



# EMIN Context Report Iceland

## Developments in relation to Minimum Income Schemes

Author: Hanna R. Björnsdóttir

May 2017

## What is EMIN?

The European Minimum Income Network (EMIN) is an informal Network of organisations and individuals committed to achieve the progressive realisation of the right to adequate, accessible and enabling Minimum Income Schemes. The organisations involved include the relevant public authorities, service providers, social partners, academics, policy makers at different levels, NGOs, and fosters the involvement of people who benefit or could benefit from minimum income support.

EMIN is organised at EU and national levels, in all the Member States of the European Union and also in Iceland, Norway, Macedonia (FYROM) and Serbia.

EMIN is coordinated by the European Anti-Poverty Network (EAPN). More information on EMIN can be found at [www.emin-eu.net](http://www.emin-eu.net)

## What is the Context Report?

In 2014 individual Country Reports were produced under the EMIN project which outlined the state of development of Minimum Income Schemes in the country concerned. These reports also set out a road map for the progressive realisation of adequate Minimum Income Schemes in that country. These Country Reports can be found on [www.emin-net.eu](http://www.emin-net.eu) (EMIN Publications). This Context Report gives an update on developments in relation to Minimum Income Schemes in Iceland since the publication of the Country Report.

## Acknowledgements:

**Author of Report:** Hanna R. Björnsdóttir, social worker and Vilborg Oddsdóttir chair EAPN and EMIN in Iceland.



For the period 2017-2018 EMIN receives financial support from the European Union Programme for Employment and Social Innovation “EaSI” (2014-2020) to develop its work in the EU Member States and at EU level. For further information please consult: <http://ec.europa.eu/social/easi>

The information contained in this report does not necessarily reflect the official position of the European Commission.

## **Definitions used in the EMIN Project**

**Minimum Income Schemes** are defined as, income support schemes which provide a safety net for those of working age, whether in or out of work, and who have insufficient means of financial support, and who are not eligible for insurance based social benefits or whose entitlements to these have expired. They are last resort schemes, which are intended to ensure a minimum standard of living for the concerned individuals and their dependents.

**EMIN aims** at the progressive realisation of the right to adequate, accessible and enabling Minimum Income Schemes.

**Adequacy** is defined as a level of income that is indispensable to live a life in dignity and to fully participate in society. Adequate Minimum Income Schemes are regularly updated to take account of the evolution of the cost of living.

**Accessible** is defined as providing comprehensive coverage for all people who need the schemes for as long as they need the support. Accessible Minimum Income Schemes have clearly defined criteria, they are non-contributory, universal and means-tested. They do not discriminate against any particular group and have straightforward application procedures. They avoid:

- institutional barriers such as bureaucratic and complex regulations and procedures and have the minimum required conditionality,
- implementation barriers by reaching out to and supporting potential beneficiaries
- personal barriers such as lack of information, shame or loss of privacy.

**Enabling** is defined as schemes that promote people's empowerment and participation in society and facilitates their access to quality services and inclusive labour markets.

Contents

Section 1: Evolution in laws and regulations regarding minimum income schemes ..... 5

Section 2: Use of reference budgets in relation to Minimum Income ..... 7

Section 3: Implementation of Country Specific Recommendations on Minimum Income and follow up through the Semester process ..... 8

Section 4: Political Developments impacting on the reference budgets in relation to Minimum Income..... 9

Section 5: Developments in relation to the Iceland EMIN Network..... 9

## Section 1: Evolution in laws and regulations regarding national (or regional/local) minimum income schemes

This section indicates changes to the main minimum income scheme in the country since the EMIN1 project ended in 2014, in particular changes to schemes that were dealt with in the EMIN1 project. In countries where several minimum income schemes coexist, please give priority to minimum income schemes for the working-age population. The **country report** from the EMIN 1 project is available at <https://emin-eu.net/emin-publications/>

*Changes in the legislation and regulations governing minimum income schemes in your country with regard to*

- *Eligibility conditions (lack of sufficient resources, age requirements, residence...)*
- *Conditionality of the benefits (willingness to work, other conditions related to personnel attitude of recipients...)*
- *Levels of payment, uprating*
- *Links with other benefits*
- *Governance of the schemes?*

Eligibility conditions have not changed.

Regarding conditionality of benefits more Municipalities are using conditionality, i.e. willingness to work in relation to financial assistance. Otherwise no change.

The amounts of financial assistance are uprated yearly according to the consumer price index, budget or other sources, depending on each municipality. **The table** below shows the amounts of financial assistance granted by 16 out of 74 municipalities in the years 2014 and 2017.

Name of municipality	Financial assistance					
	Single person	Single person	Single person	Couple with children	Couple with children	Couple with children
	2014	2017	% increase	2014	2017	% increase
Reykjavík	169199 ISK	180550 ISK	7%	253799 ISK	270825 ISK	7%
Hafnarfjörður	154384 ISK	165600 ISK	7%	247014 ISK	264960 ISK	7%
Kópavogur	153100 ISK	165604 ISK	8%	244960 ISK	264967 ISK	8%
Garðabær	146864 ISK	156244 ISK	6%	234982 ISK	249990 ISK	6%
Mosfellsbær	153500 ISK	165000 ISK	7%	245600 ISK	264000 ISK	7%
Seltjarnarnes	149000 ISK	158305 ISK	6%	238400 ISK	253288 ISK	6%
Reykjanesbær	129766 ISK	141633 ISK	9%	207625 ISK	226613 ISK	9%
Akranes	129240 ISK	149015 ISK	15%	206784 ISK	238424 ISK	15%
Skagafjörður	142200 ISK	161643 ISK	14%	227520 ISK	258629 ISK	14%
Akureyri	150353 ISK	157567 ISK	5%	240565 ISK	252107 ISK	5%
Norðurþing	146602 ISK	153863 ISK	5%	234563 ISK	246182 ISK	5%
Fjarðabyggð	147211 ISK	154494 ISK	5%	235538 ISK	247190 ISK	5%
Fljótshálsa	149725 ISK	157252 ISK	5%	239560 ISK	251603 ISK	5%

Hornafjörður	147467 ISK	154528 ISK	5%	235947 ISK	247245 ISK	5%
Vestmannaeyjar	138678 ISK	152452 ISK	10%	221885 ISK	243923 ISK	10%
Árborg	130022 ISK	145410 ISK	12%	208035 ISK	232656 ISK	12%

As can be seen the increase in financial assistance is between 5-8% in the last 3 years apart from few municipalities that have increased their amount by 10% - 15%. The highest increases appear to be among the municipalities that had the lowest amounts granted in the year 2014. A change that should be acclaimed.

The former minister of Welfare proposed two amendments to the Municipalities' Social Services act from 1991 to Althingi (parliament) in the last two consecutive years. These are harmonized guidelines and reference amounts for financial assistance around Iceland and activation measures, i.e. making it conditional that those who are fit to work participate in inclusive labour market measures in order to be granted full financial assistance. Unfortunately, the bill is still pending.

The present minister of Welfare proposed a government bill this year to amend the Municipalities' Social Services act. The main amendments he proposes is that social services should aim at increasing empowerment, service user involvement and contracts in services. There is no proposal as to the amounts of financial assistance across the country but in an explanatory statement enclosed with the bill it is proposed that a special workgroup be appointed to review financial assistance across the country. The workgroup should review financial assistance in relation to disability benefits, unemployment benefits and other income benefit schemes. The bill went through 1<sup>st</sup> reading and debate and then referred to the standing committee on welfare. Hopefully it will be passed when Althingi resumes in the fall of 2017.

*Links with other benefits* – A new Act on Housing Benefits came into effect on January 1<sup>st</sup> 2017. The main purpose of the Act is to lower the cost of rent for people with low income. The Directorate of Labour manages the new housing benefits system which is fully funded by the Icelandic Government. The former Act on Housing Benefits was entirely financed and managed by the municipalities. Upon calculation of housing benefits the rental fee, number of residents in the household – regardless of age, income and net assets is taken into consideration. Special housing benefits still exist and is now called "Special Housing Assistance" and is managed by the municipalities and is for those who live under difficult financial and/or social circumstances; low income and heavy financial burden. The municipalities are now obliged to provide "Special Housing Assistance" to those in need according to guidelines provided by the Minister of Welfare. Before, the special housing assistance was optional for the municipalities. "Special housing assistance" is now a part of the Municipalities' Social Services Act.

New health insurance scheme was introduced in 2017. Its aim is to increase equality, protect those who need health care the most and decrease health care expenses for families with children. Price ceiling is applied for the elderly, the disabled and families with children.

*Governance of the schemes?*

See "Links with other benefits".

*Evolution with regard to **adequacy** of minimum income?*

As mentioned above the municipalities that offered the lowest financial assistance in 2014 have increased the amounts of financial assistance by 10 – 15% as compared to 5 - 8% increase by the remaining municipalities. An amendment to coordinate the amounts of minimum income around Iceland is pending in Althingi. In addition a government bill regarding social services is pending where, among other things it is proposed that a committee be appointed to review financial assistance across the country.

Minimum wages agreements were agreed upon in the Collective Agreement of Wages in May 2015 for the entire country. The minimum income should be as follows:

1 May 2015 ISK 245,000 per month

1 May 2016 ISK 260,000 per month

1 May 2017 ISK 280,000 per month

1 May 2018 ISK 300,000 per month

*Evolution in terms of **coverage** or **take-up** of benefits?*

No changes

*Evolution with regards to the **linkage** between minimum income schemes, (inclusive) **labour markets** and (quality) **services**?*

No changes

## Section 2: Use of reference budgets in relation to Minimum Income and/or poverty measures

Reference budgets or budget standards are priced baskets of goods and services that represent a given living standard in Iceland.

In this section you will find information in relation to the recent evolutions of the construction and use of reference budgets in Iceland. Information is also given on the usefulness of these reference budgets for policy making or for awareness raising campaigns.

For further information on Reference Budgets see: Storms, B., Goedemé, T., Van den Bosch, K., Penne, T., Schuerman, N., and Stockman, S., Review of current state of policy on reference budget practices at national, regional and local level, pilot project for the development of a common methodology on reference budgets in Europe, Brussels, European Commission, 2014 <http://ec.europa.eu/social/BlobServlet?docId=12544&langId=en>

*Recent initiatives to develop reference budgets or to adapt existing reference budgets?*

- *For what purposes are they developed or used? By whom?*
- *What actors were involved in the construction? Were people experiencing poverty part of the process? Have focus groups been used?*

The status of reference budgets in Iceland is the same as in the 2014 EMIN report.

- *How would you evaluate the development and/or current use of the reference budgets in your country? Are they useful tools for policy purposes? For public campaigning and awareness raising?*

Reference budgets are useful tools for many, especially for politicians and ministry personnel who work on financial budgets. The main objective of the reference budget established by the Ministry of Welfare in 2011 was to help households plan their spending and as a tool for financial counselling. The Ministry of Welfare stated explicitly that the reference budget is not a definite measure of what is a reasonable consumption of families nor a judgment of what is the cost of living. Since its establishment it has received much discussion among the media, NGO's and the public but less discussion from the authorities. The discussion is centered on how unrealistic the budget is and that real wages of people are not in line with the reference budget. The average wage earner will never make ends meet without adding another job or work considerable overtime. Minimum wages are much lower than the reference budget indicates.

In their latest assessment report the Welfare Watch recommends that the government define officially minimum income schemes so individuals and families won't live in poverty. The Welfare Watch believes that several tools should be considered in order to figure out the minimum income schemes. The tools include the reference budget from 2011 that already exists and the EMIN Analysis of Minimum Income Schemes in EU Member States, Country Iceland from 2014. The Welfare Watch also recommends cooperation between interested parties, i.e. government, municipalities and interest organizations in the determination of minimum income schemes.

### **Section 3: Implementation of Country Specific Recommendations on Minimum Income and follow up through the Semester process.**

As part of the EU Semester process, a number of countries have received **Country Specific Recommendations (CSR)** on their MIS or more generally on poverty. **Country Reports** can give interesting indications for countries performance with regards to Minimum **Income**. Evidence can also be found in EAPN's assessment of **National Reform Programmes 2016**. In some countries under a Macroeconomic Adjustment Programme; the **Memorandum of Understanding** has reference to MI. In this section you find information about developments in response to these reports and recommendations as well as information on how EU funds are used to support developments in relation to Minimum Income Schemes.

*Policy responses to the CSR, initiatives to implement them and to improve the MIS, if there are new evolutions in this respect in your country. Other developments in relation to Minimum Income Schemes as part of the Semester Process, please add them here.*

N/A

*Has EU funds being used to support developments in relation to Minimum Income Schemes*

N/A

## Section 4: Social and Political Environment and its impact on the fight against poverty and the evolution of Minimum Income Schemes

In this section there is a brief sketch of the 'mood', the atmosphere that exists in relation to poverty, people living on minimum income, and the impact on some specific groups such as migrants, Roma/Travellers, growing nationalist sentiments etc.

What kind of social and political environment exists within which the EMIN project will operate?

The discussion on poverty has changed considerable since the crisis in 2008. At that time many did not believe that there were poor people in Iceland and the discussion was colored by that. Later when the media started telling stories and publishing statistics on poverty the discussion soon changed and many more started believing that poverty really existed in Iceland. Everyone who discusses the minimum income scheme, from the public to the authorities, agree that it is not enough to live by and that it may be creating a poverty trap for many. However, the authorities appear to be stalling the evolution of minimum income schemes.

## Section 5: Developments in relation to the (Iceland) EMIN Network

*In this section you provide information in relation to the state of development of your National EMIN Network. In particular describing social dialogue/partnership with public authorities and other stakeholders.*

*Is there a formal or informal steering group for your National EMIN Network (who is involved)?*

Through EAPN, which has a formal steering group of various voluntary organizations and grassroots groups in Iceland the National EMIN Network is operated. In that way the National EMIN Network is informal with fewer members than EAPN. The head social worker of the Icelandic Church Aid chairs both EAPN and EMIN. Additional members of EMIN come from The Organization of the Disabled, the Single Parents Association and from PeP Iceland (People Experiencing Poverty).

*Have there been any contacts with potential partners that can help to build alliances for the improvement of the MIS in your country?*

Potential partners have been contacted but active work has not started yet. Potential partners are the Social Work department of the University of Iceland and Efling trade union, a union encompassing those with the lowest wages in Iceland. Meetings with the aforementioned groups are planned in the Fall of 2017. In the Fall of 2017 PeP Iceland will have a representative in the Welfare Watch.

*Has any activity been organised with regards to MI? Communications or public awareness raising, since the completion of the EMIN1 project?*

No specific activity has been organised with regards to MI but PeP Iceland has been very active around Iceland raising public awareness on poverty and they have a Facebook page. PeP Iceland has held two organized meeting with the financial support of the Ministry of Welfare (The Welfare Watch). The first one in beginning of 2016 on the issue of service user involvement and the second one towards the end of 2016 on the issue of food aid for the needy. PeP Iceland has also been awarding the “the journalism prize below” or “the Street Media Prize” as it is called in Iceland. The purpose of the Street Media Price is to promote objective discussion on poverty in Iceland. It is symbolic in nature and a recognition to people in the Media who write and talk about poverty with respect and in a professional way. Public awareness raising through PeP Iceland has been increasing and the media has increased discussions on poverty immensely. As an example the National Radio in Iceland, in cooperation with EAPN and PeP in Iceland, has a weekly program on the issue of poverty (began in Winter 2017) with interviews with people experiencing poverty and discussions on the issue of poverty.