



ESPN Thematic Report on integrated support for the long-term unemployed

Iceland

2015

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EUROPEAN SOCIAL POLICY NETWORK (ESPN)

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Summary

The long-term unemployed are divided into three groups that enjoy somewhat different provisions of benefits and services, even though there are considerable commonalities as well. They are:

- Registered unemployed with full benefits (UB) and other rights;
- Long-term unemployed that have exhausted their UB right; and
- Those outside the labour market due to sickness, accidents or social reasons.

The first group (unemployed for up to 2.5 years) has full access to unemployment benefit (UB) and a range of free activation services from the public Directorate of Labour. In addition they enjoy universal rights to health care and child day-care/pre-school (conditional on user charges, which in health care are however lower for those unemployed longer than 6 months).

When the right to public UB is fully used (group 2) most LTU individuals apply for means-tested Social Assistance benefit (to which there is universal entitlement), but they continue to enjoy all the same services as the first group. The SA benefit is lower than the UB. Provision of SA benefit is conditional on participation in activation programmes or, if lacking employability, there is a requirement for participation in employability enhancing individual treatment, surveyed by the municipality's Social Services staff.

The third group, when health conditions or reduced workability are involved, has access to social security's rehabilitation benefit or disability benefit. Those applying for public disability benefit have to first exhaust all other rights before being accepted, including going through the Social Security Administration's (TR) rehabilitation programme. All members of this third group also have access to the recently established VIRK Rehabilitation services (est. 2008).

VIRK is a service that the labour market partners set up, with financing from employers, occupational pension funds (OPFs) and government, to facilitate re-entry into the labour market, primarily for those who have left the market due to sickness or accidents. Lately the government made its contribution to VIRK Rehabilitation conditional on the requirement that VIRK also service those who have remained outside the labour market for the longer term, including individuals with reduced employability (the most difficult cases to activate). There is interaction between public disability/rehabilitation benefits and SA benefits, which take into account special family circumstances.

Benefits and services are in principle provided equally throughout the country, however municipalities' social services and SA benefit may diverge a little. Due to sparse population in some regions there may be geographic barriers to access to services, since they are most often only provided in larger urban locations.

On the whole there is wide participation in activation and rehabilitation measures amongst the long-term unemployed in Iceland, and to date it seems that the consequences of the deep financial crisis that hit in 2008 will in most cases not be profound or long lasting, which is partly a result of successful provisions of services in this area. Employment participation is already almost up to the very high level that prevailed before the crisis and registered unemployment is now amongst the lowest found in Europe.

The one-stop shop approach could be utilised to a significantly greater extent, but cooperation and consultation between the various sectors of the provision system are generally extensive and smooth. The use of an individualised approach, with tailor-made programmes and contracts between providers, employers and benefit recipients is quite common.

The aim for the future is generally to activate more of the long-term unemployed and those outside the labour market, including disability pensioners with only partial employability.

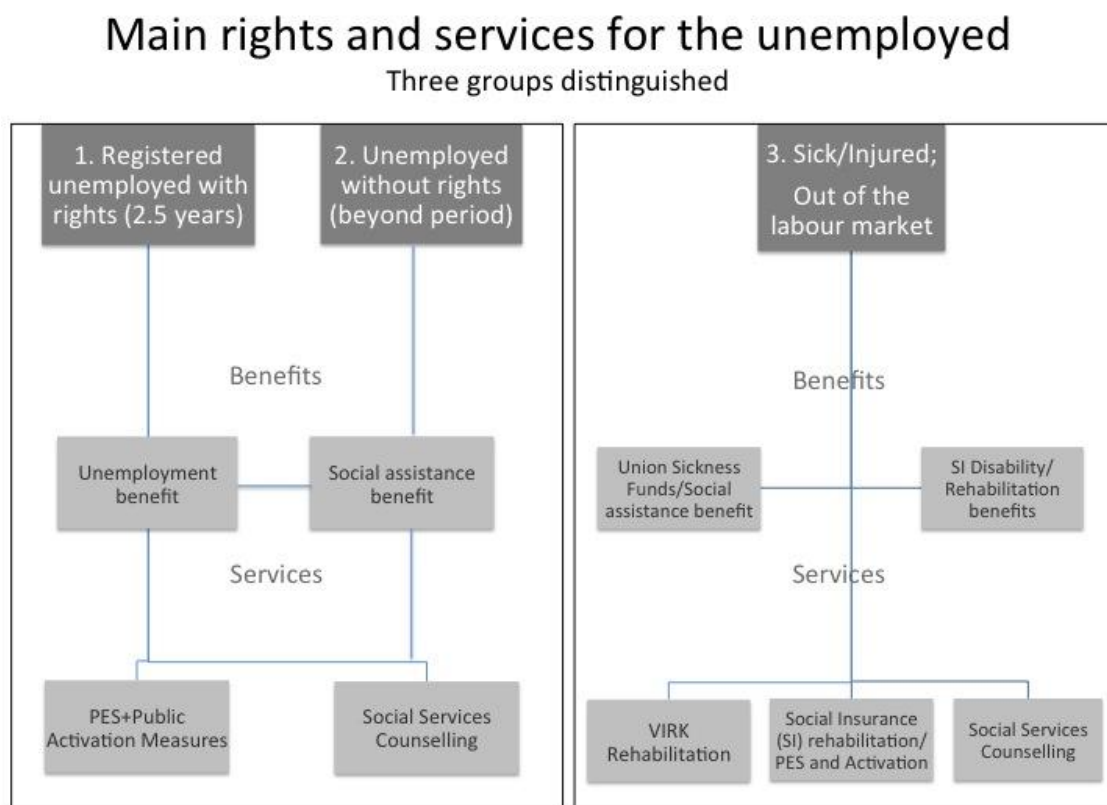
1 Benefits and services supporting the long-term unemployed

In Figure 1 we outline the main characteristics of the provision of benefits and services to the long-term unemployed and those outside the labour market.

We distinguish between three groups that have somewhat different provisions of rights/services:

1. Registered unemployed individuals that have full rights; 2. Unemployed individuals who have exhausted the eligible benefit period; 3. Sick or injured individuals who are out of the labour market, including those that are furthest from the labour market.

Figure 1: Contours of the support system for the long-term unemployed



1.1 The registered unemployed

Registered unemployed individuals have full access to unemployment benefit, conditional on a full 12 month participation in the labour market prior to the start of unemployment. If they do not have full rights and full benefit they can supplement their benefit with means-tested Social Assistance benefit from municipal social services (which take family situations into account).

This group has full access to Public Employment Services, which supports and in fact requires full job search activity from early on and continuously throughout benefit reception. If benefit recipients fail to look for work or refuse job offers their benefit is delayed or reduced. They also have full access to social services counselling and everyone has universal rights to child care services/pre-school and health care services (conditional on user fees where required; there are lower fees for those unemployed for 6 months or more).

The flat rate unemployment benefit that most LTU individuals receive after the first three months (when they get 70% of former pay, up to a limit) is now lower than the monthly minimum wage (ISK 184,000 as against ISK 215,000) but it is a little higher than the poverty line for a single individual. Still, some 20% of households with unemployed individuals were below the 60% poverty line in 2013. The relative poverty rate is highest for those households that have the lowest overall volume of work and within that group those with children have the highest poverty rate.

Given the interaction of the public unemployment benefit and Social Assistance all registered unemployed individuals should be fully covered with at least the respective minimum benefit level.

1.2 LTU without rights to unemployment benefit

In the second group are those who have exhausted their right to unemployment benefit, which is now 2.5 years (it was gradually lowered from 4 years to 2.5 in 2013 and 2014). The most common path for securing financial assistance for them is to apply for Social Assistance benefit (SA), which however is somewhat lower than the unemployment benefit, in fact at about the same level as the poverty line for a single individual. If the individual in question has certified health problems they may qualify for a rehabilitation benefit from the public Social Insurance Administration (TR) and eventually for a disability benefit if they have 75% disability or more (TR 2014). They may also qualify for the services of VIRK Rehabilitation (see further section 1.3).

This group continues to have full access to PES and activation measures run by the public Directorate of Labour (www.vinnumalastofnun.is). They also have full access to social services provided by the municipality, as well as the universally provided childcare and health care services.

Participation in activation measures has been high amongst the LTU and many have been returned to work (Ólafsson 2015).

An assessment of the outcomes for both groups of LTU in 2013-2014, undertaken in late 2014, found that the success in activation seems to have been significant (Maskína 2014).

Of those who had left the unemployment benefit register by late 2014 some 56% went to paid work, 23% went on Social Assistance, 11% on old-age pension, 6% on disability pension, 6% on rehabilitation benefit, 6% survived on their spouse's pay and the rest (some 15%) lived on own savings, took study loans or had other means (Maskína 2004, p. 6). The proportion receiving SA benefit at the time of the survey amongst the formerly registered unemployed was significantly lower than the 23% mentioned above, indicating an improved situation by end of 2014 as compared to 2013.

There is no great regional differentiation in the pattern of benefit provision for those who have left the UB registry, except in the South-West (Reykjanes), which has a significantly higher proportion of SA receivers. That area was indeed hardest hit by the unemployment problem. Amongst former recipients of UB, in general the young and single individuals living in rented housing have the highest rate of Social Assistance benefit take-up (Maskína 2014, p. 16).

1.3 The sick or disabled and out of the labour market

The third group in Figure 1 are those who are furthest from the labour market. It covers individuals who have left the labour market following accidents or illness. But in this category there are also individuals who have been outside the labour market for long periods, for health-related or social reasons (this however is a rather small group in Iceland, given its long-term very high employment participation rates).

Those who leave the labour market due to accidents or illness have a right to retain their pay for 1-3 months, depending on length of service with their present employer. After that they can apply for a subsistence grant from their union's Sickness Fund, for

80% of their former pay, which may last for at least 6 months and up to a maximum of 12 months (it varies between unions). They also have access to means-tested Social Assistance to cover special needs, taking into account family conditions. An alternative option for this group is to apply for disability benefit from the public social security system (Social Insurance Administration – TR; www.tr.is). If they have exhausted their rights with employers and union sickness funds they will enter TR's rehabilitation programme which provides rehabilitation benefit, conditional on active participation in a rehabilitation programme or a work programme (Vinnusamningur TR). If disability is extensive they go directly to disability benefit.

Those who leave the labour market for shorter or longer terms have since 2008 had access to the services of VIRK Rehabilitation (www.virk.is), which was set up by the labour market partners (unions and employers' federations). The labour market partners run the occupational pension funds and they had been concerned with growing the disability burden on the funds since the early 1990s and wanted to counter that development, by strengthening efforts to activate and rehabilitate those that had left the labour market, to avoid individuals with some working capacity ending prematurely on disability pension.

VIRK Rehabilitation works closely with the union's sickness funds and aims at early intervention in cases of labour market exit due to accidents or illness, to facilitate re-entry to work. They have counsellors in all major regions of the country (usually located in labour union offices, where the sickness funds are placed). They work closely with doctors and the health care services, since the use of VIRK's services is conditional on certified sickness or health deficiencies, and the rehabilitation process is also organised in cooperation with medical staff, including from the public health care services. Many NGOs also work with VIRK in providing various tailored programmes and courses through which individuals are guided and counselled.

VIRK Rehabilitation is jointly financed by employers, the occupational pension funds (OPFs) and government. The government contribution has lately been linked to the requirement that VIRK also serve individuals that have been out of the labour market for longer periods, thus extending its role into group 3 on our diagram above, i.e. beyond those that recently left the labour market due to accidents or illness (<http://www.virk.is/is/virk/frettir/ollum-tryggd-atvinnutengd-starfsendurhaefing>).

Those who use VIRK's services have full access to Social Security services, the PES and activation measures, as well as to municipal social services – in addition of course to childcare and health care and the like. The Social Security Administration (TR) uses VIRK to supervise the rehabilitation programmes required for the payment of rehabilitation benefit.

VIRK has recently undergone some assessments of its success during the first five years of operation (VIRK 2014; Vigdís Jónsdóttir 2014 and Talnakönnun 2014). Most of those who use VIRK's services receive sickness pay from their union's Sickness Fund on entry. The second largest group is without income and then come individuals on Social Assistance, unemployment benefit and disability benefit. Of those who graduated from VIRK's services in 2014, about half are in paid work and another 24-25% are in education or seeking work. The operation of VIRK seems to have been quite successful and has helped to restrict the growth of new disability pension recipients (TR 2014; Talnakönnun 2014).

VIRK provides the greatest variety of tailored and general programmes and the Directorate of Labour, which runs the main activation measures, has the second largest variety of programmes and means. The Directorate also use VIRK when health deficiencies are involved.

2 Coordination between services towards a one-stop shop approach

The Directorate of Labour (Vinnumalastofnun) provides the public unemployment benefit and the main activation measures. It also has a supervisory role for activities

involving public support for individuals with reduced working capacity, including for the Social Insurance Administration. The Directorate has headquarters in Reykjavik and subsidiaries in the major regions of the country. Their offices function as a one-stop shop for these issues, but not for Social Services and Social Assistance (which are provided by municipalities), social security (provided by TR) or VIRK Rehabilitation.

There are basically three venues to which long-term unemployed individuals need to turn to in order to acquire the full range of services and benefits they are entitled to (depending on their situation). Therefore there is room for improvement towards achieving a one-stop shop in Iceland.

In some provincial regions there is more proximity between offices, due to sparse population and the small scale of the urban areas. The provisions however are on the whole more regional than local, since service provisions tend to be tied to larger urban centres.

The Ministry of Welfare is presently working on a plan for increasing the use of one-stop shops for the public services provided by the Directorate of Labour and the Social Security Administration (TR) in the Reykjavik area. It remains to be seen what will come out of this in the near future. VIRK Rehabilitation, being run by the labour market partners, is however likely to remain separate for the most part.

Those who receive unemployment benefit have an obligation to take part in job search activity, including by using the services of the PES. They can of course also use other such services and means. There may be some variation in the extent of social services provided by municipalities and Social Assistance benefits. In some cases provincial municipalities have tended to push Social Assistance recipients on to disability pensions, thus transferring the cost of provision from the municipality to the central government (Stefán Ólafsson 2005). The Ministry of Welfare publishes yearly guidelines for municipalities with recommendations on the levels of Social Assistance benefits, thus creating a tendency towards more uniformity.

Recipients of Social Assistance benefit nowadays have an obligation to take part in job searching or in programmes to enhance their employability. Failure to comply with this may affect the value and delivery of the benefit. This also applies to those receiving rehabilitation benefits.

There is extensive cooperation between the public providers of benefits and services (the Directorate of Labour and Social Security Administration), including on the exchange of information for benefit payments, which is necessary since income-testing is commonly used to determine the amounts of public benefits. They also coordinate on services provided and surveillance of individuals taking part in the various programmes.

The Social Security Administration (TR) uses the services of VIRK Rehabilitation for organising and surveying the participation of recipients of TR's rehabilitation benefit. The cooperation and flow of information there is significant and generally operates well. Cooperation between these providers is generally informal and in some cases, such as with social services, it may be up to the discretion of individual social workers. Given the small scale and transparent nature of Icelandic society this cooperation generally works well.

While special tailored programmes for young unemployed and others for older unemployed individuals were implemented at the height of the crisis, the general principle in activation and rehabilitation now is on early intervention and continuous provisions.

3 Individualised approaches

All residents in Iceland are entitled to services from municipal social services and the means-tested Social Assistance benefit. That is the universally provided minimum. Rights in the public social security system are related to residency in the country. About 40 years of residency are required to receive full benefits (disability,

rehabilitation, old-age). If full benefits cannot be paid Social Assistance compensates up to its maximum level. Recent immigrants rely more often on Social Assistance for these purposes than natives. Access to disability pension, rehabilitation benefit and to the rehabilitation services of VIRK are conditional on having certified health problems. Access to unemployment benefit is conditional on having been in work in the 12 months prior to the start of unemployment.

Those receiving unemployment benefit have to take part in job searching and report monthly to the Directorate of Labour. There is significant individual monitoring of their progress if they take part in specific voluntary activation measures, such as skilling, educational programmes, temporary work (for gaining experience and skills), subsidised jobs, or for programmes developing their own business ideas. For most of these programmes there is a contract signed by the Directorate, the employer and the benefit recipient. LTU individuals also have to comply with counsellors' monitoring demands and provide regular information on their job search activity and their general conditions (such as if they start formal education or emigrate or if their health changes). Benefit recipients have to confirm their job search between the 20th and the 25th of each month. Failure to comply will affect benefit payment (with delay of payment or lowering of benefit value).

VIRK rehabilitation works with individually tailored programmes and draws up contracts with their clients and providers of health care services or the various other rehabilitation services. Close monitoring of the individual's progress is an integral part of the service. Provisions include various specialised rehabilitation measures (provided by NGOs, private firms and public health care services), psychological services, physiotherapy, bodybuilding, formal education and shorter courses. The close cooperation with all these providers makes for a considerable degree of tailoring of the provision to individual health and social needs. Hence there is considerable flexibility.

One half of those who have used VIRK's services since 2008 have graduated and two thirds of the remaining group are still in treatment. Females are about 65% of users of the services and males 35% (Vigdís Jónsdóttir 2014). There was an increase in the number of individuals using the services of some 50% between 2013 and 2014.

The Social Security Administration (SSA) uses the services of VIRK for the provision of rehabilitation services for the recipients of the public rehabilitation benefit, with the same individualised form of contracts and monitoring. While there are (moderate) ways of pressing the individuals concerned into using these activation and rehabilitation services, the principle of VIRK is still voluntary, i.e. the individuals have to be willing to participate and seek positive results. The SSA (TR) can also make so called work contracts with rehabilitation or disability pensioner benefits. This involves a contract with an employer providing the job, TR and the benefit recipient (Vinnusamningar TR).

All of these provisions at VIRK and SSA apply nationally and many of them are provided regionally, but due to the restricted supply of specialised services in the more sparsely populated areas, to some extent access varies by regions or localities. In principle the use of such services is voluntary, but the system promotes them and generally makes benefit payments conditional on active participation in relevant programmes. Hence there is discipline in the system, which has been increased in the last decade.

As indicated above there is wide participation in activation and rehabilitation measures amongst the long-term unemployed in Iceland, and to date it seems that the consequences of the deep financial crisis that hit in 2008 will in most cases not be profound or long lasting. Employment participation is already almost up to the very high level that prevailed before the crisis and registered unemployment is now amongst the lowest found in Europe.

Still, the aim is generally to activate more of the long-term unemployed and those outside the labour market, including disability pensioners with only partial employability. This also requires considerable cooperation from employers who need

to make part-time work available for people with special needs and limited capabilities. Much could be achieved on that front. The main gap in coverage of the activation and rehabilitation measures seems to involve immigrants. Hence an emphasis on better inclusion of that group could increase the efficiency of services to the LTU in Iceland.

4 Overview table

		Please put an X in the column that best represents the situation in your country			Please summarise in a few words and in order of priority the 3 key gaps that need to be addressed to improve effectiveness (if only one gap just complete one column)		
		Very good	Medium	Weak	Gap 1	Gap 2	Gap 3
Effectiveness of benefits & services supporting the long-term unemployed	Income benefits	X			Recipients would like higher benefits, but basic sums are in most cases above the 60% poverty line.		
	Social services	X			Social services could reach immigrants better.		
	Activation services	X			Activation could cover immigrants to a greater degree.		
Effectiveness of coordination between employment, social assistance and social services			X		Use of the one-stop-shop principle could be greatly increased.		
Extent of individualised support		X			Is at a high level but could reach immigrants better.		

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