

Children and Poverty in Iceland

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Abstract

This lecture profiles child poverty in Iceland by using varying measures of poverty, with an international comparison. After beginning with a general description of the Icelandic welfare system relative and realist (financial hardship measure) indicators of poverty in Iceland and the other Nordic countries are examined and compared.

The relative measure (proportion under the 60% poverty line – EU SILC data) indicates that Iceland had had the lowest rate of relative monetary poverty in the Nordic countries and unlike in Denmark, Sweden and Finland it actually declined during the deep crisis years of 2009-2011. This indicates though only that the real disposable earnings of low income families declined less in Iceland than the earnings of higher income groups, including the median group. Since all income groups experienced cuts in real earnings this measure of relative poverty does not give a realistic impression of how the poverty situation of Icelandic households was, neither before nor after the onset of the financial crisis.

Hence we would rather rely on indicators of experienced financial hardship, especially expressed difficulties with making ends meet. This indicates that Iceland has had a persistently higher level of financial hardships than the other Nordic nations and the hardship increased greatly after the financial crash of autumn 2008. Hence this gives a more realistic image of poverty experiences in Iceland during the period from 2004 to 2013. When these two measures are combined, by looking at expressed difficulties with making ends meet amongst the households under the EU poverty line we get an interesting measure of financial hardships amongst the poor. Iceland has again a higher level on that account than the other Nordics. The financial hardship of the poor in Iceland tops in 2010 and has come significantly down since then.

Families with children experience a greater increase in financial hardships than families without children and single parents in Iceland stand out in the Nordic community, both in relative and realist measures of poverty and financial hardships. This is despite the fact that the welfare system supports single parents more generously than couples with children. When looking at poverty amongst working parents, both single and couples, it is interesting that Iceland has higher poverty rates than the same groups in the other Nordic countries. The author relates this to low pay and lower in-work benefits in Iceland and higher degree of income-testing of benefits, which delivers relatively low income couples with children rather low benefits.

Better fine-tuning of the income-testing mechanism and a more generous benefit level might improve this situation significantly.