

Lund University

Department of Sociology

Icelandic Family Policy

Author: Sigrún Kvaran

WPMM42, Master thesis

30 credits

Spring semester, 2015

Supervisor: Åsa Lundqvist

Abstract

Author: Sigrún Kvaran

Title: Icelandic Family Policy

Master Thesis WPMM42

30 credits

Supervisor: Åsa Lundqvist

Department of Sociology, spring semester 2015

Inequality and the risk of poverty in Icelandic society have been in the debate since the economic crisis in 2008. The family policy is criticised by academics for a lack of economic support for individuals with dependent children both in the form of child benefits and low payments during parental leave. The purpose of this thesis is to analyse how economic support for families of cohabitating parents and single parents with average and minimum incomes is distributed. The data used for the analysis is mainly gathered from Statistics Iceland, a public institution, and the Ministry of Welfare. As a guideline to the analysis a theoretical framework was created that makes use of the concept of family policy, inequality and poverty and transformations in the welfare regimes.

The findings of this study suggest that the family policy helps in reducing the risk of poverty among families with dependent children. However, the income tested child benefits are highly income sensitive with strict curtailment limit. Regarding the payments during parental leave there are indications they are too low. Low maximum payments during parental leave are linked to reduced birth rates and a decrease in the number of fathers using their rights to take time off from work to spend with their newborns. There is a severe difference in economic support of single parents and cohabitating parents in form of benefits and subsidies. Single parents with dependent children receive more economic support nevertheless it does not seem to be enough. Single parents need more economic support to prevent them from falling below the threshold of being at risk of poverty. Furthermore sustaining an acceptable living standard in Iceland for a single parent with dependent children seems to be a distant goal.

Keywords: Family policy, child benefits, parental leave, single parent, welfare system, at risk of poverty, inequality, living standard

Table of Contents

1 Introduction	1
1.1 General introduction	1
1.2 Aim and research question	3
1.3 Previous research and background	4
1.3.1 The Icelandic welfare system	4
1.3.2 The Icelandic labour market	6
1.3.3 The Welfare Watch	8
1.3.4 Summary	9
1.4 Scope and contribution	10
1.5 Outline	10
2 Theoretical framework	11
2.1 Family policy.....	11
2.2 Transformation in welfare regimes.....	12
2.3 Inequality and poverty	13
2.4 Summary.....	14
3 Definitions	15
3.1 Poverty	15
3.2 Consumer standard.....	16
4 Methodology	18
4.1 Case study analysis	18
4.2 Research design	19
4.3 Data and limitation	20
4.4 Summary	22
5 Benefits and entitlements	22
5.1 Child benefits	22
5.2 Parental leave	24
5.3 Day-care service	25
5.4 Subsidized recreational activities in Reykjavík.....	27
5.5 Alimony and extra benefits for single parents	28

5.6 Summary.....	29
6 Empirical analysis.....	30
6.1 Average income couples	31
6.2 Minimum income couples	35
6.3 Average income single parent	37
6.4 Minimum income single parent	40
6.5 At risk of poverty	41
7 Conclusions	48
8 References	51
Appendix	60

1 Introduction

1.1 General introduction

"While social policy research has been both improving and increasing, the welfare of many has got worse with widening inequality and increasing and deepening poverty in many countries."

(Andersen, Guillemard, Jensen & Pfau-Effinger, 2005, p. 26)

The general understanding of a welfare state is that the state takes care of its citizens by protecting them and providing them with insurance when they are in need of it (Jordan, 2006). Iceland is one of the Nordic countries, which are all well-known welfare states, and as such they are associated with the idea of high gender equality, high labour force participation among women and overall known as family friendly societies.

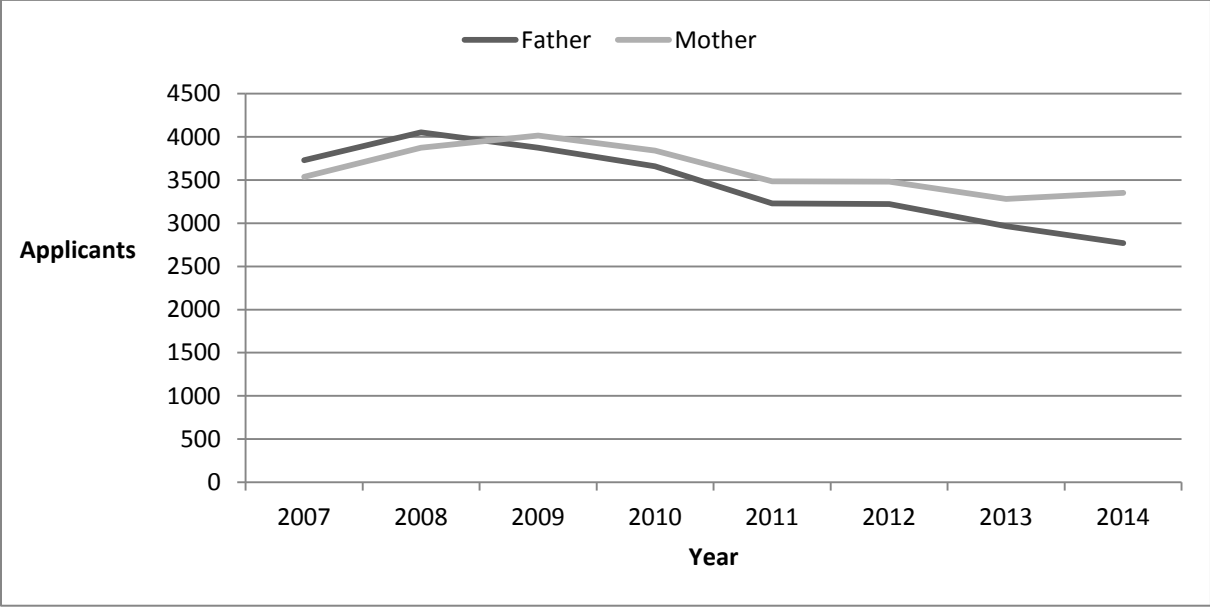
In the case of Iceland, one of the debates after the economic crisis in 2008 has been about the lack of economic support from the welfare system for families with dependent children. The economic consequences for households were considerable as they were dealing with a sharp increase in inflation, while at the same time the government had to increase levies. This is something that has been in the debate the past six years. There are signs of a growing proportion of households with dependent children having problems sustaining a living standard in accordance with a welfare society (The Welfare Watch, 2013). To be able to get a clear picture of this problem, a specific consumer standard is needed as a measurement tool for household's economies. In 2011 the Ministry of Welfare published a report on such a consumer standard. The project was built on extensive data collection from the Statistical Bureau of Iceland (e. Statistics Iceland) using real consumption of Icelandic households (Sturluson, Eydal, & Ólafsson, 2011). This consumer standard has two guidelines; basic and typical. The basic consumer standard represents the minimum cost of living and the typical one represents the average consumption (ibid). However, unexpectedly, this publication came as a shock to the public as it revealed too many households would never be able to afford this standard of living. Scholars and organisations came forth with articles and reports on the discrepancy of the consumption standard from the Ministry of Welfare. Njáls (2011) is one of

these scholars, arguing that individuals who receive unemployment benefits and social benefits are far from being able to live by this consumption standard. The Organization of Disabled in Iceland also criticised this new consumption standard by pointing out the disability benefits are far from sufficient, moreover the health care cost seems to be greatly underestimated (Þorgeirsdóttir, 2011).

Accordingly, there is a growing debate about the economic situation among Icelandic families with dependent children. Scholars and organizations argue for increased difficulty among households in providing acceptable living standard and that they are in need of more economic support from the welfare state (Ólafsson, Kristjánsson & Stefánsson, 2012). This has resulted in a debate about child benefits, and particularly how parents with average incomes have access to almost no child benefits. Thus, the welfare system does not appear to be a universal one, as it only provides economic support to those who have a high need for it, or individuals with lower incomes.

A similar debate regarding the parental leave also exists, as some suggest that it can be too much of an economic burden than it was years ago. Also, the maximum payments appear too low compared to the cost of living (Arnarsson, 2014). The Minister of Social Affairs stresses the bad outlook due to decreasing birth rates and a decrease in the number of fathers using their rights to parental leave (The Ministry of Welfare, 2014). The total fertility rate (TFR) in Iceland has also declined slightly. Before the crisis in 2008 the TFR was 2,14 and in 2013 it had decreased to 1,93 (Statistics Iceland, 2014a). The development in the number of mothers and fathers using their rights to parental leave is shown below in figure 1. The data from the Icelandic parental leave benefit fund (Fæðingarorlofssjóður) for the years 2012-2014 is a preliminary and thus should be interpreted provisionally. However, a considerable decrease in the proportion of fathers using their rights to parental leave can be seen. In 2007 there were 3,729 fathers that took parental leave and for 2014 that number has decreased to 2,771 fathers. Additionally as can be seen below in figure 1, from 2009 until mid 2013 the number of mothers also taking parental leave decreased.

Figure 1 Number of mothers and fathers that take parental leave 2007-2014



Reference: Adapted from Fæðingarorlofssjóður (2015a).

Meanwhile, a more worrisome problem is developing in Iceland. After the economic crisis in 2008, there has been a sharp increase in child poverty (UNICEF, 2014). As a result, the idea that Icelandic family policy needs to be reformed to meet the growing requirements for economic support among parents has grown in popularity. It is thought that increasing child benefits and the maximum payments during parental leave would be effective in reducing the proportion of households that are at risk of poverty.

1.2 Aim and research question

This study aims to analyse the economic support of the Icelandic family policy both in form of benefits and entitlements, attempting to investigate how it is delivered along the households' income distribution. Additionally, the analysis seeks to understand the increasing poverty rates in Iceland. Hence, the general aim is to understand how family policy affects inequality and poverty.

The following research questions will be addressed:

How are Icelandic family policy benefits and payments delivered along family forms?

How is the economic support of the Icelandic family policy outlined in terms of benefits and entitlements? Does it help in reducing the risk of inequality and/or poverty?

1.3 Previous research and background

In this part the development of the Icelandic welfare system and information on the labour market will be provided. Moreover in the end of this chapter the Welfare Watch will be introduced. The welfare system and the labour market are in fact related fields. Hantrais (2004) argues that due to increased proportion of women participating on the labour market it brings out measures of the welfare state. Both parents participating on the labour market has shifted the main responsibility from the mothers as the sole caretakers of their children over to the welfare state (ibid). Hence, family policy has an important role in assisting parents in combining work and parenthood together.

1.3.1 The Icelandic welfare system

In some aspects, the Icelandic welfare system differs from the other Nordic countries such as in the structure of the social security system and in the amount of benefits (Eydal & Ólafsson, 2006). Eydal and Ólafsson (2006) argue that this pattern is also reflected in the family policy. The development of the Icelandic family policy has been an ongoing process ever since the first law in 1946. For a long time people did not understand the concept of family policy (ibid). It was not until 1994 with increased research on families that the understanding of its importance was improved and how it increases equity within the society (Eydal & Ólafsson; 2003, 2006). This increased awareness and research on family policy resulted in the Icelandic Parliament finally formulating an official family policy in the year 1997 (Althingi, 1997). There are three main purposes; to insure equality between men and women, to emphasise the emotional engagements of the family and finally to secure all children and their opportunities (Althingi, 1997).

There are many previous research studies on the Icelandic welfare system and how it has developed through time both in forms of benefits and in the construction of it. In one such research by Eydal and Ólafsson (2003) it is stressed that in the 1960s and 1970s Iceland did not keep up with the other Nordic countries in welfare growth. They continue to argue that in the 1990s Iceland spent considerably low proportion of the Gross Net Production (GNP) on

the welfare system, around 18-19 percent (Eydal & Ólafsson, 2003). Furthermore, they argue that the main difference between Iceland and the other Nordic countries is in their services to families with dependent children and the benefit system (ibid). They conclude that when it comes to families with dependent children, Iceland spends on average half as much in benefits and support compared to Sweden, Denmark, Norway and Finland (Eydal & Ólafsson, 2003; Eydal & Ólafsson, 2006). Furthermore they argue that the Icelandic child benefits are income-tested, the spending is 55-78 percent less on that factor compared to the other Nordic countries.

This is supported by Ólafsson (2012) in a similar study on the expenditure on Icelandic family policy. He argues that in percentage the expenditures have increased by 100 percent between the years 1997 and until 2008. However, despite this increase he stresses that Iceland still spends less on this category than the other Nordic countries (ibid). Additionally Eydal and Ólafsson (2012) argue the main reason for this increase in Icelandic expenditures was related to changes in the parental leave system in 2000. They continue to argue that the expenditures in child benefits were severely decreased resulting in tightened living conditions among families with dependent children (ibid). Also Eydal and Ólafsson (2012) stress that the Icelandic social security system differs from the other Nordic countries as it has generally based its benefit payments on a flat rate and/or it is income-tested. Additionally Ólafsson (1999) argues that Iceland has never adopted the Scandinavian tradition of income replacement in its social security system.

Until the economic crisis in 2008 the income taxes were low, resulting in individuals being the main supporters of the welfare system rather than the state treasury (Njál, 2003). Additionally, during this time of economic prosperity the responsibility of the state in supporting those in need of the welfare system was transferred to the municipals. Furthermore the municipals then transferred their responsibilities to aid agencies, such as the church (ibid). As a result, the Icelandic welfare system is sometimes referred to as being more in line with liberalism than social democracy, at least before the economic crisis in 2008 (Njál, 2003). However, not all agree that this refers to the whole welfare system. Evans (2011) argues that there is an exception of this liberal transformation in the Icelandic welfare system, specifically in the case of the family policy. She argues that due to high proportion of women on the labour market the need for secure access to public day care was necessary. The development in access to day care service between the years 1995 until 2007 expanded into being a universal scheme for all children from the age of three (Evans, 2011). Furthermore, she

suggests that in easing the part of income tested child benefits down from 50,8 percent to 25,7 percent, this is also not in accordance to liberalism. Moreover, she argues that the family policy has kept its social-democratic character before and after the economic crisis in 2008 (ibid).

In Iceland the child benefits are income-tested and calculated in a way that benefits single parents more. Hence, single parents usually receive higher benefits than cohabitating couples. This is in line with Eydal and Ólafsson (2003) arguing that single parents in Iceland receive almost double in child benefits compared to cohabitating couples. Njál's (2003) argues that in the case of Iceland the development of the welfare system is more towards being *conditional welfare* which is more related to libertarianism than social democracy. She goes on by explaining how the low income threshold of social benefits and harsh curtailment limits, even in the case of child benefits, can often be related to an increased risk of poverty. This is in line with Kruse and Ståhlberg (2013) arguing that child benefits are a tool used to increase equality. They continue to argue the fact that single earning homes are struggling more economically than dual earning households. However, child benefits are a solution for children from all social ladders no matter how good or bad their household economy is. Child benefits can be used to assist all children in having equal opportunities (Kruse & Ståhlberg, 2013). The International Social Security Association (ISSA) argues that societies adopting a strong family policy have a good safety net. This safety net helps individuals with dependent children to by combine work with family life (ISSA, 2015).

1.3.2 The Icelandic labour market

Employment participation in Iceland is high, with 80,9 percent of working individuals between the age of 17-74 and an unemployment rate in 2014 of 4,7 percent (Statistics Iceland, 2015a). Additionally, of all the Nordic countries the highest proportion of employed women is in Iceland. In 2012 the proportion of employed women was 78,5 percent (OECD, 2013). Because income affects benefits and parental leave payments, a clearer picture is needed on the average and minimum wages. The concept of regular wages refers to wages for contracted working hours per month and as such it does not matter if it is work during daytime or evenings (Statistical Series, 2015). The latest data on the average income of individuals for fully employed wage earner is for the calendar year of 2014, with an average wage of 454,000 ISK, equal to 3,100 Euros. Additionally, to be able to calculate the amount of entitled child

benefits later in the analysis part, the average income is needed for the year 2013. The reason for needing this income information for the year 2013 is due to the child benefits being paid on income for the previous year. In 2013 the average income was 436.000 ISK or equal to 2,975 Euros (Statistics Iceland, 2015b).

Many countries have enacted laws on minimum wages to counteract poverty and protect the wage earners. However Iceland has not enacted such a law despite many discussions in the parliament (Althingi, 2014). Therefore, the labour unions negotiate the agreements for the legal minimum wages of a full time job and in 2014 it was 214,000 ISK per month or 1,434 Euros (VR, 2015). Again, as additional information for calculating the child benefits, the minimum wage in 2013 was 204,000 ISK or equal to 1,392 Euros (ibid).

As for the income taxes in Iceland they are relatively high and are calculated by three different income thresholds as can be seen below in table 1. For the analysis in this study, the two tax percentages used are for minimum wages which is 37,30 percent and for average wages which is 39,74 percent. However, there is a personal tax deduction of 50,902 ISK per month or equal to 350 Euros (RSK, 2015a).

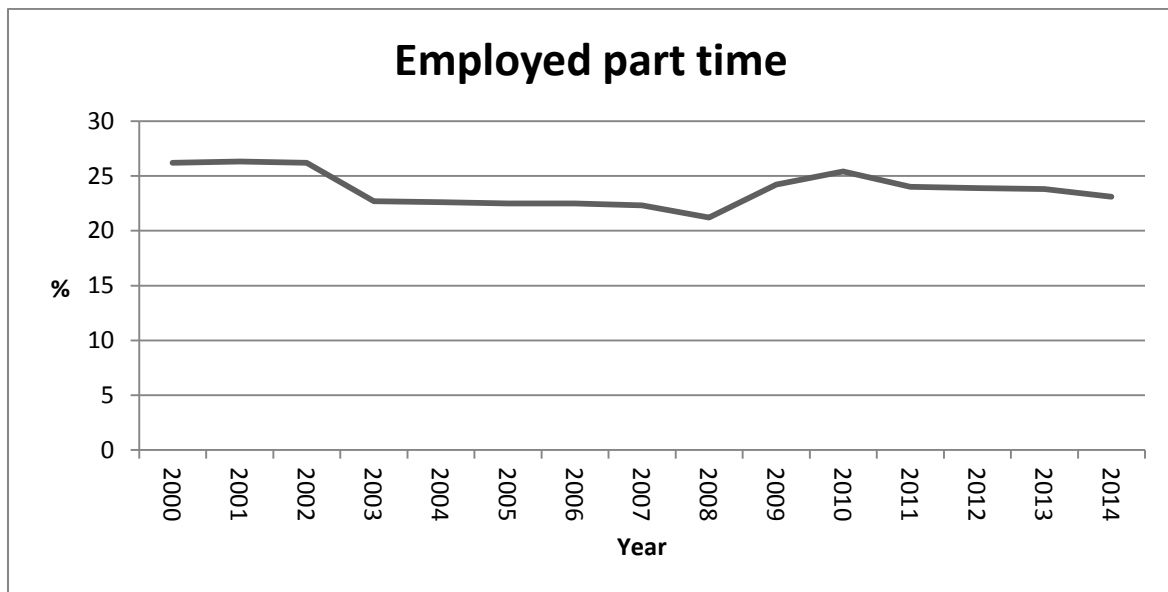
Table 1 Tax percentages per monthly salary for all Icelandic income

Tax liability for the income year 2014		
ISK	Euros	Tax %
0 - 309,140	0 - 2,125	37,30
309,141 - 836,404	2,126 - 5,752	39,74
Income exceeding 836,404	Income exceeding 5,753	46,24

Reference: Adapted from RSK (2015a).

The majority of individuals on the labour market are working full time. In 2014 74,2 percent had a full time job and 25,8 percent had a part time job (Statistics Iceland, 2015c). However, individuals with a part time job decreased slightly between years. Additionally there is a gender difference and more women than men are working in a part time job, or 36,2 percent compared to 16,3 percent (ibid). The changes over time in part time job participation among men and women can be seen below in figure 2.

Figure 2 Individuals working part time jobs 2000 – 2014



Reference: Adapted from Statistics Iceland (2015c).

As can be seen above in figure 2, the proportion of individuals in a part time job peaked in 2001 with a 26,3 percent and in 2008 it had decreased to 21,2 percent. Furthermore, as can be seen, the percentage of individuals in part time jobs increased sharply after the crisis in 2008. The reason for this sharp increase in part time jobs after the economic crisis in 2008, was due to difficulties in finding full time jobs (Lanninger & Sundström, 2014).

1.3.3 The Welfare Watch

“It is often said, not least by middle-income groups themselves, that the position of the middle class has been eroding over the last two decades in comparison to other groups.”

(Mahler, Jesuit & Paradowski, 2013, p. 149)

In March 2009 the government established the Welfare Watch, a commission of specialists with the aim of researching the social and economic influence of the economic crisis in 2008 (The Ministry of Welfare, 2015). This is an independent group composed of organisations, members from the labour market, ministries, institutions and municipals (ibid). The Welfare Watch has for the past five years conducted many studies on the situation among households and families in the society. Furthermore, the aim of the Welfare Watch is to evaluate the

government's actions and to see if it is necessary to come up with ameliorations (The Welfare Watch, 2013). They state that over the past eight years repeated survey measurements conducted in Iceland have shown that almost ten percent of individuals have income below the minimum level and are therefore defined as being *at risk of poverty* (The Welfare Watch, 2012). Additionally, they estimate that in 2012, 8,800 children or around 10 percent in the age of 0-17 live below the minimum income level. In their final report published in December 2013, it is stressed that poverty in Icelandic society is real, there are children defined as poor. There have been some fluctuations in the proportion of children at risk of poverty. In 2005 it was 10,1 percent and a year after the crisis in 2009 it had decreased to 9,9 percent, however in 2013 it had increased again up to 12,2 percent (Statistical Series, 2014; Statistics Iceland, 2013). Another worrisome development highlighted by the Welfare Watch is the participation of both parents in taking parental leave. One of the impacts of the economic crisis has been a decrease in the ability of both parents to use their rights to parental leave. The Welfare Watch links this development to the severe decrease in entitlement to payment (The Welfare Watch, 2013). In their report, it is argued that since the beginning of their research there are strong signs of a lack of both coordination and cooperation in the institutions that work in the field of welfare services (ibid).

Finally it is important to state that researches show that the risk of relative poverty in Iceland is one of the lowest among European countries and North-America (Eydal & Ólafsson, 2012). Also research on poverty establish that there are certain groups of families with dependent children that are in an insecure situation and that some of these may have been affected negatively (Ólafsson 1999; Njáls 2003). Findings show that those who are at most risk are single mothers and families with three or more dependent children (Eydal & Ólafsson, 2012).

1.3.4 Summary

With the high labour market participation among Icelandic women it is important for the welfare system to respond to this demand as a safety net. Parents need to be able to count on the welfare system to share the responsibilities for their children, in order to be able to work a full time job. Additionally one of the purposes of the Icelandic family policy is to ensure equality between men and women. Hence, they should be equally able to fully participate on the labour market and both should be able to use their right to parental leave. Therefore, it is important that the welfare system assists families with appropriate measures. However, the

Welfare Watch (2013) stresses the development in both parents using their rights to parental leave and stresses their concern about the development in child poverty rates.

1.4 Scope and contribution

The aim of this study is to analyse if some family forms are more vulnerable than others due to low income or even, if families with average income are in need of more economic support. This study will be measuring the economic support of the Icelandic family policy for households with both average and minimum wages. The reason for this is to examine the Icelandic family policy with the growing problem of child poverty in mind. By doing this research of the household's income, cost of living and how the distribution of economic support is, it should reveal how important this support is for households with dependent children. Therefore, this study will help to provide information on families with dependent children and the proportion of economic support they are entitled to. It can also raise awareness of the problems Icelandic families face in making ends meet. It can also help to inform and affect the debate that hopefully can lead to increased support for these households.

1.5 Outline

This study is constructed into seven parts. The first part has provided the reader with an introduction of the research question and practical information on background and previous research on Icelandic family policy. The second part will introduce the theoretical framework. Then the third part will explain definitions used in this research, the fourth chapter will be on the methodological aspect of the study and here the methods, data and limitations will be discussed. The fifth part is detailed information on the main factors within the Icelandic family policy; here the child benefits and parental leave will be thoroughly explained among all other important factors. Then the sixth part is the analytical part and then finally is the seventh part of conclusion and discussion.

2 Theoretical framework

2.1 Family policy

Iceland is known for high gender equality and as the other Nordic countries it is known as a dual earner society. Referring to the high female labour participation explained in the background chapter Hantrais (2004) argues that the reason for the Nordic countries being known as family friendly societies is their approach to family policies and how it is delivered. Furthermore, she suggests that the high standard of benefits and service provides individuals with increased flexibility and more personal choice in services. Additionally, Hantrais (2004) stresses that family policies can help in preventing families from falling into poverty and that this applies particularly to the Nordic countries as they have relatively high benefits. She goes on to argue that the family policy helps in reducing income inequalities and thus raising the standard of living (ibid). However, some welfare states have enacted means-tested benefits and such arrangements are known to aim at specific family types and therefore do not improve qualities for all families. Hantrais (2004) also writes about if family policy with means-tested benefits can be described as family policy at all.

Leira (2006) argues about how this type of society sponsors the service and benefits for families, motivating women to participate on the labour market. Furthermore, Leira points out that in the Nordic countries, fathers are not seen as the main household providers, rather as the companion parent to the working mothers. The dual earner model with public policies for childcare is intended for both parents to be able to participate in the labour market and still find balance between work-life and parenthood. In the Nordic countries emphasis has been on combining the work-balance with family life, moving more from the classic male breadwinning role to women fully participating on the labour market and also having a family, hence the importance of affordable day-care service for children (Hantrais, 2004).

As for the typical family form, it is changing with an increased number of single parents. Skevik (2006) stresses how lone mothers are no longer a small group and in the Nordic countries the divorce rates are relatively high creating new challenges for policy makers. Providing for dependent children in single income households in a dual earner society increases the need for benefit policies and high coverage of public day care service for this vulnerable group (Skevik, 2006). These changing family forms are also mentioned by Hantrais (2004), stressing that public policies can affect living arrangements such as in the

Nordic countries where legal reforms have extended rights to unmarried cohabitating couples, same sex couples and children being borne out of wedlock. Most countries have schemes to support families who are struggling to provide for themselves and also these countries have measures for single parents, as a public safety net for families (Hantrais, 2004).

2.2 Transformation in welfare regimes

It was in 1990 that Esping-Andersen saw a pattern in the structure of the welfare states and how they differed from each other. He determined that the welfare states could be clustered into three different regimes; Social Democratic, Conservative and Liberal (Esping-Andersen, 1990). He argued that the purest welfare regime was the social-democratic regime, with strong universalism and high equality within the society. In this typology of Esping-Andersen this regime is built on the desire of social unity with policies emphasising universalism across class lines (Scruggs & Allan, 2008).

However, it is important to remember that not all countries are identified as social democratic welfare societies and there are different types of welfare societies, as Esping-Andersen argued. He stressed the different emphasis among these three regimes on the category of social policy. Furthermore, there are social-policy researchers which argue that welfare states within Europe are developing more into a neo-liberal type of welfare regimes and that this development may increase the risk of poverty and social exclusion (Andersen et al, 2005). Additionally, it is important for this study to know the structure of the neo-liberal model, especially as there are scholars arguing that Iceland sometimes seems to take after that model (Eydal & Ólafsson, 2006; Ólafsson, 2011; Njál, 2003). One of the main differences between neo-liberal policy and social democratic policy is that in liberalism the emphasis is more on the individual taking responsibility for their own actions and on work as a more reliable way out of poverty rather than relying on benefits (Jordan, 2006). Furthermore the neo-liberal model supports tax credits as a method to supplement the earnings of low income households and the reason for this was to increase an individual's willingness to take a low paying job (ibid).

Countries choosing to spend low proportion on the welfare system and with strict curtailment limits are often discussed as being influenced by liberalism or laissez-faire policies (Njál, 2003). The period throughout the mid - 1990s and until the early 2000s is often referred to as the time when Iceland went through a liberal transformation of the welfare system (Evans,

2011). It developed more towards privatisation with the aim to increase its competitiveness (Evans, 2011). Ólafsson (2011) argues that this development of the Icelandic welfare system at this time was achieved at the expense of the social-democratic character of the welfare system.

2.3 Inequality and poverty

“When inequalities are widening in many countries, the changing patterns of social security become all the more important.”

(Andersen et al, 2005, p. 24)

The recognition for the need of social protection started during the period of welfare states with the goal of social policy used to reduce inequality and create opportunities for individuals to thrive and progress (Jordan, 2006). The aim of the welfare policy was to reduce an obvious class difference between wealthy individuals and the average wage worker (ibid). However, nowadays poverty is a growing problem even in wealthy countries, which is a serious development.

Salonen (2014) argues a strong family policy makes a significant difference in lowering the risk of poverty among children. In his research on Sweden, his findings show that without a strong family policy the poverty of Swedish children would be as much as three times higher. Therefore, he notes how important social policy is as a tool to fight against inequality and poverty. These findings of Salonen are in line with the many scholars arguing that welfare societies that use social policies to focus on individuals in need, have the most resourceful tool to reduce inequality and poverty (Korpi & Palme, 1998; Pierson, 2007). For example, the state can focus on the welfare needs of an individual through things such as income support in the form of childcare benefits or through providing secure housing, amongst others. (Pierson, 2007).

In general, scholars agree that there has not been enough research conducted on poverty, particularly in Iceland. Generally to be able to discuss poverty in Iceland, it is important to define the income groups. Ólafsson and Kristjánsson (2013) have defined income groups in their study and in their classification, the middle class in Iceland has disposable income between 75 and 125 percentage of the median income. Additionally, those who are below the

relative poverty line have less than 50 percent of the median income. In their research on inequality in Iceland, it is revealed that the proportion of the population falling below the relative poverty line increased from seven percent in 1997 to nine percent in 2001 and onward (ibid). Furthermore, they argue that at the same time as the relative poverty population grows in Iceland the middle class is decreasing. In 1992, 43 percent of the Icelandic population was defined to be in the middle class and in 2009 that group had decreased down to 39 percent (ibid). They argue that the group of very high income earners is increasing and that this is a clear sign of a declining middle class and an increasing difference between the bottom and top income groups (ibid). Additionally Ólafsson and Kristjánsson (2013) argue that the tax burden of the middle- and the lower classes was increased between the years 1995-2006, resulting in increased inequality for those groups.

The scholars Bernburg and Ólafsdóttir (2012) discuss attitudes towards income inequality. They stress that there are no real measurements of the attitudes and norm of Icelandic individuals towards income inequality. However, there is a simple longitudinal attitude survey on individual's perspective towards income inequality conducted over the years by the Social Science Research Institute (Bernburg & Ólafsdóttir, 2012). What these surveys have in common is that ever since the first one was conducted in 1983, the majority of the participants or 90 percent find the income difference to be too high. Secondly there is almost no difference in this opinion between years or ever since the first one was conducted in 1983 (ibid).

2.4 Summary

Family forms are changing and women are participating on the labour market equally to men. Hence, the previous male breadwinner model has become a dual earner society. This has resulted in welfare societies creating policies to act on these changes such as through providing affordable day care service and benefit schemes for individuals to be able to take paid parental leave. Also, regarding the changing family forms, an increased number of single parents with a single household income, has created more need for economic support from the welfare society. The inequality and poverty in societies also seems to be a growing problem in rich countries, however the findings of Salonen (2014) show that family policy reduce the risk of poverty within societies. The theoretical framework is a good starting point for the analysis part in this study, keeping in mind the dual earner society and thus the parental schemes and the need of day care service available when going back to work. Also when analysing the

economic support in forms of subsidies and benefits, the inequality and poverty framework on the importance of family policy will be highlighted.

3 Definitions

3.1 Poverty

There are two definitions of poverty; *absolute poverty* and *relative poverty*. Absolute poverty refers to individuals lacking the basic necessities to be able to survive and relative poverty refers to individual's living standard being worse than the general living standard in the country (EAPN, 2015a). The poverty that most European countries are dealing with is generally relative poverty mostly due to the fact that they are all developed countries. To be more precise about the concept of relative poverty it is used when referring to individuals that are struggling to live a normal life and to participate in normal economic, cultural- and social activities (ibid). The benchmark of relative poverty differs between countries as it depends on the living standard of the majority. Relative poverty is a serious problem that should always be taken seriously, even though it does not sound as serious as the absolute poverty the relative poverty is harmful (EAPN. 2015a). Individuals living in poverty do not have the same resources as those who do not. They may be dealing with multiple disadvantages due to poverty, such as low income, poor housing, lack of health care and more.

As discussed above, there is not only one specific benchmark of relative poverty that applies for all countries however there is only one way to measure it. In the European Union (EU), individuals that are measuring below 60 percent of median income are categorized to be at risk of poverty (EAPN, 2015b). Within the EU, a poverty line is usually the measurement of relative poverty and this line usually ranges from 40-70 percent of the household income. Using a poverty line makes it possible to take a general picture of the risk of individuals being poor. Additionally this line can be even more thoroughly analysed by looking into age, gender, household combination and employment status (EAPN, 2015b).

As discussed in the theoretical framework of inequality and poverty there is also the concept *being at risk of poverty* which this study will be focusing on. First, it is necessary to explain this definition and how it is measured. In the EU the concept is defined as having a disposable income of less than 60 percent of the national median (Özdemir & Ward, 2010). The

calculations also take on consumption unit weights by the household; 1 unit for first adult, 0,51 unit for second cohabitating adult, household members above the age of 14 take on 0,5 unit weight and finally individuals below the age of 14 take on 0,3 in unit weight (Statistics Sweden, 2012). Nevertheless, there can always occur temporary situations in decreased disposable income such as when taking parental leave or being unemployed resulting in being defined at risk of poverty. In such cases it could be enough for some households to be classified as below the poverty line, yet knowing if they are at risk of social exclusion is hard to determine and in order to be able to do so, a longitudinal survey is needed (ibid). In the study of Ólafsson and Kristjánsson (2013) their definitions of being at risk of poverty are individuals with 50 percent of the median income. They stress that the proportion of individual's below the relative poverty line has been increasing steadily since 1997 (ibid).

These definitions are the most common measurements of poverty and they are used to evaluate the proportion of the problem. Njál's (2003) states that according to the Luxembourg Incomes Study Group, these measurements are also important to measure which groups are worst off. In this study, a specific consumer guideline from the Ministry of Welfare will be used to compare the cost of living to the income and social benefits provided to fixed groups of households with dependent children. By using that specific data, it should reveal if some family forms are more likely to be at risk of poverty than other family forms and if all family types are getting suitable economic support to sustain suitable Icelandic lifestyle. In this study, it is decided to use the EU definition of being at risk of poverty; households with the threshold of 60 percent of the national median in disposable income, as it is a well known indicator (EAPN, 2015b; Statistical Series, 2014; Özdemir & Ward, 2010).

3.2 Consumer standard

To be able to answer the research question a clear picture of the living expenses is needed. In 2010 the Ministry of Welfare established a commission responsible for developing consumer standard for all types of Icelandic households (Sturluson et al 2011). To give a brief picture of the formation of this commission, the members were appointed by the Welfare minister. The committee included researchers, individuals on behalf of the debtor's ombudsman and the Reykjavik city welfare service (ibid). The consumer standard has two guidelines; basic and typical. The Ministry of Welfare is obligated to give some guideline regarding a normal basic

living expenditure, which is important data to have when deciding social benefits, salary and when doing wage contracts (Sturluson et al, 2011).

The calculation of the consumer standard is only based on real household's expenses. Housing costs are not included as they differ between individuals. Additionally, it does not take into consideration the start-up cost of a home (Sturluson et al, 2011). Hence, the real expenses are only repairs and renewal of household goods, furniture and electronic devices. The consumer standard guidelines are divided into fifteen parts: 1) Food, beverages and other convenience goods; 2) clothing and shoes; 3) household goods; 4) electronics and maintenance; 5) medication, health care service and medical supply; 6) telephone and telecommunications; 7) education and day-care service; 8) refreshments; 9) other service for the households; 10) leisure and hobbies; 11) vehicle and public transformations; 12) other travelling expenses; 13) rent/calculated rent; 14) maintenance; 15) electricity and heating (Sturluson et al, 2011). To put this in relation to this study, an example of typical expenses of a couple with two dependent children living in their own housing in Reykjavik is useful. Their expenses are 617.610 ISK per month or equal to 4,135 Euros. However, the basic living cost for the same family now without the cost of housing and travelling expenses, it is 286,365 ISK or 1,917 Euros (ibid).

In this study both guidelines will be used to reflect on the income and economic support from the welfare system for all types of households. By using both guidelines it gives the insight needed to see if minimum and average income is sufficient, and if the economic support in form of benefits is enough in those cases or if the curtail-limit is too severe for one or all groups. All costs are in Icelandic currency and therefore for this study it will be recalculated into Euros for better international understanding.

4 Methodology

4.1 Case study analysis

“Acknowledging the impossibility of studying society as a whole, the case study has been seen as one answer to this question, offering a vantage point from which to draw broader conclusions about societal trends and developments.”

(May, 2011, p. 221)

Case studies are research strategies that are similar to experiments, however they do not have the control variable and therefore it is an intensive method in taking one specific element with the intent to generalize across a larger set of units (May, 2011). This study intends to investigate the structure of family policy and how the economic support is delivered to households with dependent children. Due to the impossibility of studying the whole society, it has been decided to create four different family types as experiments. Hence, in this research a case study is applied to investigate the problem by examining and comparing these four family types. As Scholz and Tietje (2002) argue, a quantitative case study, such as this one, is when and if there are numerical units used to represent the major data in the study and also for the findings and arguments.

Case studies have many strengths. One important strength is accuracy and they are also particularly helpful when attempting to identify causality in research. George and Bennet (2005) point out that in order to identify causality in a case study, questions such as *how* or *why* are put forth similar to the research questions in this study. Furthermore, they denote four strengths of case studies. First George and Bennet (2005) mention the conceptual validity as the researcher is able to identify and measure the indicators that are best suited to the theoretical concepts. Second, the method can lead to new hypotheses by identifying deviant cases. Third, case studies allow for the possibility of exploring the causal mechanisms, finally, fourth is their relation to modelling and assessing complex causal relations (ibid). Throughout the process of a case study, such as this one, data is gathered for the analysis and that provides for content knowledge and understanding of the problem (Ozdilek, 2014). Additional benefits are improved analytical skills, independent thinking and relating theory with practice (ibid).

Despite the many good qualities of case studies as research methods, they also have their limitations and downsides. Regarding the validity within a quantitative case study, it is

associated to the unit that it intends to measure or assess (Scholz & Tietje, 2002). Yin (2009) argues that the lack of organized measures when conducting a case study is the greatest concern because of the absence of methodological guidelines. Another issue occasionally mentioned in regards to quantitative case studies is the construct of validity, as the measurement seems to be objective, but as Berg and Lune argue “quantitative measures appear objective, but only so long as we don’t ask questions about where and how the data were produced.” (Berg & Lune, 2010, p. 340).

4.2 Research design

To be able to analyse the economic situation and to be able to see how economic support is distributed among Icelandic households with dependent children, four types of families will be created. To be sure to capture all main family forms, the family compositions will include parents on the labour market with both average wages and minimum wages and two dependent children; one in kindergarten and one in primary school. With this in mind, the study will capture the lowest income groups as well as the average income groups. Two children were selected, rather than one or three as the TFR has remained around 2,0 for a long period, and thus, it is most common for Icelandic women to have two children (Statistics Iceland, 2014a). Additionally all the family forms will have the same municipal residency for accuracy and the chosen one is Reykjavík which is the capital city in Iceland. The population of Reykjavík in 2014 is 121,230, which is the most populated municipal in Iceland (Statistics Iceland, 2015d).

It is important to have all the families situated in the same municipal as the cost of living differs between municipals. Another reason for all living in Reykjavík is due to the day care system, as it differs between municipals. The policy in Reykjavík is to ensure all two-year-old children a secure place at kindergartens, which is kept in mind when creating the chosen family forms. To make sure the validity holds, it is decided to have all family forms living in rented apartments which are the same size and cost the same; three bedroom apartments of 100m². Registers Iceland has published the average price of rental apartments by size and location (Registers Iceland, 2014). For this type of apartment, the average price per m² is 1,768 ISK or 11,68 Euros. Therefore this apartment will be costing 176,800 ISK a month or 1,183 Euros. To be cautious of this estimation, the price of the rental apartment is likely underestimated, as it is often much higher.

Finally, to mention the situation among the single parents in this study, the child has a legal domicile at the household. This is an important remark, as in these calculations, only basic alimony is paid to a single parent with full custody of the child. Therefore, the child will not be living equally at two homes so the cost will not be equally distributed. This is based on a study which found that only 23,3 percent of children with divorced parents have week and week living arrangements, while the majority, or 76,7 percent, spend every other weekend or less with the parent they do not live with (Guðmundsson & Ómarsdóttir, 2009). These findings were supported by another study on living arrangements among children with divorced parents as it revealed that only 5,5 percent of teenagers live equally, week and week, at both parents (Jóhannsson, 2012).

Therefore the created family forms used in this study are:

1. Married/cohabitating couple each with average income and two children; a three year old and a ten year old.
2. Married/cohabitating couple each with minimum wages and two children; a three year old and a ten year old.
3. A single parent with average income and two children; a three year old and a ten year old.
4. A single parent with minimum wages and two children; a three year old and a ten year old.

4.3 Data and limitation

The data used for analysing and comparing the four different family types is mostly aggregated macro data from Statistics Iceland and from the Ministry of Welfare. Statistics Iceland is a public institution that is a part of the Prime Ministry. The role of the institution is to gather data from official records and therefore the reliability of the data should be of high. All data used in this study was downloaded from these databases and no adjustments were made.

It is important to consider the limitations of all the definitions and data used in this study. Relative poverty has its limitations like all other methods and measurements. One is that the cut off point decided in every country can be a rather arbitrary decision (EAPN, 2015b). Also, while this way of measurement shows the proportion of poor individuals, it does not show how far below the poverty line the people are or for how long they have been poor (ibid).

The information on income is from Statistics Iceland and therefore it is reliable data about the wages in Iceland. The fact is that mean wages can be quite skewed as individuals with extremely high income or very low income can significantly influence the value. For this study, it has been decided to use the median income, not the mean income, as the median gives a better perspective on the central tendency with equal distribution above and below the median value (Statistics for the Terrified, 2015). As for the minimum wages, it is more problematic as there are no laws in Iceland on minimum wages, as discussed in the definition part (Althingi, 2014). Therefore, the information on minimum wages was gathered from the labour unions and should also be reliable. Additionally, the labour in Iceland is quite aware of the minimum wages and if they have the slightest belief that they are being paid below that amount, they can always go to their trade unions with their pay check and seek justice. Therefore, despite the lack of law on minimum wages it is rare that people get underpaid due to strong labour unions and law thereof (Althingi, 2015).

The consumer standard also has its limitations. It is important to keep in mind that the consumption pattern can be different between individuals and households. Therefore, it is important to have in mind that this is only a guideline and not a fact for all households as some spend more while others spend less. Therefore, the consumer standard measurement for a typical household is less valid than the basic one as households differ in consumption. The basic one however, is high in validity as it shows the minimum cost of living in Iceland (Sturluson et al, 2011).

There is also a limitation due to the fact that spending differs between households and that there are many cost factors that I am not able to consider due to the data used for this study. Households can have additional costs in student loan payments, consumption loans and payments due to leisure activities such as musical lessons. Also the financial participation of the alimony payer can differ in amount. Some only pay the amount they are required to by law, while others may be fully participating and pay half of all costs related to their child.

4.4 Summary

A quantitative case study such as this one uses numbers to represent the data and the arguments and findings are derived from those numbers. Furthermore as George and Bennet (2005) argue, a case study can point out a causal relationship by analysing the data. However there are always limitations to be considered when conducting research. For example, a limitation of this study is the lack of methodological guidelines related to case studies.

This research is designed to analyse the economic situation among four families with two dependent children by their income. Cohabiting couples as well as single parents will be analysed, to see if the economic support differs by their marital situation and/or annual income. Gathered data is from official institutions such as Statistics Iceland and the Ministry of Welfare and thus can be considered as reliable to use for the analysis.

5 Benefits and entitlements

In this part, all the economic factors within family policy will be explained. First, the child benefits will be elucidated with a detailed elaboration due to them being income tested and income sensitive. Then the parental leave will get a detailed elaboration in entitled payments and the length and share of the parental leave time. Then the day-care system in Reykjavik will be introduced, the cost for parents and the variety offered. As this system is not a national one, the tariff differs between municipals. Finally, the subsidising of activities for children living in Reykjavik will be introduced as it is a part of the family policy, and then there is a part where special benefits for single parents are introduced.

5.1 Child benefits

It was in 1975 that the Icelandic family benefit system was transferred from the social security system into the tax system. At that time, the amount of child benefits was 40 percent higher for single parents than for couples (Ólafsson, 1999). In 1984, the child benefit system was changed and a part of it became income tested (Eydal & Ólafsson, 2006). At first the income tested part was 23 percent, however the proportion increased regularly until 1999 when they became fully income tested, resulting in a complete deletion of the universal part (ibid). Hence, in Iceland the child benefits are used as a tax reduction for parents and as such it is not

a universal social security scheme. Those who are entitled to child benefits are individuals with unlimited taxability, with dependent children under the age of 18. If in the calendar year, the amount of child benefits is higher than the paid taxes of the parents, they will get the difference refunded from the Directorate of Internal Revenue (RSK, 2015b). Because the child benefits are a tax reduction, it is not paid for the first year of the child, but they are paid one year behind and the payments are done quarterly. Furthermore, due to them being considered as a tax reduction, the Icelandic child benefits are highly income sensitive both by income tax and capital tax. Another fact regarding the amount of the benefits is that it decreases when the child grows older. Hence, the amount in entitled benefits is higher for children under the age of seven and when the child reaches the age of seven the benefits start to decrease and become even more income tested (RSK, 2015b). The motivation for paying higher child benefits for younger children is unclear. However, it may be thought of as a counteraction to the day care cost of younger children.

In table 2, below, are the full amounts for couples and single parents both in ISK and also calculated in Euros for a more international perspective. For couples, the income reduction of the household total income is calculated from yearly wages of a total 4,800,000 ISK or 32,117 Euros and for single parents 2,400,000 ISK or 16,058 Euros (RSK, 2015b). To put these amounts into a better perspective, the yearly wages of the minimum income couple in this study is 5,208,000 or 35,632 Euros and the yearly income for the single parent with minimum wages it is 2,604,000 or 17,816 Euros. Hence, couples with minimum annual wages and single parents with minimum wages, both have income above the threshold of income reduction used to calculate the child benefits.

In table 2, below, the full amount in child benefits is shown without any curtailments of income. For cohabitating couples, the amount is shown for first child and then the addition for every child. Same is in the case of single parents, amount of child benefits without being curtailed and then additional amount for every additional child. The addition, for children under the age of 7, is then showed and the amount is 669 Euros per child regardless of marital situation.

Table 2 Child benefits for the year 2014 in ISK and Euros

Child benefits for the year 2014		
	ISK	Euros
Couples		
With first child	167,564	1,122
Every child extra	199,455	1,335
Single parents		
With first child	279,087	1,869
Every child extra	286,288	1,917
Addition		
With child under age 7	100	669,79

Reference: Adapted from RSK (2015b).

The Directorate of Internal Revenue (e. RSK) has published a calculator for individuals so they can calculate how much they are entitled to in comparison to their family situation and annual income. The reason for this is due to the curtailment limits which are quite complex. As explained by the RSK, the amount of child benefits decreases if the income is higher than the above mentioned limit by three percent for one child, and if there are two children, it decreases by five percent, and in the case of individuals with three children, it decreases by seven percent (RSK, 2015b). However, the curtail limit is lower for children under the age of seven and is calculated separately, for every child under the age of seven the amount decreases by three percent (ibid). The amount of child benefits is updated annually.

5.2 Parental leave

It was in 1981 that the first legislation was enacted on universal rights for parental leave (Eydal & Ólafsson, 2006). At first it was a total of three paid months with universal benefits of a fixed amount and also a monthly supplement calculated according to the parents working hours and their income before the birth of the child (ibid). Additionally, these rights were transferable from the mother to the father 30 days after birth. Then, in 1998, legislation was enacted that mandated a two week parental leave specifically for the fathers (Eydal & Ólafsson, 2006). The parental leave has been developing ever since due to arguments about the children's right to spend time with both their parents and also as a method to increase

gender equality on the labour market. There is an independent right for the mothers and the fathers to paid parental leave, each with a part that is non-transferable. The Icelandic parental leave is a total of nine months that is divided into three months for the mother, three months for the father and then there are three months that either the mother or the father can take. The most common way is that the mother takes her three months and also the additional three months to be able to stay home for the first six months of her newborn child (Fæðingarorlofssjóður, 2015b). Before the implementation of these laws that allowed fathers to take paid time off work to care for their newborn, the maternity leave consisted of six months solely entitled to the mother (Althingi, 1995).

As for the monthly amount parents are entitled for the year 2014, it is calculated as 80 percent of their annual income with a maximum amount of 370,000 ISK or equal to 2,475 Euros per month (Fæðingarorlofssjóður, 2015b). The maximum payments have decreased considerably since the economic crisis in 2008. Before the crisis, in 2007, the maximum amount was considerably higher or 518,000 ISK or equal to 3,544 Euros per month (Fæðingarorlofssjóður, 2015c). In 2010 it was decreased to 300,000 ISK or equal to 2,036 Euros which is a severe reduction from the previous amount in 2007. These drastic cutbacks in payments during parental leave are linked to the decline in births and fewer fathers using their right to take parental leave (Arnarsson, 2014). Finally, it is important to mention that there are two different categories of paid parental leave, one is for individuals on the labour market and the other is for students, however as this study is exclusively focusing on households with working parents the latter will not be discussed here.

5.3 Day-care service

The Icelandic day care system is intended for parents with children in need of day-care until the start of primary school at the age of six. There are mainly two forms to choose between, day-care mothers who run a private business, or kindergartens which can be either private or public. However, in Reykjavík, children are not guaranteed a place at kindergartens until they reach the age of two, and often they can even be close to three years of age before they receive a place. Hence, most parents use the service of day-care mothers until then. The public kindergartens are operated by the municipals and the price differs between the municipals. As for the privately operated kindergartens they are usually more expensive than

the public ones, however they are subsidized by the municipals just as the public ones (Reykjavíkurborg, 2015a).

In Reykjavík the price is calculated by the day-care hours chosen by the parents. The most common amount of day-care hours is eight hours a day and the price is 25,020 ISK or 167,58 Euros per month for cohabitating couples. There is an additional subsidy for single parents due to them only having one income and the price for eight hours for them is considerably lower or 15.100 ISK or 101,14 Euros per month (Reykjavíkurborg, 2015a).

In this study, the analysis is for families with the younger child in kindergarten however another system of day-care mothers exists. Day-care mothers are more complex to explain as it is a private business thus it will not be described in detail. However, it is important to have some description of that part of the day-care system, as children under the age of two are not guaranteed a place at kindergarten, and maternity leave in Iceland is only nine month long with both the mother's part and the father's. Day-care mothers are a private business and as such their price list is solely based upon supply and demand and as such there is no official tariff. However, the common price for eight hours is around 100,000 ISK which is equal to 669 Euros per month. The municipals then subsidize this amount for children that are nine months old or more in the case of cohabitating couples and the amount is 47,608 ISK or equal to 318 Euros per month. In the case of a single parent, it is subsidized for children from the age of six months and the amount is 65,184 ISK or 436 Euros (Reykjavíkurborg, 2015a). To be cautious in this estimation, the cost before subsidising is likely underestimated, as the price is often much higher depending on the supply and demand in the postal codes.

The reason for briefly mentioning this system is that Reykjavík does not subsidize this cost for cohabitating parents until the child has reached the age of nine months. As a result, parents that do not have the ability to stay home for longer than the first six months, have to pay the full price for three months, which for many can be quite an economic burden. The labour market law from 2000 regarding parental leave stresses that the purpose of the law is to ensure both parents spend time with their newborn (Althingi, 2000). Therefore, the day care regulation in Reykjavík explicitly only subsidizes this service after nine months for cohabitating couples (Reykjavik, 2015a). Perhaps this is a method to create an economic incentive for both parents to use their rights to parental leave. On the other hand, those who have the highest risk of not being able to take longer than six months in parental leave are low income households.

5.4 Subsidized recreational activities in Reykjavík

The Department of Sports and Leisure in Reykjavík (ÍTR) has the role to introduce children for active participation of sports and leisure as they are known to have preventive values. There are many studies that show that children that participate in organized activities are less likely to be antisocial and they are less likely to become socially isolated (Posner & Vandell, 1999). Additionally, studies show that children that are active in leisure and activities adjust better in communities, have more friends and also it is known to have a positive influence on their self-esteem (Slutzky & Simpkins, 2009). However, due to the fact that many sports and leisure activities tend to be expensive, it can be quite an economic burden for many households.

Therefore, due to the known importance of children's participation in leisure activities and that some households with dependent children have had to deny their children of participating or having to cut down on that expenditure, the leisure card was established in 2007. The aim of the subsidising leisure activities was to increase equality among children despite their economic- and social situations. The subsidized leisure card is available for all children from the age of six until they reach 18, with legal residency in Reykjavík city. As for the amount, in 2014, it was 25,000 ISK for the year or 168 Euros (Reykjavíkurborg, 2015b). The grant is easy to attain, as there is no need to apply for it and it is allocated online on the digital website of Reykjavík and from there it can be disbursed directly to the practice fee. The grant cannot be transferred between years, however it can be transferred between semesters. There are many activities where this grant can be used, such as football, swimming, gymnasium, basketball and more. The majority of all leisure segments participate in the Leisure card, even musical schools. The main qualifications for the use of the leisure card is that the activity must be pedagogical and that it has taken preventive measures to ensure that the employees there are fit to work with children and teenagers (Reykjavíkurborg, 2015b). As for the utilisation, it differs by the age of the children. In the age group of 6-12, 95 percent of children use the leisure card, in the age group of 13-15 it is 87 percent, and in 16-18 it is considerably lower and decreases to 55 percent (Reykjavíkurborg, 2015c).

The leisure card is a positive support for households with dependent children that choose for their children to practice sports or take musical education. The average cost for children to play football differs by the age of the child, however to have an example, the cost for a ten year old, which each family type in this study has, is 68,000 ISK a year in one of the biggest

football clubs in Reykjavik or equal to 456 Euros (KR, 2015). If the child also takes musical lesson, that can also be expensive with the school year costing around 99,822 ISK or equal to 670 Euros (TónskólinnDoReMi, 2015). Therefore, if the children in the composed family types for this study both practice football and also take musical lessons it is quite expensive, costing the household 167,822 ISK annually or 1,127 Euros. Therefore, the 168 Euros of the leisure card can make a difference when it comes to the cost of their children's leisure activities. The debate about the subsidy has however also had a negative side, as there are individuals who argue that the cost of leisure activity for children in Reykjavík has increased more due to this than it should have without it. Hence, they argue that those who charge take advantage of the subsidy and increase the cost for their own benefit.

5.5. Alimony and extra benefits for single parents

In Iceland, single parents get extra economic support in form of benefit payments that cohabitating couples are not entitled to. Even though this support does not make up for not having double income, every extra income counts when in need of it. There is an additional allowance paid to all single parents or the so called *parental allowances*. Single parents with two dependent children under the age of 18 are entitled to these payments. In some specific cases these payments will stop, such as if the parent goes back into cohabitation, gets married or moves abroad. For the year 2014 the monthly parental allowance is a total of 7,288 ISK or 49 Euros (Social Insurance Administration, 2015). Furthermore, the parental allowances are not income tested benefits, however it is taxable just as all other income. Hence, the amount that the single parent receives monthly depends on their salary and the tax bracket.

Then there is the economic obligation of the parent that does not live with the child and/or share custody. Parents have maintenance obligations to their children until they reach the age of 18. They have the obligation to provide housing, clothing and food and even if the parents get divorced, they both still have these obligations even though the child mostly lives with one parent (Althingi, 2003). There are also alimony payments that this parent pays to the full custody parent. However the Local District Commissioner has to confirm the agreement on the arrangement of the alimony for it to be valid, and if there is no mutual agreement on the monthly amount, it will be taken care of in a single alimony from the Child Support Collection Centre (CSCC) (CSCC, 2015). In Iceland, the CSCC is a central institution that pays the alimony to the parent with custody, and the alimony payer pays to CSCC, so no

direct payments are done between the former couple. This is argued to be more sufficient, and all receive alimonies even when alimony payers do not stand up to their commitment. For the year 2014 that this study is analysing, a single alimony is 26,081 ISK or equal to 176 Euros per month. In special situations, the parent that the child lives with can go to CSCC and get extra payments. There is an official tariff that the CSCC uses when extra expenses are needed, such as when the child needs to see an orthodontist which is expensive, and also when the child has its conformation.

5.6 Summary

Icelandic child benefits are income-tested and used as a tax reduction. They are highly income sensitive and a higher amount is paid for children under the age of seven. Single parents are entitled to higher child benefits in comparison to a cohabitating couple. The parental leave is three months for the mother, three months for the father and then an additional three months they can split between them. The benefit amount for parental leave is calculated as 80 percent of their income. The day care service is a responsibility of the municipals and the tariffs differ between them. As this study focuses on Reykjavík, the kindergarten tariffs for Reykjavík will be used in the analysis part. It is quite common for children to attend recreational activities and since 2007 Reykjavik has subsidized these activities by establishing the leisure card to assist families with this cost. Single parents receive alimony from the other parent through a centralized institution and additionally they are entitled to parental allowances that are extra tax reductions.

6 Empirical analysis

In this part the empirical analysis will be conducted on the aforementioned family types:

1. Married/cohabitating couple each with average income and two children; a three year old and a ten year old.
2. Married/cohabitating couple each with minimum wages and two children; a three year old and a ten year old.
3. A single parent with average income and two children; a three year old and a ten year old.
4. A single parent with minimum wages and two children; a three year old and a ten year old.

At first the cohabitating couples with both average and minimum income will be analysed to see how much they are entitled to in benefits. Next the single parents will be analysed in the same way by income and entitled benefits. The final part in this chapter is an analysis on poverty and inequality, examining if the benefits have an effect on the four family types and their risk of poverty.

As discussed in the theoretical framework one of the main purposes of a strong family policy is to assist individuals in maintaining a basic living standard, hence it serves the citizens as a safety net. Here it will be analysed how the economic support of the family policy is delivered among Icelandic households by comparing the benefits each family form is entitled to, in order to see if the economic support provides a safety net for each of these family types. As discussed above, in chapter five, the day care service in Iceland is universal, as all children that have reached the age of two are guaranteed a place at a kindergarten, and furthermore the cost is subsidized by the municipals. Alternatively as discussed in the method design chapter, this study has created four specific family forms to analyse the cost of living and the income of their household to see precisely how many benefits they are entitled to and how secure they are economically. Regarding the child benefits, it has been explained above that they have a curtailment limits that affects some families more than others which is more of a conditional welfare system, as Njál's (2003) argued.

6.1 Average income couples

At first, I will begin with the consumption standard for the cost of basic living expenses, referring to the minimum that a couple can spend on basic necessities to provide for the family. The calculations that are conducted are shown below in table 3, for a cohabitating couple with two children, living in Reykjavík, and with the younger child in kindergarten and the older in primary school. In Icelandic primary school the hot lunch meals that are offered are not for free. Therefore it is common for parents to pay for the hot meals during the lunch hours, and as can be seen in table 3, that cost is under the item *education and day-care*. However, the cost of kindergarten is not included there as the hours differ between families and therefore it has to be added separately. As discussed above in the chapter of day-care the most common day-care hours are eight hours per day which costs 25,020 ISK or 167,58 Euros per month for cohabitating couples. The reason for choosing eight hours of day-care for this family type is due to both parents being fully employed, and for individuals in full time jobs, the eight hours should be sufficient. Additionally, it is needed to add the cost of housing as it is not in these calculations due to families have different housing. Some own their apartments while others rent. For this study, it was decided that all family forms live in rental apartments of 100m² that costs 176,800 ISK a month or 1,183 Euros. With this cost of housing, if the family is entitled to housing benefits, it can be calculated as additional monthly income. As can be seen below in table 3, the total cost of basic living expenditures for this couple is 1,966 Euros per month. Including a housing cost of 1,183 Euros, and their kindergarten expenses, their total monthly expenses are 3,316 Euros.

Table 3 Consumption standard for a couple with two children

Couple with 2 children 3+10 year old	Typical		Basic	
	ISK	Euros	ISK	Euros
Consumer goods				
Food, beverages and other convenience goods	125,118	840	125,118	840
Clothing and shoes	32,056	215	23,205	155
Household equipments	14,311	96	1,431	10
Electronics and maintenance	8,408	56	841	6
Total	179,893	1,208	150,595	1,011
Service				
Medicine, medical supplies and health care	17,480	117	17,480	117
Phone and telecommunication	21,477	144	17,611	118
Education and day-care	10,567	72	10,567	72
Refreshments	29,541	198	-	0
Other household services	15,597	105	11,698	79
Total	94,662	636	57,356	386
Leisure activities				
Leisure	86,976	584	44,497	299
Expenses without transportation and housing				
	361,531	2,386	252,448	1,654
Transportation				
Vehicle and public transportation	128,137	861	37,200	250
Other travelling expenses	14,094	95		
Total	503,761	3,419	289,648	1,966

Reference: Adapted from the Ministry of Welfare (2015).

The next step is to calculate the child benefits they are entitled to quarterly, with average income. However, as this study is performed on monthly basis, the amount they are entitled to for the whole year will be distributed over twelve months for better perspective. The detailed calculations for the average income couple are shown in table 4 in the appendix.

As discussed in the chapter of previous research and background the average wage in 2014 was 454,000 ISK per month or 3,100 Euros. However, as this study is analysing the

disposable income and benefits received monthly to meet the cost of living, the income after tax is shown in table 5. As can be seen, the average income couple is not entitled to a high amounts in benefits, and in total, the child benefits they receive are 47 Euros distributed on monthly basis. Below, in table 5, is the total income for average income cohabitating couples after tax. Additionally, all entitled benefits and subsidies. The income after tax is 2,183 Euros, and due to this household has two adults the amount is double.

Table 5 Total income after tax with all entitled benefits and subsidies

Couple with 2 children 3+10 year old	Average wages	
	ISK	Euros
Housing benefits	0	0
Child benefits	6,984	47
Income 1 after tax	320,000	2,183
Income 2 after tax	320,000	2,183
Total per month	646,984	4,413

Reference: Adapted from RSK (2015).

As discussed above, the total monthly expenses for this couple of average income in basic living expenses, housing and kindergarten is 3,316 Euros. At the same time, their monthly income after taxes with all benefits is 4,413 Euros. It is important to keep in mind that expenses differ between families and there are many other cost factors not in these calculations. To mention some examples that are not applicable, consumption loans, student loans, insurances and electricity bills were not included in the calculation. Additionally, as can be seen in table 4, the curtailment limits for child benefits are quite severe and therefore individuals with an average income are not receiving high child benefits quarterly. When it comes to child benefits for the average income couple, the strict curtailment limit seems to be more in line with liberalism or laissez-faire policies than social democratic ones which is in line with the theory of Njál's (2003) and Ólafsson (2011). This strict curtailment for the average income household indicates domination of the neo-liberal policy, as Jordan (2006) argued on the importance of work, instead of the universal beneficial system of the social democratic welfare state of Esping-Anderssen (1990).

Now if this same couple would decide to have the third child it would affect their income considerably. If the mother would take a paid parental leave of six months, as she is entitled to, the amount she gets is 80 percent of her income and due to her average income she will not be affected by the maximum limits. Her monthly income would therefore be 363,200 ISK per month or equal to 2,478 Euros and take notice that this is before tax or 267,684 ISK after tax or equal to 1,826 Euros. For many families, taking a parental leave can be a heavy economic burden and individuals with average income are no exemption thereof. Furthermore, the child benefits will not increase until the year after the third child is born. Therefore, the income of this family of two adults with average incomes, during maternity leave, would decrease to 4,009 Euros a month, while the expenses for basic living be 3,316 Euros. If both parents would take three months together in parental leave, that would decrease their monthly disposable income even further, or down to 3,652 Euros a month. If they both take three months together they should be able to make ends meet, however there could be difficulties as they would need to thoroughly think through each expense, and as explained above, there could be expenses that this study does not specify. It seems as though the paid parental leave is not an easy economic option for all households and especially not for both parents at the same time, indicating that parents of the newborn need to take parental leave at separate times to save money and cost on the day-care service. After having analysed the average income couple by the basic living standard of the Ministry of Welfare, it seems as it can be a tight limit to follow.

Now analysing the typical consumption standard above in table 3, using the same income, housing cost and kindergarten cost for this family type. The total cost per month in the typical consumption calculations increases from 3,316 Euros up to 4,769 Euros per month. For this couple with the total income and entitled benefits of 4,413 Euros per month (table 5), this leaves them with a negative economic status. The only possible way for this household to make ends meet is to reduce their expenses from the typical standard down to the basic one. This is also true if they choose to have a third child and want to be able to take a paid six month parental leave. However, these calculations show that a family of two adults with average income and two dependent children are not able to live by the typical consumer standard set by the Ministry of Welfare. If an average income couple with two children is not able to live by the typical consumption standard, it should be taken seriously. They are severely curtailed in paid benefits leaving them solely able to rely on the market. This indicates that the safety net of the Icelandic welfare system does not seem to be tailored for

the average income household. Furthermore, it raises questions about the low proportion of the normal income in payments during parental leave, and if the percentage of monthly income should be raised up to a full payment of 100 percent of monthly salary. Hence, a family with average income receives low child benefits due to their income and also they face a severe decrease in income during parental leave.

As can be seen in these examples of the average income couples with two dependent children, they have severely curtailed child benefits and just manage to make ends meet by the basic living cost. Taking paid parental leave is not an economically easy decision, particularly if both parents wish to spend time together with the newborn, as they may have to cut spending to provide for their family. The economic support in form of benefits is not a universal entitlement they can rely on.

6.2 Minimum income couples

Below is table 6 with the total income of same couple, however, now with minimum wages after taxes. As can be seen, they are entitled to housing benefits due to their low income and they also receive much higher child benefits yearly. The detailed calculations of the child benefits with the curtailment are shown in table 7 in the appendix, there are small curtailments due to their income as thoroughly explained in chapter five. However, this cohabitating couple of minimum wages receives much higher child benefits compared to the average income one. It could be argued that the Icelandic child benefits are mostly aimed at helping where it is needed; among lower income households.

Table 6 Income after tax with all entitled benefits and subsidies

Couple with 2 children 3+10 year old	Minimum wages	
	ISK	Euros
Housing benefits	28,000	188
Child benefits 2013	44,271	297
Income 1 after tax	173,694	1,165
Income 2 after tax	173,694	1,165
Total per month	419,659	2,983

Reference: Adapted from RSK (2015).

Having analysed the income and benefits entitled to the family with minimum wage, it seems that Icelandic family policy is aimed towards more vulnerable groups in the society, rather than being a universal scheme for all families with dependent children. As can be seen in the case of the average income couple, they managed to make ends meet, however they were entitled to more limited child benefits in contrast to the minimum wage couple. Therefore, now I turn towards analysing if these entitled benefits for the couple of minimum wages are sufficient for them to afford the basic essentials of living as shown in table 3 above.

The total monthly expenses for this couple with minimum wages in basic living expenses is shown in table 3, and with the payments of the rental housing and kindergarten, the total monthly payments are 3,316 Euros. Above, in table 6, is the monthly income after taxes with all benefits entitled, child benefits and housing benefits, with the total amount of 2,983 Euros. Just as in the case of the average income families, expenses differ between families and there are other cost factors not in these calculations. This shows already, that despite living by the basic essential standard of 3,316 Euros their income with entitled benefits of 2,983 Euros is not sufficient. Perhaps the child benefits and housing benefits should be considerably higher for this family to be able to make ends meet. They receive much higher benefits than the average income couple, which is in line with the arguments of Hantrais (2004), who stresses that in most countries the public safety net for families aims at supporting those who are struggling to provide for themselves.

If this same couple would decide to have a third child, it would have a worse effect on their income than the average income couple. If the mother would take a maternity leave of six months with 80 percent of her income, her monthly income would be 168,200 ISK per month or equal to 1,130 Euros before tax, and after calculating the tax, equal to 1,022 Euros. This strongly indicates that this family with minimum wages has little possibility to take a full parental leave of six months, due to the severe decrease of disposable income, leaving them at risk of a long term negative economic situation. Despite the economic support in form of child benefits and their rights to paid parental leave it is not enough support for a minimum wage couple. Perhaps a reform in the benefit system within family policy is needed such as through increasing the economic support for cohabitating couples regardless of their income.

This is a strong sign that taking a parental leave is not an option for all parents. In a previous discussion in the theoretical framework, Leira (2006) argued that in the Nordic countries the nurturing of children is not solely the mother's responsibility. Hence, the fathers are seen as a

companion parent to the working mothers. However, as discussed in the introduction part above, it seems that fewer fathers can afford to use their rights to take parental leave. The fact that couples are experiencing financial stress due to the severe decrease in income during parental leave is a worrisome development.

6.3 Average income single parents

Now to analyse the consumption standard for the cost of living, with all expenses, for a single parent with two dependent children aged three and ten. Below, in table 8, the calculations are based on a family of a single parent living in Reykjavík, where the younger child is in kindergarten and the older is in primary school. In table 8, the hot meals during lunch hours is also under the item *education and day-care*. As for the cost of kindergarten, it is not in there and will be added separately for eight hours per day. In Reykjavík, single parents get more subsidies than cohabitating couples on the kindergarten tariff and therefore pay lower prices in day-care service than the cohabitating couples above. For a single parent, the price per month is 15,100 ISK or 102 Euros, which is considerably lower than the price for a cohabitating couple. Just as in the case of cohabitating parents it is needed to add the cost of housing as it is not in these calculations. As previously explained, for this study, it was decided that all family forms live in rental apartments of 100m² that costs 176,800 ISK a month or 1,183 Euros.

Table 8 Consumption standard for a single parent with two children

Single parent with 2 children 3+10 year old	Typical		Basic	
	ISK	Euros	ISK	Euros
Consumer goods				
Food, beverages and other convenience goods	88,152	593	88,152	593
Clothing and shoes	25,538	172	20,263	136
Household equipments	9,629	65	963	6
Electronics and maintenance	7,069	48	717	5
Total	130,388	878	110,095	740
Service				
Medicine, medical supplies and health care	13,010	87	13,010	87
Phone and telecommunication	16,213	109	13,294	89
Education and daycare	8,545	58	8,545	58
Refreshments	24,378	164	-	0
Other household services	10,406	70	7,805	52
Total	72,552	488	42,654	286
Leisure activities				
Leisure	63,769	429	34,498	232
Expenses without transportation and housing				
	285,250	1,795	187,247	1,258
Transportation				
Vehicle and public transportation	92,731	624	27,900	188
Other travelling expenses	8,634	58		
Total	368,070	2,476	215,147	1,447

Reference: Adapted from the Ministry of Welfare (2015).

As can be seen above in table 8, the total cost of basic living for this family type of a single parent with two children is 1,447 Euros per month. When one adds the housing cost of 1,183 Euros and the kindergarten expenses, their total monthly expenses are 2,732 Euros. With all expenses and the cost for a single parent with two dependent children in mind, living with a single income is not easy. Thus, it is assumed that the economic support balances this to some extent. As for the calculations on the child benefits, they are similar to cohabitating parents, however the curtailment limits are different. This can be seen in table 9 in the appendix, the average income is calculated in the case of a single parent.

For a single parent with average wages of 454,000 ISK per month before taxes or 3,100 Euros, equal to 2,183 Euros after tax, the benefits are higher than in the case of the couple above. The total disposable income with all benefits and alimony received monthly is shown in detail in table 10. As can be seen, the total disposable income of the single parent with an average income is 2,974 Euros a month.

Table 10 Total income after tax with all entitled benefits and subsidies

Single parent with 2 children 3+10 year old	Average wages	
	ISK	Euros
Housing benefits	26,531	178
Child benefits 2013	36,657	247
Income after tax	320,000	2,183
Alimony	50,350	339
Parental allowances	4,014	27
Total per month	437,552	2,974

Reference: Adapted from RSK (2015).

As previously discussed the total monthly expenses for a single parent with average income in basic living expenses, housing and kindergarten is 2,732 Euros. At the same time, the monthly income after taxes with all benefits entitled is 2,974 Euros. However, it is important to keep in mind that in the living standard calculations conducted here, it does not have all expenses enlisted. There is always the possibility that the single parent also has some consumption loans and/or student loans that are needed to be paid monthly, and there is also the electricity bill. As can be seen in table 9, the curtailment limits for child benefits are quite severe and even a single parent with a single average income is also not receiving full child benefits quarterly. A household, with a single parent, two dependent children, and an average income, has little possibility to live by the typical consumption standard as it is considerably higher than the basic one. With a total disposable income of 2,974 Euros and typical living cost of 3,763 Euros a month, this is a negative of 789 Euros. These calculations of a single parent with average wages show how difficult it is to sustain a basic living standard, and it is not even close to providing the income to afford the typical living standard. This raises questions about if the entitled benefits and kindergarten subsidies could be more, in order to assist this group financially. As discussed in the theoretical framework, Skevik (2006) stresses that this

vulnerable group is no longer a small one in the Nordic countries and therefore these changes in family forms need more awareness. It seems that despite receiving higher benefits and more subsidies than cohabitating couples, providing for dependent children with a single income seems to be quite difficult without being extremely resourceful.

6.4 Minimum income single parents

Now after analysing the situation of a single parent with average income it is interesting to probe into the case of a single parent with minimum wages. In table 11 below, the total income of a single parent is shown with minimum wages after taxes. As can be seen, the housing benefits increase due to the low income, and the same is true for the child benefits. The total disposable income with all entitled benefits is 2,243 Euros per month. As for this family type, with a housing cost of 1,183 Euros plus the kindergarten cost of 102 Euros, it leaves only 958 Euros per month to spend on living expenses and that amount is not sufficient either for the basic living cost of the Ministry of Welfare or the typical one shown in table 8 above.

Table 11 Total income after tax with all entitled benefits and subsidies

Single parent with 2 children 3+10 year old	Minimum wages	
	ISK	Euros
Housing benefits	44,500	299
Child benefits 2013	54,781	368
Income after tax	179,309	1,207
Alimony	50,350	339
Parental allowances	4,386	30
Total per month	333,326	2,243

Reference: Adapted from RSK (2015).

The detailed calculations of the child benefits for a single parent with minimum wages is shown in table 12 in the appendix. As can be seen, a single minimum income results in the closest example of full child benefits in Iceland. It is clear that single parents receive higher benefits from the family policy compared to the cohabitating couples. Additionally, the

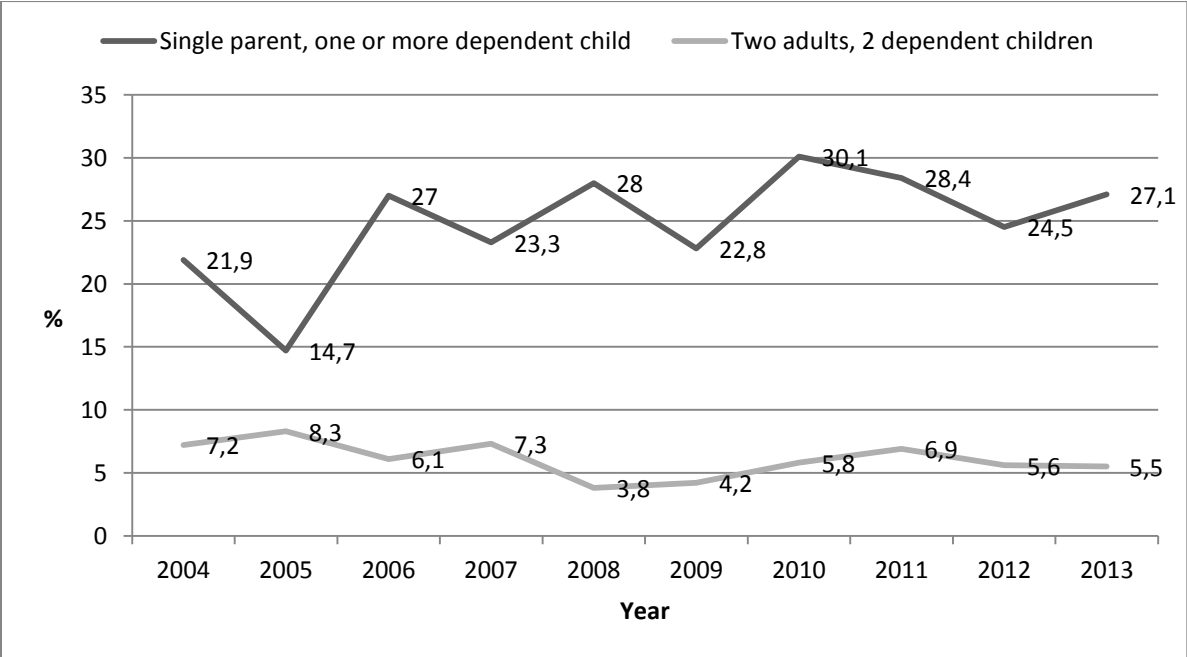
minimum wage single parent receives more than the average income one. These findings are in line with the discussion in the background chapter as the scholars Eydal and Ólafsson (2003) argue that single parents in Iceland receive almost double in child benefits compared to couples. As can be seen in the consumption standard by the Ministry of Welfare it is extremely difficult for a single parent with dependent children to provide for themselves. Despite being entitled to a higher amount in benefits from the welfare system and not as severe curtailments, the group of single parents seems to have harsh living conditions. This is in line with the arguments of Skevik (2006) about how the growing group of single mother's challenges the policy makers. Hantrais (2004) stressed that most countries have measures for single parents that work as a public safety net. However, this analysis questions if it is working as it should in Iceland.

6.5 At risk of poverty

The analysis of the entitled benefits for the four family types in this study revealed how it differs in comparison to their income and how the lowest income groups receive considerably more economic support than the average income group. Furthermore, it was clear that it is not easy for any of the family types to make their ends meet in comparison to the consumption standard from the Ministry of Welfare. Therefore, it is interesting to see how these family types are regarded in terms of being at risk of poverty, and if the economic support is working as a safety net and reducing this risk. As the findings in the study of Salonen revealed, a strong family policy in Sweden reduced poverty threefold (Salonen, 2014). Hence, without it poverty would be much higher. Therefore, it is assumed that due to Iceland being known as welfare society, the Icelandic family policy should help reducing poverty. However, as discussed in the background chapter above, Kruse and Ståhlberg (2013) stress that single earning homes are struggling more economically than dual earning households, which is in line with the analysis above. Furthermore, they argue that this results in single mothers being more at risk of poverty than others. Additionally, Njåls (2003) stresses how low the income threshold on social benefits and harsh curtailment limits are in the case of child benefits and how that can be related to increased risk of poverty. Hence, single income households are known to be more at risk of poverty, as well as households who are only entitled to low economic support in the form of child benefits.

Statistics Iceland has for the past years collected data on both single parents and cohabitating couples with two dependent children, and how great the risk of poverty is for those two groups. In figure 3 below, the percentage change from the year 2004 until 2013 is shown for these two groups, and how their risk of poverty has developed over time. As can be seen, there are dramatic fluctuations in the case of single parents and increased risk of poverty. In 2005 there was a sharp decrease in poverty among that group, however it increased sharply again in 2006. As figure 3 shows, there have been severe fluctuations in the change of being at risk of poverty, and since 2012 it has been growing steadily. At the same time, the risk for the cohabitating couple has been rather constant since mid 2011. Furthermore as can be seen in figure 3, single parents are more at risk of poverty than cohabitating couples. Hence, despite being entitled to more economic support in form of benefits, they are more at risk of poverty.

Figure 3 Percentage change in risk of poverty 2004-2013

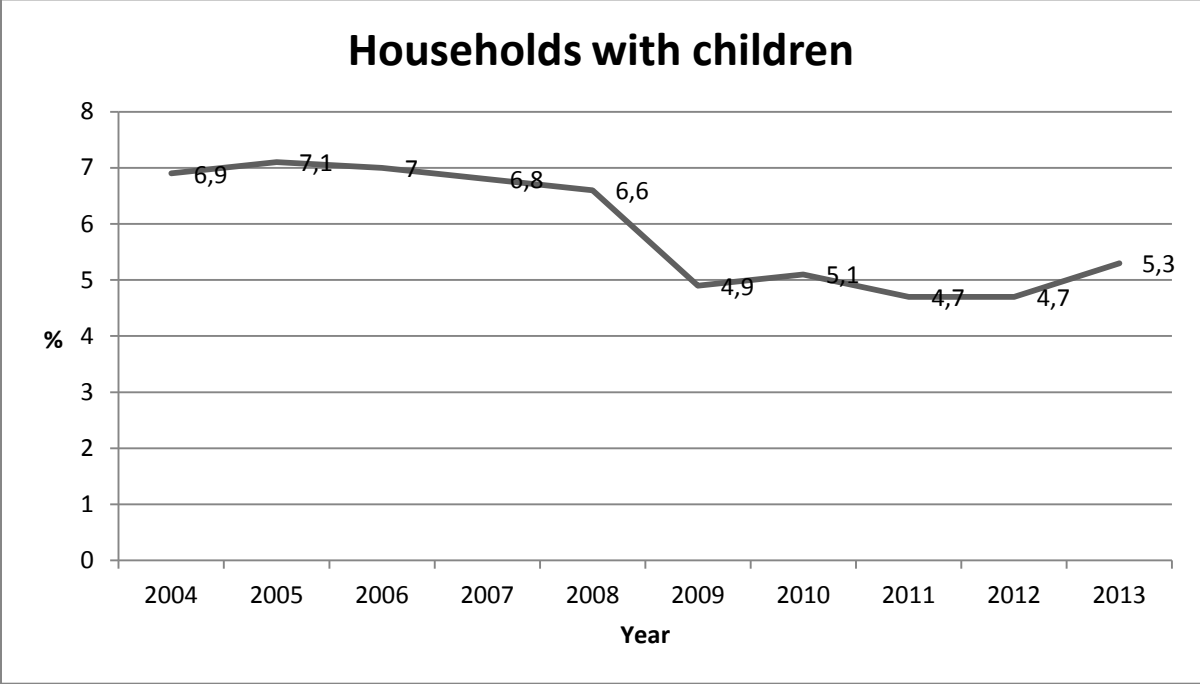


Reference: Adapted from Statistics Iceland (2014b).

Below in figure 4, the percentage change for households with children and 100 percent work intensity is shown in terms of their risk of poverty. The figure shows that this group had considerably decreased in size in 2009, however it has started to gradually grow again, which is in line with the analysis above where households with dependent children find it

troublesome to make ends meet. Both the families of average income and minimum income seem to have problems living by the typical consumption standard of the Ministry of Welfare. It is assumed that the increased curtailment limits in child benefits could be affecting the growing proportion of households with dependent children at risk of poverty, which is in line with Njál's (2003) stressing that low child benefits can be related to an increased risk of poverty. Hence, despite having a full time job, the households of cohabitating couple with dependent children are at risk of poverty. The vicious cycle of income resulting in decreased payments in child benefits due to the strict curtailment limits can be a factor.

Figure 4 Percentage change in risk of poverty for households with dependent children by work intensity – 100 percent work intensity



Reference: Adapted from Statistics Iceland (2014c).

Furthermore, Statistics Iceland has calculated annually since 2004 the threshold of income that a cohabitating couple with two dependent children needs to stay above in monthly disposable income to reduce their risk of poverty. Unfortunately, no such data is produced by Statistics Iceland for a single parent with dependent children such as this study is analysing. However, later in this part calculations will be conducted with the definitions of the EU that

was discussed in the definition chapter of inequality and poverty. First, let us examine the definition from Statistics Iceland and how it affects our cohabitating couples.

As can be seen below in table 13 this couple needs a monthly disposable income above 2,418 Euros a month for the year 2013. If they fall below that threshold, they are considered to be at risk of poverty. Additionally, in table 13, the calculated threshold of Statistics Iceland is shown for every year from 2004 until 2013. The amount for every year establishes how much two adults with dependent children need to have in disposable income to not be at risk of poverty. Falling below this limit they will become at risk of poverty.

Table 13 Threshold of monthly disposable income – at risk of poverty 2004-2013

	Amount for two adults and two dependent children									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Euros	1,373	1,462	1,578	1,789	1,999	2,279	2,241	2,176	2,215	2,418
ISK	203,500	216,700	233,800	265,200	296,300	337,700	332,100	322,500	328,200	358,400

Reference: Adapted from Statistics Iceland (2014d).

For this part of the study the monthly disposable income in 2013 for the cohabitating couple with average wages and two dependent children is shown in table 14 below. As can be seen, their disposable income both with and without entitled benefits is above the threshold shown in table 13 above. Therefore, that couple is not at risk of poverty, even though they would not be entitled to any benefits at all.

Table 14 Cohabiting couple with average wages with and without benefits

Couple with 2 children 3+10 year old	Average wages with benefits		Without benefits	
	ISK	Euros	ISK	Euros
Housing benefits	0	0		
Child benefits 2013	6,984	47		
Income 1 after tax	305,703	2,085	305,703	2,085
Income 2 after tax	305,703	2,085	305,703	2,085
Total per month	618,390	4,217	611,406	4,170

Reference: Adapted from RSK (2015).

As for the couple with minimum wages for the year 2013, they have a total monthly disposable income of 2,983 Euros, as can be seen in table 15 below. However, with no child benefits and no housing benefits they would decrease down to a monthly disposable income of 2,336 Euros, which would place them below the threshold, and therefore at risk of poverty. Hence, without the economic support from the Icelandic family policy, the monthly disposable income of a cohabiting couple with minimum wages would place them at risk of poverty. Thus, the family policy helps in reducing their risk of poverty.

Table 15 Cohabiting couple with minimum wages with and without benefits

Couple with 2 children 3+10 year old	Minimum wages with benefits		Without benefits	
	ISK	Euros	ISK	Euros
Housing benefits	28,000	188		
Child benefits 2013	44,271	297		
Income 1 after tax	171,238	1,168	171,238	1,168
Income 2 after tax	171,238	1,168	171,238	1,168
Total per month	414,747	2,983	342,476	2,336

Reference: Adapted from RSK (2015).

The average income couple has a considerably higher monthly disposable income; however they received much lower child benefits. As can be seen above in table 14, the couple with average income has 4,217 Euros per month which is considerably higher than the benchmark shown in table 13. Without their child benefits they would only be 47 Euros closer to this benchmark, which is still much higher than the threshold.

In the case of the cohabitating couple with minimum wages, the economic support of the family policy keeps them above the benchmark of being at risk of poverty. Even though this study has no detailed information on how many are defined as a couple with minimum wages, it is possible to draw conclusions from this analysis as the data used is from Statistics Iceland and information on minimum wages for the year 2013. Therefore, without this economic support from the family policy, they would fall below that benchmark. Thus, it can be concluded that the group at risk of poverty would be considerably bigger without the family policy. Families with average income or higher are therefore less likely to be at risk of poverty. Hence, it makes little difference whether they receive these benefits or not in relation to their risk of poverty.

The calculations of being at risk of poverty by the EU definition is a disposable income with 60 percent of the national median, with consumption unit weights, or in the case of cohabitating couple with two dependent children under the age of 14; 371,925 ISK or 2,526 Euros a month. And compared to this definition the average income couple in table 14 is above that threshold with all entitled benefits and also without them. As for the minimum wages couple, described in table 15, they are above with all entitled benefits but without the entitled benefits they fall below, placing them at risk of poverty.

Despite not having data from Statistics Iceland with a threshold of monthly disposable income for a single parent with dependent children at risk of poverty, the EU measurement will be sufficient. It can be seen above in figure 3, that at they are at more risk of poverty than double income households. This is in line with the analysis of sustaining a basic living expenses with a single income, and despite the economic support of the family policy it is still not sufficient. A single income, plus the benefits, is not enough for all households. Again the EU calculation is 60 percent of the national median in disposable income with same consumption unit weights, however now with only one adult which is 359,046 ISK or 2,439 Euros a month.

Table 16, below, shows that a single parent with minimum wage is under the EU threshold, relating to being at risk of poverty, with a disposable income of 2,204 Euros a month, and

without all entitled benefits falls even lower with 1,507 Euros a month. Therefore, this single parent would be at risk of poverty both with and without the family policy that often is referred to as aiding the lowest income groups.

Table 16 Single parent with minimum wages with and without benefits

Single parent with 2 children 3+10 year old	Minimum wages		Without benefits	
	ISK	Euros	ISK	Euros
Housing benefits	44,500	299		
Child benefits 2013	54,781	368		
Income after tax	171,238	1,168	171,238	1,168
Alimony	50,350	339	50,350	339
Parental allowances	4,386	30		
Total per month	325,255	2,204	221,588	1,507

Reference: Adapted from RSK (2015).

However as can be seen below in table 17, the single parent with an average income and all entitled benefits is above the threshold at risk of poverty of 2,439 Euros a month. When not entitled to the economic support of the family policy in form of benefits, this individual falls below the threshold thus making him at risk of poverty. Hence, here the family policy helps reducing the risk of poverty.

Table 17 Single parent with average wages with and without benefits

Single parent with 2 children 3+10 year old	Average wages		Without benefits	
	ISK	Euros	ISK	Euros
Housing benefits	26,531	178		
Child benefits 2013	36,657	247		
Income after tax	305,703	2,085	305,703	2,085
Alimony	50,350	339	50,350	339
Parental allowances	4,014	27		
Total per month	423,255	2,876	356,053	2,424

Reference: Adapted from RSK (2015).

A cohabitating couple with average income and two dependent children is above the EU calculated threshold of being at risk of poverty both with and without all entitled benefits. As for the case of cohabitating couple with minimum wages and two dependent children, they are above this threshold when receiving all benefits. However, if they would not receive any child benefits they would fall below the threshold and thus become at risk of poverty. Hence, in the case of average wage couple they are always above the threshold of being at risk of poverty. As a result of the family policy aiding the lowest income groups, the minimum wage couple are above the threshold with all entitled benefits – without it they would be at risk of poverty.

Single parents with minimum wages and two dependent children are at risk of poverty with and without the family policy. It does not matter if they are entitled to benefits or not, they are always below the threshold defined by the EU. However, a single parent with an average income and all entitled benefits is above this threshold, but when the benefits are not taken into calculations of the disposable income of the single parent, they are below the EU threshold and therefore at risk of poverty.

7 Conclusions

The Icelandic family policy seems to lack a certain universalism in child benefits and the curtailment limits seem to be too severe. One can evaluate this situation in calculations about the spirit of social unity. In this respect, referring back to scholars, they argue that when the structure of family policy is in supporting tax credits as supplements, it is a sign of liberal influences (Eydal & Ólafsson, 2006; Ólafsson, 2011; Jordan, 2006; Njál, 2003). The Icelandic family policy seems to be a safety net primarily designed to aid the lower income individuals and more vulnerable households. However, it is questionable, in the case of single parents, if they are receiving enough economic support and if they are even in need of extra resources. There are signs that a reform in the family policy is needed to increase the economic support, not only to the most vulnerable groups but also for the average income households who seem to struggle living by the consumer standard. Another angle to this problem could be that Icelandic wages are too low, as they do not suffice in many cases for sustaining an acceptable living standard. Below I will summarise the findings of this study and restate the answers to the research questions.

How are Icelandic family policy benefits and payments delivered along family forms?

It is clear that the economic support is more directed towards those who are most in need of it, hence the single parents. The family policy is systematically aiding the most vulnerable family forms, as in the case of child benefits. In the case of minimum wage couple, they receive higher child benefits than the same family form of a couple with average income. As for the structure of the parental leave, it seems as if the low maximum payments are affecting who can afford to make use of that option. As could be seen in the data from the Icelandic parental leave benefit fund (Fæðingarorlofssjóður), fewer fathers are taking parental leave and the number of births is decreasing. This indicates that the effects of the severe reduction in payments since the economic crisis in 2008 are emerging. The risk is that those who are least able to afford to use their rights of parental leave are the lower income individuals. By reducing their income 20 percent, they could risk their whole household economy for the long term. Furthermore, the fact that kindergarten in Reykjavík is not able to ensure children a place until they are at least two years old results in parents having to pay a high cost for the service of a day care mother. The risk is that there is too large a gap for many households between the paid parental leave and subsidized child care that is affordable. Increasing the proportion of the monthly payments of income from 80 percent to 100 percent could be a starting point. However, there is also the question of if it is necessary to extend the time period from six months to nine months for mothers as they are the ones who are more likely to fully utilize their rights to parental leave. The Icelandic parental leave is relatively short, especially with the age of the child and the availability of a secure place in day-care service in mind. The risk is that parental leave will only be affordable for selected individuals, which is not an inspiring vision.

How is the economic support of the Icelandic family policy outlined in terms of benefits and entitlements? Does it help in reducing the risk of inequality and/or poverty?

Without the economic support of the family policy more individuals with dependent children would be at risk of falling below the threshold of being at risk of poverty. Hence, it is clear that the economic support helps in reducing the risk of poverty. In the case of cohabitating couples with minimum income, the family policy prevents them from falling below the threshold of being at risk of poverty. The same situation is apparent among single parents with average wages. They are above this threshold with all entitled benefits, however without the benefits, they fall below the threshold. The average wage couples are always above this

calculated threshold, and despite receiving low benefits, it does not make any difference, they are not at risk of being poor. However, there is a more worrisome situation among the group of single parents with minimum wages in Iceland; they are at risk of poverty with and without this economic support. This indicates that a reform is needed to add extra support for this vulnerable group. As in the case of minimum wage families, they are struggling to make ends meet and they are not receiving enough in child benefits or subsidies to prevent them from long term economic difficulties.

Finally, in this thesis I have analysed the economic support of the family policy to see how effective it is in reducing poverty and inequality within the Icelandic society. Though the economic support seems to protect single parents more, a worrisome and critical situation exists among single parents with minimum income, which calls for drastic measures. Additionally, in the case of single parents with both average and minimum incomes, they seem to have trouble living in accordance with an acceptable living standard. Having to consider all spending for long term can become nerve-racking. And last but not least, the structure of the parental leave seems to have too low maximum payments, and it is quite short. The severe decrease in fathers using their rights to take parental leave and the decrease in the number of births is not a positive future development.

8 References

- Althingi. (1995). *Lög um fæðingarorlof*. Retrieved from: <http://www.althingi.is/lagas/119/1987057.html>
- Althingi. (1997). *Pingsályktun um mótun opinberrar fjölskyldustefnu og aðgerðir til að styrkja stöðu fjölskyldunnar*. Retrieved from: <http://www.althingi.is/altext/121/s/pdf/1230.pdf>
- Althingi. (2000). *Lög um fæðingar- og foreldraorlof, nr. 95/2000*. Retrieved from: <http://www.althingi.is/lagas/nuna/2000095.html>
- Althingi. (2003). *Lög um breytingu á barnalögum, nr. 76/2003, með síðari breytingum (forsjá og umgengni)*. Retrieved from: <http://www.althingi.is/altext/stjt/2012.061.html>
- Althingi. (2014). *Frumvarp til laga um lögbindingu lágmarkslauna*. Retrieved from: <http://www.althingi.is/altext/143/s/0865.html>
- Althingi. (2015). *Lög um starfskjör launafólks og skyldutryggingu lífeyrisréttinda*. Retrieved from: <http://www.althingi.is/lagas/nuna/1980055.html>
- Andersen, J. G., Guillemard, A., Jensen, P. H. & Pfau-Effinger, B. (2005). *The Changing Face of Welfare. Consequences and Outcomes from a Citizenship Perspective*. Bristol: Policy Press.
- Arnarsson, S. (2014, November 26). Færri feður í fæðingarorlof. *Vísir*. Retrieved from: <http://www.visir.is/faerri-fedur-i-faedingarorlof/article/2014711269927>
- Berg, B. & Lune, H. (2012) *Qualitative Research Methods for the Social Sciences*. Pearson: London
- Bernburg, J. G. & Ólafsdóttir, S. (2012). Viðhorf Íslendinga til launaójafnaðar. In Eydal, G. B. & Ólafsson S. (Ed.), *Þróun velferðarinnar 1988-2008* (291-300). Félagsvísindastofnun Háskóla Íslands: Reykjavík.
- CSCC. (2015). *Child Support Payments*. Retrieved from: <http://www.tr.is/tungumal/enska/child-support-payments/>

- EAPN. (2015a). *Poverty: What is it?* Retrieved from: <http://www.eapn.eu/en/what-is-poverty/poverty-what-is-it>.
- EAPN. (2015b). *How is Poverty Measured?* Retrieved from: <http://www.eapn.eu/en/what-is-poverty/how-is-poverty-measured>
- Esping-Andersen, G. (1990). *Three Worlds of Welfare Capitalism*. New Jersey: Princeton University Press
- Evans, J. (2011). The Icelandic Welfare System: A State in Transition. *Martindale Center*, vol 29, p. 73-82.
- Eydal, G.,B. & Ólafsson, S. (2003). *Social and Family Policy. The case of Iceland. Third report for the project*. Reykjavik: Welfare Policy and Employment in the Context of Family Change.
- Eydal, G., B. & Ólafsson, S. (2006). *Family Policy in Iceland: An Overview*. University of Iceland: Reykjavik
- Eydal, G. B. & Ólafsson, S. (2012). Fátækt og fjárhagsþrengingar. In Eydal, G. B. & Ólafsson S. (Ed.), *Þróun velferðarinnar 1988-2008* (339-366). Félagsvísindastofnun Háskóla Íslands: Reykjavík.
- Fæðingarorlofssjóður. (2015a). [Data file]. Unpublished raw data.
- Fæðingarorlofssjóður. (2015b). *Réttur foreldra til greiðslna úr Fæðingarorlofssjóði 2014*. Retrieved from: <http://www.faedingarorlof.is/rettur-foreldra-til-greidslna-ur-faedingarorlofssjodi/>
- Fæðingarorlofssjóður. (2015c). *Réttur foreldra til greiðslna úr Fæðingarorlofssjóði 2007*. Retrieved from: http://www.faedingarorlof.is/files/H%C3%A1marks-%20og%20%C3%A1gmarksgr%C3%B0slur%202007_755918409.pdf
- George, A. L. & Bennett, A. (2005). *Case Studies and Theory Development in the Social Sciences*, Cambridge, MA: MIT Press
- Guðmundsson, H. S. & Ómarsdóttir, S. B. (2009). *Rannsóknir í félagsvísindum X*. Retrieved from:

file:///C:/Users/Lenovo/Downloads/Samskipti%20foreldra%20og%20barna%20eftir%20skilnath.pdf

Hantrais, L. (2004). *Family Policy Matters – Responding to family change in Europe*. Great Britain: The Policy Press

ISSA. (2015). *Social security investing in human capital*. Retrieved February 27th 2015 from: <http://www.issa.int/topics/family-policies/introduction>

Jordan, B. (2006). *Social policy for the Twenty-First Century*. Cambridge: Polity Press

Jóhannsson, B. (2012). *Til skiptis hjá foreldrum: Líðan og aðlögun unglunga eftir fjölskyldugerðum*. Retrieved from: http://www.klinisk.is/index.php?option=com_content&view=article&id=52:til-skiptis-hja-foreldrum&catid=5:greinar&Itemid=18

Korpi, W. & Palme, J. (1998). The Paradox of Redistribution and Strategies of Equality: Welfare State Institutions, Inequality, and Poverty in the Western Countries. *American Sociological Review*, 63(5), 661-687.

KR. (2015). *Æfingargjöld*. Retrieved from: <http://www.kr.is/knattspyrna/aefingagjold/>

Kruse, A. & Ståhlberg, A. C. (2013). *Welfare Economics: Theory, empirical results and the Swedish Experience*.

Lanninger, A. W. & Sundström, M. (2014). *Part-Time Work in the Nordic Region*. Retrieved from: http://www.nikk.no/wp-content/uploads/NIKKpub_deltid1_temanord.pdf

Leira, A. (2006). Parenthood change and policy reforms in Scandinavia, 1970s-2000s. In Ellingsæter, A. E. & Leira, A. (Ed.), *Politicising Parenthood in Scandinavia: Gender relations in welfare states* (27-51). The Policy Press: Great Britain

Mahler, V. A., Jesuit, D. K. & Paradowski, P.R. (2013). Political Sources of Government Redistribution in High-Income Countries. In Gornick, J. C. & Jäntti, M. (Ed.), *Income Inequality: Economic Disparities and the Middle Class in Affluent Countries* (145-172). California: Stanford University Press.

- May, T. (2011). *Social research: issues, methods and process* (4th ed.). England: McGraw Hill.
- Njáls, H. (2003). *Fátækt á Íslandi: við upphaf nýrrar aldar*. Reykjavík: Borgarfræðasetur.
- Njáls, H. (2011). *Neysluviðmið – Framfærsluviðmið: Til hvers og hverjum gagnleg?*
Retrieved from: <http://www.mbl.is/greinasafn/grein/1375814/>
- OECD. (2013). *Employment rate of women*. Retrieved from: http://www.oecd-ilibrary.org/employment/employment-rate-of-women_20752342-table5
- Ozdilek, Z. (2014). Learner's view about using case study teaching method in an undergraduate level analytical chemistry course. *Journal of Baltic Science Education*, 13(5) p. 696-708
- Ólafsson, S. (1999). *Íslenska Leidin -Almannatrygginar og velferð i fjölpjóðlegum samanburði*. Reykjavík: Háskólaútgáfan og Tryggingarstofnun Ríkisins.
- Ólafsson, S. (2011). *Annual National Report 2010: Pensions, Health and Long-term Care*. Reykjavík: Þjóðmálastofnun Íslands. Retrieved from: http://thjodmalastofnun.hi.is/sites/thjodmalastofnun.hi.is/files/skrar/asisp_anr2011_iceland.pdf
- Ólafsson, S. (2012). Velferðarríkið og þróun velferðarútgjaldanna. In Eydal, G. B. & Ólafsson S. (Ed.), *Þróun velferðarinnar 1988-2008* (29-46). Félagsvísindastofnun Háskóla Íslands: Reykjavík.
- Ólafsson, S., Kristjánsson, A. S. & Stefánsson, K. (2012). *Áhrif mótvægisáðgerða á skuldavanda, fátækt og atvinnu*. Þjóðmálastofnun Háskóla Íslands. Retrieved from: http://thjodmalastofnun.hi.is/sites/thjodmalastofnun.hi.is/files/skrar/ahrif_motvaegisadgerd_a_a_skuldavanda_fataekt_og_atvinnu.pdf
- Ólafsson, S. & Kristjánsson, A. S. (2013). Income Inequality in Boom and Bust: A Tale from Iceland's Bubble Economy. In Gornick, J. C. & Jäntti, M. (Ed.), *Income Inequality: Economic Disparities and the Middle Class in Affluent Countries* (416-438). California: Stanford University Press.

- Pierson, C. (2007). *Beyond the Welfare State? The New Political economy of Welfare*. Cambridge: Polity Press.
- Posner, J. K. & Vandell, D. B. (1999). After-school activities and the development of low-income urban children: A longitudinal study. *Developmental Psychology* 25(2), 868-879
- Registers Iceland. (2014). *Upplýsingar um leiguverð íbúðarhúsnæðis*. Retrieved from: <http://www.skra.is/um-okkur/frettir/frett/2014/02/19/Upplýsingar-um-leiguverd-ibudarhusnaedis/>
- Reykjavíkurborg. (2015a). *Að byrja í leikskóla*. Retrieved from: <http://reykjavik.is/thjonusta/ad-byrja-i-leikskola>
- Reykjavíkurborg. (2015b). *Leisure Card*. Retrieved from: http://eldri.reykjavik.is/Portaldata/1/Resources/skjol/svid/itr/skjol/fristundakort/Fristundakort_enskur2010_HQ.pdf
- Reykjavíkurborg. (2015c). *Frístundakortið verður 35 þúsund krónur á barn árið 2015*. Retrieved from: <http://reykjavik.is/frettir/fristundakortid-verdur-35-thusund-kronur-barn-arid-2015>
- RSK. (2015a). *Tax liability*. Retrieved from: <https://www.rsk.is/english/individuals/tax-liability/>
- RSK. (2015b). *Reiknivél barnabóta*. Retrieved from: <https://www.rsk.is/einstaklingar/reiknivalar/reiknival-barnabota/>
- Salonen, T. (2014). *Family Policies and Child Poverty in the Nordic Countries*. Retrieved from: http://www.velferdarraduneyti.is/media/1---formennska-2014/0930_Family_policy_TS.pdf
- Scholz, R., W. & Tietje, O. (2002). *Embedded case study methods: Integrating quantitative and qualitative knowledge*. California: Sage Publications.
- Scruggs, L. A. & Allan, J. P. (2008). Social Stratification and Welfare Regimes for the Twenty-first Century: Revisiting the Three Worlds of Welfare Capitalism. *World Politics*, 60(4), 642-664.

- Skevik, A. (2006). Lone motherhood in the Nordic countries: sole providers in dual-breadwinner regimes. In Ellingsæter, A. E. & Leira, A. (Ed.), *Politicising Parenthood in Scandinavia: Gender relations in welfare states* (241-264). The Policy Press: Great Britain
- Slutzky, C. B. & Simpkins, S. D. (2009). The link between children's sport participation and self-esteem: Exploring the mediating role of sport self-concept. *Psychology of Sport and Exercise* 10(3), 381-389
- Social Insurance Administration. (2015). *Mæðralaun/feðralaun*. Retrieved from: <http://trvefur.eplica.is/barnafjolskyldur/maedra--og-fedralaun/>
- Statistical Series. (2014). *Wages, income and labour market*. Retrieved from: <https://hagstofa.is/lisalib/getfile.aspx?ItemID=17091>
- Statistical Series. (2015). *Wages, income and labour market*. Retrieved from: <https://hagstofa.is/lisalib/getfile.aspx?ItemID=17371>
- Statistics for the Terrified. (2015). *Is the mean or median better to describe "average" income?* Retrieved from: http://www.conceptstew.co.uk/PAGES/mean_or_median.html
- Statistics Iceland. (2013). *At-risk-of-poverty and material deprivation rates among children by sex and age 2004-2013*. Retrieved from: <http://www.statice.is/?PageID=1825&src=https://rannsokn.hagstofa.is/pxen/Dialog/varval.asp?ma=LIF02610%26ti=At-risk-of-poverty+and+material+deprivation+rates+among+children+by+sex+and+age+2004-2013+%26path=../Database/vinumarkadur/fjarhagsstada/%26lang=1%26units=%>
- Statistics Iceland. (2014a). *Fertility and reproduction rates 1853 – 2013*. Retrieved from: <http://statice.is/?PageID=1175&src=https://rannsokn.hagstofa.is/pxen/Dialog/varval.asp?ma=MAN05202%26ti=Fertility+and+reproduction+rates+1853-2013+%26path=../Database/mannfjoldi/faeddir/%26lang=1%26units=pr%201000%20women>
- Statistics Iceland. (2014b). *At-risk-of-poverty rate by household type 2004-2013*. Retrieved from: <http://statice.is/?PageID=1825&src=https://rannsokn.hagstofa.is/pxen/Dialog/varval.asp?ma=VIN07121%26ti=At-risk-of-poverty+rate+by+household+type+2004->

2013++%26path=../Database/vinnumarkadur/tekjudreifing/%26lang=1%26units=Percentage/Estimated%20number

Statistic Iceland. (2014c). *At-risk-of-poverty rate by work intensity of the household 2004-2013*. Retrieved from: <http://statice.is/?PageID=1825&src=https://rannsokn.hagstofa.is/pxen/Dialog/varval.asp?ma=VIN07117%26ti=At-risk-of-poverty+rate+by+work+intensity+of+the+household+2004-2013++%26path=../Database/vinnumarkadur/tekjudreifing/%26lang=1%26units=Percentage/Estimated%20number>

Statistics Iceland. (2014d). *At-risk-of-poverty threshold 2004-2013*. Retrieved from: <http://statice.is/?PageID=1825&src=https://rannsokn.hagstofa.is/pxen/Dialog/varval.asp?ma=VIN07111%26ti=At-risk-of-poverty+threshold+2004-2013++++++%26path=../Database/vinnumarkadur/tekjudreifing/%26lang=1%26units=Amount>

Statistics Iceland. (2015a). *Activity rate, unemployment, labour force and working hours - yearly 1991-2014*. Retrieved from: <http://www.statice.is/?PageID=1191&src=https://rannsokn.hagstofa.is/pxen/Dialog/varval.asp?ma=VIN01002%26ti=Activity+rate%2C+unemployment%2C+labour+force+and+working+hours+-+yearly+1991-2014%26path=../Database/vinnumarkadur/rannsoknir/%26lang=1%26units=Number/percent>

Statistics Iceland. (2015b). *Earnings for the private and the public sector by sex 2008-2014*. Retrieved from: <http://statice.is/?PageID=1188&src=https://rannsokn.hagstofa.is/pxen/Dialog/varval.asp?ma=VIN0200%26ti=Earnings+for+the+private+and+the+public+sector+by+sex+2008-2014++++++%26path=../Database/vinnumarkadur/laun/%26lang=1%26units=Thousand%20ISK>

Statistics Iceland. (2015c). *Activity rate, unemployment, labour force and working hours - yearly 1991-2014*. Retrieved from: <http://www.statice.is/?PageID=1191&src=https://rannsokn.hagstofa.is/pxen/Dialog/varval.asp?ma=VIN01104%26ti=Labour+market+by+sex%2C+age%2C+region+and+education+>

1991-

2014%2C+percentage+distribution%26path=../Database/vinnumarkadur/rannsoknir/%26lang=1%26units=Percent

Statistics Iceland. (2015d). *Population by municipalities, sex and age 1 January 1998-2014 - Current municipalities*. Retrieved from: <http://statice.is/?PageID=1172&src=https://rannsokn.hagstofa.is/pxen/Dialog/varval.asp?ma=MAN02001%26ti=Population+by+municipalities%2C+sex+and+age+1+January+1998-2014+-+Current+municipalities%26path=../Database/mannfjoldi/sveitarfelog/%26lang=1%26units>Data>

Statistics Sweden. (2012). *One in seven at risk of poverty*. Retrieved from: http://www.scb.se/en_/Finding-statistics/Statistics-by-subject-area/Living-conditions/Living-conditions/Living-Conditions-Surveys-ULFSILC/Aktuell-Pong/12209/Behallare-for-Press/Living-Conditions-Survey-ULFSILC3/

Sturluson, J. Þ., Eydal, G. B. & Ólafsson, A. J.. (2011). *Íslensk neysluviðmið. Velferðarráðuneytið*. Rannsóknþjónusta Háskólans í Reykjavík. Retrieved from: http://www.velferdarraduneyti.is/media/ritogskyrslur2011/Neysluvidmid_lokautgafa_vef.pdf

The Ministry of Welfare. (2014). *Starfshópur ræði framtíð fæðingarorlofs*. Retrieved from: <http://www.velferdarraduneyti.is/frettir-vel/nr/34803>

The Ministry of Welfare. (2015). *Reiknivél fyrir neysluviðmið*. Retrieved from: <https://www.velferdarraduneyti.is/neysluvidmid/>

The Welfare Watch. (2012). *Prosperity: The fight against poverty in Iceland*. Retrieved from: http://www.velferdarraduneyti.is/media/Rit_2013/Prosperity-the-fight-against-poverty-in-Iceland-1406-C.pdf

The Welfare Watch. (2013). *Skýrsla Velferðarvaktarinnar*. Retrieved from: <http://www.velferdarraduneyti.is/media/rit-og-skyrslur-2014/Lokaskyrsla-Velferdarvaktarinnar-desember-2013.pdf>

TónskólinnDoReMi. (2015). *Skólagjöld 2014-2015*. Retrieved from: <http://www.tondoremi.is/skolinn/skolagjold-2014-2015/>

- Unicef. (2014). *Children of the Recession – The impact of the economic crisis on child well-being in rich countries*. Retrieved from: <http://www.unicef-irc.org/publications/pdf/rc12-eng-web.pdf>
- VR. (2015). *Lágmarkslaun*. Retrieved from: <http://www.vr.is/kaup-og-kjor/laun/lagmarkslaun/>
- Yin, R. K. (2009). *Case Study Research: Design and Methods*. California: Sage Publications.
- Porgeirsdóttir, L. (2011). *Kjör öryrkja langt undir neysluviðmiðum velferðarráðuneytisins*. Retrieved from: <http://www.obi.is/utgafa/frettir/nr/878>
- Özdemir, E. & Ward, T. (2010). *Social Situation Observation – Income distribution and living conditions*. European Centre for the European Centre for Social Welfare Policy and Research. Retrieved from: <file:///C:/Users/Lenovo/Downloads/RN7%20Persistent%20poverty%20Nov%202010.pdf>

Appendix

Table 4 Calculations of child benefits for a couple with average income

Child Benefits 2014 on account of income 2013, paid for children born 1996-2013		
	ISK	Euros
Marital situation: Cohabiting couple		
Number of children: 2, thereof one under the age of 7		
Income 2013	10,464,000	70,275
Curtailment limits	4,800,000	32,236
Foundation for curtailment	5,664,000	38,039
General child benefits	367,019	2,465
Curtailment due to income (5%)	283,200	1,902
Addition due to children under the age of 7	100,000	672
Curtailment due to income (3%)	100,000	672
Total amount of child benefits	83,819	563
Child benefits equally distributed between the couple	41,910	281
Quarterly payments	10,478	70

Reference: Adapted from RSK (2015)

Table 7 Calculations of child benefits for a couple with minimum income**Child Benefits 2014 on account of income 2013, paid for children born 1996-2013**

Marital situation: Cohabiting couple

Number of children: 2, thereof one under the age of 7

	ISK	Euros
Income source		
2013	4,896,000	32,281
Curtailment limits	4,800,000	32,236
Foundation for curtailment	96,000	655
General child benefits	367,019	2,465
Curtailment due to income (5%)	4,800	32
Addition due to children under the age of 7	100,000	672
Curtailment due to income (3%)	2,880	19
<hr/>		
Total amount of child benefits	459,339	3,085
Child benefits equally distributed between the couple	229,670	1,542
Quarterly payments	57,418	388

Reference: Adapted from the Ministry of Welfare (2015)

Table 9 Calculations of child benefits for a single parent with average income

Child Benefits 2014 on account of income 2013, paid for children born 1996-2013

Marital situation: Single parent		
Number of children: 2, thereof one under the age of 7		
	ISK	Euros
Income source 2013	5,232,000	35,185
Curtailment limits	2,400,000	16,140
Foundation for curtailment	2,832,000	19,000
General child benefits	565,375	3,802
Curtailment due to income (5%)	141,600	952
Addition due to children under the age of 7	100,000	672
Curtailment due to income (3%)	84,960	571
<hr/>		
Total amount of child benefits	438,815	2,951
Quarterly payments	109,704	737

Reference: Adapted from RSK (2015)

Table 12 Calculations of child benefits for a single parent with minimum wage

Child Benefits 2014 on account of income 2013, paid for children born 1996-2013

Marital situation: Single parent		
Number of children: 2, thereof one under the age of 7		
	ISK	Euros
Income source		
2013	2,448,000	16,463
Curtailment limits	2,400,000	16,140
Foundation for curtailment	48,000	328
General child benefits	565,375	3,802
Curtailment due to income (5%)	2,400	16
Addition due to children under the age of 7	100,000	672
Curtailment due to income (3%)	1,440	9,68
<hr/>		
Total amount of child benefits	661,535	4,449
Quarterly payments	165,384	1,112

Reference: Adapted from RSK (2015)