Evaluating Gender Equality in the Icelandic Labour Market

by
Lilja Mósesdóttir

Rannsóknamiðstöð Háskólans í Reykjavík
2001
Content

INTRODUCTION

I. Assessments of Gender Equality in the Labour Market
II. Comparison with Sweden
III. Economic, institutional and cultural factors

CONCLUSION
INTRODUCTION

In this study\(^1\), an attempt will be made to evaluate how well Iceland has performed during the 1990s with regard to gender equality. The evaluation process involves 'benchmarking' or the identification of performance indicators or benchmarks (see Tronti 1998). Benchmarks are helpful when searching for best practices and performance gaps enable us to identify areas where policy action is needed in order to improve the performance of a country in terms of gender mainstreaming. A group of experts appointed by the Council of Europe define gender mainstreaming as “… the (re)organization, improvement, development and evaluation of policy processes, so that a gender equality perspective is incorporated into all policies at all levels and at all stages by the actors normally involved in policy making (EG-S-MS, 1999:64).

The major problem with benchmarking is that there may not be such a straightforward relation between policy (input) and outcomes (output). Outcomes may be influenced by the dynamic interaction of national-specific social structures. Moreover, policies may have conflicting goals and unintended outcomes. Finally, the performance indicators may be related to each other (see Plantenga 1998; Tronte 1998).

Benchmarking requires indicators in order to identify performance gaps and performance measurement methods to evaluate the overall performance. The EU Expert Group on Gender and Employment selected in 1999 four main groups of indicators to monitor the performance of a country in terms of gender equality (see Plantenga and Hansen 1999). The four main groups are employment/unemployment, segregation, money and time. The indicators are only an approximation but they are believed to give some indication of how well a country performs in relation to equal division of paid and unpaid work. It must be kept in mind that the selected indicators do not take all quantitative and qualitative aspects of gender equality into consideration as they focus exclusively on the gender division of paid and unpaid work and ignore, for example, the conditions under which women and men work, political representation and unequal distribution of wealth as well as economic and social power. In Iceland, the ratio of women in the national parliament is e.g. only 25% and 28.2% in local governments (sveitarstjórnir) while women's labour force participation rate has been around 85% (Hagstofa Íslands 2001). The performance indicators only allow monitoring of current trends and a comparison across countries but do not explain themselves why a country is efficient or close to the “ideal” benchmark on one indicator and not on others or less/more

---

\(^1\) This study has been financed by a grant from the Icelandic Research Council. I would like to thank Kári Sigurðsson and Elisabet Andrésdóttir for their thoughtful comments on an earlier draft of this paper.
efficient than other countries. In order to explain different levels of performance, the overall employment situation needs to be related to the economic development and the institutional and cultural framework in each country or what has been termed as the employment system. Moreover, we are able to assess the extent to which the gender perspective has been integrated into all policy areas by analysing the employment system (see Rubery et al. 1999).

The performance measurement methods used in this study is the Radar Chart developed by Speckesser et al. (1997) that allows a comparison of the actual indicators to the ideal benchmark. The ideal benchmark refers to the best possible performance a country can achieve on each indicator. The larger the distance between the selected indicators and the 'ideal' benchmark, the greater the performance gap. The value of the overall performance of a country will be measured by calculating the surface of the radar which enables us to rank performance of countries and to measure changes in performance over time.

In the first part of this study, 8 indicators will be used to measure the performance of Iceland in terms of gender equality. We will then discuss the value of the indicators for Sweden to evaluate Iceland’s performance in comparison with a country known to have achieved the highest level of gender equality within the EU (see Plantenga and Hansen 1999). The focus will exclusively be on gender division of work in the labour market as recent data on the division of unpaid work is not available. Finally, the interrelationship between the performance indicators and the employment system prevailing in Iceland will be analysed in order to throw light on the dynamic forces influencing the outcome of the indicators.

I. Assessments of Gender Equality in the Labour Market

8 indicators covering 3 out of the 4 main groups of indicators will now be used to measure the performance of Iceland in terms of gender equality. Time spent on unpaid work is excluded, as information on this indicator is not available in Iceland for the period under consideration. The value of the selected indicators for 1992 and 2000 are given in table 1. Each indicator is obtained by dividing the rate for women by the rate for men. In order to present several

---

2 In our exercise, we use national data on employment and unemployment provided by Hagstofa Íslands (Statistics Iceland). The (un)employment data is comparable to that provided by Eurostat for the EU member states, as the Icelandic labour survey questionnaires have been standardised in accordance with requirements made by Eurostat (Hagstofa Íslands 1998:189). In addition, national data on average gross income is acquired from Þjóðhagsstofnun (The National Economic Institute).
indicators of gender equality performance in the same radar chart, the original data are standardized to a common interval scale with values between 0 and 1. The closer the indicator is to 1 or the ideal benchmark, the more equal is the division of work between men and women. In other words, the value 1 implies that the distribution of full-time employment, higher jobs, unemployment and income has become equal. This does, however, not mean that women have to become more like men. When more men decide to work part-time to take care of their young children, men’s full-time employment falls and the distribution of full-time work between men and women becomes more equal. It is an improvement when the value of the performance indicators increase as the economy is no longer under utilising women’s capacities as compared to men.

3 We believe that there is no biological difference in men’s and women’s abilities to care for children and in their intellectual capacities.
Table 1. Performance Indicators

<table>
<thead>
<tr>
<th>Category</th>
<th>1992</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>*<em>I. The Relative Employment rates</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Full-time employment 16-74 (women/men)</td>
<td>0.47</td>
<td>0.56</td>
</tr>
<tr>
<td>Men</td>
<td>0.77</td>
<td>0.77</td>
</tr>
<tr>
<td>Women</td>
<td>0.36</td>
<td>0.43</td>
</tr>
<tr>
<td>2. Full-time employment for the age group 55-64 (women/men)</td>
<td>0.51</td>
<td>0.45</td>
</tr>
<tr>
<td>Men</td>
<td>0.81</td>
<td>0.90</td>
</tr>
<tr>
<td>Women</td>
<td>0.41</td>
<td>0.40</td>
</tr>
<tr>
<td>3. Full-time employment among women age 25-54 with children under seven (women/men)</td>
<td>0.34</td>
<td>0.32</td>
</tr>
<tr>
<td>Men**</td>
<td>0.81</td>
<td>0.90</td>
</tr>
<tr>
<td>Women</td>
<td>0.28</td>
<td>0.29</td>
</tr>
<tr>
<td><strong>II. The Relative Segregation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Share in higher positions (women/men)</td>
<td>0.39</td>
<td>0.43</td>
</tr>
<tr>
<td>Men</td>
<td>0.13</td>
<td>0.09</td>
</tr>
<tr>
<td>Women</td>
<td>0.05</td>
<td>0.04</td>
</tr>
<tr>
<td><strong>III. The Relative Unemployment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Unemployment (men/women)</td>
<td>0.78</td>
<td>0.62</td>
</tr>
<tr>
<td>Men</td>
<td>0.04</td>
<td>0.02</td>
</tr>
<tr>
<td>Women</td>
<td>0.05</td>
<td>0.03</td>
</tr>
<tr>
<td>6. Unemployment in the age group 16-24 (men/women)</td>
<td>0.82</td>
<td>1.</td>
</tr>
<tr>
<td>Men</td>
<td>0.09</td>
<td>0.06</td>
</tr>
<tr>
<td>Women</td>
<td>0.11</td>
<td>0.04</td>
</tr>
<tr>
<td><strong>IV. The Relative Gross Average Income</strong>*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Average gross income (women/men)</td>
<td>0.55</td>
<td>0.59</td>
</tr>
<tr>
<td>Men</td>
<td>1563</td>
<td>1394</td>
</tr>
<tr>
<td>Women</td>
<td>860</td>
<td>2373</td>
</tr>
<tr>
<td>8. Average hourly gross income</td>
<td>0.83</td>
<td>0.84</td>
</tr>
<tr>
<td>Men</td>
<td>595</td>
<td>897</td>
</tr>
<tr>
<td>Women</td>
<td>491</td>
<td>755</td>
</tr>
<tr>
<td><strong>V. Relative Time</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Unpaid time spent on caring for children or elderly</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

*Employment rates are a ratio of the relevant population group.

**Employment rate of all men aged 25-54

***1999 instead of 2000

N/A not available

We will start our assessment of Iceland's gender equality performance by discussing each of the indicators. Thereafter, the indicators will be compared to the ideal benchmark by drawing up a radar chart. The section will finish with an evaluation of Iceland's overall performance during the period 1992-2000 by calculating the surface of the radar.

**Employment**

The ratio of women in full-time work relative to that of men increased from 0.47 in 1992 to 0.56 in 2000 as the share of women in full-time work rose faster than men's share. The employment rates in table 1 are calculated as the ratio of the relevant female/male population group and full-time work is defined as 35 or more hours per week. Favourable economic conditions prevailing during the latter part of the 1990s are an important explanation for this improvement in the full-time employment of both men and women.

The indicator on the relative full-time employment rate of women aged 54-64 has been included in our evaluation as elderly women are one of the most vulnerable to underemployment (short hours) and unemployment. From 1992 to 2000, this indicator of gender equality deteriorated. Full-time employment among older men increased at the same time as it contracted somewhat among women. This fall in women’s full time employment is somewhat surprising as it occurs at a time when there was a over demand for labour in the Icelandic labour market. This development may indicate that Icelandic employers have increasingly replaced older women with younger more educated women or that older women choose to reduce their working hours and even to retire when economic conditions improve. Part time employment among older women increased during the 1990s or went from 27.7% in 1992 to 33.6% in 2000 at the same as the unemployment rate and the share of women outside the labour market rose slightly for this age group (Hagstofa Íslands 1996 and 2001).

The full-time employment rate of men in the age group 25-54 increased more during the 1990s than that of women with young children such that this indicator became more unfavourable. This is another indicator representing a vulnerable group of women in the labour market. The rates for men and women are not completely comparable as information on the full-time employment of men with children under the age of seven is not available. However, the full-time employment rate for all men aged 25-54 is a close proxy as children have, so far, had very little effect on men’s employment in Iceland (Mósesdóttir 1998 and 1999). The share of women in full-time employment with young children increased slightly from 1992 to 2000.

---

4 The share of women aged 55-64 outside the labour market went from 21.6% in 1992 to 22.7% in 2000
Segregation.

The indicator on relative segregation of women in higher positions or in the occupational group senior officials and managers improved from 1992 to 2000 as women’s employment contracted less than that of men. This reduction in employment among those in higher positions may be attributed to acquisitions and merges as well as more decentralised management structures in the private and the public sectors. Although this indicator of gender equality improved during the 1990, men in Iceland are three times more likely than women to hold a higher position in the Icelandic labour market. Moreover, a pay survey that was conducted in 1994 and included both public and private enterprises found those 93% of men who had completed university education were senior officials and managers while the ratio for women was only 70%. Women with university education were much more likely to work as professionals and associated professionals (Hagstofa Íslands 1997; Jónsdóttir 1995).

Unemployment5

The relative unemployment is calculated differently than the indicators above in order to make this indicator comparable to the other indicators, i.e. the lower the unemployment of women relative to men, the higher the indicator. If we simply divide the female unemployment rate by the male unemployment rate, we would find that the countries with the highest gender inequality have the highest scores. We have therefore rescaled the unemployment ratio as: 1/(female unemployment rate/male unemployment rate) which equals male unemployment rate/female unemployment rate.

The indicator on relative unemployment deteriorated from 1992 to 2000 as men’s unemployment fell at faster rate. The reduction in men’s and women’s unemployment was due to the fact that the Icelandic economy underwent an economic recession in the early 1990s followed by a booming period during the later part of the 1990s. The unemployment rate reached record high levels in 1993 when it reached 5.6% for women and 5.1% for men (Hagstofa Íslands 1998:82).

The relative unemployment rate in the age group 16-24 years improved considerably from 1992 to 2000 as unemployment among young women fell much faster than that of young men.

---

5 The unemployment rate is obtained from the labour force surveys conducted twice a year in Iceland. The rate is measured according to ILO's definition of labour force status and covers the age group 16-74.
Hence, young men were more likely than young women to be unemployed in 2000 while the opposite was true in 1992. Possible reason for this gender difference is that young women enter education soon after becoming unemployed while young men continue to search for a job. In addition, the employment of young men may be more insecure as they are often employed in the private sector jobs such as construction work that is sensitive to business cycles and seasonal variations. In Iceland, young people are the most prone to unemployment among all age groups. In 2000, the unemployment ratio was on average 4.7% while it was 7.7% in 1992 for those aged 16-24 (Hagstofa Íslands 2001).

**Money**

The gender gap in the average gross income decreased slightly during the 1990s. In 1992, women’s average earnings were 55% of men’s and this ratio increased to 58% in 2000. Different hours of paid work explain a large part of the gap in men’s and women’s average earnings. Women earn about 83% of men’s income if we count for different hours of work or divide the average gross income by the average hours of work for men and women. From 1992 to 2000, a small improvement occurred as concerns this indicator of gender equality.

In table 2, information on the gender pay gap in the private sector according to occupations is given. Women’s pay was closest to men’s in elementary occupations in 1999 and in the occupational group specialised workers in 2000. In these two occupations, women have been able to increase their earnings above the relatively low standard wage rates due to the extensive use of bonuses in the fishery factors and manufacturing. The occupational group with the widest gender pay gap in both 1999 and 2000 was service and sales workers. The gender gap in this occupational group widened from the 1st quarter 1999 to the 1st quarter 2000. A survey conducted in 2000 among service and sales workers found that men in full-time work earned 26% more than women in full-time work (Verzlunarmannafélag Reykjavíkur 2001). We are not able to track changes from 1992 as data on pay for daytime working in full-time employment was first collected during the latter part of 1998. However, an analysis of the gender pay gap of unskilled workers in the private sector from 1992 to 1997 showed widening of the gap among unskilled workers (Mósesdóttir 1999). The greatest reduction in the gender pay gap occurred in occupation 8, plant and machine operators, followed by the occupational group 4, clerks (see table 2).
### Table 2. Gender pay* gap

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elementary occupations</td>
<td>0,93</td>
<td>0,87</td>
</tr>
<tr>
<td>Plant and machine operators</td>
<td>0,71</td>
<td>0,86</td>
</tr>
<tr>
<td>Specialised workers</td>
<td>0,82</td>
<td>0,91</td>
</tr>
<tr>
<td>Service and sales workers</td>
<td>0,68</td>
<td>0,65</td>
</tr>
<tr>
<td>Clerks</td>
<td>0,80</td>
<td>0,89</td>
</tr>
<tr>
<td>Technicians and associate professionals</td>
<td>0,76</td>
<td>0,71</td>
</tr>
<tr>
<td>Professionals</td>
<td>0,82</td>
<td>0,83</td>
</tr>
</tbody>
</table>

* Pay is defined as monthly payments for daytime working in full-time employment plus supplements. The data refers to 1st quarter for each year.

Source: Kjararannsóknarnefnd 1999 and 2001

The pay information discussed so far covers only the private sector in Iceland. Jónsdóttir (1995) has found that the main difference between the private sector and the public sector is that the gender pay gap is wider in the latter sector for workers with university education. This result is contrary to the other Nordic countries where the gender pay gap has traditionally been smaller in the public sector (see e.g. Sjörup 2001). Jónsdóttir (1995) also estimated that 11-15% of the gender pay gap in the private and the public sector could only be explained by the sex of the person. In 1996, the gender gap in the monthly compensation (salaries and supplements) of public employees was 85.1% and went down to 81.5% in 1999 (Hagstofa Íslands 2000:169). In other words, the gender pay gap in the public sector has been widening.

**Unpaid work**

The most recent information on time spent on unpaid work at home is from 1988. According to the survey conducted in 1988, men spend on average 6 hours a week on unpaid hours while women spent 19 hours (Ólafsson 1990). This gender gap in hours of unpaid work was wider in Iceland than on average in the EU (see Janneke and Hansen 1999).

**Performance Measurements Methods**

The 8 selected performance indicators will now be put into the Radar Chart which consists of 8 axes each representing the selected indicator. The indicators have been transformed such that
the highest/best possible performance has the value 1 indicating the ideal benchmark (Plantenga 1998).

**Figure 1. Indicators of gender equality in Iceland**

In 1992 and 2000, on full-time employment for parents with children under seven had the largest performance gap or the largest distance to the ideal benchmark which has been set at 1. This indicator was followed closely by the indicator on segregation in higher position. In 2000, only the indicator on unemployment of young people (aged 16-24) equalled the ideal benchmark as unemployment among young women improved much more than that of young men. Over time, the 3 out of 8 indicators deteriorated. These indicators were full-time employment of the age group 55-64, the full-time employment of parents and the unemployment. Indicators showing improvement over time were the full-time employment of the working age population, segregation in higher positions, the unemployment among young people, average gross income and average hourly gross income. The performance indicator with the greatest improvement over time was the unemployment of young workers.

The value of the overall performance of Iceland in terms of gender equality will now be measured by calculating the surface of the radar for 1992 and 2000. The surface measure of overall performance (SMOP) is calculated on the basis of the mathematical formula for the
area of the polygon, and it yields an interval index measure of overall performance that can be used, for example, to rank performance of countries or to measure changes in performance over time (Mosley and Mayer 1998:7). From 1992 to 2000, the overall gender equality performance of Iceland improved slightly or went from 0.35 in 1992 to 0.37 in 2000 (see figure 3). This favourable trend may be attributed to improved economic conditions during the period. In 1992, the Icelandic economy was in a recession that began in 1989 and lasted until 1994 when the economy started to grow continuously. As employment and unemployment indicators are 5 out of 8 indicators, the gender equality performance is influenced by the prevailing economic conditions. In addition, the number of indicators under each of the 4 main groupings varies (see table 1). The group called the Relative Employment Rates has, for example, 3 indicators while there is only one indicator for segregation. In order to reduce the biased arising from different number of indicators under each of the 4 main groupings, we have calculated the surface value giving each of the 4 groups of indicators an equal weight. The surface value was according to this method 0.33 in 1992 and 0.36 in 2000 or very close to the surface value calculated without accounting for different numbers of indicators.

---

6 The Surface Measure of Overall Performance (SMOP) is calculated using the following formulas:

$$SMOP = \frac{\sin360/8*(x_1x_2+x_2x_3+x_3x_4+x_4x_5+x_5x_6+x_6x_7+x_7x_8+x_8x_1)}{2}$$

Where x indicates the value of each indicator. This value was divided by the maximum possible SMOP-value, i.e the score that is found by setting all performance indicators equal to one.

Maximum SMOP = sin360/8*8/2 = 2.83

Performance of a country = SMOP/maximum surface.

7 After weightening to account for different numbers of indicators under each of the 4 groups SMOP was calculated by the following formulas:

$$SMOP = \frac{\sin360/4*(x_1x_2+x_2x_3+x_3x_4+x_4x_1)}{2}$$

Maximum SMOP = (sin360/4)*4/2 = 2

Performance of a country = SMOP/maximum surface
II. Comparison with Sweden

We will now compare the performance indicators for Sweden to that of Iceland. By comparing the two countries for the year 2000, we are able to identify Iceland’s performance gaps in relation to a country known to have achieved the highest level of gender equality within the EU (see Plantenga and Hansen 1999). As figure 2 shows, there is no difference in the performance of the two countries as concerns the indicator on unemployment among young people. The indicator showing the greatest performance gap between the two countries is unemployment. Women’s unemployment is lower than that of men in Sweden while the opposite is true for Iceland. Sweden performs also better than Iceland as concerns the full-time employment of older workers and the full-time employment of parents with young children. Contributing to the low level of unemployment among women in Sweden are active employment measures which have enabled unemployed older women to enter education without losing their right to unemployment benefits. Moreover, the state has employed various instruments to influence the demand and supply of older workers including sheltered jobs and subsidised employment, flexible retirement pension, partial pensions and financial incentives for firms to employ older workers (Mósesdóttir 2001). Individual taxation, generous statutory leave of absence for parenthood, rights to reduced hours of work for parents and extensive availability of subsidised public childcare services have enabled and encouraged women to work full-time throughout their working life.
The surface measure of overall performance (SMOP) for Sweden in 2000 was 0.56 and only 0.37 for Iceland. Sweden scored better than Iceland as all the indicators except the one on the unemployment of young people had higher values than that of Iceland. In other words, Sweden has managed to achieve more equal distribution of full-time employment, unemployment, higher positions and income among men and women.

III. Economic, institutional and cultural factors

Economic development and the institutional and cultural framework or the employment system in Iceland will now be related to the performance indicators in order to get a better understanding of the dynamic forces influencing the outcome of the indicators. Our analysis of the employment system will enable us to assess the extent to which the gender perspective has been integrated into all policy areas.
Economic growth
Our analysis of Iceland's gender equality performance starts in a period of recession and finishes in a booming period (see figure 4). This shift in the economic conditions stimulated favourable changes in the (un)employment indicators. The Icelandic economy is an export-orientated economy that depends to a large extent on the exploitation of natural resources such as the fishery banks, hydroelectric and geothermal power and grasslands. The reliance on natural resources makes the economy subject to great fluctuations as a result of frequent volume and price changes. During the mid-1990s, large-scale investments in hydroelectricity and expanding processing capacities of the power intensive manufacturing of aluminium and ferro-silicon have been the main source of economic growth (see Þjóðhagsstofnun 1998:18). In addition, the fishery sector has experienced growth due to increases in the volume of fishing, especially of capelin and favourable price development.

Figure 4. Annual Growth Rate Real GNP

![Figure 4](chart.png)

Source: Hagstofa Íslands 1997 and 1998 and Seðlabanki Íslands 2001

Employment Restructuring
Favourable economic conditions during the 1990s created new job opportunities for 10500 women and 9300 men. Contributing to the growth in men's employment was the large-scale
investments during the 1990s in hydroelectricity and expanding processing capacities of the power intensive manufacturing of aluminium and ferro-silicon. The increase in women’s employment was mainly due to growth in the service sector. We will now decomposed the increase in women’s employment by applying the shift-share analysis to data on civilian employment\(^8\). The shift-share analysis shows how much of the change in women's employment can be accounted for by structural developments on the one hand and by changing shares of female and male labour within industries on the other hand. The main groups of economic activity are agriculture (1), manufacturing, mining and quarrying (2), electricity, gas and water supply (3), construction (4), wholesale and retail trade, repairs (5), hotels and restaurants (6), transport and communications (7), financial intermediation (8), real estate and business activities (9), public administration (10) as well as other services and not stated (11).

During the period 1992-2000, the growth in women's employment was solely due to structural development (the industry effect) or to growth in employment as can be seen in table 3. Women's employment expanded primarily in the service sector. During the 1990s, employment in industries expanded (positive industry effect) at the same time as female employment contracted implying that women were increasingly replaced by men in this sector (negative share effect). The main reduction in women’s employment occurred in fish processing while men’s employment increased in manufacturing. The opposite was true for agriculture, i.e. women’s employment expanded while men’s employment contracted to a much greater extent. The largest growth in women's employment occurred in the economic activity classified as other services and not stated (11). The largest part of this negative share effect occurred in the male-dominated manufacturing, and in the female-dominated financial intermediation\(^9\). Women's share in financial intermediation went from 71% in 1992 to 61% in 2000 as more men entered this sector. However, the rise in women’s employment in this sector was greater than that of men.

\(^8\)The civilian employment is classified into sectors according to the Icelandic version of NACE called ÍSAT

\(^9\)An economic sector is female-dominated if the share of women is more than 60%. A mixed economic sector has a female share of 40%-60%.
**Table 3. Decomposition of Female Employment 1992-1997**

<table>
<thead>
<tr>
<th>Industry**</th>
<th>Share Effect</th>
<th>Interaction Effect</th>
<th>Scale Effect</th>
<th>Weight Effect</th>
<th>Residual Effect</th>
<th>Total change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>-0.64</td>
<td>22.50</td>
<td>-2.05</td>
<td>3.39</td>
<td>-18.02</td>
<td>-0.70</td>
</tr>
<tr>
<td>Industry**</td>
<td>21.94</td>
<td>-57.82</td>
<td>-4.74</td>
<td>11.39</td>
<td>-18.00</td>
<td>-0.70</td>
</tr>
<tr>
<td>Services</td>
<td>338.37</td>
<td>26.79</td>
<td>-8.90</td>
<td>60.94</td>
<td>96.69</td>
<td>4.18</td>
</tr>
<tr>
<td>Total</td>
<td>352.35</td>
<td>-8.53</td>
<td>-15.69</td>
<td>75.72</td>
<td>60.67</td>
<td>2.78</td>
</tr>
</tbody>
</table>

*The Icelandic version of NACE. The main divergence between the two classification systems is that mining is not a separate category in ÍSAT but added to the category manufacturing.

**Industries include manufacturing, mining and quarrying (2), electricity, gas and water supply (3) as well as construction (4).*

**Source:** Calculated using data from Hagstofa Íslands 1998 and 2001

The industry effect can be decomposed into three components or the changing scale of employment with a constant structure of industry (scale effect), the changing composition of industrial employment (the weight effect) and the remaining residual effect. A decomposition of the growth in female employment accounted for by the industrial effect during the period 1992-2000 reveals that the scale effect or the expansion of employment opportunities was the most important force behind the growth in women’s employment followed by the weight effect or the compositional shift from agriculture and manufacturing to services. In other words, women’s employment expanded during the 1990s, due employment growth and to a shift in employment from agriculture and manufacturing to services. At the same time as women became increasingly employed in services (other services and real estate and business activities), men’s employment grew in manufacturing of aluminium and ferro-silicon and construction as well as in real estate and business activities.

**Segregation**

Formal educational level of each cohort of women entering the Icelandic labour market has been increasing faster than that of men in Iceland but education is often the prerequisite for an employment in higher positions. In 1998/99, 59% of the 20 years old women passed matriculation examination (stúdentspróf) while the share for men was only 39.3% (Hagstofan 2000). Employment-related vocational training has, on the other hand, been beneficial for
unskilled women who have received pay rises on the completion of the relevant training. Employment-related training in Iceland has first and foremost been financed by individuals themselves and to a lesser extent by the trade unions and employers (see Alþingi 1998). Various measures have been undertaken by the labour market partners to enhance the vocational skill of those in the labour force. These measures have primarily taken the form of short-term vocational training courses. A survey conducted in 1992 found that men and women were as likely to participate in vocational training courses (Balduðsson and Hansen quoted in Félagsmálaráðuneytið 1995:35). Men, on the other hand, attended more often vocational training courses during their working hours and their courses lasted longer. After completing vocational training, men were more likely than women to be promoted by their employers to a higher position. Active labour market policy has increasingly been used to finance vocational training of unemployed women in order to enhance their employability. Hence, vocational training has not been an instrument to reduce gender segregation in the Icelandic labour market.

Unemployment
As unemployment has traditionally been at a low level in Iceland, the labour market policy has primarily involved inactive measure or the payment of unemployment benefits instead of active measures such as extensive training schemes and subsides work. The low rate in Iceland can be attributed to different factors. The most important are the flexible pay system with pay rises during booms and cuts during recessions, low replacement rates of unemployment benefits, relative many small family businesses and the Nordic labour market but Icelanders have so far been able to move to the Nordic countries during recessions and work there. The continuous rise in unemployment since the early 1990s has stimulated various initiatives by grass root groups, independent educational institutions/associations outside the formal educational system and by local governments. The majority of these initiatives involve measures to reduce the gender gap in unemployment but women have traditionally been more prone to unemployment than men. In recent years, measures to reduce the gender gap in entrepreneurship have also been implemented. The policy development in the area of unemployment is very typical for the Icelandic welfare state. Welfare initiative as educational programs for the unemployed are left to groups and independent institutions/associations but then supported financially by the state.

Pay
The labour movement has been weak in the wage determination system and a double pay system has developed in the Icelandic labour market. The double pay system involves on the
one hand negotiated wage rates and on the other hand fringe benefits and/or additional payments paid by employers to raise the pay of qualified workers above the standard wage rates negotiated by the trade unions. Examples of the fringe benefits are fixed overtime payments, service bonuses (þóknunareiningar) and car benefits. Fringe payments have been more widespread in the public sector than in the private sector as it has been more difficult for the former to pay wage rates exceeding the negotiated wage rates. Moreover, women have been much more likely than men to receive pay according to negotiated wage rates (see Jónsdóttir 1995).

Employers have been able to cut fringe benefits and/or lower pay during recessions and then raise wages above the negotiated wage rates when the economy starts to grow continuously again. This flexible pay system has primarily benefited qualified workers. During the 1990s, the wage determination system in Iceland was characterised by widening gender pay gap among unskilled workers. One reason for the widening of the gender pay gap among unskilled workers is that unskilled women have been hard hit by efforts to reduce costs and to increase efficiency. In the public sector, costs have been cut and services such as cleaning contracted out. The new cleaning contractors have in most cases been commercial enterprises that have offered women cleaning jobs at lower pay than previously paid by the state. Moreover, some managers in the health sector have sought to reduce costs by firing workers and then offer the jobs at lower pay rate. Finally, unskilled women are seldom employed in booming sectors where employees have been able to press through pay increases above the negotiated pay increases (see Vinnan 1998b).

Welfare policies affecting gender equality
The Icelandic welfare state is based on the principle of universalism that involves an equal access of individuals to extensive provisions of publicly financed services. However, the Icelandic welfare state fosters equality at the lowest possible level as welfare benefits/payments are in most cases low in relation to earnings (Mósesdóttir 1998 and 1999). Hence, the Icelandic welfare state does not fit nicely Esping-Andersen’s (1990) definition of the social democratic welfare states that promote equality at the highest possible level.

The tax system in Iceland is based on individual taxation and has basically been non-progressive for the majority of the taxpayers. In the early 1990s, a special ‘high-income tax’ was implemented that only applies to a small share of the taxpayers or to less than 10% of those in employment in 2000. The non-progressive tax system has stimulated long working hours among men. The average working hours per week in 1999 was 50.5 hours for men,
although the Icelandic authorities have agreed to average weekly working time of 48 hours as a part of it’s membership in the European Economic Area (see Hagstofa Íslands 2000; Mósesdóttir 1999). Individual taxation was introduced during the 1970s and a tremendous growth in women's employment occurred following its implementation. Moreover, a restriction was placed on the transfer of the personal tax allowance from one spouse to another during the early 1980s in order to stimulate women's participation in paid work. This restriction has been extensively criticised by homeworking women. The conservative Minster of Finance has reacted to this criticism by increasing the rate from 80% in 1999 to 90% this year. In 2003, 100% of the personal tax allowance will be transferable from one spouse to another.

The social security system in Iceland has been actively used to stimulate employment into old age. Although the official pension age is 67 years, retirement can be postponed until the person turns 70 years with a corresponding increase in pension payments. Early retirement schemes are not available and workers are entitled to unemployment benefits until they are 70 years. Pension payments from the public pension scheme and the unemployment benefits are flat rate and close to the value of the minimum wage negotiated by the trade unions. Although indirect, the Icelandic state has encouraged high labour force participation by maintaining a low benefit level.

An extensive subsidised public childcare has enabled the majority of Icelandic women to participate in paid work. In 1999, the share of children under the age of 3 in public childcare was 24% and 89% of those three to five years (Hagstofa Íslands 2000). These ratios were 55% and 90% in Denmark that had one of the most extensive provisions of public care within the EU (Sjörup 2001). Insufficient number of places in public nurseries and the relatively extensive provision of part-time care in public nurseries has, on the other hand, prevented many women with young children from engaging in full-time work. Today, there exists a marked trend towards more public institutional care in Iceland, although the development has been slow as compared with the other Nordic countries.

The right of fathers to parental leave in Iceland has been very limited. Until the end of 1997, fathers married to civil servants did not have a right to paid parental leave. In addition, fathers married to mothers employed in the private sector had a derived right to parental leave until this year. The limited right of Icelandic fathers to parental leave meant that the number of fathers taking parental leave was almost negligible. Gíslason (1997:26) found that Icelandic fathers used their vacation time or took an unpaid leave to spend with their newborn child.
Since the beginning of 1998, fathers in the private and the public sectors have been granted an independent right to 2 weeks of paternal leave (see Mósesdóttir 1998a).

There has existed a marked difference between the employment patterns of men and women with children in Iceland. The parental leave has exclusively been taken by mothers as Icelandic men had until this year a very limited right to parental leave or an individual right to two weeks of paternal leave and right to share the parental leave with the mother if she agreed to it. Very few women have shared the short parental leave with the father as it corresponds to the time women want to spend with their new born child (see Mósesdóttir 1998b; Bettio et. al 1998). Motherhood in Iceland has, therefore, involved a short interruption from paid work and then reduced hours of work until the youngest child is between 7 to 15 years. Fatherhood in Iceland, on the other hand, has involved increased hours of work to compensate for the drop in the income that occurs when the mother withdraws and/or reduces her hours of work. Hence, the reconciliation of work and family life has exclusively been done by mothers in Iceland (Mósesdóttir 1998a). A new law on parental leave (95/2000) was passed this year which grants each parent individual right to 3 months which can not be shared and additional 3 months which the parents can share between themselves. The new law leaves women’s right to parental leave more and less unchanged while men gain the right to three months of paternal leave. The individual right of father to three months will be implement during a three-year period. Hence, fathers have a right to one month during this year and to two months next year and so forth. During the first 3 months of this year around half of those fathers entitled to a month of parental leave utilise their right (Morgunblaðið 5. apríl 2001).

It is possible to identify at least three implications of the parental leave prevailing until this year for the employment of men and women. First, the requirement of certain number of working hours in the private sector and a permanent employment in the public sector has served as an incentive for women to develop an attachment to the labour market, which may explain the high labour force participation of Icelandic women. Secondly, the much better maternal provision in the public sector may have contributed to women's concentration in the public sector. Moreover, women in the public sector keep their employment-related rights and benefits while on parental leave. In the private sector, only those who have worked for the same employer for at least two years prior to the childbirth keep their employment-related rights while on parental leave. This two-years requirement may impede the career development of women in the private sector as parental leave may contribute to slower accumulation of work experience and thereby seniority. Thirdly, the limited rights of fathers to take parental leave has reinforced traditional division of work in the family that in turn may explain why the
incident of part-time work among women is relatively high in Iceland at the same time as men work very long hours (Mósesdóttir 1998a).

**Equal opportunity policies**
The Committee for Equal Opportunity Complaints was established in 1991 and it consists of three lawyers who investigate complaints and give recommendations concerning disputes over pay, hiring/promotions firing and working conditions. These recommendations have in many cases not been followed by the relevant employer (Skrifstofa jafnréttismála 1997:51). In 1992, 47.6% of the cases brought to the Committee for Equal Opportunity Complaints were on hiring/promotions and in 1997 this ratio had gone down to 33.3%. Cases involving complaints of pay discrimination increased considerably in 1997 when they were 66.7% of the total complaints brought to the Committee (Félagsmálaráðuneytið 1995:15; Skrifstofa jafnréttismála 1997:49).

The Equal Opportunity Policy (Framkvæmdaáætlun til fjögurra ára um aðgerðir til að ná fram jafnréttí kynjanna) in Iceland has, so far, not involved positive action programmes. Four Equal Opportunity Action Programmes have been put into effect since 1986 and the present action program covers the period 1998-2001. The Equal Opportunity Action Programmes have primarily been statements of good intentions at the ministerial level rather than actual action programmes. Benchmarks and time limits have seldom been included and those intentions not realised under the particular period are included into the next action programme.

**Cultural beliefs**
The traditional view of women’s role in the Icelandic society has been attributed to images used during the independence struggle, which ended with independence from Denmark in 1944 (see Björnsdóttir 1989). These images emphasised motherhood as the noblest role of Icelandic women. Kristmundsdóttir (1996) has also found that the main governing political party, the Independent Party (conservative), and the Women's List still refer to women as mothers in their political agenda. In a survey conducted in 1994, it appeared that employers' and employees' beliefs about men's and women's roles are rather traditional in Iceland (Jónsdóttir 1995). Children and the household work are the main responsibility of women while men are expected to be the main earners or breadwinners. Moreover, employers stated that they preferred men to women when hiring workers as they regarded women to be unstable labour due to their caring responsibilities. Employers also paid married/cohabiting men higher wages than single men.
CONCLUSION

Our analysis of Iceland's gender equality performance showed an improvement over the period 1992-2000, although efforts to gender mainstream or to integrate the gender perspective into all policy areas have been limited. The main force behind the improvement in gender equality in the Icelandic labour market was favourable economic development during the 1990s. Women’s employment expanded due to employment growth and to a shift in employment from agriculture and manufacturing to services. During the 1990s, the main employment strategy of the Icelandic governments has been to enable the enlargement of the power intensive manufacturing of aluminium and ferro-silicon which has created many jobs in manufacturing and construction for especially men. Women, on the other hand, have had to rely on job creation in the service sector. It is not yet clear whether the shift towards the service sector will be beneficial for women as the service sector is extremely diverse as concerns quality of jobs, pay as well as how secure jobs are.

Although employers' and employees' beliefs about men's and women's roles are rather traditional in Iceland, women's labour force participation has been high. At the same time as women's labour force participation has been high, Icelandic families have continued to be larger than in the other Nordic countries. Permanent labour shortage and employers' unwillingness/inability to pay male breadwinner wages and women's greater educational attainments have been the main factors contributing to a high labour force participation Icelandic women.

Although men are three times more likely to be in higher position, measures to reduce gender segregation in the Icelandic labour market have been few. Women who are more likely than men to have completed tertiary level of education have improved their changes of obtaining better jobs through education. Employment-related vocational training has, on the other hand, improved the employability of unskilled women and/or enabled them to secure pay rises on the completion of the relevant training.

Unemployment has traditionally been at a low level in Iceland which may be attributed to the flexible pay system with pay rises during booms and cuts during recessions, low replacement rates of unemployment benefits, relative many small family businesses and the Nordic labour market but Icelanders have so far been able to move to the Nordic countries during recessions and work there. Women have traditionally been more prone to unemployment than men which
may indicate that Icelandic employers prefer men to women or that women work in sectors that are more subject to seasonal and cyclical variations. The majority of initiatives to reduce unemployment involve measures to reduce the gender gap in unemployment.

During the 1990s, the wage determination system in Iceland was characterised by widening gender pay gap among unskilled workers. One reason for the widening of the gender pay gap among unskilled workers is that they have been hard hit by efforts to reduce costs and to increase efficiency.

The Icelandic state has encouraged high labour force participation by extensive provision of public childcare, introduction of individual taxation, non-progressive tax system as well as by maintaining a low benefit level. Individual taxation was taken up during the 1970s and a tremendous growth in women’s employment occurred following its implementation. Moreover, women’s labour force participation has been encouraged by allowing only 80% (now 90%) of the personal exemption to be transferred from one spouse to another not working outside the home to the spouse earning income. The non-progressive tax system has stimulated long working hours among men.

The overall performance of Sweden in terms of gender equality is better than that of Iceland. Sweden is, however, still far from equal distribution of full-time employment, unemployment, higher positions and income. There is no difference between Sweden’s and Iceland’s performance as concerns unemployment among young people. The indicator showing the greatest performance gap between the two countries is unemployment. Sweden performs also better than Iceland in terms of full-time employment of older workers and full-time employment of parents with young children. The better performance of Sweden as compared to Iceland may be attributed to the active role of the state in reducing inequalities of different groups created by the market forces. The Icelandic authorities have on the other hand relied much more extensively on economic growth as a means to improve the general welfare of the Icelanders.

BIBLIOGRAPHY


Eyðal, G. B. 1997 Family Obligations in Iceland, a paper prepared for NORFA-seminar on Nordic Family Policy, 14-16 March, Oslo.


Félagsmálaráðuneytið 1996a Skýrsla Páls Péturssonar félagsmálaráðherra til Alþingis um stöðu og þróun jafnréttismála, Reykjavík:Félagsmálaráðuneytið.


Kjararannsóknarnefnd (The Wage Investigation Committee) various years *Niðurstöður Launakönnunar*, Reykjavík: Kjararannsóknarnefnd.


Meulders, D. 1999 *Tax Systems and Households’ Composition in European Countries*, a paper produced for the EU Group of Experts on Gender and Employment working on Benchmarking.

Morgunblaðið 5. apríl 2001 *Helmingur fer í feðraorlof*


Mósesdóttir, L. 1998b *Measures to Improve the Employability of the Unemployed, Develop Entrepreneurship and to reduce the Gender Gap in Unemployment*, Reykjavík: Félags- og hagvísindastofnun Íslands.


Lilja Mósesdóttir 1999 *Benchmarking Gender Inequality in Iceland*, A report written for the Equal Opportunities Unit, DGV, of the European Commission as a member of the Gender and Employment Network, Reykjavík: Félags- og hagvísindastofnun Íslands.


Plantenga, J. 1998 *Benchmarking Equal Opportunities*, a paper produced for the EU Group of Experts on Gender and Employment working on Benchmarking.


Seðalbanki Íslands (the Central Bank of Iceland) 1998a *The Economy of Iceland*, Reykjavík: Seðalbanki Íslands

Seðalbanki Íslands 1998b 'The Icelandic Pension System' *Economic Statistics* 19(2)

Seðalbanki Íslands 2001 *Peningamál* 8(4)


Stefán Ólafsson 1990 Lífskjör og lífshættir á Íslandi, Reykjavík: Félagvísindastofnun - Hagstofa Íslands


