for improvements are based on individual interviews with various persons and professionals (See list in Appendix), results from group discussions during the National EMIN Conference September 19th 2014 and on information from different secondary sources (desk research).

Majority of those consulted agree that the welfare system in Iceland needs to be better defined, more transparent and simplified. Active participation, empowerment, choice, respect, equality and diversity should be respected. Secondary sources, interviewees and those participating at the National Conference were also in an agreement to what groups are experiencing the biggest hardships; single men, single and low-income parents and their children, immigrants and their children, the long-term unemployed, people with disabilities, low-income elderly people, and young uneducated males.

Key issues that need to be considered:

- Minimum income should be defined officially by the state and be the same in all Iceland.
- There should be a base allowance that all recipient receive and generosity may increase for active and motivated individuals who are *able* to participate in activation measures, special work or training schemes. Special conditions need to be for special groups, such as for the homeless, people with disabilities, those dealing with substance abuse and those dealing with mental illness, etc.
- Labour market measures should be available to all who are able to work, not only those who are receiving unemployment benefits. It is also pertinent that *everyone* (those who have lost their right to unemployment benefit, those receiving financial assistance and (young) people who have not gained the right to receive unemployment benefits) who is able to work should be registered unemployed in order to correct the unemployment figures in the country.
- A reference budget needs to be defined officially by the state that can be used as a basis for minimum standard of living so people can live with dignity.
- The issue of immigrants should be specifically looked into and their right to take part in active labour market measures and receive social service should be respected.
- Extensive use of income testing of benefits should be reviewed and interferences with other benefits should also be reviewed.
- Certain groups, that seem to be experiencing more hardships than others, and are trapped in poverty need special considerations. Related to this is the vicious circle of the “social heritage” whereby a third and fourth generations of families are unable to step up from their position in society and leave poverty (Rauði krossinn, 2014).

Three main principles are drawn up by the Prosperity report (2012) regarding welfare services in Iceland. Firstly, the discussion about welfare and poverty should emphasize the society’s social contract. The social contract has two main premises and neither can be without the other. On the one hand are human rights and on the other hand are empowerment and social capital. We need to embrace human rights, social capital, empowerment and participation of all. The rights and obligations of each individual seek equilibrium, the demand for adequate income for all parallel to active inclusion on your own terms. Secondly, the report points to the fact that poverty traps exist, a situation that has been difficult to eradicate despite efforts, and for some groups the situation is intolerable. Thirdly, discussions and measures of the welfare service should be approached on the basis of strength, quality and rights instead of weakness, deprivation and alms. We should measure ability instead the lack thereof (Hjálparstarf kirkjunnar & Rauði krossinn, 2012).

5.1. Coverage and take-up: are there problems concerning coverage (nationality, residence)? Quid migrants, asylum-seekers, undocumented migrants? Homeless and roofless? Are data available on number of people who are entitled and who actually take up their rights? Those who don't? Possible barriers for take-up (lack of information, complexity of system, conditionality, discretionary nature of benefits, benefits too low in comparison with time and effort for application, lack of support on application, fear of stigma...)?

In order to improve coverage and take-up welfare services should all be in the same place, weather being located at the municipalities' social services or in a new location comparable, for instance, to the Norwegian Labour and Welfare Administration (NAV). Today the system is too complicated and non-transparent and collaboration between the systems needs to be much more for the welfare system to work properly. The participants at the national conference recommended a "one-stop-shop" system (also recommended by the Prosperity report), one that is comparable to NAV in Norway -that social and financial assistance, social security insurance, unemployment services, sickness benefits and child benefits – the welfare services as a whole should all be one place. That way services would be more individualized and recipients will have one counsellor/case manager instead of many now. This would improve coverage, take-up and the effectiveness of the welfare system for all, including immigrants, and be in the spirit of active inclusion policies.

Statistical information on those who are entitled and actually take up their rights needs to be available. The new Social Indicators collected by Statistics Iceland are a great source and needs to be constantly reviewed and additional measures added, like measures on coverage and take-up.

5.2. Adequacy: Criteria and methodology to define adequacy of minimum income? Defined in relation to at-risk-of-poverty threshold (60% of median income)? Or in relation to other social benefits, minimum wage, standard of living? Use of reference budgets? Uprating mechanisms available (index, other) in line with rises in inflation or standard of living?

The minimum income – financial assistance is not adequate to live a decent life. The amounts are below the at-risk-of-poverty threshold as defined by Statistics Iceland (60% of median income). Most of those consulted in interviews and those participating in the National Conference agree that financial assistance and disability pensions are below the poverty threshold and actions need to be taken to remedy this poverty trap. In order for this to happen the minimum wages need to be increased. As mentioned earlier in this report, measures have indicated that in-work at-risk-of-poverty in Iceland (Eurostat/Statistics Iceland, OECD) does exist, indicating that minimum wages may be too low.

Both interviewees and participants at the National Conference mostly agreed that there should be an official, coherent minimum income scheme, a basic minimum income/financial assistance for all in need. Generosity of financial assistance may then be increased when people become active. Some believe that labour market measures and conditionality may be legally debatable and possible only an incentive for those who don't need an incentive. The debate about conditionality needs to be solved and we need to come up with a solution that most people agree on.

A reference budget needs to be developed and used as a basis for minimum standard of living. Various reference budgets are in use but there is none official one. The state has, however, already developed one that can be found on its website, wherein there are two consumption patterns specified, a typical one and a basic one (See Table 5). The basic reference budget could be a base for a minimum income scheme for Iceland as well as representing a poverty line (S. Jónsdóttir, personal communication, September 19, 2014).

The WW made numerous recommendations in its report (Velferðarvaktin, 2013). These include that the state and local authorities need to formulate holistic measures on how to conquer poverty in

Iceland and that special measures be put forth now to secure the welfare of families with children, especially single parents and their children.

5.3. Effectiveness: Impact of minimum income schemes in preventing and reducing poverty levels and intensity of poverty?

A minimum income scheme does not exist in Iceland and the minimum income of financial assistance of the municipalities is not adequate as has been stated above and it is not preventing or reducing poverty levels. In addition the municipalities do not have the same amounts and not the same rules regarding financial assistance. This needs to be rectified. The Minister of Welfare has appointed a committee on reviewing the Municipalities' Social Services Act and the Affairs of the Disabled Act. The committee is supposed to have completed its work by the end of 2014. In addition the Social Insurance Act is also under review. These reviews will hopefully amend the many flaws that have existed in Iceland regarding welfare issues.

5.4. Active inclusion policy

5.4.1. Link with inclusive labour markets: How conducive are minimum income schemes to labour market integration? Effectiveness in ensuring incentives to work? Use of activation measures, special work or training schemes? Possible incentive or disincentive factors of minimum income (poverty trap)?

Inclusive labour market measures have been developed fairly recently in Iceland and most of them have been developed after the economic crisis. The main reason being that labour market participation has been very high and unemployment generally low. Even more recently activation measure for those on financial assistance and those who have lost their right to unemployment benefits were developed and thus too early to say how these developments will fair.

A special consideration should be on the situation of immigrants due to their high rate of unemployment and because they lack the social support system most Icelanders have in their extended family network. It is questionable whether activation measures are reaching immigrants as effectively as Icelandic nationals. Educational opportunities for immigrants should also be looked into. Language training for immigrants should also be a priority and learning Icelandic should be free of charge for immigrants. A comprehensive policy on Immigrant issues should be prioritized where support and counselling should be outlined – a support where counsellors are knowledgeable on immigrant issues and preferably of foreign origin and are able to speak the relevant language.

The various labour market measures that have been developed need to be reviewed and their effectiveness evaluated in order to figure out which measures work and which do not work. In their report (Velferðarvaktin, 2013) the Welfare Watch made various recommendations. The Ministry of Welfare, local authorities and the Directorate of Labour need to continue working together on developing measures for the unemployed and those on financial assistance, especially long-term unemployed who are no longer eligible to receive unemployment benefits and are now on financial assistance and others who have no rights to unemployment benefits because of spouse income.

It is important to motivate people to go to school or relevant vocational training. People should have choices. *“What do you want to do?”*. There needs to be flexibility in activities and no paternalistic attitudes. Conditionality of benefits helps if a good care is taken in its development. The most important thing is that one can live on the benefits. It is Important to give people the leeway to study while going through hardship such as unemployment, illness, etc.

People who are unemployed and able to work should have a mentor or a case manager who assists in the development of an activation plan, follows through, monitors and is active in follow-up for some time after the person starts working/studying. Some interviewees mentioned the process by which VIRK the rehabilitation fund follows in their work with clients as a good example in this development.

City of Reykjavik Department of Welfare responded to the crisis by monitoring all systems by appointing a special activation team. In 2009 activity counsellors were added to social service's personnel. In 2014 psychologists specialized in working with adults were hired, the purpose being to work with clients on financial assistance, especially those who have been receiving assistance for a long time. This is an example of a working process that other municipalities may want to consider. There is too much strain and burden on those who work in social services to be able to provide acceptable services, and as one interviewee put it, more social workers working in social services would save the municipalities a lot of money in the long run.

5.4.2. Link with access to quality services: measures to improve access to medical assistance, social services, childcare, housing, energy, transport...

The WW (2013), made various recommendations as to improve access to quality services. The state should expedite the formulation of a holistic housing policy with relevant measures and support for people experiencing housing difficulties. This includes those who have lost their homes because of bonded debts, those unable to pay their loans, and those who are experiencing increases in rent with decreasing rental benefits. Those who are losing their homes are unable to pay rent.

Participatory patient payments should be mitigated, especially for those with serious and long-term illnesses as well as social and financial problems. Research has shown that the number of those who skip dentist and doctors' visits has increased substantially since the crisis. 46% of persons with disability do so, 39% of those with low income, and 35% of women. This includes both cost for medication and cost for doctor's visits. The groups affected are families with children, disability pensioners, immigrants and low-income elderly people (Velferðarvaktin, 2013).

Special budget increase should be allocated to health clinics to ensure psychological and psychiatric services for children. In this case it is pertinent to strengthen the collaboration of Health care clinics, social services and child protection services (Velferðarvaktin, 2013).

The Ministry of Welfare and the local authorities should formulate collaboration between Health Care clinics, schools and social services for the well-being of children who live with difficult social circumstances because of mental problems and/or substance abuse of parents (Velferðarvaktin, 2013).

6. Appendix 1

People who were consulted/interviewed for the report

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<i>Edda Ólafsdóttir</i> , Specialist on the affairs of immigration, refugees and asylum seekers.	Reykjavik Human Rights Office
<i>Guðný Eydal</i> , Professor,	Social Work Department of Social Work, University of Iceland
<i>Gyða Hjartardóttir</i> , Social services representative,	Icelandic Association of Local Authorities
<i>Hannes G. Sigurðsson</i> , Assistant Director,	Business Iceland
<i>Hjördís Kristinsdóttir</i> , Corps officer, Salvation Army,	Reykjavik and EAPN Iceland
<i>Ingibjörg Broddadóttir</i> , Deputy Director General	Department of Social Services at the Ministry of Welfare
<i>Laufey Ólafsdóttir</i> , Vice chairman, single mother	Single parents association and EAPN Iceland
<i>Nadia Borisdóttir</i> , Counsellor	The Reykjavík Human Rights Office
<i>Sigríður Hanna Ingólfssdóttir</i> , Social Worker	The Organization of Disabled in Iceland
<i>Sigríður Jónsdóttir</i> Senior Advisor	Department of Quality and Prevention at the Ministry of Welfare
<i>Sigurveig S Bergsteinsdóttir</i> , Chairman	Mothers Foundation of Akureyri

Participants in group discussions at the National EMIN Conference

The National EMIN Conference was held on 19th September 2014. About 70 people from various organizations and state and municipal institutions attended:

State and municipality institutions:	NGOs/Interest groups
Althingi (Parliament)	BÓT - Activist group
Bishop's Office	Homes Association
Icelandic Association of Local Authorities	Icelandic Church Aid
Icelandic Human Rights Centre	Law Practice
Reykjavík City Health Centre	People experiencing poverty
Social Insurance Administration	The Red Cross in Iceland
The National Church	Reykjalundur, Rehabilitation Centre
The National Institute for the blind, visually impaired and deaf blind	Salvation Army
The National University Hospital of Iceland	Save the Children in Iceland
The Welfare services of Reykjavik City	Sjálfsbjörg, the National Association of People with Disabilities
The Welfare Services of Akranes	Stroke Association of Iceland
The Welfare Services of Mosfellsbær	The Icelandic Mental Health Alliance
The Welfare Watch of Reykjanesbær	The Icelandic Pensioners' Organization
The Welfare Services of Ölfus	The National Association of Tuberculosis and Chest Patients (SÍBS)
	The Organization of Disabled (OBI)
	Women of Multicultural Network (W.O.M.E.N)

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