Working Together for Integration

Skills and Labour Market Integration of Immigrants and their Children in Iceland

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Foreword

This review of the skills and labour market integration of immigrants and their children in Iceland is the fifth in a series conducted by the International Migration Division in the OECD Directorate for Employment, Labour and Social Affairs.

Relative to its population, Iceland experienced the largest inflow of immigrants over the past decade of any OECD country. Four out of five immigrants in Iceland have come from EU and EFTA countries, although there has been a recent increase in humanitarian arrivals. Employment rates are the highest in the OECD, for both men and women, reflecting the recent and labour market-oriented nature of most immigration to Iceland. However, immigrants' skills are often not well used, as witnessed by the high rate of formal overqualification. A particular challenge is the poor language skills of immigrants in Iceland, which can have a detrimental effect on their integration into society. There is also evidence of the growing settlement of migrants in the country, making integration a particularly pertinent topic.

In response to these challenges, Iceland's Ministry of Social Affairs and Labour has since 2022 been developing Iceland's first comprehensive integration policy. The policy covers the years 2024-38 and is to be accompanied by a National Action Plan intended to achieve the targets outlined in the policy. The targets are along three main pillars: participation, equality and diversity; information, access and services; and communication and language. Alongside the drafting of the policy, the OECD conducted this independent review, providing input to the ministry where possible.

Against this backdrop, this report provides an in-depth analysis of the Icelandic integration system. The report is structured as follows. Chapter 1 provides a general assessment along with a set of recommendations. Chapter 2 presents an overview of the context in which integration in Iceland takes place – providing a demographic overview of the migrant population, the social and labour market context, along with the key stakeholders and policy instruments. Chapter 3 examines the skills needed to effectively integrate into Icelandic society, with a focus on language and ways to tackle overqualification. Chapter 4 turns to the labour market situation of migrants in Iceland, highlighting their high employability but also areas for improvement, pertaining to activation efforts, job quality and discrimination. Chapter 5 provides a detailed look at the challenges that youth with migrant parents face in the Icelandic education system and their first steps towards employment.

The evidence presented in this report builds on cross-country survey data, notably the harmonised European Union Labour Force Survey (EU-LFS), as well as the national Labour Force Survey (*Vinnumarkaðsrannsóknin*). Other surveys used include the Programme for International Student Assessment (PISA), the European Union Survey on Income and Living Conditions (EU-SILC), and the European Social Survey (ESS). Due to the absence of data on integration outcomes, the OECD entered into a co-operation with *Varða – Rannsóknastofnun vinnumarkaðarins*, a labour market research institute, on a survey to measure the integration outcomes of migrants in Iceland. The survey included questions on language, skills recognition, perceived discrimination, in addition to more basic variables on employment, education and living conditions. Outside of survey data, register-based data was used where possible, in addition to *ad hoc* requests from various stakeholders in the integration framework.

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In June 2023, the OECD Secretariat went on mission to Iceland to meet with over 30 stakeholders in four different municipalities, to identify the main challenges associated with integration in the country. These stakeholders ranged from ministries, municipalities, public institutions, private sector employers, social partners, and various civil society actors. The Secretariat would like to thank the authorities and stakeholders from the public and private sectors and civil society who participated in this field mission and who shared their knowledge and insights during the review process.

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Executive summary

Iceland has witnessed the greatest relative increase in the migrant population among all OECD countries over the past decade. In 2013, migrants accounted for 8% of the total population, and by 2023 this share had increased to more than 18%. The migrant population is relatively homogenous, with 80% of migrants coming from the European Economic Area (EEA). Since the start of the current decade however, humanitarian arrivals have increased significantly, reaching a peak in 2022 and slowing down since then, but still far above pre-2022 levels.

Immigrants in Iceland exhibit the highest employment (83%) and participation (89%) rates in the OECD. The participation rate of migrants exceeds that of the native-born. Unlike in other European countries, the differences in employment between EEA and non-EEA migrants are minimal, and gender gaps in employment are also small. Despite these positive outcomes, the rapidly rising share of migrants among the unemployed is a cause for concern. Migrants now account for more than half of the unemployed – up from 15% a decade ago – while accounting for a quarter of the workforce.

Against the backdrop of an increase in the arrival of humanitarian migrants, Iceland has invested substantially in the integration of refugees and their family members. This includes the Co-ordinated Reception of Refugees scheme, whereby the central government supports municipalities in meeting integration expenses for refugees, notably for counselling, administrative, and housing support.

However, integration policy has not yet focused on the overwhelming majority of EEA migrants in the country, many of which are recent arrivals with a high likelihood of permanently settling down. In 2023, more than half (61%) of all migrants in the country had arrived within the preceding five years. EEA migrants seem to exhibit higher settlement rates than EEA migrants in many other Western European countries, with over half of them remaining in the country for more than five years.

Despite high employment rates, migrants' skills are often not well used. More than a third of highly educated migrants in Iceland work in a job which requires a lower skill level than their own, against 10% of the native-born. This difference in overqualification between migrants and the native-born is among the largest in the OECD. While formal recognition of qualifications could mitigate this to some extent – with evidence suggesting that many migrants are not aware of the existence of recognition procedures – the main contributing factor seems to be labour market opportunities, with plenty of jobs available in lower skill sectors, such as tourism.

The Icelandic language plays a key role in integration into Icelandic society and can break down many of the barriers migrants face on their integration journey. Among migrants who experienced difficulties finding a job in Iceland, nearly half of survey respondents mentioned a lack of language skills as the main reason why. Proficiency in the Icelandic language also has a significant positive association with reducing both overqualification and perceived discrimination, suggesting that learning the language can support social and labour market integration. Despite these benefits, very few migrants learn the language. Self-reported host country language proficiency among migrants is in fact the lowest among OECD countries, at 18% compared to an average of 60%. While effort is needed on behalf of migrants to learn the language, there is scope to improve the supply of publicly subsidised language training. Public funding for language training

is minimal in comparison with other Nordic countries, and fully subsidised training is restricted to refugees and the unemployed. The rising number of family migrants are a group that would particularly benefit from language training, given their higher risk of labour market exclusion. Language training provision could also be improved by encouraging the use of curriculum guidelines and implementing a standardised language exam to ensure comparability across providers.

The ultimate predictor of the long-term success of integration measures is the outcomes of the descendants of immigrants. In Iceland, the educational outcomes of native-born children with migrant parents are concerning. Over half of these are low performers in the PISA exam, meaning they struggle to do tasks such as interpreting simple texts. Again, language seems to play a predominant role in the differences between groups. In fact, the difference in PISA reading scores among those foreign-born who speak Icelandic at home and those who do not amounts to 81 points – the largest difference in the OECD. Language proficiency and development are currently not systematically assessed in the Icelandic education system, and addressing this shortcoming could go a long way in improving school performance for children of immigrants.

Children of migrant parents particularly benefit from attending pre-primary education, but preschool attendance is much lower among children of migrant parents and has been declining in recent years. One possible explanation for this trend is the increasing adoption of cash-for-care benefits by municipalities, which have been shown to negatively affect the labour market integration of migrant women and the educational outcomes of their children.

Although Iceland has a highly developed register system, key information on integration is missing. Publicly available datasets often lack breakdowns by origin, a crucial variable for analysing the situation of migrants. The national labour force survey inadequately represents the migrant population, with only 8% of respondents being foreign-born, despite them comprising a quarter of the labour force. Additionally, final results from the annual survey on income and living conditions have not been published since the 2018 wave, making it difficult to evaluate inequality outcomes since that time.

In conclusion, the Icelandic integration framework is in its early stages and currently caters to a limited group among the foreign-born population. While aggregate employment outcomes are favourable, there are a number of issues which need to be addressed, notably regarding job quality, language skills and data collection. The exceptionally high employment and participation rates may also not be sustainable, in light of experiences from other OECD countries. Investment into integration measures going forward must be well targeted, taking due account of stay prospects and intentions. A comprehensive and co-ordinated set of actions should thus be considered.

1 Assessment and recommendations for immigrant integration in Iceland

This chapter synthesises key policy issues and recommendations identified in the main areas covered by the OECD review: the context for integration in Iceland; developing and assessing migrant skills; leveraging migrant skills; and integrating youth with migrant parents.

Assessment

Iceland has the fastest growing foreign-born population in the OECD, with four out of five migrants coming via free mobility

In late 2023, more than 18% of Iceland's population was foreign-born, compared to 8% a decade earlier. This represents the single largest increase in the share of the foreign-born among OECD countries over the past decade. There are few signs of decline, particularly for free mobility arrivals from the European Economic Area (EEA) who account for 75% of new arrivals and 80% of resident immigrants, according to register data. In 2022, Iceland registered the highest relative increase in flows within the EEA, with a jump of 56% compared to the year before.

An unprecedented rise in humanitarian arrivals has tested existing integration infrastructure, and authorities have had to respond quickly

Recent years have seen a surge of humanitarian migrants arriving in Iceland, mostly coming from Ukraine and Venezuela. 2022 saw a record number of 3 455 individuals granted protection – up from 350 in the year before. Of these, 2 300 were Ukrainians receiving temporary protection and 700 Venezuelans receiving subsidiary protection. In 2023, 1 970 individuals were granted protection, lower than in the year prior but still far above pre-2022 levels.

In response to these developments, the government established the Co-ordinated Reception of Refugees scheme, whereby the central government supports municipalities in meeting integration expenses for refugees. As of April 2024, 14 out of 64 municipalities have participated in the scheme – most of which are large municipalities – covering 3 450 refugees.

Social partners play a major role in service provision for immigrants

The Ministry of Social Affairs and Labour is the main player in integration policy, being responsible for the primary legal act on integration. Its Directorate of Labour – the Icelandic public employment service – funds key services, including language training, counselling, lifelong learning, and more, free of charge for the unemployed and refugees.

A unique characteristic of the Icelandic labour market is its tripartite nature, with both employers and unions playing a key role in integration service provision. In particular, lifelong learning centres – which are the providers of most language courses for adult immigrants – are in many cases owned by the social partners and costs are generally reimbursed for union members, but only after having paid union fees for a period usually between 1 and 30 months, depending on the union. This hampers access to language training for recent arrivals.

Iceland has impressive employment outcomes, driven by a favourable mix of migrants and good labour market conditions…

Iceland's migrant population exhibits employment and participation rates (83% and 89% in 2022, respectively) that are the highest in the OECD. This applies not only to migrants coming for work-related reasons – largely through free mobility from the EEA – but also other groups such as non-EEA migrants on humanitarian permits. A potential explanation for this, in addition to good economic and labour market conditions, lies firstly in the high share of migrants from the EEA among the foreign-born population; and secondly in the composition of the non-EEA migrant population. The latter has traditionally consisted mostly of immigrants from the United Kingdom, the United States and the Philippines, who have also come for employment. This has changed with the arrival of Ukrainians and Venezuelans, who are the dominant non-EEA groups since 2022, accounting for the vast majority of inflows from outside the EEA, although

these too tend to be relatively highly educated and show high employment rates. Humanitarian migrants who arrived in 2020-21 – mostly Venezuelans – already exhibit higher levels of employment than currently observed for cohorts with more than five years of residence – an unusual situation. Among the arrivals in 2022 – most of which were Ukrainians – nearly 40% were in employment by the end of 2022.

Given the recent and largely labour market-oriented nature of most migration, experiences of other OECD countries suggest that current levels of employment outcomes may not be sustainable in the long term. Persons who arrive with a job offer upon arrival may lose their employment later on and are joined by family members with weaker attachment to the labour market. The rapidly rising share of immigrants among the unemployed – from one in ten at the beginning of the last decade to more than one in two currently – is an indication of this development.

…although migrants' skills are often not well used

Migrants in Iceland are often overqualified for their jobs. The gap in overqualification rates of 25 percentage points between the native-born (10%) and the foreign-born (35%) in Iceland is the largest among OECD countries. A key contributing factor to this high percentage is the labour-intensive and primarily low-skill tourism industry, where migrants represent half of all workers. Migrant women are also more likely to be overqualified than their male peers, and their average education level is also considerably higher.

While overqualification seems primarily driven by labour market opportunities, the issue of recognition of qualifications also merits attention. A large share of migrants in Iceland are not aware of the possibility of formal recognition of qualifications. As in other countries, the system for recognition in regulated professions is complex. There are currently few avenues which would allow migrants to progress into further education or attain full recognition of their credentials, notably in the form of bridging courses with a language component, and their wider provision should be considered.

A lack of Icelandic language skills is a notable barrier to integration and finding quality employment…

Migrants in Iceland exhibit the lowest host country language proficiency among OECD countries with available data, with 18% claiming advanced proficiency compared to an OECD average of 60%. While this may partly be explained by the shorter length of stay in the country compared to other countries and the high number of labour migrants – who are less likely to learn the language than other migrant groups – it is not the sole explanation. Among migrants that have stayed more than five years but less than ten years, only 7% report advanced proficiency in the language. Among those who have stayed at least ten years, the share is 38%, still significantly below the OECD average.

Learning the language can play a role in alleviating some of the obstacles migrants face on the labour market, including overqualification and perceived discrimination. Among migrants who experienced difficulties finding a job in Iceland, nearly half of survey respondents mentioned a lack of language skills as the main reason why.

…and language course offerings need to be further developed, making sure that all migrants in need get appropriate support

While effort is needed on behalf of migrants to learn the language, the supply of language courses must also see improvement. Public funding on language courses for adult immigrants is low in comparison to other Nordic countries, and foreseen expenditure increases do little to bridge the gap. Language course offerings are heterogenous in both quantity and quality across the country, as standards are absent. University language courses, which are the most effective courses offered in terms of attaining a high proficiency level, are not available to low-educated migrants – due to the requirement of an Icelandic

matriculation examination or its equivalent for entry into university. Yet, low-educated migrants report higher willingness to stay and learn the language than their higher-educated peers.

Refugees and unemployed migrants are the only groups who have access to fully subsidised language courses, and the number of hours offered to the latter is low in an international comparison. Unemployed migrants are entitled to two fully funded courses – equivalent to 80-120 hours of classroom training, roughly equivalent to the A1 level of the Common European Framework of Reference for languages (CEFR). There are no statutory provisions which regulate the amount of hours to which refugees are entitled. Language courses are provided by lifelong learning centres, and there is little differentiation along learning needs. The placement of students with highly divergent skill levels in the same courses can have a negative effect on both the progression of students with a higher ability and those with a lower ability to learn the language.

Migrants rarely use active labour market policies

The active labour market policies (ALMPs) offered to the unemployed by the Directorate of Labour do currently not seem to be well adapted to the needs of immigrants. Wage subsidies, a particularly effective measure against migrant unemployment, were a major emphasis during the COVID-19 pandemic, but have since then declined to previous levels. At the same time, language courses remain used less and less by unemployed migrants. It is not clear whether this is due to Directorate of Labour counsellors not proposing these courses or to limited take-up by migrants. Evidence on the impact of ALMPs is also lacking, as employment outcomes are not even monitored. The scarce and partial evidence suggests that most measures have not only much lower take-up among unemployed immigrants than among the native-born, but that they are also less effective in getting migrants out of unemployment. The reasons behind this are unclear. Finding out what works best for migrants in unemployment, and why current measures seem to be both less effective for migrants and less frequently used, will be key going forward given the rising share of migrants among the unemployed. For this to be possible, data, monitoring and profiling of the unemployed population need to improve and to better reflect the large share of migrants.

Data, monitoring and evaluation of migrant outcomes are largely lacking, and addressing this shortcoming should be an urgent priority

Indeed, perhaps the most fundamental shortcoming is the inadequate data infrastructure on integration, with even basic information that is available virtually everywhere else in OECD-Europe currently not available. This is surprising given Iceland's data register system that would in principle allow for a solid monitoring and requires policy makers to navigate somewhat blind in integration policy making. While this reflects in part the recent nature of immigration and the good outcomes thus far, with little need for targeted monitoring and intervention, addressing this shortcoming should be an urgent priority. In particular, key variables for assessing the situation of immigrants, most notably place of birth/background, are lacking from relevant public datasets – including data on household composition, living conditions and housing, to name a few examples. Given the rising share of migrants in Iceland, place of birth should be seen as a variable of similar standing to age and sex, both of which are streamlined through all government-issued datasets.

Like other European countries, Iceland conducts annual surveys to analyse the labour market outcomes and living conditions of its population. One key survey is the labour force survey (*Vinnumarkaðsrannsóknin*), a highly important tool for data collection on migrants as it covers areas where administrative data for migrants may be missing, such as level of education. Currently however, the labour force survey does not adequately reach the migrant population in the country, as migrants represent only 8% of respondents while accounting for nearly 20% of the general population and an even higher share of the labour force. Another important survey, the survey on income and living conditions (*Lífskjararannsóknin*), collects key information on wages, inequality, housing and other relevant indicators

– but microdata from the survey has not been released since the 2018 wave. Since then, the number of migrants in Iceland has nearly doubled.

What is more, policy evaluations have been mostly absent in the integration policy making process. While they can be costly, Iceland could leverage its rich administrative data, linked through the central register, to better understand the effectiveness of measures used and derive lessons for the future. This will require a better flow of information between relevant institutions – notably Statistics Iceland, the Directorate of Labour, and the Directorate of Immigration.

The needs of EEA migrants merit more consideration, notably regarding language training, although investment should depend on stay prospects

Migrants in Iceland stay for longer in the country than in other OECD countries. A cohort analysis of migrants who arrived in 2012 revealed that 51% of EEA migrants were still in the country five years later, and 41% of non-EEA migrants. As in other OECD countries, integration policy has hitherto focused primarily on the few humanitarian migrants – a justified emphasis, given the challenges associated with their integration into society – but the needs of migrants from the EEA warrant further consideration, given their omnipresence within the migrant population and their relatively high likelihood of staying. Among recent arrivals from the EEA, half of those who have decided their length of stay plans to settle down permanently in Iceland, while a third of the group remains undecided about their stay prospects.

What is more, unlike in other European countries, migrants from the EEA do not exhibit lower unemployment rates than their non-EEA counterparts, both with an unemployment rate of 8% compared to 3% for the native-born in 2022. The resulting unemployment ratio between EEA migrants and the native-born of almost three to one is the highest in OECD-Europe.

Given the predominance of immigrants from the EEA, and the indications regarding their growing settlement and labour market difficulties as witnessed by their high unemployment levels, Iceland faces the rather unique challenge of proposing integration measures for migrants who benefitted from free mobility. Given the large budgetary implications, support should be targeted to those who are both in need and exhibit settlement prospects.

The integration of family migrants has not been an issue of concern, but should be monitored closely

The question of integration measures for EEA migrants is further compounded by the arrival of EEA migrants with weaker labour market attachment. While the bulk of migrants from the EEA has arrived for work reasons (more than 80%), the share of migrants arriving for family reasons from the EEA is also likely to grow along with the growing permanent settlement of this group. Indeed, being joined by family members is a key determinant of longer-term stay.

More generally, family migrants have specific integration challenges, as many of them are women with their children who have fewer links with the labour market. This is the case even when they have completed medium or high levels of education – although women who earn their diploma after arriving in Iceland exhibit significantly higher employment rates. Migrants who have arrived for family reasons – mainly from the EEA but increasingly also from non-EEA countries – are a group that would particularly benefit from access to integration measures, including language training, which is available at no cost only to refugees and unemployed migrants. Barriers are not only financial however, also taking the form of childcare responsibilities, which partly explains the high take-up of cash-for-care benefits among migrant women. It is important to address these barriers, including by providing adapted hours and facilities for language training.

Migrant women and mothers seem to be doing well but analysis needs to be improved

Migrant women and mothers in Iceland exhibit high employment outcomes in an international comparison, and the gaps in employment rates between migrant women and migrant men are the lowest among European OECD countries. The same applies to the gap in employment rates between migrant and native-born women. These exceptional numbers suggest that few structural barriers remain in terms of access to employment. Other employment indicators, namely pertaining to job quality, are less favourable however, with migrant women more likely to work part-time involuntarily and to be overqualified for their jobs.

Previous OECD work has shown that migrant mothers tend to be at strong disadvantage in the labour market. Yet, monitoring the situation of migrant mothers in Iceland is currently not possible. Iceland does not record questions on the number of children in the household in labour force surveys – a crucial variable to analyse the situation of migrant mothers – the only EEA country to not do so.

Cash-for-care subsidies should be reconsidered, and the money saved invested into expanding preschool places

Children with migrant parents are less likely to attend preschool than their peers, and the gap is widening. Children in Iceland, unlike in the other Nordic countries, are not entitled to a place at a preschool after reaching 12 months in age. The supply of preschool places has not kept up with demand in recent years, and in response, several large municipalities have begun offering cash-for-care subsidies to households. Immigrant families disproportionately take up this benefit, and the resulting detrimental impact on employment among migrant mothers and the educational outcomes of their children is well documented from other countries. Indeed, preschool constitutes a linguistic environment where children with migrant parents can learn to speak Icelandic – which is not the case at home, and PISA data suggest that attending preschool early in Iceland provides particular benefits for children of immigrants in Iceland.

Children with migrant parents require language support in school based on systematic language assessments

Half of children with immigrant parents in Iceland classify as low performers in the PISA assessment, far above the OECD average of 30% and surpassed only by Mexico. What is more, native-born children with immigrant parents exhibit similar, if not worse, outcomes than their peers who arrived in Iceland as children. This applies not only to PISA scores but also dropout rates in upper secondary education, where higher dropout rates are observed for native-born children to foreign-born parents compared with foreign-born children who arrived in Iceland before the age of six.

This largely seems to be due to the language difficulties of this group. While the sample size for native-born children of immigrants is too small for analysis, the difference in PISA reading scores between those foreign-born who speak Icelandic at home and those who do not amounts to 81 points, or more than three years of schooling, the largest difference among all OECD countries.

Language assessments are not systematic in the Icelandic schooling system. Experiences from other OECD countries, and a longitudinal study on the impact of preschool language assessments on academic achievement in Iceland, suggest that assessing language skills can go a long way in improving school performance for children of immigrants.

A high share of migrants feel discriminated against…

There has been no systematic study of discrimination against immigrants in the Icelandic labour market thus far. While not necessarily strongly linked with actual discrimination, survey data suggest that

perceived discrimination – a strong indicator of social cohesion – is high among migrants. Over half of foreign-born respondents in the *Workers in Iceland 2024* survey, and a third of native-born individuals with foreign-born parents, stated they had felt discriminated against on the labour market in the two years prior to taking the survey. Asked about the manifestation of the discrimination, the most common cause was that they felt that they were offered a job at a lower salary or skill level than expected.

…and anti-discrimination policy needs to focus more on the needs of this group

Anti-discrimination policy in Iceland has until now primarily emphasised anti-discrimination against women and LGBTI+ individuals. The Directorate of Equality has been in charge of discrimination on the grounds of racial or ethnic origin since 2018, but less than a handful of cases are put forward each year to the Equality Complaints Committee. The limited use of anti-discrimination measures among migrants may be attributable to lack of awareness of the measures that are available to them, which should be better conveyed upon arrival in the country. Trade unions play an important role in countering discrimination on the labour market, providing recourse through formal wage complaints, for instance, and this may also contribute to the low numbers reported through the equality body. However, there seems scope for increased co-operation between trade unions and the statutory anti-discrimination bodies – including through raising awareness of their respective roles.

Despite favourable labour market conditions, integration needs to be higher on the policy agenda

In summary, Iceland's integration policy was built during a period in which the immigrant population was widely different than what it is now. With the fastest growing migrant population in the OECD and a rising number of humanitarian migrants, policy needs to be adapted to a new reality. Around half of migrants working in Iceland would like to stay permanently in the country, with another third remaining undecided, but few measures are currently in place to support their integration. While most migrants up to now have arrived for work reasons, as reflected by high employment rates, their long-term integration outcomes – such as their career mobility and overqualification – are less favourable and so are the schooling outcomes of their descendants. It is also conceivable that employment rates will not necessarily remain on such high levels in the long run. Against this backdrop, integration policy needs to better identify and support those who stay, notably through enhancing the offer and quality of language training, which has not only been shown to contribute at least partly to better outcomes in terms of job quality and perceived discrimination, but would also contribute to social cohesion.

However, existing data and are currently not up to the task to monitor the outcomes of immigrants. It is imperative to systematically address this shortcoming, to identify emerging issues and guide policy making.

Recommendations

Improve data and monitor outcomes

- Ensure that country of birth is a variable included in all relevant datasets, especially those used by ministries and agencies directly involved in integration policy.
- Include a question on the number of children in the household and their age in labour force surveys.
- Ensure the timely delivery of data from the Statistics on Income and Living Conditions (SILC) survey.
- Implement monitoring mechanisms and collect basic information, notably regarding language training for adults. A standardised assessment exam would be a welcome addition, allowing for the comparison of language training uptake and outcomes across language providers.

- Provide basic information on the employment outcomes of previous participants in ALMP, with breakdown by origin.
- Investigate the reasons behind the current low take-up of immigrants of most active labour market policies (ALMPs) and the reasons behind the evidence of little positive impact. Consider a more substantive evaluation of the effectiveness of the most used ALMPs and their impact on migrants.
- Improve data on the educational attainment of migrants and enhance data-sharing and flow of information between the Directorate of Immigration and other relevant agencies (Directorate of Labour, Statistics Iceland).
- Adjust official data on upper secondary education dropout among migrants, accounting for biases caused by exchange students and different age profiles.

Enhance the scale, scope, and quality of language training

- Ensure suitable standards in language training provision across the country. Make public funding for accredited providers of adult education dependent on the use of standardised assessments and the curriculum guidelines.
- Considerably enhance public funding for language learning. Increase the scale and scope of free-to-access language learning for humanitarian migrants, and consider the extension to family migrants from outside of the EEA.
- Provide more affordable and flexible forms of language training for immigrants from the EEA who wish to stay in Iceland long-term and are interested in learning the language. Luxembourg's Reception and Integration Contract, which is open for immigrants from the EEA, could serve as a model for such an offer, whereby the user pays a symbolic fee for up to three subsidised vouchers for language courses, totalling up to 300 hours of classroom training.
- Raise awareness among immigrants of the value of language learning in labour market and social integration. Consider language learning with programmes such as Luxembourg's Linguistic Leave programme, where migrants can learn a language during work hours with part of wage costs covered by the state.
- Review the refund system for participation in language courses, whereby refunds are provided after having paid union fees for a certain period. This may present an obstacle to participation due to high upfront costs.
- Implement ability grouping to ensure that students with different kinds of needs can progress at a pace that fits their ability, notably for illiterate and very highly educated migrants.
- Create incentives to attract and retain language teachers, including by improving the working conditions of teachers with appropriate qualifications in teaching the Icelandic language and implementing some minimum qualification level requirement to ensure teaching quality.

Make better use of migrants' skills

- Strengthen the role of career guidance throughout the integration process to ensure migrants are supported to find jobs that fit their skill level. Social partners can make the possibility of career guidance more widely known.
- Raise awareness about recognition procedures, particularly for groups prone to overqualification, including migrants from the EEA and women.
- Consider upgrading the digital case system for formal recognition of academic qualifications in the ENIC-NARIC office to reduce processing times.

- Enhance access to bridging programmes with a language component, which allow non-EEA migrants to get their qualifications recognised or progress to further education. Consider making such courses eligible for public subsidies to cover costs.
- Enhance the use of Recognition of Prior Learning services, particularly for humanitarian migrants without proof of their formal qualifications.

Strengthen efforts to integrate family migrants and migrant mothers

- Ensure that newly arrived family migrants are informed about and referred to available integration options in their area.
- Allow refugees and family migrants to continue using integration measures provided under the co-ordinated reception of refugees after the initial three-year period in cases where childcare responsibilities prevented parents from using them.
- Ensure that arrived family migrants are formally eligible to access key integration measures, including language training.

Tackle discrimination

- Place a stronger emphasis on the issue of discrimination against migrants in anti-discrimination policy.
- Make anti-discrimination instruments better known among all migrants and inform them about their rights, including in co-operation with trade unions.
- Counter discrimination on the rental market, including by increasing the supply of social housing. Set an upper limit for the period on the waiting list for access to social housing.

Invest in the integration of children of immigrants

- Implement systematic language assessments beginning in pre-primary education and continuing through primary education. Provide targeted language support for those assessed to lag behind. Provide clear national guidance for municipalities to conduct such assessments, along with national minimum standards and regular evaluation to incentivise the provision of quality language support.
- Ensure that the Equalisation Fund's earmarked funds for targeted language support in schools are used for their intended purpose.
- Abolish cash-for-care benefits and use the money saved to further extend and promote free placement in preschools for low-income households, with a specific focus on immigrant families.
- Raise awareness about the benefits of participation for children of immigrants in preschool education.

2 Context of integration policy in Iceland

This chapter presents the context for integration policy in Iceland. It begins with a profile of the immigrant population, mapping the historical context of migration in Iceland, migrants' origins and characteristics, their settlement and finally their descendants. It then proceeds with an overview of immigrants' socio-economic outcomes in comparison with the native-born population. It finishes with a discussion on the evolution of integration policy along with the key policy actors involved in shaping immigrants' integration outcomes in Iceland.

A short profile of the immigrant population

A brief history of immigration in Iceland

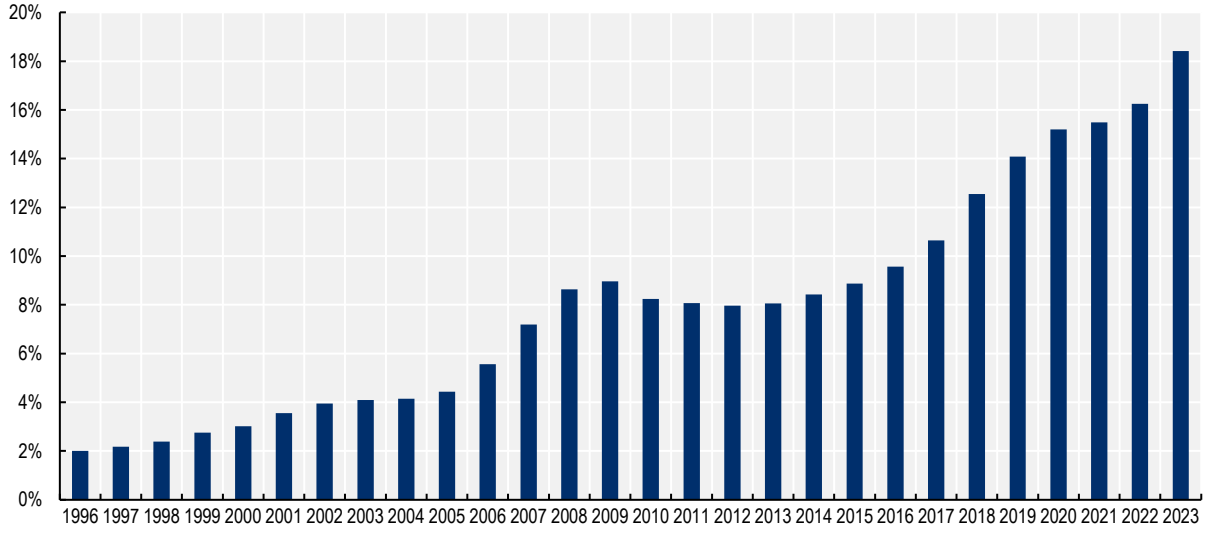
Immigration to Iceland has increased dramatically since the beginning of the twenty-first century. The first census was conducted in 1703, although data on the foreign-born population was not collected until the 1855 census. Foreign-born individuals up until the 1940 census numbered around 1% of the Icelandic population, the majority of which were the children of Icelandic students abroad, notably in Denmark and other Scandinavian countries. In the 1950 census, immigrants accounted for 1.9% of the population.

In 1954 the Common Nordic Labour Market was created, allowing Nordic citizens to freely live and work in all the Nordic countries. Although Iceland was not originally a signatory, it acted in accordance with the agreement until it formally took effect in 1983. The agreement includes provisions on equal treatment in the labour market, co-operation between public employment agencies, increased co-operation between the countries' social partners, and the lifting of work permit requirements for Nordic citizens (Nordic Council of Ministers, 2019[1]; Pedersen, Røed and Wadensjö, 2008[2]). In 1966, Iceland joined the Nordic Passport Union, allowing citizens of the other four Nordic countries to freely travel to and reside in Iceland without travel documentation or a residence permit. The Scandinavian countries remained a primary source of immigration for most of the 20th century.

The Agreement on the European Economic Area (EEA) entered into force in 1994, enabling the extension of the European free mobility zone to three of the four European Free Trade Association (EFTA) – Iceland, Liechtenstein and Norway. The changes to freedom of movement brought about by the signature of the agreement contributed to the strong growth of the foreign-born population over the next decades (Figure 2.1).

Figure 2.1. The migrant population has grown rapidly since the turn of the century

Share of foreign-born as a percentage of the total population, 1996-2023



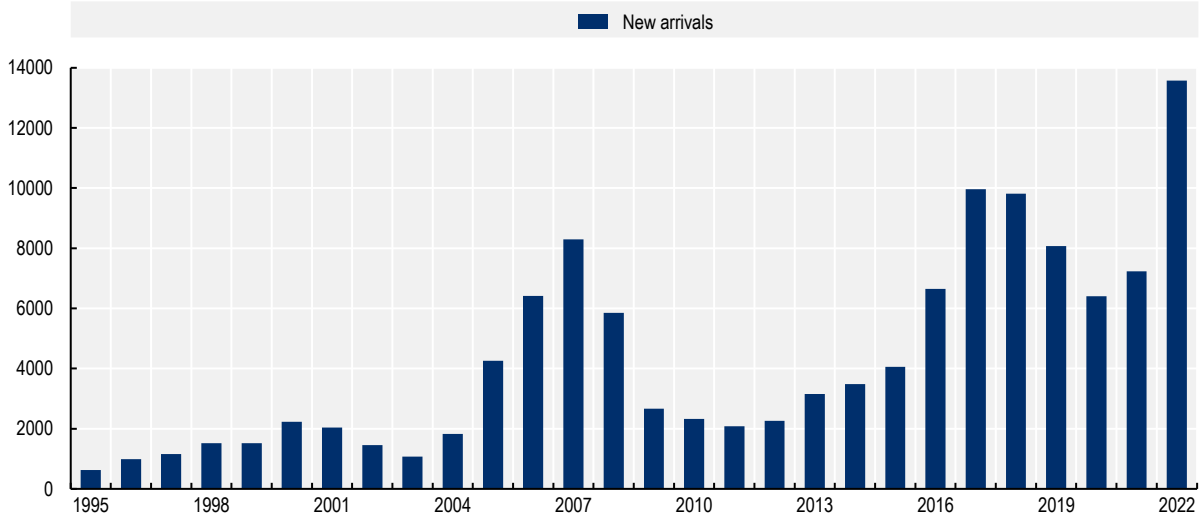
Source: Statistics Iceland.

Initially, the signature of the EEA Agreement had little effect on migration inflows, as the Icelandic labour market faced a period of relatively high unemployment. The years 2000-01 saw a rise in immigration due to high demand in the labour-intensive construction sector. The increase in immigration came not only from EEA countries but also Poland – at the time not a member of the EU and thus neither the EEA – Thailand and the Philippines. Among EEA countries, immigrants arrived primarily from Germany, and to some extent from the United Kingdom and France.

Following EU enlargement to Central and Eastern Europe in 2004 and 2007, and strong economic growth in the 2000s – with GDP growth averaging an annual 4.6% from 2000 to 2008 – migration inflows rose sharply (Figure 2.2). Initially, Iceland had imposed transitional restrictions on the free movement of workers from the new EU member states, but due *inter alia* to high demand for labour in the construction sector, the exception was annulled in 2005. Migrant arrivals in the period peaked in 2007 with 8 300 arrivals.

Figure 2.2. Migrant arrivals reached a record high in 2022

Immigrant arrivals per year, 1995-2022

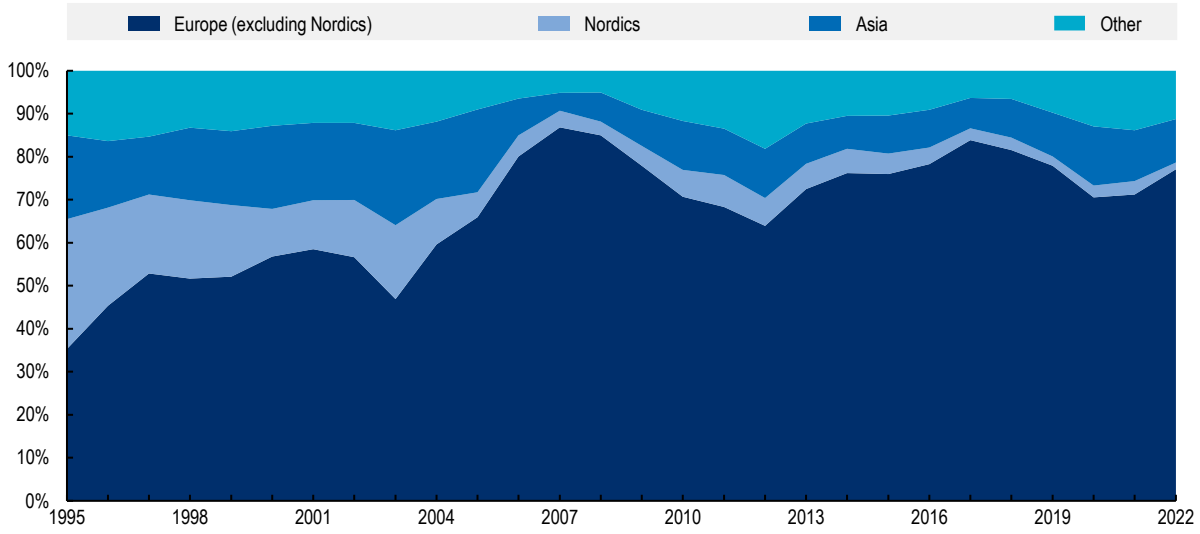


Note: Migration is assessed on the basis of information on changes in legal domicile in the National Registry's Population Register. Migrations are counted on the basis of the date of registration in the National Registry, but not according to when the migration took place. There may be some delay in the registration of persons with foreign citizenship who receive a residence permit.
Source: OECD Secretariat calculations based on Statistics Iceland (2023[3]), *MAN43001: Immigrants by sex, country of birth and year of arrival 1996-2022*, https://px.hagstofa.is/pxen/pxweb/en/Ibuar/Ibuar__mannfjoldi__3_bakgrunnur__Uppruni/MAN43001.px.

In addition to the increase in absolute numbers of migrants, their composition changed substantially in the mid-2000s as a result of the EU's Central and Eastern European expansion. Whereas migrants coming from Europe had accounted for two-thirds of new arrivals in 2000, their share had jumped to 91% in 2007. By contrast, the share of migrants coming from Asia had decreased from one-fifth of all arrivals in 2000 to 4% in 2007 (Figure 2.3). Moreover, while men accounted for 47% of new arrivals in 2000, this share had risen to 54% in 2007. Men accounted for 54% of European migrants in the high migration period of 2005-08 – with a peak of 61% in 2007 – whereas the share was 39% for Asian immigrants in the period (Statistics Iceland, 2023[3]). The differences in gender composition can be explained by the high numbers of labour migrants coming from Europe, among which men are overrepresented, whereas family migration was the most populous category of arrivals coming from Asia, where women are concentrated.

Figure 2.3. Europeans account for the overwhelming majority of immigrants

Composition of immigrant arrivals per year by region of origin, 1995-2022



Note: "Other" includes Africa, North, Central and South America, and Oceania.
Source: OECD Secretariat calculations based on Statistics Iceland (2023[3]), *MAN43001: Immigrants by sex, country of birth and year of arrival 1996-2022*, https://px.hagstofa.is/pxen/pxweb/en/Ibuar/Ibuar__mannfjoldi__3_bakgrunnur__Uppruni/MAN43001.px.

In the years following the high point of 2007, immigration decreased sharply due to the global economic crisis of 2008-11 which hit Iceland particularly hard. The collapse of Iceland's three largest banks in 2008 precipitated a deep financial and economic crisis. The national currency, the Icelandic króna (ISK) depreciated in value by around 50% in nominal terms over the course of 2008 (Darvas, 2012[4]; Guðmundsson, 2013[5]). It took until 2016 for GDP and economic output to recover to 2007 levels – coinciding with an uptick in immigration levels.

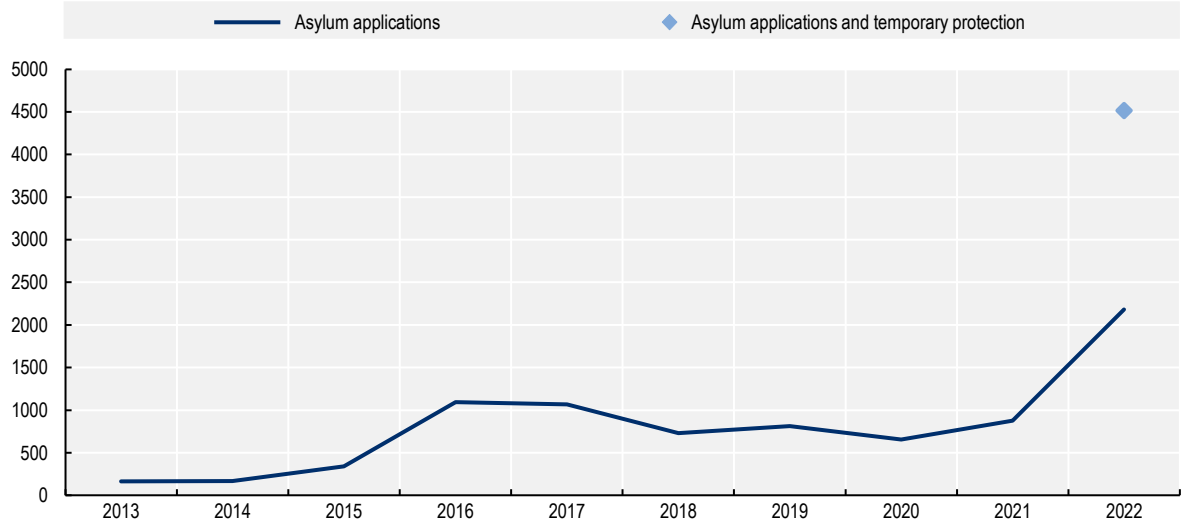
Immigration started rising again in 2012 with the economy recovering following the crisis. A key component in the economic recovery was a market-induced rise in the tourism sector, which accounted for 3.5% of Iceland's GDP in 2009, rising to 8.2% in 2016 (OECD, 2023[6]). Tourism had not been competitive in the decades prior to the financial crisis, *inter alia* due to high inflation and the overvaluation of the national currency. The sector's rise was however aided by the depreciation of the króna during the financial crisis (Gylfason and Zoega, 2019[7]). The rapid expansion of the tourism industry gave rise to considerable labour migration, with employment in tourism more than doubling from 2008 to 2019 and foreigners accounting for more than a third of all employees in the sector (Júlíusdóttir and Halldórsdóttir, 2020[8]). International visitors to the country peaked in 2017 and 2018 (Icelandic Tourist Board, 2023[9]). With the lowest unemployment rate (2.7%) since the onset of the financial crisis, the high demand for low-skilled labour as a result of the tourist boom was partly met with foreign workers. Growth in the construction sector was another source of demand for migrant workers, as the annual increase in the housing stock counted 2 737 units in 2017, compared to an average of 668 in the years 2009-16 (Icelandic Confederation of Labour, 2022[10]).

The large arrival of humanitarian flows to Europe in 2015-16 saw increased numbers of applications for international protection in Iceland. From 2003 (the earliest year on record) to 2014, the Directorate of Immigration received 106 applications for international protection per year on average. From 2015-22, the number had risen to an average of 1 427, with a record-high number of 4 571 in 2022 (Figure 2.4). The rapid rise in recent applications can be explained by an upsurge in applications from Ukraine and Venezuela, which in 2022 comprised 30% of total net immigration. Unlike in most European countries,

Ukrainian applications for temporary protection are included in statistics on international protection in Iceland (Box 2.1). Yet, excluding applications from Ukraine, Iceland remains the country with the second most asylum applications per million inhabitants among European OECD countries in 2022, at 5 794 – surpassed only by Austria (11 792). However, Venezuelan arrivals have started to decrease again over the course of 2023.

Figure 2.4. Applications for international protection reached a record high in 2022

Total asylum applications by year, 2013-22



Note: In contrast to national statistics, nationals from Ukraine are not included in the asylum data here.
Source: Statistics Iceland; and the Directorate of Immigration (2024[11]), Tölfræði verndarsviðs, https://island.is/s/utlendingastofnun/toelfraedi.

Box 2.1. Data on applications for international protection in Iceland

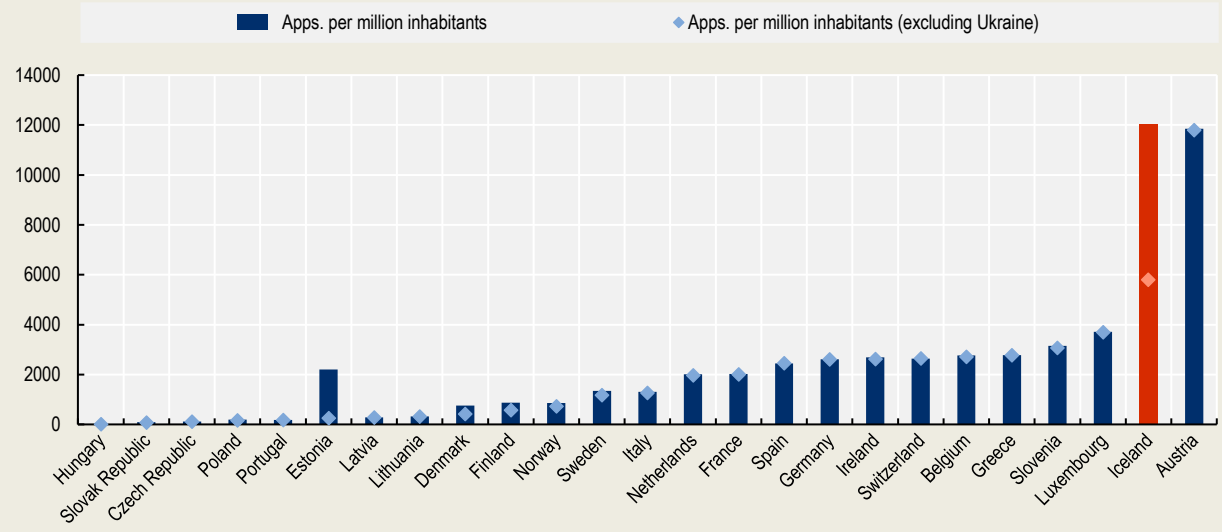
Several institutions are involved in the data collection process for applications for international protection. These include the Directorate of Immigration, the National Commissioner of the Icelandic Police, the Directorate of Labour, and Statistics Iceland. A process is ongoing to improve data flows and delays in information provision between the institutions.

Virtually all European OECD countries differentiate between applications for temporary protection on the one hand, and applications for international protection on the other. Iceland, however, does not make this distinction, which leads to a distortion in the asylum statistics for Iceland. In 2022, over 4 million Ukrainians were granted temporary protection in European countries, while only 22 055 Ukrainians applied for international protection.

Figure 2.5 shows the number of applications per million inhabitants, with and without Ukrainian applications for international protection. Iceland's number is halved when Ukrainian applications are taken out of the equation. As a result, aggregate data on applications for international protection in Iceland may be distorted when compared with other European countries.

Figure 2.5. Statistics on international protection in Iceland

New applications for international protection in European OECD countries, 2022



Source: OECD Secretariat calculations based on data from Eurostat.

In addition to those entering Iceland to apply for asylum, Iceland has since 1956 received refugees for resettlement on an *ad hoc* basis, without a firm annual quota as in other Nordic countries. In 2007, the government announced an annual quota of 25-30 refugees, but the policy was abandoned as a result of the financial crisis and quota refugee arrivals were sporadic in the following years. In 2015, the government announced that the quota would be substantially increased due to the increase in refugee flows around the world, and an average of 50 refugees have been resettled in Iceland since 2016 (Government of Iceland, 2023[12]).

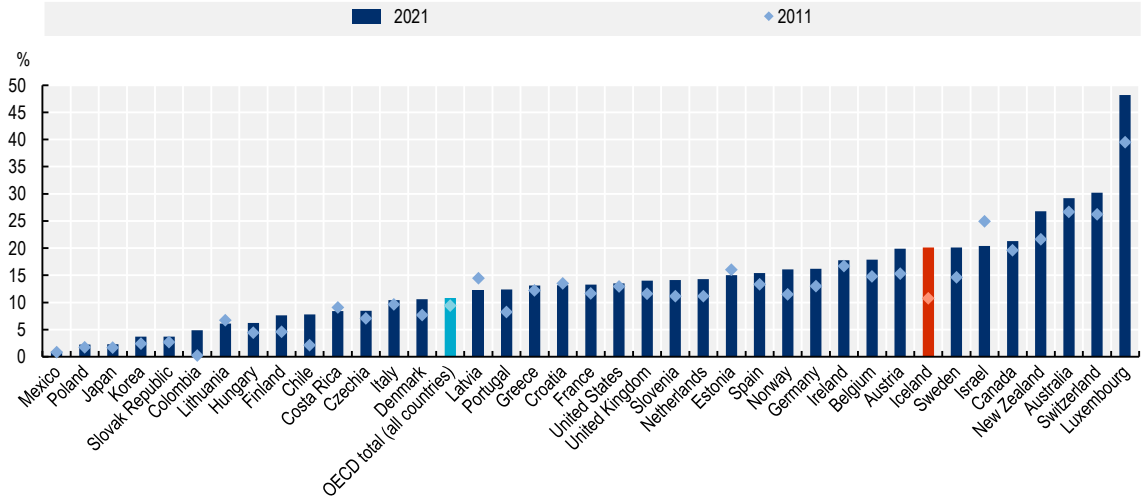
Origin and characteristics of Iceland's immigrant population

The migrant population has grown rapidly in the past decade

In the decade from 2011 to 2021, the share of the foreign-born population nearly doubled in Iceland (Figure 2.6). This is the highest increase in the population share of foreign-born among all OECD countries (OECD, 2022[13]). A further 1.7% of the total population in 2021 were born in Iceland to two foreign-born parents. This is a small share in international comparison, reflecting the recent nature of most immigration to Iceland.

Figure 2.6. Iceland has seen a rapid rise in the share of its foreign-born population in recent years

The share of foreign-born individuals among the total population, 2011 and 2021



Note: Data is sourced from labour force surveys, explaining the slightly different shares to those reported in Icelandic register data.
Source: OECD/European Commission (2023[14]), *Indicators of Immigrant Integration 2023*: Settling In, https://doi.org/10.1787/1d5020a6-en.

In 2022, a quarter of the immigrant population had lived in Iceland for 3-5 years, and more than 70% of the immigrant population had not been in Iceland for more than ten years (Statistics Iceland, 2022[15]). This is in stark contrast to developments across the OECD, where on average 70% of the immigrant population has resided in the host country for more than ten years (OECD, 2022[16]). The high share of recent migrants reflects both the large inflows of migrants in recent years, especially in times of economic expansion, as well as a high prevalence of temporary work among immigrants. The high share of temporary workers among the immigrant population in Iceland has made it difficult to estimate their true prevalence in labour force surveys, although new methods adopted have improved the accuracy of estimates (Box 2.2).

Box 2.2. Immigrants tend to be underestimated in Iceland's labour force survey

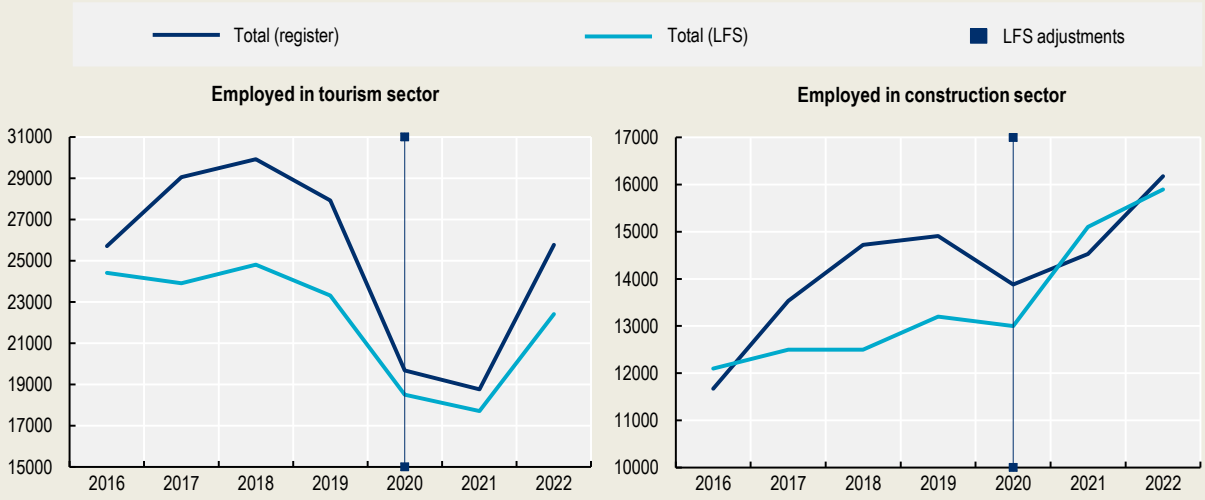
Statistics Iceland's Labour Force Survey (LFS) has been conducted annually since 1991 and is intended to collect indicators on the labour market status of the Icelandic population, including its participation, employment, and unemployment rates, and working hours. 4 000 individuals participate annually, and each participant is contacted five times during an 18-month period.

Immigrants are less likely be included in the survey for several reasons. First, to be included in the sample individuals must have permanent residence in the country and be registered in the civil registry. Second, the survey is conducted via telephone. As a result, the foreign-born population – notably EEA migrants working temporarily through foreign service providers and temporary work agencies – is likely to be underestimated.

Starting in 2021, new methods for the processing of results for the LFS were introduced. To reduce the nonresponse bias, changes were made to the weights of the survey and the estimated population size. Preliminary results from sectors with high immigrant concentration show that the number of employees reported in the national registry and in the LFS data have somewhat converged since then (Figure 2.7).

Figure 2.7. Adjustments made to LFS calculations in 2021 have improved data on immigrants' labour market status

Number of employed persons by main activity in selected migrant-concentrated sectors, 2016-22



Note: For more information on the new processing methods for the LFS, see Statistics Iceland (2021), "Improvements in the processing of the Icelandic Labour Force Survey", www.statice.is/publications/publication/labour-market/improvements-in-the-processing-of-the-icelandic-labour-force-survey/.

Source: Statistics Iceland (2023); Icelandic Confederation of Labour (2019[17]), *Íslenskur vinnumarkaður 2019,* www.asi.is/media/315797/islenskur_vinnumarkadur_2019_brotastarfsemi_130819_2.pdf.

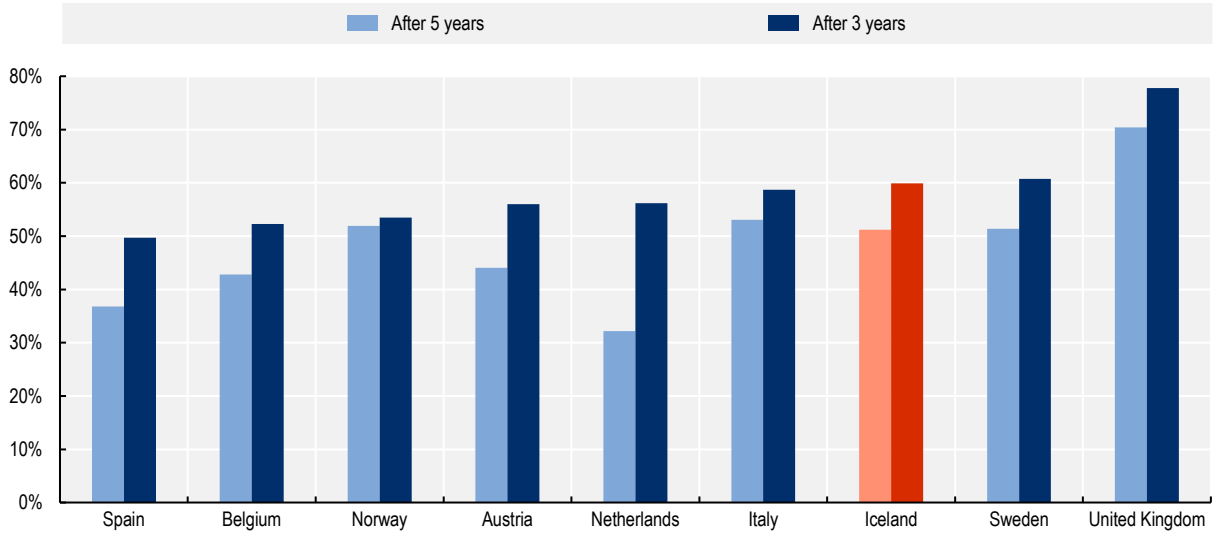
Around half of migrants wish to settle down permanently

When assessing the need to invest in integration policies, it is important to consider the extent to which migrants stay in the country for good. Administrative data show that in 2023, a majority (43 000 of 71 000) of migrants in the country were recent arrivals (arriving in the country within the last five years). The large share of recent arrivals makes estimating the extent to which migrant groups wish to settle in the country a particularly important task in the Icelandic context.

A cohort analysis of migrants who arrived in 2012 suggests that migrants in Iceland tend to remain in the country longer than in other European countries, with a few exceptions. Looking only at EEA migrants, 60% of migrants remained in the country after three years of stay, and 51% remained after five years in the country (Figure 2.8). Non-EEA migrants were less likely to stay, with 46% remaining in the country after three years and 41% after five years. Given the different profiles of non-EEA migrants who arrived in 2012 and those who are arriving a decade later, it is plausible that these rates may look different among more recent cohorts.

Figure 2.8. EEA migrants stay in the country for longer than in most European countries

Retention rates for EEA migrants in selected European countries, population aged 15 and over



Note: The retention rate is defined as the share of individuals who have stayed in the country since a given year. For Iceland, a register-based analysis of the cohort of migrants who arrived in 2012 was used. An individual is deemed to be in the country if one of the following applies: they are in employment, in the unemployment register, receiving social security benefits, or receiving social assistance from municipalities. If none of the above applies, the individual is considered to have left the country. For other countries, EU-LFS and OECD International Migration Database data was used, following cohorts of migrants who arrived in 2010-14.
Source: Iceland: Statistics Iceland. Other countries: EU-LFS and OECD International Migration Database.

Another way to estimate stay rates is surveying stay intentions, sourced from the *Workers in Iceland 2024* survey (see Box 2.3). While not as representative as register data, these data allow for disaggregation by reason for migration. Humanitarian migrants overwhelmingly desire to stay permanently in Iceland, followed by those who came for family reasons (largely from the EEA). Labour migrants, who account for the bulk of migrants in Iceland, exhibit diverging intentions, with roughly a three-way split between staying temporarily, permanently, and being undecided (counting only recent arrivals). Stay intentions are, not surprisingly, lower among recent arrivals than those that have stayed for five years or longer in Iceland. However, considering only those who have decided their length of stay among recent arrivals, six in ten plan to stay permanently. Even among recent migrants from the EEA who arrived for labour and who have a view about their stay intentions, about half plan to stay for good.

Box 2.3. Research and data sources on integration in Iceland

Data and research on migrant integration in Iceland is limited and remains in early stages. A body of qualitative research – mostly on living experiences of Polish migrants – exists, while quantitative data and studies are sparse. There are important exceptions, notably several studies on inequality and discrimination.

Iceland, much like the other Nordic countries, operates a system of linked administrative registers, which in theory allow for following the integration process of immigrants and their children over time. Every resident in Iceland has a Personal Identification Number (*kennitala*), through which the person's education, employment and participation in the labour market are registered in the central Registers

Iceland (*Þjóðskrá*) database. In practice, however, basic variables relevant to integration are often absent from public data, such as place of birth or reason for migration.

For international comparisons, European labour force and household surveys have been used throughout the report, notably the European Labour Force Survey (EU-LFS). This too, is very limited in Iceland. In 2021, Eurostat added a set of questions to the core EU-LFS on migrant integration, which Iceland did not participate in. Furthermore, Iceland is the only EU-LFS participating country, along with Switzerland, which does not record questions on the number of children in the household, hampering the labour market situation of migrant (and non-migrant) mothers, a group at risk of labour market exclusion. Iceland also participates in the Survey on Income and Living Conditions (EU-SILC), an important source on distributional questions and non-labour market indicators, but has not released microdata to Eurostat since 2018.

***Workers in Iceland 2024* survey module on migrant integration**

To account for the absence of data relevant to integration, the OECD entered into co-operation with *Varða*, an Icelandic labour market research institute, adding a range of questions related to integration to their annual survey of employed and unemployed. Varða is owned by the Icelandic labour unions, and their survey has a wide reach given the uniquely high share of labour union members in the country (92% of all employed). The survey reached over two-thirds of the Icelandic labour force, with more than 21 000 responses – a quarter of which were migrants. In Iceland, unemployed tend to be union members as well, so this group is included but the share of the unemployed in the survey (1.1% for the native-born and 2.8% for the foreign-born) is well below that reported in the labour force survey (3.1% for the native-born and 8.3% for the foreign-born).

There are also some sectoral biases, as members of the Icelandic Confederation of University Graduates (*Bandalag Háskólamanna*) and the Icelandic Teachers' Union (*Kennarasamband Íslands*) did not participate in the survey. While these unions have small shares of foreign-born members it is evident that the survey is not fully representative of those in employment.

Another key shortcoming of the survey is its lack of information on country of origin. Only immigrants from Poland (the largest group among immigrants from the EEA) are separately identified. However, given the large share of immigrants from the EEA, the overwhelming percentage (around 90%) of immigrants who reported to have arrived for work and family purposes are from the EEA.

These limitations notwithstanding, the survey provides insights into key questions on migrant integration that are not available otherwise. For integration outcomes, such as language proficiency, discrimination, as well as their links with category of entry, the survey is the only currently available source and thus used throughout this report.

Several factors other than reason for migration influence migrants' length of stay in a host country. In Iceland, young people below the age of 30 are less likely to report the desire to stay permanently than older migrants – being a young person is associated with a decrease in the likelihood of wanting to stay permanently by 20 percentage points. In contrast, being in a relationship has a positive, although statistically insignificant, relationship with wanting to stay in the country.

Factors pertaining to skills and the labour market have the largest influence on whether or not migrants want to settle down. Highly educated migrants are less likely to desire to stay permanently than their low- and medium-educated peers. Against this backdrop, it is interesting to note that Iceland ranks sixteenth – last among Nordic countries – among arrivals destinations for highly skilled migrants in the OECD's *Indicators of Talent Attractiveness* 2023, a ranking of the OECD's 38 member countries in terms of migration policy frameworks and other factors that affect the ability to attract and retain international talent (OECD, 2023[18]). However, a recent revision of the Foreign Nationals Act aims to make Iceland a more

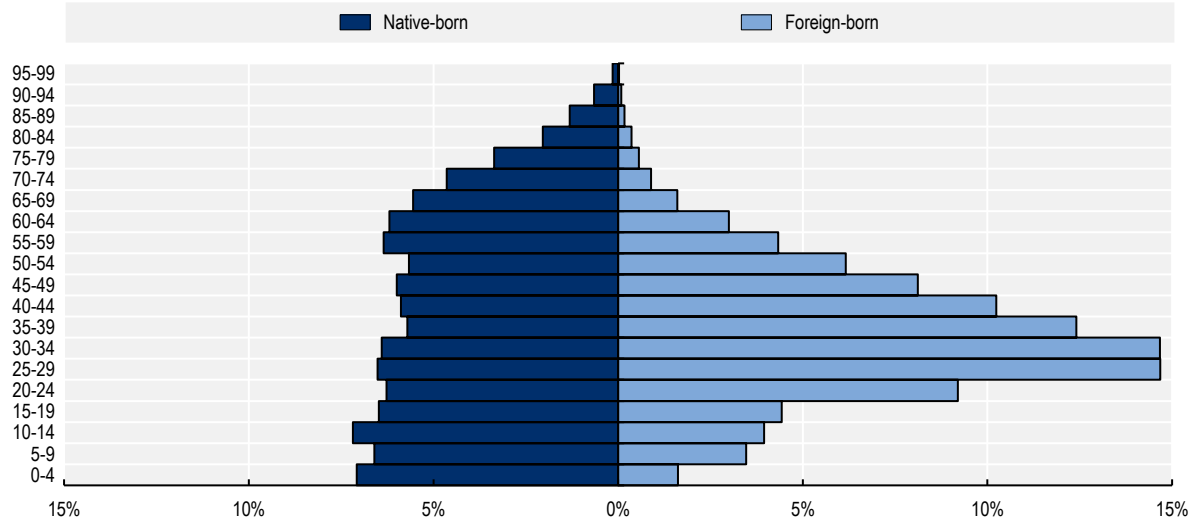
attractive destination for highly skilled migrants, *inter alia* through facilitations for specialist and student residence permits (Althing, 2023[19]).

The migrant population is predominantly from the EEA, in spite of some increase in non-EEA arrivals

The native- and foreign-born populations differ widely in terms of age composition. The native-born population is significantly older than the foreign-born population. Only 6% of immigrants are above the age of 60, compared with more than one in five among the native-born population. Moreover, 87% of immigrants are working-age (between 15-64 years old), whereas the figure is slightly above 60% for the native-born population (Figure 2.9). The high number of immigrants of working age exceeds both the EU and OECD averages, at 78% and 80%, respectively. Among the Nordic countries, only Finland has a higher share of immigrants in working age.

Figure 2.9. Immigrants are overrepresented among the working age population

Immigrants and native-born, distribution by age group, 2022



Note: The working age population is defined as individuals between the ages of 15 and 64.
Source: OECD Secretariat calculations based on Statistics Iceland (2022[20]), MAN43000: Population by origin, sex and age 1996-2022, https://px.hagstofa.is/pxen/pxweb/en/Ibuar/Ibuar__mannfjoldi__3_bakgrunnur__Uppruni/MAN43000.px.

Iceland's foreign-born population is relatively homogenous in terms of origin, with a large majority coming from EEA countries. However, the share of non-EEA migrants has risen over the past decade – doubling in absolute terms between 2010 and 2020 (from 5 476 to 11 413). In 2022, three-in-four immigrants in Iceland were born in Europe – including non-EEA countries – and 13% were born in Asia. No other continent of origin exceeded 5% of the immigrant population.

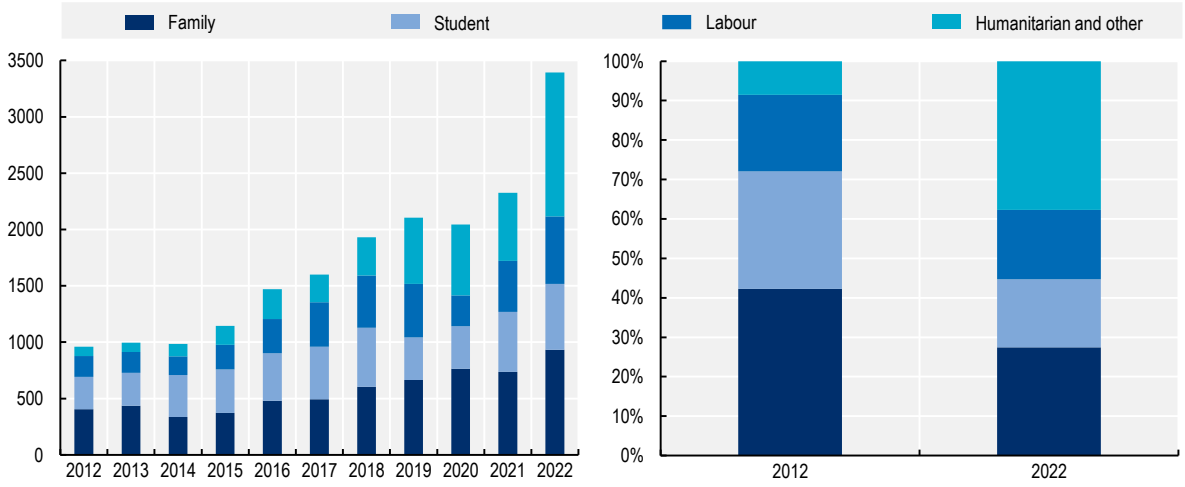
In 2022, 28.6% of the foreign-born in Iceland were born in Poland, accounting for 5.6% of Iceland's total population. Lithuania is a distant second among origin countries with 5.6%, followed by Romania (4.1%) and Latvia (3.7%). Among non-EEA countries, the Philippines (3.9%, the United Kingdom (2.1%) and the United States (2.1%) are the most prominent.

The composition of permanent migrants by reason for migration has changed in the last decade, notably due to increased inflows of humanitarian migrants (Figure 2.10). As mentioned, Iceland has received applications for asylum relative to its population well above the EU average in 2022. Aside from 2022,

family-related migration has the predominant reason for non-EEA migration, although its share in the composition of inflows has decreased over the past decade. Labour migration remains low, as most labour needs are filled by migrants from the EEA.

Figure 2.10. A rise in humanitarian migrants has changed the composition of non-EEA migrant inflows

New residence permits by category, 2012-22



Note: New residence permits granted for three months or more. Permits granted more than six months after a previous permit expired also count as a new permit.
Source: Statistics Iceland (2023[21]), *MAN45003: New residence permits by type, citizenship and sex 2012-22*, https://px.hagstofa.is/pxen/pxweb/en/Ibuar/Ibuar__mannfjoldi__3_bakgrunnur__Vernd_dvalarleyfi/MAN45003.px.

As mentioned, a total of 4 518 applications for international protection were recorded by the Directorate of Immigration in 2022, slightly more than half of which (2 345) came from Ukraine. Not considering Ukraine, the number of asylum seekers was the highest on record (2 173), almost twice as much as the previous record year of applications for international protection (1 131 in 2016. The vast majority came from Venezuela. Applications for asylum, not considering Ukraine, continued to further increase in 2023, counting 2 317 applications in the year. Half of all applications, or 1 149, came from Venezuela. Palestine (13%), Nigeria (6%) and Somalia (5%) were other prominent origin countries.

This recent rise in arrivals of humanitarian migrants has important implications for integration. Whereas immigrants have for most of the twentieth century been a relatively homogenous group consisting for the most part of intra-EEA labour migrants, this is changing with major inflows of non-EEA humanitarian migrants – a group whose integration needs are entirely different.

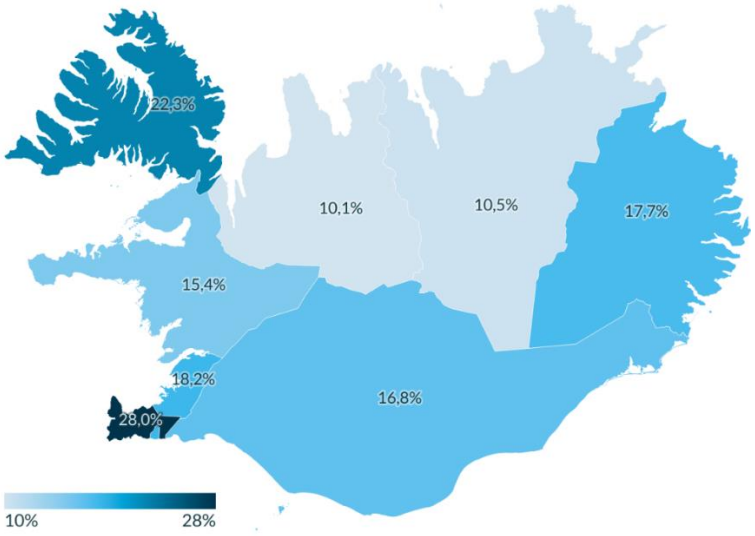
The settlement of immigrants in Iceland

While immigrants reside all over Iceland, they are concentrated in the southwestern area of the country, and to some extent, the northwest (Figure 2.11). The southwestern area is home to the capital city, Reykjavík, and its metropolitan area. Around 63% of the total population lived in the capital area in 2022, 18.2% of which were immigrants, making it the region with the largest absolute number of immigrants. The largest share of immigrants is in the Suðurnes region. Immigrants made up 28% of the region‘s population in 2022, up from 9.5% in 2012 – the largest increase of any region during the period. Fishing is an important industry in the region, where foreign-born workers are disproportionately represented. The region is also

home to Keflavík Airport, the country's main hub for international transportation, which plays an important role in the local economy. In the northwest Vestfirðir (Westfjords) region, immigrants make up the second highest proportion of migrants among the total population (22.3%) (Statistics Iceland, 2023[22]).

Figure 2.11. Immigrants represent a large share of the population in southwest and northwest Iceland

The share of foreign-born of the total population by geographical region, 2022



Source: Statistics Iceland (2023[23]), *Innflytjendur 16.3% íbúa landsins,* https://hagstofa.is/utgafur/frettasafn/mannfjoldi/mannfjoldi-eftir-bakgrunni-2022/.

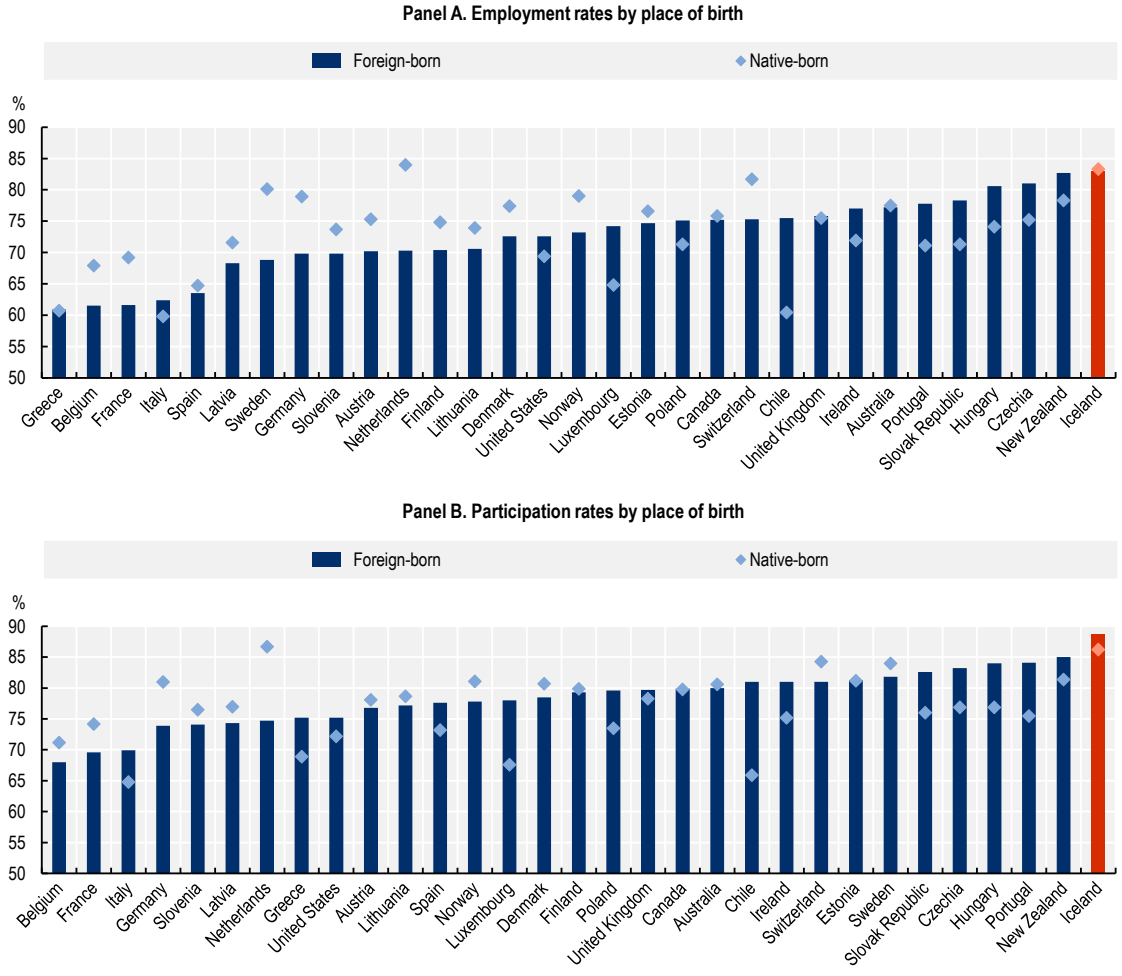
Social and labour market context of integration policy

Employment and participation rates in Iceland are very high, with slight differences between the native- and the foreign-born populations

Iceland has a high skill labour market and its Nordic welfare model is dependent on high employment of both genders (OECD, 2022[16]). Iceland performs well on the main labour market indicators and differences between the native- and foreign-born are smaller than elsewhere in the OECD. In 2022, Iceland had the highest employment rate of immigrants among OECD countries, at 82.9% (Figure 2.12). The figure was slightly higher for the native-born, at 83.3%, although the difference was more pronounced in other European OECD countries. Iceland also exhibits the highest participation rate of foreign-born persons among OECD countries, at 88.8%. In fact, migrant participation in the labour market is significantly higher than for the native-born, at 86.2%.

Figure 2.12. Employment and participation rates in Iceland are the highest in the OECD

Employment (top) and participation (bottom) rates in OECD countries, 15- to 64-year-olds, 2022



Source: OECD data.

Another salient characteristic is the high employment of immigrants from non-EEA countries. Elsewhere in OECD Europe, intra-EEA migrants exhibit significantly higher employment rates than their peers migrating from outside the EEA – a difference of 11 percentage points. In Iceland however, non-EEA migrants also exhibit high employment rates, only slightly lower – 3 percentage points – than that of their EEA-born peers.

Iceland's high labour force participation has contributed to its status as one of the most egalitarian economies of the OECD (OECD, 2021[24]). Yet, gender gaps do exist, irregardless of place of birth, but in contrast to other OECD countries, the gender gap is much smaller – especially for the foreign-born. In 2022, participation rates of foreign-born women were 6 percentage points lower than those of their male counterparts. Among the native-born, the gap was 5 percentage points. These gaps are significantly lower than the EU average (17 and 9 percentage points, respectively).

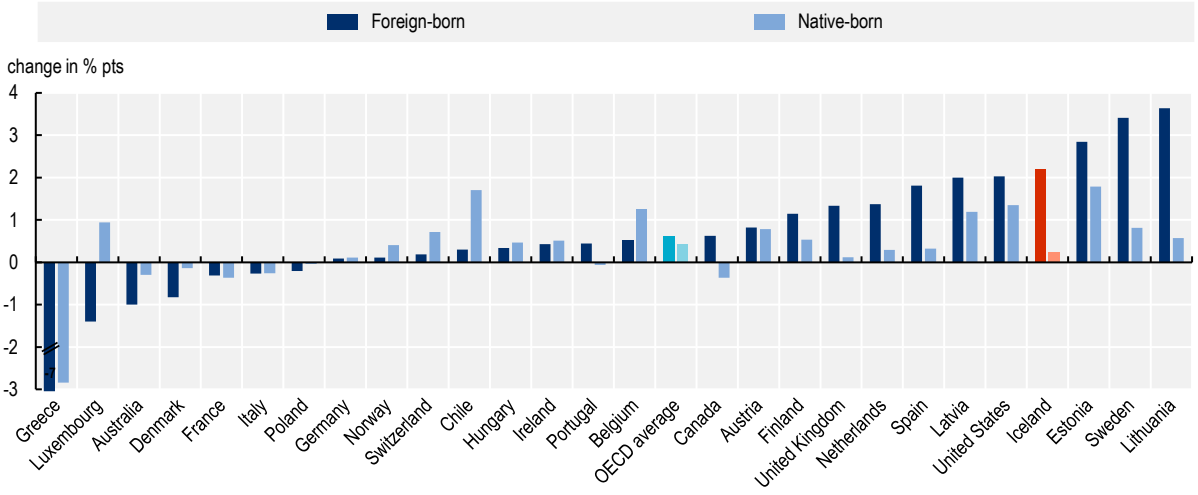
The COVID-19 pandemic highlighted the precarious labour market situations of many immigrants

While participation rates indicate favourable labour market outcomes for immigrants, the same cannot be said about unemployment indicators. In April 2024, 55% of all unemployed individuals were foreign-born.

What is more, in periods of rising unemployment, increases tend to be significantly higher for migrants than the native-born population. In the COVID-19 pandemic, immigrants experienced a sharp increase in unemployment rates between Q3 2019 and Q3 2021 – rising by around 2 percentage points compared with the OECD average of less than 1 percentage point. In the same period, the unemployment rate of the native-born population stood almost unchanged (Figure 2.13). This is due to the fact that immigrants are overrepresented in labour-intensive sectors that are adversely affected by economic shocks; such as tourism, construction and fisheries.

Figure 2.13. During the pandemic, immigrants fared much worse on the labour market than the native-born population

Change in the unemployment rate in selected OECD countries, Q3 2019 to Q3 2021



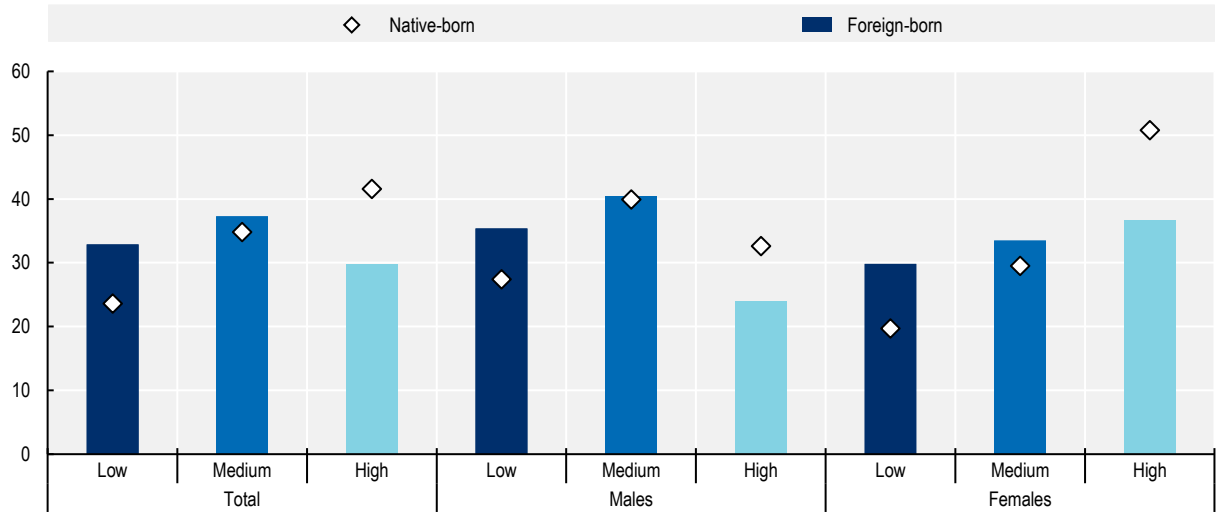
Source: OECD/European Commission (2023[14]), *Indicators of Immigrant Integration 2023: Settling In*, https://doi.org/10.1787/1d5020a6-en.

Immigrants in Iceland struggle to find jobs that match their skill level

Iceland has a high-skill labour market, with only 5% of jobs classified as low-skilled – among the lowest shares in the OECD. Immigrants in Iceland are more educated than immigrants in other European countries on average, but are less educated than their native-born peers (Figure 2.14). Immigrant women exhibit higher levels of educational attainment than their male counterparts, partly reflecting the high number of immigrant men arriving from Europe to work in medium- or low-skilled professions.

Figure 2.14. Immigrants have slightly lower levels of formal education than the native-born

Highest level of educational attainment, by place of birth and gender, 2022



Source: Statistics Iceland.

One key issue is the fact that 35% of highly educated migrants in employment are formally overqualified – defined as the share of highly educated people working in low- or medium-skilled employment – whereas that share is 10% for the native-born population. This is the largest gap among all OECD countries (see Chapter 3). Indeed, immigrants are overrepresented in three labour-intensive sectors of importance to the Icelandic economy: tourism, construction, and fisheries. Immigrants account for more than a third of all workers in these three sectors which together amounted almost 20%[1] of Iceland's GDP in 2022. Since the financial crisis, immigrants' share of the workers in these sectors has been growing at a faster rate than migrants' participation in the overall economy, reaching their highest levels in the most recent year for which data is available (2022). The skill levels that these sectors require vary, although they generally require lower skills than other sectors of the economy. Immigrants also take up a large proportion of the low-skilled jobs in these sectors despite holding similar skill levels to that of the native-born population. For instance, in tourism, 76% of workers in catering and accommodation are foreign-born.

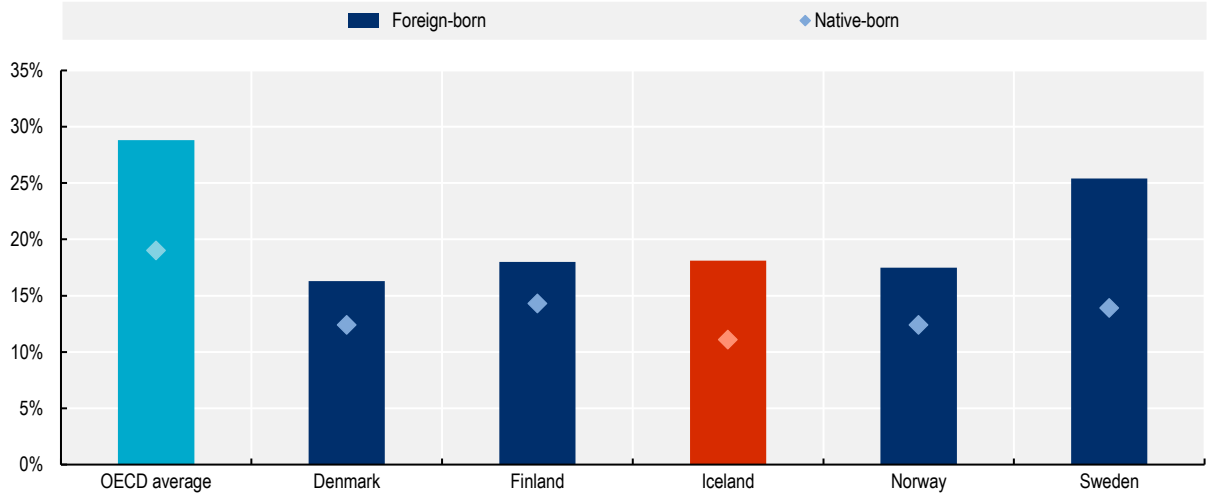
Lack of access to suitable housing can be an impediment to migrant integration

Iceland is a highly egalitarian economy. Its Gini coefficient has improved substantially in the past decade and a half, from a high of 31.8 at the onset of the financial crisis in 2008 to 23.4 in 2018, trailing only the Slovak Republic and Slovenia among European OECD countries. Moreover, socio-economic status has a weaker influence on education or health outcomes in Iceland than in most OECD countries (OECD, 2021[24]).

While the relative poverty rate – defined as the share of the population living below the poverty line – in Iceland is lower than in most OECD countries, the picture is not as favourable when disaggregated by place of birth (Figure 2.15). The gap in poverty rates between the native- and foreign-born populations (7 percentage points) is wider than in the other Nordic countries, bar Sweden. A similar gap between native- and foreign-born can be seen in per capita levels of public expenditure, with striking differences for health-related benefits, in particular (Box 3.4). However, the relative poverty rates of immigrants in Iceland have made strides towards convergence with those of the native-born population over the past decade, exhibiting the third highest reduction in rates since 2010 among OECD countries.

Figure 2.15. The poverty gap between the native- and foreign-born in Iceland is relatively large

Relative poverty rate by place of birth, 16+, 2020



Note: Rates have been adjusted using the Oaxaca-Blinder decomposition method, namely by controlling for age, gender, level of education and degree of urbanisation.
Source: OECD/European Commission (2023[14]), *Indicators of Immigrant Integration 2023: Settling In,* https://doi.org/10.1787/1d5020a6-en.

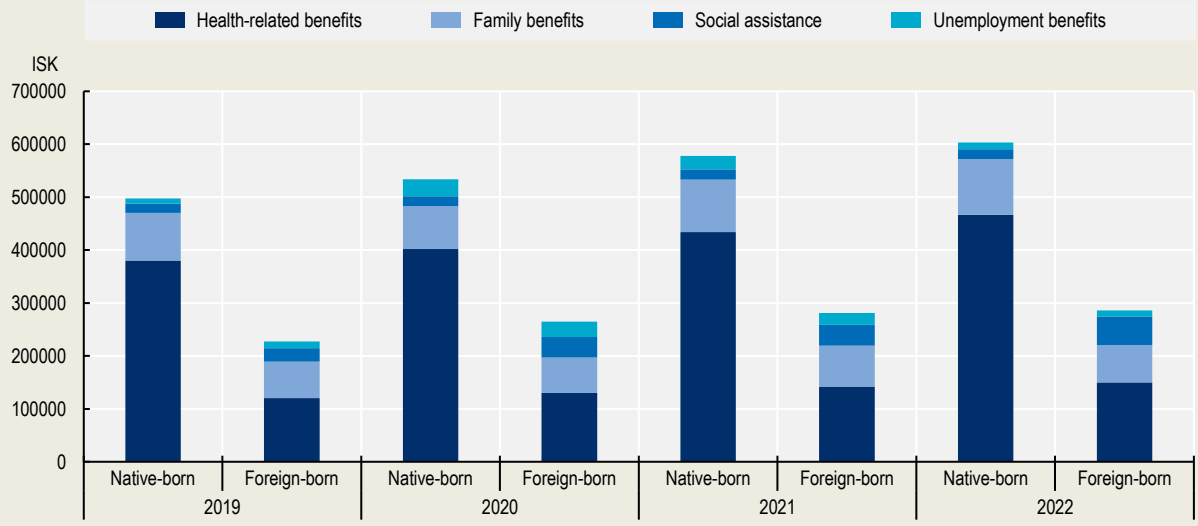
Box 2.4. Public expenditure on benefits varies between migrants and the native-born

An interesting fact in Iceland is that per capita expenditure on public benefits is twice as high among the native-born than among the foreign-born (Figure 2.16). This is well above differences observed in other OECD countries (OECD, 2022[16]).

The differences in Iceland seem to be largely driven by lower expenditure for migrants on health-related benefits. Migrants may face additional barriers when seeking health services in a new country. These barriers include language difficulties, health literacy, cultural differences, and the attitude of health professionals. In the Icelandic context, migrant mothers that do not speak the Icelandic language are a group that is particularly prone to receiving unsatisfactory health services. For instance, a recent study found that migrant women in Iceland face increased risks of urgent caesarean sections relative to native-born women, suggesting that language barriers or inadequate antenatal care may be at play (Department of Anesthesia and Intensive Care, Landspítali University Hospital, Faculty of Medicine, University of Iceland et al., 2024[25]).

Figure 2.16. Differences in social expenditure are driven by health-related benefits

Benefit expenditure per inhabitant aged 18-66, in ISK current prices, 2019-22



Note: Health-related benefits include health insurance payments and disability benefits. Family benefits include child support and family/children-related allowances. Social assistance includes housing allowances, old-age pensions and municipal transfers and aid.
Source: Statistics Iceland.

Living conditions and the availability of adequate housing can influence the extent to which immigrants integrate into the host society. In Iceland, immigrants fare worse than the native-born when it comes to living conditions, although outcomes are still more favourable than those in most other OECD countries. A tight rental market disproportionately affects immigrants, who account for 35% of renters and just over 10% of homeowners on the market. Around 15% of immigrants live in overcrowded dwellings and 25% in substandard housing, whereas the shares are 6% and 20% for the native-born (OECD/European Commission, 2023[14]). These outcomes reflect a dire housing market that was affected by a dual rise in tourism and immigration over the past decade. At the same time, a particularly small number of housing

units were built during the financial crisis, leading to high increases in prices (Icelandic Confederation of Labour, 2022[10]).

As immigrants are overrepresented on the rental market, they are more likely to incur burdensome housing costs (Statistics Iceland, 2019[26]; IMF, 2022[27]). Indeed, in the Workers in Iceland 2024 survey, more than half (54%) of immigrants reported housing costs as imposing a high burden on their finances, compared to 27% of the native-born population. While immigrants' concentration on the rental market could explain these numbers – a quarter of migrants are houseowners compared with three-quarters of the native-born – they also reflect a housing support system which does not seem to target well those who most need it. 20% of households in the third income quintile receive housing allowances, a much higher share than the OECD average, at 5%. As in other European OECD countries, immigrant households are concentrated in the lower quintiles but to a lesser degree than elsewhere, with 40% in the two lowest quintiles, while the number is 32% for the native-born. In spite of this, survey results indicate that the native-born are more than twice as likely as the foreign-born to be receiving housing allowances (28% against 13%) (Varða, 2024[28]).[2] Furthermore, a limited body of research suggests that migrants in Iceland may be prone to discrimination on the rental market, with detrimental effects for their integration prospects – further analysed in Chapter 4.

Despite challenges on the housing market, migrant outcomes improve as their length of stay increases. In total, a quarter of the foreign-born on the Icelandic labour market are homeowners, compared to nearly three-quarters of the native-born.[3] Disaggregation by length of stay in the country shows that as expected, migrants' share of homeowners rises with length of stay, rising to 36% among those who have stayed for five years or more, and up to 54% among those who have stayed at least ten years. Native-born individuals to foreign-born parents exhibit ownership rates of 55%, still noticeably lower than those of their peers without foreign-born parentage.

Research on residential segregation in Reykjavík indicates that Polish immigrants in the city experience relatively low to moderate levels of residential segregation (Stefánsson, 2023[29])**.** As years of stay increase and their financial situation improves, along with their integration prospects, Polish immigrants become less bound by the housing market to live in low-income neighbourhoods, and they become more likely to be able to buy housing instead of renting.

The evolution of integration policy

Integration developed late and was initially limited to refugee policy

Iceland has accepted quota refugees since 1956 but lacked an integration policy for this group until 1995. The Icelandic Refugee Council was created in 1995 by the Ministry of Social Affairs. The council's objective was to formulate non-binding recommendations as to how many refugees Iceland would receive on an annual basis, and what financial contributions were needed to accommodate the refugee population and integrate them into society. The council was composed of representatives from relevant ministries and the Icelandic Red Cross, which has long been an important player in service provision for refugees in Iceland. While Iceland had received groups of refugees only on six separate occasions from 1956-95, refugee group arrivals have increased since the establishment of the Refugee Council and refugee groups have been accepted on an almost annual basis since then. In 2005, the Refugee Council was abolished and replaced by a Refugee Committee whose role was more in line with other developments in the field of migrant integration, providing integration policy recommendations to the minister as opposed to merely suggesting how many quota refugees to accept (Ministry of Social Affairs and Labour, 2005[30]).

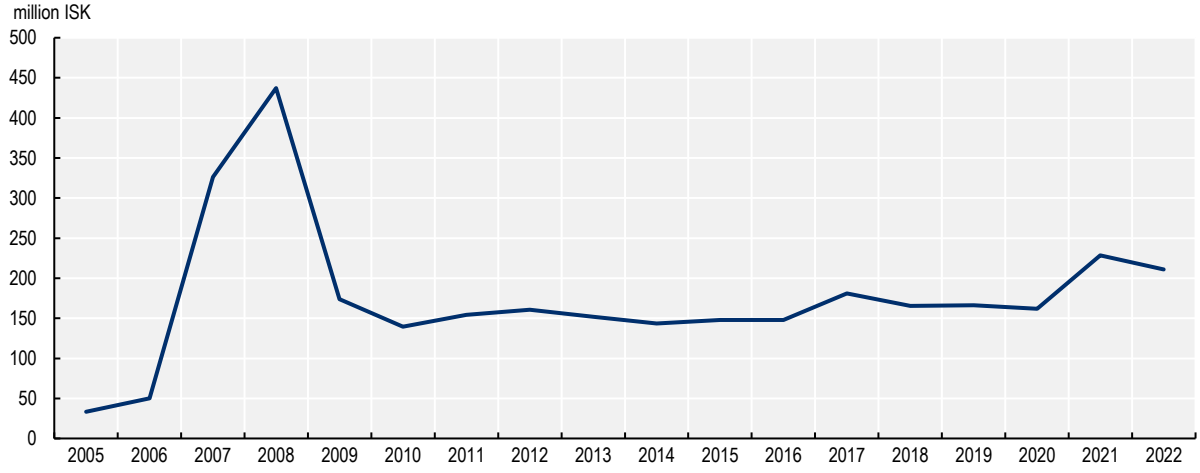
The turn of the century saw a growing need for a broader integration policy

Migrant integration became an increasingly prevalent topic in public debate around the turn of the century due to increased numbers of migrants coming to Iceland. The first nationwide efforts towards immigrant integration came in 2000, when a bill was passed in Parliament to establish the Multicultural Information Centre. Located in Ísafjörður, Westfjords region, its initial role was to facilitate communication between the native- and foreign-born populations across the country, work with municipalities to strengthen service provision for immigrants, and facilitate the integration of the foreign-born to Icelandic society. While initially only a three-year pilot project, its role has expanded considerably since it became a statutory institution in 2012. In 2023, the institution was merged with the Directorate of Labour in an effort to strengthen integrated service provision for the immigrant population (Althing, 2023[31]).

The financial crisis of 2008 left its mark on integration policy in Iceland, at a time when integration policy had recently become a government priority for the first time. In January 2007, the first government policy on the integration of immigrants was formulated. The policy's objective was to „ensure that all residents of the country enjoy equal opportunities and become active participants in society and in as many areas of human life as possible" (Ministry of Social Affairs and Labour, 2007[32]). Several objectives and measures were listed along several main themes, the most pertinent one being language training for adults. Expenditure on Icelandic language courses was greatly increased but only for a short-lived period, as the field saw severe cuts in 2009-10 in response to the financial crisis (Figure 2.17). Relative expenditure has since then not recovered to previous levels, despite an increase in demand for language courses (see Chapter 3).

Figure 2.17. Icelandic lessons for migrants faced cuts in the financial crisis and expenditure has not recovered since

Annual expenditure on Icelandic lessons for foreigners, 2005-22, ISK in constant 2022 prices



Note: One million ISK corresponds to about EUR 6 700.
Source: OECD Secretariat calculations based on data from the Ministry of Higher Education, Science and Innovation (2005-18); and Rannis (2023[33]), *Úthlutanir*, www.rannis.is/sjodir/menntun/islenskukennsla-fyrir-utlendinga/uthlutanir/.

In 2007, the Development Fund for Immigration Issues was established by the Ministry of Social Affairs and Labour. Its stated objective is to promote research and development in the field of immigration with a view to facilitate the integration of migrants into Icelandic society and to better enable society to accommodate them. Since 2007, the fund has supported a total of 218 projects. Grants are awarded annually and may be awarded to associations, unions and public entities, and to individuals for research

purposes. The fund's budget amounted to ISK 40 million (EUR 260 000) in the year 2023 (University Centre of the Westfjords, 2021[34]; Ministry of Social Affairs and Labour, 2023[35]).

In 2007, the Icelandic Government decided to fix its annual refugee resettlement quota at 25-30 individuals. Due to the financial crisis, the quota was reduced in the following years and did not reach the previously determined levels until 2016 when the government substantially increased the number of refugees to be resettled in response to the refugee crisis (UNHCR, 2016[36]). In the years 2016-22, an average of 50 quota refugees have been granted protection in Iceland on an annual basis (Government of Iceland, 2023[12]).

Integration policy is put on a strong legal ground only in 2012

In 2012, the Act on Immigration Issues was adopted in the Althing, the Parliament of Iceland. It was the first comprehensive legal act that covered the integration of immigrants into Icelandic society and remains the primary legal instrument on integration matters. The Directorate of Labour is entrusted with enforcing the law, which includes providing counselling services, assisting municipalities in receiving migrants, collect and disseminate relevant information on the rights and obligations of migrants, and collect and analyse data on immigrants (Althing, 2023[31]).

With the 2012 Act on Immigration Issues, the primary bodies pertaining to the integration of immigrants that had been informally established in the years prior were transformed into statutory bodies, reducing uncertainty about their status or funding arrangements. These bodies include the Immigration Council, a consultative body entrusted with, inter alia, informing the minister with recommendations on relevant integration policy and on grants from the Development Fund for Immigration Issues. The Refugee Committee, another consultative body which advises the Minister on Refugee Policy, was legally recognised four years later with the Act on Foreign Nationals.

The 2012 Act also included a provision on what is now a primary tool in the integration policy toolbox: a quadrennial Action Plan on Immigration Issues. Every four years, the Minister of Social Affairs and Labour puts forward a bill in the Althing outlining relevant actions on immigration matters. Prior to the proposal in the Althing, the minister is expected to undertake consultative opinions from other ministries, institutions, the Directorate of Labour, and the Immigration Council. For the 2022-25 Action Plan on Immigration Issues, see Box 2.5.

Box 2.5. The 2022-25 Action Plan on Immigration Issues

The Action Plan on Immigration Issues for 2022-25 has five pillars: Society, family, education, the labour market, and refugees. Under each pillar is a list of objectives with actions and how to execute them. Relevant actors responsible and stakeholders are also listed.

The **society** pillar aims to improve policy formulation; public service access for immigrants; and training for public service workers. One of the explicit objectives is to formulate a clear and comprehensive long-term integration policy in immigrant, refugee, and multicultural matters. Examples of concrete actions include improving data collection by measuring perceptions of society towards migrants and the perceptions of migrants towards service provision. Further actions pertaining to data collection are lacking.

The **family** pillar highlights the participation of immigrants in all areas of society; housing; and social security and welfare. Actions include highlighting for migrants existing support measures in the housing market, such as through registering a legal domicile in the country and raising awareness of eligibility requirements for housing allowances.

The **education** pillar highlights multicultural learning; the professional development of teachers; the continuity of learning; and Icelandic as a second language. Actions include strengthening the assessment of qualifications for immigrant students and workers, making Icelandic language learning competency-based, and increasing the number of teachers of foreign descent within the education system.

The **labour market** pillar highlights equal opportunities in the labour market; actions to reduce unemployment among immigrants; accessible information on the rights and obligations of employees and employers; and a revision of immigrant employment laws. Various initiatives are listed, including regular research on the pay gap by ethnic background and the simplification of residence and employment permit procedures.

The **refugee** pillar highlights integrated services; mental health and active participation in society; and research and improved information. Actions include setting up a co-ordinated reception centre with integrated services and the creation of an information pamphlet for newly arrived refugees.

Source: Althing (2022[37]), *Parliamentary resolution on an Action Plan on Immigration Issues for the years 2022-25.*

A co-ordinated response to an unprecedented increase in refugee arrivals

In reaction to a rise in humanitarian arrivals, the Ministry of Social Affairs and Labour (at the time the Ministry of Education and Children) signed in 2020 agreements with five municipalities which aimed at ensuring continuous and equal provision of services to refugees irrespective of their country of origin. The pilot project became a fixed contract in 2022 available to all municipalities in the country, establishing a unified system of reception for refugees. In the same year, a reception centre for refugees was opened in Reykjavík, where individualised services are provided to recent arrivals in a one-stop shop. In the scheme, municipalities receive financial assistance from the state to account for services provided during the first three years of stay. The amount provided depends on the refugee‘s family situation. For instance, for each single and childless beneficiary of international protection, the municipality will receive ISK 478 000 (EUR 3 100) in the first year, ISK 182 000 (EUR 1 200) in the second year, and ISK 121 000 (EUR 800) in the third year. This sum is expected to cover counselling services, administrative assistance and housing.

In March 2023, in response to the increase in refugee arrivals, the Prime Minister‘s Office set up a co-ordination team for the reception of refugees. The team, which is set to work for three years, has the role of streamlining and co-ordinating the reception of refugees across ministries, institutions and municipalities.

Gaps in service provision for asylum seekers exist, depending on whether services are provided on the municipal or national level. The 2016 Act on Foreign Nationals stipulated that services for asylum seekers would be provided by municipalities with reference to a contract between municipalities and the state. Due to a large increase in applications in that year, the contracts were not able to capture all service users and today only 27% of applicants receive services on the basis of such agreements, while 73% receive services from the Directorate of Labour (Ministry of Social Affairs and Labour, 2023[38]). Whereas the Directorate of Labour provides access to basic services such as medical assistance, schooling and public transport services, municipalities provide more extensive services. Depending on the municipality, these may include Icelandic language and civic integration courses, activities for unaccompanied minors, access to kindergarten and leisure services for children.

Key stakeholders in integration policy

The Ministry of Social Affairs and Labour is the primary actor in integration policy

While several ministries are involved in integration policy in Iceland, the Ministry of Social Affairs and Labour remains the primary actor. For the year 2022-23, the budget line "immigration and refugee issues" amounted to a total of ISK 2.43 billion, i.e. EUR 16.2 million. The vast majority of the budget line – ISK 2.37 billion – was allocated to the Ministry of Social Affairs and Labour. The ministry is responsible for the co-ordination of integration policy for immigrants and is also directly responsible for several important factors to integration, such as employment, welfare and social policy. It is also charged with the reception of resettled refugees, in co-operation with the Office of the United Nations High Commissioner for Refugees (UNHCR). In 2022, several policy areas were transferred between ministries, and the Ministry of Social Affairs and Labour was made responsible for the provision of basic services for individuals applying for international protection. This had previously been a responsibility of the Ministry of Justice, which still regulates the entry and residency of foreigners. Another policy area of relevance for integration that was transferred to the ministry's portfolio in 2022 is lifelong learning. Lifelong learning centres are also the main providers of language courses across the country.

The Ministry of Social Affairs and Labour also oversees the *Directorate of Labour*, which plays a major role in service provision for immigrants. The Directorate of Labour operates the public employment service (PES) and several other labour market and social services. The PES runs eight service centres across the country that function as one-stop shops and provide employment registration, skills assessment, counselling and benefits, as well as job placement to jobseekers. The service centres also co-operate with other service providers on benefits and labour market measures, most prominently municipalities. They also handle the issuance of work permits and the registration of immigrants in the Icelandic labour market and temporary work agencies (Directorate of Labour, 2022[39]). Currently, over half of all jobseekers registered with the PES are foreign-born. In response, the Directorate of Labour established in 2024 an international department with the role of overseeing service provision for unemployed immigrants. The department employs ten people with varying backgrounds and languages and offers numerous courses for immigrants. These include self-empowerment courses, CV-building, jobseeking help, Icelandic language learning, certified education paths in co-operation with lifelong learning centres and special projects for jobseeking youth.

In March 2023, the Multicultural Information Centre was merged into the Directorate of Labour, with the aim of providing holistic and integrated services for immigrants, refugees and asylum seekers in one place. In its reasoning, the Ministry of Social Affairs and Labour particularly noted the success of the reception centre for refugees, established in April 2022, where services are provided for recent refugee arrivals in a one-stop shop. Co-operation between levels of government and the efficiency of service provision would also be improved, although no quantifiable criteria were put forward on how to achieve this objective (Ministry of Social Affairs and Labour, 2022[40]).

The Ministry of Education and Children is the only other ministry with a specific budget line for integration, albeit only a small amount (ISK 60 million, or EUR 400 000), mainly for language learning for migrant children. However, the contribution is low as municipalities are responsible for compulsory education.

The Ministry of Infrastructure operates the Local Governments' Equalisation Fund (*Jöfnunarsjóður sveitarfélaga*), one of whose objectives is to provide language support for children with an immigrant background. For the year 2024, municipalities were allocated a total of ISK 884 million (EUR 5.75 million) in language support for children with an immigrant background.

The Prime Minister's Office is responsible for anti-discrimination policy, human rights and overall co-ordination of government policy. In 2023, against a backdrop of a significant increase in refugee arrivals

in 2022 and 2023, the ministry established a co-ordination team tasked with ensuring a co-ordinated reception of refugees through all levels of government (Prime Minister's Office, 2023[41]).

The Ministry of Justice is responsible for the processing of applications for international protection, the issuance of residence permits, and legal assistance in cases of appeal of decisions concerning such applications.

Co-ordination with municipalities has increased significantly in recent years

Municipalities are an important actor in integration policy and their role has increased in recent years. In 2009, the Icelandic Association of Local Authorities developed its own multicultural policy, and several municipalities have adopted targeted policies of their own. Most of the larger municipalities have begun to employ multicultural representatives, charged with overseeing integration policy in the municipality, and providing multicultural support throughout the policy making process (Icelandic Association of Local Authorities, 2022[42]). Municipalities are also allowed by law to apply for grants via the Development Fund for Immigration Issues.

Municipalities provide the same set of basic social services to the foreign- and native-born populations alike. Municipalities must, among other things, provide social counselling, social home services and support for housing, drug and financial issues. In addition to these basic services, a special set of services is afforded to refugees who live in municipalities that have entered into an agreement with the Ministry of Social Affairs and Labour on the co-ordinated reception and integration of refugees. A total of 12 municipalities have signed such an agreement as of April 2023, covering the vast majority of refugees.

Social partners play a large role in migrant integration compared to other OECD countries

A defining characteristic of the Icelandic labour market is its wage bargaining model, which is based on social dialogue and tripartite co-operation between the government, employers and workers organisations. This model has contributed to low inequality, high inclusiveness and a gender balance (OECD, 2017[43]). There is no statutory minimum wage and collective bargaining coverage remains around 90%.

Iceland has by far the highest trade union density among OECD countries, at 92% – meaning that more than nine out of ten wage and salary earners are members of a union. Whereas a general decline in union density can be observed among OECD countries over the past several decades, including in the other Nordic countries, Iceland's unionisation rate has remained stable. Immigrants exhibit similar patterns to those of the native-born when it comes to union density in Iceland, in some sectors exceeding the native-born population (Statistics Iceland, 2019[26]). However, breaches of wage agreements are still much more common among foreign workers and youth in the lowest income group (Sigurjónsdóttir, 2021[44]). Although immigrants made up only one-fifth of the Icelandic workforce in 2018, more than half of all complaints of work-related violations received by the Icelandic Confederation of Labour were from foreign-born workers in that same year.

In addition to providing work-related services, unions play an active role in service provision for immigrants. They are the majority owners of most lifelong learning centres, who provide the bulk of language and civic integration courses offered to immigrants. Courses for the unemployed and refugees, as part of the offer by the public employment services, are often outsourced to these centres.

Civil society's role in integration is limited and primarily services refugees

Much like its Scandinavian neighbours, Iceland has for the most part kept service provision for the immigrant population within the purview of the state and its labour unions, with several exceptions. The Icelandic Red Cross has been involved in service provision for immigrants and primarily refugees since

1956, when Iceland accepted its first group of resettled refugees. The Red Cross operates several social assistance projects aimed at facilitating integration, notably „*Leiðsöguvinur flóttafólks*“ (refugee friend), a mentorship programme for refugees; several language training projects in which volunteers engage informally with refugees in Icelandic; and „*Tómstundasjóður*“ (recreational fund), intended to allow the children of refugees to partake in recreational activities such as music, sports, dancing and other courses. From 2014-22, the Icelandic Red Cross was also responsible for legal representation to all applicants for international protection.

The 2022-25 Action Plan on Immigration Issues (Box 1.5) foresees greater participation of civil society associations in service provision for immigrants than before. Civil society associations are mentioned in three of the five pillars as potential stakeholders, notably to provide immigrants with information and counselling services.

Consultation with the immigrant population is facilitated by the Immigration Council and the Refugee Committee

The *Immigration Council,* which consists of six delegates nominated by several ministers, is actively involved throughout the policy making process at the national level. The Minister of Social Affairs and the Labour Market appoints a chair and a vice-chair, one of which must be an immigrant. The role of the Council is *inter alia* to facilitate public debate on immigration matters via conferences and meetings with stakeholders, including immigrants. The *Refugee Committee*‘s main role is to provide recommendations to the minister on the annual decision to admit quota refugees. The Minister of Social Affairs and the Labour Market appoints its chair, who must have professional knowledge in refugee matters.

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Notes

[1] Tourism accounted for 6.1% of GDP, construction for 7.2% and fisheries for 6.5%. "Fisheries" refers to fishing, aquaculture and the processing of fishery products.

[2] Housing allowances refer to *húsnæðisbætur*, formerly known as *húsaleigubætur*.

[3] The number for the native-born may be downwardly biased, as the survey data excludes much of the higher-skilled population who are members of the Icelandic Confederation of University Graduates (*Bandalag Háskólamanna*). The share of migrants who are members of that union is very small.

3 Developing and assessing skills for integration into Icelandic society

This chapter focuses on developing skills for immigrants to effectively integrate into Icelandic society. It begins with a discussion of the language learning framework and the language proficiency of migrants in Iceland. A section on credential recognition and the validation of skills follows, against the backdrop of high levels of overqualification among migrants in Iceland.

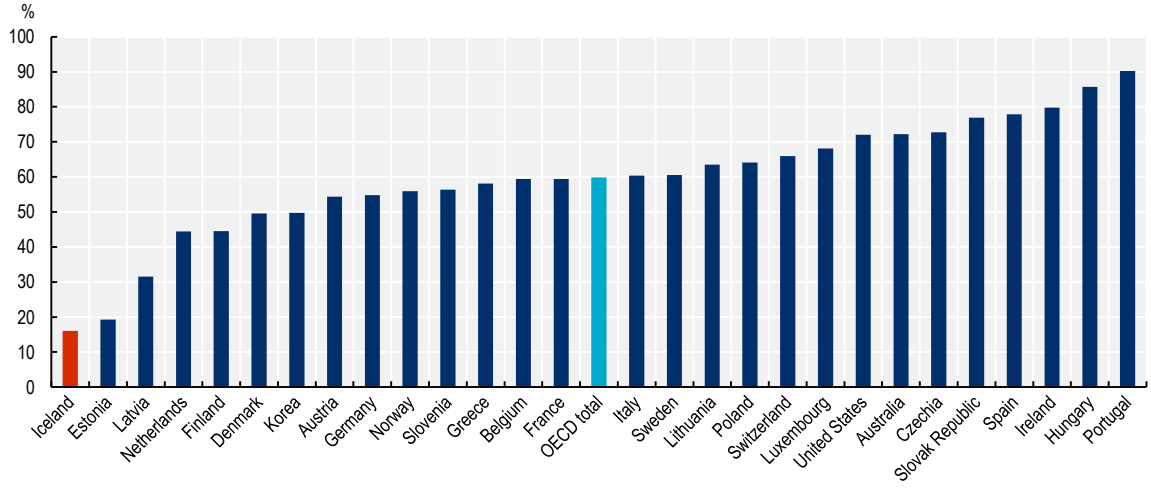
Language training for adult immigrants

Mastery of the host-country language is arguably the most important skill for migrants to fully participate in a new society (OECD, 2021[1]). Knowledge of the host-country language allows immigrants to effectively communicate with the native-born population and establish a social network outside of their diaspora. Migrants who speak the host-country language are also likely to enjoy better outcomes on the labour market in terms of wages, job opportunities and awareness of their rights (Chiswick, Lee and Miller, 2005[2]; Auer, 2017[3]; Syed and Murray, 2009[4]). In Iceland, a regression analysis of highly educated immigrants in employment that controls for duration of residence, gender, age, part-time employment and networks, reveals that having advanced language proficiency in Icelandic is associated with a reduction in the likelihood of being overqualified by more than 12 percentage points.

Although OECD-wide comparative data on immigrants' proficiency in the host-country language is limited, survey data on self-reported proficiency show that 60% of immigrants in OECD countries claim advanced proficiency in the relevant language (Figure 3.1). In Iceland, the share is below 20%, the lowest among OECD countries.

Figure 3.1. Advanced language proficiency among immigrants in Iceland is low

Foreign-born with advanced host-country language proficiency in selected OECD countries, ages 15-64, 2021



Note: For Iceland, respondents who considered their Icelandic to be either "fluent" or "advanced" (options 1 and 2 on a Likert scale) are included in the share. For the United States, respondents are asked whether they speak English at home rather than whether English is their mother tongue. For Australia, the share of native speakers is estimated by the share who speak English only. Korea calculates rates for the age group 15+.

Source: European Union Labour Force Survey (EU-LFS) module 2021. Iceland: Varða (2024[5]), *Workers in Iceland 2024* survey. Australia: Census 2021. United States: American Community Survey (ACS) 2019. Korea: Immigrants' Living Conditions and Labour Force (SILCLF) ad hoc module 2020.

Unlike most other OECD countries with significant immigrant populations, Iceland has not yet formulated a clear language training policy for adult immigrants. As a result, Iceland lags behind its peers when it comes to several interrelated aspects of language training, including funding, course access, teacher training, and standardisation.

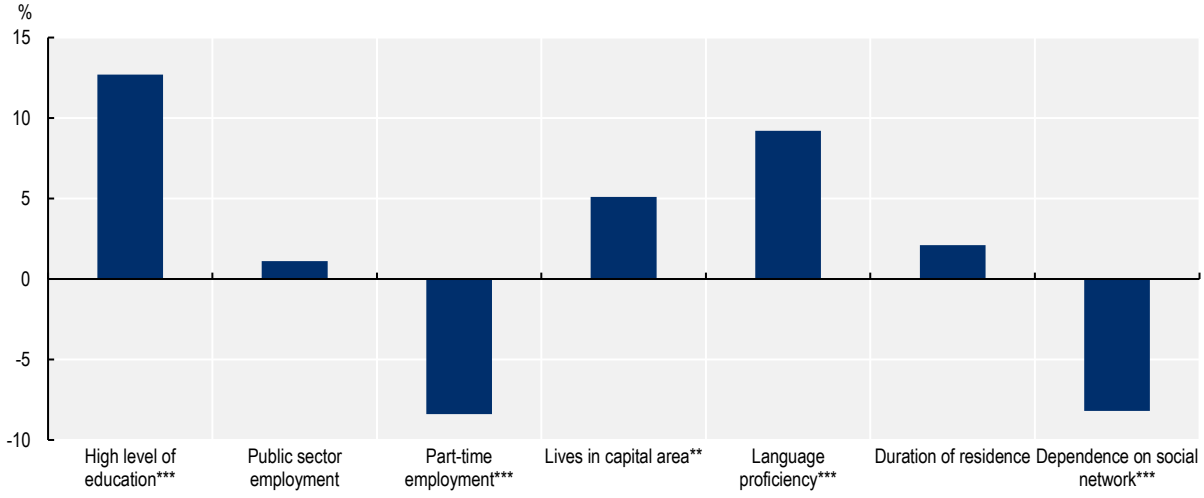
There are clear labour market benefits associated with learning Icelandic

For migrants, learning the Icelandic language brings important benefits on the labour market. Survey data indicate that having at least advanced Icelandic proficiency reduces the likelihood being in low-skill employment by nearly 10 percentage points, controlling for age, migration category and labour market characteristics – a finding particularly relevant in light of the high overqualification rates among migrants in Iceland (see section below). There is also a strong association with being in public sector employment, not surprising given that many public sector jobs require advanced Icelandic proficiency. Those with advanced Icelandic proficiency are also less likely to be dependent on their social networks in finding employment – which in the case of migrants constitute mostly other migrants, limiting the extent to which they integrate – and perceived discrimination on the labour market. What is more, almost half (46%) of respondents in the Workers in Iceland Survey who mentioned difficulties in finding a job named a lack of Icelandic language proficiency as the main reason why.

Among characteristics relevant to high-skill employment among migrants, Icelandic language proficiency has a particularly strong positive relationship (Figure 3.2). After controlling for gender, age, level of education, migration category and various labour market characteristics, having advanced Icelandic language skills is associated with a higher probability of being in high-skilled employment of 9.2 percentage points. This is the second largest observed effect on high-skill employment in the model, behind having a high level of education. The association is nearly double that of the association between living in the capital area – where most high-skill jobs are to be found – and finding high-skill employment (5.1 percentage points).

Figure 3.2. There is a strong association between high-skill employment and Icelandic proficiency

Observed association (in percentage points) between various characteristics and high-skill employment among migrants



Note: Stars next to labels indicate statistical significance. Controls included in the model that are not visible on the figure include age and migration category. The sample is restricted to migrants only.
Source: Varða (2024[5]), *Workers in Iceland 2024* survey microdata.

The public sector plays a limited role in funding for language training

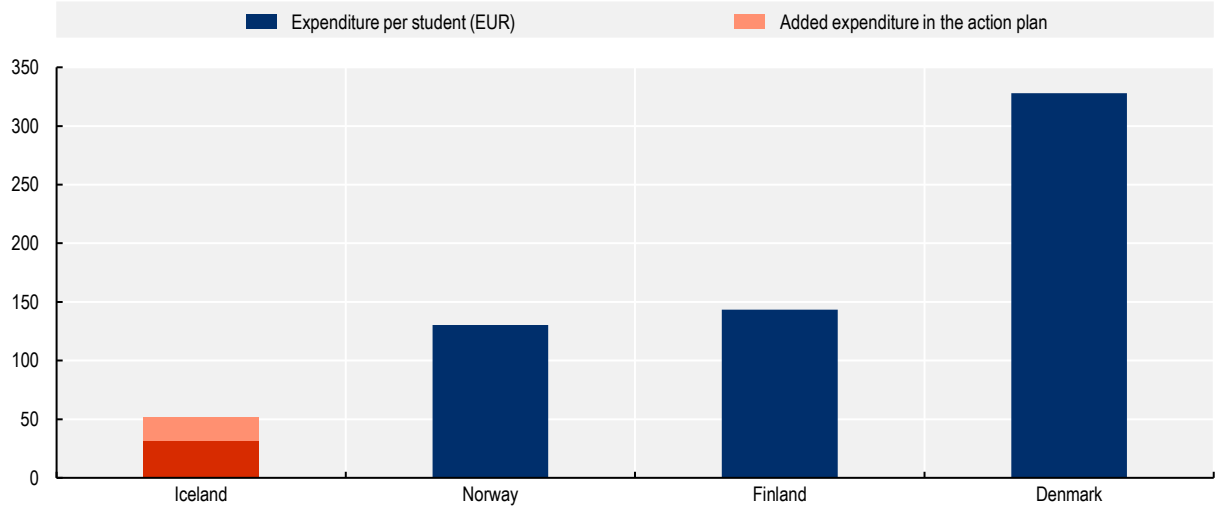
Ensuring the funding of language courses has important implications for student outcomes and teachers' job quality. The organisation and implementation of lifelong learning in Iceland are regulated by the 2010

Act on Adult Education, which includes language training for immigrants. The Act states that certain educational providers – including lifelong learning centres – upon recognition by the Minister of Social Affairs and the Labour Market, are allowed to conduct adult learning and training. These providers are private or mixed-ownership companies, and such recognition does not entail an obligation on behalf of the state to provide finance or assume responsibility of their actions.

The public sector plays a limited role in language training provision for adult immigrants, who do not have the right nor carry an obligation to participate in publicly funded language training. Iceland differs in this respect from other OECD countries who grant legally resident refugees the right to access public language training programmes (OECD, 2021[1]; Ramboll, 2021[6]). Municipalities receiving refugees via the co-ordinated reception of refugees scheme are however obliged to co-ordinate with the local Directorate of Labour branch to provide funded access to language training for refugees, alongside an individualised case management plan, although there are no regulations or provisions that stipulate the duration or specific conditions of such training. Jobseekers who have successfully applied for unemployment benefits are also entitled to two fully funded language courses per year via the Directorate of Labour. Yet, most immigrants' language education is not funded by the state and public expenditure on language training programmes for adult immigrants remains far below that of the other Nordic countries (Figure 3.3).

Figure 3.3. Public expenditure on language training for migrants is very low compared to other Nordic countries

Annual public expenditure on language courses relative to the immigrant population in selected OECD countries, EUR per immigrant in constant 2023 prices



Note: Denmark (2018), Finland (2019), Norway (2021), Iceland (2022).
Source: OECD Secretariat calculations based on OECD (2021[1]), *Language Training for Adult Migrants, Making Integration Work*, https://doi.org/10.1787/02199d7f-en; Rannís (2023[7]), *Úhlutun styrkja til íslenskukennslu fyrir útlendinga*.

Current earmarked funding for language training for migrants in the coming years will not be enough to reach expenditure levels per capita that are similar to those elsewhere in the OECD. In late 2023, the Icelandic Government presented an Action Plan for the Icelandic language for the years 2023-26. The plan includes 19 actions under the responsibility of four ministries, including several actions on language training. While cost estimates for each action are lacking, all 19 actions are expected to cost a total of ISK 1.4 billion (EUR 9 million). In addition, an annual ISK 160 million has already been earmarked towards developing Icelandic with AI for the years 2024-26, leaving ISK 920 million for all other actions. Assuming

all of that will be spent on language training for adult migrants – an unlikely assumption – per capita expenditure on language courses would still be less than half of that of Finland and Norway, and a fraction of Denmark's expenditure.

Courses are costly and the refund system is not conducive to early participation

The limited public funding allotted to language training takes the form of grants provided to recognised providers, with some expenses covered by other grants such as the Education Fund. The Education Fund operates according to the Act on Adult Education and has since 2022 been funded by the Ministry of Social Affairs and Labour. The fund provides grants for defined innovation and development projects in the field of lifelong learning. In recent years, an increasing number of courses have been targeted towards immigrants and their integration, most of which concern language training. In 2022, integration courses accounted for a majority (ISK 16 million, EUR 104 000) or 53% of the Education Fund's grants. In the five-year period prior, allocations towards integration on average accounted for 17% of the Fund's expenditure per year (Fræðslumiðstöð atvinnulífsins, 2023[8]).

Much of the expenses are however passed on to the consumer, with a typical language course of 40-60 classroom hours costing around ISK 52 000 (EUR 350 in 2024 prices). The limited role played by public authorities as a provider of services may be seen as a barrier for the integration of immigrants into the labour market and society as a whole (Bagavos et al., 2021[9]). Further, denying certain groups the right to participate in publicly arranged and subsidised language programmes may signal to immigrants that learning the language is not necessary or expected (OECD, 2021[1]).

Immigrant groups other than refugees and active jobseekers are required to pay for language courses, although many immigrants apply for a refund of up to 90% from their trade union. However, the refunds are not provided before the course starts, presenting considerable upfront costs which may dissuade some from taking a course. Unions also require new members to pay into the union for several months before being able to apply for a refund, with durations generally ranging from between 6 to 30 months. An exception to this is Efling trade union – half of whose members are immigrants – which offers reimbursement after one month of payment into the union (Hoffmann et al., 2021[10]).

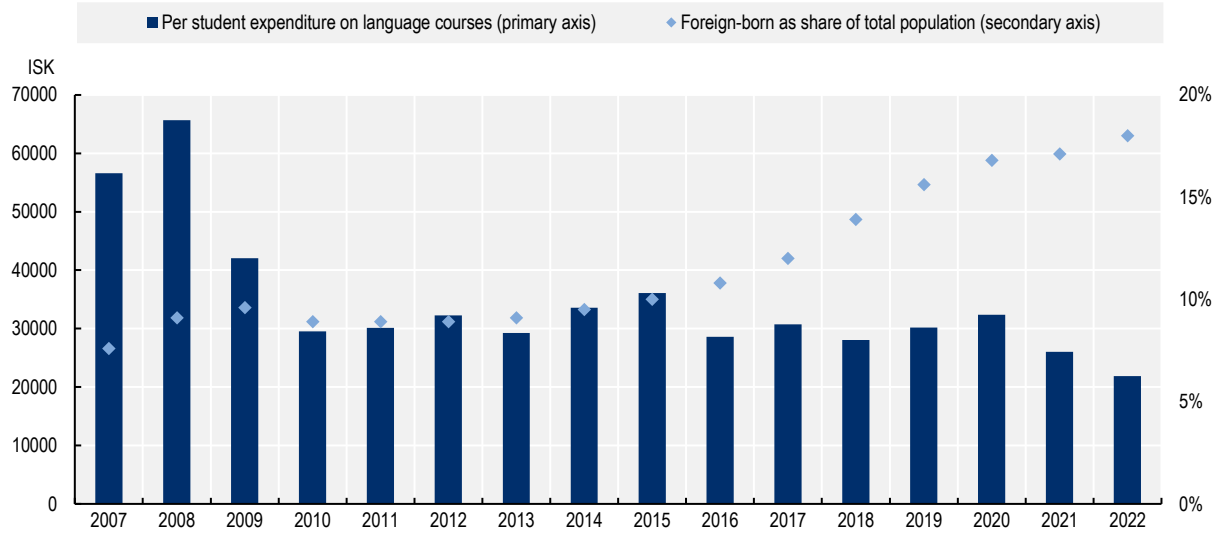
In a context where a fee is charged and a refund is not guaranteed or is provided at a late stage, it is important to monitor for signs of under-investment for reasons of unwillingness or inability to pay. An evaluation in Estonia revealed that only 5-9% of migrants were willing or able to pay for more than 80% of language course costs (OECD, 2021[1]).

Eligibility for funded courses could be broadened in line with developments in neighbouring countries

Although the number of migrants taking up language courses has increased in recent years, the amount of funding provided by the state has not caught up with the rising immigrant population. In the years 2015-20, there were on average 5 200 migrants taking language courses from recognised lifelong learning centres per year. Since 2021, the average has increased significantly, with 8 800 migrants pursuing language courses annually. This may partly be attributed to the increase in humanitarian migrant inflows – notably refugees from Ukraine and beneficiaries of subsidiary protection from Venezuela – as they are granted free language courses via the co-ordinated reception of refugees scheme. Although the government has responded by increasing the absolute amount of funding on language courses for migrants, expenditure per student has decreased every year since 2020 and in 2022 sat at its lowest level since 2006 (Figure 3.4). Having been made an explicit priority as a government policy in 2007, language training saw severe cuts in the financial crisis and expenditure has not recovered since (Ministry of Social Affairs and Labour, 2007[11]). In the period since then, the foreign-born population has grown rapidly, more than doubling in relative terms and tripling in absolute terms (Statistics Iceland, 2022[12]).

Figure 3.4. Per student expenditure on language training fell sharply during the financial crisis and has not recovered since

Annual public expenditure on language courses for adults, per student, constant ISK 2023 prices



Note: Data from 2021 and 2022 include an additional allocation to language funding provided for the 2nd half of 2021 and 1st half of 2022.
Source: OECD Secretariat calculations based on Rannís (2023[13]), *Úthlutanir*, 2019-23, www.rannis.is/sjodir/menntun/islenskukennsla-fyrir-utlendinga/uthlutanir/; and data from the Ministry of Higher Education, Science and Innovation.

Some OECD countries have opted for different financing models, recognising language learning as a public good and providing language courses free of charge or through deposit systems. Examples of the former include Finland, Norway, and Sweden. While Finland and Sweden offer free of charge courses to all legally residing immigrant groups, in Norway, those who are not entitled – such as EEA citizens – receive a voucher (*klippekort*) worth up to EUR 1 000 for around 80 hours of language courses, whether in-person or online (OECD, 2021[1]). Self-supporting immigrants (international students, labour migrants and their family members) in Denmark are offered the opportunity to attend language courses for three and a half years in the form of a deposit scheme. The deposit of EUR 270 is fully refundable if the training is completed within the time period (OECD, 2022[14]).

Denmark offers refugees extensive, free of charge lessons for five years, a policy that has been shown to have significant positive effects on the integration outcomes of refugees in the long term. In 1999, Denmark implemented a major reform to improve language training for refugees. The reform significantly increased the resources, duration, and incentives for refugees to attend language training. The structure and quality of language training was also changed; centralised goals and national tests were introduced and resources to increase the qualifications of the teachers were provided. Several significant and persistently positive effects of the programme were found in a recent study. Effects on employment rates and earnings accrued gradually after completing the training, and after 18 years the treated refugees were 4 percentage points more likely to be employed (a 23% rise relative to the baseline) and earned USD 2 500 per year more (a 34% rise relative to the baseline). Additional schooling and a higher probability of working in communication-intensive jobs was also observed for participants. Although less pronounced, effects were also observed on the children of participants. Male children whose parents participated in the reform were more likely to complete upper secondary school and less likely to commit juvenile or young adult crime than their peers whose parents did not participate (Nielsen Arendt et al., 2021[15]).

A key issue in the Icelandic context is the question of language provision for the many EEA migrants, whose duration of stay is uncertain. As seen in Chapter 2, many humanitarian migrants wish to stay

permanently in Iceland, followed by family migrants and students. Migrants from the EEA, the most populous migrant category in Iceland, exhibit varying intentions but even here, among those who are decided on their duration of stay, the majority plan to stay for good. After five years of stay in the country, over half remain, a share that is larger than for non-EEA migrants. Publicly funded language courses are however only available for unemployed immigrants and refugees.

Eligibility in the other Nordic countries is more extensive. Denmark offers all immigrants with a residence permit of up to five years to complete the equivalent of 1.2 years of full-time language training, Finland makes language training available for immigrants three years from the start of their integration plan, Norway offers all immigrants except EEA citizens up to three years of training, while no limit is placed on the length of language training for immigrants in Sweden, all of whom are eligible if they have a residence permit (Nordic Council of Ministers, 2023[16]).

Given the high number of labour migrants in Iceland – accounting for more than two-thirds of the migrant population – it could prove beneficial to offer affordable lessons to those who wish to stay on a long-term basis and are willing to learn the language. Luxembourg provides an example of a country with a high number of EEA labour migrants which has taken an innovative approach to supplying this group with courses on a voluntary basis while limiting cost to the public purse (Box 3.1).

Box 3.1. Luxembourg's language model

The Reception and Integration Contract (*Contrat d'accueil et d'intégration*) is a key component of Luxembourg's integration policy, providing a flexible language course offer for those who wish to learn one of Luxembourg's three official languages. It is open to EU and non-EU nationals, newcomers and longer-term residents (more than half of participants have resided in the country for more than two years).

The offer consists of reduced-rate vouchers for language courses, with the user paying only EUR 10 for each course cycle with a limit of three courses. The duration of each course ranges from 80-120 hours of classroom learning. Participants are also offered civic training on the consensus and common values of Luxemburg and an "orientation day" to familiarise participants with administrative procedures in the country.

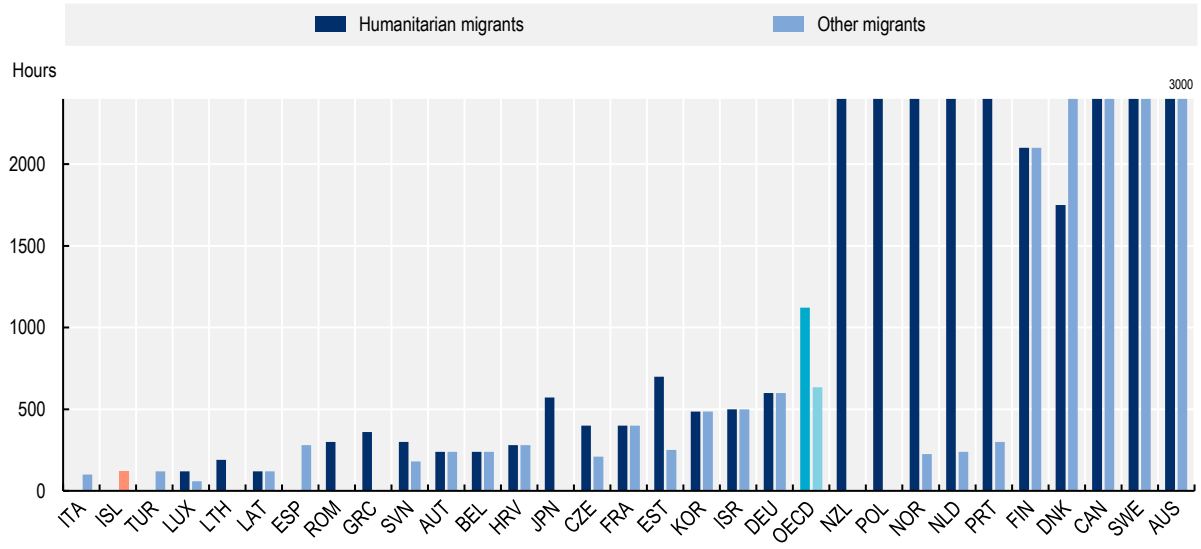
Luxembourg also has a "Linguistic Leave" programme, giving immigrants the right to take up to 200 hours of paid leave to study Luxembourgish, and their employer is reimbursed for 50% of the training costs.

Source: OECD (2018[17]), *Vers un parcours d'intégration réussi. Le fonctionnement du système d'intégration et ses acteurs au Grand-Duché de Luxembourg*.

There are no provisions on the length of language training services for refugees in Iceland, although fully funded training for unemployed immigrants is limited to two courses per year, amounting to around 80-120 hours of training. Survey evidence show that only one-in-five immigrants in Iceland have taken more than three language courses, suggesting that the vast majority of immigrants have obtained less than 200 hours of classroom language training (Varða, 2024[5]). By comparison, Germany's introductory language course requires 600-900 hours of training, Sweden offers 525 hours on average across migrant categories, and in Denmark refugees are entitled to 1 800 hours of instruction time (Nielsen Arendt et al., 2021[15]). On average across the OECD, humanitarian migrants are entitled to 1 100 hours of language training, whereas other migrants are offered just over 600 hours on average (Figure 3.5).

Figure 3.5. The public language training offer in Iceland is minimal in international comparison

Hours of public language training available by migrant category



Note: For Iceland, while the Directorate of Labour offers refugees the chance to participate in language training, there are no regulations or provisions on how many hours each refugee is entitled to. The "other migrants" category for Iceland only refers to unemployed immigrants.
Source: OECD (2023[18]), *Introduction Measures for Newly-Arrived Migrants*, Making Integration Work, https://doi.org/10.1787/5aeddbfe-en.

New formats for language courses aim to address inaccessibility

Barriers to access are not only financial and can take different forms, both spatial and temporal. It is especially important to identify those barriers in rural areas, as public funding granted to providers is dependent on the number students attending each course. The government's rules to grants allocations attempt to account for urban-rural disparities by granting exemptions to the eligibility rule of a minimum number of ten students per course, making the same amount of funding available to rural providers who have at least six students signed up. However, data suggest that geographical disparities prevail. In a representative survey from 2019-20, 21% of respondents claimed to be unhappy with the course offer in their local area. Results diverged depending on the region, with 16% of immigrant residents in Reykjavík reporting dissatisfaction while the numbers were considerably higher in Western Iceland (31%), the Westfjords (29%), and Southern Iceland (29%) (Sölvason and Meckl, 2020[19]). While several educational providers operate in the aforementioned areas, they serve larger areas and individuals may have difficulties finding courses that fit their skill level. Other factors, such as a lack of public transportation, may also play a role (Hoffmann et al., 2021[10]).

Users of Icelandic languages courses have previously noted a lack of flexible teaching hours (Hoffmann et al., 2021[10]). Many courses are taught during working hours which makes attendance difficult as most migrants are employed and must acquire permission from their employers to attend courses. While there are examples of larger employers accommodating their foreign-born employees' wishes to learn the language, smaller enterprises may be reluctant to invest the resources required due to staff turnover and the often temporary nature of immigrants' employment contracts. Faced with a situation of having to choose between working or learning the language, the penalties associated with breaks in the employment history make the former an easy choice for most immigrants – at the cost of social integration. It is thus crucial to allow for flexibility in language courses (OECD, 2021[1]).

In recent years, there has been a shift towards more flexibility in terms of language course provision. More courses offered by the larger providers of lifelong learning are now available after working hours, both in Reykjavík and Akureyri. Online course options are popular, notably the University of Iceland's Practical Diploma, which is also offered in-person (see Box 3.2). While the Practical Diploma is in high demand due to its quality of teaching, it is not available to those who lack completed upper secondary education or non-EEA migrants who have not had their qualifications recognised.

Box 3.2. Practical diploma in Icelandic as a second language at the university level

The practical diploma in Icelandic as a second language has become the most popular path of study at the University of Iceland. Provided in co-operation with the University of Akureyri and the University Centre of the Westfjords, the diploma is a one-year programme targeting those who have completed Icelandic A1.1 and want to either further their studies in Icelandic as a second language or improve their options on the Icelandic labour market.

Courses are offered both in-person and online. In-person classes are twice per week, either in the morning or early evening, and consist of lectures, seminar sessions and work in smaller groups. Online teaching is offered four times per week, either in the morning (8:20-9:50) or early evening (16:40-18:10).

While demand is high, entry requirements are more stringent than in other language courses. Students must have completed an equivalent of the Icelandic matriculation exam (*stúdentsprófi*) – allowing entry into university – and provide proof of sufficient proficiency in English (TOEFL minimum score of 79; IELTS minimum score of 6.5).

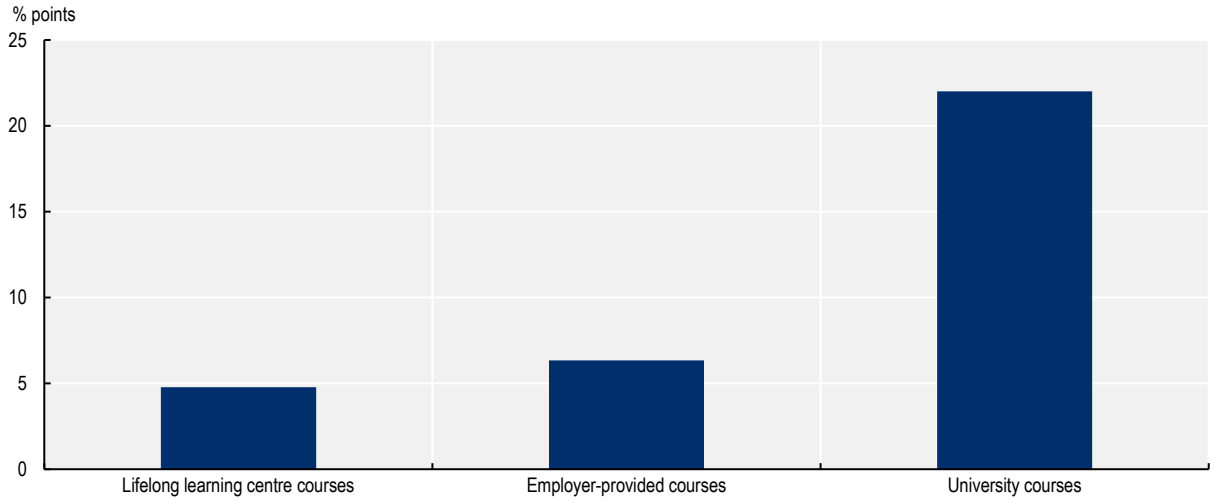
Source: University of Iceland (2023[20]), Icelandic as a second language, https://english.hi.is/school_of_humanities_faculty_of_icelandic_and_comparative_cultural_studies/icelandic_as_a_seconde

Low-skill migrants do not have access to high quality language training

The issue of quality assurance is important in the context of language training, not least for publicly subsidised training offers. Among language training offers, evidence suggests that the quality of language learning, measured in terms of student self-reported outcomes, varies significantly between the type of provider of the course. Controlling for several factors, including level of education, length of stay and hours of classroom learning, students taking courses offered by universities (such as the Practical Diploma in Box 2) exhibit much better language outcomes than students taking courses at lifelong learning centres and courses provided through employers (Figure 3.6).

Figure 3.6. Students taking language courses at university exceed others in proficiency

Percentage point difference in advanced language proficiency, by type of language training course, 2024



Note: Point estimates refer to percentage point changes in advanced language proficiency, reflecting coefficients in an OLS regression with a constant of.22 (the constant represents an individual when all values in the model are set to 0, roughly described as a middle-aged, native-born male with an upper secondary degree who has taken a language course other than the ones listed on the graph). For example, taking language courses offered by a university adds 22 percentage points to the likelihood of having self-reported advanced proficiency in the Icelandic language relative to the constant. Controls included in the model are gender, relationship status, having children, age, education level, number of classroom hours (in order to account for the longer duration of university programmes), length of stay in the country, and working time. All explanatory variables are significant at the 95% confidence level, except for the variable on children.
Source: Varða (2024[5]), *Workers in Iceland 2024* survey microdata.

The divergence in course quality between university courses and other courses poses several questions, one of which regards inequality. University courses are not available to lower-skilled migrants, and they are also more expensive as they are not eligible for refunds from unions, unlike the lifelong learning centre courses. Survey data also show that lower-educated migrants tend to have longer stay intentions than higher-educated migrants do – with three out of four of the former wanting to stay permanently, compared with two in three of the latter. Ensuring that this group of migrants has access to quality language training will be key going forward. As will be further addressed in Chapter 5, language proficiency is not only associated with better social integration and lower risk of overqualification of immigrants, children of immigrants who speak better Icelandic also have much better educational outcomes.

Vocational language courses are an underdeveloped measure

There is growing evidence that vocational language training is particularly effective for improving employment outcomes (OECD, 2021[1]). Several OECD countries have experimented with “on-the-job” training, including Finland and Germany, where students are taught relevant vocabulary in workplace interactions – a format particularly beneficial for working migrants. While such programmes are costly, they might be more suited to the Icelandic context than elsewhere, with the highest employment rate among immigrants in the OECD, as many have less time during the day to attend more typical language courses.

Language learning formats with a vocational element in Iceland are currently underdeveloped. There are a few places for vocational language training for healthcare professions and in co-operation with large employers in the fishing industry.

Employers could play a larger role in the integration of immigrants through vocational language education, not least since the brunt of costs for language learning is borne by the unions through refunds to learners. Moreover, lifelong learning centres, who are the main provider of language training in Iceland, also often possess valuable in-house knowledge as they also offer services of recognition of prior learning for select professions. The majority of OECD countries have implemented general workplace language courses and some have experimented with courses for more specific categories. A survey among employers in Germany revealed that the overwhelming majority of employers considered vocational language training as the most important measure for the labour market integration of asylum seekers (OECD, 2017[21]). Box 3.3 outlines initiatives in OECD countries in which employers and public agencies have come together to provide vocation-specific language training to migrant workers.

Box 3.3. Vocation-specific language training across the OECD

In **Norway**, the Norwegian Agency for Lifelong Learning (Skills Norway) offers several options for vocational learning, including language courses that address workplace situations and a job internship placement. Due to limited resources, the agency does not provide on-the-job language training itself, but public or private entities seeking to provide training to their workers can apply for special funding called *Kompetansepluss* (Skills Plus) to organise their own course. Some language providers offer to help employers apply for funding and organise the courses.

In **Finland**, the public employment services offer language courses that include a "working life period", during which migrants work at a Finnish worksite. Companies that employ migrants are also provided with support services, including pay subsidies to cover training costs, which cover 50-70% of the costs while the remainder is paid by the employer.

In **Germany**, the Federal Office for Migration and Refugees (BAMF) has partnered with large companies to provide sector-specific language courses for migrants. For instance, BAMF worked with Deutsche Telekom to set up a virtual classroom to reach refugees working at various corporate locations nationwide, where 100 refugees accessed both language and on-the-job IT training in the year 2017.

Source: OECD (2021[1]), *Language Training for Adult Migrants*, Making Integration Work, https://doi.org/10.1787/02199d7f-en.

The Education and Training Service Centre could further target its audience with language or integration courses

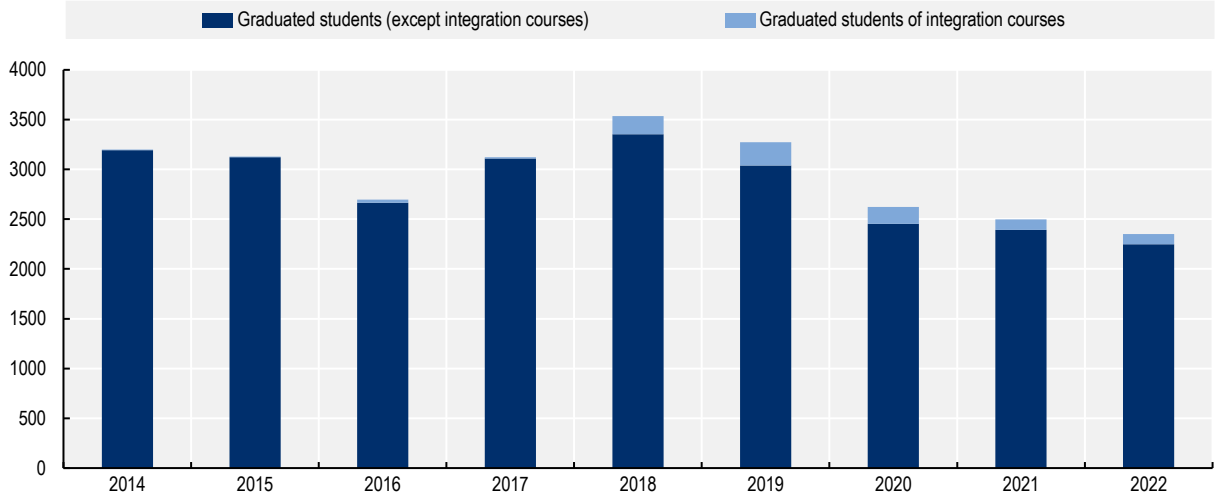
In co-operation with employers, unions, and lifelong learning centres, specific modules or courses on work-specific language could be developed. A framework for such co-operation already exists with the Education and Training Service Centre (ETSC) – a provider of lifelong learning courses, recognition of prior learning (RPL) and job counselling – which has as its target group individuals that have not completed upper secondary education. In 2020, the group accounted for 24% of the working age population, 23% of which were immigrants (Fræðslumiðstöð atvinnulífsins, 2023[22]).

Given the current low mastery of the language by many immigrants and the benefit it conveys, take-up of this kind of language learning would be expected to be high among immigrants. The evidence to date suggests however that take-up is very low. Only 5% of graduated students from the ETSC course offer in 2022 took such integration courses, having decreased year-by-year since 2018 (Figure 3.7). This figure seems low given that immigrants account for a quarter of the ETSC target group, and they are likely to be underrepresented in the other courses as they are only offered in Icelandic. It is not clear whether the main driver behind these low numbers is an inadequate supply by the ETSC, low demand or lack of awareness

of such courses among immigrants. However, information provision seems to play a role, as immigrants have reported difficulties in finding information on language training services (Ramboll, 2021[6]). A step in the right direction came in 2022 when the ETSC website became available in English. It is nonetheless imperative for stakeholders such as employers, unions, and counsellors at the Directorate of Labour to make sure to raise awareness of the existence of measures like the courses provided by the ETSC.

Figure 3.7. The Education and Training Service Centre can do more to facilitate integration courses

Number of students who completed courses at the Education and Training Service Centre, 2014-22



Note: Integration courses include "Reading and writing in Icelandic" (since 2014) and "Icelandic culture and society" (since 2018).
Source: Fræðslumiðstöð atvinnulífsins (2023[22]), *Tölfræði úr starfinu*, https://frae.is/fraedslusjodur/tolfraedi-ur-starfinu/.

A framework for language teacher training is lacking

Another shortcoming of Icelandic language training provision for immigrants regards the training of Icelandic language teachers. Higher qualifications of language teachers have been found to be positively correlated with improved learning outcomes and pass rates (Djuve et al., 2017[23]). While stringent requirements may come to the detriment of the supply of teachers, some form of quality assurance is important to ensure suitable competency. Unlike its Nordic neighbours, Iceland currently does not require its language teachers to hold some level of formal qualifications. In Denmark, the Danish teacher for adult foreigners (dk. *Lærer i dansk for voksne udlændinge*) is a regulated profession, requiring a diploma of more than four years at the post-secondary level (European Commission, 2023[24]). In Sweden, language teachers must complete teacher training at university level with a minimum of 30 ECTS in Swedish as a second language, whereas Norway's Integration Act of 2021 stipulates that the same number of credits in teaching Norwegian as a second language is a sufficient condition (Ramboll, 2021[6]).

In the absence of qualification requirements for language teachers, student outcomes may vary greatly. A step in the direction towards improving teacher training came in 2016 when the Master's in Second Language Teaching was established at the University of Iceland. However, registrations for the programme remain low – with a total of six graduates in the years 2020-22 – and more supply-side measures may be needed to attract qualified individuals towards the profession, starting with funding. Teachers of Icelandic as a second language have varied educational backgrounds and experience, and for many it is not a full-time job. They are employed on a contractual basis and are often paid per course taught (Hoffmann et al., 2021[10]). Such economic precarity in the profession risks losing out on talented and experienced teachers, to the detriment of course quality for students. Indeed, these factors may partly explain the lower

proficiency outcomes of lifelong learning centre students compared to those taking a university course (Figure 3.6).

Standards are needed to address gaps in language training across the country

Standardisation and assessment play a key role in ensuring the quality of language course education for immigrants. In the absence of standard-setting and quality control, overlap and under-coverage between different educational providers may emerge, posing a barrier to immigrants' language progression. There has been some standard setting with the curriculum guides for Icelandic as a second language, established as a response to the introduction of a language test requirement for Icelandic citizenship in 2007. The two sets of guidelines are based on the Common European Framework of Reference for Languages (CEFR), which comprises six levels. The first set of guidelines corresponds to CEFR levels A1-A2 and accounts for a total of 240 hours of training. A proficiency level of A2 is required for Icelandic citizenship. The second set corresponds to CEFR levels B1-B2, accounting for 300 hours. There are no guidelines for levels C1-C2. Both guidelines have as their objective for students to be "as well-equipped as possible to actively participate in an Icelandic, democratic society" (Directorate of Education, 2008[25]; Directorate of Education, 2012[26]). The guidelines include a short study description of 60-hour courses with suggested skill targets for students.

Anecdotal evidence suggests that in practice the guidelines are in many cases not followed and divergences between educational providers exist (Hoffmann et al., 2021[10]). The guidelines appear to be seen by teachers as mere guidelines that can be freely adapted according to their students' needs. Moreover, some perceive them as outdated, partly because they do not account for participants' different educational backgrounds – prompting some to develop their own independent educational materials (Ramboll, 2021[6]).

The curriculum guidelines may need revision and quality control to ensure their use

Several important developments pertaining to language learning have taken place since the basic curriculum guidelines were published in 2008. Language courses are increasingly taking place online, are composed of a more diverse group of students, and teachers often find themselves playing the role of mediators – not only in assisting migrants to communicate effectively but also in understanding concepts of relevance to the host society. Reflecting these factors in the guidelines would aid educators in better understanding what is expected of them in a modern-day classroom (Coste and Cavalli, 2015[27]). Moreover, developing guidelines for the C-levels in the CEFR framework is desirable as an Icelandic proficiency level of C1 is required to work in several regulated professions, such as a teacher at the kindergarten, primary and secondary levels in Iceland.

While the curriculum guidelines are merely recommendations and not in any way mandatory, quality control is important to ensure common standards across the country. Most OECD countries ensure quality control through public agencies or non-governmental agents entrusted by the government. Such control can take the form of unannounced inspections by specialists or interviews with randomly selected participants. However, the administrative burden of inspections is high, and their frequency should take due account of factors such as the anticipated likelihood of material change (OECD, 2021[1]). To reduce unnecessary inspections, complementary self-assessment forms – filled out by those working in the educational providers – should be considered. Such tools have the advantage of allowing lifelong learning centres to identify areas for improvement and either address them or request an advisory visit (Rossner, 2008[28]).

Assessment and evaluation can be strengthened

The current financing model for language courses is results-based, in which 40% of the grant is paid to providers prior to the course and the rest dependent on course attendance and completion. A similar system is used in Denmark, which has been found to encourage service providers to provide students with a more efficient and individualised tuition (Ramboll, 2007[29]).

Currently, the Ministry of Social Affairs and Labour entrusts the Icelandic Centre for Research (*Rannís*) with allocating grants to lifelong learning centres on the basis of two criteria: number of students and course length. No reference is made to benchmarks to encourage standardisation, such as the curriculum guidelines (Rannís, 2023[30]).

Teachers in the Icelandic as a second language field have raised concerns about the lack of assessment and evaluation. On the assessment side, ability grouping – meaning the placement of students in courses according to their ability level – needs to be ensured to the extent possible to allow students to progress at a pace that suits their ability. Currently, the placement of students into courses and schools is not streamlined. While providers attempt to sort students effectively into courses that suits their needs, fiscal and manpower limitations make this difficult (Innes, 2015[31]). Some providers, such as Símey in Akureyri, provide an online language test, consisting of self-assessment and a standard test (Eurotest, 2023[32]); while others take a more informal approach to course placement.

A pertinent difficulty for assessing language acquisition for a language like Icelandic is that very few migrants will have any past exposure to Icelandic or a similar language, making it more difficult to evaluate learners' language acquisition skills. An example of a country that has faced similar issues is Finland, which has used innovative methods to assess migrants' language ability. The largest assessment provider in Finland (*Testipiste*) has recognised that multiple cognitive factors are related to language acquisition which it has incorporated into its language tests. Public employment services redirect migrants to the nearest test site, where factors that are tested include logic, mathematics, dictation; in addition to more traditional factors such as speaking and reading comprehension (Testipiste, 2020[33]).

On the evaluation side, past studies have revealed students' dissatisfaction with language tests in the schools. Some have noted their perplexity at the focus on the hours of attendance as opposed to measuring language progression (Hoffmann et al., 2021[10]) – a potential reflection of the criteria used in allocating grants to language schools. The heterogeneity between providers' tests raises concerns of overlap and/or under-coverage between different providers.

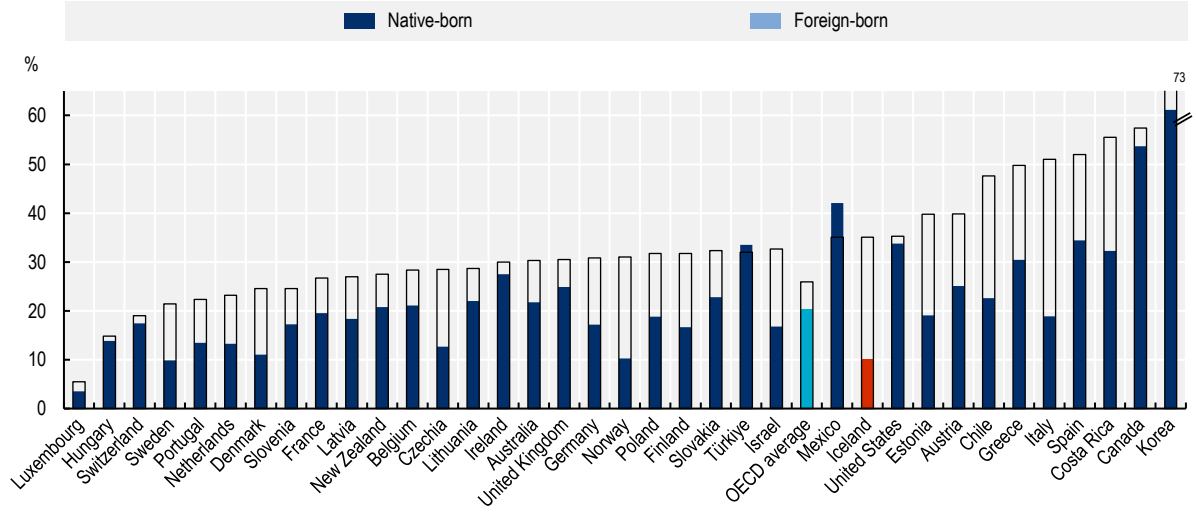
In January 2024, the Icelandic Ministry for Education and Children announced plans to develop a standardised electronic test to assess Icelandic proficiency according to the CEFR framework. The assessment test will be developed by the University of Iceland with ISK 103 million (EUR 590 000) in funding over two years. It is intended for use by educational institutions, lifelong learning centres and employers. Basic support material will also be developed alongside the test and available to all on the official website (Ministry of Education and Children, 2024[34]). These are positive developments that will increase the comparability of migrants' credentials and allow institutions and employers to better gauge their proficiency level and identify further needs.

Foreign credential recognition and skills validation

As mentioned, the gap in employment rates between the native- and foreign-born populations is minimal in Iceland, suggesting that migrants integrate quickly into the labour market. However, the quality of employment often leaves much to be desired. In particular, the overqualification gap between the native- and foreign-born is the widest among OECD countries (Figure 3.8).

Figure 3.8. The native/foreign-born overqualification gap in Iceland is the widest in the OECD

Overqualification rates, 15- to 64-year-olds, 2021-22



Note: The overqualification rate is defined as the share of the highly educated, i.e. ISCED Levels 5-8, who work in a job that is ISCO-classified as low- or medium-skilled, i.e. ISCO Levels 4-9. In relative terms, the gap in Iceland is the highest. In terms of percentage points, Iceland ranks second behind Italy.
Source: European Union Labour Force Survey (EU-LFS) 2021-22 pooled (2020 instead of 2021 for Iceland and Türkiye). Australia: Australian Survey of Education and Work (ASEW) 2020. The United Kingdom, Canada & New Zealand: Labour Force Survey (LFS) 2021. Israel: Labour Force Survey (LFS) 2020. United States: Current Population Survey (CPS) 2021. Japan: Census 2020. Korea: Immigrant's Living Conditions and Labour Force (SILCLF) 2021 & Economically Active Population Survey (EAPS) 2021. Chile: Encuesta de Caracterización Socioeconómica Nacional (CASEN) 2020. Costa Rica: Encuesta Continua de Empleo (ECE) 2021. Mexico: Encuesta Nacional de Ocupación y Empleo (ENOE) 2020. Peru: Encuesta Nacional de Hogares (ENAHO) 2021.

Running an effective recognition system that considers formal, informal, and non-formal qualifications can go a long way in reducing the overqualification gap. Earlier OECD work has shown that recognition reduces the overqualification rates of migrants by two-thirds compared to those who did not apply (Damas de Matos and Liebig, 2014[35]). Reducing the gap not only benefits migrants themselves through higher employment and job quality, but also the host society through the alleviation of skills shortages. For example, data collected from European Network of Information Centres (ENIC-NARIC) across Europe suggest that many Ukrainian refugees hold qualifications in fields where there are skills shortages in Iceland, including healthcare and education (Norris, Duffy and Krasnoshchok, 2023[36]).

Table 3.1. Responsibility and requirement for educational assessment from abroad

	Level of foreign education			Regulated professions
	Upper secondary education	Vocational education	Higher education	
Responsibility	Education and evaluation facilities at the secondary level	Iðan Education Centre and Rafmennt VET centre (for electrical trades)	ENIC/NARIC	More than ten public authorities can grant professional licenses
Requirement	Voluntary, but necessary to continue formal education in Iceland	Voluntary but can be demanded by employers and support job applications		Yes, mandatory for around 180 professions to practice in Iceland
Costs	Varies between educational institutions	Free of charge but translation of documents is required	Free of charge but translation of documents is required	Depending on the profession and if applicant is required to complete a compensation measure. For applicants with qualifications from outside of the EEA area, other costs might occur, such as a language skills test

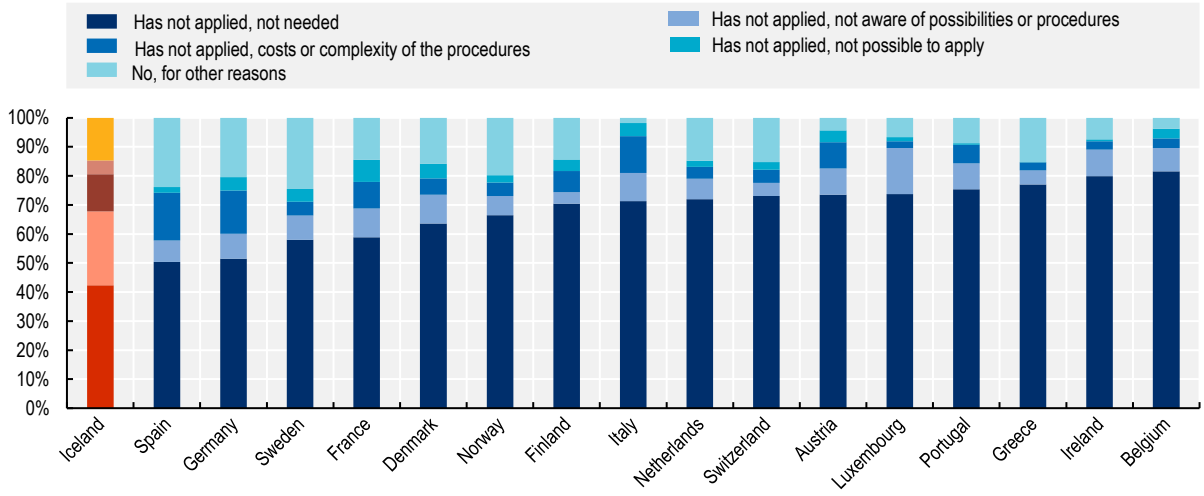
Source: OECD Secretariat desk research based on data from official websites.

Awareness of recognition procedures and their value can be emphasised

One reason for Iceland's high overqualification rates among the foreign-born may be the lack of awareness of recognition procedures. Comparing survey data across European OECD countries reveals that – among migrants whom have not had their qualifications recognised – Iceland's share of respondents claiming they did not know about the possibility of recognition was by far the highest, at just over a quarter of the total, 9 percentage points above the second highest in Luxembourg (Figure 3.9). A relatively large share also stated that the process was too costly or complex, surpassed only by Germany and Spain. At the same time, those replying that recognition was not needed was the lowest among surveyed countries, a result in line with Iceland's high overqualification among the foreign-born.

Figure 3.9. Many migrants in Iceland are not aware of the possibility of applying for recognition

Foreign-born in the labour force responding to the question of why they have not applied to get their qualifications recognised, 2021, 2024 for Iceland



Source: For Iceland, data from the Varða (2024[5]), *Workers in Iceland 2024* survey was used. For all other countries, the 2021 EU-LFS *ad hoc* module on the labour market situation of migrants and their immediate descendants was used.

Breakdown by gender reveals some notable differences. When asked why they did not apply to get their credentials recognised in Iceland, nearly half (46%) of surveyed foreign-born men responded that it was not necessary, while 38% of women responded in the same way, a reflection of migrant women's higher overqualification rates compared to men. An even share of foreign-born men and women reported not knowing about the possibility of recognition, a much higher number than that for the native-born, at 15%.

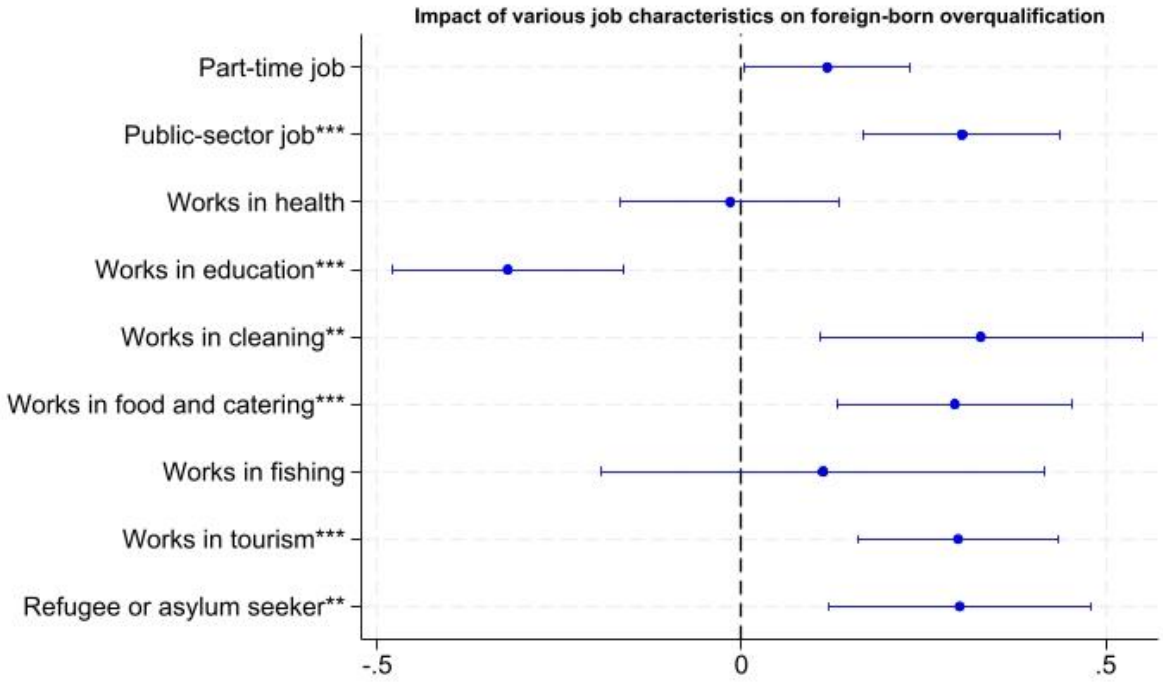
Several factors influence overqualification among migrants

Possessing certain characteristics can influence one's chances of overqualification. Migration category is one such characteristic, and the obstacles faced by migrants vary by a large margin depending on their migration category. Humanitarian migrants, for instance, often have to overcome obstacles such as not having access to their qualifications, making partial remedies to overqualification, such as the recognition of qualifications, a difficult task. Other relevant factors include demographic characteristics and profession of choice.

Using survey data and regressing overqualification against several outcome variables, it is possible to estimate what factors influence the extent to which migrants are overqualified in Iceland (Figure 3.10).

Figure 3.10. The tourism and hospitality sectors place migrants at risk of overqualification

Changes in overqualification among migrants by population characteristics



Note: Point estimates refer to percentage point changes in overqualification, reflecting coefficients in an OLS regression with a constant of.55 (the constant represents an individual when all values in the model are set to 0, roughly described as a middle-aged, foreign-born male with a university degree). For example, working in the public sector adds 30 percentage points to the likelihood of being overqualified, which together with the constant adds up to a 85% likelihood of being overqualified, other things being equal. Controls included in the model that aren't visible in the graph include family and age controls, length of stay, language proficiency, and the recognition of qualifications.
Stars denote statistical significance. Observations were limited due restrictions associated with overqualification (only high-skilled migrants were included in the analysis) and the inclusion of the variable on recognition.
Source: Varða (2024[5]), *Workers in Iceland 2024* survey microdata.

Overqualification varies by profession, with jobs in cleaning, food, catering and tourism significantly increasing the likelihood of migrant overqualification – all associated with a higher likelihood of overqualification by roughly 30 percentage points relative to the constant. Workers in the education sector are the only profession included in the model whose incidence of overqualification is significantly reduced relative to the constant, plausibly due to high entry requirements pertaining to factors such as language proficiency.

Humanitarian migrants have a much higher likelihood of being overqualified. A potential explanation is the composition of humanitarian migrants in Iceland, many of whom are formally highly educated but received their qualifications in a very different language, education system, and labour market setting.

The academic recognition system lacks resources to keep up with demand

Among the key actors in the Icelandic recognition system, the ENIC/NARIC office in Iceland plays a large role. ENIC/NARIC Iceland is 1 of 55 national information centres on academic recognition of qualifications in the network, co-operating closely with its counterparts in Europe and North America. It is the main provider of formal and informal academic recognition of qualifications in Iceland (ENIC/NARIC, 2023[37]).

Digitisation efforts would improve processing times

Demand for formal academic recognition has increased steadily in the past decade, reflecting an increase in the immigrant population, notably from outside of Europe. Since 2012, the office's caseload has doubled, from nearly 1 600 cases in 2012 to over 3 000 in 2022. The caseload increased by 50% in the period 2018-22. Facing a rapid increase in demand, the ENIC/NARIC office does not possess the material resources required to perform at an effective level. The average waiting time for a decision on academic recognition is around two months, up from three weeks a few years prior. Following the COVID-19 pandemic, the recognition process has increasingly moved online, but still lags developments elsewhere. As an example, Norway's responsible agency to assess foreign credentials (NOKUT) has seen a significant improvement in the processing time of complete cases, from an average of 63 days per application in 2016 to 8 days per application in 2020, as a result of an improved digital case system and better routines and procedures for staff (OECD, 2022[14]).

Several alternatives to formal academic recognition exist

Services for individuals also include automatic recognition, a standardised downloadable statement that confirms the level of the foreign degree in the Icelandic education system. As it does not require an application, automatic recognition provides a quicker alternative to the formal recognition procedure and can be sufficient for a job application. On the statement, the relevant foreign degree is placed on a scale of 1-7 along the Icelandic Qualification Framework (corresponding to the European Qualification Framework) according to its equivalent in Iceland. Currently, automatic recognition is available for eight countries: Denmark, Finland, France, Norway, Poland, Spain, Sweden, and Ukraine. As of 2022, immigrants coming from these countries account for 41% of the immigrant population. In comparison, Norway's responsible agency to assess foreign credentials (NOKUT) offers automatic recognition statements from 32 countries representing 61% of the immigrant population, and Sweden's responsible agency (UHR) has statements available for 77 countries.

In certain cases, namely for refugees, qualifications may not be readily accessible. The Lisbon Recognition Convention, of which Iceland is a signatory, stipulates that countries should take feasible and reasonable steps to recognise higher education qualifications of refugees, displaced persons, and people in a refugee-like situation, even if they cannot be proven through documentary evidence (Council of Europe, 1997[38]). ENIC/NARIC offers these groups to apply for so-called background reports, where information is provided about how they would typically assess the qualifications the individual claims to have. Although the reports hold no legal status, they may be useful for educational institutions and employers to assess the skills profile of the relevant individual (ENIC/NARIC, 2023[39]). Norway has gone further and, in addition to an informal assessment of a similar type, operates a more formal Recognition Procedure for Persons without Verifiable Documentation. The procedure involves professional testing by two professional experts from Norwegian universities. They investigate which subjects the applicant has studied and consider whether it is probable that their education matches what is reported on the diploma. The resulting decision is legally binding (OECD, 2022[14]). A survey of applicants suggests that more than half of the refugees who had their skills recognised in 2013 either found a related job or entered further education (OECD, 2016[40]).

Bridging courses could account for the mismatch between the Icelandic and non-EEA education systems, which can prevent migrants from entering higher education

As a response to lack of equivalence between qualification systems, bridging programmes are a cost-effective solution. Bridging programmes are courses designed to fill skill gaps to attain an educational qualification or fulfil a job requirement. In Sweden, a 2012 evaluation of a bridging course for teachers was found to increase the probability of finding relevant employment by 18%, in addition to having a positive effect on income development (Niknami and Schröder, 2012[41]).

The offer of bridging programmes in Iceland is limited and they are rarely available to migrants. Keilir educational centre offers a popular programme of Preliminary University Studies in collaboration with the University of Iceland, preparing students for admittance to most Icelandic universities – it is however only offered in Icelandic. An exception is Bifröst University's "University Gateway", a two-year programme (one year full-time) intended for those who lack general admission requirements for university studies (Bifröst University, 2023[42]). At ISK 260 000 (EUR 1 800) per student, the programme remains expensive. Some alternative sources of funding for students exist: up to 20 refugees can get a refund of 75% of course fees upon the programme's completion, and most unions offer refunds of up to ISK 130 000 per year, covering half of course fees (Bifröst University, 2023[42]). While the programme was initially supported financially by the Directorate of Labour, that support ceased with the end of the COVID-19 pandemic. The programme is not eligible to apply for the ETSC's Education Fund – whose role is to support innovation and development in the field of lifelong learning – as the programme's provider, the University of Bifröst, does not qualify as an accredited lifelong learning centre according to the Act on Adult Education. Avoiding similar legal pitfalls that prevent effective integration measures from being eligible for funding should be a priority in the revision of the Act on Adult Education, which is currently ongoing.

Applying to practice a regulated profession can be a strenuous process

In Iceland, as elsewhere, a professional license is required to work in regulated professions, which exceed 180 in number, issued by one of more than ten authorities depending on the profession (Réttur, 2019[43]). Those seeking employment in a regulated profession must locate the appropriate body for their inquiry and apply to have their qualifications recognised, which if done successfully, will allow them to work in a relevant trade. In addition to the above, non-EEA citizens also require a work permit from the Directorate of Labour in order to be able to practice a regulated profession.

Migrants may encounter hurdles in getting their credentials recognised, although access to information has improved

In 2024, a service portal for the recognition of qualifications and regulated professions was opened on *Ísland.is*, the central public information and service hub for government services in Iceland. All residents in Iceland with a personal identification number can sign in and acquire information about or use public services, available in both Icelandic and English. The service portal on recognition includes three pages: recognition of foreign higher education, recognition of foreign secondary education, and recognition of qualifications to be able to practice a regulated profession. The latter includes a dropdown list with each regulated profession listed and a dedicated webpage with information about each profession.

Several barriers remain however, notably regarding access to information in the case of an unsuccessful application. Those who receive a rejection do not always get assistance on what is lacking to attain a license (Réttur, 2019[43]; Cedefop, 2022[44]). Without advice on how to improve their application, such as on which educational qualifications are missing to practice the profession, immigrants are more likely to be stuck in jobs for which they are overqualified.

Moreover, in the case of a negative decision, immigrants may face difficulties in seeking recourse for their rights should they want to. According to the Act on the recognition of professional qualifications for the pursuit of an activity in Iceland, decisions on professional licenses made by public authorities "shall be final and are not subject to appeal to a higher authority". Yet there are exceptions to this rule, notably for healthcare workers who are allowed to appeal decisions from the Directorate of Health, and the five professions covered under the European Professional Card Regulation (general care nurses, physiotherapists, pharmacists, real estate agents and mountain guides) (European Commission, 2020[45]; Réttur, 2019[43]). The result is a fragmented rights coverage of regulated professions in Iceland, with some professions – such as teachers – enjoying less coverage than others.

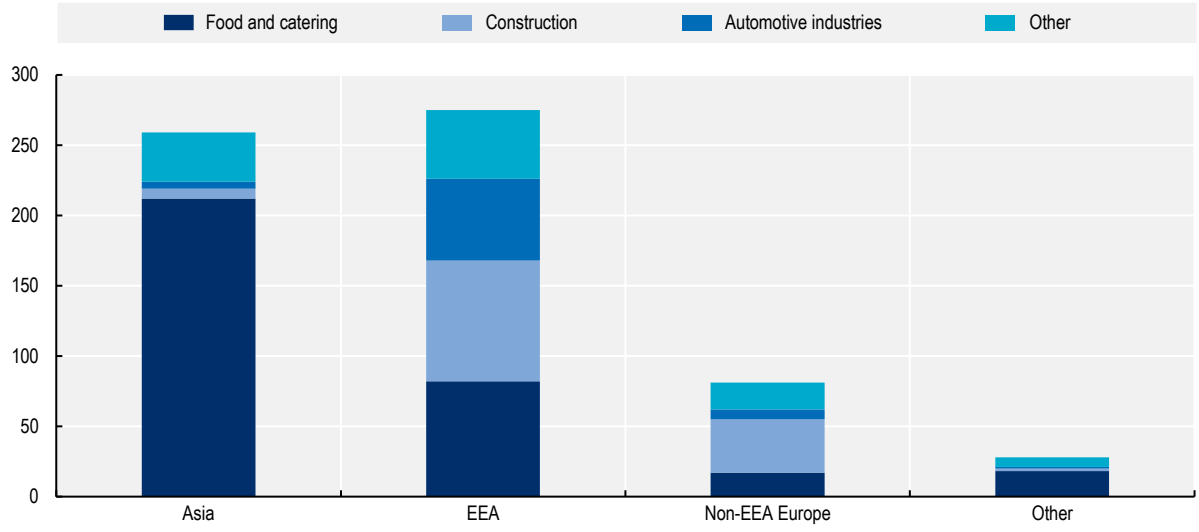
Migrants from Europe and Asia tend to concentrate in certain vocational professions

Vocational professions are often regulated, and they are also often sought after by migrants. These include many jobs in the construction sector, constituting 7.2% of GDP, with immigrants accounting for a third of employment in the sector; and the food and catering industry, constituting 4.5% of GDP and where half of all employees are immigrants (OECD, 2023[46]).

In the period 2018-22, over 90% of recognitions in construction and mechanical professions came from Europe, whereas two-thirds of recognitions in the food and catering industry came from Asia (Figure 3.11).

Figure 3.11. Food and catering account for more than half of all recognised vocational qualifications

Number of qualifications recognised by region of origin, 2018-22



Note: Electrician professions are not included.
Source: Data from Iðan Education Centre.

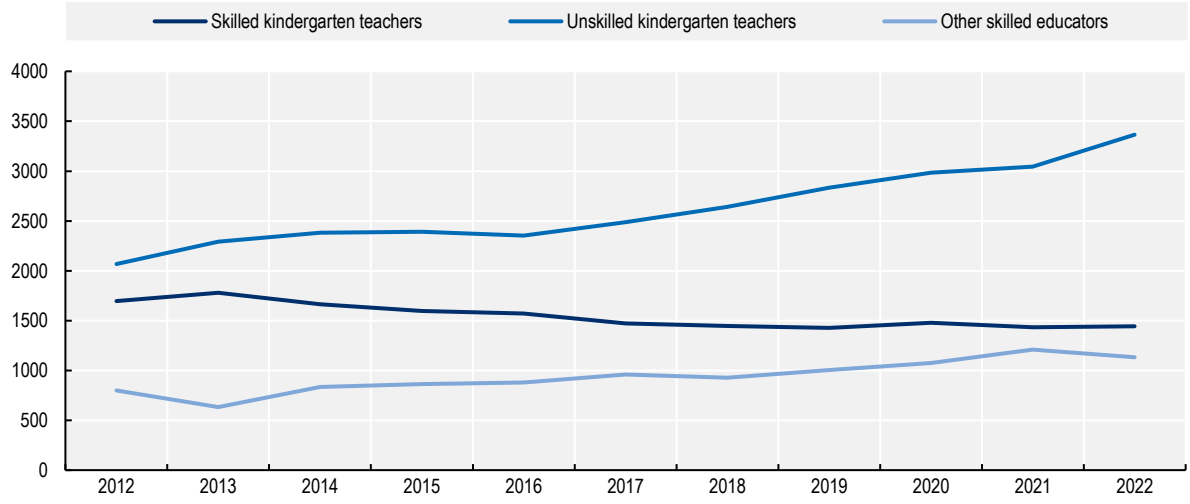
Bridging courses for select professions could strengthen migrants' skills use

In Iceland, vocational qualifications are often only partially recognised, where certain skills are recognised while gaps prevent them from taking up other employment within the relevant professional field. Migrants with partially recognised qualifications are thus allowed to work in a limited field of a licensed trade, such as chefs at specific types of restaurants, for example. This can have lock-in effects that reduce job mobility for those with partial recognition and delay labour market integration for those whose credentials are not recognised. Effective bridging programmes and fast-track initiatives for select shortage professions offer a cost-effective solution to this conundrum. Sweden, for instance, has offered migrants three such initiatives at the national level to alleviate teacher shortages. Key elements of the success of Sweden's fast-track initiative is the strong co-operation between the tripartite partners, the emphasis on vocational language training, and its culmination in an award of a domestic qualification easily interpreted by employers (OECD, 2017[47]).

Iceland has also seen a shortage of teachers in recent years, with a rising increase in the share of unskilled teachers. In the period 2011-21, the share of certified kindergarten teachers decreased from 35% to 24% of all kindergarten staff (Figure 3.12). In the same period, the share of unskilled teachers rose from 41% to 50%, a large part of whom are immigrants.

Figure 3.12. Unskilled workers now represent half of all kindergarten staff

Personnel full-time equivalents in pre-primary institutions by occupation and education, 2012-22



Source: Statistics Iceland (2024[48]), *SKO01321: Stöðugildi í leikskólum eftir störfum og menntun 1994-2022*, https://px.hagstofa.is/pxis/pxweb/is/Samfelag/Samfelag__skolamal__1_leikskolastig__1_IsStarfsfolk/SKO01321.px.

Given the shortage of skilled kindergarten staff and the rising share of the foreign-born population working in education, and to ensure suitable proficiency of the language of instruction in kindergartens across the country, it is important to supply prospective and current immigrant teachers with relevant skills with the aim of allowing them to work as certified teachers. Miðstöð símenntunar á Suðurnesjum (MSS), a lifelong learning centre in the Suðurnes region, has since 2023 offered a bridging programme intended for immigrants interested in working in kindergartens, with a special focus on vocational language teaching – albeit at a small scale (Box 3.4). While it does not provide a professional license, it shortens the path to become a certified kindergarten teacher and some graduates have pursued further education upon completion of the programme. A similar programme for refugees is operated by the ETSC, intended for prospective kindergarten teachers with education in the fields of education, social science or psychology. The University of Iceland also offers *Íslenskubrú*, a one-year language bridging programme intended for those working in education or recreation. Entry requirements are steeper, requiring the equivalent of an Icelandic matriculation exam (University of Iceland, 2023[49]).

Box 3.4. The Kindergarten Workshop programme in Reykjanesbær

Kindergarten workshop (*Leikskólasmiðja*) is a programme offered by the lifelong learning centre MSS in Reykjanesbær and co-funded by the Directorate of Labour. It is intended for those who have reached 18 years of age, have started to learn Icelandic, have a clean criminal record and some education and/or work experience working with children. The programme is split into two courses, starting with a course focusing on learning Icelandic and practical education. The second half is more pedagogical, taught in work-related Icelandic according to the Adult Education and Training Service Centre curriculum. A cross-cutting emphasis is placed on workshops and field work throughout the programme. Entry into the programme costs ISK 108 000 (EUR 715), although grants are available through the unions' vocational training funds.

As part of the programme's first cohort in 2023, 20 immigrants from 11 nationalities were registered. Seven people had tertiary teaching degrees and most had worked in schools at various levels. There were no dropouts, most found jobs upon completion and two proceeded to further education.

Note: MSS (2023[50]), *Leikskólasmiðja og íslenskunám*, www.mss.is/nam/namskeid-og-namsbrautir/22289.

Combining work and participation in bridging courses could allow humanitarian migrants to effectively use their skills

Many OECD countries have made assessing foreign qualifications an integral part of their migrant introduction programmes, including Canada, Denmark, Germany, Luxembourg, Norway, Sweden, and more (OECD, 2017[47]). For instance, Germany operates a model programme called Early Intervention, in which asylum seekers with a high likelihood of being granted permission to stay are informed by the public employment services of the options available to them based on their skills (Box 3.5) (European Commission, 2018[51]). Key requirements of such programmes include integrated service delivery and the efficient flow of information between service providers. While the former is present in Iceland with the refugee reception centre and the co-ordinated reception of refugees scheme, there is room for improvement regarding data collection and the sharing of information. Furthermore, the assessment and recognition of foreign qualifications is not included in the co-ordinated reception of refugees scheme. Making those services part of the integrated service delivery for humanitarian migrants as part of the scheme would be a welcome step in raising awareness of recognition procedures.

Box 3.5. Germany's Early Intervention programme for asylum seekers

In 2015/16, Germany saw a major increase in arrivals of asylum seekers, and a projected rise in unemployment. In the years prior, asylum seekers' transition into the labour market had been very slow, and they had to wait a year until they could receive support from the public employment service (PES). As the various social services had different IT systems, data could not easily be transferred between institutions, and services could not be prioritised according to demand.

A pilot programme operated by the German PES and the Federal Office for Migration and Refugees (BAMF), aiming to provide rapid integration support that considers asylum seekers' formal qualifications, highlighted the need for language courses, qualification measures and other structural requirements within the PES.

A key outcome of the project was the establishment of the "early intervention" principle in law, providing immediate support and early access to training and language courses. This required improved co-operation between the German PES and the BAMF in the form of one-stop-shops and a nationwide core data system.

Source: European Commission (2018[51]), *Integrated labour market services for asylum seekers in arrival centres,* https://ec.europa.eu/social/BlobServlet?docId=19255&langId=en.

Recognition of prior learning remains under-utilised by migrants

Measures for the recognition of prior learning (RPL) are an important complement to the recognition of formal qualifications. RPL assesses a person's non-formal and informal learning that has been attained through prior work experience, short courses, leisure activities and volunteering. As such, it is particularly useful to ascertain the competence level of migrants with little to no education or in cases where their schooling documents are not available, not least for refugees and other humanitarian migrants (OECD, 2017[47]).

Iceland is one of many OECD countries that offers RPL services, co-ordinated by the ETSC and administered by the various lifelong learning centres across the country since 2008. RPL is offered to validate both educational and professional competency, building upon national curricula and the Icelandic Qualifications Framework (ISQF). In addition to providing RPL for 29 recognised professions, the ETSC also provides RPL for transversal skills based on measurable criteria for 11 different skill factors. Transversal skills are markers of educational achievement, empowering individuals to apply for jobs or study paths they didn't realise were for them (OECD, 2021[52]; Næsta skref, 2023[53]). RPL is available free of charge for adults above the age of 23 and with at least three years of experience on the labour market.

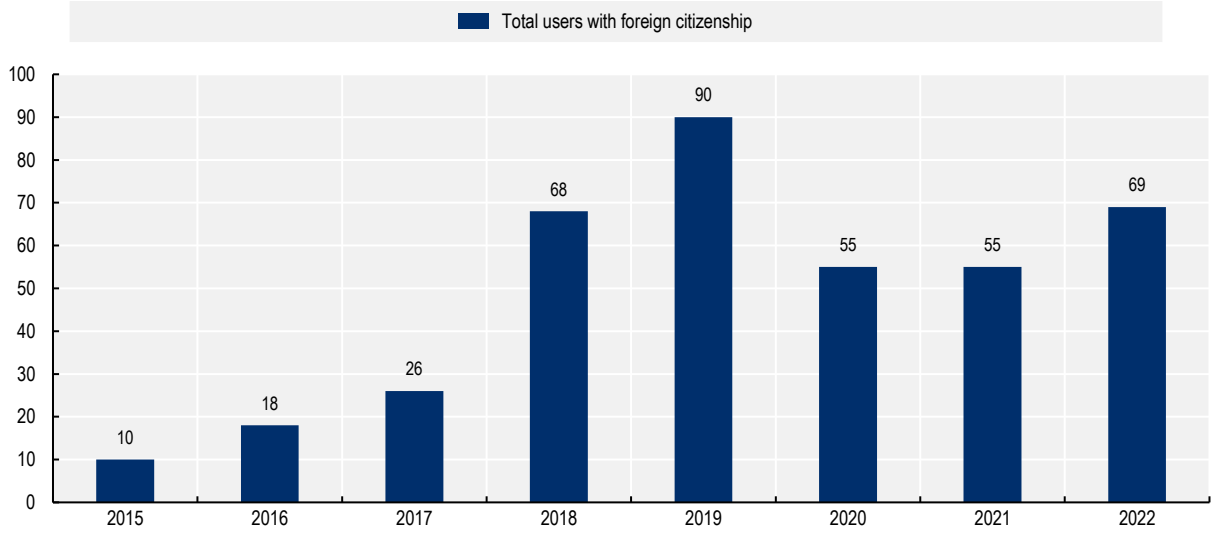
Use of RPL among migrants dropped in the COVID-19 pandemic, highlighting structural obstacles

Since 2013 ETSC has operated the website *Næsta skref* (Next step), where clear and accessible information about paths of study at the secondary, tertiary and lifelong learning levels, jobs on the labour market, study and career counselling, and lastly, RPL services, are provided (Næsta skref, 2023[54]). A key component of the website's RPL section and a first step in the process are so-called screening lists, where individuals are presented with statements about the basics of the relevant profession – from a list of 29 professions – and asked to assess their knowledge. The results are sent by email and can then be included in a conversation with a career counsellor. However, these lists are only available in Icelandic (Næsta skref, 2023[53]).

Immigrants have been consistently underrepresented among the users of RPL in Iceland. The use of RPL among immigrants remained negligible from 2008 to 2013, with immigrants representing less than 4% of RPL users in the period. From 2015 and onwards take-up of RPL measures among migrants increased, reaching a high point in 2019, before dropping substantially in 2020 (Figure 3.13). There are several potential explanations as to why the use of RPL among migrants dropped after 2019. One explanation is COVID-19. While the use of RPL among migrants dropped, use among the native-born saw an increase of 15% in 2020 compared to 2019 and increased in the years that followed, suggesting that structural obstacles such as language barriers may have made it difficult for migrants as service provision – including that of public employment services – was delivered almost exclusively digitally or via telephone (Gátt, 2022[55]; OECD, 2022[56]). Moving towards digital service provision can benefit certain migrants such as those with caring responsibilities, while it negatively affects those with lower literacy levels such as humanitarian migrants (OECD, 2021[1]).

Figure 3.13. RPL use among immigrants dropped sharply in COVID-19

Share of foreign citizens among those using recognition of prior learning measures, 2015-22



Source: Fræðslumiðstöð atvinnulífsins (2023[22]), *Tölfræði úr starfinu*, https://frae.is/fraedslusjodur/tolfraedi-ur-starfinu/; Statistics Iceland (2023[57]), *MAN04103: Population by country of citizenship, sex and age 1 January 1998-2022*, https://px.hagstofa.is/pxen/pxweb/en/Ibuar/Ibuar__mannfjoldi__3_bakgrunnur__Rikisfang/MAN04103.px.

As experiences from other OECD countries show, mapping competences early is important, not only for refugees' early entry into the labour market but also to identify relevant municipalities for placing refugees according to local labour market demands (OECD/UNHCR, 2018[58]). An example of effective early mapping is the "My Competence Portfolio" (*Min kompetencemappe*) in Denmark, a digital tool enabling individuals to create a systematic overview of their prior learning free of charge. Available in Danish and English, immigrants may describe relevant job experience and attach pictures of products or other outputs of their work. The portfolio can be downloaded and used in job applications. The public employment services in Sweden have taken a more holistic approach, combining elements of RPL – including early mapping, translation of credentials and on-the-job skills assessment and knowledge tests – with customised bridging courses that include vocational language training. Upon completion, participants are awarded an occupational certificate or credential (OECD, 2016[40]).

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4 Leveraging the skills of immigrants in Iceland

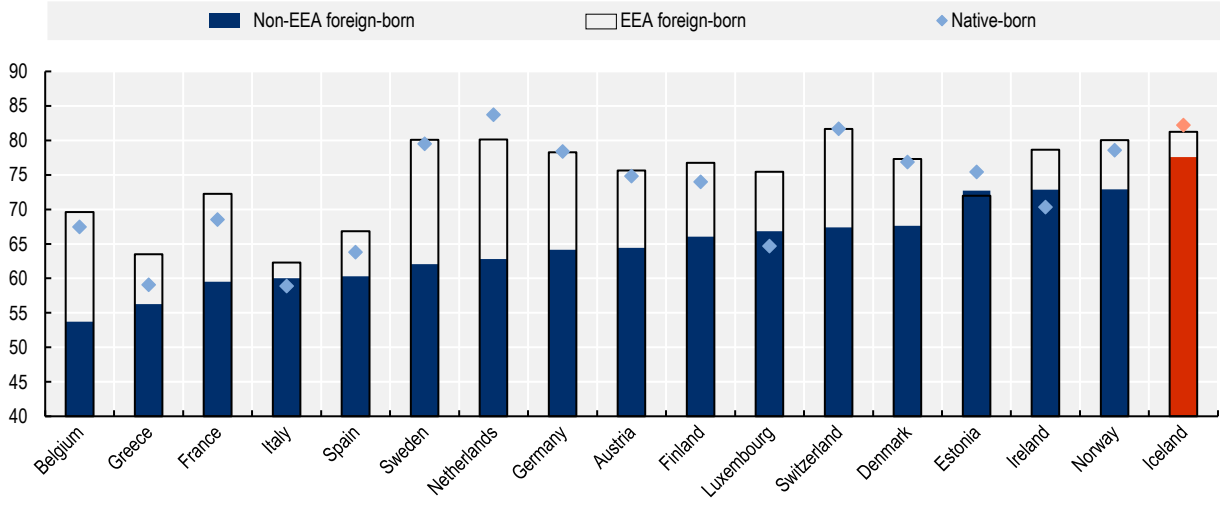
This chapter examines the extent to which immigrants are finding work and using their skills on the labour market. It focuses first on the employability of migrants, comparing the situations of EEA migrants with their non-EEA counterparts. It then looks at job quality, with a focus on skills mismatches, a key issue in Iceland. It proceeds with a discussion on the rising share of migrants in unemployment, concluding with an examination of ways to combat discrimination.

Employability and access to work

As already mentioned, at over 80%, employment rates of immigrants in Iceland are among the highest in the OECD, and this holds regardless of origin (Figure 4.1). In spite of this, attachment to work among migrants can vary over time and depending on their duration of stay in the country. During periods of economic bust, they tend to be among the first to become unemployed. A study on the impact of the COVID-19 pandemic in Iceland found that immigrants' access to work and job security was considerably lower than that of their native-born counterparts (Karlsson, 2022[1]). This, along with high overqualification rates, implies a need to ensure that migrants have opportunities to not only find work quickly upon arrival, but also providing pathways to make sure that immigrants are sustainably integrated into the labour market, and in jobs that make proper use of their skills.

Figure 4.1 Migrants in Iceland exhibit high employment rates

Employment rates in selected European OECD countries, 15-64 year-olds, pooled 2021-22



Note: For Iceland, 2021 data were not available. 2020 data were used instead.
Source: EU-Labour Force Survey 2021-22 pooled (2020 instead of 2021 for Iceland).

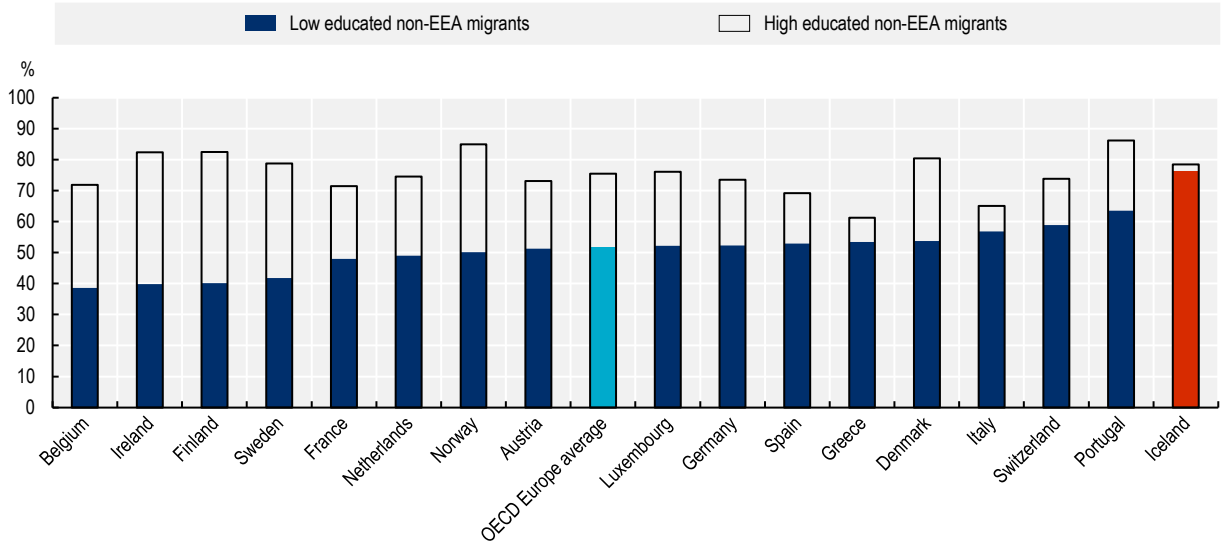
Non-EEA migrants fare comparatively well on the labour market

In most European OECD countries, EEA-born immigrants exhibit higher employment rates than their non-EEA counterparts. While the former have mainly come for employment, the latter arrive predominantly for family and humanitarian reasons in most countries. Yet, as seen above, employment rates among non-EEA migrants in Iceland remain comparatively high, at rates similar to those of their EEA-born counterparts.

What is more, whereas non-EEA migrants with a low level of education typically exhibit low employment rates, with an EEA average of 59%, in Iceland their employment rates are the highest among European OECD countries, at 78% (Figure 4.2).

Figure 4.2. Migrants coming from outside the EEA are highly active on the labour market, irrespective of their education level

Employment rates by education and origin, pooled 2021-22



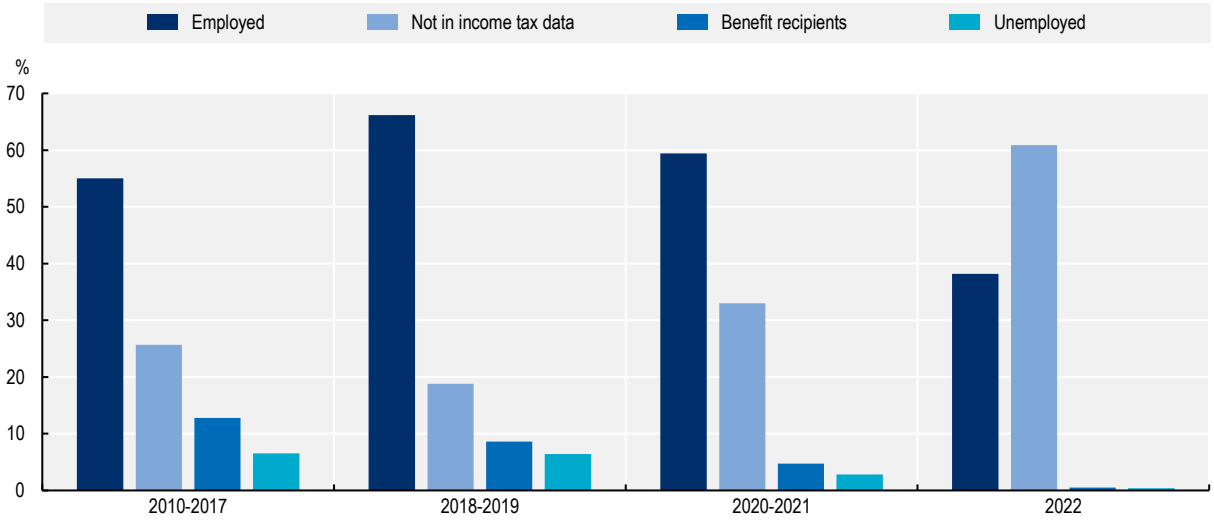
Source: EU-LFS 2020-22.

In fact, low educated non-EEA migrants in Iceland exhibit similar employment rates to that of their low educated EEA-born peers, and the same applies to medium educated migrants. However, there is an employment premium associated with being an EEA migrant for highly educated migrants. In Iceland, highly educated EEA migrants exhibit employment rates of nearly 90%, 10 percentage points higher than that of their non-EEA counterparts. Both rates are at similar levels as the EEA average (87% and 78%, respectively).

The high employment rates among non-EEA migrants in Iceland is partly explained by the group's composition. Iceland has in recent years seen a large increase in humanitarian arrivals, with a total of 3 455 permits granted in 2022, up from 160 in 2018. This rise has primarily been driven by an uptick in arrivals from Venezuela since 2019, and Ukraine since 2022. These are two groups with high levels of educational attainment and employment rates compared to other humanitarian migrants. Figure 4.3 shows the status of humanitarian arrivals in tax data by year of arrival, since 2010.

Figure 4.3. Recent humanitarian arrivals have integrated quickly

Employment status of migrants on humanitarian permits in Iceland, by year of protection granted, 2010-22



Note: Employment status is shown as of year's end 2022. "Not in income tax data" refers to any of the following: individuals in education; individuals who are recipients of social services via the co-ordinated reception of refugees scheme; and individuals who are dependent on their spouses.
Source: Ministry of Social Affairs and Labour (2023[2]), *Grænbók í málefnum innflytjenda og flóttafólks: Stöðumat og valkostir*.

Humanitarian migrants who arrived in 2018-22 have exhibited favourable outcomes on the labour market despite their short stay thus far. Arrivals granted protection in 2018-19 were 10 percentage points more likely to be in employment than those granted protection between 2010-17. Among arrivals from 2020 and 2021, a large part of whom came from Venezuela, 3% were unemployed in late 2023, 59% were in employment, while a third was still in the co-ordinated reception of refugees scheme or in education. The group of arrivals in 2022, most of whom were Ukrainians, have high participation on the labour market as well, with 38% already in employment a year later, 60% being in the reception scheme or in education, whereas only 0.5% were in unemployment (Ministry of Social Affairs and Labour, 2023[2]; Directorate of Immigration, 2024[3]). Many of those receiving social services will enter the labour force in the coming years as the three-year support provided by the co-ordinated reception of refugees comes to an end. It is likely that the employment prospects of humanitarian migrants will remain high in the short term, given the group's composition. However, this outlook also hinges on various factors, most notably labour market conditions.

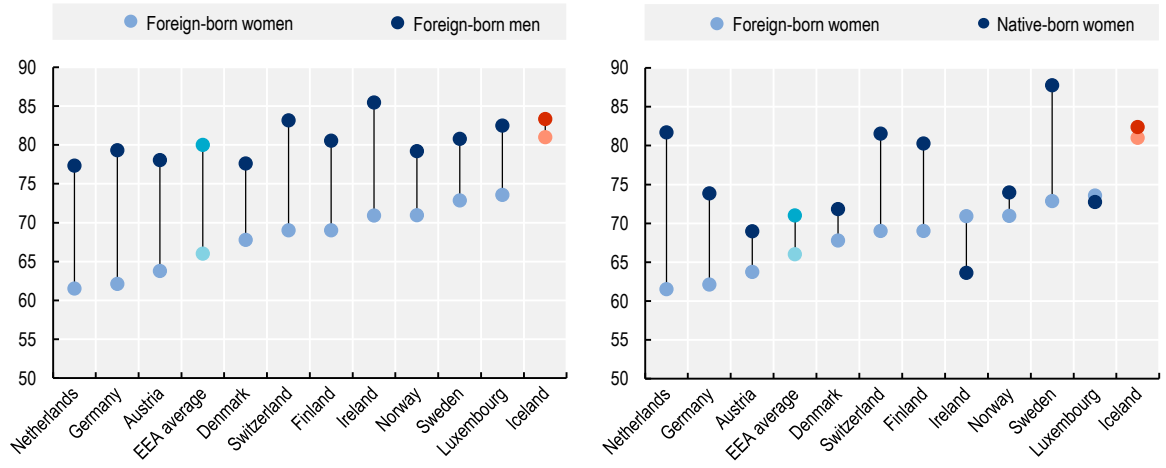
The quick integration of these groups into the labour market is partly attributable the high formal education levels of migrants from Ukraine and Venezuela, and one must be careful when drawing conclusions from this experience regarding future non-EEA migrants. Given the profiles of these groups and the likelihood that their share among humanitarian arrivals will decrease in coming years, it is unlikely that such high levels of employment among humanitarian arrivals will be sustainable in the long-term.

Employment among migrant women is high by international standards…

Migrant women in Iceland exhibit particularly high employment rates in comparison with their peers elsewhere in the OECD (Figure 4.4). The gap in employment rates between foreign-born women and foreign-born men is low, at 2 percentage points, compared to an average of 14 points in the EEA. Similarly, the gap with their native-born peers remains low at 1 percentage point, compared to an EEA average of 5 points.

Figure 4.4. Gender gaps in employment are very low in Iceland

Employment rates in selected OECD countries, by origin and gender, pooled 2021-22

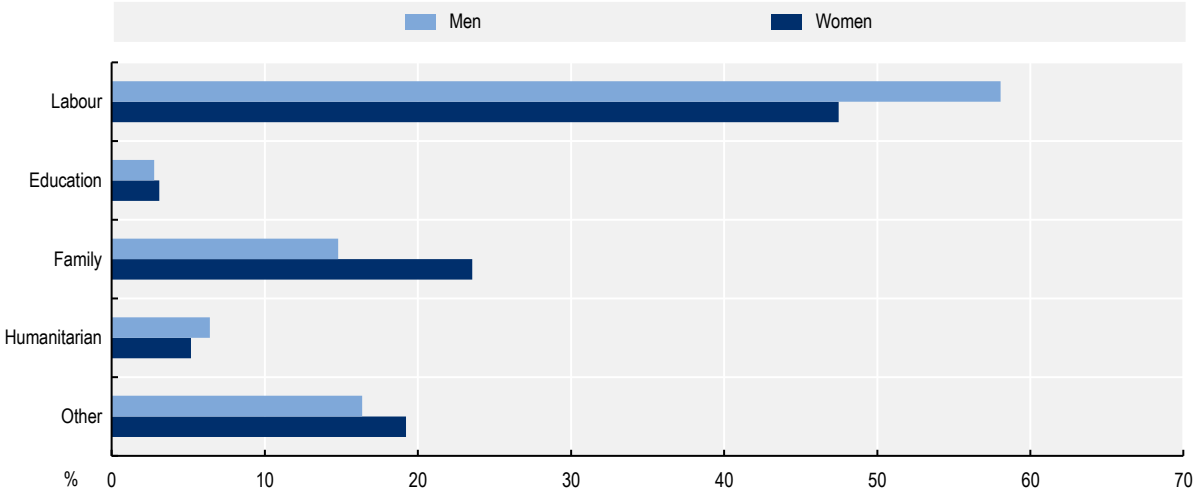


Source: OECD Secretariat calculations based on EU-LFS.

These findings suggest that there are relatively few structural obstacles preventing immigrant women from participating in the labour market, although the fact that many have arrived for employment rather than family certainly also plays a role. Women are still overrepresented among family migrants, counting 24% among all female migrants in the Workers in Iceland 2024 survey, against 15% of men (Figure 4.5).

Figure 4.5. Women are overrepresented among family migrants

Composition (share) of migrants by gender and reason for migration



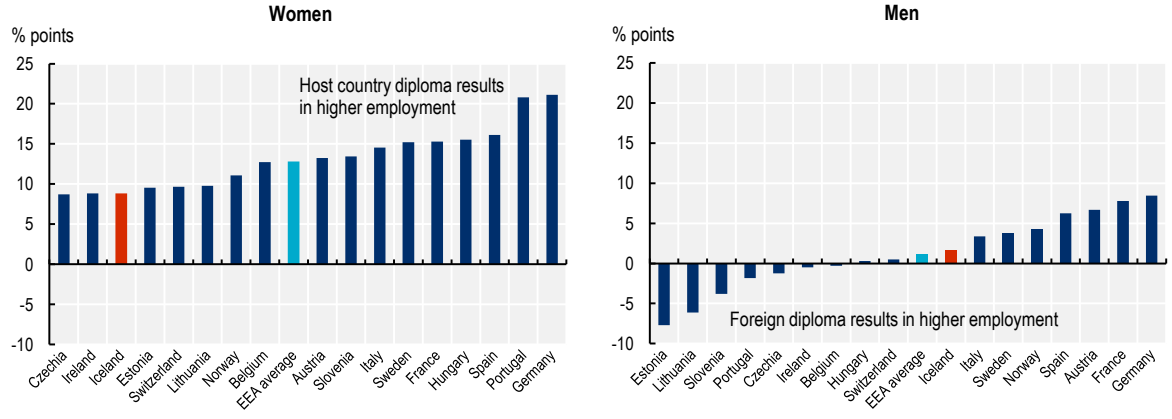
Source: Varða (2024[4]), *Workers in Iceland 2024* survey.

…although highly educated women with foreign diplomas face obstacles

Education naturally plays a large role in employment outcomes across OECD countries. However, it is not only the level of education which affects employment among migrants, but also the origin of their credentials. In Iceland as elsewhere, highly educated migrant women who received their degree outside of their host country face a much larger employment penalty than their male peers. On average, migrant women in European OECD countries who received their diploma abroad are 13 percentage points less likely to be employment than their counterparts who received their diploma in the host country (Figure 4.6). This is a trend that is apparent across all countries for which data is available, whereas there is no such association for men. While there are many factors that may contribute to this disparity, the most plausible is the different labour market situations of those women who arrived as family migrants versus those who did not. While the latter group sees high levels of employment, the former are more likely to give up work to take care of their families. Men are more likely to arrive as labour migrants, whose employment trajectories are more secure. Indeed, labour force survey analysis of European countries reveals that these effects on employment largely disappear when reason for migration and level of education are controlled for.

Figure 4.6. Like elsewhere in Europe, migrant women with a degree in the host country enjoy better outcomes on the labour market

Difference in employment rates between high-educated migrants, by gender and country where diploma was obtained, pooled 2021-22



Source: OECD Secretariat calculations based on EU-LFS.

Remedies for the observed disparity in employment include access to affordable childcare and ensuring that highly educated family migrants – which in the case of Iceland are a relatively large and growing group due to the high numbers of Ukrainians and Venezuelans – have an opportunity to get their credentials recognised. For many family migrants arriving from a different culture to a new country, the availability of such services is not readily apparent. In response, many OECD countries have begun offering counselling and referral services for newly arrived family migrants, especially at sub-central government levels (Box 4.1). While such community services do exist in Iceland, notably with the Bridge builders programme (see Chapter 5) in Reykjavík, they are generally not available outside the capital city.

Box 4.1. Referral services for newly-arrived family migrants

In the **German** federal states of Baden-Württemberg and Berlin, so-called "family visitors" or "welcome visitors" visit families at their homes and inform them about the services available in their neighbourhood. The objective is to motivate parents to use these services, including early childhood education and care. Visitors work on a full-time paid or part-time voluntary basis and are previously trained and informed about all local social services available for families and children.

Italy relies on intercultural and linguistic mediators as a key feature of its integration activities. Such mediators often target family migrants, either directly or indirectly. They are often migrants themselves and work to facilitate relations with public bodies, such as schools, hospitals, and police. The training of cultural mediators has now been enshrined in law and formalised, although the guidelines are not binding. Training courses for mediators have emerged in all branches of the education system, including in provincial vocational training courses and the university system.

Korea runs a network of local Multicultural Family Support Centres, which provide counselling to support family migrants' early settlement and adjustment to life in Korea. Counselling covers a broad range of topics including residence, finance, employment, language training, child education, childcare, family affairs and domestic violence. Counselling is offered at centres and via home visits in 12 languages with the help of trained translators, themselves former marriage migrants.

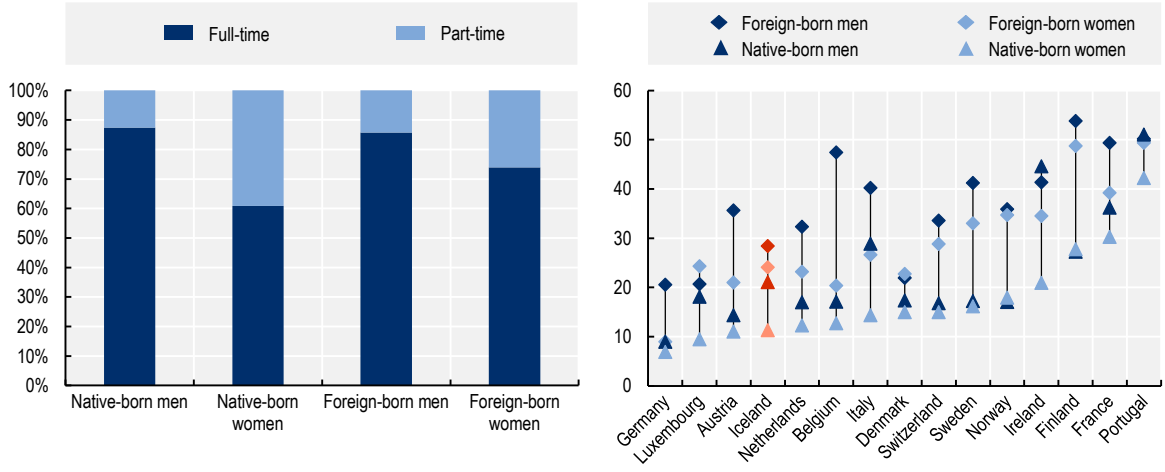
Source: OECD (2017[5]), *Making Integration Work: Family Migrants*, Making Integration Work, https://doi.org/10.1787/9789264279520-en.

Migrant mothers in particular have low employment levels and face structural obstacles to employment in many countries (OECD, 2023[6]). Unfortunately, data on the situation of mothers on the labour market is not available in Iceland. Unlike all other participant countries in the EU-LFS, Iceland does not collect data on the presence of children in households as part of their labour force surveys. This makes it impossible to analyse the specific labour market situations of migrant – and native-born – mothers, who often face different obstacles than their male and child-free peers.

Data on part-time employment show that migrant women are more than twice as likely to work part-time than migrant men, although not as much as native-born women (Figure 4.7, Panel A). However, migrants are more likely to work part-time involuntarily than their native-born peers – meaning they would work full-time if they could – although not as much as migrant men (Figure 4.7, Panel B). Many migrants are thus trapped in involuntary part-time work, a trend seen across OECD countries. The share of recent migrants in involuntary part-time jobs is twice that of the native-born in the EEA, and settled migrants remain more likely than the native-born to be working part-time involuntarily (OECD/European Commission, 2023[7]).

Figure 4.7. Migrants are more likely to work part-time involuntarily

Share of part-time workers by sex and place of birth, 2024 (left panel) and share of involuntary part-time workers by sex and place of birth, pooled 2021-22 (right panel)



Source: Varða (2024[4]), *Workers in Iceland 2024* (left panel); EU-LFS (right panel).

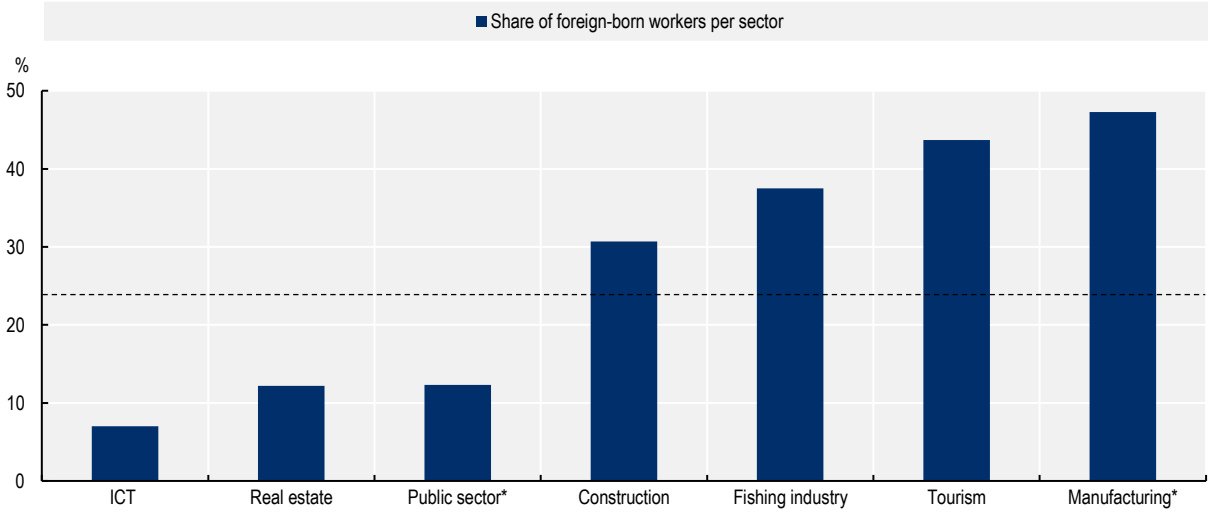
Job quality

Within a highly skilled economy, migrants are overrepresented in jobs below their qualification levels

Iceland has a highly skilled economy, with over half of all jobs classified as high-skilled. However, migrants in Iceland tend to concentrate in the lower skilled sectors of the economy (Figure 4.8). These include namely construction, fisheries, tourism, and manufacturing. These are all sectors of significance to the Icelandic economy, with manufacturing accounting for nearly half of all goods exports and manufacturing over a third in 2021, while tourism accounted for a third of services exports in the same year. The construction sector has also seen rapid growth in the past decade, growing at an annual rate of 0.5% in terms of employment – to a large extent driven by immigration (OECD, 2023[8]).

Figure 4.8. Migrants are overrepresented in low-skilled sectors

Share of foreign-born in employment by economic sector of activity, 2023 or latest year available



Note: The public and manufacturing sectors data are from 2023, the rest from 2022. The dotted line represents the share of foreign-born in the labour force.
Source: Statistics Iceland.

Indeed, the tourism and construction sectors, both key sectors in the Icelandic economy, have seen reforms to improve the business climate in recent years and regulations have been eased (OECD, 2023[8]). This may have contributed to a further over-representation of migrants in these sectors.

The employment of immigrants in high-skill sectors is considerably lower than that in the sectors mentioned above. The information and communication technology (ICT) sector is a striking example, where immigrants account for less than 10% of workers in the field. With a recent amendment to the Foreign Nationals' Act, this may change. Residence permit regulations have now been relaxed for foreign experts, extending the time limit to four years instead of two, in addition to making their permits less dependent on their employer. Upon graduation from an Icelandic university, foreign nationals may now renew their residence permit for the purpose of seeking employment for up to three years, up from six months previously (Althing, 2023[9]).

Immigrants also remain underrepresented in the public sector. Iceland's public sector accounts for nearly a third of all employment in the country, among the highest shares in the OECD. While the public sector is rarely an entry sector for new arrivals, the underrepresentation has negative implications. First, migrant employment in the public sector enhances diversity within public institutions, making them more representative and likely also aware of the needs of the communities they serve. Second, how the wider public perceives immigrants and their children depends in part on their visibility in public life and the contexts in which they become visible. Through professions such as teachers, police officers, or public administrators, they can act as role models to their younger peers (OECD, 2021[10]).

Public sector employment among migrants stood at 14% in 2023 (versus 30% for the native-born), compared with 16% in 2013.[1] Migrant public sector employment remains below that of its Nordic neighbours, most of whom have adopted strategic policies to foster immigrant employment in the public sector. For example, Denmark and Norway have benchmarks in place to ensure a roughly proportional representation of people with a migrant background in jobs at the state and municipal levels. Denmark has set up a regular employment statistics watch for employment in the public sector, not dissimilar to the

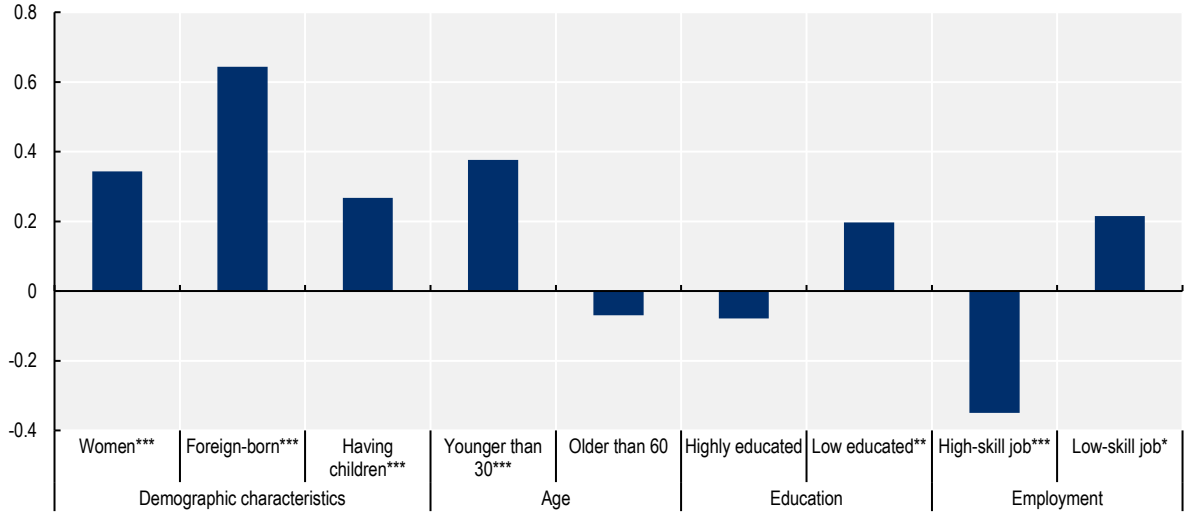
dashboard of gender statistics operated by the Icelandic Government – but including statistics on persons with a migrant background (OECD, 2023[8]). In Iceland, there has not yet been specific action targeted at improving immigrant employment in the public sector.

Migrants are dependent on their social networks in finding employment

Migrants often struggle finding quality employment due to a lack of social networks in the host country (OECD/European Commission, 2023[7]). In Iceland however, only 7.5% of surveyed migrants who experienced overqualification claimed a lack of social networks as the primary reason for not finding a job that fits their skill level. In fact, regression results indicate that migrants are 64 percentage points more likely to find employment through their social networks relative to the constant, the largest coefficient among characteristics included in the model (Figure 4.9). However, most jobs acquired through social networks are of a lower skill nature – getting a job through social networks is associated with an increase in the chance of finding low-skill employment by 22 percentage points relative to the constant, while it is associated with a decrease in the likelihood of finding high-skill employment by 35 points.

Figure 4.9. Dependence on social networks may contribute to migrant overqualification

Observed association (in percentage points) between various characteristics and finding a job through social networks



Note: Stars next to labels indicate statistical significance.
Source: Varða (2024[4]), *Workers in Iceland 2024* survey microdata.

Language skills are key to finding decent work

Among survey respondents who self-assess to be overqualified for their job, 18% claimed discrimination to be the primary reason for not finding employment suitable to their skill level, while 14% noted their overqualification as voluntary. However, a full 36% noted a lack of language skills as the primary reason for their overqualified status.

There is a potential link between migrants' established social networks in the country – often predominantly with other migrants – and their lack of language skills. Because they can find jobs easily, there is less of an incentive to learn the language. The fact that most people can speak English is another. As a result, they are at increased risk of overqualification, which can threaten long-term career prospects, waste potential, and prevent social mobility. These effects may not be readily apparent in the early years following

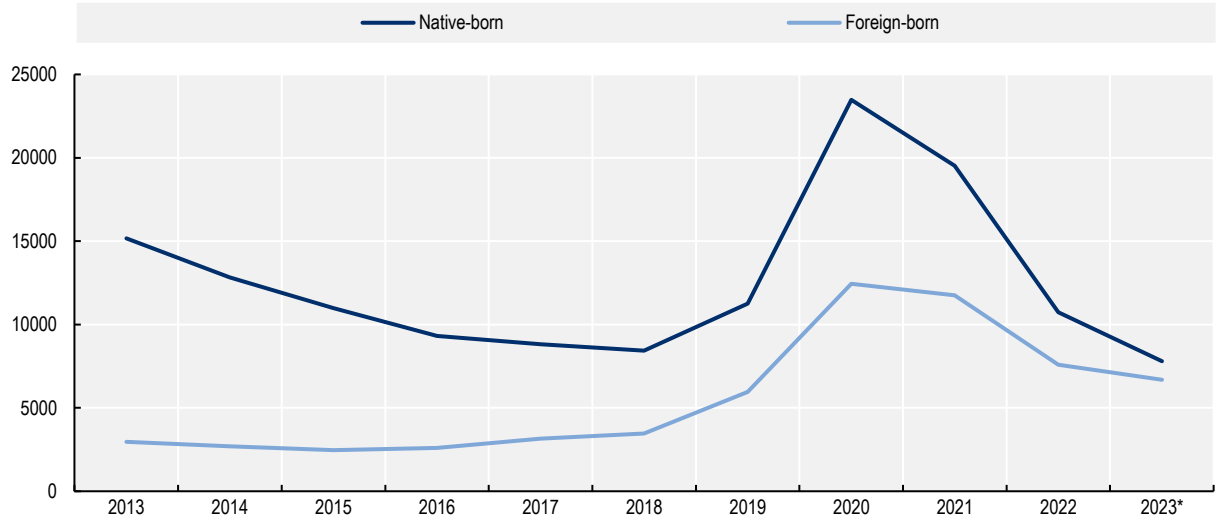
arrival, but raising awareness of them can be an important component in getting people to learn the language.

Public support and re-integration efforts

Immigrants are overrepresented among the unemployed, accounting for nearly half of unemployed persons in 2023 (Figure 4.10). The share of immigrants among the unemployed has nearly tripled in the decade prior to 2023, while immigrants' share among the total population rose from 10% to 20%. The general decline in the labour market situation of immigrants merits special attention, requiring targeted public support and re-integration efforts.

Figure 4.10. Immigrants' share among the unemployed has steadily increased in the last decade

Unemployment register composition by place of birth, annual average 2011-23



Note: *Numbers for 2023 are from January to October.
Source: Directorate of Labour.

Active labour market policies can be better tailored to immigrants' needs

As mentioned, the Directorate of Labour is the public employment service in Iceland, providing general services to jobseekers, in addition to registration, skill assessment, counselling and job placement as well as co-operation with other service providers on resources and labour market measures (see Chapter 2). The Directorate of Labour is also in charge of providing active labour market policies (ALMPs) to jobseekers.

The ALMPs offered by the Directorate of Labour vary and can be split into five categories. *General programmes* encompass several courses and trainings offered by both the Directorate of Labour and lifelong learning centres, such as job search and motivation courses, workshops and various clubs. *Short courses* include Icelandic language courses, commercial driving tests, and as of 2023, computer courses. *Training periods* are composed of longer, more formal trainings. These include evening courses or part-time education in upper secondary institutions, university or university gateway programmes, usually for one semester. *Vocational training* includes on-the-job training, rehabilitation courses, and business

concept development. Lastly, *wage subsidies* are offered to employers that are willing to offer individuals job placements under certain conditions, with the Directorate of Labour covering part of the worker's salary.

Immigrants' participation in ALMPs by category varies widely and has changed considerably over time (Table 4.1). Most foreign-born registrations in ALMPs between 2011-21 were for short courses, most of which were language courses (which unfortunately cannot be distinguished from other short courses), with general programmes and wage subsidies also constituting significant shares. Training periods, in the form of more formal educational offers, and vocational training remained mostly unused among job seeking migrants. Patterns of use among the native-born population were more diverse, with vocational training being the only category sought by less than 10% of those seeking a job during the period. Wage subsidies were a substantial part of the ALMP offer during the COVID-19 pandemic in 2021, but tentative figures for 2023 suggest that they have since then converged to previous usage levels.

Apart from the COVID-19-related uptake of wage subsidies, immigrants are largely underrepresented in the main measures, especially once considering that the majority of short courses are language-related. The reasons for the low take-up of ALMPs among migrants is unclear. It should be a priority to assess the underlying reasons, and to take remedial action.

Table 4.1. Migrants account for a rising share of ALMP users

Share of users of active labour market policies (ALMPs) by place of birth and ALMP category, 2011 and 2021

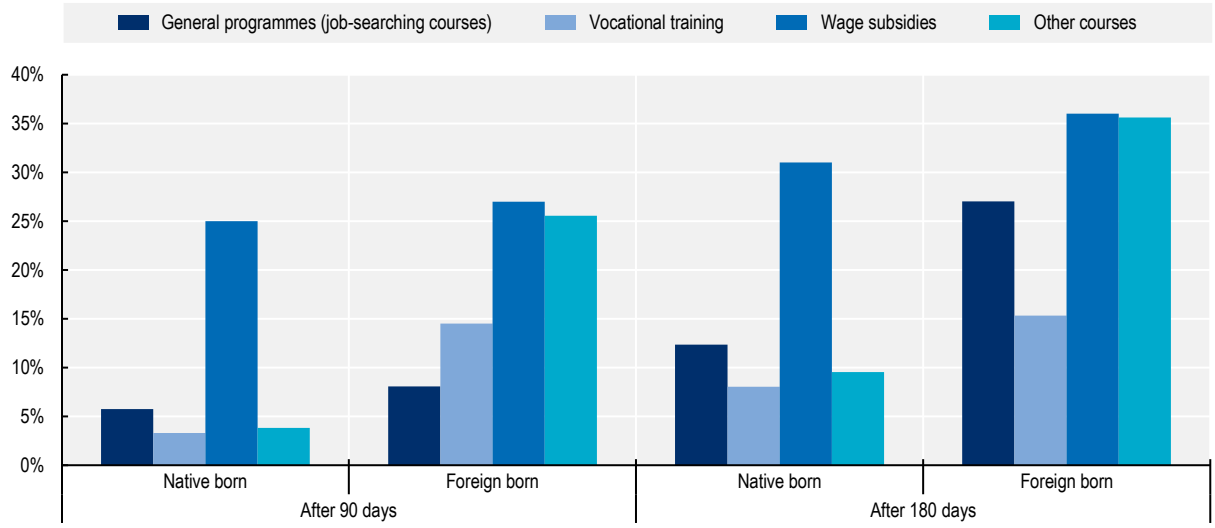
	Total users		Foreign-born share	
	2011	2021	2011	2021
General programmes	5 240	2 633	15%	11%
Short courses (including language courses)	6 185	2 754	79%	31%
Training periods	2 368	2 265	1%	5%
Vocational training	388	186	1%	1%
Wage subsidies	1 207	8 383	3%	52%
Share among the unemployed			15%	38%

Source: Directorate of Labour.

Data on outcomes by category are unfortunately only available for unemployment status and not for employment. These suggest that measures tend to be less effective in getting migrants out of unemployment than the native-born, as shown in Figure 4.11. Data for all categories of ALMPs was not available, such as for language courses, having been lumped under the category "other courses". They can however be expected to account for a large part of the category for the foreign-born. General programmes, such as job-search training seem to have a limited impact on employment among the foreign-born, at least in the short term. For the native-born, 6% of individuals taking such courses were unemployed 90 days after concluding the course, and 12% after 180 days – against 8% and 27%, respectively, for the foreign-born. Vocational training seems to have a stronger effect on employment among the foreign-born, however. A roughly equal share of those taking such courses were unemployed after 90 days compared to 180 days, at 15%. Other courses, most of which include language courses for migrants, have the highest shares of unemployment after 90 and 180 days. This is not surprising given the long-term investment that language courses are, and the benefits are more likely to be reaped over time. Looking at outcomes after 90 and 180 days of taking such courses will thus tell little about their impact.

Figure 4.11. Vocational training sees the best outcomes among ALMPs for migrants in Iceland

Share of ALMP users in unemployment 90 and 180 days following the measure's completion



Source: Directorate of Labour data.

Language courses merit further monitoring and evaluation, especially given the Directorate of Labour's recently expanded role. Since 2023, the Directorate of Labour is not only charged with providing language courses for the unemployed, but also to humanitarian migrants receiving assistance through the co-ordinated reception of refugees scheme. Given this enlarged role, and the potential impact of learning the language on factors such as finding quality employment and overall integration into society, it seems appropriate to start evaluating the outcomes of language learning services provided by the Directorate of Labour, something currently not done.

Unemployment numbers of those on wage subsidy programmes – 27% after 90 days and 36% for the foreign-born – remain high, in relative terms. An extensive study on the impact of ALMPs on immigrant employment has suggested that wage subsidies are the only type of ALMP that has a significant impact – although language courses were not included in the study (Butschek and Walter, 2014[11]). In Iceland, wage subsidies remained a small part of the ALMP offer before the COVID-19 pandemic, with 12% of native-born and 8% of foreign-born jobseekers making use of such schemes in the decade leading up to the pandemic. In 2021, the Icelandic Government rolled out a large wage subsidy scheme which was used by half of all jobseekers in the year, from which the native- and foreign-born benefitted equally. However, by 2023, use of wage subsidies had dropped to 19% of all ALMPs used in the year.[2]

Although immigrants were more affected by the COVID-19 shock, the large-scale public response proved relatively inclusive

While the COVID-19 crisis was unique in nature, it provides several lessons. The Icelandic economy recovered relatively slowly from the COVID-19 crisis. Between Q4 2019 and Q2 2022, the cumulative growth in GDP (1.9%) was smaller than the OECD average (2.8%). Iceland recorded one of the slowest recoveries in employment rates among all OECD countries, linked to a particularly large initial fall as the key tourism sector shut down. Immigrants, who are overrepresented in labour-intensive service sectors such as the tourism sector, were among the most affected by the increase in unemployment.

Iceland's response to the crisis included a broad emphasis on job retention schemes and wage subsidies with broad eligibility, rather than explicitly targeted support for vulnerable groups (OECD, 2023[12]). Like

other countries, Iceland operated a major job retention scheme – the so-called *hlutabótaleið* (partial reduced unemployment) – between March 2020 and May 2021. The scheme allowed employers and employees to enter into an agreement in which the employee reduces their working hours, and in turn, the employee received unemployment benefits corresponding to the reduction in hours. The main purpose of the scheme was to allow the employer and the employee to maintain an employment relationship during the recession (Directorate of Labour, 2023[13]). While take-up of job retention support remained slightly lower than the OECD average (18% of dependent employment compared to 20%), it was nearly twice that of the average in the other Nordic countries, mostly due to less onerous financing requirements for firms (OECD, 2023[12]).

Take-up among the foreign-born population was higher than among the native-born. While accounting for 17% of those in employment during the period, foreign-born individuals received 27% of job retention payments. This was associated with the concentration of migrants in heavy-hit sectors.

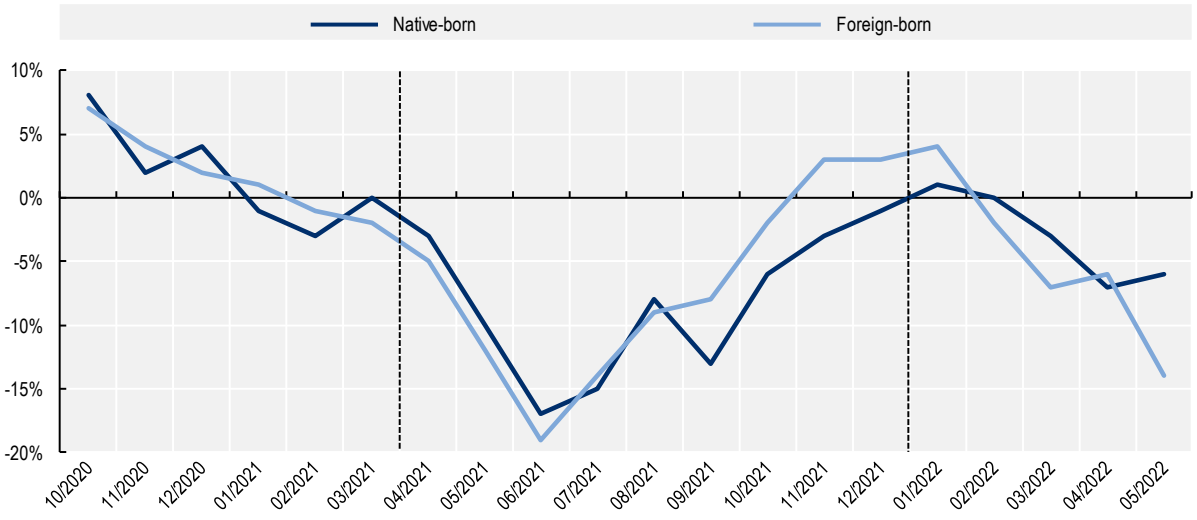
Eligibility requirements for job retention support were widened early on in the pandemic, to the benefit of foreign-born workers. The receipt of unemployment benefits while on job retention support was not subject to standard eligibility requirements, allowing migrants to use the scheme indiscriminately. That included notably non-EEA citizens on temporary work permits, who are not covered under the Act on Unemployment Insurance. Without these changes, migrants would have fared worse as many working in the weakened tourism sector would have entered unemployment. Furthermore, job retention support for migrants may have contributed to the strong recovery of the tourism sector after the pandemic.

The second major component of the Icelandic labour market recovery was a substantial emphasis on wage subsidies. The “Let’s Get to Work” (*Hefjum störf*) wage subsidy programme was introduced in April 2021 and ran until end of December 2021, with public funds covering the majority of wage costs for up to six months per employee under the scheme. Most of the subsidies went to private sector employment, although the scheme also covered jobs in the public and non-profit sectors. Like in the other Nordic countries, workers using the scheme were also entitled to unemployment benefits (OECD, 2023[12]). By end of year 2021, 7 900 jobs had been created on the basis of wage subsidies, with the Let’s Get to Work scheme accounting for 40% of the total and other wage subsidies accounting for the rest. A total of ISK 15.1 billion (EUR 120 million in 2023 prices) was allocated to wage subsidies in 2021 and 2022, exceeding earmarked funding due to high demand. Demand for wage subsidies under the Let’s Get to Work scheme had been twice as high expected, and demand for regular wage subsidies had increased 20-fold compared to other years (Althing, 2021[14]).

The Directorate of Labour estimated that 20-25% of those employed under a wage subsidy in 2021 went back into unemployment as their contract expired (up to six months). Although information by nationality or country of birth are not available and evaluations are absent, aggregated unemployment data provides some insights. As wage subsidies became available in Q2 2021, unemployment quickly plummeted for the native- and foreign-born alike, with slightly higher reductions in unemployment among the latter group (Figure 4.12). In the second half of 2021, changes in unemployment became less favorable for the foreign-born and unemployment for the group increased for three successive months at the end of the year. A partial explanation for the observed disparity may be that migrants were less likely to be kept on as their initial contracts under the scheme expired. There is a clear divergence in changes in unemployment around five months following the scheme’s launch, suggesting that immigrants may have struggled keeping their jobs following the wage subsidy. However, after the scheme ended, migrant unemployment saw a greater decline than that of the native-born, which could partially be explained by those entering work who were initially laid off from their wage subsidy contracts around year’s end.

Figure 4.12. Foreign-born unemployment rose quicker as wage subsidies expired

Change (%) in the monthly unemployment rate by place of birth, Q4 2020–Q2 2022



Note: Dotted lines mark the start/end of the Let's Get to Work wage subsidy scheme.
Source: Directorate of Labour monthly labour market reports.

For future crises, and for the general development of ALMPs and other policies, impact evaluations of major government programmes will be necessary to ensure the efficient use of public funds. This requires up-to-date data, breakdown by country of birth, and systematic data exchange between relevant institutions. Denmark, Norway and Sweden have all undertaken such analyses with success, while Iceland and Finland remain the only Nordic countries not to have done so (OECD, 2023[12]), in spite of the existence of a register data system which would in principle be capable of providing such information.

Language courses for jobseekers require tailoring

During the pandemic, Iceland prioritised job retention schemes and wage subsidies over other ALMPs, decreasing the share of spending on ALMPs compared to 2019 levels (OECD, 2023[12]). While there is strong evidence of the positive effect of wage subsidies on immigrants' employment outcomes, the heavy reliance on wage subsidies during the pandemic may have come at the cost of developing other ALMP schemes which could have benefited immigrants, such as language training.

Although thorough analyses of the effect of language training on immigrant employment are scarce, research has revealed significant and positive long-term effects on employment (Clausen et al., 2009[15]; Kennerberg and Åslund, 2010[16]). The impacts of language training are particularly pronounced for those with the lowest language skill levels and the weakest labour market attachment (Kiviholma and Karhunen, 2022[17]). However, while the effect of wage subsidies on employment outcomes is also strong, particularly in the short term, negative lock-in effects may arise when participating in both language courses and wage subsidies simultaneously (Clausen et al., 2009[15]). Accordingly, offering wage subsidies and quality language learning to jobseekers may each help alleviate foreign-born unemployment, with the appropriate option being dependent on each individual and their circumstances.

An example of an initiative combining language and other training was the Directorate of Labour's "Education as an Opportunity" (*Nám er tækifæri*) initiative, on offer from early 2021 to mid-2022. The initiative allowed long-term unemployed individuals to take part in one semester of full-time study at vocational, higher education and lifelong learning institutions while continuing to receive unemployment

benefits. The initiative was expected to engage around 3 000 participants, but take-up proved far lower, with less than 1 500 taking part in the scheme. The majority of participants were migrants taking part in Icelandic lessons at lifelong learning centres, upper secondary and higher education institutions – such as the University Gateway programme at Bifröst University. However, feedback from stakeholders involved in the courses indicated that dropout was common, partly because of very heterogenous skills levels among participants.

Indeed, heterogenous course grouping in language training may increase course dropout rates for those at either end of the skills scale. Migrants are a diverse group with different starting points, influenced by several different factors such as age, gender, family situation, language level, and category of migration. This heterogeneity translates into diverse needs with respect to language and other forms of learning, and it is important to be able to operate different policy levers so that each type of migrant has the potential to succeed. Most countries have recognised that no "one-size-fits-all" trajectory exists, and 28 OECD countries now offer programmes specifically tailored to migrants' needs, with varying offers for different groups (OECD, 2023[18]).

In the past, many unemployed migrants participated in language courses – 89% of unemployed migrants in 2011 had taken courses in Icelandic (Wojtynska, Skaptadóttir and Ólafs, 2011[19]). This somewhat dated study also found that the courses did not provide unemployed migrants with the language skills needed to sustainably integrate into employment. As the structure has not changed much since, this puts into question the quantity and quality of language courses offered to unemployed migrants. Jobseekers are referred by the Directorate of Labour to a relevant language provider, from which they are entitled to two language courses (80-120 lesson hours in total) free of charge – only sufficient to reach an A1 level of Icelandic, assuming a beginner's starting point.

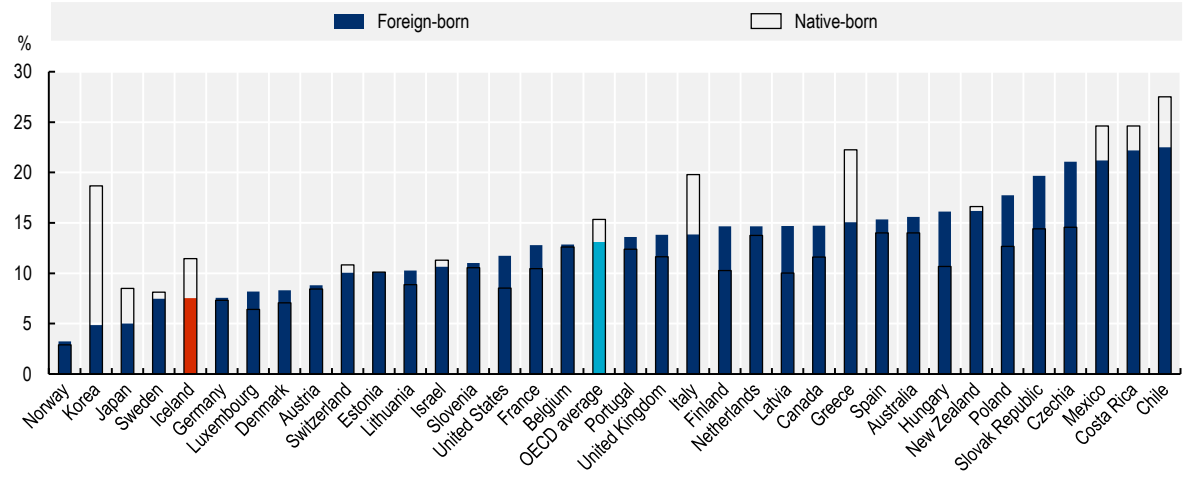
While the system is a modular one – insofar as courses are split according to the CEFR framework – other countries have implemented more advanced and personalised language courses. Germany provides an example, offering publicly funded, specialised schemes with catch-up and intensive courses as well as the possibility to attend additional lesson-hours if participants fall behind. An evaluation of the scheme found significant improvement in terms of language skills, employment, and other integration outcomes linked to differentiated training (Schuller, Lochner and Rother, 2011[20]). In Denmark, each individual sets a target level of Danish which increases as the migrant's education level increases. For example, those migrants in Danish 3 aim to achieve a level of C1, which is necessary to access higher education in Denmark. Successful learners in the lower tracks have the opportunity to progress to the next track if they choose (OECD, 2023[18]).

Self-employment among immigrants is still rare, but entrepreneurial initiatives have recently become available to migrants

Self-employment can serve as a means to avoid marginalisation in the job market. Moreover, when successful, it can offer significant economic opportunities for both immigrants and the host country's society. In spite of some increase over the past decade, Iceland has still one of the lowest self-employment rates for immigrants in the OECD, well below the rate of the native-born which is also not high in international comparison (Figure 4.13). This reflects the recent and work-related nature of most migration to Iceland, as most immigrants have a job as a wage-earner upon arrival, and self-employment only becomes an option later, often with a view of avoiding marginalisation in the labour market following unemployment.

Figure 4.13. Self-employment is uncommon in Iceland, particularly among migrants

15-64 year-olds in self-employment, excluding those in the agricultural sector and those in education, by place of birth, 2021



Source: OECD/European Commission (2023[7]), *Indicators of Immigrant Integration 2023: Settling In*, https://doi.org/10.1787/1d5020a6-en.

Iceland is one among several OECD countries which offer start-up incentives to jobseekers. Start-up incentives provide support to jobseekers interested in starting their own business and becoming self-employed. However, these account for a very small fraction of overall ALMP expenditure. While initially limited to nationals, as the pandemic hit, the Directorate of Labour expanded the target group of start-up incentives to include jobseekers with foreign nationality. The use of start-up incentives counted on average 6 500 and 6 000 individuals in 2020 and 2021, respectively, up from 2 600 in 2019 (OECD, 2023[12]). Detailed data with disaggregation by country of birth is unfortunately not available.

The Directorate of Labour, in co-operation with the Ministry of Higher Education, Science and Innovation, also offers so-called Innovation Grants (*Nýsköpunarstyrkur*), which are wage subsidies for innovative employers such as start-ups. Employers are entitled to a grant corresponding to that of the basic unemployment benefits and an additional pension fund contribution, for 6 or 12 months. To qualify, employers must not have made any layoffs from the intended position within the previous six months. The subsidy amount is progressive, with longer periods of unemployment (six months or more) resulting in higher benefits for the employer. However, Innovation Grants are not widely used, totalling 27 grants in 2022, only 3 of which were granted to migrants. In 2023, 11 were used, one of which was used by a migrant.

In Sweden, where such grants are used more widely, a 2017 study from the public employment service concluded that start-up wage subsidies had a significantly higher transition rate into employment than regular wage subsidies, or 37% for native-born participants and 23% for non-western participants – versus 7% for regular wage subsidies (Nordic Council of Ministers, 2019[21]).

Family migrants are a group that might particularly benefit from entrepreneurship options. Migrant women and mothers are overrepresented among the inactive population, and often experience difficulties in taking up salaried employment. Entrepreneurship is an option that provides the possibility to combine with childcare or other family obligations, while allowing them to gain a foothold on the labour market. Only 3% of migrant women in Iceland are self-employed, the lowest rate among EEA countries and far below their native-born peers (8%). Self-employment requires knowledge about administrative procedures and support structures, which remain particularly hard to come across for family migrants. It is thus important

to reach out to and inform this group about viable options such as the grants listed above, in addition to providing them with counselling support to help them undertake such activities (OECD, 2017[5]).

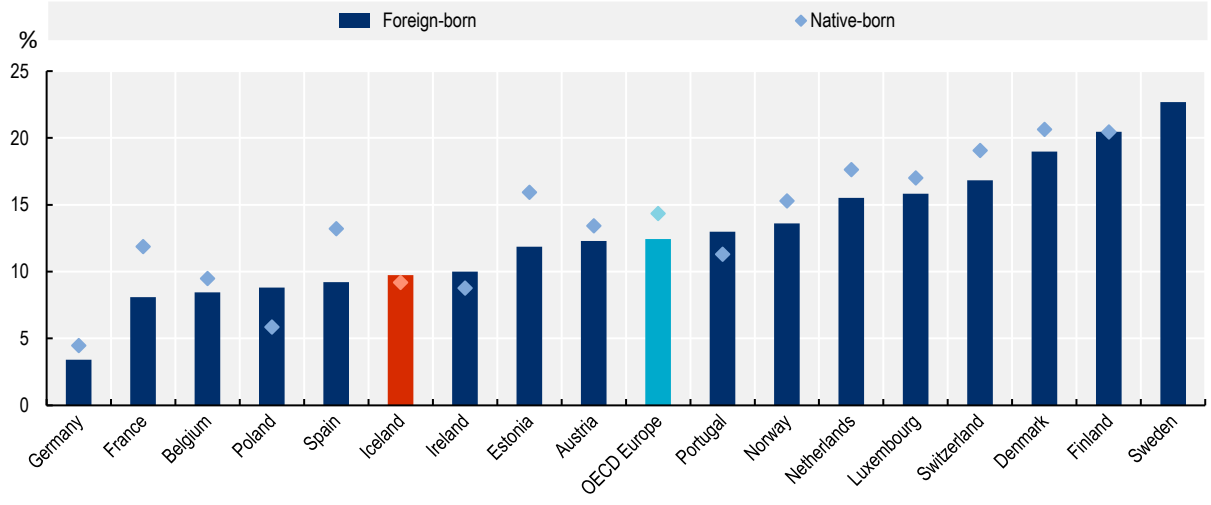
Adult education is not widely used among migrants

Given the relatively high average skills level of the Icelandic labour market, re- and upskilling, through adult education and training, is a key component of labour market policy – in Iceland as elsewhere in the Nordic countries. Through union membership, most workers in Iceland have access to a certain amount of free-to-access adult education and learning courses per year. However, take-up of such courses is relatively low, both among the native- and the foreign-born population. While around 20% of migrant workers in Denmark, Finland and Sweden are active users of adult education and learning, only 10% in Iceland are – also below the EEA average, at 13%. The share is particularly low for men, with only 8% being active users of adult education and learning (Figure 4.14).

The low use of adult education among migrants in Iceland may be explained by several factors. One is the lack of awareness of available courses, although both native-born and immigrants should be aware of this given their high levels of union membership – as unions play a key role in the provision of adult education. A further migrant-specific reason may be the lack of courses suited towards migrants. Many migrants may not feel proficient enough in the language to attend a classroom course in Icelandic, and other forms of courses, such as those with a vocational language component, are not widespread – although some providers of adult education and learning have started offering such courses for select professions (see Chapter 3). Indeed, as seen in Table 4.1, the share of ALMP users using vocational training courses is minimal among migrants, with the native-born observing a much higher share. Given the widespread availability and affordability of adult education and learning in Iceland, demand for such courses among migrants could be enhanced by increasing the supply of courses with a vocational language learning component.

Figure 4.14. Use of adult education remains far behind that of the other Nordics

Participation in adult education and training by place of birth and gender, selected European OECD countries, 2021/22



Note: Participation refers to the share of adults who participated in any courses, seminars or conferences, or received private lessons or instruction outside the regular education system within the four weeks prior to the survey taking place.
Source: EU-LFS.

Combating discrimination and supporting diversity

Limited evidence on discrimination shows high perceived incidence among recently arrived migrants

Discrimination is a key barrier to migrants' economic and social integration. Quantifying and assessing discrimination is however difficult, and discrimination against migrants in Iceland has not been researched thoroughly, although several data sources exist.

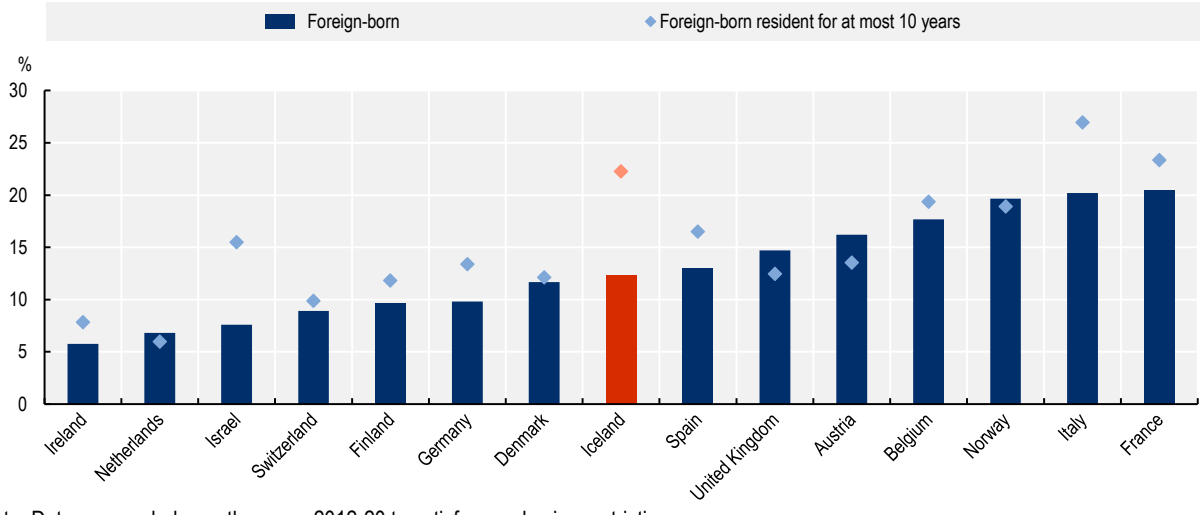
Typically, the gold standard for assessing labour market discrimination is by way of field experiments with fictitious CVs of otherwise equivalent candidates where only the name indicates a foreign background. This has not yet been done in Iceland regarding employment, but one similar experiment from Iceland looked at opportunities in the rental housing market. Conducting an internet field experiment on two of Iceland's largest websites for rental advertisements, the authors showed that Polish men were significantly less likely to receive an answer to their rental inquiry than were their native-born counterparts (Björnsson, Kopsch and Zoega, 2018[22]). Given Iceland's high housing and rental prices, discrimination against the foreign-born on the housing and rental market must thus be looked at as one of the barriers to integration into Icelandic society.

Another way to measure discrimination is via self-reported, or perceived, discrimination. While this is not necessarily related to actual discrimination, it is an indication of social cohesion. Two primary sources are available on perceived discrimination. The first source is the European Social Survey (ESS). Although sample sizes are small – making it necessary to pool yearly samples together – the main benefit of using the ESS to measure discrimination is that it allows for cross-country comparisons with other European countries.

In the period 2012-20, 12% of immigrants considered themselves as a group that was discriminated against in Iceland based on the grounds of ethnicity, nationality or race (Figure 4.15). This figure mounts to more than 22% for recent immigrants, a high share in international comparison – especially considering the high share of immigrants who are from the EEA – a group that is generally less concerned by discrimination, both objective and perceived.

Figure 4.15. Perceived discrimination among immigrants is higher for recent arrivals

Share of foreign-born who consider themselves members of a group that is discriminated against on the grounds of ethnicity, nationality or race, by length of residence, 2012-20



Note: Data was pooled over the years 2012-20 to satisfy sample size restrictions.
Source: OECD Secretariat calculations based on data from the European Social Survey (ESS).

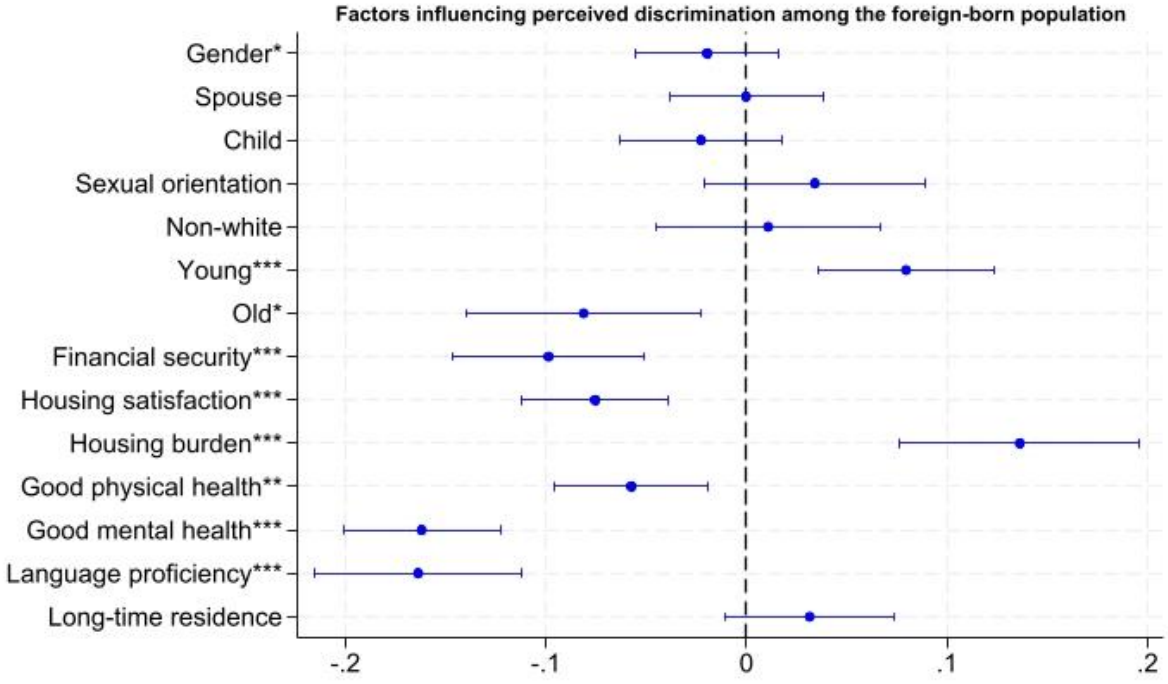
A second source on perceived discrimination in Iceland is the *Workers in Iceland 2024* survey, which has the benefit of a large sample size.

In a regression analysis, several factors were found to be associated with changes in perceived discrimination. Being satisfied with one's housing situation is associated with a reduction in perceived discrimination by 8 percentage points, and conversely those who consider housing expenses as a financial burden are 14 percentage points more likely to perceive discrimination (Figure 4.16) – compared with 7 and 5 percentage points for the general population, respectively. This may reflect perceived discrimination on the rental housing market, as reflected on above. Furthermore, a correlation exists between migrants' health status and perceived discrimination. Those in good health perceive discrimination by 6 percentage points less than the constant, whereas the figure is 3 points for the general population. For mental health, the coefficient is the same as for the general population, at 16 percentage points.

Proficiency in the Icelandic language has a significant negative relationship with perceived discrimination. Having advanced or fluent proficiency in Icelandic – controlling for length of stay in the country and other factors – is associated with a reduction in perceived labour market discrimination by about 16 percentage points relative to the baseline. As in the ESS survey above, in contrast to most other countries, longer duration of residence is not associated with a decline in perceived discrimination. The worse outcomes displayed by recent arrivals in the ESS survey could thus be explained partly by their lower Icelandic language proficiency levels compared to more longstanding immigrants.

Figure 4.16. Icelandic language proficiency is correlated with reduced perceived discrimination

Changes in perceived discrimination among migrants on the labour market by population characteristics



Note: Point estimates refer to percentage point changes in perceived discrimination, reflecting the coefficients in an OLS regression with a constant of.57 (the constant represents an individual when all values in the model are set to 0, roughly described as a middle-aged, medium-educated, and middle-aged foreign-born male). Controls included in the model that aren't visible in the graph include education and job level controls, and reason for migration.
Respondents were asked whether they had faced discrimination on the labour market in the two years prior to taking the survey.
Source: Varða (2024[4]), *Workers in Iceland 2024* survey microdata.

The above findings suggest that successful integration into the host society, notably better Icelandic language proficiency, may make migrants perceive less discrimination. These results should nonetheless be interpreted cautiously as there may be many other factors not captured in the survey that can have an influence on perceived discrimination.

Migrants have made limited use of anti-discrimination legislation

Iceland has recently taken several important, albeit belated (Council of Europe, 2012[23]), steps towards improving anti-discrimination legislation for immigrants. In 2018, the Act on Equal Treatment of Individuals Regardless of Race and Ethnic Origin and the Act on Equal Treatment on the Labour Market were both adopted by parliament. They largely compare in content to two milestone directives on discrimination of the European Union: Council Directive 2000/43/EC to combat discrimination on the grounds of racism or ethnic origin, which covers all areas outside of the labour market; and Council Directive 2000/78/EC to combat discrimination on the grounds of religion or belief, disability, age or sexual orientation in employment and occupation.[3]

In 2019, anti-discrimination was firmly put on the government‘s agenda when the policy field was moved under the responsibility of the Prime Minister‘s Office. The transferral was made with a view to promote and streamline equality issues within public policy (Prime Minister’s Office, 2020[24]). A 2020 Act on the Administration of Matters Concerning Equality significantly strengthened enforcement and allows immigrants to seek assistance with the Directorate of Equality, which monitors and reports discrimination, and file a case to the Equality Complaints Committee, which acts as an independent and autonomous legal entity.

In 2022, adjustments were made to the 2018 anti-discrimination acts mentioned above. Both acts now prohibit multiple discrimination, which occurs when an individual is discriminated against on the basis of more than one protected ground.

In the years 2020-22, the Equality Complaints Committee registered only 65 cases, 40 of which were brought on the grounds of gender discrimination. Only four were submitted on the grounds of ethnic origin – two of which were also submitted on other grounds of discrimination – one was submitted on the grounds of race, while one was submitted on the grounds of religion (Equality Complaints Committee, 2023[25]). This is low in an international comparison. For instance, the corresponding Norwegian Equality and Anti-Discrimination tribunal saw 27% of its 530 cases in 2021 brought on the grounds of ethnicity or religion (OECD, 2022[26]). The lack of cases brought to the Equality Complaints Committee in Iceland on the grounds of characteristics relevant to migrants could be explained by a lack of awareness of its expanded role, as for most of its existence the tribunal did not cover discrimination appeals beyond gender characteristics.

The Directorate of Equality has for years, along with several NGOs, published the brochure *Your rights: important information for immigrants in Iceland*, which contains important information about equality, rights and obligations in Iceland. However, it does not include adequate information on the services available to immigrants at the Directorate of Equality, nor does it mention the Equality Complaints Committee. The Directorate also publishes, in co-operation with the Prime Minister’s Office and Statistics Iceland, a dashboard of gender statistics with indicators on the labour market, income, households, education and the composition of positions of influence. However, disaggregation by background or place of birth is not available.

Discrimination is also addressed through the actions of trade unions, which play an important role in raising awareness of migrants’ rights and assisting them in seeking their rights, notably on the labour market. The latter can be quantified through unpaid wage complaints issued by unions on behalf of their members. In 2022, 342 complaints were issued, counting ISK 250 million (EUR 1.67 million) in total. 200 of the complaints, or 60%, came from immigrants, most of which were from EEA countries (Icelandic

Confederation of Labour, 2023[27]). These numbers stand in stark contrast with the negligible figures on the complaints issued to the Directorate of Equality and cases brought to the Equality Complaints Committee, where immigrants are vastly underrepresented. It is important to ensure that migrants are aware of the resources available to them not only with their unions but also the Directorate of Equality, and that both institutions refer to each other where relevant.

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Notes

[1] A better indicator to measure public sector integration would be the public sector employment rate of the children of immigrants, but this data is not publicly available.

[2] 2023 data is available for the months of January to October.

[3] In the draft law that was presented to the Althing, it is noted that the two directives are not formally incorporated into the Agreement on the European Economic Area and Iceland was thus not obliged to implement the directives. The reasoning for the adoption of the acts was however to ensure that there is substantive consistency in Icelandic law and the law that applies within the European Union based on the directives in question. Their adoption was also in accordance with the Icelandic Government's statement to ensure this consistency in January 2003 as well as a document sent to the EFTA Secretariat in February 2003 where it was announced that Icelandic legislation would be adapted to the content of the directives to ensure homogeneity in the Internal Market. Moreover, the United Nations Human Rights Council and the European Committee of Social Rights had also placed expectations on Iceland to implement legislation that reflected the two EU directives.

5 Transmitting skills to children of immigrants in Iceland

This chapter highlights the situation of children and youth with migrant parents in Iceland. It begins with a section on their participation in early childhood education and care. This is followed by a discussion of the performance of youth with migrant parents in the compulsory education system. The final section focuses on the post-primary educational and career trajectories of youth with migrant parents.

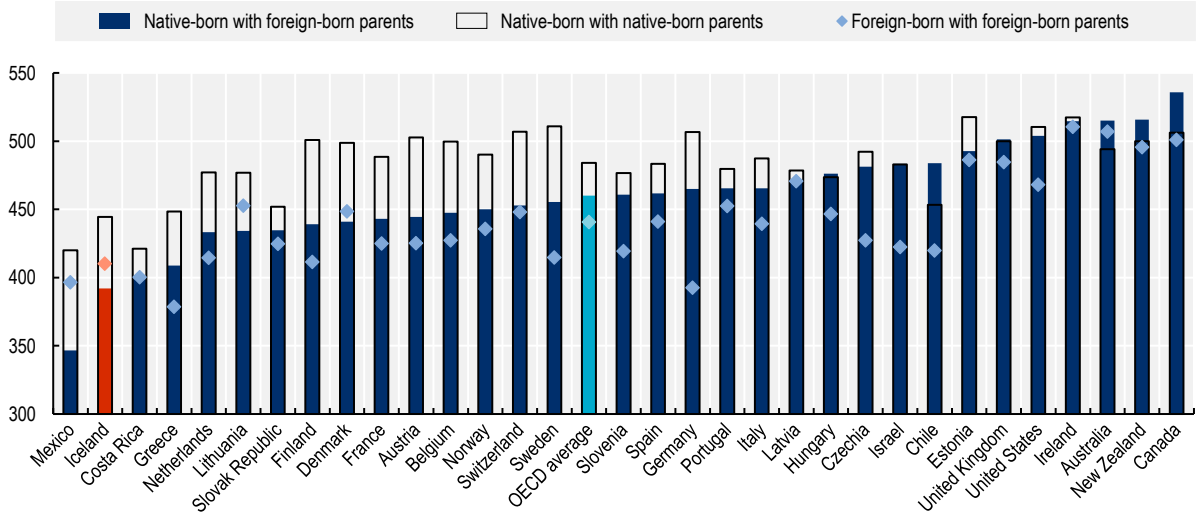
Children and youth with migrant parents in Iceland

Given the recent nature of immigration to Iceland, the population share of children with migrant parents is still low in international comparison. In 2023, 71% of 0-15 year-olds in Iceland had no foreign background, while 8% were native-born with two foreign-born parents and a further 6% foreign-born with two foreign-born parents. A further 15% were of mixed parentage. Twenty years prior, the share of children with no foreign background amounted to 88%, with the two other aforementioned groups constituting merely 1% of the youth population each. This reflects a rapidly changing composition of children in the country.

How children with migrant parents perform in school compared with their peers can be a predictor of the extent to which immigrants have integrated into the host society. Previous OECD work has shown that native-born children of immigrants remain at a disadvantage compared with their peers when it comes to educational outcomes and attainment, and later in life, labour market outcomes (OECD, 2017[1]). Regarding educational outcomes, results from the OECD's Programme for International Student Assessment (PISA) indicate that children with migrant parents in Iceland are no exception (Figure 5.1).[1] While differences between the native- and foreign-born are not as large as elsewhere, the low outcomes of native-born children with foreign-born parents – both in absolute terms and regarding gaps with their peers with native-born parents (the gap is 52 points, equivalent to almost two years of schooling) – are concerning. They are also puzzling, as compositional effects do not seem to play a large role in the case of Iceland. Native-born children with foreign-born parents can be expected to have adjusted to the host society to a greater extent than foreign-born children, who grow up in different environments. Accordingly, one can expect their outcomes to improve compared with foreign-born children. The fact that this is not the case in Iceland merits special attention.

Figure 5.1. Children in Iceland have relatively low reading proficiency

Mean PISA reading score by immigration status, 2022



Note: Data for the Netherlands, Portugal and the United States did not meet the PISA technical standards but were accepted as largely comparable.
Source: OECD Secretariat calculations based on *PISA 2022*.

The effects of having migrant parents on education outcomes permeate through the pre-primary, primary and secondary levels of education. Identifying the obstacles to equity in all levels of obligatory schooling is a key factor in facilitating the smooth integration of migrants into the host society (OECD, 2019[2]).

Pre-primary education

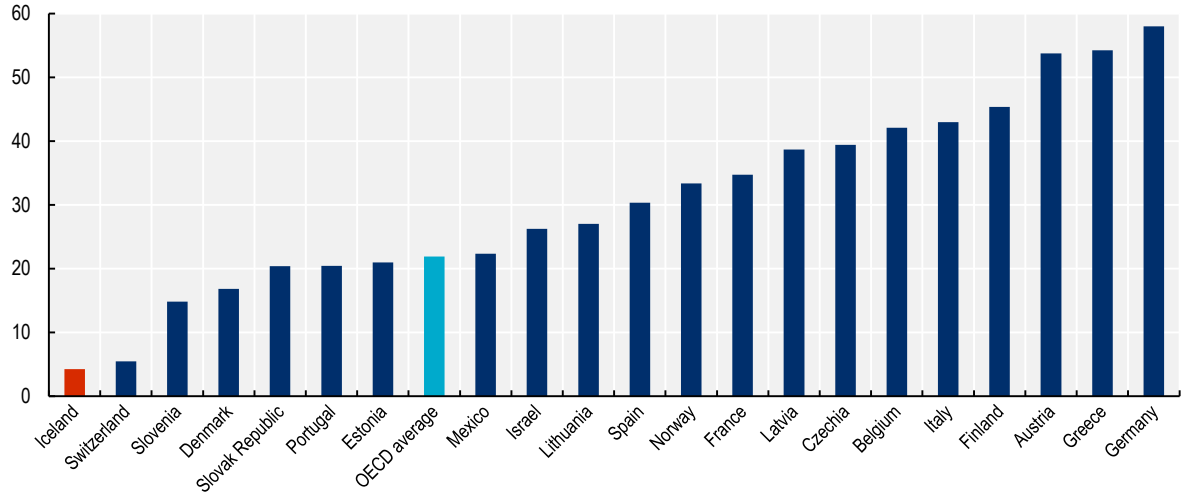
Boosting the early enrolment of children with migrant parents in pre-primary education should be a policy priority

Early enrolment into pre-primary education can have a positive impact on children's academic development in primary education and ensure more equal opportunities for children irrespective of their background.[2] PISA 2022 data on reading performance show that children enrolled in pre-primary education before the age of four outscore those who did not by 26 points among the native-born, and 12 points among the foreign-born.

Furthermore, early enrolment can ensure that children from disadvantaged backgrounds start on a more equal footing alongside their peers. While the gap in the average reading score between native- and foreign-born children across the OECD totalled 43 points in favour of the native-born, the gap was significantly lower considering only early enrolees into pre-primary education, at 22 points on average. Iceland is the country where the difference is the smallest, at four points, suggesting that early enrolment into pre-primary education gives children with migrant parents a more equitable entry into schooling (Figure 5.2).

Figure 5.2. Pre-primary education in Iceland has an equalising effect on later school performance

Difference in mean PISA reading score between native-born and immigrant pupils who entered pre-primary education before age 4, by immigration status



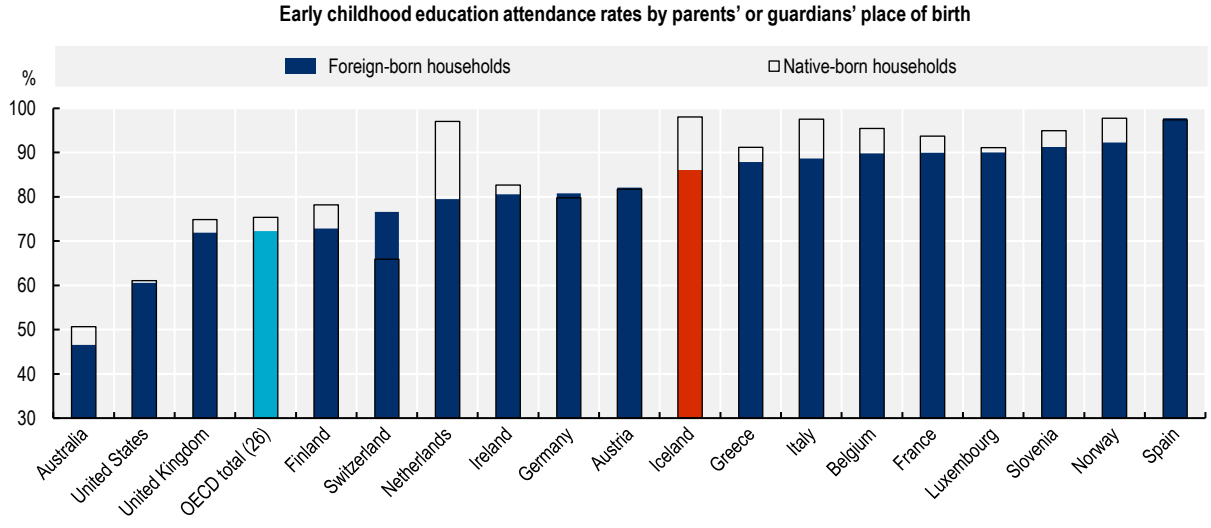
Note: "Native-born" refers here to native-born children with native-born parents.
Source: OECD Secretariat calculations based on *PISA 2022*.

Indeed, there is a wide range of research demonstrating that pre-primary attendance has an impact on school readiness and cognitive development, notably among disadvantaged children (Balladares and Kankaraš, 2020[3]; Lee et al., 2018[4]).

Overall attendance rates of children in pre-primary education are high in Iceland, with more than 96% of children above the age of two enrolled in pre-primary education across the country – whereas the OECD average remains at just above 70% (OECD, 2023[5]). However, enrolment rates are considerably lower among children with migrant parents than they are among those with native-born parents. While attendance among native-born households in Iceland is among the highest in the OECD, the number is just below the average for foreign-born households, resulting in the second largest gap in pre-primary attendance between native- and foreign-born households among OECD countries for which data is available (Figure 5.3).

Figure 5.3. Attendance in early childhood education is high, but less so for children of immigrants

2-5 year-olds, 2020 or latest year available



Note: Native- and foreign-born households are defined as such when both parents are either native-born or foreign-born, respectively. Attendance rates in formal childcare and preschool services are defined as paid care services for children aged 2-5 that are provided either through organised structures (e.g. nursery school and childcare centres) or through direct arrangements between parents and care providers, even if only for a few hours per week.
*For Iceland, register data from 2022 was used. Other data is from the 2020 edition of the EU Labour Force Survey.
Source: OECD/European Commission (2023[6]), *Indicators of Immigrant Integration 2023: Settling In*, https://doi.org/10.1787/1d5020a6-en.

From age two and onward, nearly all native-born children with parents from Iceland attend pre-primary education. The same is not the case for children with migrant parents, most notably the foreign-born, whose kindergarten attendance does not reach the levels of their native-born peers (Table 5.1). The discrepancies after the age of three are worrisome, since early participation in the residence country's educational institutions has proven important in raising subsequent educational attainment levels of the children of immigrants. A study in France showed that the age of three presents a cut-off point after which kindergarten attendance starts having a favourable impact on school success of the children of immigrants. The effect is stronger than on comparable natives for whom little or no effect is observed (Caillé, 2001[7]).

Table 5.1. Pre-primary attendance of immigrant children fails to converge with that of natives

Pre-primary attendance by age and background, 2022

Age	Children with no immigrant parentage	Foreign-born children of immigrants	Native-born children of immigrants
1	64%	40%	38%
2	98%	76%	84%
3	98%	74%	87%
4	99%	84%	90%
5	99%	83%	92%

Source: OECD Secretariat calculations based on Statistics Iceland data.

Given the effect of pre-primary attendance on children's development and school readiness, it is concerning that pre-primary attendance among children with migrant parents has decreased in recent years. In the five-year period 2017-22, the enrolment of foreign-born children from ages two to five in Icelandic preschools dropped from 86% in 2017 to 79% in 2022. For native-born children of immigrants, the share also dropped, from 91% in 2017 to 88% in 2022. In contrast, enrolment among children with no immigrant background stood at 98% during the same period.

Children between the ages of one and two in Iceland exhibit relatively high pre-primary enrolment rates, ranking fourth among OECD countries. Most municipalities have emphasised making places available for parents at the conclusion of the one-year statutory parental leave. However, pre-primary enrolment rates before the age of two vary greatly depending on the region, ranging from 82% in East Iceland to 19% in the Suðurnes region – which is the also the region with the highest share of foreign-born inhabitants. Demand for placement has been growing in recent years, faster in some regions than others, while simultaneously the supply of skilled kindergarten teachers is decreasing (see Figure 2.12). To counter the resulting increase in placement waiting times, some municipalities have responded by increasing their school fees or begun offering cash-for-care benefits – both of which have deleterious effects on immigrant families and may explain the decreasing pre-primary attendance of children with migrant parents.

A part of the solution to the waiting list bottleneck may lie in giving children a legal entitlement – although not an obligation – to attend preschool from their first birthday. Iceland remains the only Nordic country that does not provide its children with a legal right to a place in publicly subsidised early childhood education and care. For example, Denmark's municipalities are obliged to offer all children older than 26 weeks a place in the public pre-primary education system, whereas in Sweden 15 hours of care are provided at a minimum to all children older than one year. While such a right can help ensure increased take-up of childcare services regardless of background or circumstances, it must be accompanied by appropriate childcare infrastructure – notably the supply of skilled teachers and school infrastructure. It is also most likely to be effective where other policies targeted towards families with young children, such as cash-for-care benefits, do not provide strong financial incentives for parents to care for their children at home (OECD, 2016[8]).

Cash-for-care benefits should be abolished and preschool fee increases limited to encourage enrolment

In 2022, 17 out of the 20 largest municipalities in the country had increased their preschool fees compared with the year before. The ten municipalities whose preschool fees increased the most include five municipalities with a significant immigrant population (above 20%) – including Reykjavík and Reykjanesbær (Icelandic Confederation of Labour, 2022[9]). Experiences from OECD countries show that measures to limit such fee increases can have a favourable impact on preschool enrolment among immigrant children. In Norway, for example, it is ensured that a family does not pay more than 6% of their

income for a full-time place in preschool, limited upwards by the general maximum parental fee limit (Box 5.1).

Box 5.1. Norway's commitment to improve the preschool enrolment of children of immigrants

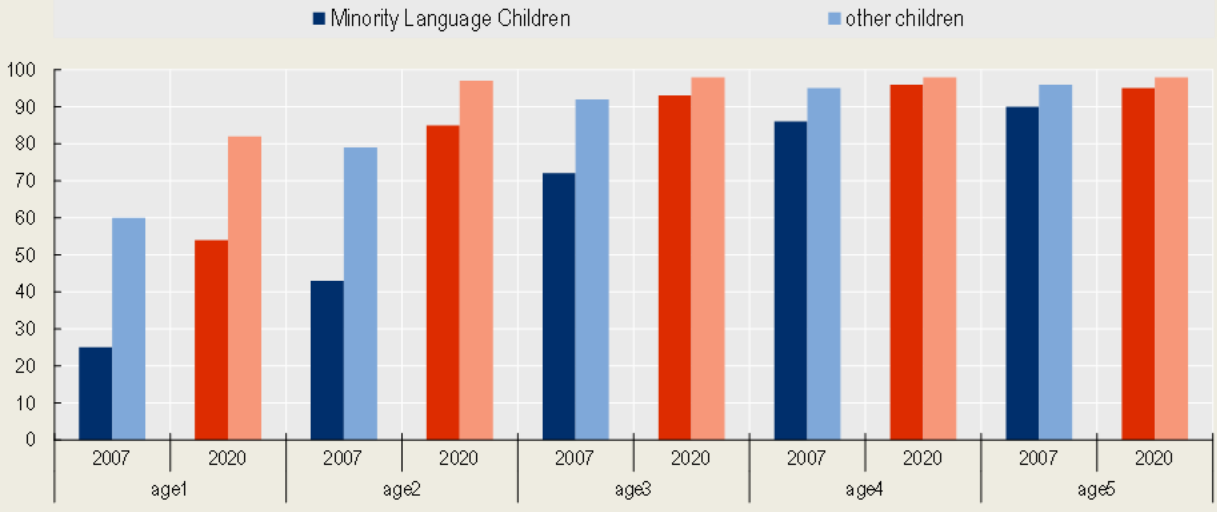
Due to a concerted policy effort, Norway has seen great improvement in preschool enrolment, including that of immigrant children. One of the actions taken is a national subsidy for low-income families introduced in 2015, which ensures that the family does not pay more than 6% of their income for a full-time place in kindergarten, limited upwards by the general maximum parental fee limit. Other policies include a legal entitlement for all children to a place in a kindergarten, discounts for siblings, and free core hours for children aged 2-5 from families with the lowest incomes.

Some actions to increase enrolment have been specifically targeted towards immigrant children, especially pertaining to awareness-raising and outreach. The Directorate for Education and Training's website provides information in over 20 languages. In addition, some municipalities have developed specific outreach programmes targeting immigrant families. By Q2 2020 all municipalities were given access to fiscal statistics regarding household income, thus making it easier to grant low-income families the national schemes for lower parental fees in kindergartens. An earmarked grant was introduced in 2018 and is given to municipalities with 80 or more minority language children not attending kindergarten. The aim of the grant is to enhance the municipalities' work regarding information about and recruitment to kindergartens.

Put together, these actions have led to a marked reduction in the enrolment gap between majority and minority language children, while simultaneously increasing attendance for both groups (Figure 5.4).

Figure 5.4. Increase in ECEC enrolment has been strong for minority language children in Norway

Enrolment in early childhood education and care by age and language spoken at home, 2007 and 2020



Source: OECD (2022[10]), *Skills and Labour Market Integration of Immigrants and their Children in Norway*, Working Together for Integration,, https://doi.org/10.1787/6109d927-en.

Due to high demand for preschool placement and a shortage of kindergarten staff, many municipalities have begun introducing cash-for-care benefits for parents. These municipalities include three of the five most populous municipalities: Kópavogur, Hafnarfjörður, and Akureyri. The effect of cash-for-care benefits on maternal employment and children's development is well documented. Experiences from countries including Norway and Sweden, where cash-for-care was abolished by law in 2016, indicate that the policy has negatively affected mothers' labour market participation (Giuliani and Duvander, 2016[11]). The effects are stronger for immigrant mothers. As immigrant mothers are likely to have lower wages compared to native-born mothers, they are giving up less income when reducing their working hours or giving up work completely to care for their children. They are also overrepresented among those who do not participate in the labour market (see Chapter 4). Thus, immigrant mothers should be more responsive to the economic incentive provided by cash-for-care benefits to leave or continue their abstention from the labour market. Survey data show that immigrant parents were three times more likely than the native-born to not have been able to pay preschool fees in the year preceding the survey (9% compared to 3% of native-born parents), suggesting that cash-for-care benefits may present an appealing incentive to care for their children themselves (Varða, 2024[12]). This has indeed been the case in Norway, to name an example, particularly among non-western immigrant mothers, who are overrepresented among beneficiaries of the subsidy (Hardoy and Schøne, 2010[13]).

Furthermore, the adoption of cash-for-care benefits by several municipalities in recent years does not bode well for the cognitive development of children with migrant parents. Evidence of the effect of Germany's national home care subsidy, adopted in 2013, on skill development shows that children who did not speak German at home did not benefit at all from the subsidy, despite having the highest support needs (Collischon, Kuehnle and Oberfichtner, 2022[14]). A primary reason might be reduced exposure to the local language.

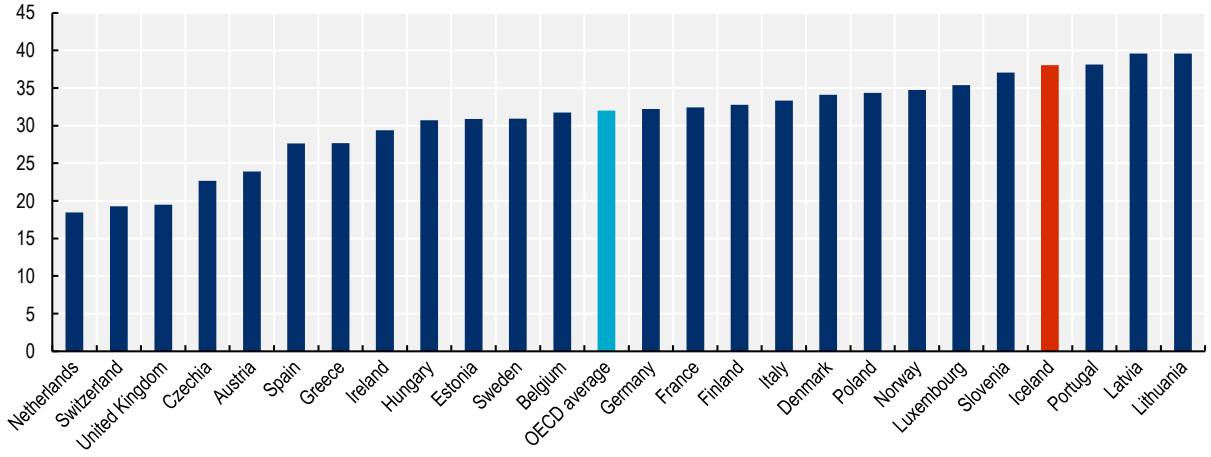
Given the effect of cash-for-care benefits on this observed increase in early life inequalities and the labour market participation of women, there seems to be a strong case for abolishing such schemes. The amount saved through the abolition of the subsidy should be used to create more places in formal institutions where there are still shortages (OECD, 2012[15]).

More emphasis should be placed on language development in preschool

Attending pre-primary education is especially beneficial for the integration of children with migrant parents due to their exposure to the host country language. The years prior to compulsory schooling – beginning at age six in Iceland – are formative years and children with migrant parents have a lot to gain from being exposed to the language, both in terms of school readiness and future labour market prospects. Pre-primary education is the only opportunity for many children of immigrants to learn the language in their early years, as most immigrants speak their origin country's language at home. Evidence from several OECD countries suggests that early exposure to the host country's education system helps mitigating the effect of parents' lack of host country language proficiency (OECD, 2017[16]). The preschool is thus a unique linguistic environment for children with migrant parents in which they can learn the host-country language, improving their integration prospects. Weekly hours in Icelandic preschools are high compared with comparable institutions in other OECD countries (Figure 5.5), which in theory implies a more favourable context to become proficient in the host-country language.

Figure 5.5. Children in Iceland spend much of their time in preschools

Average usual weekly hours for children using early childhood education and care services, 0-2 year-olds, 2020 or latest available



Source: OECD (2023[17]), *OECD family database indicator PF3.2: Enrolment in childcare and pre-school*, www.oecd.org/els/soc/PF3_2_Enrolment_childcare_preschool.pdf.

However, as further expounded upon below in the section on compulsory education, children with migrant parents fare considerably worse in reading performance than their peers. This applies not only to newly arrived foreign-born children with immigrant parents, but also native-born children born to immigrant parents. Integration support for these children, with a focus on language, must be seen as a long-term investment which can have high returns for themselves, their own children, and society as a whole further down the line (OECD, 2018[18]).

To ensure all children have equal opportunities in the education system, efforts must be made to improve, and notably assess, the Icelandic language proficiency of children with migrant parents before they begin primary education. A 10-year longitudinal study on the impact of preschool language assessments in Iceland found a strong correlation between language assessments at five years of age and academic achievement throughout the ten years of compulsory education (Einarsdóttir, Björnsdóttir and Símonardóttir, 2016[19]). Currently, however, language proficiency is not assessed systematically in Icelandic preschools.

Experiences from other OECD countries can guide policy on how to intervene with screening at an early stage in cases where language development is lacklustre. In Denmark, children who speak a minority language are assessed both in pre-primary and thereafter upon admission to primary school. Children in the United Kingdom undergo a routine English language assessment at age two to three. A follow-up assessment is performed at the end of the "Early Years Foundation Stage", the academic year in which children turn five. The state of Hesse in Germany performs routine German language screenings in all early childhood education and care institutions at the age of four. Where language difficulties are detected, children are referred to a follow-up screening at the public health department to consult with a paediatrician. Children with language difficulties receive one year of special support prior to entry into primary school in the form of a "preparation course" (*Vorlaufkurs*) (OECD, 2021[20]; OECD, 2022[10]).

In the context of the increasingly less skilled kindergarten teacher profession, emphasising teacher training is particularly important. Iceland has made strides in improving the multicultural teaching on offer for university students studying to become kindergarten teachers, with courses such as the "Inclusive preschool" course on offer at the University of Iceland (University of Iceland, 2023[21]). However, there is scope to improve in-service training for preschool staff. Sweden is an example of an OECD country which invested in literacy training for its preschool teachers, with significant results (Box 5.2).

Box 5.2. Sweden's investment in literacy training for preschool teachers

In 2015, the Boost for Reading (*Läslyftet*) programme was launched to provide teachers in Sweden with an in-service training programme in literacy. The programme was later made available to preschool teachers as part of a broader effort to strengthen the educational mission of preschools and to promote the teaching of Swedish at an early age for children whose mother tongue is not Swedish. More than a quarter of all schools in the country participated.

The programme emphasises working consciously with reading aloud and discussing the readings with the children. It also integrates language development work with mathematics, natural science, and technology. Play, aesthetic forms of expression and the children's interest are given great importance. Läslyftet takes place in groups of 5-9 people and is based on collegial learning with the support of web-based material from an online learning portal. Each module takes 15 hours to complete. There is a requirement that the leader of the group must be a licensed preschool teacher.

An external evaluation conducted by the Center for Evaluation Research at Umeå University over three years from 2016-19 found that a majority of preschool teachers had assessed the programme as very good or fairly good. Läslyftet had been perceived to strengthen teaching in terms of work with texts, reading comprehension and understanding of words and concepts. Supervisors, participants in preschool and lower grades of compulsory school and teachers of Swedish and Swedish as a second language experienced the greatest effects of Läslyftet.

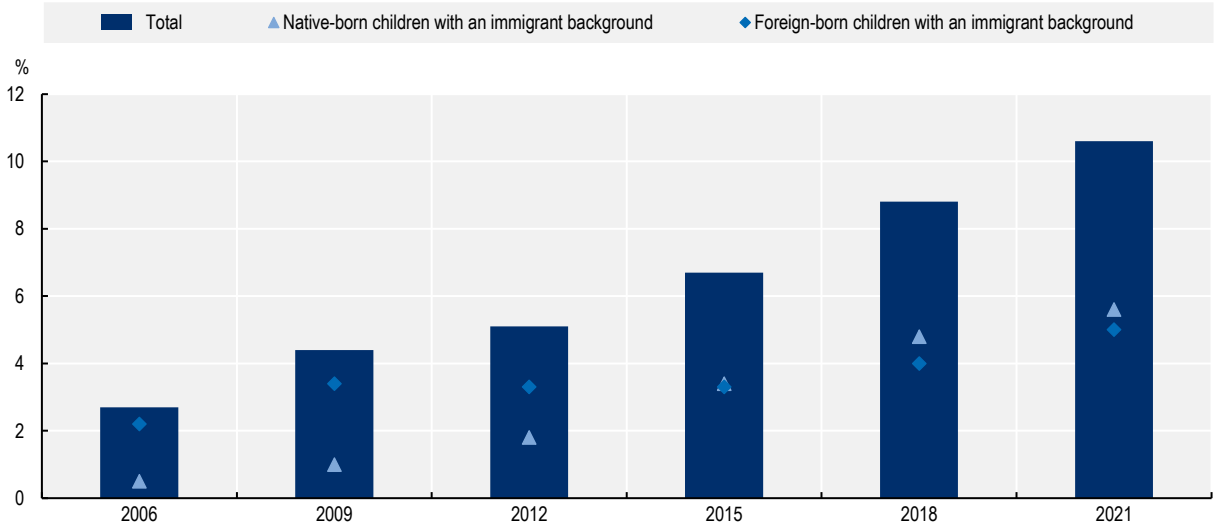
Source: Skolverket (2023[22]), *Läslyftet i förskolan*, www.skolverket.se/skolutveckling/kurser-och-utbildningar/laslyftet-i-forskolan.

Primary and lower secondary education

Recent years have seen a steady increase in the share of students with immigrant parentage in primary education (Figure 5.6). In 2006, students with two foreign-born parents accounted for less than 3% of total students in primary education in Iceland. By 2021, the share had increased to over 10% of all students. In addition, children born to one foreign-born parent, both in Iceland and abroad, accounted for another 12% of students. While not strictly considered to have immigrant parentage, the number of single-parent households in the country make it likely that some of those children are growing up in a comparable situation to that of children with immigrant parentage (Statistics Iceland, 2022[23]; Statistics Iceland, 2022[24]).[3] All in all, in 2022 14% of all schoolchildren had a language other than Icelandic as their mother tongue.

Figure 5.6. Students with migrant parents account for a rising share of students in primary education

Share of students in primary and lower secondary education by background, 2006-21



Note: Only children with two foreign-born parents are included.
Source: Statistics Iceland (2022[25]), *Grunnskólanemendum með erlendan bakgrunn fjölgar*, https://hagstofa.is/utgafur/frettasafn/menntun/nemendur-i-grunnskolum-haustid-2021/.

Descendants of immigrants struggle in school, but so do the native-born

The OECD Programme for International Student Assessment (PISA) tests reading, mathematics and science skills among children at age 15. In terms of reading performance, the educational outcomes of foreign-born students lag those of native-born students in Iceland, just like in most OECD countries. This is no surprise given their adjustment to a new language and school system.

The performance of students in Iceland has been falling in consecutive iterations of the exam, like in most countries, although Iceland's performance is falling at a faster rate. However, the decline results from PISA show no relationship between the share of students with migrant parents in a country and the overall performance of students in that country (Schleicher, 2023[26]). Iceland is not an exception. Comparing native-born students with native-born parents and those with migrant parents, the decline in reading performance between 2018 and 2022 was greater for the former group (-7.2%) compared with foreign-born students (-6.6%) and native-born students with immigrant parents (-1.9%). In mathematics, native-born students with native-born parents exhibited a lower decline (-7.7%) than the foreign-born (-9%), but higher than native-born with immigrant parents (-4.9%). It is thus impossible to attribute the decline in PISA performance wholly to the increase in the student population with migrant parents.

In 2022, native-born children to native-born parents scored an average literacy score of 444 points, compared to 410 among the foreign-born. This gap of 34 points is smaller than the OECD average of 43 points. This may however be explained by the generally low scores of both the native- and the foreign-born in Iceland, resulting in a lower gap. Female students exhibit better reading scores than male students for the native- and foreign-born alike, in line with OECD trends.

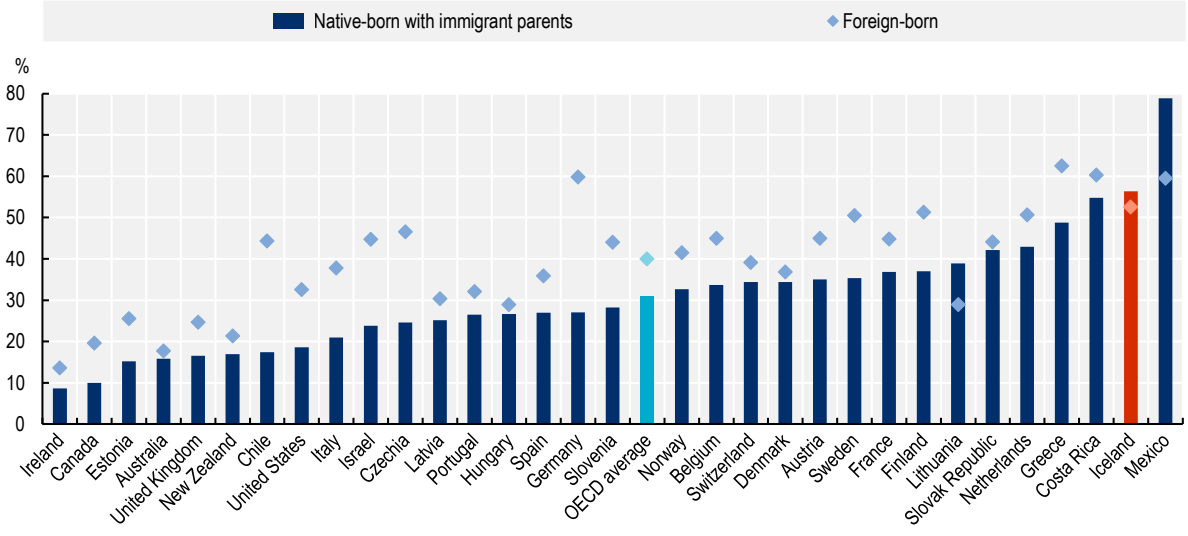
Outcomes for native-born students with foreign-born parents are comparatively poor. In 2022, Iceland-born students with immigrant parents scored an average of 392 points in reading performance, trailed only by

Mexico among OECD countries and far below the OECD average of 460 points. Male students in particular exhibited an OECD-low score of 376 points.

More than half of students with migrant parents in Iceland can be considered low performers, meaning they struggle to do tasks such as interpreting simple texts (Figure 5.7). Unlike in all OECD countries, except Mexico and Lithuania, the performance of native-born students with immigrant parents in Iceland is not higher than that of foreign-born students. This is worrisome as the benefits of integration are often observed in the outcomes of children with immigrant parents born in the host-country, when compared with their foreign-born peers.

Figure 5.7. More than half of children with migrant parents in Iceland classify as low performers

Percentage of students scoring below proficiency Level 2 (of 6) in reading in PISA, by background



Source: OECD Secretariat calculations based on *PISA 2022*.

As children with migrant parents are overrepresented among socio-economically disadvantaged students, controlling for factors such as mother's education may reveal a more accurate picture of the impact of their immigration history on their educational success. Indeed, controlling for mother's education, the outcomes of native-born children with immigrant parents in the PISA reading assessment improve by six points, whereas scores remain unchanged for native-born children with native-born parents and foreign-born children.

A potential contributing factor towards the difference in scores of native-born children with immigrant parents compared to their foreign-born peers is the labour market exit of migrant women upon childbearing. Migrant mothers with low educational attainment are particularly likely to exit the labour market upon having children, often due to low quality jobs on precarious contracts (OECD, 2023[27]). While the majority of children born to immigrant parents enter pre-primary education, they do so at a smaller rate than native-born children born to native-born parents. As noted in the section above, the enrolment of children into pre-primary education before the age of four is positively associated with success in school.

Due to these inequalities, which are likely to persist across generations in the absence of commensurate policy, the integration of immigrants should be seen as a long-term investment. This particularly applies to low-educated women. Evidence suggests that better integration of family migrants – most of whom are women and children – will have strong bearings on the educational outcomes of their children, particularly

when parents are low educated and lack basic skills (Pesola and Sarvimäki, 2022[28]). Given the high number of recent arrivals in the country – with 61% of all migrants having arrived in the past five years – the number of family migrants is likely to increase in the coming years, as many will be joined by their families.

Box 5.3. Childcare arrangements to support migrant mothers in OECD countries

Migrants arriving through reunification account for over a quarter of permanent type migration to Iceland, the majority of which are women. Women arriving through family reunification tend to exhibit elevated fertility levels immediately after arrival in the host country, which may hamper their ability to participate in integration measures or in finding employment – which in turn can affect the integration prospects of their children.

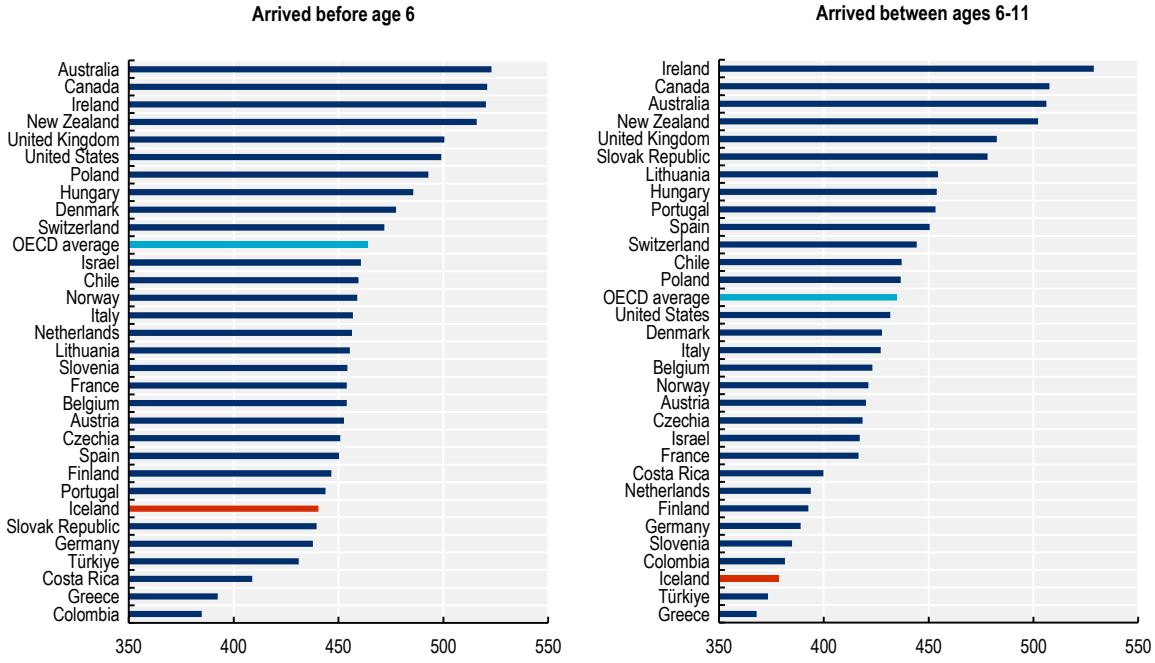
Many OECD countries have taken action to remove obstacles to childcare arrangements for migrant mothers. In some cases, central governments provide financial support to pre-primary education services to promote the inclusion of children with a minority background or prioritise investment in remote or disadvantaged areas, such as in Australia or Belgium. Many countries have also reformed their early childhood education and care systems to make it more affordable for disadvantaged children at younger ages through means-tested financial subsidies, vouchers or free access for certain age cohorts. Furthermore, countries have increasingly provided childcare arrangements as part of language programmes. For instance, in Australia, 12% of the participants of the English integration programme reported using the childcare arrangements provided as part of the programme; nine in ten said these arrangements enabled their participation. In Norway, a new regulation stipulates that the duration of the right to free language training and social studies is extended for those on parental leave, in an effort to minimise a disproportionate impact placed on migrant mothers.

Source: OECD (2023[27]), *International Migration Outlook 2023*, https://doi.org/10.1787/b0f40584-en.

Foreign-born migrant children face specific challenges, as they will have already spent some time getting accustomed to their origin country's culture, language and traditions, having to adapt to a new context in the host country. The level of difficulty in doing so largely depends on the age at arrival. Children arriving before the age of 6 score a significantly higher score on the PISA reading exam than their peers arriving between ages 6 and 11 (OECD averages of 464 and 435 points), and those arriving after age 11 also see declining scores in comparison with their peers (OECD average of 404 points). In Iceland however, the scores are far below the OECD averages and the gap between early arrivers and those arriving between ages 6 and 11 is the second largest in the OECD, behind the Netherlands (Figure 5.8).[4] This raises questions about the reception and integration of newly arrived immigrant children into the education system. For instance, a learning ability assessment intended for newly arrived students was introduced in Icelandic schools in 2016, although it is currently not mandatory across the country (see below).

Figure 5.8. Immigrant children who arrive late in Iceland struggle adapting in school

Mean PISA reading score by age at arrival, 2022



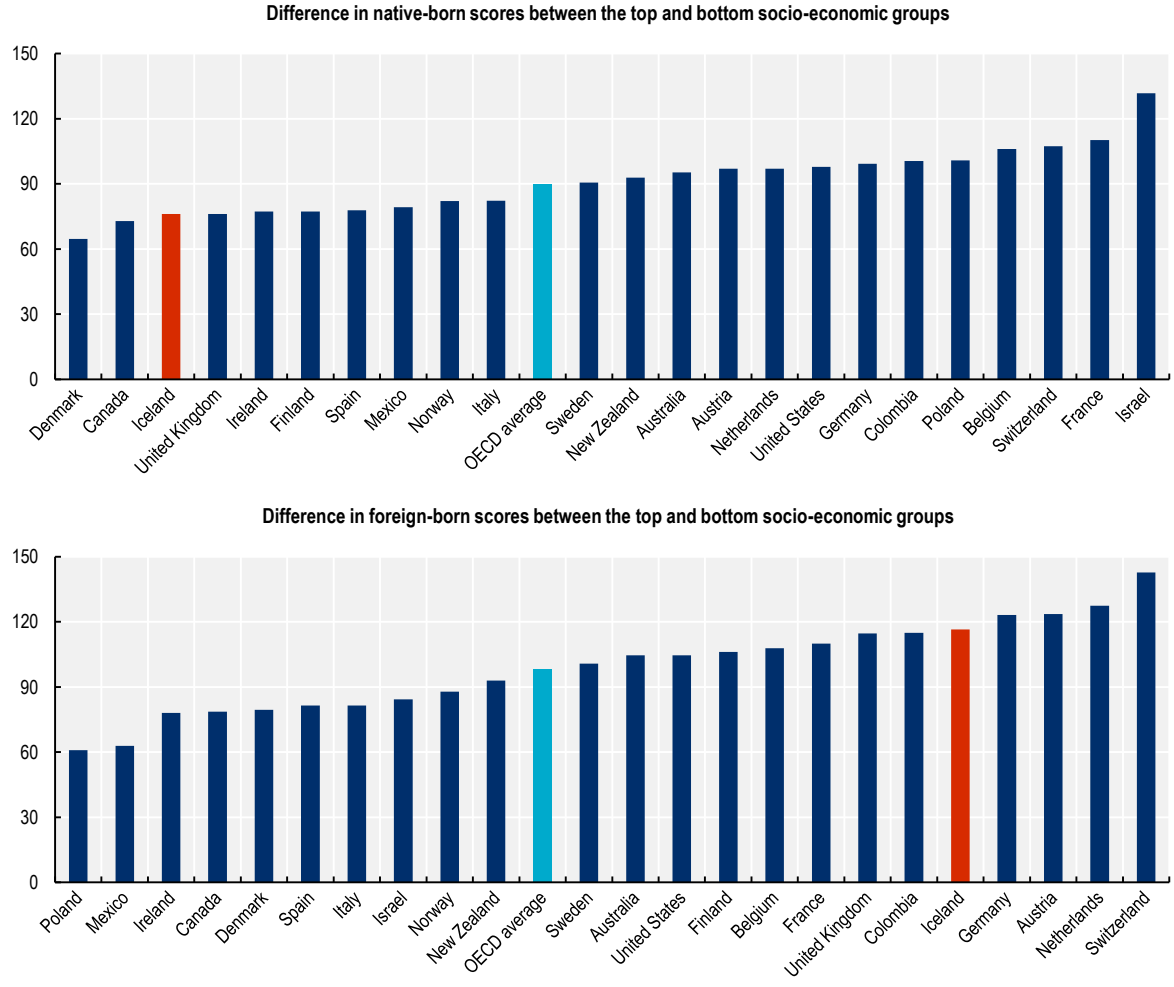
Note: Data on late arrivals (11 and above) did not meet the minimum observation threshold for Iceland.
Source: OECD Secretariat calculations based on *PISA 2022*.

PISA 2022 saw a great decline in mathematics performance compared to previous iterations of the exam. For students with migrant parents in Iceland, the decline relative to 2018 levels was twice as large compared to the OECD average. However – in contrast with reading performance scores – students with migrant parents in Iceland exhibited mathematics scores relatively close to the OECD average (a difference of four points) when compared with the same group in other countries, while the native-born students to native-born parents in Iceland performed worse relative to their own group (a difference of 13 points to the average). Taking socio-economic status and language spoken at home into account, foreign-born students in Iceland exhibit scores above the OECD average and equal to that of native-born students to native-born parents in Iceland (OECD, 2023[29]). The relatively strong performance of immigrants in mathematics versus their poor performance in reading suggests that language remains the primary barrier for students with migrant parents in Iceland.

While Iceland is generally considered an egalitarian society, with its high levels of economic and gender equality, one's socio-economic status can nonetheless play a role in determining school performance, notably for children with migrant parents. A native-born student to native-born parents in the highest socio-economic quartile in Iceland can be on average expected to score 76 points higher on the PISA reading exam than a student in the lowest quartile, comfortably below the OECD average of 90 points (Figure 5.9). For foreign-born students however, the same comparison yields a difference of 116 points, far above the OECD average of 98 points. This suggests that factors such as parents' income are a stronger predictor of educational performance for foreign-born children in comparison to the native-born.

Figure 5.9. Socio-economic status holds more weight for outcomes of students with migrant parents

Mean PISA reading scores by national quartile of socio-economic status, 2022



Source: OECD Secretariat calculations based on *PISA 2022*.

Revisions made to the national curriculum in 2021 aim to facilitate inclusion

Several policies have been enacted in recent years to facilitate the inclusion of children with migrant parents in Icelandic schools. In 2021, the national curriculum guide for compulsory schools was revised, *inter alia* to include two important improvements to inclusive education in compulsory schools: Specific sub-chapters on Icelandic as a second language on the one hand, and on the reception of students with a diverse multilingual and multicultural background on the other. The former consists of a general description of Icelandic as a second language teaching and its learning criteria. It is expected that students in this group should follow its curriculum for two to four years, after which they will follow the national curriculum guidelines for Icelandic (Directorate of Education and Ministry of Education and Children, 2021[30]). An important supplementary addition to the guidelines is the reference timetable (*viðmiðunarstundaskrá*) for Icelandic as a second language, which lists the recommended hours per week for students according to their age and proficiency level.

The second improvement in the revised curriculum guidelines regards the reception of newly arrived immigrant children, notably the addition of a learning ability assessment. Until 2016, the competence of newly arrived immigrant students had rarely been assessed in schools and a clear procedure had been lacking. As the arrival of immigrant students increased, several municipalities that saw the need for an assessment procedure came together, starting a project to develop assessment tools. They looked to Sweden's National Agency for Education and began translating and adapting their assessment procedure, which became compulsory for all Swedish schools in 2016, to local Icelandic circumstances. The procedure and its instructions are now available in 40 languages on the Directorate of Education's website and many more municipalities have used it since. However, although encouraged in the national curriculum guide, the assessment procedure is not mandatory (Directorate of Education and Ministry of Education and Children, 2021[31]). The exact number of municipalities that have implemented the assessment procedure for their schools is uncertain, highlighting the decentralised nature of the Icelandic school system.

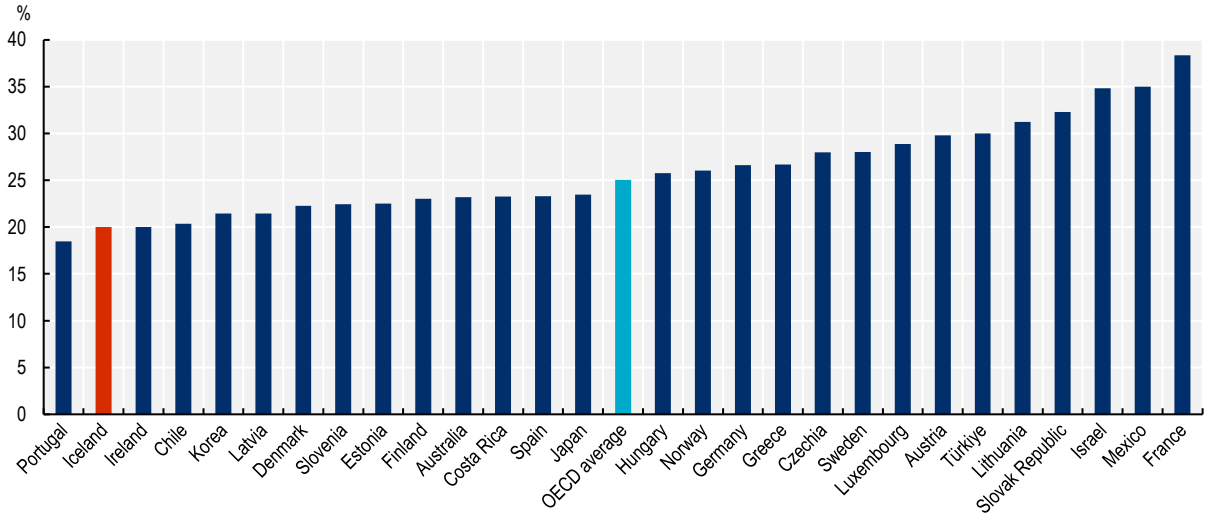
Immigrant children need more opportunities to speak and learn Icelandic through increased emphasis on Icelandic learning in schools and targeted support

The most important factor when it comes to the performance of students with migrant parents in schools is Icelandic language instruction. Children in Iceland grow up in a distinct and complex linguistic context. Those whose mother tongue is Icelandic can be accurately described as bilingual, as they are exposed to incidental English from internet and media sources from an early age and many develop basic conversational English skills before the start of formal English instruction at age nine. Accordingly, those whose mother tongue is neither Icelandic nor English could be described as growing up in a trilingual context. This has implications for children's language development, as the rate of development has been found to act as a function of a child's relative amount of exposure to a language (Hoff et al., 2011[32]). Research has indicated that around 40-60% of preschool children's waking hours' exposure to speakers of a language is required to reach a monolingual range, giving enough time to learn up to two languages at a very high level (Thordardottir, 2011[33]). A 2021 study of schoolchildren in grades 8-10 found that while the English vocabulary of students whose mother tongue is not Icelandic was comparable to their peers, their Icelandic vocabulary was significantly less developed (Thordardottir, 2021[34]). Those gaps are larger and more persistent than in other countries (Thordardottir and Juliusdottir, 2013[35]).

The lack of exposure to the Icelandic language can be explained by many factors, most notably the increased use of English in every-day interactions outside of the classroom. After school activities such as sports and music courses sometimes take place in English, and a large proportion of everyday interactions are now entirely performed in English as many workers in service occupations do not speak the language (Thordardottir, 2022[36]). As a result, for many children with migrant parents, school lecture time is the sole period of the day during which Icelandic is spoken. However, school days in Iceland are relatively short when compared with other countries. Teaching hours in primary school in Iceland count 603 per year, compared to an average of 885 in the OECD and 711 in other Nordic countries (OECD, 2023[37]). Moreover, the share of primary school instruction time devoted to what can be called Icelandic language courses – first language reading, writing and literature subjects – is lagged only by Portugal among OECD countries (Figure 5.10). A draft proposal from 2020 sought to increase the time share of Icelandic language courses in line with the OECD average, but was not adopted following public consultations with stakeholders (Samráðsgátt, 2020[38]).

Figure 5.10. Little instruction time is devoted to reading, writing and literature in Iceland

Share of instruction time in first language reading, writing and literature subjects in primary education, 2021



Source: OECD (2021[39]), *Education at a Glance 2021: OECD Indicators*, https://doi.org/10.1787/b35a14e5-en.

According to the Act on Compulsory Education, No. 91/2008, pupils whose native language is not Icelandic are entitled to training in Icelandic as a second language with the objective of becoming actively bilingual participants in Icelandic society. This training ranges from two to four years before pupils transition to mainstream Icelandic courses. Schools may validate the native language skills of children with migrant parents as part of their compulsory schooling, replacing the compulsory study of another foreign language (Althing, 2023[40]).

The support required by children with a mother tongue other than Icelandic may vary greatly. Assessing their proficiency is key to determine the needs of each child. It is evident that systematic assessment is lacking for students with Icelandic as a second language (Directorate of Education, 2018[41]). Making the assessment procedure in the updated national curriculum from 2021 for newly arrived students with a mother tongue other than Icelandic, mandatory would be a welcome step in this regard. Given the dire language outcomes of native-born children to immigrant parents in Iceland, it is imperative that systematic assessment is further extended to this group as well and support organised in accordance with assessments.

The funding of language support in primary schools needs reform

There is scope to improve the efficiency and accountability of the funding mechanism according to which language support for children with migrant parents is operated. Such training is funded by the Local Governments' Equalisation Fund, whose role is to balance the uneven expenditure and revenue levels of municipalities. Smaller municipalities rely to a large extent on the Equalisation Fund to meet their expenses (Ministry of Infrastructure, 2023[42]). However, the Fund's allocation rules cannot be described as transparent and accountability mechanisms are lacking (European Agency for Special Needs and Inclusive Education, 2017[43]; Ministry of Education, 2014[44]). Primary and lower secondary schools apply for language support funding for a self-determined number of their students, placing them in three groups – immigrant children, native-born children that have lived abroad for an extended period, and native-born children with migrant parents. Municipalities are not required to test the Icelandic proficiency of the students for whom they apply, nor prove that the funding is in fact used for its intended purpose (Directorate of Education, 2018[41]). Such an approach is not conducive to provide an adequate return on investment, i.e. in terms of children's integration outcomes.

The City of Reykjavík is the only municipality exempt from receiving Equalisation Fund allocations for Icelandic as a second language, although a draft proposal seeks to change this rule.[5] Around 44% of schoolchildren with migrant parents in Iceland reside in the City of Reykjavík (Statistics Iceland, 2023[45]). Despite the uneven privileges between municipalities, the City of Reykjavík has fulfilled its obligation to provide language instruction for those in need, albeit with less expenditure per student than the rest of the country. In 2018, per student expenditure on Icelandic as a second language, excluding Reykjavík, was ISK 110 000 compared to ISK 90 000 in Reykjavík. Allocation rules for schools differed however between Reykjavík and the rest of the country. The City of Reykjavík uses an innovative test to determine whether children with a foreign mother tongue and Icelandic students who have resided for more than five years in a foreign country have a sufficient level of Icelandic to follow the primary school curriculum (Thordardottir, 2021[34]), while schools outside of Reykjavík leave it at the discretion of teachers to assign students into such classes. Students are split into four groups based on the results, with the two worst performing groups assigned to Icelandic as a second language courses. Importantly, funding is dependent on the outcome of the test, with a larger share allocated towards students with the highest need for support (Internal Audit and Advisory Service of the City of Reykjavík, 2019[46]).

As the example above shows, language support offerings in Icelandic schools may vary substantially across its 64 municipalities. This can lead to inequalities, as some municipalities may be more equipped in terms of experience and resources to assist children requiring support. In such decentralised systems, co-ordination across levels of government can be crucial. One way is through incentives to reach integration goals. For example, in Switzerland, where the cantons are responsible for integration policy, the federal government created a fund that can only be accessed if stakeholders sign onto an integration plan, recognising the fiscal pressure placed on localities but reinforcing the importance of the national vision for integration.

Furthermore, it can be beneficial for governments to encourage information sharing across municipalities, to facilitate the highlighting and mainstreaming of effective local practices. For instance, Norway has developed an online resource with information and tools designed for employees in the municipalities, counties, employment offices and other partners that are responsible for planning and implementing introductory programmes for newly arrived migrants. The tool includes both obligatory and non-obligatory measures, with descriptions of related legislation, other online resources and courses, good practice examples and standardised reporting and information schemes (OECD, 2023[47]).

Assessment and monitoring of students with migrant parents must be improved

Given the rising share of immigrant students in primary education and the potential effect of their background on educational attainment, identifying the obstacles facing them should be a policy priority. Yet this remains challenging as data and tools for comparison on school performance in Iceland are lacklustre. Indicators based on background or origin are absent in school evaluations. School autonomy is high, and exam results are not systematically reported to the Directorate of Education. Standardised national tests, a particular point of contention, have not been conducted since 2021 and will be abolished by end of year 2024. These are regrettable developments that could lead to an inequitable distribution of educational outcomes, not least for children with migrant parents.

School evaluations, internal and external alike, play a large part in quality assurance in compulsory education in Iceland. Internal evaluations take the form of surveys with subjective questions for students, school staff, and parents. Questions include frequency of bullying, to name an example. Comparing bullying between groups is a noteworthy endeavour as bullying may have a strong impact on relations between immigrant and non-immigrant groups later in life (OECD, 2019[48]). However, due to strict data protection laws and concerns for anonymity given small sample sizes, only the most basic background variables, gender identity and age, are collected in internal and external evaluations. The absence of an origin background variable makes it difficult to assess and compare outcomes of students with migrant

parents and those with a native background. Yet, as the survey is available in several languages, there is scope to use language of choice as a proxy for background, particularly for surveys that parents have completed as they are more likely to use their origin language. Importantly, lifelong learning is highlighted well in the surveys posed to school staff, including questions about multicultural and multilingual teaching, an increasingly important factor for school evaluations going forward given the rising share of students with migrant parents (OECD, 2010[49]).

A recent improvement in the collection of data on children with migrant parents in Iceland is the latest national youth survey, a series of surveys conducted throughout 2021-26. Some of the survey questions resemble school-based external evaluations, but importantly, they include questions on students' background (University of Iceland, 2023[50]). However, these results tell little about integration outcomes. In addition to not being longitudinal, there is no distinction made between foreign-born children of immigrants and native-born children of immigrants. This distinction is key in understanding whether integration policies are contributing to an intergenerational convergence of outcomes, which is a primary objective of integration policy.

Monitoring of academic performance is ensured by standardised examination at the national level and at the international level by PISA, both administered by the Directorate of Education. From 2025 and onward, standardised tests are foreseen to be replaced by *Matsferill*, a collection of assessment tools to support formative assessment in schools. The tools shall examine skills, abilities and competence of individual students based on the learning criteria of the Icelandic national curriculum guide for compulsory schools. Schools will be given autonomy to use the tools and conduct tests at their own discretion, decide which students to examine, when they will be conducted, and how often. All schools should assess their pupils' proficiency in maths and Icelandic or Icelandic as a second language, although whether such assessments will be standardised or comparable across schools is unclear. Assessment results and comparative data will no longer be made publicly available (Government of Iceland, 2023[51]). Matsferill is based on recommendations from a report of a working group established by the Minister of Education and Culture in 2018. In its argumentation against using standardised tests the report cited general dissatisfaction among stakeholders about the publishing of comparisons between schools and municipalities and the ability of standardised tests in their present form to assess student outcomes, the issue of standardised testing contributing to student anxiety, and the use of test results in admissions to upper secondary schools (Ministry of Education and Culture, 2020[52]).

However, these arguments fall short when considering that standardised exams have been associated with stronger educational performance and a more equitable distribution of educational outcomes. In addition, no correlation between test anxiety levels and the frequency of standardised tests has been observed in OECD countries (Schleicher, 2023[53]; Mostafa, 2017[54]). Granting greater autonomy to schools has been associated with increased student performance in science, but only if schools are held accountable. Important in this regard is having administrative authorities, such as the Directorate of Education, track achievement data over time and/or post such information publicly. Performance levels are even stronger in countries where more students are assessed with mandatory standardised tests (OECD, 2016[55]). A study of 30 OECD countries found that making the results of standardised tests available to the public was associated with a decreased risk of low reading performance, particularly among students with migrant parents (Teltemann and Schunck, 2020[56]).

Monitoring the academic performance of children with migrant parents in Iceland is challenging due to a lack of data, not least because of how past standardised tests have been set up. The Directorate of Education, responsible for discerning the results of the now abolished standardised tests, does not have information on the background of students taking the tests, making comparisons between children with migrant parents and their peers difficult. Furthermore, each school has the authority to decide whether students with migrant parents should be exempt from participation in standardised tests. Numbers from

past tests indeed reveal a higher number of exemption requests for students with migrant parents (Directorate of Education, 2018[41]).

Data collection on school performance results is conducted differently in neighbouring countries Denmark, Norway, and Sweden. Results are recorded in school registers, allowing for analyses of education outcomes by parents' background. Denmark has deployed an online-based adaptive test programme maintained by the Danish Ministry of Education, ensuring systematic data collection comparable across years (TrygFonden's Centre for Child Research, 2021[57]). In Norway and Sweden tests are teacher assessed, retaining teacher autonomy at the cost of comparability (Beuchert and Nandrup, 2017[58]). Denmark does not publicly publish school results other than national averages, having elected to exempt school testing data from the right to public information (Hatch, 2013[59]). Data is nonetheless collected and analysed by the Ministry of Education.

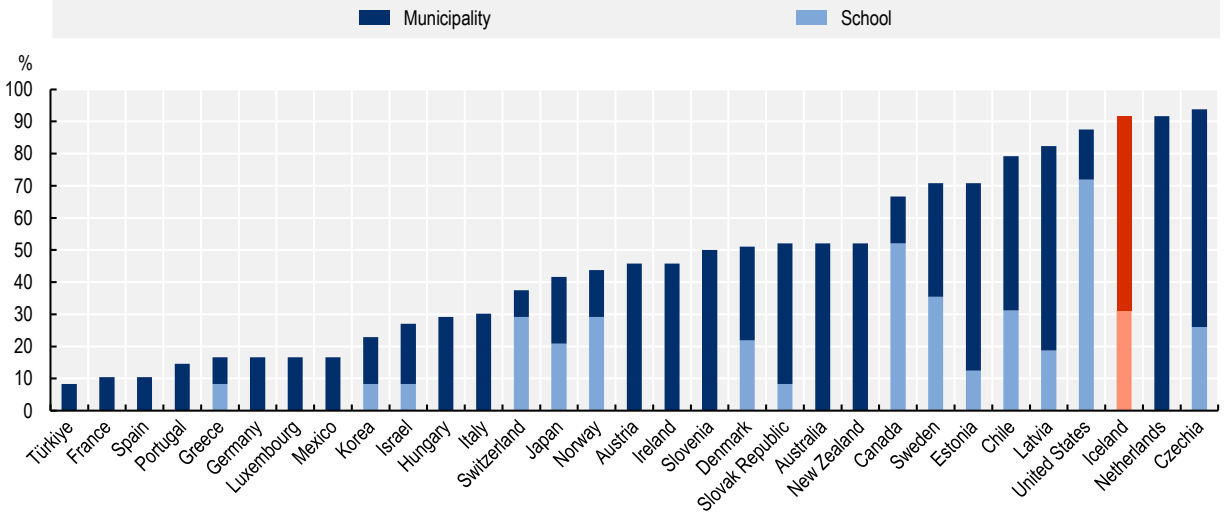
As of 2023, PISA remains the only tool to measure and compare the school performance of children with migrant parents in Iceland. Relying exclusively on PISA results in analysing school outcomes of children with migrant parents has its limitations. The most consequential is the sample size of eligible schoolchildren. Drawing inferences about a sub-group of an already small country-level sample of individuals is risky, particularly when exclusions due to language proficiency are considered.[6] PISA also only covers the final year of lower secondary education (15 years of age) and is conducted just once every three years. In the absence of complementary standardised tests and tools it is thus difficult to estimate the progression of students with migrant parents throughout their schooling, which can serve as a key indicator of integration into the host society.

The decentralised nature of the education system may be inconducive to integration

While some level of decentralisation is necessary for the provision of integration services, investment in multi-level co-ordination is needed to ensure effective service delivery (OECD, 2022[60]). Iceland's primary and lower secondary education system is highly decentralised. OECD data indicate that more than 90% of lower secondary education policy decisions are taken at the municipality and school levels in Iceland, ranking third among OECD countries (Figure 5.11).

Figure 5.11. Lower secondary education is highly decentralised

Percentage of decisions taken at the municipality and school levels of government in public lower secondary education, 2017



Note: Other levels of government not included in the chart are central, state, provincial/regional, sub-regional, and multiple levels.
Source: OECD (2018[61]), *Education at a Glance 2018: OECD Indicators*, https://doi.org/10.1787/eag-2018-en.

The heterogeneity that results from such decentralisation is well evidenced by the education policies set by the municipalities, collaterally affecting integration policy. A focus area of the Ministry of Education and Children's Education 2030 policy is "a diverse educational community". However, whether education policies include provisions on students with migrant parents differs greatly across municipalities, perhaps a natural outcome when up to 64 different educational policies are set across the country (Gunnþórsdóttir et al., 2020[62]).

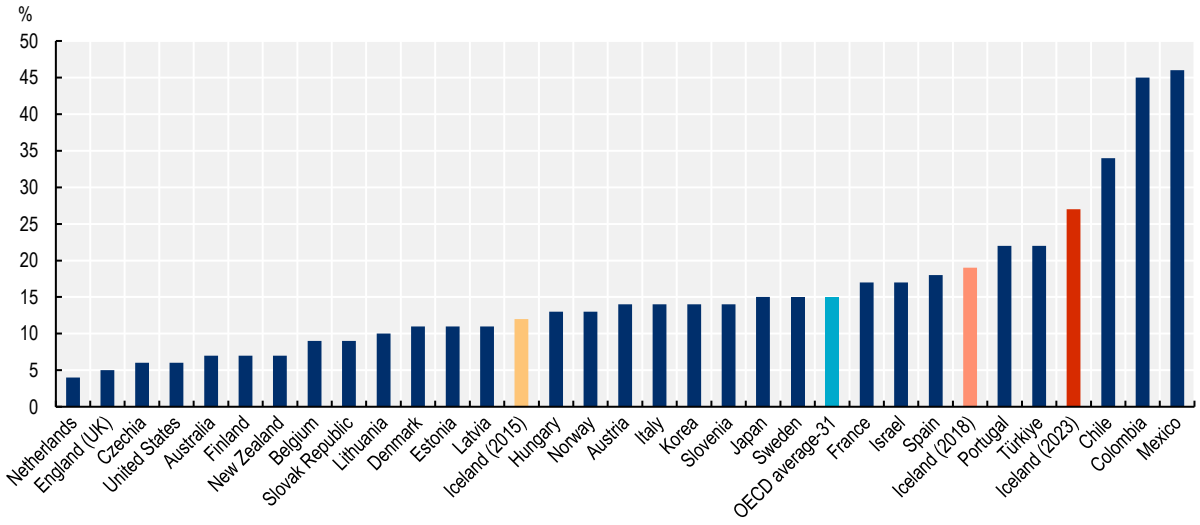
Sweden is an example of a country whose PISA performance rebounded after it incorporated effective policies aimed at increasing the reading performance of its students. Between 2009 and 2018, mean PISA reading scores for Swedish-born children with immigrant parents improved by 17 points – among the biggest improvements among OECD countries (OECD/European Commission, 2023[6]). On the one hand, Sweden has placed an emphasis on effective central oversight over a decentralised education system. The national curriculum clearly sets out learning criteria for individual subjects but also highlights the desired organisation of schoolwork. Teachers are required to know the curriculum and are provided with the financial and professional support to carry out its provisions. National standardised tests are also administered at the central level, providing a crucial role in assessing the progress of students. Importantly, the results from standardised tests can be disaggregated by background. Oversight and evaluation are ensured by the Swedish National Agency for Education (OECD, 2017[63]).

Lifelong learning merits more attention, to allow teachers to adapt their methods towards a more diverse classroom

Since 2019, Iceland has placed emphasis on improving the attraction of the teaching profession, with impressive results. Driven by the creation of new grants and internship opportunities, three times as many people graduated as teachers in 2022 compared with 2019 levels (Ministry of Higher Education and Ministry of Education and Children, 2023[64]). While the increasing supply of teachers is certainly a positive development that can be expected to yield long-term returns, there is a need to better prepare teachers to teach in diverse classrooms, both in initial teacher education and lifelong learning. Data from internal evaluations of schools in Iceland show that 77% of primary and lower secondary level teachers in 2023 report a need for professional development in a multicultural setting (Skólapúlsinn, 2023[65]). Of all surveyed teachers, 27% reported a high level of need for such training, up from 19% in 2018 and well above the OECD average of 15% in 2018 (Figure 5.12) (OECD, 2019[66]).

Figure 5.12. Demand for professional development in a multicultural setting has risen exponentially

Percentage of teachers reporting a high level of need for professional development in teaching in a multicultural or multilingual setting, 2018



Source: OECD (2019[66]), *TALIS 2018 Results (Volume I): Teachers and School Leaders as Lifelong Learners*, TALIS, https://doi.org/10.1787/1d0bc92a-en; 2015 and 2023 data for Iceland is sourced from *Skólapúlsinn* survey data.

Facing a comparable situation of a sharp increase in the number of migrant children in schools in 2017, the Ministry of Education in Austria implemented so-called Mobile Intercultural Teams that offer support to schools with a high proportion of immigrant students. These teams work with teachers, principals and administrators at these schools, offering advice based on teachers' experiences in working with immigrant students, workshops on classroom climate, and more. The teams include educational psychologists who interact with teachers, principals, students and their parents, serving as a bridge between these stakeholders so that schools and teachers can best support students in their daily classroom instruction (OECD, 2019[66]). The City of Reykjavík operates a similar programme, "Bridge builders", albeit on a smaller scale (see Box 5.4).

Box 5.4. Bridge builders: A bridge between immigrant families and educators

The Bridge builders' project aims at building a bridge between multilingual children and their parents on the one hand, and the staff of the City of Reykjavík's Department of School and Recreation on the other.

Bridge builders are counsellors offering a wide range of services for the City's employees, students and parents about bi- and multilingualism in kindergartens, primary and lower secondary schools and leisure activities. In addition to the official website, Bridge builders operate five Facebook groups for parents from different lingual backgrounds: Arabian and Kurdish, Filipino, Polish, English, and Ukrainian.

Bridge builders also provide immigrant parents with information about the Icelandic school system from preschool to upper secondary school, bilingualism and multilingualism, the duties and responsibilities of school parents, and more. A special educational toolbox is available on the Bridge Builders website in Icelandic, English and Polish, intended for parents to support their children's Icelandic language learning and homework. The toolbox includes links to useful websites with practice exercises in several

subjects, online dictionaries, and media such as news websites in multiple languages and Icelandic apps. Individual counselling sessions for parents are offered on Fridays.

Source: Miðja máls og læsis (2023[67]), *Brúarsmiðir – tvítyngisráðgjafar*, https://mml.reykjavik.is/bruarsmidi/#av-tab-section-1-2-link.

Refugee children are a particular group with complex needs, requiring support from not only educators but more actors involved in the integration process. Several OECD countries have responded to increased inflows of refugee children with targeted support. In response to inflows of refugee children from Ukraine, Luxembourg established a single point of contact within the Ministry of Education's Department for the Education of Foreign Children. The department meets with children and their families to suggest possible schooling options, with the parents making the final decision. Most students arriving from Ukraine attend English-speaking reception classes in six international public schools. Students then transition to a mainstream class at the same school, adding either German or French as an additional language. In Sweden, a dedicated webpage sets out the procedures for integrating newly arrived students from all countries. Municipalities oversee school placement, while schools are responsible for carrying out an assessment of new arrivals' previous schooling, as well as their literacy and numeracy skills, within two months of registration, using materials provided by the National Agency for Education. School principals accordingly decide which grade level the student should be placed in and develop an appropriate education plan. As in Luxembourg, some newly arrived students are initially taught in separate introductory classes but must transition to mainstream classes as soon as they develop language proficiency, and at least within two years (OECD, 2022[68]).

Upper secondary education

The conclusion of lower secondary education marks the end of compulsory education in Iceland. Students choose between a three-year general academic education course, leading to a matriculation examination, or a vocational course varying in length, although three-year courses are most prevalent (Ministry of Education and Children, 2023[69]).

Language proficiency may determine progression in upper secondary education

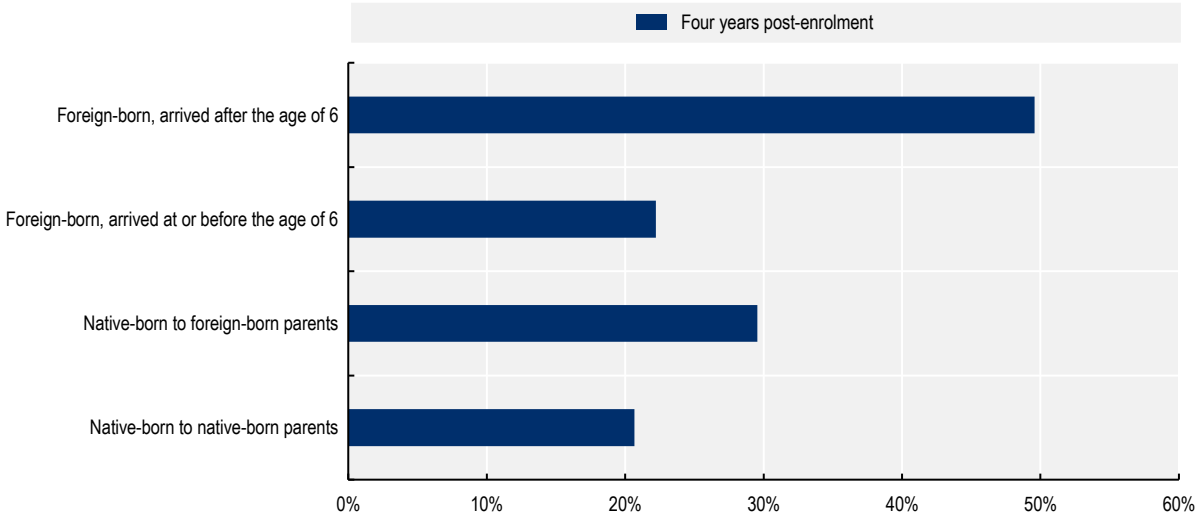
Key in assessing the outcomes of students with migrant parents in upper secondary education is the degree to which students drop out or leave early. The overall early leaving rate in Iceland, defined as the share of persons aged 18-24 who completed at most lower secondary education and are not in education or training, was the highest in Europe in 2022 at 16%, compared with an average of 9% (Eurostat, 2023[70]). As students with migrant parents are more likely to drop out of education, the share is likely to be even higher for students with migrant parents in Iceland.

However, estimating the early leaving rate of immigrant students in Iceland is difficult as no distinction made in national statistics between students with migrant parents residing permanently in the country and international (exchange) students. This can lead to an overestimation of the early leaving rate of students with migrant parents, although the overestimation has decreased over time due to the increase in foreign-born permanent students. Using administrative data, Stefánsson and Eyjólfsson (2022[71]) attempt to evade this issue by looking at students who were already registered in the school register prior to entering upper secondary education. Applying a broader definition of early school leaving, defined as those who dropped out or took a break from studying at least once from age 17-22, they find that foreign-born students with migrant parents exhibit a slightly higher dropout rate (39% compared to 34%). Their grades however were much lower, both in Icelandic and mathematics.

Statistics Iceland publishes dropout rate numbers for cohorts four and six years after enrolment. By deducting the total number of exchange students, as reported by AFS Intercultural Programs Iceland, from the total of registrations in a given year, it is possible to better estimate the dropout rates of immigrant students in the country. Figure 5.13 shows dropout rates of the 2015 cohort in upper secondary education. The high dropout rates of students with migrant parents are primarily driven by students arriving in their mid- to late childhood. Foreign-born children who arrive before the age of seven exhibit much lower dropout rates – comparable to that of native-born students with Icelandic parents – although these results must be interpreted with caution as the sample size is much smaller. Nonetheless, the 2012 cohort showed a nearly identical pattern. Native-born students with migrant parents exhibit higher dropout rates than their peers with native-born parents, but those who either drop out or stay longer than four years also tend to graduate at a higher rate than their peers (as indicated by the difference in dropout rates between four- and six-years post-enrolment).

Figure 5.13. Dropout rates depend to a large extent on age of arrival

Dropout rates of the 2015 cohort in upper secondary education, four-years post-enrolment, by place of birth



Source: Statistics Iceland and AFS Intercultural Programs Iceland annual reports.

Breakdown by education track also highlights differences in outcomes. While native-born students with native-born parents are proportionally more likely to drop out of vocational tracks than academic tracks (35% and 18%), the reverse is true for foreign-born students who arrive late (46% and 62%).

The most likely reason for the observed discrepancies between the native- and foreign-born is their language proficiency, although the performance gap varies significantly depending on place of birth. For students from Poland and Asian countries, their performance in tenth grade is highly explanatory for their dropout rates in upper secondary education (Stefánsson and Eyjólfsson, 2022[71]). This suggests that to reduce dropout rates, improving the educational outcomes of these groups is important. Given the importance of language on long-term academic achievement, the effective screening of language outcomes, as early as possible and through all levels of compulsory schooling, is needed to be able to better meet the needs of students with migrant parents. In its Education 2030 policy, the Icelandic Government plans to develop standardised tests to monitor students' progress in Icelandic and other foreign languages (Ministry of Education and Children, 2021[72]). This is a welcome initiative that can be accompanied by more informal tools for teachers to assess language development. In Denmark, for instance, in addition to a mandatory screening test of proficiency in the Danish language for entrants into

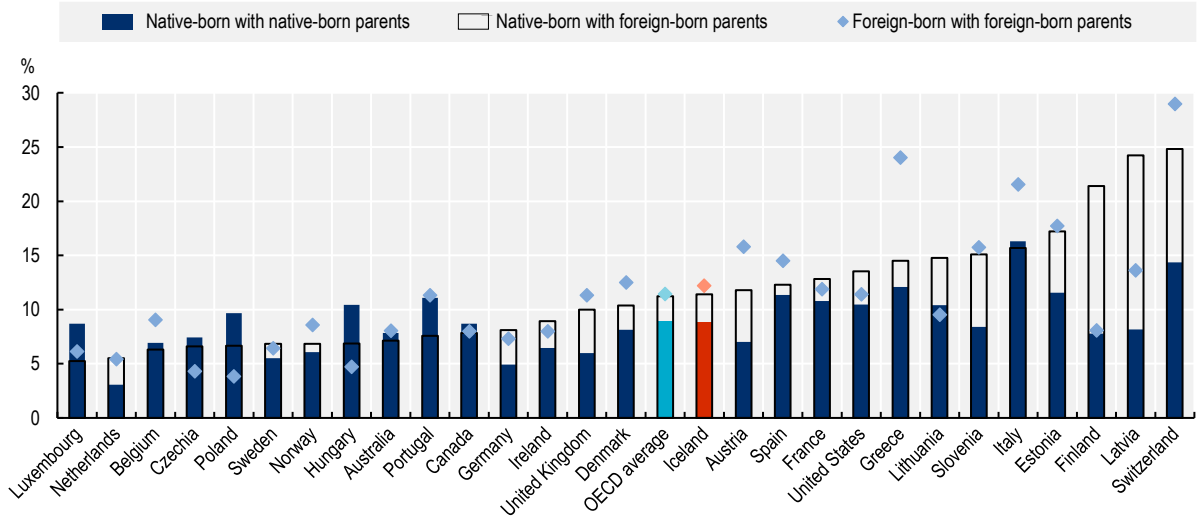
primary education, the Ministry of Education has developed a tool for teachers to assess the linguistic development of bilingual children (OECD, 2021[20]).

Youth with migrant parents are slightly more likely than their peers to neither be in education nor employment

Youth with migrant parents may face challenges in transitioning from school to work that native-born children to native-born parents do not. There are several potential reasons for this, including lack of social networks, limited knowledge of the labour market, and discrimination. This places youth with migrant parents at a higher risk of falling into the so-called NEET group, defined as those who are not in employment, formal education nor training. NEET rates in Iceland are relatively similar to OECD averages, although they are higher than in other Nordic countries, except Finland (Figure 5.14).

Figure 5.14. Differences in NEET rates are not large between children of immigrant parents and those of native-born parents

NEET rates, 15-24 year-olds, 2022 or latest year available



Note: For Iceland, register data was used. For other countries, labour force surveys were used.
Source: EU LFS 2022. Iceland: Gylfadóttir (2021[73]), *NEET-hópurinn: Staða og bakgrunnur ungmenna af erlendum uppruna utan vinnumarkaðar og skóla*, Varða, www.rannvinn.is/_files/ugd/61b738_2707f7b72f794d19a7e60045fe3bc18a.pdf; Australia and Canada: Census 2016; United Kingdom: National LFS 2020; United States: Current Population Survey (CPS) 2020.

The gap in observed NEET rates between native-born youth with foreign-born parents and their peers with native-born parents are concerning. Rates of the former group are slightly lower than for foreign-born youth who arrived as children. This raises concerns that native-born children to foreign-born parents are not seeing the fruits of integration. Identifying the reasons why native-born youth with foreign-born parents do not participate to the same extent in education and/or employment is key to improve integration outcomes in Iceland. In order to achieve this objective, it is important to make sure that disaggregation by place of birth of parents is available in relevant datasets and accordingly analyse the educational outcomes of this group throughout their schooling.

Iceland has made efforts to strengthen VET training in recent years…

Students with migrant parents are overrepresented among students in vocational education and training (VET) (Statistics Iceland, 2017[74]). The share of students pursuing VET tracks in Iceland is among the lowest in the OECD, and students in VET are more likely to drop out early or take breaks from their studies. Higher dropout rates are linked to socio-economic instability, weaker academic proficiency, difficulty in securing training placements during VET and inadequate connections between school and the workplace. Strengthening existing VET offers can reduce dropout rates and improve the educational offer for immigrant students, as VET can act as a fundamental component to their integration (Jeon, 2019[75]).

Several important developments have taken place in recent years which have strengthened VET training in Iceland, notably pertaining to work-based learning and educational mobility. An example of one such initiative is the establishment of the Icelandic Student Centre (*Nemastofa*), created in 2022 by the tripartite organisations, providing companies and institutions with increased incentives to take on apprentices. Prospective apprentices can locate openings in an information portal on a dedicated website (Nemastofa, 2024[76]). As of 2023, the website is only available in Icelandic. Making it available in English or other relevant languages would be beneficial to young migrants that have recently arrived in the country, including refugees, as they are less likely to have proficiency in Icelandic. It is particularly important as many migrants might hold incomplete or inaccurate information about the host country's education system. This can affect the native-migrant gap in the progression into and through upper secondary education, as has been found to be the case in Switzerland (Wolter and Zumbuehl, 2017[77]).

Iceland has also taken measures to facilitate access of VET students to universities and has created specific tertiary vocational branches, further improving the educational mobility of those who wish to continue studying after completing a vocational diploma.

…although more can be done to accommodate disadvantaged students

Certain groups such as refugees, asylum seekers and older individuals are placed at a disadvantage when it comes to access to formal vocational education, as priority access is given to newly graduated students from lower secondary education in Iceland (Eiríksdóttir and Sigurðsson, 2023[78]). Although the share of vocational students in upper secondary education remains among the lowest in the OECD (OECD, 2023[79]), there is high demand for entry into vocational education programmes. Over 700 individuals were denied entry into vocational programmes in 2022, despite a government push to increase the supply of housing in the long-term (Federation of Icelandic Industries, 2022[80]). In 2011, a total of 3 783 vocational education places were available in Iceland, compared to a total of 2 555 in 2021.

The choice of tracks in upper secondary education does not vary much between males and females with migrant parents. However, female students with migrant parents are highly overrepresented among all female students seeking vocational education, constituting 33% of female entrants in 2017 while accounting for merely 11% of total female students. Males with migrant parents are also overrepresented among VET students, constituting 16% of the male total – although still far below the share for females. Women with migrant parents thus play an important role in alleviating the gender imbalance in general and vocational programmes in Iceland, currently the largest among OECD countries (OECD, 2022[81]).

Gender differences also exist in field-of-study choices. Women are overrepresented in certain sectors such as health, welfare and education, whereas they are underrepresented in information and communication technologies (ICT), engineering, manufacturing and construction. These differences can shape the opportunities men and women have. Apprenticeships are most common in male-dominated sectors across the OECD (Borgonovi, Quintini and Vandeweyer, 2023[82]), including in Iceland. In 2021, the government's Icelandic Apprenticeship Fund, which allocates funding to institutions and companies to fund apprenticeships, allocated 23% of total funding to female-dominated sectors, such as paramedics, social and healthcare assistants, kindergarten assistants, and hairdressers (Rannís, 2022[83]).[7] This raises

questions about quality work-based learning opportunities for women with migrant parents, whose labour market participation is already relatively low (see Chapter 4). For refugee women in particular, evidence from Norway and Germany show that upper secondary education is associated with a larger increase in employment probabilities for refugee women compared with refugee men (Liebig and Tronstad, 2018[84]). Apprenticeships can play a key role in providing a link between education and the labour market for this group.

Given the impact of VET on employment outcomes, a further strengthening of VET could be considered. Across a wide range of OECD countries, both native- and foreign-born graduates from upper secondary VET have better labour market outcomes compared to those from academic upper secondary tracks or people without upper secondary qualifications, at least in the short term (Jeon, 2019[75]). However, young migrants and refugees are often unfamiliar with or have a poor opinion of VET, based on experiences in their home country (OECD, 2022[85]). To address the challenge, the proactive provision of personalised career guidance and mentoring services can be improved, which are partly facilitated through the co-ordinated reception of refugees and the Directorate of Labour. Guidance counselling is also provided by the Education and Training Service Centre, where participation among immigrants has improved and is now mostly in line with the foreign-born share of the working population (Fræðslumiðstöð atvinnulífsins, 2023[86]). Mentoring is an underdeveloped measure that can provide additional support to disadvantaged students, including tutoring, social and emotional support, and educational and vocational orientation. Mentors can be teachers, school personnel, social advisors, or even peer mentors who can act as role models in their respective profession. The success of mentoring rests on several factors, namely mentors' training, the extent of schools' co-operation, and the engagement of parents and children (OECD, 2018[61]).

Humanitarian migrants are a group who may benefit particularly from investments in VET. Assessing their demographic and skills profiles prior to engaging them with VET is important, which requires improving the data infrastructure around humanitarian migrants in Iceland. While up-to-date data on the demographic profile of beneficiaries of international protection in Iceland are not available, data on applicants may give an idea of their profile. As of October 2023, three-quarters of all applicants since 2019 had come from Ukraine and Venezuela. Just over half of them were women, most were working age and one-in-five were under the age of 18 (Government of Iceland, 2023[87]). Investing in VET for these groups may see high returns, as occupations typically entered through VET are in high demand. For Venezuelans, who exhibit exceptionally high participation rates, opening doors to further education can reduce the native-migrant educational gap and lead to enhanced career prospects. While some Ukrainians may want to stay in Iceland, others will have acquired skills in Iceland which may help in the reconstruction in Ukraine (OECD, 2022[85]). Investing in VET should thus be seen as a dual intent investment with high expected returns.

Humanitarian migrants often have difficulties accessing VET programmes due to eligibility requirements. As a result, many may seek VET or other work through non-formal and informal pathways, which can contribute to labour market overqualification and inequalities. To address this challenge, several countries have adopted pre-apprenticeship programmes to target groups that do not fulfil the requirements necessary to enter formal VET. Finland offers a pre-vocational programme for immigrants (*ammatilliseen peruskoulutukseen valmentava koulutus*) that lasts 6 to 12 months. Migrants are provided with information and guidance on different occupations and vocational studies, and when migrants later apply for an upper-secondary vocational programme through a joint application system, they can receive extra points for having completed the preparatory training. In some countries, pre-apprenticeships are targeted towards sectors facing skills shortages. In the United States, pre-apprenticeships have focused on manufacturing and health, with 20% of refugees working in the manufacturing sector and 14% in healthcare in 2015. Switzerland and Canada both launched similar programmes in 2018, with the latter choosing to target those that are disadvantaged in the trades, such as women, youth, Indigenous Peoples, and people with disabilities as well as newcomers (Jeon, 2019[75]).

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Notes

[1] The sample size of immigrant children in Iceland is small and results should be taken with caution. While ideally only native-born children of immigrants would be included in the analysis, sample size restrictions make this impossible. Despite small sample sizes, PISA is the only data source providing an overall picture of the performance of children in schools in Iceland.

[2] Throughout this chapter, "pre-primary" is used to refer to early childhood education and care in general.

[3] In the 2021 census, the localities with the highest number of immigrant households in the country were all among those with the highest rates of single-parent (SP) households. These localities (or minor statistical output areas as referred to in the census) are: Reykjanesbaer: Njardvikur, Asbru and Hafnir – 3001 (48% immigrant, 36% SP families); Reykjanesbær: Njarðvíkur, Ásbrú og Hafnir – 3002 (54% immigrant, 33% SP families); Reykjavik: Upper and lower Breidholt – 0801 (36% immigrant, 30% SP families); Reykjavik: Upper and lower Breidholt – 0803 (48% immigrant, 30% SP families). Immigrants accounted for 17.7% of the population and SP families for 11% of families in the 2021 census.

[4] Data on late arrivals (ages 11 and above) did not meet the minimum observation threshold for Iceland.

[5] In 2023, the Ministry of Infrastructure published a draft legislative proposal to remove the exemption.

[6] The OECD allows countries and economies to exclude up to a total of 5% of the student population. Exclusions are allowed for a variety of reasons, such as disability and language proficiency. Iceland's exclusion rate was 6%, exceeding the OECD standard by 1%. Most of those exclusions were made on the basis of limited assessment-language proficiency. These students mostly have an immigrant background.

[7] Calculations are based on the proportion of male and female students in each profession.

Working Together for Integration

Skills and Labour Market Integration of Immigrants and their Children in Iceland

Relative to its population, Iceland experienced the largest inflow of immigrants over the past decade of any OECD country. Four out of five immigrants in Iceland have come from EU and EFTA countries, although there has been a recent increase in humanitarian arrivals. Employment rates are the highest in the OECD, for both men and women, reflecting the recent and labour market oriented nature of most immigration to Iceland. However, immigrants' skills are often not well used, as witnessed by the high rate of formal overqualification. What is more, immigrants' language skills are poor in international comparison and there is evidence of growing settlement of immigrants. Against this backdrop, Iceland is at a turning point in its integration framework, and seeks to develop a comprehensive integration policy for the first time. This review, the fifth in the series *Working Together for Integration*, provides an in depth analysis of the Icelandic integration system, highlighting its strengths, weaknesses, and potential areas for improvement. Earlier reviews in this series looked at integration in Sweden (2016), Finland (2018), Norway (2022) and Flanders (2023).

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