



Family Politics Promoting Economic Growth



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Fundamental pillars of the welfare society

- The educational system
- Health care
- Social security
- Housing
- Social service by local authorities



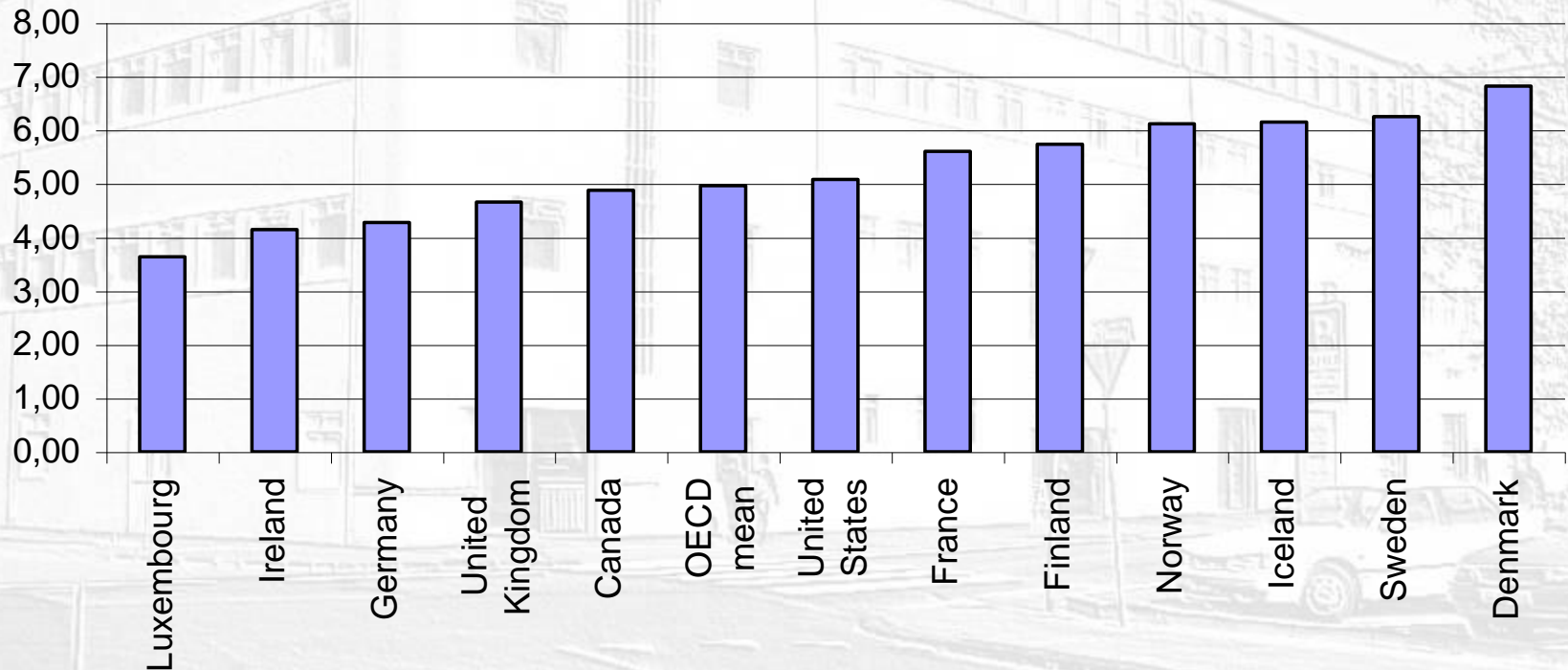
The educational system

- Everyone have equal opportunities to acquire an education, irrespective of economic status, residential location, religion, possible handicap and cultural or social background.
- Divided into four levels:
 - Pre-school education
 - up to 6 years, funded by local authorities and service fees
 - Compulsory education
 - 6 – 16 years, funded by local authorities
 - Upper secondary education
 - 16 – 20 years, funded by the state
 - Higher education
 - from 20 years, funded by the state, private schools charge tuition fees
 - students have access to loans from a state owned loan fund



The educational system

Public expenditure on educational institutions, % of GDP





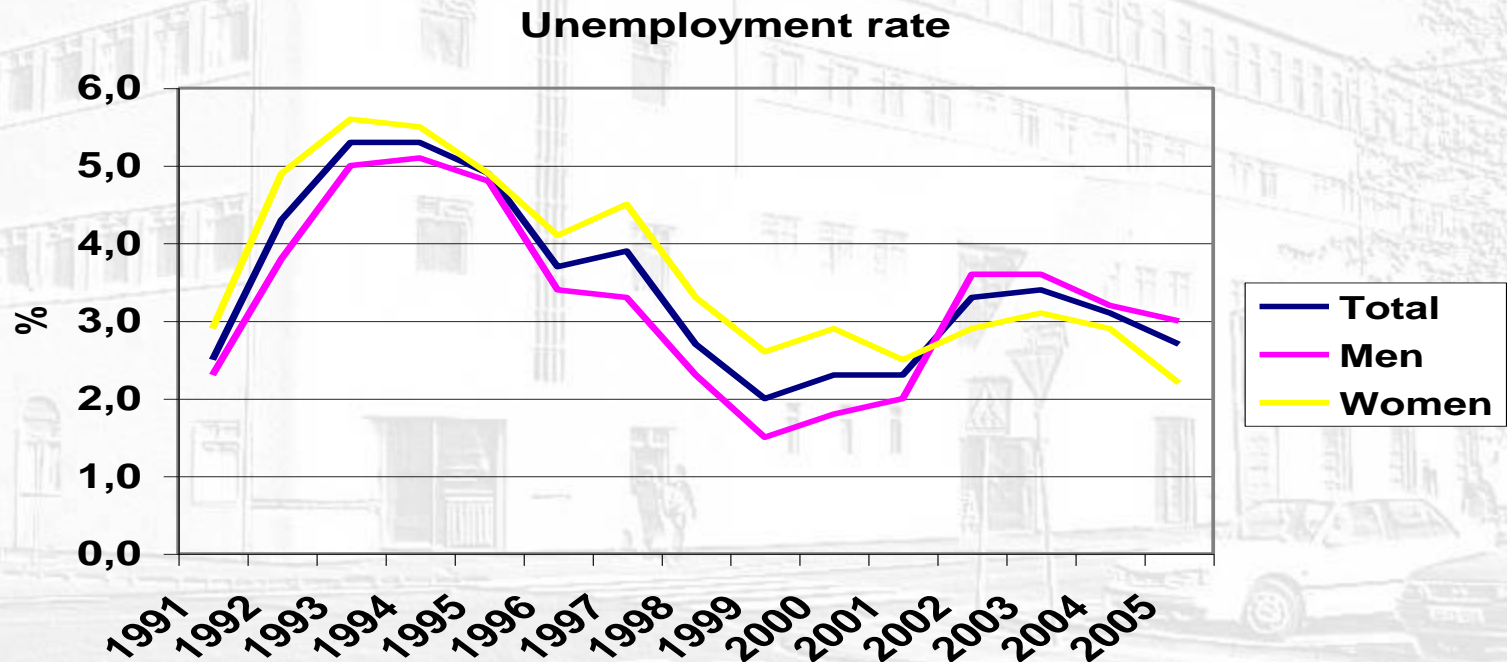
The labour market

- Gender equality
- The Government has emphasised that employees have the opportunity to reconcile their family and working obligation
- New legislation has entered into force in recent years which reaffirm this policy:
 - The Act on Gender Equality, No. 96/2000
 - The Act on Maternity/Paternity Leave and Parental Leave, No. 95/2000
- High participation rate of both men and women
- Low unemployment rate



Employment

- In comparison, Iceland has historically had a low unemployment rate.
- Unemployment rate in March 2006 was 1.5%.

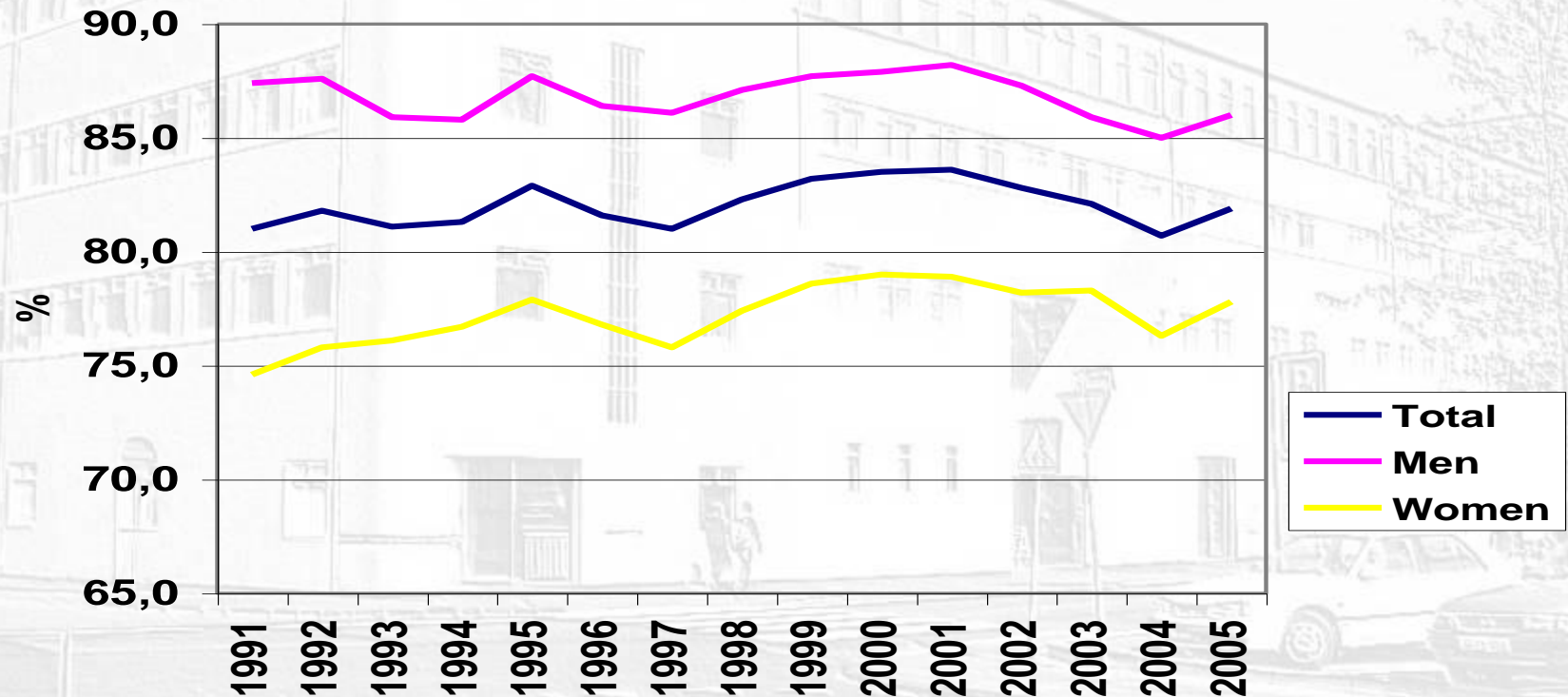


Source: Statistics Iceland



Labour market participation

- Labour market participation in Iceland has been fairly stable and is now the highest among the OECD countries.



Source: Statistics Iceland



Maternity/Paternity Leave

Right to leave from salaried work

- Birth, primary adoption (under the age of 8 years), permanent foster (under the age of 8 years)
- Ends when the child reaches 18 months
 - Special provisions in case of multiple birth, stillbirth, miscarriage and illness of mother and newborn child
- Maternity/Paternity leave – 9 months
 - Not assignable rights 2 x 3 months:
 - Mother: 3 months
 - Father: 3 months
 - Joint right: 3 months



Maternity/Paternity Leave

Right to payments

- 80% of average wages for the last 12 months
 - Ending 2 months prior to birth
- Minimum payments for students and those with low wages (in part-time work)
- Payments through a special fund
 - The fund is financed by insurance levy (% of wages, paid by employers)



Maternity/Paternity Leave

Flexibility

- When in agreement with the employer the parent can take the leave:
 - In fragments (at least one week at a time)
 - With part-time work (e.g. 50% work – 50% leave)
 - The leave has to be taken before the child becomes 18 months old
- If no agreement with the employer the worker has the right to take the leave all at one's
- The parents can divide/take the joint part of the leave as they wish



Maternity/Paternity Leave

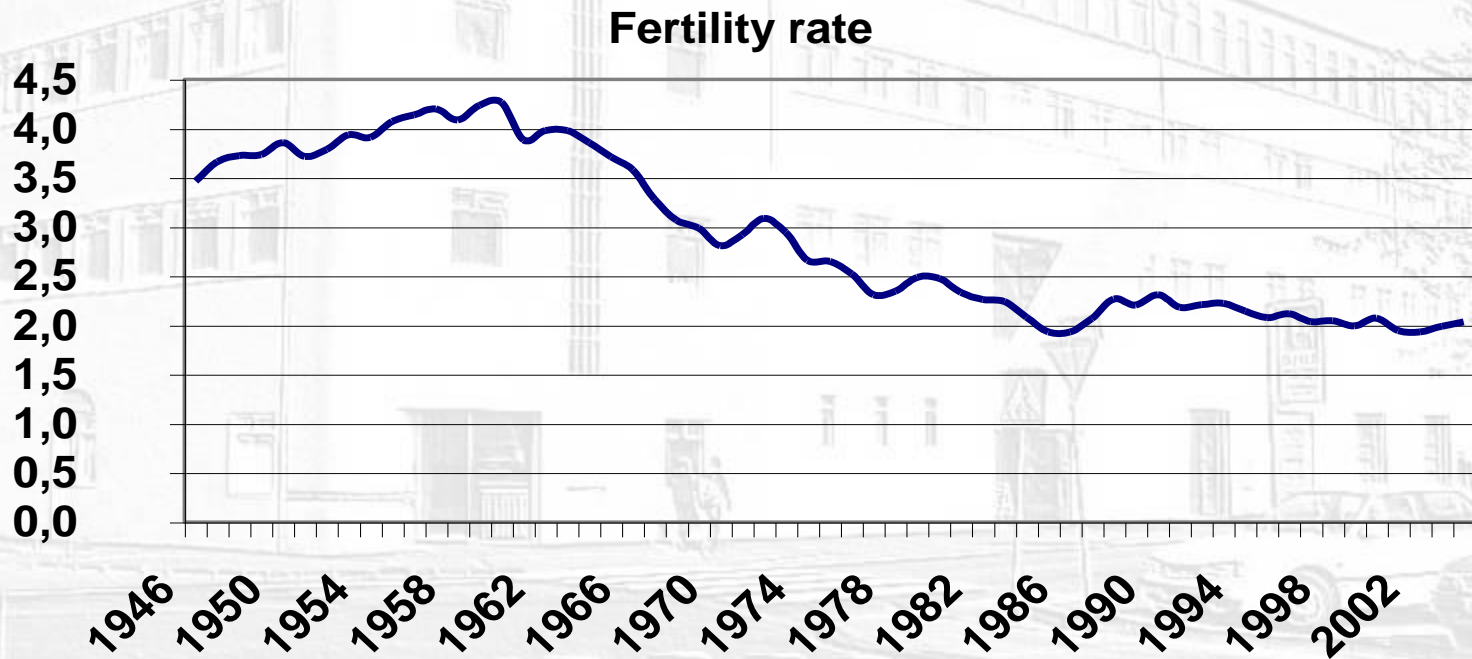
The results

- Improved finances of families with children.
- Increased involvement of fathers in daily family life.
- Increased flexibility on the labour market has created new opportunities for employees.
- The status of women on the labour market has most likely improved.
- Positive affect on the fertility rate.



Fertility rate

- Although the fertility rate has declined over the past decades it has remained relatively stable for the past 15 years.
- Among the European countries only Turkey and Albania have higher fertility rate.

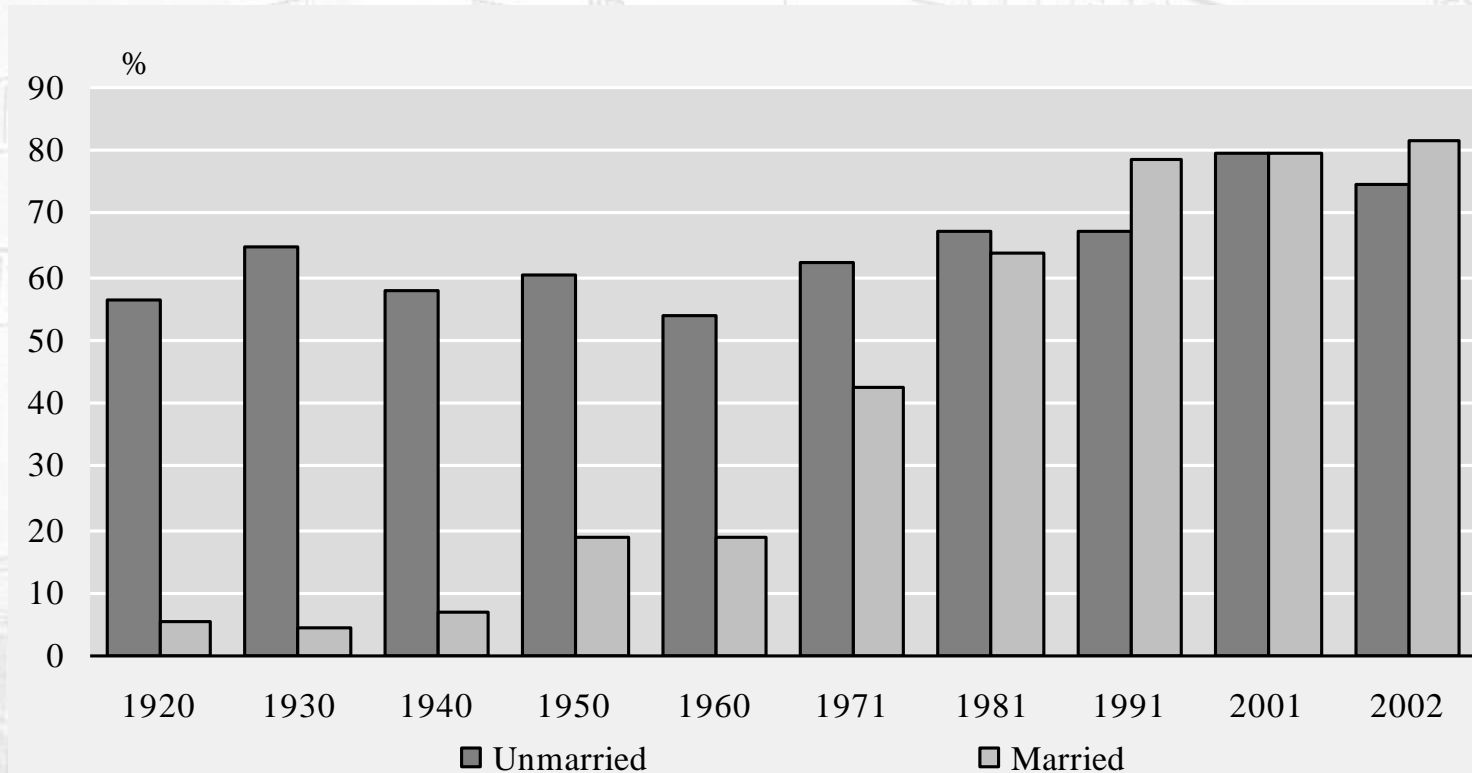


Source: Statistics Iceland



Women labour market participation

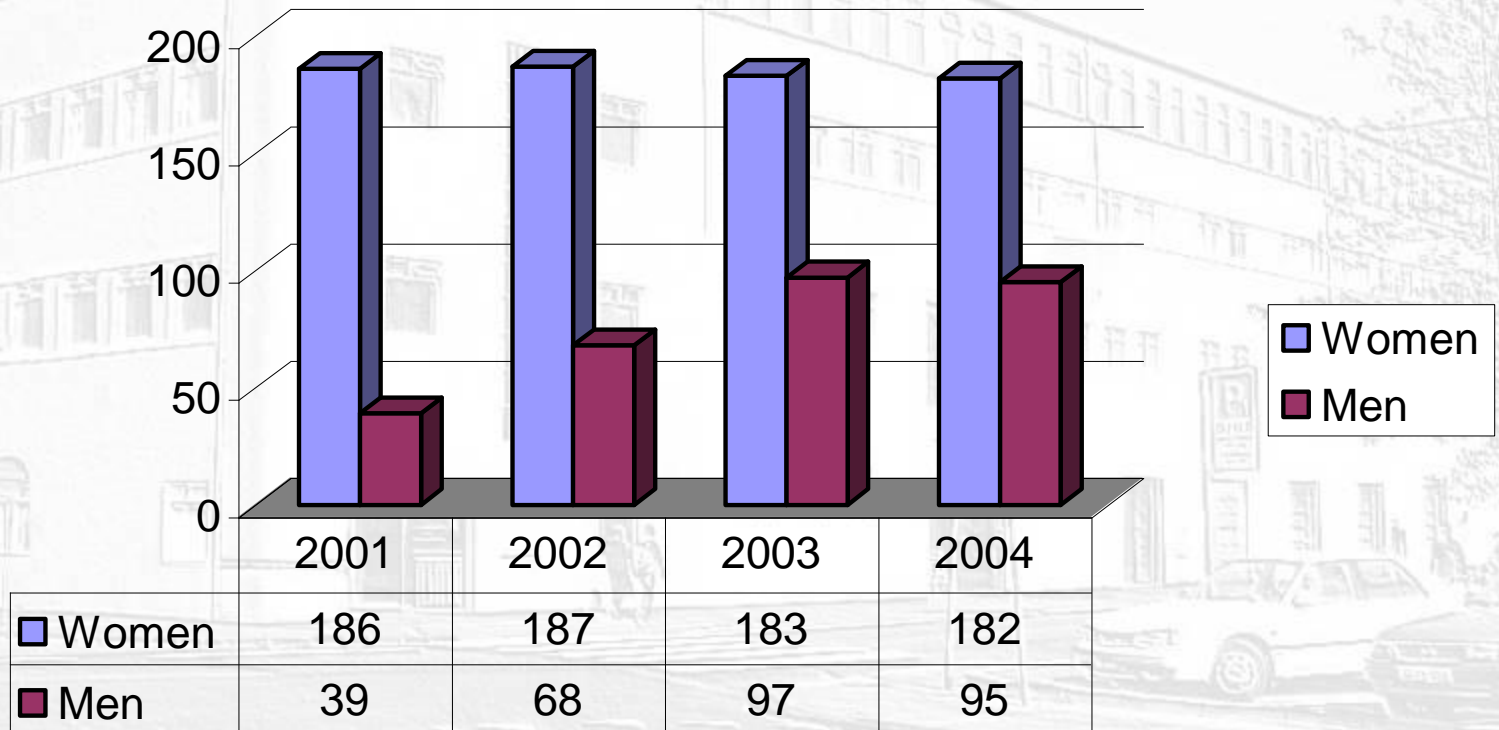
- Participation of women in the labour market is the highest among OECD countries.
- The number of married women who work full time has increased substantially.





Maternity/Paternity Leave

Average number of days





Maternity/Paternity Leave

Percentage not using all their right

	Men	Women
2001	5,10%	0,90%
2002	10,10%	0,80%
2003	14,20%	1,00%
2004	18,30%	1,10%



Maternity/Paternity Leave

Percentage using more than their right

	Men	Women
2001	14,50%	94,20%
2002	13,90%	93,40%
2003	16,10%	90,90%
2004	17,00%	90,50%



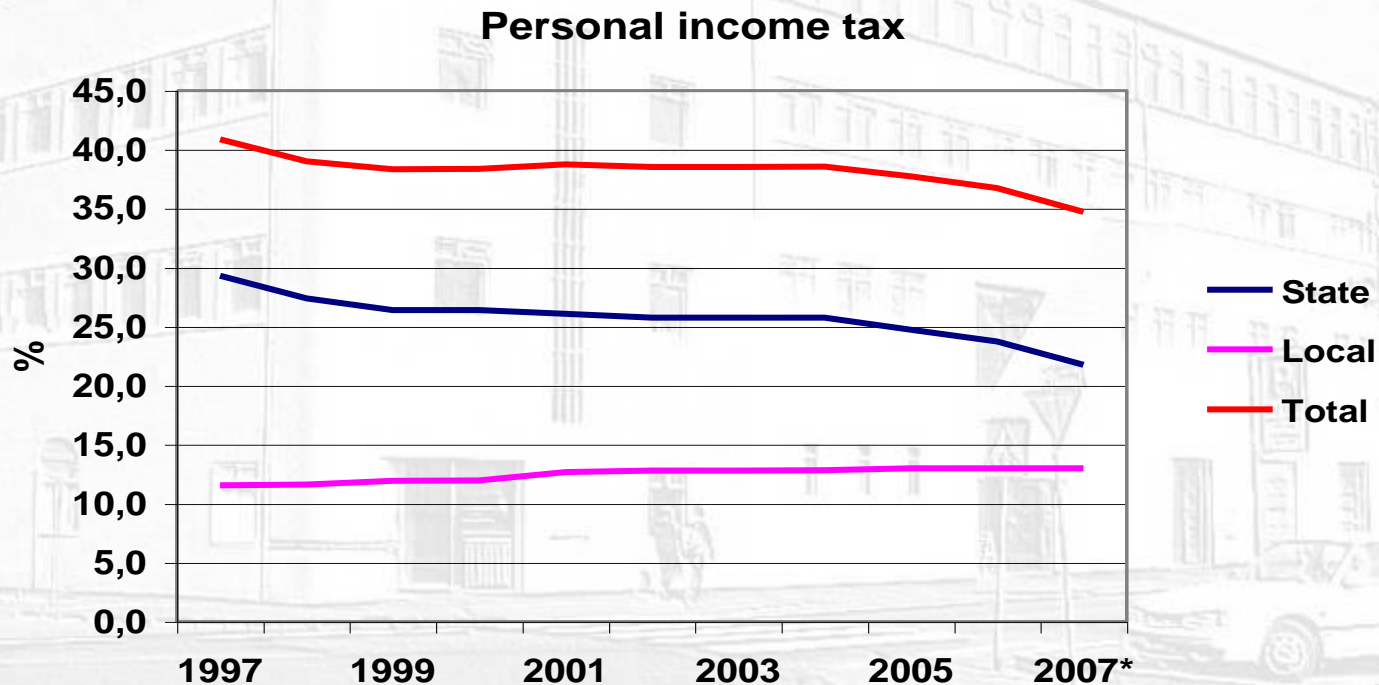
The tax system

- One of the main goals of the government has been to reduce the income tax.
- The state income tax will be reduced from 25,75% in year 2004 to 21,75% in year 2007.
- In addition, the government promotes incentives via the tax system:
 - Children benefits for every child under 16 years of age.
 - Interest compensation for individuals who buy a residence for their personal use.
 - Payments to pension funds are deductible up to 16% of total employment income.



Personal income tax

- A reduction in public debt, privatization of public companies and strong Treasury finances has made room for considerable tax reduction at the State level.



Source: Director of Internal Revenue

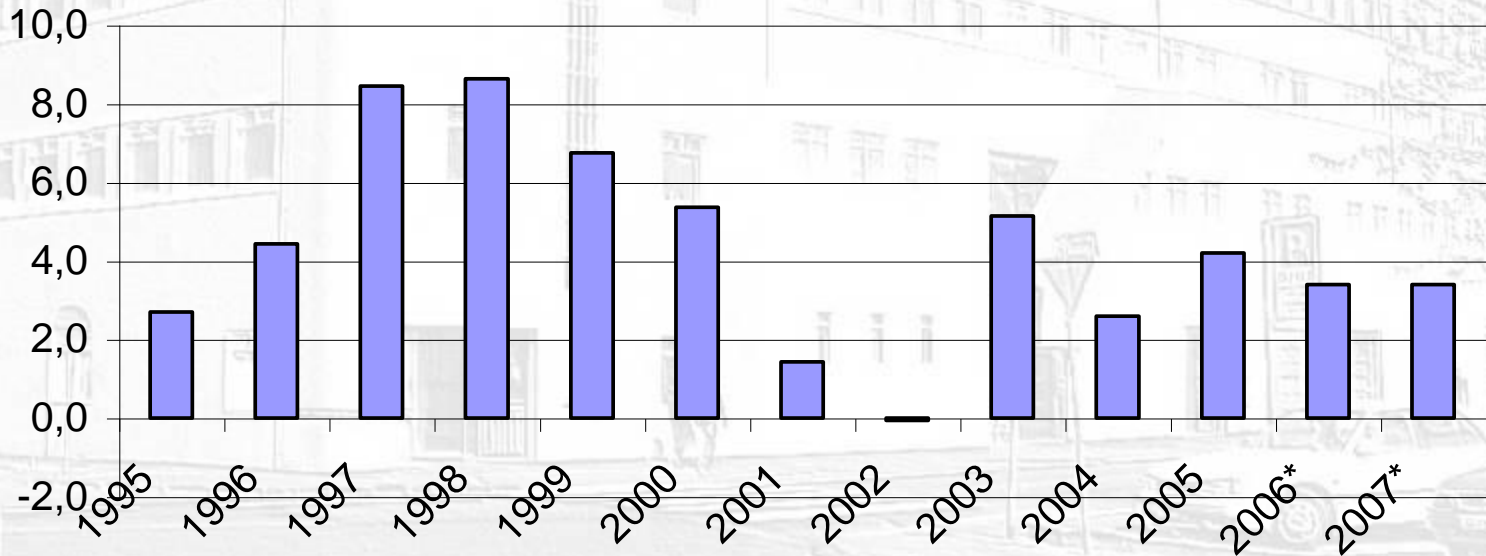
* In accordance with the Government tax reduction plan



Households' purchasing power

- Strong GDP growth along with tax reductions has increased the purchasing power of households in Iceland more than anywhere in the OECD countries.

Changes in households' purchasing power



■ Source: Ministry of Finance



The economy

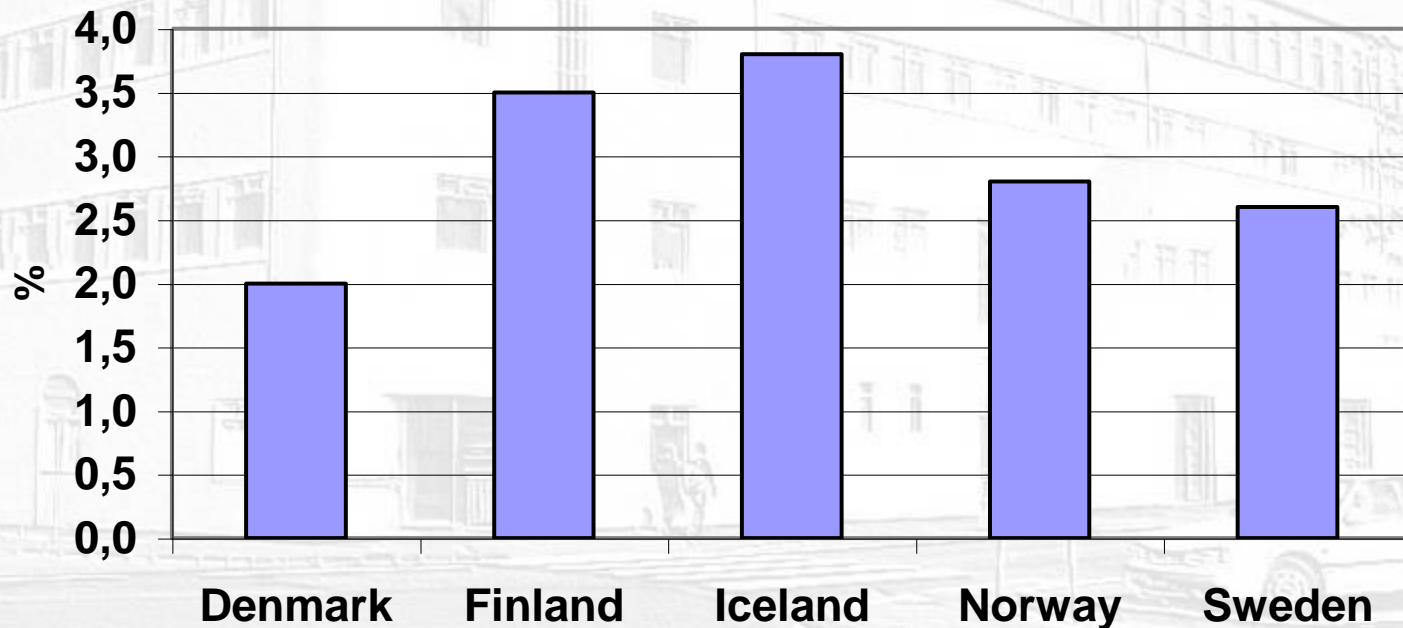
- Strong GDP growth has led to one of the highest GDP per person among the OECD countries
- Low public debt
- Relatively young nation
- Relatively stable fertility rate
- Low employment rate and high participation in the labour market
- Well-funded pension system and accumulation of pension rights
- High average retirement age among both men and women



GDP growth

- Growth of the Icelandic economy has been strong and is expected to remain so for the coming years.

Average GDP growth, 1995-2003



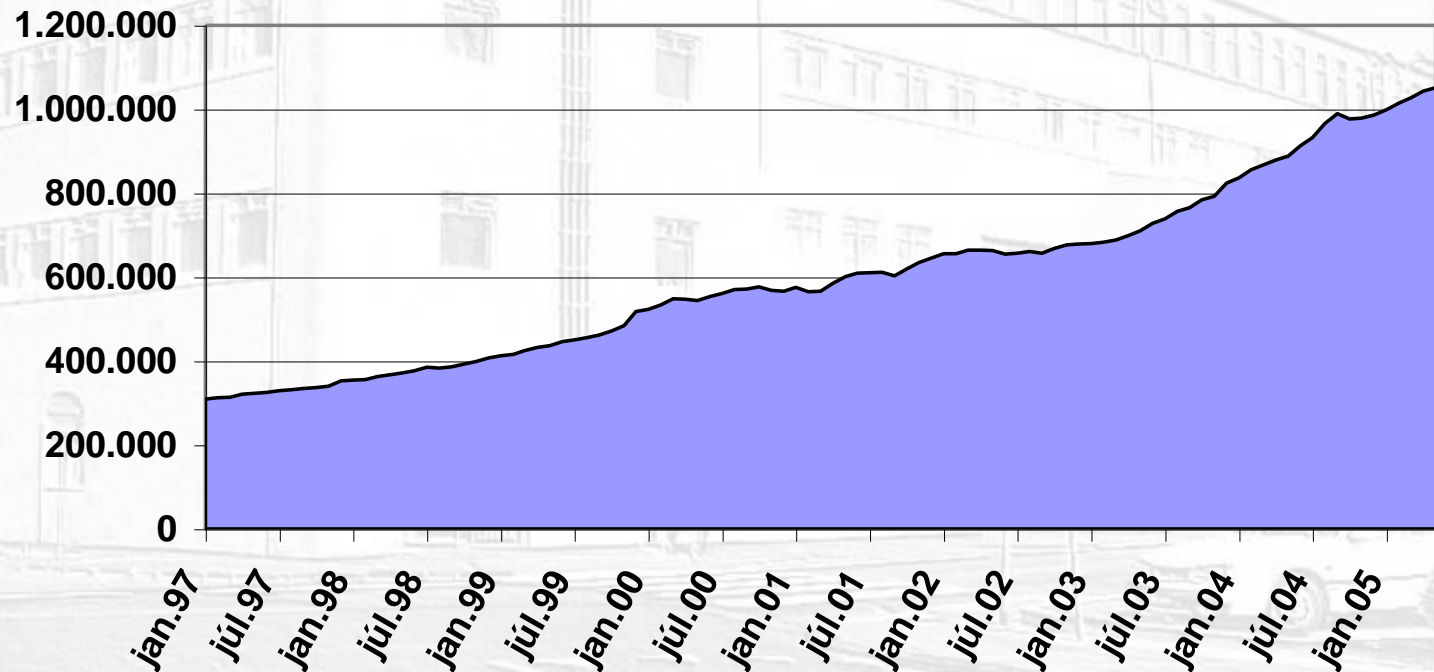
Source: OECD Economic Survey, april 2005



Pension funds

- The Icelandic pension system is well-funded and it's net assets have more than tripled since January 1997.

Pension funds, net assets, mil. ISK



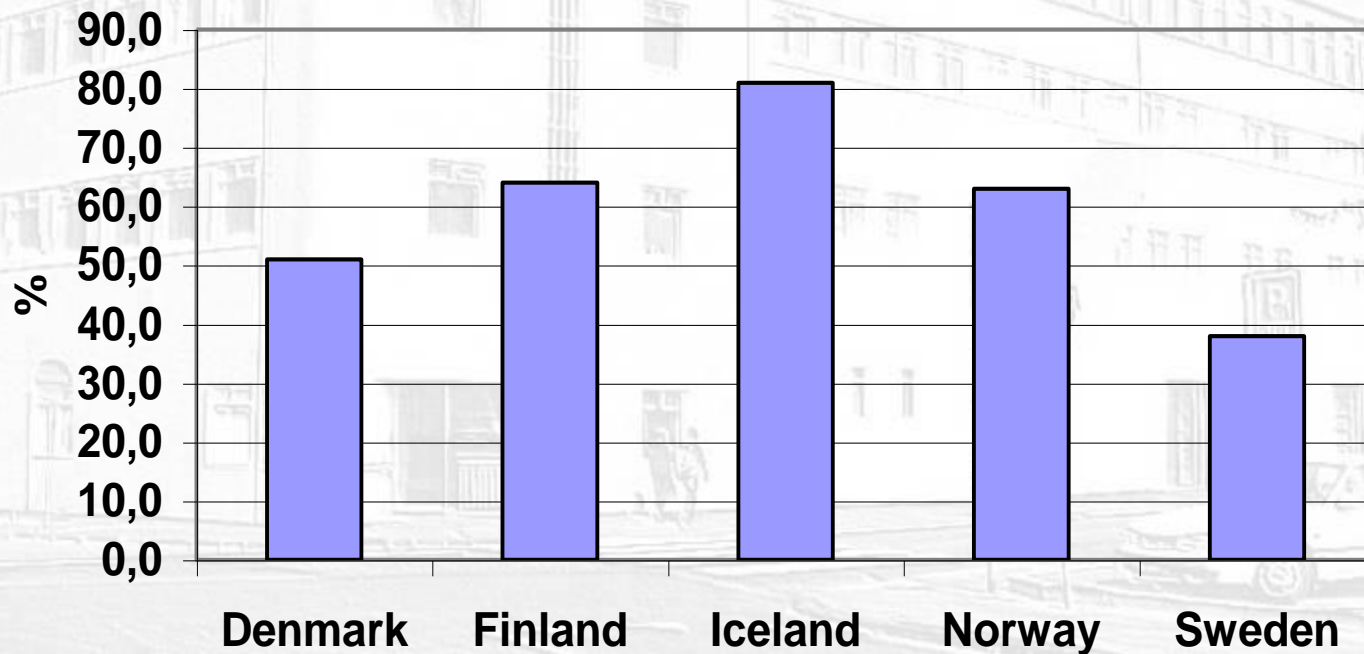
Source: Central Bank of Iceland



Home ownership

- Over 80% of the housing stock is owner-occupied.

Proportion of the housing stock that is owner-occupied (year 2000)

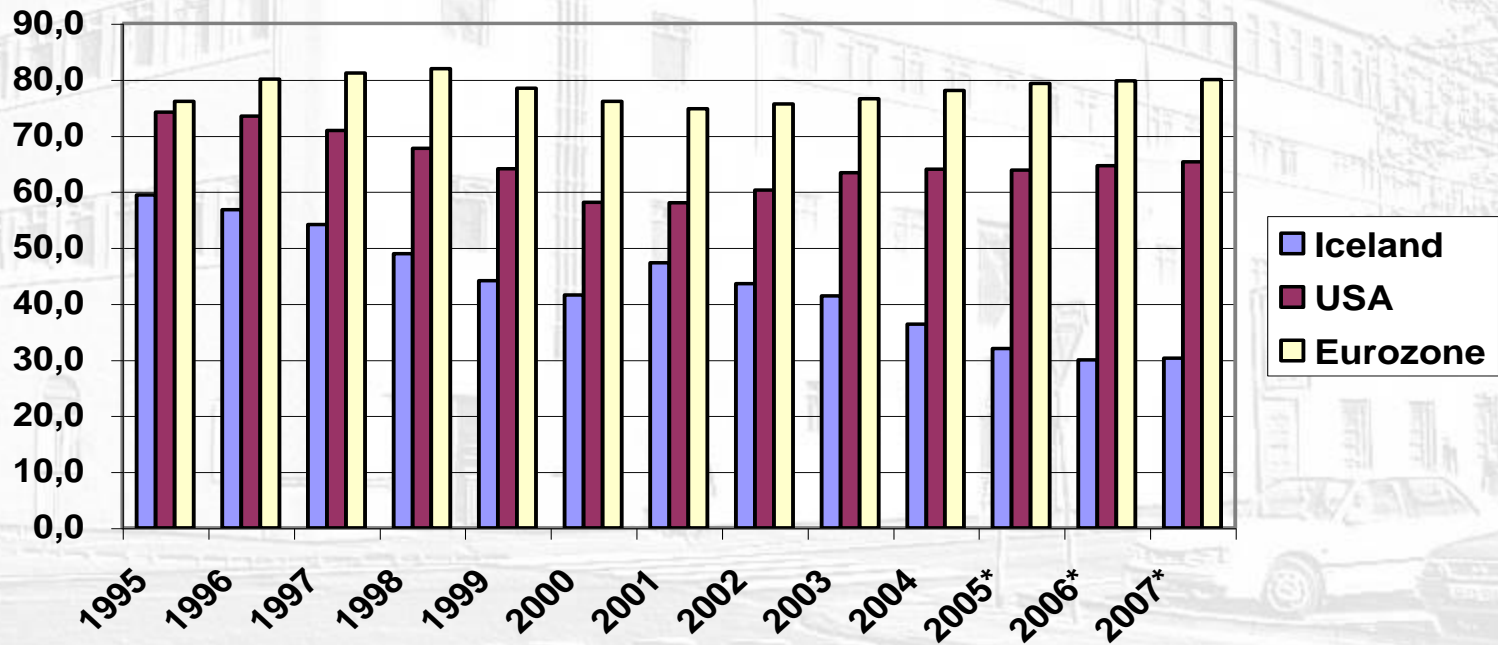




Public debt

- Public debt in Iceland has declined significantly as a percentage of GDP in recent years and is low by international comparison.

General government gross financial liabilities, % of GDP



Source: OECD Economic Outlook

* projection