
Foreigners in the Icelandic Labour Market

Developments – Status - Prospects

1. Developments that have occurred in the Icelandic labour market in recent years
 - statistical information concerning the Icelandic labour market
 - its chief characteristics
 - make comparisons with the labour markets in neighbouring countries.

Business cycles during recent years and the impact of those business cycles on the immigration of foreign labour to Iceland.

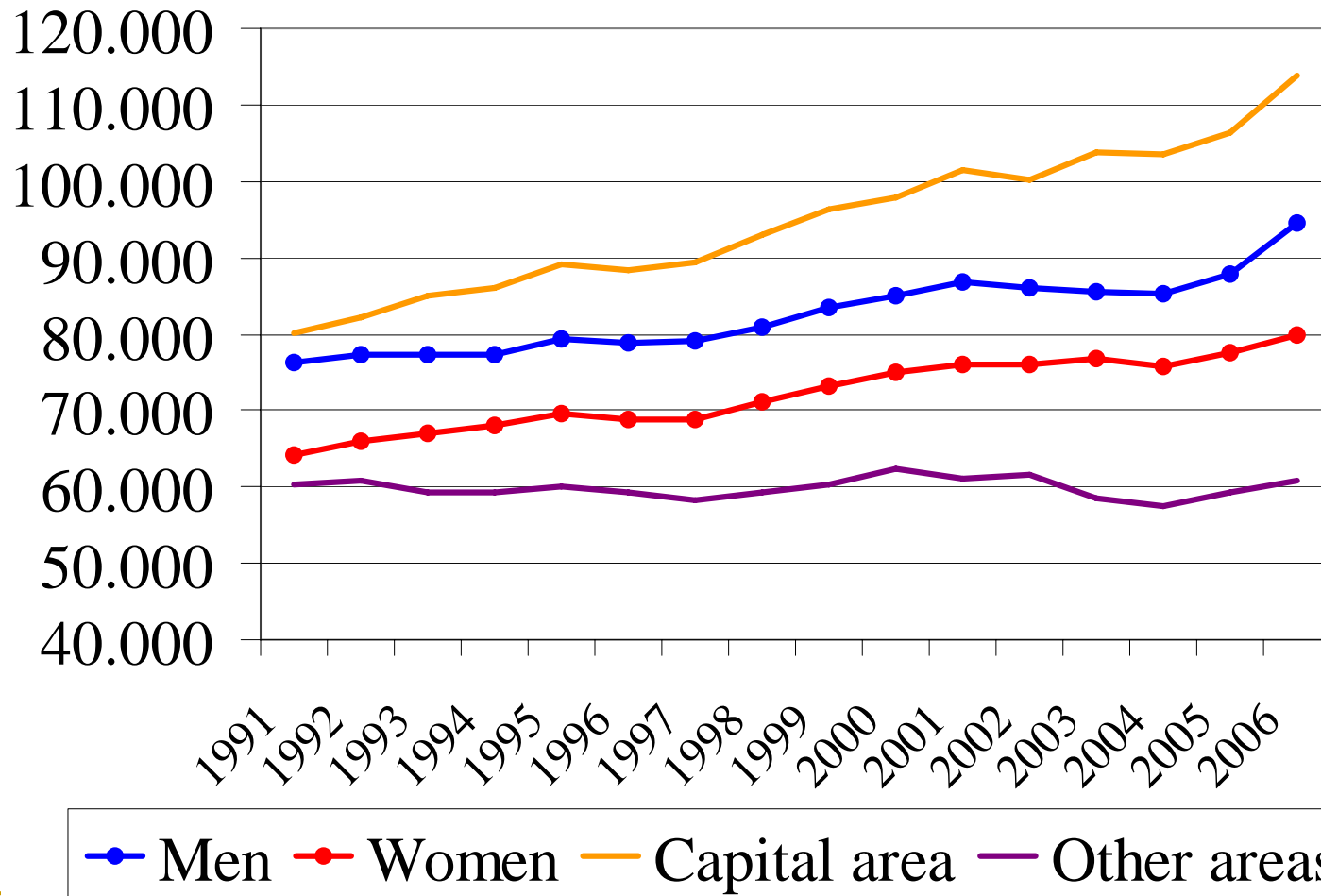
2. Finally I will recount the Icelandic government's reaction to the huge increase in numbers of foreigners on the Icelandic labour market
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Key labour market figures 2006 from the labour market survey of Statistics Iceland

Working age population	Ca. 210,000
Labour force	174,600
Participation rate	83.1%
Number of unemployed	5,000
Unemployment	2,9%
Working hours average	42,4
Working hours- full time	47,2

Source: Statistics Iceland

Labour force, 16-74 years, 1991-2006



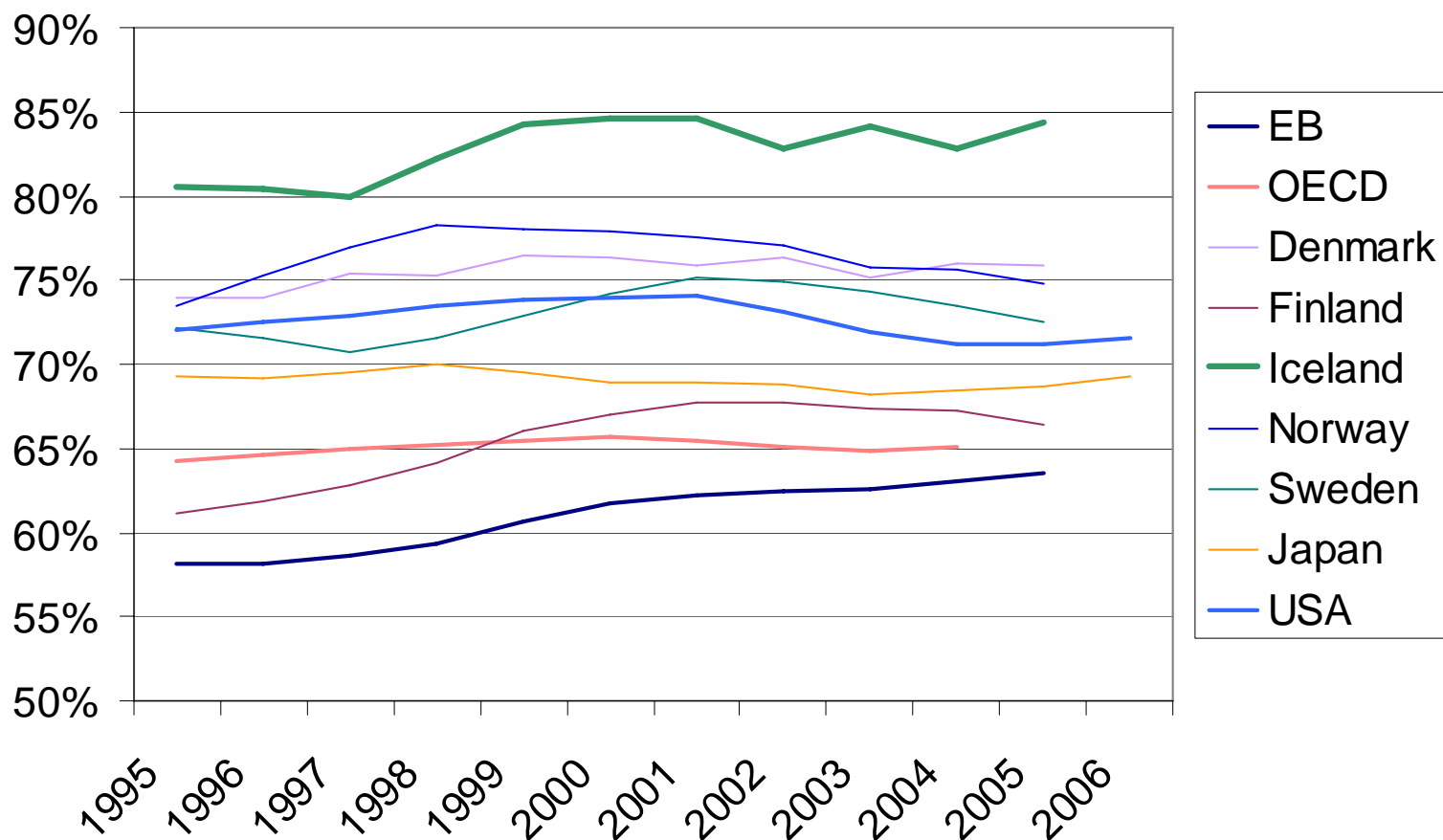
Source: Statistics Iceland

Participation rate by gender, age and area

	Total	Capital area	Other areas
Total	83.1	83.0	83.3
16-24 years	79.3	79.9	77.8
25-54 years	90.8	90.9	90.6
55-74 years	65.8	64.0	68.7
Male	87.5	87.0	88.4
16-24 years	77.4	78.2	75.6
25-54 years	95.6	95.2	96.3
55-74 years	73.7	70.9	77.9
Female	78.4	78.8	77.8
16-24 years	81.4	81.7	80.6
25-54 years	85.6	86.2	84.6
55-74 years	57.8	57.5	58.3

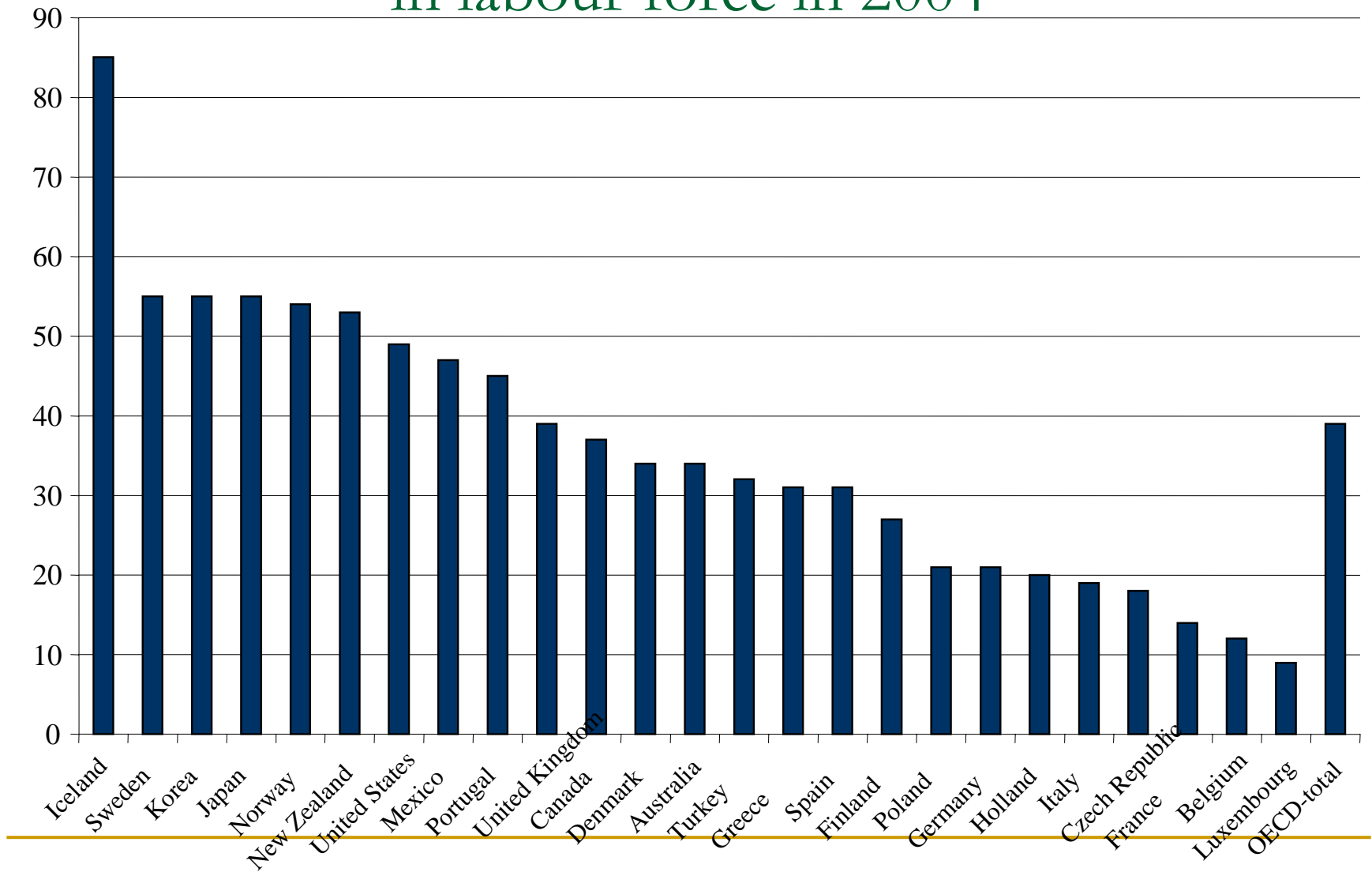
Source: Statistics Iceland

Participation rate trends (16-64 years) in Iceland and some neighbour countries



Source: Eurostat and more

Participation rate of 60-64 years old in labour force in 2004



Source: Eurostat and more

Why is the labour contribution and participation so high in Icelandic labour market?

- Strong work ethic in Icelandic culture
 - Essential that everybody contributes to the smooth operation of the society
 - Great demand for labour linked to small size of economy
 - Difficult to “get lost” outside of labour market in small population
 - Wages low compared to high cost of living and high living standards
 - Benefit system has not been as comprehensive as in at least other
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Employed people – number and percent by economic activity 2004

	Fjöldi		
Agriculture	4.020	2,4%	
Fishing	4.440	2,7%	5,1%
Fish processing	6.400	3,9%	
Manufacturing, except fish pr.	16.240	9,9%	
Electricity & water supply	1.500	0,9%	
Construction	14.020	8,5%	23,1%
Wholesale, retail trade, repairs	22.550	13,7%	
Hotels, restaurants	6.050	3,7%	
Transport, communication	11.940	7,2%	
Financial intermediation	6.420	3,9%	
Real estate & business activ.	13.970	8,5%	37,0%
Public administration	11.010	6,7%	
Education	11.230	6,8%	
Health sevices, social work	25.040	15,2%	28,7%
Other services and n.s.	10.020	6,1%	
Samtals	164.850	0%	20%

Source: Statistics Iceland

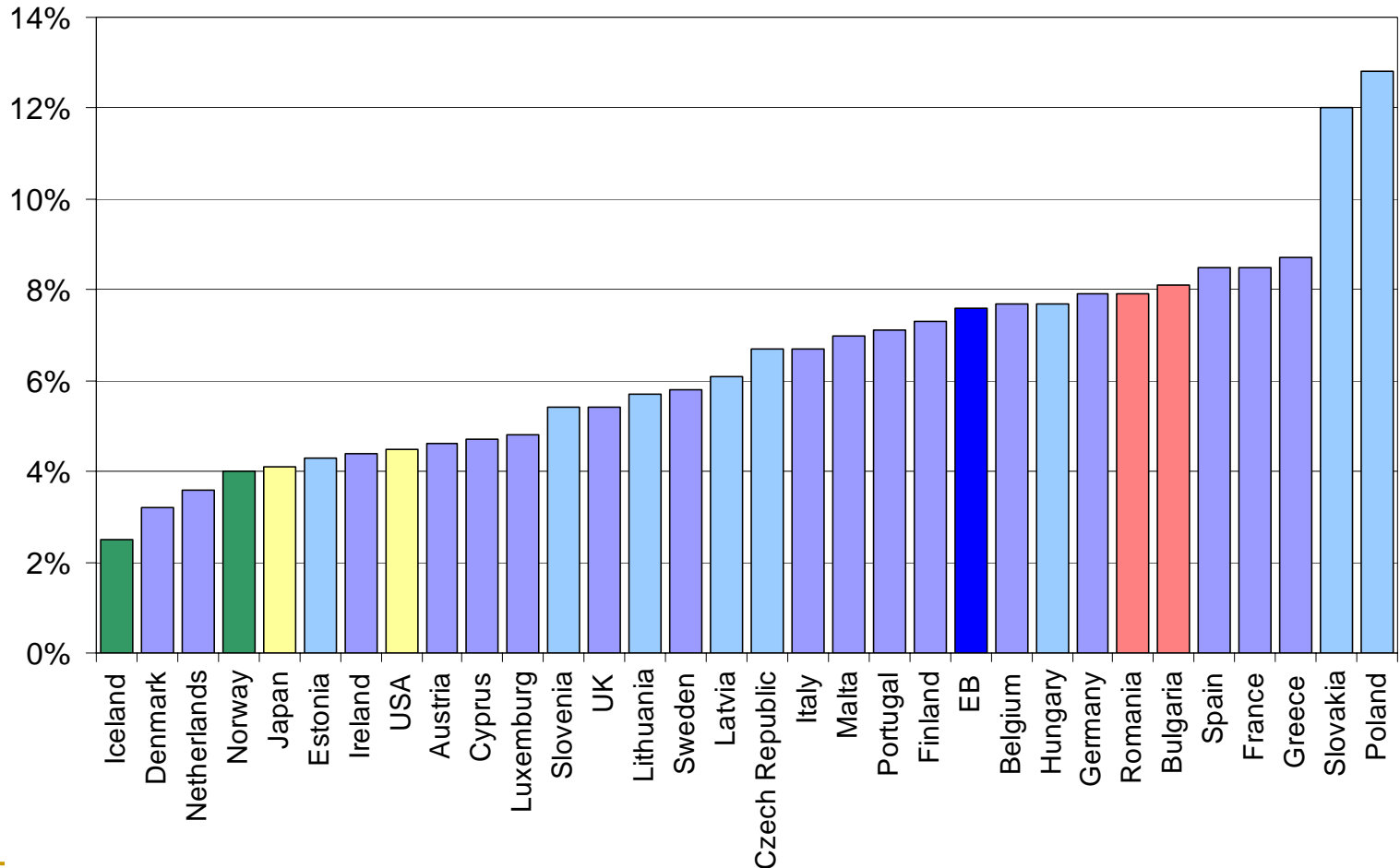
Unemployment by gender, age and area.

(Labour market research – Statistics Iceland)

	Total	Capital area	Other areas
Total	2.9	3.0	2.6
16-24 years	8.2	7.7	9.6
25-54 years	1.8	2.0	1.5
55-74 years	1.5	1.8	1.0
Male	2.7	3.0	2.2
16-24 years	8.9	8.4	10.0
25-54 years	1.7	2.0	1.1
55-74 years	1.0	1.3	0.6
Female	3.1	3.1	3.0
16-24 years	7.6	7.0	9.2
25-54 years	2.0	2.1	1.9
55-74 years	2.1	2.3	1.7

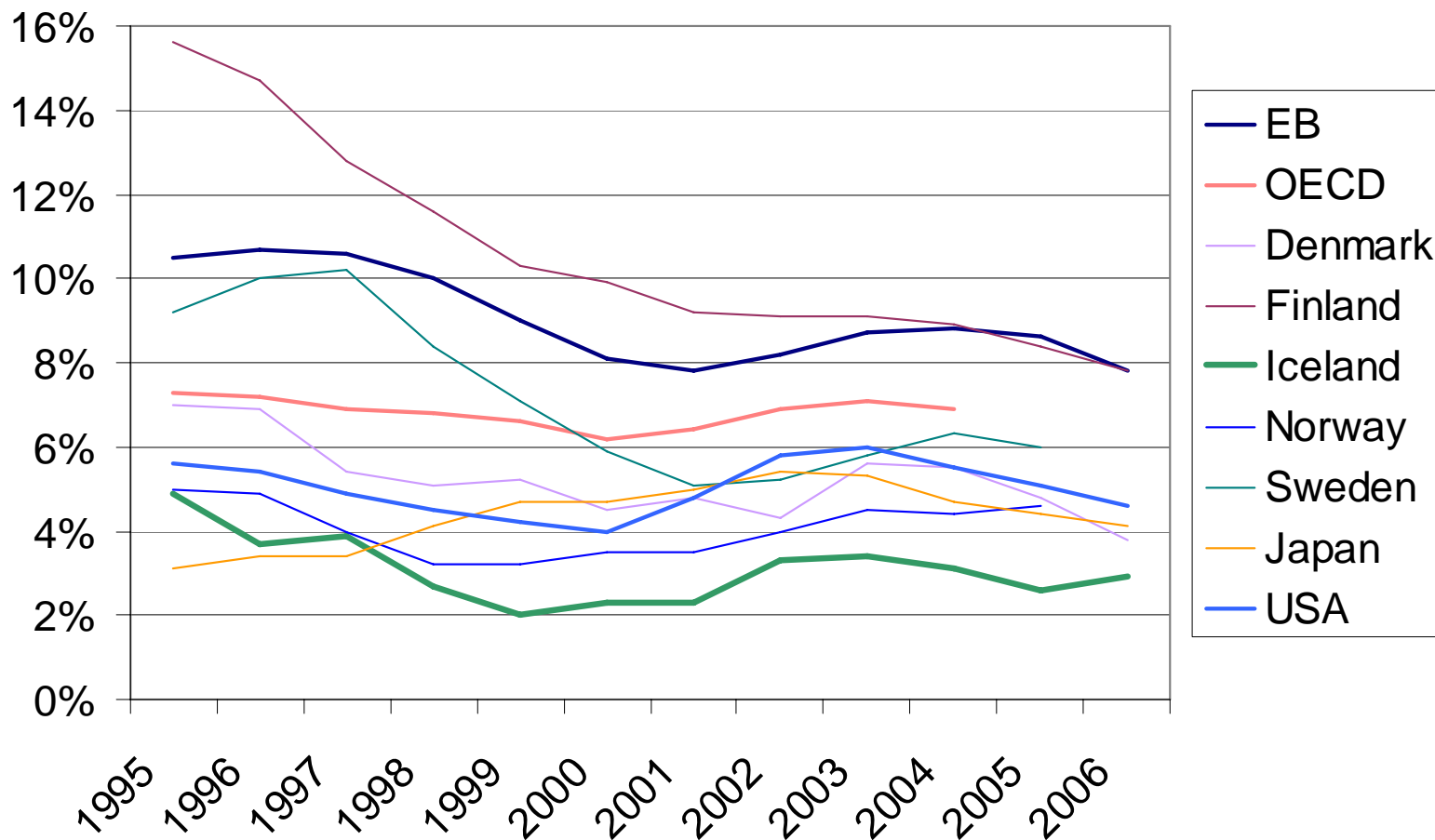
Source: Statistics Iceland

Unemployment in end of year 2006 in EB and some other countries

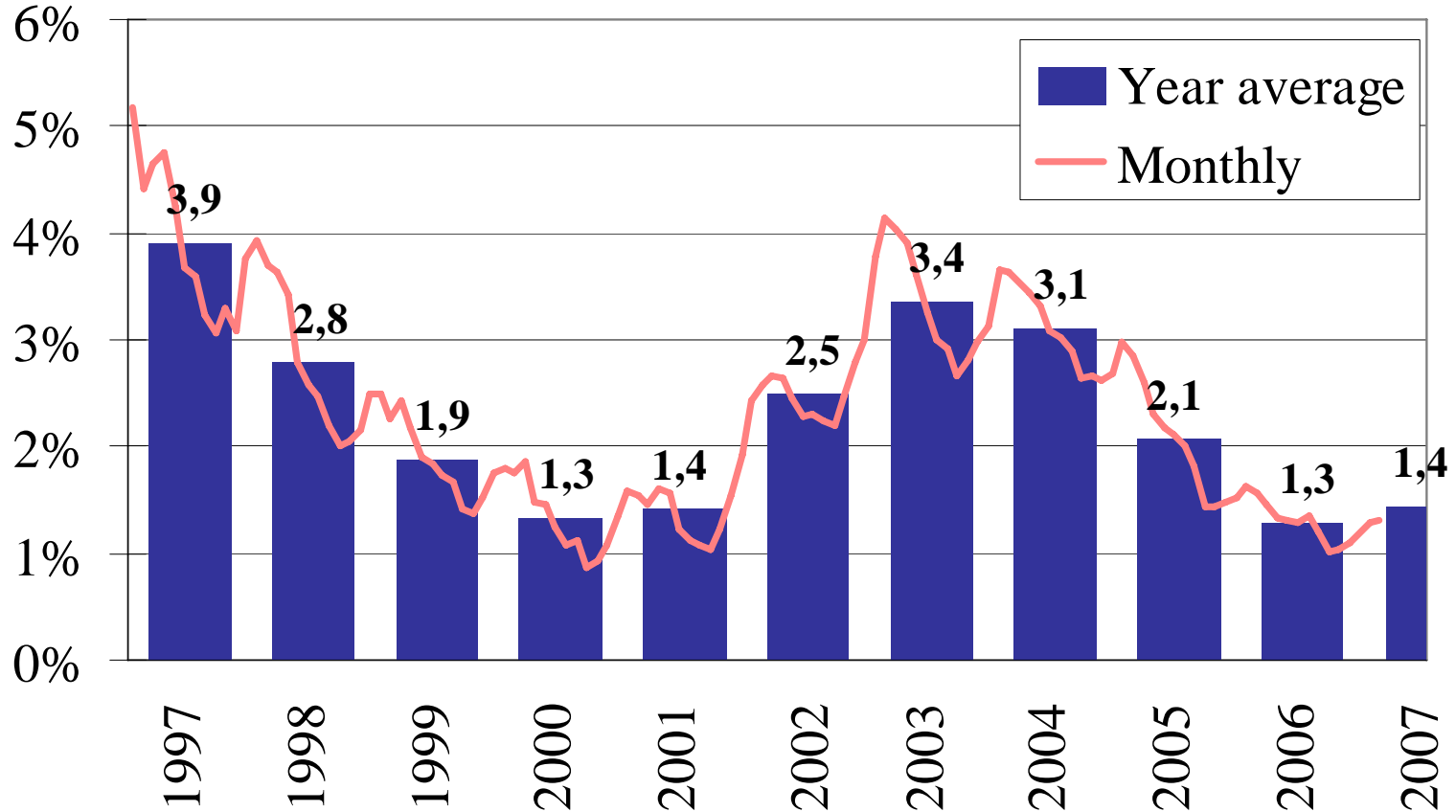


Source: Eurostat and more

Unemployment trends (16-64 years) in Iceland and some neighbour countries



Unemployment 1997-2007

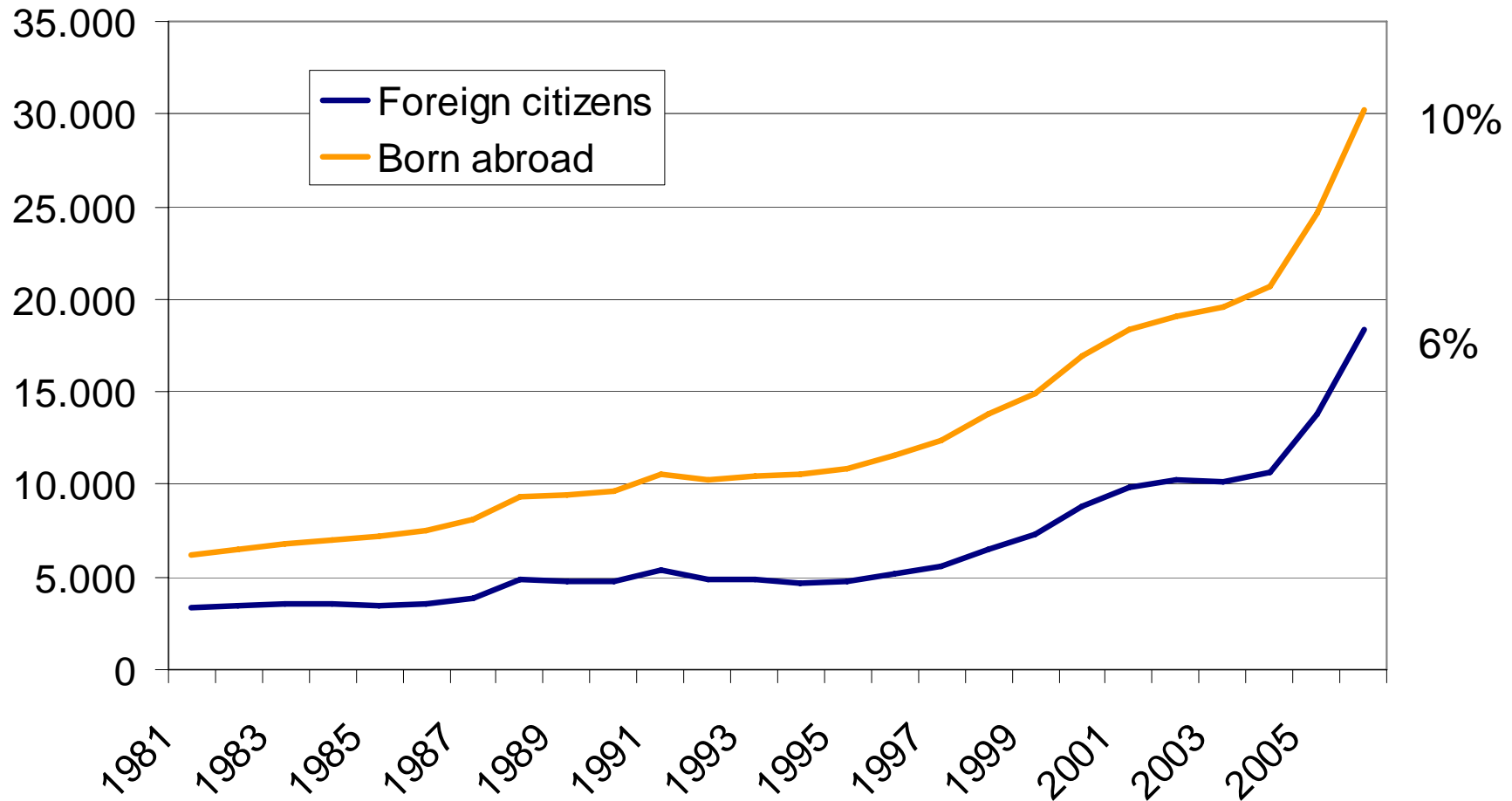


Source: Directorate of Labour

Speculations

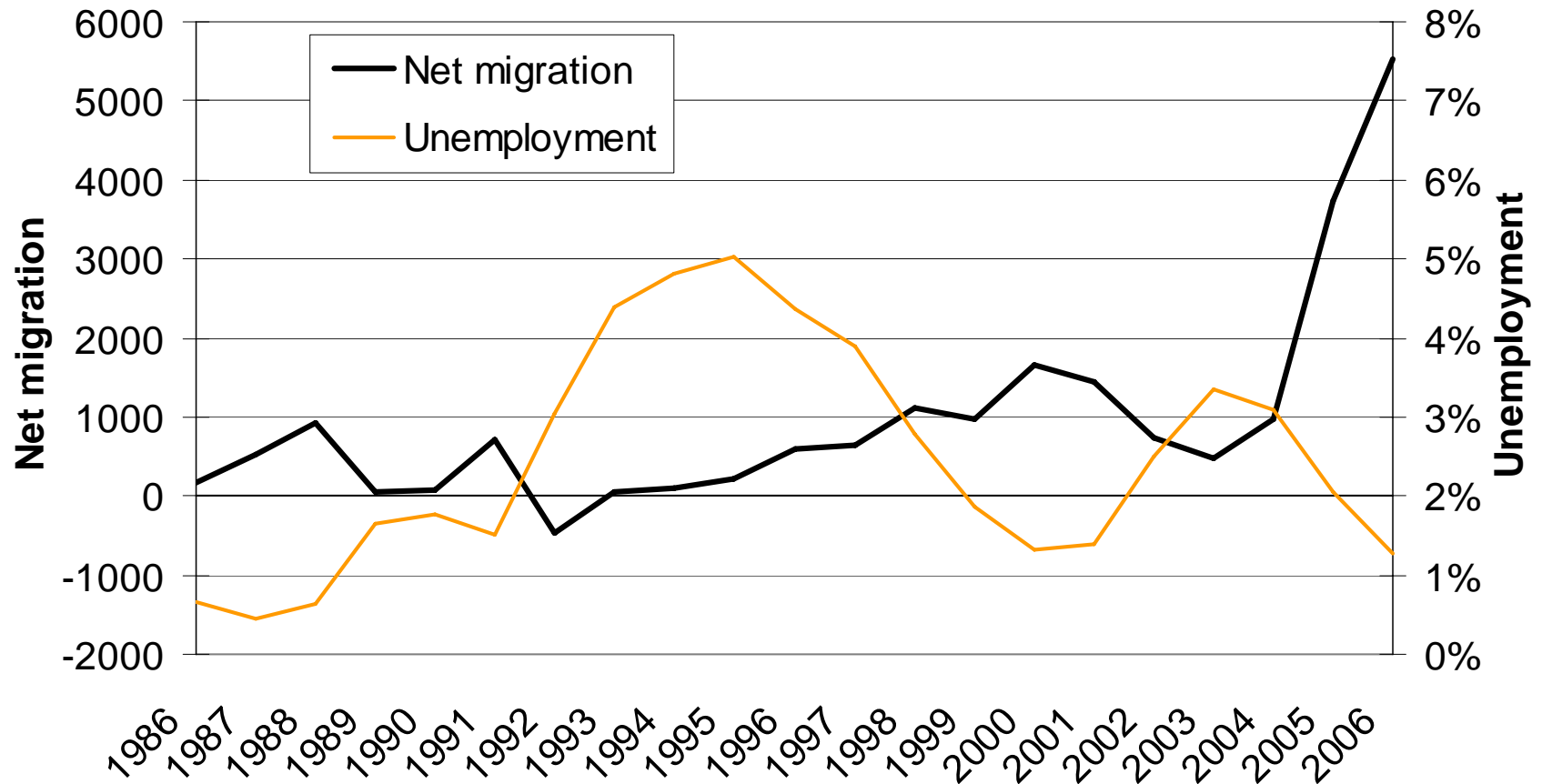
- Demand for labour is the most important factor in effect controlling **number** of foreigners entering Icelandic labour market
 - Government policies and the legal framework controls **which** foreigners arrive in Iceland.
 - Employment policy has the greatest effects on import of labour – the expansion last years not possible without this import.
 - The reason for immigrants coming to Iceland is the demand for labour – go to Iceland to find job and get higher wages.
 - The situation and development in many ways different from that in the other Nordic countries – not many refugees, mostly working people, few whole families, few children.
 - Immigrants are for the biggest part people from EEA.
 - Unemployment very low despite this import of foreign labour, lower among immigrants than native people.
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Number of foreigners in Iceland, 1981-2006



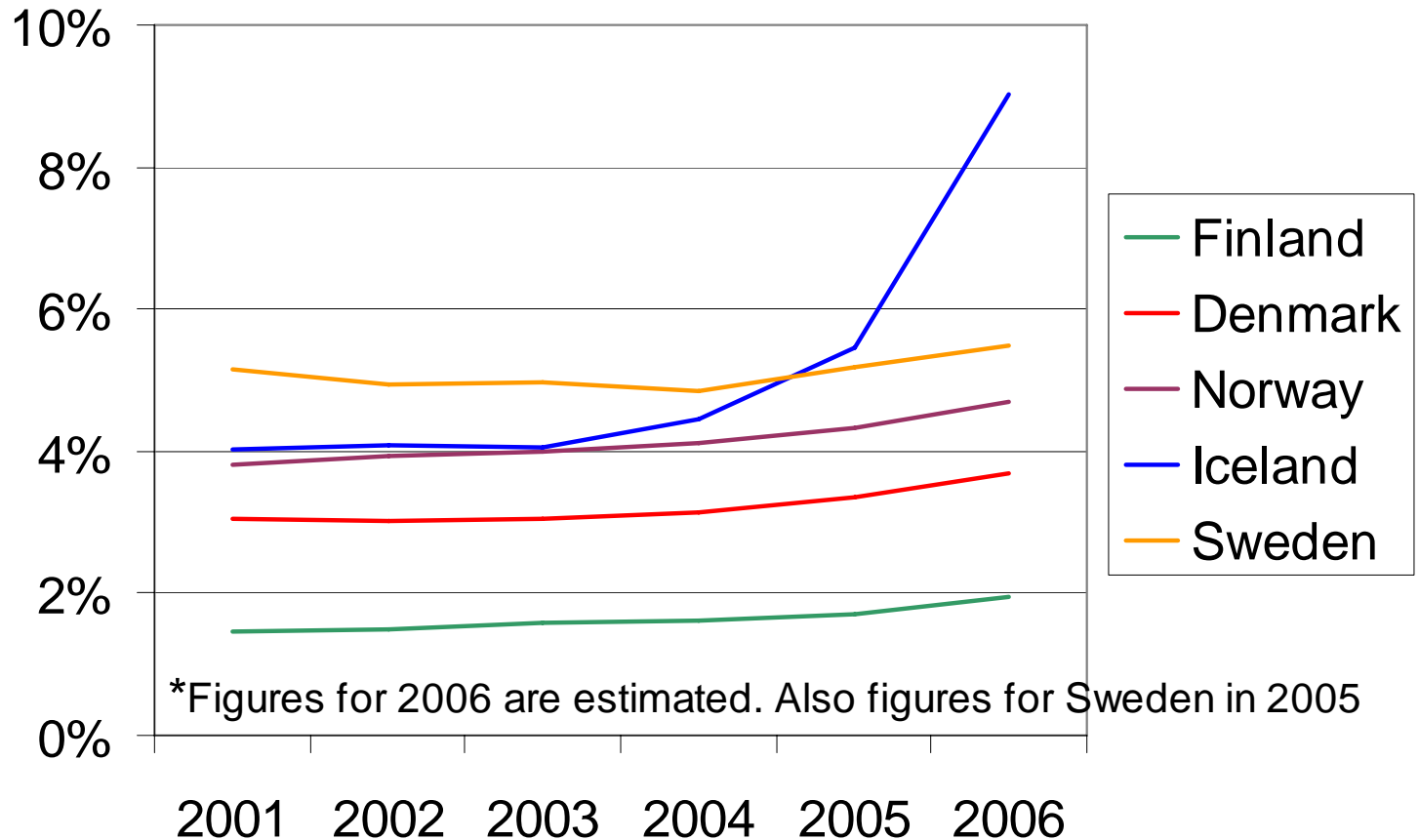
Source: Statistics Iceland

Net migration to/from Iceland last 20 years compared with unemployment trends



Source: Statistics Iceland and Directorate of Labour

Foreign citizens on the labour market in the Nordic countries as proportion of labour force 2001-2005



Source: Statistical bureaus in the Nordic countries

Speculations

- What is the impact on the economy of this increased number of foreigners in the Icelandic labour market ?
 - An expanding labour market creates an increased upward pressure with regard to wages, which in turn increases the risk for inflation
 - wages in Iceland have increased by 10.5% during the past 12 months, which is substantially above the price level
 - During the same period inflation started again and became 8% in August but is now decreasing
 - Article by Thóra Helgadóttir in the Kaupthing Newsletter 16. January 2007
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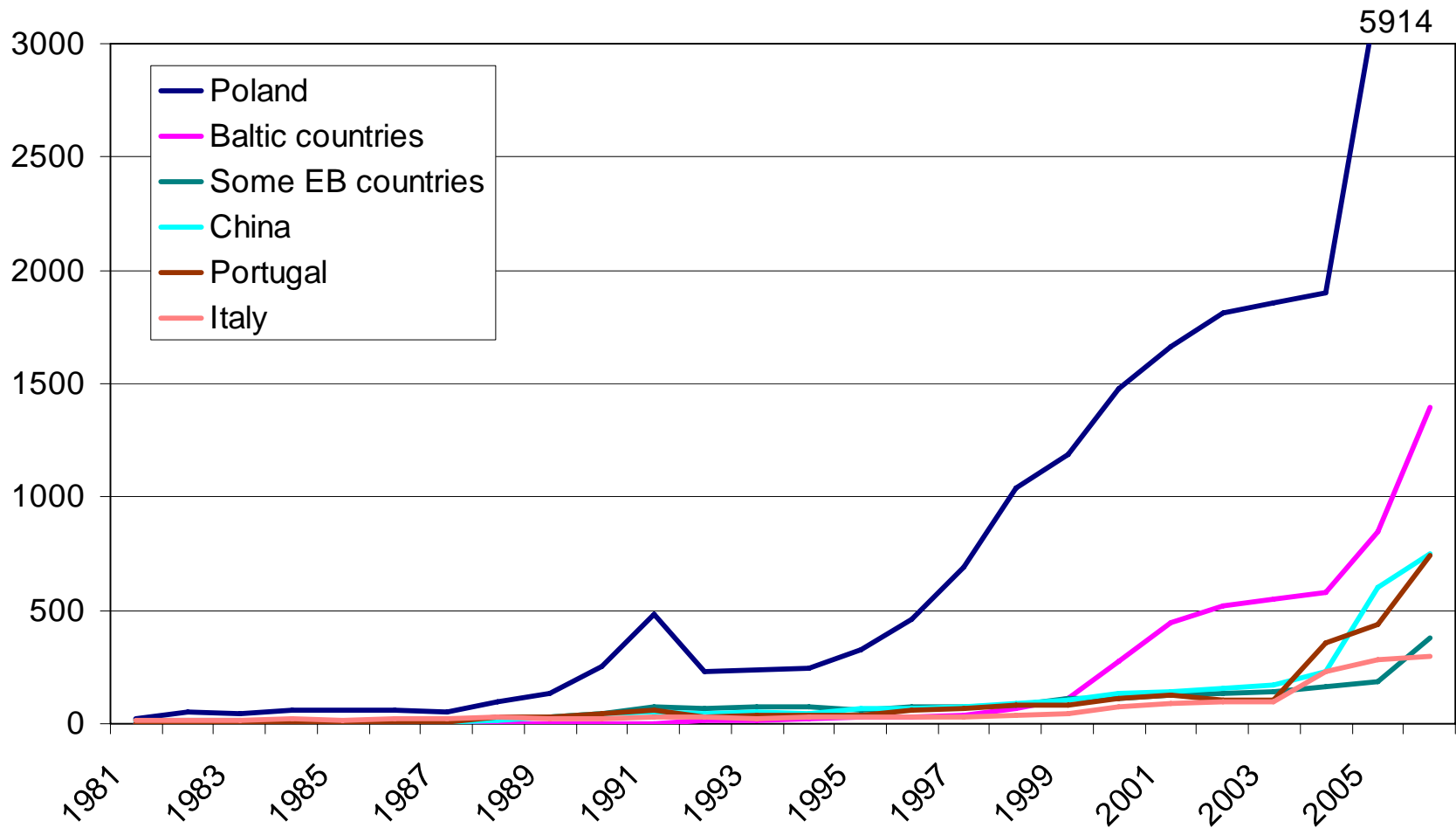
Speculations

- By responding to excess demand for labour by hiring foreigners, economic expansion has in reality been transformed into economic growth
 - Inflation rate would probably have been circa 1% to 1.5% higher in 2006 if there had not been this great influx of foreign labour in Iceland
 - Therefore it is important to realize that all this immigration of labour has been beneficial for the Icelandic economy
 - Article by Thóra Helgadóttir in the Kaupthing Newsletter 16. January 2007
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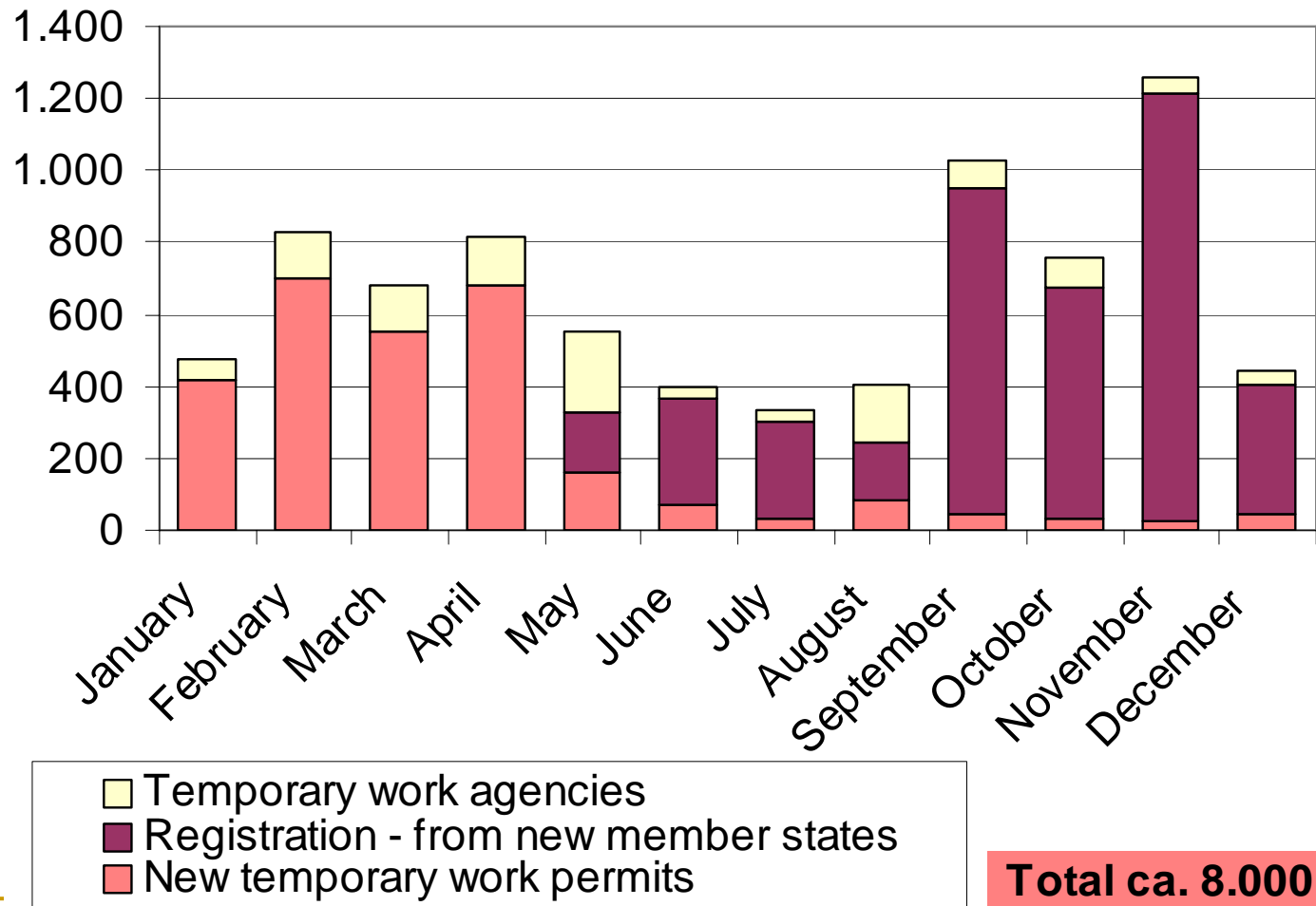
Speculations

- There are no indications that these persons are abusing the welfare systems of other EU countries
 - It is generally accepted that the state is gaining rather than losing from their presence in the country
 - The Icelandic economy has grown by 17% between 2003 and 2005 and the productivity of the economy has grown at the same time
 - Article by Thóra Helgadóttir in the Kaupthing Newsletter 16. January 2007
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Citizenship of immigrants – biggest growth last years



Directorate of Labour's register of foreign citizens entering Icelandic labour market in year 2006 by months

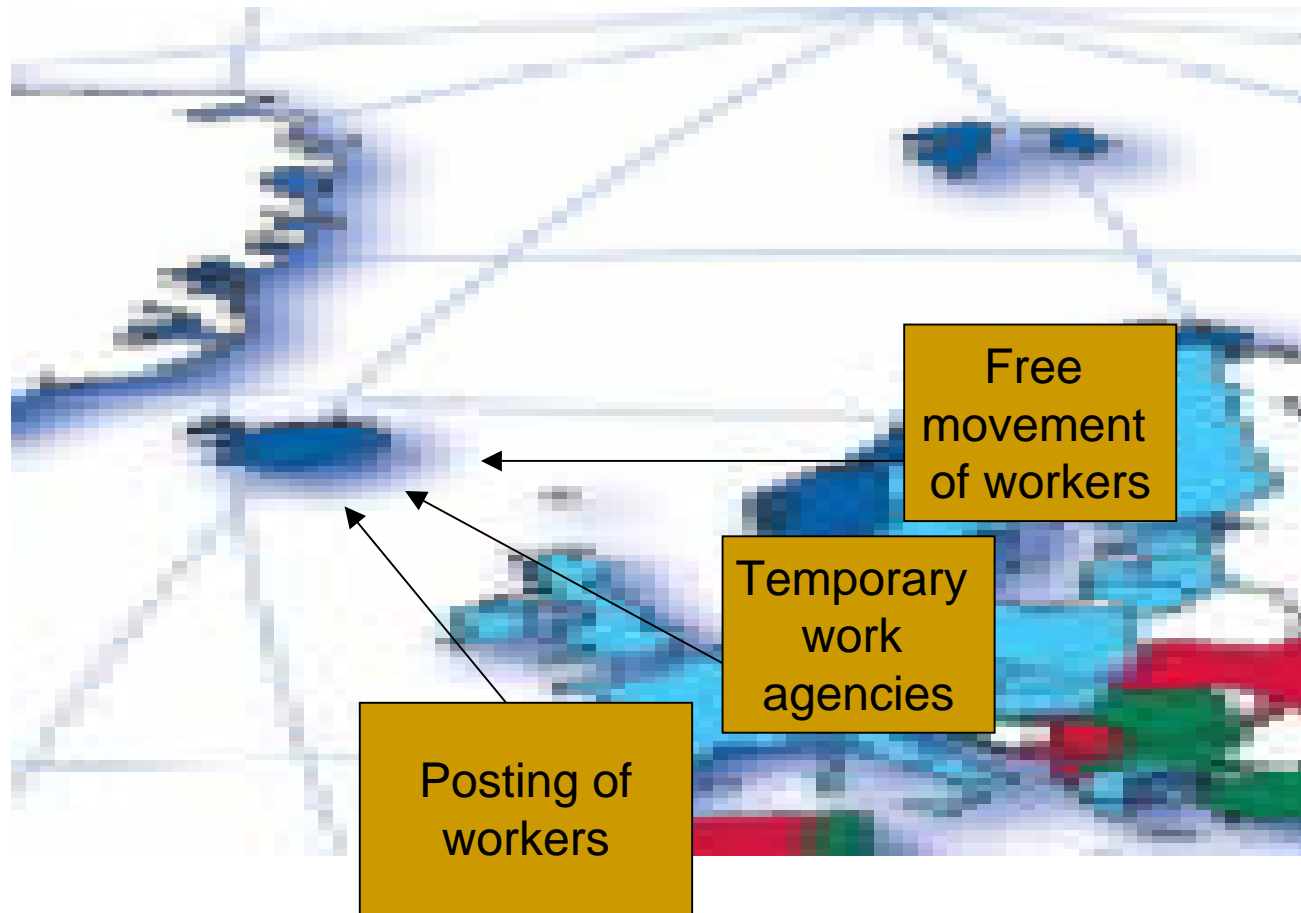


Source: Directorate of Labour

New legislations and amendments

- The states are busy reacting to this with stricter controls and amendments to legislation – after the fact!
 - *The 1st of January 2006* : New legislation of employment agencies
 - *The 1st of May 2006* : Amendments to the Employment Rights of Foreigners Act
 - *In a few days* : New legislation of providing services
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Three legal gateways to enter the Icelandic labour market from EU/EES



Conclusions

- My conclusion is that all this immigration of labour to Iceland for the past few years has been beneficial for the economy which in turn is beneficial for the whole population, both the natives as well as the immigrants.
 - Thank you very much.
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