

Prosperity

Battle against poverty in Iceland



Introduction

Human rights are highly respected in Icelandic society, in legislation, international conventions that Iceland has ratified as well as unwritten rules and norms concerning human rights, a kind of social compact. This is reflected in the fact that most Icelanders have a high living standard.

In spite of that, at any given time, a section of society seem to find itself in a difficult position, living in unacceptable conditions. The social compact is continually being shaped and reshaped. In this report, the view is presented that a social compact should encompass human rights parallel with a clear call for each individual's responsibility, while society ensures opportunity for all. Society's support should not be in the form of charity but given in a way that fosters dignity.

This report focuses on coordination of existing solutions, new angles concerning specific aspects of the welfare system, the labor market and civil society organizations and the disconnection of known poverty traps.

This report is the result of extensive discussions and the cooperation of a broad groups of people that share concern over the welfare of those that live in poverty or are at risk of doing so. Participants in this projects are representatives of various institutions, civil society organizations and beneficiaries of the welfare system. The goal is to shed a light on concerns that the group shares from years of experience. The group also aims at putting forth tips and suggestions for viable solutions.

The original report contains a description of working method and cites participants. Only the main section, the largest, is translated.

To summarise the groups suggestions, there is great emphasis on tackling the debate on poverty from the point of view of a social compact. This social compact, in the view of the authors of this report, encompass two premises; human rights and general ideas on empowerment and social capital; rights vs. duties; the need that all in need shall be assisted vs. the demand that everyone contributes according to ability. Secondly the gworking group identified poverty traps that seem so difficult to disconnect inspite of good will and tolerance limit of certain groups. Thirdly, the groups emphasizes a debate and solutions that focus on strenght, quality and right instead of shortage and charity.

The debate

This section presents a summary from the work group on suggestions and tips from a work meeting 20 January 2012. The chapters reflect how themes where grouped together. The group then seeks to elaborate on these themes, by describing consequences, suggestions for improvements and goals that are also based on the conclusions from group discussions on suggestions and tips.

a. The Concept of Welfare

Suggestion: A coordinated educational campaign be launched on the concept of welfare and of a social compact in cooperation with the Ministry of Welfare, municipalities, educational institutions and civil society organizations. Individual capacity shall no longer be based on lack and shortcomings but on capacity and ability. Instead of a disability assessments shall come a work ability assessments etc.

Tip: The poverty debate in Iceland is often monotonous and in exclamations. Solutions are not coordinated and there is a lack of overview.

Consequences and their manifestations: The debate on poverty is often times based on the purchasing power of individuals and families and less on other issues and considerations that are no less important premises for prosperity. Then certain social groups, like single parents or disabled persons, are typically, identified as being poor, in a misleading way. Thus the debate is erratic and solutions inadequate.

The group agrees on certain guidelines for the debate on poverty and prosperity. We agree that the right way to approach the subject is from the point of view of *plenty rather than want*. We want to strive to make the debate solution based, not so that poverty is presumed a law of nature, but still such that the seriousness of living, for extended periods of time, in poverty, robs individuals and groups of important life qualities, and that is unaxeptable. Icelandic society is rich but disparity is high.

In our group discussions the words satisfactory (acceptable) wellbeing have been used. That gives us a point of departure. Wellbeing is then something intended for everyone and has to be sufficient for everyone: *Thus satisfactory wellbeing is to live a life that the individual has reason to assess as good*. This idea is known from the Indian economist and Nobel laureat Amartya Sen who has been acclaimed worldwide for his economic theories, where the focus is on people's real opportunities and not income and purchasing power.

True opportunities are certainly much dictated by purchasing power. When income is below poverty level, opportunities diminish fast. But true opportunities to create a life that an individual sees as worth living, build on much more. Social opportunities like education, social position and labor participation, as well as access, are also very important. In addition, general health and social capital play a decisive role in overall welfare. Among other important factors are the local environment and nature, the authority of the individual and his participation in society, its economic, social and political spheres.

In light of the above, we agree when discussing the welfare concept and the social compact it implies, we can state two premises;

1. The universally accepted understanding of human rights
2. Ideas of empowerment and social capital

Concerning the first item it is good to review the first article of the UN Universal Declaration of Human Rights that Icelanders are parties of since 1948, which says that all men are born free and equal in dignity and rights. The 65th article of Iceland's constitution also states that all shall be equal before the law and enjoy human rights irrespective of gender, faith, opinions, nationality, race, color, economy, family or any other variance in position.

It is thus clear that Icelandic society has committed to the formation and maintenance of satisfactory wellbeing for all and has confirmed with its legislation that no groups or individuals shall be exempted or excluded.

In this context indications from the recently published book; *Human rights in times of hardships. Economic and social rights during crisis*, published in 2011, may be reiterated;

If citizens are conscious of legal rights, they are more likely to claim them and fight for them. Increased human rights awareness among the public is also likely to foster the view that individuals are right holder rather than recipients... Anyone who receives service on legal grounds instead of charity does not need to feel shame when seeking it and stands stronger claiming it in times of cutbacks. On the other hand, anyone who „enjoys something for the goodwill of another who has the power to take it away from him at will, simply does not have that right“.

(Aðalheiður Ámundadóttir and Rachel Lorna Johnstone, 2011, page 61).

Concerning the second item it may be said that empowerment aims at increased individual wellbeing, increased control in one's life and that he or she feels safe, free and believes that his or her views and opinions are taken seriously. We define social capital as effective communication within the society, as a result of its citizen expecting good from their neighbor.

Goal: We wish for the debate on public welfare and the reality of poverty in our society to change from exclamations and misleading information to becoming critical, constructive and to the point so that poverty can be eradicated with a collective mindset and general, widespread knowledge of welfare.

b. Human Rights, Empowerment and Social Capital

Suggestion 1: When balance prevails in human communication between freedom, safety, rights and responsibility, increased courage is fostered with all and social capacity is augmented.

No single method will secure this, as we are dealing with our social compact, that is intertwined with so many social and cultural factors. It is not by default that a nation can achieve to be one society. The will to know and identify with one's neighbour's circumstances and share his lot is not brought about automatically. All of society's institutions, families, homes, schools, civil society organizations of all sorts and public entities have a part in empowering people and increase social capital. The following would contribute to that goal.

- A definition for *basic support needs*, a basic needs criteria, that prevents any individual or family from living in such conditions that they should be permanently scarred.
- A *benchmark for participation*, where society sends out a clear message that all are given opportunities to take part in society and are expected to do so.

The welfare society must neither discourage nor force, but foster solidarity and dignity. With a basic need criteria it would be confirmed that society is committed to the individual and with a benchmark for participation it would be reiterated the each individual is obligated to society. The basic need criteria would be created within the framework of human rights and the benchmark for participation would be linked to the concept of empowerment and social capital.

We live in a small society where living conditions are often apparent. When someone cannot have his basic needs met he has to look society in the eye and answer the question: How do you want and how can you work towards a better life? Everyone has something to offer and when people end up in poverty the reason is that somehow, and for various reasons, interaction with the environment has failed.

Suggestion 2: There are several way to stimulate interaction in a society and meet those who live with scarcity and inactivity. Many victories have been won in that field. In addition, the following is suggested:

- Opening a volunteer resource center where individuals and organizations can offer their skills and time.
- At the same time municipalities would be encouraged to offer some type of benefit to businesses and organisations who would offer opportunities for volunteers. Such cooperation might be a condition for benefits.
- There needs to be a way to encourage and reward those who take active part.
- The government should in more ways than it already does, reward businesses who provide new labor opportunities.

Tip: The need for purpose is innate to all of us. To have goals for the future that one considers possible to achieve, forms part of the qualities of life that build individual and group self-esteem. Those who feel powerless in their closest environment and in society as a whole, have

difficulty visualizing the future in a goal oriented way. They need special support.

Consequences and their manifestations: Those who perceive their society and closest environment as complicated and threatening lack creative thinking and vision. Such a lack of purpose is one facet of poverty that leads people to feel inactive, non-participants in society. They experience insecurity, they do not take responsibility and do not put their skills and qualities to use. Society loses out.

Goal: We wish to develop a society where people sense goodwill, opportunity and responsibility and find it easy to picture an interesting future.

c. Families and Social Heritage

Suggestion: Families, not reaching the benchmark for basic support means, that have youngsters in school, under the age of 20 and living at home, should get child benefits and rental benefits, against the presentation of youths' school registration and attendance certificate. Government and municipalities must work together.

Tip: Youngster, 18-24 years of age, and their parents, who live in poverty need special assistance to break the cycle of poverty.

Consequences and their manifestations: When children reach the age of 18 their parents no longer receive child benefits nor rental benefits. The right to rental benefits is based on the total income of all family members. The consequence is that in some low income families the youngster registers his home at another address to keep the rental benefit for his

family. By doing this there is increased danger of the youngster experiencing lack of support from his closest family and him „learning,, not to respect law and rule and try to misuse available assistance. This also increases the likelihood of drop-out. Changes concerning this are now being drafted.

Goal: To break the vicious cycle of poverty by strengthening families and encourage cohesion and better educational opportunities for young people.

d. Young People and Rehabilitation

Suggestion: To be an active participant in society should be desirable. Therefore opportunities need to be created and people assessed according to what they **can** do. We need to think outside the box when creating jobs and arenas to train and rehabilitate individuals to work in new areas. In this context, experience from other countries is interesting, where cooperation between employers and educational facilities has been strong and short courses leading to job qualification have been abundant.

Both those who can work but lack opportunity and those that are temporarily unable to work, need to be catered for. Solutions need to be tailored to each individual and the various actors need to cooperate very closely, like employment services (Vinnumálastofnun) and social services so that cases do not get lost or no solutions found. With such an individual counselling, fitting solutions are more likely to be found. Each case would be in the hand of just one person, a case manager or coordinator. His role

would be to guide and coordinate service and solutions and have an overview of each person's situation, during the time he or she needs government assistance in any way.

There has been a choice of shorter courses, but we need to emphasize helping young people to start studies, get a job or join other activities for longer periods of time. With more long-term solutions we should have better results for those that have been inactive for long. It is also very important to find ways to promote activity and participation.

Tip: A portion of young people without secondary education is unemployed. They may be receiving unemployment benefits or be on social support. Experience from other Nordic countries has shown that long-term unemployment has the most serious consequences for those with low levels of education. The age group of 16-24 is the most vulnerable since its majority has only completed compulsory schooling, that in Iceland is up to 16 years of age.

Consequences and their manifestations: When a person has been unemployed or otherwise inactive in society for a longer period of time, the risk increases of one ending up accepting social benefits, like disability pension because of the interconnection of diminishing activity and deteriorating mental health. It seems that young people do not understand the consequences that long-term inactivity and non-participation in society has on their lives. In the report *Young people out of work* (Ungt fólk án atvinnu) interviews with focus groups show

deteriorating personal situation in relation to the duration of unemployment. There were clear signs of depression which is natural when people experience long-term inactivity.

Goal: More synergy between different systems and solutions, whether one receives unemployment benefits, financial assistance to support one self or disability pension. Care is taken that no one gets „lost,, in the system and that service is coordinated.

e. Children

Families with children, and specially certain types of families, are in risk of facing poverty. An example are single parents, families with many children and families dealing with illnesses, disability or parent's unemployment. Children brought up in poverty are at risk, both concerning health and socially. There is also a direct correlation between poverty in childhood and low levels of education as children grow. It is also known that the duration of poverty in childhood has much to do with how much effect it has on children.

e.1. Lack of Cooperation

Suggestions: That one person, a co-ordinating person, keeps track of all matters concerning each family, when necessary and a holistic view be maintained. Thus more opportunities to make use of the immediate environment can arise, such

as offers from the third sector, civil society organizations, sports associations, other solutions and counselling.

Tip: Children's welfare is handled by many different sectors of the welfare system. Often, more than one person deals with issues concerning the same child. The quality of the service and therefore the results, depend on the child and the family receiving coordinated and holistic assistance. If not, the child and the family are at risk.

Consequences and and their manifestations: When cooperation is lacking neither family nor child receive the help and support needed. Service institution are often dealing with matters concerning the same child and make use of solutions available within each institution. This is ineffective, there is clear overlapping and the focus is on the lack of cooperation instead of on assisting the child and its family. Precious time and resources are wasted.

Goal: Better and more focused service with a holistic approach.

e.2. Children's Health

Suggestions: Healthcare for children becomes free of charge and regular compulsory check ups be implemented to

prevent that children suffer from ill health during their childhood.

Tip: In comparison with other nations, Icelandic children are generally in good health. But there are indications that not all children have equal access to healthcare.

Consequences and and their manifestations: As an example, a new report on the dental health of Icelandic children may be mentioned. Iceland was in the sixth bottom place among OECD-countries. It is estimated that one out of ten children deals with serious dental health issues (Hólmfríður Guðmundsdóttir, 2011).

According the the Surgeon General (Lýðheilsustöð) less than 25% of children aged 3, 5 and 12 made it to prevention check-up appointments in 2010 and 42% of Icelandic children aged 0-17 did not come for regular dental check-up that year. Public funds for this type of healthcare have not been spent for years and the problem is unsolved inspite of much debate and several reports.

It can be stated that a child growing up with poor healthcare experiences scarcity that can have various serious effects on the formation of the individual. Along with dental care the importance of speech therapy, occupational and physiotherapy and more should be emphasized.

Goal: That the healthcare and social security system cover all healthcare for children, irrespective of financial or other situation.

e.3. Children of Mixed or Foreign Origins

Suggestions: Information on the Icelandic welfare systems to people of foreign origin needs to be increased, as well as the debate and general access to information.

Special research needs to be done on the situation of immigrant children that have come in contact with the welfare system and new preventive measures found.

Tip: 8% of the Icelandic population is of foreign origin. After the economic crisis short and long-term unemployment has been more common with people of foreign origin. An increasing number of them seeks assistance from civil society organizations because of inadequate information about the welfare system. An increasing number of foreign children is brought to the attention of Child Protection.

Consequences and their manifestations: This development and the separation it can lead to, is cause for concern, as examples show from other countries. To build social capital and successfully integrate immigrants, access to information on the welfare system is key. Immigrants are vulnerable while new in the

country and still forming their social network. Icelandic society is more varied than it used to be and social welfare has to take that into account.

Goal: To decrease social separation and foster mutual adaptation with a multi-cultural approach in service and information.

f. Conflicting Benefits

Suggestion: The welfare system is financed through taxes irrespective of individual contribution. Thus *special payments*, disbursed in special situations should be exempted from income tax. The public insurance system, social welfare and the taxation system should be coordinated to the effect that *special payments* do not reduce basic support or other benefits. A task force be established with the participation of Social Security, the Association of Icelandic Municipalities and Tax Authorities to work on the prevention of conflicting effects so that beneficiaries get a more effective and less complicated assistance.

Tip: Conflicting effects arise when payments from one system affect payments from another. This happens when for example a disabled person's benefits from Social Security diminish when she receives a *special payment* from Social Security or assistance from her municipality because of special circumstances and difficulties. The same happens when people dealing with social issues get assistance

in excess of basic support from the municipality. Problems also arise when income tax of *special payments*, are collected the year after.

Consequenses and their manifestations: Pension and benefit schemes, that is old age pensions, disability pensions, age related disability payments, income/pension supplement (tekjutrygging), disability grants (örorkustyrkur), and child support (barnalífeyrir) are intended to secure everyone's welfare irrespective of income and assets. Special payments, according to law on social assistance, are disbursed on special conditions. Some of these payment affect each other, for examples when a person receives old age and disability pensions and gets an extra special payment, deemed necessary for a person's support. All taxable income affects the amount of the final payment. Municipalities also offer financial assistance for individual and family support during periods of time when they cannot fully support themselves on their own. Basic support, study grants and child support are taxed, under income tax. On the other hand, grants for advanced payment or bond for rent of an apartment, assistance in case of special difficulty, funeral grants and loans that are converted to grants, are considered taxable special payments. Such payments can affect other important benefits such as support for house rental, that will in turn decrease. Taxes like these are collected afterwards, a year after their disbursement, and can be very difficult for people in a vulnerable situation.

Goal: Simplify the taxation system and prevent the welfare system from working against itself as described above.

g. A Welfare Calculator

Suggestion: The ministry of Welfare, the Association of Icelandic Municipalities, employers' associations and representatives from civil society organisations put together a work group, launch a project or invite bids from software developers to create a welfare calculator. Such a calculator would include all solutions offered in the welfare system and state amounts and cross cutting effects of various combinations of these. This would provide beneficiaries with a complete overview.

Simultaneously, by the Ministry of Welfare, a specialist in poverty matters needs to be appointed. His role would be to gather information and communicate them to institutions and other parties, as well as making recommendations for more coordination and efficiency within the system.

Tip: Coordinated information on welfare assistance is needed, on specific solutions and their correlation. During 1997-2000 the Icelandic Social Worker Association worked on recommendations on a social service website. In 2001 the Ministry for Social Affairs opened a website called the Family site, that in some ways manifested ideas put forth by social workers. This Family site was later hosted with the Counselling office on household finances (Ráðgjafastöð um fjármál heimilanna).

In the past decade many specialized websites have been opened, for example on healthcare, various rights, individual benefit

categories such as rental benefits, interest benefits and child support. Various other information sites and sources have also been opened on specific issues at the initiative of associations, individuals or businesses. But so far none offers the public a holistic, full overview in matters of social rights and welfare.

The concept of a „welfare calculator,, is thus not new though the context may now be different. Quoting a new report on Icelandic consumer benchmarks, it says on page 98;

About the calculator

The importance of a calculator, not only showing expenses but also income and benefits and charges, was repeatedly discussed in the steering group. Calculators already exist, for example with the tax authorities and with the ministry of welfare, for rental benefits. An interesting example can be found in Britain: <http://www.minimumincomestandard.org/> where a specific minimum expense benchmark is set, in relation to income that is at the disposal of a household and gross income that would be needed to keep up to the benchmark. It should be fairly easy to make an Icelandic calculator that shows gross and net income necessary to meet minimum standards. Such a calculator should help households even more in their efforts to have an overview of their financial situation. (Jón Þór Sturluson, Guðný Björk Eydal and Andrés Júlíus Ólafsson, 2011)

Consequences and their manifestations: It has been pointed out that information on rules, regulations, rights and other guidelines for those who depend on the welfare system are scattered and not easily accessible. This applies to social security, social assistance, financial assistance, rental benefits, interest payment compensation, labor union

rights, insurance companies and more. Each one of these offers general and specific solutions that are applicable in different situations. Not all are in a position to find out what exactly they could benefit from, as they are often in a new situation where they have trouble finding new footing. It should also be mentioned that demand for assistance is higher after the crisis started and better dissemination of information is so far needed.

Goal: These ideas build on the importance of making full use of modern technology, making administration open and transparent and empowering people by securing a smoother interaction between the different solutions available and the mapping of all of them in one single place to create a simple but full overview of the correlation between benefits, services and assistance offered by the welfare system.

h. Beneficiaries and the Third Sector as Participants

Suggestion: Grant EAPN Iceland (European Anti Poverty Network) a grant to involve and activate beneficiaries who live in poverty, to fight for a better life. EAPN be appointed to act as spokesman on poverty issues. Government and municipalities support EAPN financially, for a period of 5 years at a time, to establish the organization as spokes agent.

Tip: The debate on marginalisation needs to be strengthened.

Consequences and and their manifestations: In Europe, beneficiaries and third sector organizations are increasingly consulted on issues related to poverty. EAPN is a network of those who work on poverty issues at grassroot level. EAPN's goal is to open the debate and draw attention to

poverty and its effect, activate people and help them break out of poverty by giving them a platform.

Goal: To increase information, debate and knowledge about the situation that poor people live in. To support and strengthen the participation of beneficiaries and ensure that their views and experience becomes part of an enlightened debate about poverty.



In the year 2011 more than 40.000 or 13,6% of the population were under the minimum income line or at risk of poverty or social exclusion. To be classified in this group, individuals needed to fulfill one or more of the following criteria:

Have income below the minimum line

Live with significant shortage of material goods

Live in a household where labor participation is very low

- *In 2011 the poverty line for disposable income was drawn at 153.600 ISK for someone who lives alone.*
- *9,3% were under the minimum income line.*
- *6% of the population lives in households with very low work participation.*
- *2% of the population lived with significant shortage of material goods.*

Icelandic Church Aid and Icelandic Red Cross
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