



ESPN Thematic Report on Access to social protection of people working as self-employed or on non-standard contracts

Iceland

2017

*Stefán Ólafsson
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European Social Policy Network (ESPN)

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Summary

Iceland is not far from the EU average with regards to the extent of self-employment and temporary work contracts (see figure 1). It has experienced significant globalisation effects, tending towards greater flexibility and precariousness of employment. Hence the position of the self-employed and workers in non-standard employment is an issue of great significance in the country.

Yet, Iceland is in many ways well positioned to cope with this situation. The main reason is the fact that Iceland has a tax-financed universal public social security system (Pillar I), that protects all individuals with full residence in the country (40+ years), independently of whether they are self-employed or employees, on regular or non-standard employment contracts. The second pillar of the social protection system, the mandatory Occupational Pension Funds (OPFs), is also universal for all working people.

Hence, we can say that there is no significant difference in coverage and adequacy of social protection measures between employees and the self-employed.

The main difference between these groups is in contribution requirements, which means that the self-employed need to pay both the employee and the employer part of the contribution to the relevant occupational pension fund to acquire full rights, i.e. 12% to 15.5% of their reference pay (varying by funds), instead of the 4% that employees pay for the same rights. The self-employed have full rights to full unemployment benefit if they have duly paid their monthly income tax on their reference pay. They even have a right to sickness benefit for up to 9 months at 80% of previous pay in union operated sickness funds, if they pay their dues there (a regular contribution fee of 1% of all pay for the previous 12 months).

Adequacy of coverage is relatively generous. The public social security system provides a relatively high minimum pension guarantee that offers those that have lower earnings from occupational pension funds (like in cases of disability) a supplement. The Social Assistance benefit level is one of the highest in Europe. Unemployment benefit rates are above the poverty line.

Hence, Icelandic poverty rates for all households are now the lowest amongst European countries (see figure 3). But that does not apply to the same extent to Iceland's in-work poverty rate, and particularly not for the self-employed and those in non-standard jobs. Those on temporary contracts and those in part-time work have higher poverty rates than employees in general.

That may come as a surprise, given our conclusion about the comparable coverage of the social protection system. Our analysis, however, suggests that the greater risk of poverty amongst the self-employed and individuals in non-standard employment relationships, than amongst employees in general, derives mainly from the labour market itself, rather than from inadequacies in the social protection system.

The main source of the larger poverty risk for the self-employed seem to stem from a larger impact from globalisation leading to fluctuating demand for services of self-employed individuals and increased precariousness in employment relations.

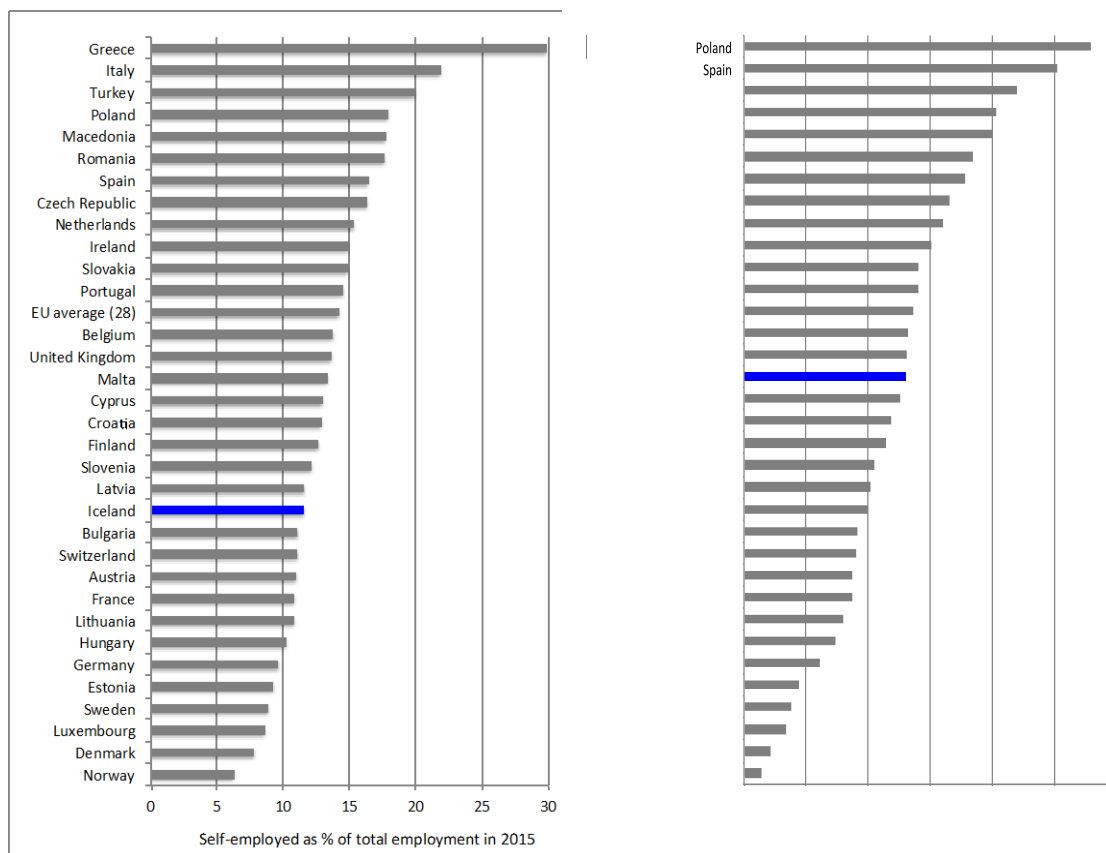
The increased precariousness in the working lives of self-employed and non-standard workers may be related to the growth in immigration in recent decades (with immigrants now approaching 10% of the population) and the resulting larger share of immigrants in these types of employment, but some of these effects may also be related to work in the black economy (which amounts to about 15% of GDP). The associated underreporting of incomes may falsely increase the poverty rate in those cases.

We recommend raising awareness about these labour market and black economy features, but do not see a need for extending coverage of the social protection system for these groups.

1 Context: self-employment and non-standard work relationships in the national economy and labour market

The extent of self-employment in Iceland was some two percentage points below the EU average in 2015 (see figure 1). Iceland's rate was a little lower than in Finland but higher than in the other Nordic countries. The relatively low rate of self-employment in Iceland is related to the small size of the agricultural sector (some 2% of employed individuals) and gradual decline of small boat fishing in recent decades. Increased mechanization and a larger scale of operations in the construction industry have also reduced the number of self-employed artisans. At the same time, there has been some increase in such operations in the rapidly growing tourist industry, partly balancing the above-mentioned decline.

Figure 1: Extent of self-employment and temporary employment in Iceland and EU-countries, year 2015.



Source: Eurostat

Temporary work in Iceland is somewhat closer to the EU average than self-employment. Iceland's rate (about 13%) is lower than that of Sweden and Finland but higher than Denmark and Norway. The ranking of the Nordic countries by extent of temporary employment is similar for both sexes.

Iceland's outcome with regards to the extent and characteristics of self-employment and non-standard work relationships should be viewed in the light of Iceland's characteristics as an exceptionally high employment level economy (with high employment rates, low unemployment rates and late retirement). Iceland's labour market is also exceptionally highly unionized, with some 85% of employees being paying members of labour unions (Ólafsdóttir and Ólafsson, 2014).

While there is a lack of statistics on non-standard forms of employment in Iceland, it is most likely that these are less common than in many European countries due to the high

level of regulation of the Icelandic labour market. Non-standard forms have of course increased in recent decades, in line with developments towards more flexibility and greater emphasis on competitiveness, often tending towards an increase in precarious jobs (Kalleberg, 2011 and Standing, 2014).

The Icelandic labour unions have however taken a firm stand on regulating these new forms of employment and securing that they comply with the minimum standards negotiated and prevailing amongst employees. They have done this since the Icelandic labour market became fully open to inflows from the EU in 2004, under the banner “One right for all – No discounts”.¹ The Federation of Labour (ASÍ) has also cooperated with the tax authorities in monitoring the use of immigrant contracts and temporary labour to secure that at least the minimum work and pay conditions apply.

There is great awareness within the labour unions about the implications of increased contractor work in areas previously undertaken by fully covered employees, as well as in the use of foreign labour, either directly employed or through foreign intermediaries (these are mostly involved in specific larger temporary projects, sometimes involving foreign construction contractors).

Less is known about the conditions and living standards of self-employed individuals. They are generally responsible for insurance and pension contributions to occupational pension funds (OPFs). The greatest source of vulnerability amongst this group is variable demand for their services. Still, the self-employed have a lower rate of part-time work than employees in general (cf. Eurostat statistics).

During the crisis, special activation programmes were implemented that, amongst other things, facilitated entrepreneurship, including with temporal use of unemployment benefits as a subsidy to wage payments (for up to 6 months).

Figure 2: Development of self-employment and part-time work in Iceland through the crisis (left diagram) and forced part-time work in some deep-crisis countries (right hand diagram).



Source: Eurostat

With the onset of the crisis in 2009 the unemployment level quadrupled (from a very low original position). With that the level of self-employment declined, but only very modestly (from about 13-14% to 11-12% of active employment). It was still just below 12% in 2015. The extent of full-time work declined more markedly and part-time work increased (see left diagram). To a great extent, this has by now shifted back.

As can be seen on the right hand diagram of figure 2, the proportion of those working part-time because of not finding full-time work increased significantly during the crisis.

¹ See ASÍ, [Einn réttur fyrir alla](#)

This effect was, however, significantly smaller in Iceland and Estonia than in other deeply crisis-affected countries, such as Lithuania, Latvia, Ireland, Spain and Greece.

An interesting point is that in all of these deeply crisis-affected countries, the level of involuntary part-time work in 2015 is still significantly higher than before the crisis started. The question is whether a higher rate of involuntary part-time work may be a lasting legacy of the crisis years in some countries.

2 Description and assessment of social protection provision for self-employed and people employed on non-standard contracts

2.1 Description of social protection provisions for the self-employed and people employed on non-standard contracts

The definition of self-employment in Iceland is quite similar to the general outline of Directive 2010/41/EU. In the Unemployment Insurance Act No. 54/2006 a self-employed individual is defined as “Any person who works at his/her own business or independent activity to the extent that he himself/she herself is obliged to pay tax deductions at source in respect of calculated wages and social insurance tax in respect of his/her work, either every month or in another regular manner according to rules set by the Director of the Internal Revenue on calculated remuneration” (Vinnumálastofnun, 2016).

The Icelandic tax authority outlines this definition further, by emphasising **independence** of the activity, some **minimal permanence or regularity** (not too short time of operation) and the activity should be undertaken **for the pursuit of profit** by the owner. The nature of the work contract should determine in each case whether it should be classified as contractor work or that of an employee (Björnsson, 2009).² Statistics Iceland uses the Eurostat definition of self-employment in its statistical work.

On the whole, Iceland has a three-pillar social protection system. First there is the Public Social Security System, with universal rights defined on the basis of residence in the country – requiring 40 years residence for full rights. Secondly there are Occupational Pension Funds (OPFs) with mandatory membership for all working people, including the self-employed and those in non-standard employment relationship. These are fully funded (except a part of the public employees’ pension fund, which had an employer guarantee of a defined benefit) on the basis of defined contributions and they secure old age and disability pensions in relation to labour market earnings. Thirdly there is a voluntary scheme of individual pension accounts, which offers tax benefits (delay of tax payment when paid in).

This overall system of social protection defines the situation of the self-employed and those in non-standard employment – in a similar way as applies to employees.

In general, all working people, self-employed as well as employees, equally enjoy the universal rights in the Social Security System. Only immigrants or Icelanders who have lived abroad for longer time periods and who therefore do not fulfil the residency requirement have less than full rights, to benefits and services (they presumably have some rights in other countries for what is lacking in the Icelandic system). Eventually those with only partial rights due to partial residence in the country will always enjoy full rights to the minimum provided by the means-tested Social Assistance benefit in cash and kind.

Since membership in occupational pension funds is mandatory for all working individuals, the system is universal in nature, like the social security system. Contributions are paid to pension funds on all wages earned in the country. The only exemptions are employees of foreign firms who temporarily work in the country and hold the E-101 certificate (this

² See also the tax authority web at www.rsk.is.

is a document which certifies that an EEA resident working for his or her employer outside his or her native country is covered by that country's social insurance legislation).

Employees pay 4% of their employment earnings into pension funds, while the employer pays an additional 8-11.5%. The self-employed pay the full contribution of 12-15.5% of their pay (varies between funds), while the employee and employer share the burden. The tax authority issues a reference pay ("*reiknað endurgjald*") for the main occupational classes and these form the minimum requirement for income tax payment, pension fund contributions and for the full right for unemployment benefit, as explained further below. If individuals (self-employed or otherwise) fail to pay the full amount on their yearly pay, the pension fund will go after them when tax records are published the following year and they charge full interest on delayed payments.

The third pillar of the social protection system is voluntary, but if the self-employed want to fully utilise the tax benefit involved they have to pay both the employee and employer contribution, up to a maximum of 6% of the reference pay.

So the self-employed and persons working under non-standard employment relationships have for the most part similar social protection coverage to employees. Problems hindering the transfer of employment status from unemployment to self-employment or from the status of an employee to self-employment are thus minimal. In fact the public social protection system is an important support to innovation by entrepreneurial start-up activity.

2.1.1 Healthcare and sickness: cash benefits and benefits in kind

Rights to benefits in cash and kind in the health area are in large part provided by the public social security system. The self-employed and workers in non-standard employment are fully covered (provided full residency requirements are met) to the same extent as general employees.

Labour unions run sickness funds for their members that pay sickness pay during longer-term sickness. The usual form is that employees have bargained the right to keep their pay from their employer for the first 1 to 3 months (depending on length of service to present employer) and after that they have a right to 70 or 80% of former pay for up to 9 months from their sickness fund.

Self-employed individuals who pay the contribution (1% of reference pay for the previous 12 months) have the same rights as employees, except that they do not enjoy the first 1 to 3 months of being paid by the employer (unless they pay themselves the pay at the start of their sickness period). It is unusual for employers to join union sickness funds, but it is voluntary for the self-employed unlike for employees.

Farmers and fishermen have their own occupational pension funds and they of course also enjoy the full rights of the public social security system, as everyone else.

The unions and employers' federations also jointly run a rehabilitation fund for working people who have to leave paid employment due to sickness or accidents ([VIRK Endurhæfing](#)).³ The aim is to facilitate re-entry into the labour market. Employers and self-employed individuals have equal rights to the services of the fund, as long as they have medical certifications for loss of workability due to sickness or accidents. The rehabilitation fund is financed jointly by the central government, employers and by the occupational pension funds, each contributing a third. The main purpose, in addition to the value of rehabilitation itself, is to reduce the flow of individuals onto the disability pension schemes.

³ See further information on this rehabilitation service at www.virk.is.

2.1.2 Maternity/paternity cash benefits and benefits in kind

The right to maternity or paternity cash benefits for childbirth is provided by the public social security system, with equal rights for all working individuals. A government-financed fund pays a monthly benefit for up to 9 months, three months for the mother, three for the father and three at the discretion of the parents. The father's and mother's defined part is not transferrable. The amount is 80% of previous pay, up to a limit, which is close to average pay in the labour market.⁴

This right is defined universally based on the child's right and so is equally valid for employees, employers and self-employed individuals.

2.1.3 Old-age and survivors' pensions

These rights are jointly provided by the public social security system (universal income-tested pension with a guaranteed minimum) and from the Occupational Pension Funds (OPFs). Both are in effect universal rights for working people and the only difference is in the payment of pension contributions, since the self-employed have to pay both the employee and the employer parts for themselves. But the rights are comparable and affiliation is mandatory (conditional upon the residency requirement).

The OPFs date from 1970 but they only became mandatory for employers and self-employed individuals by 1984. In the early decades the self-employed reputedly escaped pension fund dues, but nowadays the system enforces the mandatory membership for them much more strictly. The OPFs survey the yearly tax returns of all working individuals and claim their dues on all pay on which no contributions have been delivered – with punishing interest charges. So there is no escaping paying the contributions to occupational pension funds on all pay that is registered for income tax. Rights in the pension funds are accumulated in proportion to contributions.

2.1.4 Unemployment benefits and social assistance benefits

The right to unemployment benefit is universal for all working individuals. The Unemployment Benefit (UB) Fund is run by government but primarily financed by the insurance fee levied on employers. Self-employed individuals have rights if they comply with payment of the insurance fee and if they regularly pay the due income on the reference pay that the Internal Revenue Service defines.

In general, the requirement for the right to full employment benefit (which can now last for up to 2,5 years) is that employees have been fully employed the 12 months preceding application to the fund. Self-employed individuals must similarly have contributed their levy of 6.85% of paid wages, in their case 6.85% of the reference pay, for the last 12 months before the start of their unemployment period. If they have only paid income tax for a part of the qualifying period, their right to unemployment benefit will be proportional. The same applies if they paid only on part of the reference pay. Payment of 25% or less of the full levy disqualifies the self-employed fully.

It may be tempting for self-employed individuals to transgress these rules, aiming for a lower reference pay than is realistic or less than full regularity of contributions. They may also experience fluctuating pay levels, due to varying demand for their services. That can produce a variation in the base for their unemployment insurance, reducing the level of the benefit for the first three months of registered unemployment. The UB insurance system in Iceland is such that insured individuals get 80% of their previous pay for the first three months of unemployment (the self-employed get 80% of the relevant reference pay for their occupational category), but after that they go, like employees, on to the universal flat rate unemployment benefit, which is in the region of a half of average pay for employees. The possible disadvantage for insured self-employed

⁴ See [Fæðingarorlofssjóður](#) for further information about rights and amounts.

individuals in this respect is thus most likely tied to the first three months of registered unemployment.

So the right to UB is similar for the self-employed and employees, but the self-employed pay for themselves, unlike employees. This is probably the area of largest difference in security conditions for employees and self-employed individuals in the Icelandic case.

Social assistance (SA) is the last stop in the social protection system, the ultimate minimum income provision (means-tested and conditioned with activation measures and monitoring by the social services). Everyone has a universal right to that service, employees as well as the self-employed or those in non-standard employment relationships. If individuals are earning less than the Social Assistance minimum they can get a supplement from SA up to the minimum (see Ólafsson 2016b).

2.1.5 Long-term care benefits

In the public social security system, old age pensioners (both former employees or self-employed) have a right to stay in nursing or residential homes on the basis of an assessed need for health care. As soon as a person has been admitted from the waiting list and moves into the residential home, his/her old-age pension goes to the institution. The pensioner has a right to monthly pocket allowance, which is close to a fifth of the minimum pension.

Those who are better off can buy residential and caring rights in more advanced service homes, often with better and more pleasant facilities. They also have rights to pocket allowance from the social security system, regardless of whether they were employees or self-employed.

2.1.6 Invalidity, accidents at work and occupational injuries benefits

These rights are provided jointly by the public social security system and the OPFs, universally to all working people (and to some others as well).

If individuals, employees and self-employed alike, qualify for disability due to illness or accidents, they can get universal income-tested disability benefits from the social security system. They will also be entitled to disability benefits from the OPFs, in proportion to accumulated rights based on their contributions, with projections assuming they paid full contributions to end of career (at age 65).

The rights to sickness pay from the Union Sickness Funds apply here as well, as exemplified in section 2.1.1. For the most part employees and self-employed individuals are equally positioned in this area, with the exception of the right to being paid by the employer initially (for the first 1 to 3 months of sickness).

2.1.7 Family benefits

Family benefits, in addition to maternity/paternity benefits, consist mainly of the child benefit and tax rebates on the interest costs of housing loans (mortgages).

The child benefit comes from the public social security system, but is in fact paid out through the taxation system (subtracted from income tax). It is defined as a right of the child and of course independent of the parent's status as employee or self-employed. The benefit is income tested and takes account of the number of children in the household.

The tax rebate on the interest costs of mortgages is paid out in a similar way, subtracted from the income tax. The qualified loans are either for purchase of own accommodation, loans for construction or for renovation of own accommodation. Loans for buying tenancy rights in socially rented accommodation (third sector providers) also qualify.

The subsidy of the interest costs of mortgages is both income and asset-tested and thus goes to a greater extent to lower income individuals and those that have less net asset in their accommodation. This provision also takes account of family form (singles, single

parents and couples), independently of whether applicants are employees or self-employed.

2.2 Assessment of the existing social provisions and of the impact of possible extension of their coverage

The review above indicates that the self-employed and persons in non-standard employment relationships generally are as well covered by the social protection system as employees are. The basis of that assessment is the universal character of the largely tax-financed, public social security system.

The Occupational Pension System (OPFs) and related services are also universal for working people (since 1980), due to the exceptionally large influence of the labour unions in Iceland. The self-employed even have full rights in labour union operated sickness funds for employees, if they pay the regular dues to those funds, or the general insurance fee that is levied on business firms that pay wages.

So with regards to coverage, the self-employed and workers in non-standard employment relationships are included in the overall social protection system, more or less to the same extent as employees in general. The main difference is that in the occupational pension funds (OPFs) the self-employed have to pay a higher contribution for themselves (both the employer and employee levy: total of 12-15.5% of monthly pay), more than ordinary employees do (4% of pay, the remaining share of 8-11.5% being provided by the employer). The same applies to union sickness funds and the unemployment insurance levy.

Adequacy of coverage is relatively generous. The public social security system provides a relatively high minimum pension guarantee that offers those who have lower earnings from occupational pension funds (as in cases of disability) a supplement and the Social Assistance benefit level is one of the highest in Europe (Ólafsson 2016b). Hence, the Icelandic poverty rate for the overall household population is very low by European standards.

In-work poverty rates in Iceland are, however, slightly higher than in the other Nordic countries, except Sweden, and perhaps higher than one would expect. That is most likely due to relatively low minimum wages in Iceland (compared to the other Nordic countries; cf. Ólafsson 2015). In addition, students between the ages of 16 and 24 quite frequently work during their summer holidays and also many of them work part-time during the school period. These factors raise the in-work poverty rate in Iceland somewhat beyond what might be expected. The students are counted as employed but at a low level of yearly earnings (study loans for secondary and tertiary level students are not counted as pay in the poverty statistics, hence their employment earnings will always be very low on a yearly basis – and poverty rates accordingly high).

So if all is well and regular, the sustenance security of the self-employed and individuals in non-standard employment should be more or less fully ensured, to the same extent as applies to employees in general. There is therefore no immediate need for major extensions of the social protection system to improve coverage and adequacy for these groups. Social Assistance benefit receipt is accordingly at a low level (some 1.5% of population 18+ at any time of year). Thus, there is no talk of a need for taking up “individual social security accounts” in Iceland. Differences in security coverage should therefore not be a significant hindrance for transitions between statuses of the self-employed and dependently employed. The social protection system is actually an effectively supporting environment for entrepreneurial start-ups.

But at the same time one can say that all is not regular and simplistically smooth in the world of employment. Situations of work vary and change from time to time for individuals. Demand for services of the self-employed may fluctuate greatly, whereby a prosperous period may have to cover a period of idleness or lower activity, producing lower remuneration levels on a yearly basis (and greater poverty risk). Statistics show,

for example, that the self-employed and individuals on temporary contracts are more prone to experiencing poverty and social exclusion than general employees. In the following I compare some statistics for Iceland and other European countries touching on these issues, before drawing further conclusions and recommendations.

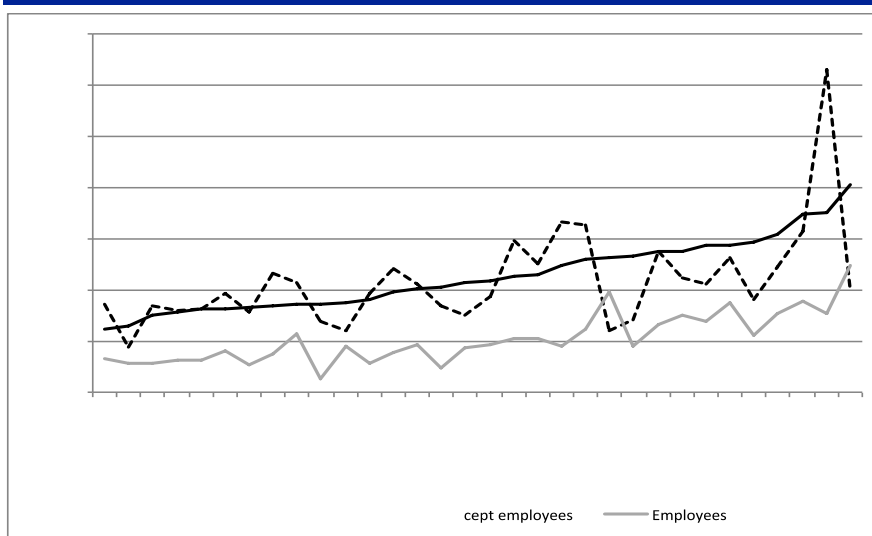
Figure 3 shows the at-risk-of-poverty or social exclusion rates for the EU-SILC countries in 2015 (rates for Ireland and Switzerland are for 2014).

Iceland has the lowest composite rate for **all households**. That however does not apply for **employee households** or for those that are **“employed except employees”** (self-employed and the irregularly employed presumably), as would be expected from the fact that Iceland does not have the lowest in-work poverty rates, as previously mentioned. Still, Iceland is well below the EU average for these two categories of working people.

An interesting feature of this graph in Figure 3 is the fact that the poverty and social exclusion rate for “employed except employees” deviates around the overall household rate. The main deviations above the household rate are Romania, Portugal, Estonia, Poland, Slovenia and Slovakia. Amongst the lower level countries Iceland also deviates above the general household level for this group, indicating perhaps some precariousness in their conditions.

The countries deviating below the household rate for this group are Croatia, Latvia, Hungary, Ireland, Austria and Finland.

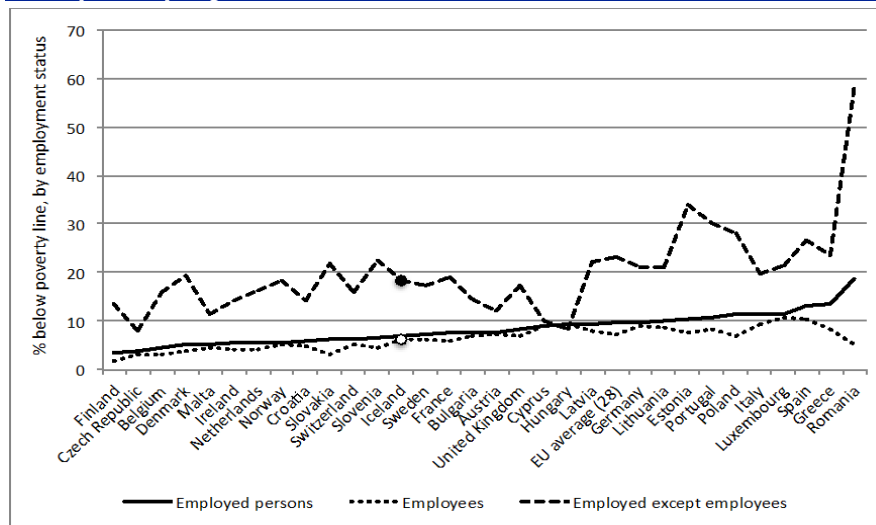
Figure 3: Proportion at risk of poverty or social exclusion: All households, employees and those “employed except employees” compared. European countries in 2015.



Source: Eurostat

If we look more specifically at the sole poverty rate (below the 60% poverty line) for working people in figure 4, the more precarious level of living position of self-employed and non-standard workers (“employed except employees”) emerges almost universally in the European countries (the countries are ranked by the rate for the overall employed population).

Figure 4: In-work poverty rates (60%) by employment status. European countries in 2015: comparison of employed persons, employees and employed except employees.

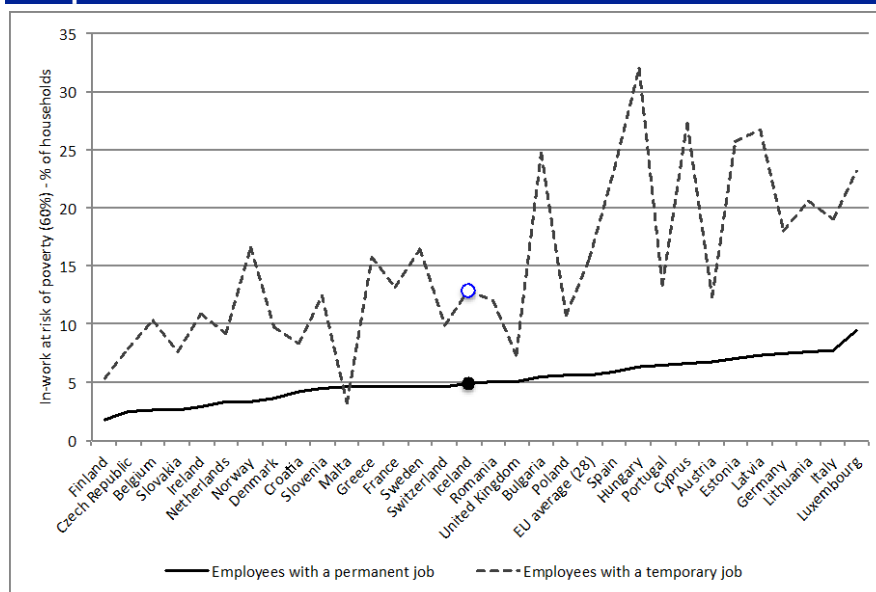


Source: Eurostat

On average the poverty rate for the “employed except employees” is some 14%-points higher than that for employees. A 10 to 15%-point difference is common, but higher than that in Estonia, Portugal, Poland and Romania.

Figure 5 shows significantly higher rates of in-work poverty amongst workers with a temporary contract than amongst those with a permanent job, for all countries except Malta in 2015. Iceland ranks not far below the EU average poverty rate for employees with a permanent job but it has a higher rate for temporary contract workers than 13 other countries. The in-work rates for part-time employed individuals are also generally higher than the rates for full-time workers in Iceland and other European countries (see figure in appendix).

Figure 5: In-work poverty rates by type of work contract: employees with a permanent job and those with temporary job, in 2015. Iceland and EU compared.



Source: Eurostat

The indication seems to be that Iceland does better in securing the living standards of individuals outside the labour market (old-age pensioners, disability pensioners etc.) than

it does individuals in non-standard employment relationships or self-employment. The overall poverty level for Iceland is amongst the very lowest in Europe but that does not apply to Iceland's in-work poverty rate, especially for the self-employed and those in non-standard jobs. The same applies to those on temporary contracts and in part-time work.

It may come as a surprise that the overall rate for risk of poverty or social exclusion is higher for "employed except employees" than the rate for employees (cf. figure 3), given what has emerged above about the high level of social protection coverage of the group of self-employed and non-standard workers in comparison to employees in general. But this difference is also apparent when we examine the in-work poverty rates for these two groups (i.e. when they are not using the social protection system – cf. figure 4). This may indicate more precariousness with regards to regularity of employment and earnings for the self-employed and non-standard workers.

This analysis suggests that much of the greater vulnerability of living standards amongst these groups may primarily derive from the labour market itself, rather than from inadequate protection from the welfare system. Fluctuating demand for the services of self-employed individuals and increased precariousness in employment relations may be the main source.

Precariousness has grown with the increased globalization effects in the last 15 years or so. Iceland already has almost 10% of its population consisting of immigrants. Immigrants are often disproportionately concentrated in lower paid jobs and more often subjected to precarious employment terms. Even though labour unions have significantly fought against such "discounts" of working terms they may not have succeeded fully in eradicating them. Self-employed individuals have to fend for themselves more and do not enjoy anything comparable to the protective role that unions provide for employees in general. Hence they are more subject to the vagaries of the market forces than the better regulated unionised employees.

Partly, the additional precariousness in the working lives of self-employed and non-standard workers may also have to do with work in the black economy. The current estimate is that the black economy may amount to about 15% of GDP.⁵ While individuals working in the black do not feature fully in taxation statistics, they may be included in labour market and living standard surveys, counted as "employed". Therefore, they can enter the figures of poverty rates and other vulnerability with underreported incomes – hence having higher poverty rates than perhaps is realistic. But this requires further studies.

In the new legislation on the social security pensions for the elderly (passed in October 2016) there is an interesting innovation. This is a provision for a more flexible labour market exit, which gives the opportunity of taking up 50% of the pension at age 65 (the present pensionable age is 67) and work half time. Since self-employment is significantly more common amongst older workers than amongst the younger cohorts on the labour market, this may stimulate self-employment towards the end of the career for some (cf. Ólafsson 2016a).

3 Conclusions and recommendations

On the whole, there does not seem to be a great need for extending the social protection coverage of self-employed individuals and workers in non-standard employment relationships. This is based on the conclusions of Section 2, which indicates a nearly fully comparable level of social protection for these groups as employees in general enjoy. This applies equally to their needs for protection when they fall out of work (become

⁵ European Foundation for the Improvement of Living and Working Conditions, 2013.

unemployed, sick or disabled) or when they need access to benefits and services for themselves and their families while working.

Therefore, the conclusion is that the functioning of the welfare system is more or less adequate for these groups. The self-employed are to a greater extent responsible for payment of insurance contributions and levies to some security funds and schemes. This is understandable in a social protection system primarily designed to cover employees, partly with financing from employers (which then comes out of the “wage fund”, i.e. as “social wage”, i.e. welfare benefits). On the other hand, the self-employed enjoy significant benefits from the taxation system and other infrastructural features of the economy and society.

Insufficient coverage of the self-employed may be due to their own carelessness or lack of foresight (tax avoidance etc.). Hence, increased awareness amongst the self-employed about the actual need for full coverage of the social protection system being no less than those of employees, would be useful. They can of course also be encouraged to make use of market-based insurance providers to a greater extent.

Basically, it should be up to themselves and counted as a part of operating costs of their independent profit-making activity, one not to be avoided – unless at their own risk. Extending the public social protection system to take over further employer responsibility in this area would need to be extensively debated, even if it only applies to small-scale self-employed individuals. Specific financial support for start-ups is perhaps more appropriate as a means of addressing the special risks involved in new entrepreneurial activity.

Still a part of our conclusion is that the labour market itself is a source of significant precariousness for some jobs and tasks – due to increasing demands for greater competitiveness associated with the growing globalisation of recent decades. Temporary contracts, contract work instead of regular employee work, part-time work and self-employment are to varying degrees prevailing trends in most Western countries.

Even a country like Iceland that has a very high level of union density and union regulatory influence on the labour market still does not escape precarious influences in the labour market. The unions of course primarily direct their protective activities towards the employees.

The self-employed might perhaps make more use of their own organisations for these purposes. But a part of the problem facing the self-employed may be a conflicting pull of interest and ideologies. On the one hand employers, as well as small self-employed individuals, press for more unrestrained markets, but on the other hand they may feel the risk of vulnerability associated with the free (global) market environment. Such a conflict of interests and ideologies may be hard to mediate and contain. Freedom tends to be associated with insecurity – and social protection may run counter to employers' freedom, as Karl Polanyi taught us in the *Great Transformation* (1944).

On a more practical note, I would recommend raising awareness about the risks of precariousness and vulnerability amongst self-employed individuals in Iceland. The labour unions could also do better, by surveying devious developments in the labour market and spreading constructive awareness amongst employees in general and especially those in non-standard employment environments.

Lastly, improved measures for reducing the black economy would definitely work against deviations from the goals of better workings of both the labour market and the social protection system.

Appendix – Extra figures

Figure A.1: Number of self-employed in 3 small scale societies, 2007 to 2015.

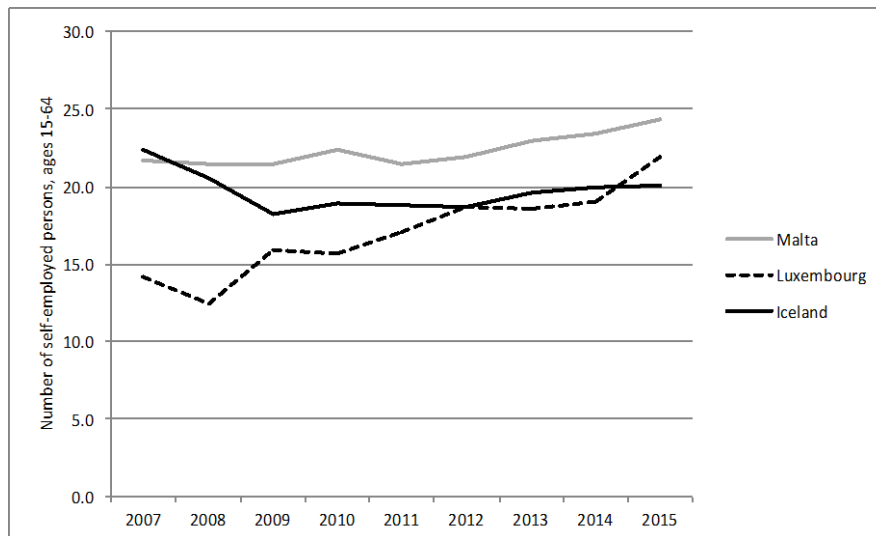
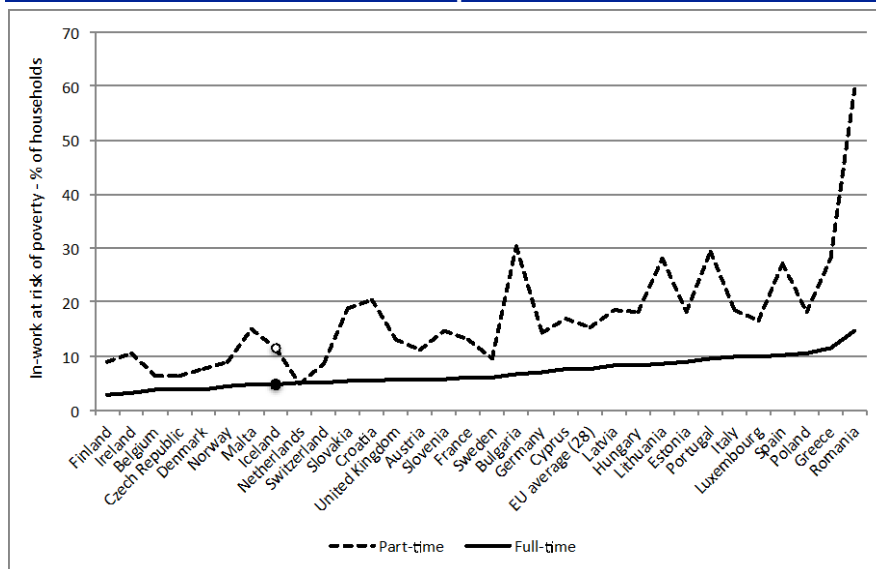


Figure A.20: In-work poverty rates for part-timers and full-timers, in 2015. Iceland and EU countries compared.



Source: Eurostat

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Annex 1

SUMMARY TABLE: ACCESS TO SOCIAL PROTECTION: SELF-EMPLOYED

| | On her/his own account | With employees (self-employed employer) | Dependent on single client | Dependent on contractual relationship with client | Liberal professions (e.g. doctor, notary, lawyer) |
|---|------------------------|---|----------------------------|---|---|
| Healthcare - cash benefits and benefits in kind | Full | Full | Full | Full | Full |
| Sickness - cash benefits and benefits in kind | Full | Full | Full | Full | Full |
| Maternity/paternity - cash benefits and benefits in kind | Full | Full | Full | Full | Full |
| Old age pensions (preretirement benefits and pensions) | Full | Full | Full | Full | Full |
| Survivors pensions and death grants | Full | Full | Full | Full | Full |
| Unemployment benefits | Full | Full | Full | Full | Full |
| Social assistance benefits | Full | Full | Full | Full | Full |
| Long-term care benefits | Full | Full | Full | Full | Full |
| Invalidity benefits | Full | Full | Full | Full | Full |
| Accidents at work and occupational injuries benefits | Full | Full | Full | Full | Full |
| Family benefits | Full | Full | Full | Full | Full |

All self-employed individuals enjoy access to universal rights from the public social security system and also from the mandatory occupational pension funds in these areas.

That gives all categories of self-employed individuals full coverage from the overall social protection system.

But they need to pay their dues as employers where applicable. They may also buy extra security from private providers.

Annex 2

SUMMARY TABLE: ACCESS TO SOCIAL PROTECTION: CONTRACTUAL EMPLOYMENT (NON-STANDARD CONTRACTS)

| | Full-time employee | Part-time employee | Fixed-term employee | Temporary agency worker | Casual and seasonal workers | On-call workers | Zero-hour workers | Apprentices | Paid trainees | (Other) persons in vocational/professional training |
|---|--------------------|--------------------|---------------------|-------------------------|-----------------------------|-----------------|-------------------|-------------|---------------|---|
| Healthcare - cash benefits and benefits in kind | Full | Full | Full | Full | Full | Full | Full | Full | Full | Full |
| Sickness - cash benefits and benefits in kind | Full | Full | Full | Full | Full | Full | Full | Full | Full | Full |
| Maternity/paternity - cash benefits and benefits in kind | Full | Full | Full | Full | Full | Full | Full | Full | Full | Full |
| Old age pensions (preretirement benefits and pensions) | Full | Full | Full | Full | Full | Full | Full | Full | Full | Full |
| Survivors pensions and death grants | Full | Full | Full | Full | Full | Full | Full | Full | Full | Full |
| Unemployment benefits | Full | Full | Full | Full | Full | Full | Full | Full | Full | Full |
| Social assistance benefits | Full | Full | Full | Full | Full | Full | Full | Full | Full | Full |
| Long-term care benefits | Full | Full | Full | Full | Full | Full | Full | Full | Full | Full |
| Invalidity benefits | Full | Full | Full | Full | Full | Full | Full | Full | Full | Full |
| Accidents at work and occupational injuries benefits | Full | Full | Full | Full | Full | Full | Full | Full | Full | Full |
| Family benefits | Full | Full | Full | Full | Full | Full | Full | Full | Full | Full |

NB! Part-time employed have full rights in the public social protection system, but they get partial rights in unemployment insurance and in union sickness funds.

