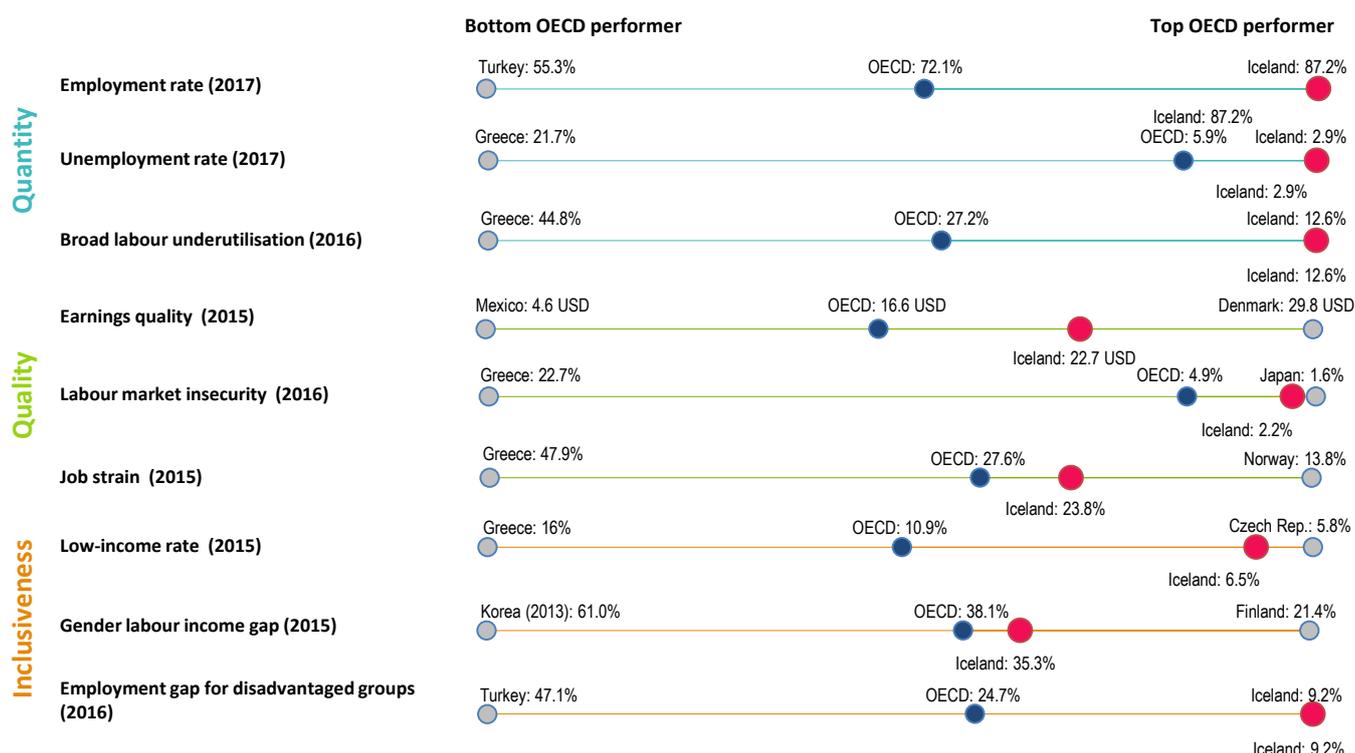


How does ICELAND compare?

The digital revolution, globalisation and demographic changes are transforming labour markets at a time when policy makers are also struggling with slow productivity and wage growth and high levels of income inequality. The new *OECD Jobs Strategy* provides a comprehensive framework and policy recommendations to help countries address these challenges. It goes well beyond job quantity and considers job quality and inclusiveness as central policy priorities, while emphasising the importance of resilience and adaptability for good economic and labour market performance in a rapidly changing world of work.

Dashboard of labour market performance for Iceland



Notes: Employment rate: share of working age population (20-64 years) in employment (%). Broad labour underemployment: Share of inactive, unemployed or involuntary part-timers (15-64) in population (%), excluding youth (15-29) in education and not in employment (%). Earnings quality: Gross hourly earnings in PPP-adjusted USD adjusted for inequality. Labour market insecurity: Expected monetary loss associated with the risk of becoming unemployed as a share of previous earnings. Job strain: Percentage of workers in jobs with a combination of high job demands and few job resources to meet those demands. Low income rate: Share of working-age persons living with less than 50% of median equivalised household disposable income. Gender labour income gap: Difference between per capita annual earnings of men and women (% of per capita earnings of men). Employment gap for disadvantaged groups: Average difference in the prime-age men's employment rate and the rates for five disadvantaged groups (mothers with children, youth who are not in full-time education or training, workers aged 55-64, non-natives, and persons with disabilities; % of the prime-age men's rate).

ASSESSING JOB QUANTITY, QUALITY AND LABOUR MARKET INCLUSIVENESS

The new *OECD Jobs Strategy* presents a dashboard of labour market performance that provides a comprehensive overview of the strengths and weaknesses of different national labour markets, going well beyond the standard measures of employment and unemployment rates. These include measures of job quantity (employment, unemployment and broad underemployment), job quality (pay, labour market security, working environment) and labour market inclusiveness (income equality, gender equality, employment access for potentially disadvantaged groups). Some countries score well on most or

all indicators, implying that there are no hard trade-offs that prevent countries from performing well in all areas.

- Iceland is the top performer among OECD countries on all three indicators of job quantity: unemployment and broad underemployment rates are the lowest among OECD countries and the employment rate is by far the highest in the OECD.



- Iceland performs well above the OECD average also in all key indicators of job quality. Labour market insecurity is one of the lowest among OECD countries due to low risks relating to unemployment and staying unemployed for a long time, as well as a targeted system of unemployment and social assistance benefits to alleviate financial hardship during unemployment. Moreover, Iceland has relatively high earnings quality, in particular because the wage structure is compressed and differences between high- and low-wage earners are narrow. Finally, the share of workers experiencing job strain is below the OECD average.

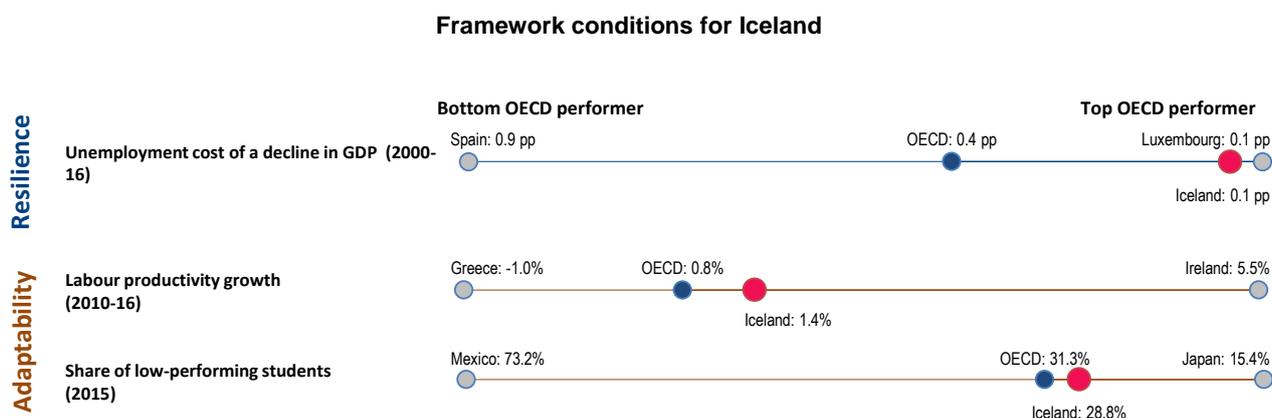
- Labour market inclusiveness is among the highest in the OECD. Iceland's labour market recovered rapidly from the global financial crisis. The rate of people living in households with less than 50% of the median income is low at less than 7%, pointing at a compressed wage structure. The employment gap for disadvantaged groups, such as mothers with children, youth, older workers, immigrants, and persons with partial disabilities, is the lowest among OECD countries. Iceland is one of the most egalitarian countries in terms of male and female employment, and has one of the lowest gender wage gaps.

FRAMEWORK CONDITIONS FOR RESILIENCE AND ADAPTABILITY

Labour market resilience and adaptability are important to absorb and adjust to economic shocks and make the most of new opportunities. Resilience is crucial to limit the short-term costs of economic downturns. Labour productivity is a key precondition for high growth of output, employment and wages and central to long-term growth in living standards. Finally, skills are key to improving workers' productivity and wages and provide an indication of the readiness to respond to future challenges.

- Iceland scores above the OECD average in the main key indicators of labour market resilience and adaptability, suggesting that they contribute to high performance on job quantity, job quality and inclusiveness.

- Iceland scores at the top of OECD countries in terms of labour market resilience. The flexible and open labour market is likely to contribute to reducing the employment costs of economic downturns going forward.
- Labour productivity growth remains average, which partly reflects depressed investment since the crisis but also restrictive regulation and barriers to competition. Student skills are above the OECD average, as almost 80% of workers have at least an upper secondary education degree, 10% points more than in 2005.



Notes: Resilience: average increase in unemployment rate over 3 years after a negative shock to GDP of 1% (2000-16); Labour productivity growth: annual average productivity growth (2010-16), measured in per worker terms. Share of low performing students: Share of 15-year-olds not in secondary school or scoring below Level 2 in PISA (%) (2015).