

**On firmer
ground:**

**Iceland's ongoing
experience of
shorter working
weeks**

October 2024



**Autonomy
Institute**

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Executive summary



Executive summary

- This report offers new insight into the programme of working time reduction that has taken place in Iceland, following successful public sector trials in the country.
- After successful pilot schemes in the Icelandic national government and Reykjavik City Council between 2015 and 2019 which found improvements to employee well-being as well as productivity, historic labour agreements between Icelandic trade unions and employers ‘embedded’ the right to shorter hours for hundreds of thousands of workers.
- While the successful results of the initial trials are well-known, this report focuses on the enduring impact of the shorter working week in Iceland, adding to the growing research body on the longer-term effects of working time reduction.
- The report analyses the results of an employment market survey conducted by the Social Science Research Institute (an institute at the University of Iceland) for the Ministry of Social Affairs and Labour and The Administration of Occupational Safety and Health, to understand job patterns, work environment, and the reasons why individuals left paid employment. The survey gathered data between 2021 and 2022.
- It finds that:
 - The offer of shorter hours has been widespread. In the two years prior to being surveyed, more than half (59%) of workers were offered reduced working hours.
 - These changes have had significant worker inputs: in the vast majority (80%) of instances, workers say they were consulted on how reduced hours were implemented in their workplace.

- A large majority of Icelandic workers (78%) are satisfied with their present working time.
 - ◇ In the public sector, 81% of state-level workers and 82% of municipal workers were satisfied with their working time, while the satisfaction rate was slightly lower – 77% – in the private sector.
- Focusing on those who have seen their hours reduced in the last two years, 62% of workers report being more satisfied with their working time.
 - ◇ Public sector workers are more likely to be more satisfied with their work time following reductions compared to the private sector (65% of state-level workers and 68% of municipal-level workers were satisfied, compared to 55% of private sector workers).
 - ◇ In workplaces with higher proportions of women in the workforce, percentages of those indicating greater satisfaction were much higher at 70%, compared to 54% in more male-dominated workplaces.
- 97% of workers thought that shorter working hours had made it easier to balance work with their private life, or at least kept the balance the same as before (with more than half, 52%, thinking it had improved).
 - ◇ Workers in the public sector were more likely to indicate that reduced working time had made it easier to balance work and private life – 61% of state workers and 55% of municipal workers compared to 42% of private sector workers.
- 42% of those who had moved to shorter hours thought that it had decreased stress in their private life, versus 6% who felt it had increased.

- The report makes a number of recommendations, all of which would unlock further work-life balance and quality of life:
 - The private sector needs to participate fully in the reduction of hours and learn from the public sector.
 - Special measures should be considered for workers working very long hours.
 - The health, social and educational sectors need investment in increased staffing to relieve workload.
 - More of the future productivity of the economy should be utilised to reduce working time.

Introduction



Introduction

Between 2015 and 2019, following discussions between public sector employers and trade unions, Iceland saw two major public sector trials of a shorter working week for no loss in pay. Incorporating a selection of workplaces within the Icelandic Government and Reykjavik City Council – from police stations to social services, offices to museums – by their end, around 2,500 workers had participated in the pilot scheme.

In 2021, Autonomy and Alda analysed the wide range of studies that had been conducted in Iceland as part of these trials.¹ The report, ‘Going Public’, found that these reductions in working time had been an ‘overwhelming success’, driving not only improvements in worker wellbeing, but also increased productivity levels while service provision remained unaffected. This was particularly powerful, given the range of different workers involved – from part-time and shift-based staff – as well as the diversity of the workplaces involved.

These Icelandic shorter working week trials played a major role in putting working time reduction and the ‘four-day week’ onto the global news agenda, showing the reduced working hours as an achievable goal in the twenty-first century.² Since the publication of the ‘Going Public’ report there has been an explosion of successful experimentation with shorter working hours around the world: from a pilot scheme of over 60 UK companies,³ and similar pilots in the US, Ireland and South Africa,⁴ to a Scottish Government-backed public sector trial,⁵ and much more beyond.

1 The Autonomy Institute (2021) ‘Going Public: Iceland’s Journey to a Shorter Working Week’. Available at: <https://autonomy.work/portfolio/icelandsww/>

2 See BBC News (2021) ‘Four-day week an ‘overwhelming success in Iceland’. Available at: <https://www.bbc.co.uk/news/business-57724779>; The Washington Post (2021) ‘Iceland tested a 4-day workweek. Employees were productive — and happier, researchers say’. Available at: <https://www.washingtonpost.com/business/2021/07/06/iceland-four-day-work-week/>

3 The Autonomy Institute (2023) ‘The Results Are In: the UK’s four-day week pilot’. Available at: <https://autonomy.work/portfolio/uk4dwpilotresults/>

4 See 4 Day Week Global (2024) ‘Which countries have a 4 day week’. Available at: <https://www.4dayweek.com/what-countries-have-a-4-day-week>

5 STV News (2024) ‘Scottish government launches four-day working week trial’. Available at: <https://news.stv.tv/scotland/public-sector-workers-in-scotland-begin-four-day-working-week-trial>

The pilot schemes also had a significant impact within Iceland itself. As the 2021 report noted, their success provided the springboard for Icelandic trade unions to win the right for tens of thousands of workers around the country – 86% of Iceland’s entire working population – to reduce their working hours. Collective labour contracts were the driving vehicle of this reduction. For Icelandic society, the contracts were a major break in terms of the organisation of working time around the country, especially in the public sector: the largest change seen in half a century.⁶

This is quite an achievement, as historically, the Icelandic workforce has worked longer hours than workers in neighbouring Nordic countries, with comparatively lower per hour productivity.⁷ At this moment in time, Iceland is the only European country to have successfully reduced working time on a large national scale in the last decade.⁸ The reduction took place predominantly in the public sector.⁹

The major aims of the reduced working time contracts were a) to improve work-life balance for workers and their families, b) to provide more equitable work-time of females and males in paid work and in the home, and c) to reduce the difference in the hours usually worked in Iceland in comparison to other Nordic countries.¹⁰

Given these major milestones, what has been the enduring impact of Iceland’s embrace of the shorter working week? And how should future directions be shaped?

A lasting impact?

This study explores the enduring legacy of the successful shorter working week trials – and the subsequent labour agreements that ‘embedded’ the right to shorter hours for hundreds of thousands of workers – on the Icelandic economy and labour market: an impact that was reinforced via a widespread educational campaign by the public sector confederation BSRB

6 BSRB (2024) Stytting vinnuvikunnar: árangur BSRB. Available at: <https://www.bsrb.is/is/frettir/frettasafn/stytting-vinnuvikunnar-arangur-bsrb>; Rúnarsson, B. & Arnljótsdóttir, Þ. (1 May, 2021). Áratuga baráttu í höfn með styttingu vinnuvikunnar. RÚV. Retrived from <https://www.ruv.is/frett/2021/05/01/aratugabaratta-i-hofn-med-styttingu-vinnuvikunnar> on 5 October, 2024.

7 Haraldsson, G. D. (2013) Vinnu minna: Styttum vinnudaginn. Tímarit máls og menningar, 74(1), 75-89.

8 EPSU (2024) Reducing Working Time: A Series of Case Studies From Across Europe. #02: Iceland. Available at: https://www.epsu.org/sites/default/files/article/files/02.12%2002_ICELAND.pdf

9 The Autonomy Institute (2021), 53.

10 BSRB (2024) Stytting vinnuvikunnar: árangur BSRB. Available at: <https://www.bsrb.is/is/frettir/frettasafn/stytting-vinnuvikunnar-arangur-bsrb>

and other organisations.¹¹

This is achieved through analysing the results of an employment market survey conducted by the Social Science Research Institute (an institute at the University of Iceland) for the Ministry of Social Affairs and Labour and The Administration of Occupational Safety and Health, to understand job patterns, work environment, and reasons why individuals have left paid employment. The survey is intended to be representative of everyone who would ordinarily be working, but also those who have left employment. The final report was published (in Icelandic) in October 2022, and offers a broad survey of the Icelandic economy and labour market, many of the questions of the survey centre on satisfaction with working time, work-life balance, workload, stress and satisfaction with the aforementioned recent right to reduce working time achieved in 2019 and 2020.¹² This report focuses on those findings relating most closely to issues of working time.

First, the study presents data from a selection of those survey questions most directly related to the issue at hand. Question responses are analysed by gender, size of workplace, occupation, and employment sector. Then, it offers an overview of the key findings, policy suggestions and conclusions to be drawn.

Notes on method

The survey took place between November 2021 and May 2022, and comprised participants ranging from 25 to 67 years old. Three samples were used:

- 1) An internet panel by the Social Science Research institute (n=6,000).
- 2) Random sampling from National Registry, managed by Registers Iceland (n=3,000).¹³
- 3) People unemployed for one year or more (n=964).

All of the questions we focus upon in this study comprise samples 1 and 2.

11 EPSU (2024) *Reducing Working Time: A Series of Case Studies From Across Europe. #02: Iceland*. Available at: https://www.epsu.org/sites/default/files/article/files/02.12%2002_ICELAND.pdf

12 Social Science Research Institute [Félagsvísindastofnun Háskóla Íslands] (2022). *Einkenni starfa, vinnuumhverfi og ástæður brotthvarfs af íslenskum vinnumarkaði*. Editors: Ásdís A. Arnalds, Guðbjörg Guðjónsdóttir og Guðný Bergþóra Tryggvadóttir. Reykjavík: Félagsvísindastofnun Háskóla Íslands. Available at: https://www.stjornarradid.is/library/02-Rit--skyrslur-og-skrar/Skyrsla_Felagsvísindastofnunar_einkenni_islensks_vinumarkadar.pdf; the study also makes use of an appendix to the survey, available at: <https://fel.hi.is/sites/fel.hi.is/files/2023-07/02%20Vidauki%20-%20Stada%20a%20vinnumarkadi.pdf>

13 See Registers Iceland. Available at: <https://www.skra.is/english/>

As is common in such surveys, responses have been weighted to achieve a more accurate representation of the Icelandic labour force. However, the results are likely slightly skewed towards managers, elected representatives and government officials (19% of participants), specialists (35%) and office workers (5%). When asked about the type of industry they worked in, most respondents answered educational (16%), specialist, scientific or IT (15%), and health and social work (13%).

Work and working time in Iceland



Work and working time in Iceland

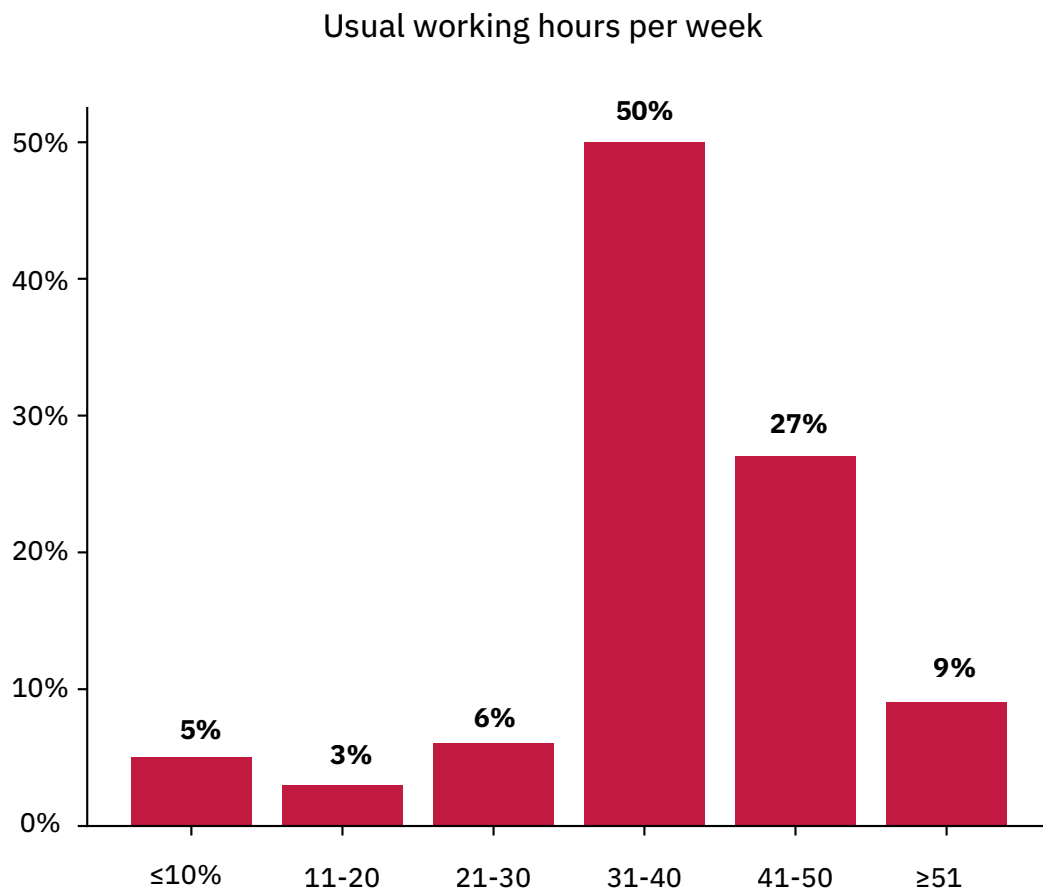


Figure 1: Hours usually worked per week according to respondents.

Source: Alda and Autonomy analysis of employment survey by University of Iceland's Social Science Research Institute.

Taking a look first at current overall working hours, the data from the survey shows that 86% of Icelandic workers work more than 30 hours a week, with a greater percentage (9%) working more than 50 hours a week than those that work equal or less than 20 (8%).

The gender breakdown of the survey also shows that 24% of women work 41 hours or more a week, compared to 46% of men – and if we focus on those working 51 hours or more a week, men are much more likely to work such a long work week (13%) than women (4%).

Sectors show differences in the number of hours: 40% of those working in the private sector work 41 hours or more per week, while only around 30% of the public sector work greater than 41 hours (31% in municipalities, 28% at the level of national government).

Hours of work are not evenly spread in Icelandic society, with clusters of workers working long work weeks of 51 hours or more. This is mostly concentrated in the private sector, with 12% of workers working these hours, while the proportion is only 4% in the public sector. These extremely long hours are most common in the hotel and hospitality industry, fishing and farming, food industry, transportation, but also machine works.

Though the survey itself does not offer international comparisons of working time, some comparative data points are available. Eurostat compiles and harmonises data from international statistical agencies, making these comparisons easier. The latest set of data from Eurostat makes it clear that workers in Iceland still work longer days on average compared to the country's Nordic neighbours, ranging from slightly more than half an hour a week to slightly more than two hours a week.¹⁴ However, the numbers for Iceland show a decline by almost four hours a week since 2014, while the neighbouring countries show a smaller range of 0.2 to 1.5 hours.¹⁵ Thus, the difference is now less than it used to be.¹⁶

14 Eurostat (2024) 'How many hours per week do Europeans work?'. Available at: <https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20240530-1>

15 Eurostat (2024) 'Average number of actual weekly hours of work in main job, by sex, age, professional status, full-time/part-time and occupation'. Available at: https://ec.europa.eu/eurostat/databrowser/view/lfsa_ewhais_custom_12222795/default/table?lang=en

16 The numbers need to be interpreted with caution due multiple changes occurring in this period. First, in 2020, a methodological change to the statistical collection method (see <https://hagstofa.is/utgafur/utgafa/vinnumarkadur/gaedamat-a-vinnutimamaelingum-vinnumarkadsrannsoknar/>). Second, the period is marked by the COVID-19 pandemic, which caused turmoil in the Icelandic economy as elsewhere. Third, the new contracts, of course, are yet another. It is thus difficult to use these numbers to estimate the *impact of the contracts*.

Have you been offered reduced working time in the last two years because of labour contracts?

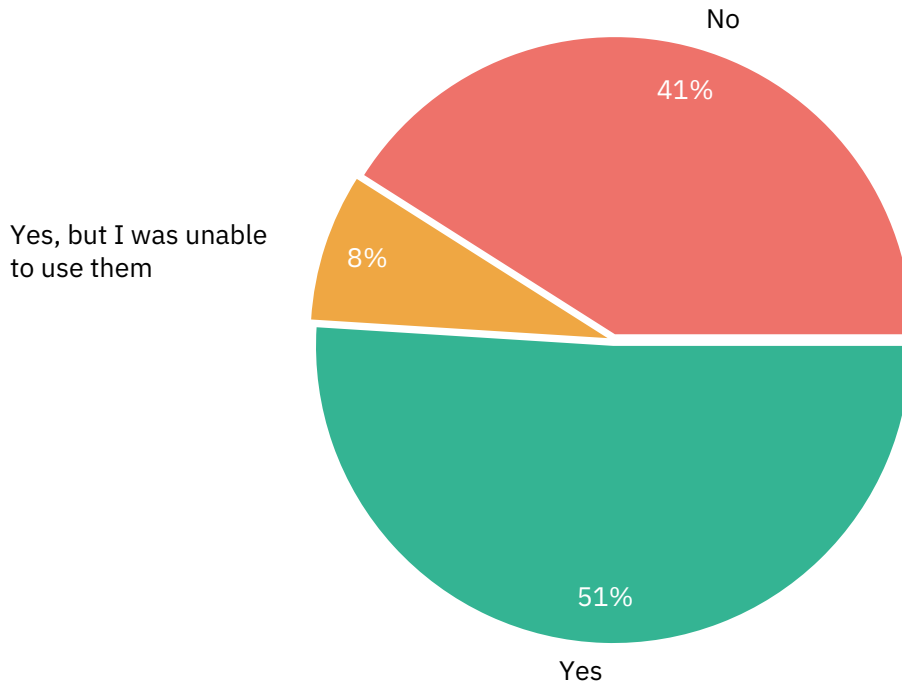


Figure 2: Number of respondents (%) that had been offered reduced working hours in the previous two years (~2020-2022), following labour contract reforms.

Source: Alda and Autonomy analysis of employment survey by University of Iceland's Social Science Research Institute.

After the original pilot, 86% of the wider Icelandic workforce were either offered shorter hours or were given new options to negotiate new working time arrangements.¹⁷ In line with this, response data represented in Figure 2 suggests that, during the previous two years, more than half (59%) of workers were offered reduced working hours, even though 8% said that they were unable to make use of any such offer.

Data for the gendered breakdown of reduced hours, shows that while 44% of men made use of reduced working hours, for women the rate was higher at 58%.

¹⁷ See The Autonomy Institute (2021) 'Going Public: Iceland's Journey to a Shorter Working Week'. Available at: <https://autonomy.work/portfolio/icelandsww/>.

Different economic sectors also show varied uptakes: in the private sector, about 41% of workers made use of reduced hours, while in the public sector, 71% of national government workers and 57% of municipal workers were able to.

Workers in hotel and hospitality were much less likely to make use of reduced hours (21%) compared to the average (51%), as were workers in transportation and machine works (20%), food processing (17%), and fishing and farming (10%).

How were working hours reduced in your workplace?

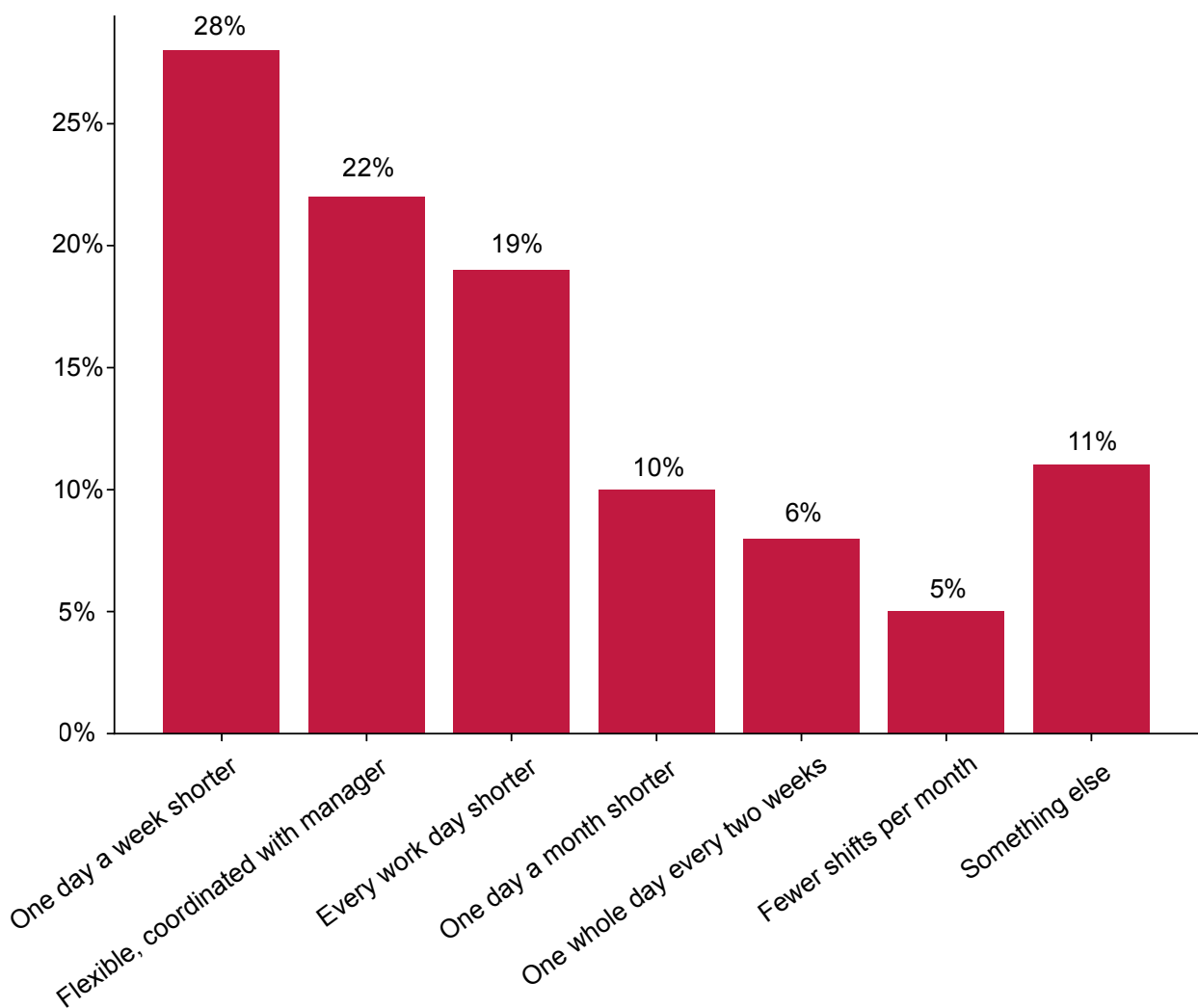


Figure 3: Different ways in which working time reduction took place in respondents' workplaces. Source: Alda and Autonomy analysis of employment survey by University of Iceland's Social Science Research Institute.

Figure 3 shows that the most common way of incorporating these reduced working hours in Iceland has been the use of one shorter day each week. More frequent reductions in working time such as ‘one day per week [has been shortened]’ (28%), and ‘every day of the week [has been shortened]’ (19%) were also more popular than less frequent hour reductions like ‘one day per month’ (10%) or ‘one day off per fortnight’ (6%).

As this data makes clear, shorter working hours in Iceland have been implemented in a wide range of formats, as different workplaces have experimented with different models. Recent research around the shorter working week in the UK, in particular, has shown how different modes of implementation can impact on the effects of working time reduction.¹⁸ However, we are unable to break down the questions covered in the figures below according to the different models used. Nevertheless, these still offer a depth of insight into the effects of working time reduction in Iceland.

Were staff consulted on the implementation of reduced hours?

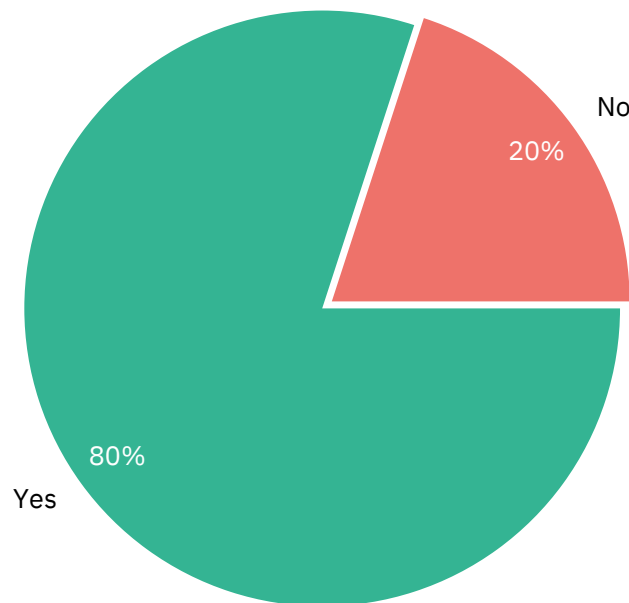


Figure 4: Number of respondents (%) whose employers had consulted staff on working time reduction. Source: Alda and Autonomy analysis of employment survey by University of Iceland’s Social Science Research Institute.

18 The Autonomy Institute (2024) ‘Making It Stick: The UK Four-Day Week Pilot One Year On’. Available at: <https://autonomy.work/portfolio/making-it-stick/>

In terms of how working time was reduced however, Figure 4 shows that in the vast majority (80%) of instances, workers were consulted on how reduced hours were implemented in their workplace.

There was a higher likelihood of consultation in workplaces staffed predominantly by women (88%) compared to men (72%). Sectors also differed with regards to how often they consulted with their workers on shorter hours: while the public sector were high (85% state-level, 89% municipalities), they were lower in the private sector (71%).

Satisfaction with working time



Satisfaction with working time

Are you satisfied or dissatisfied with your work time?

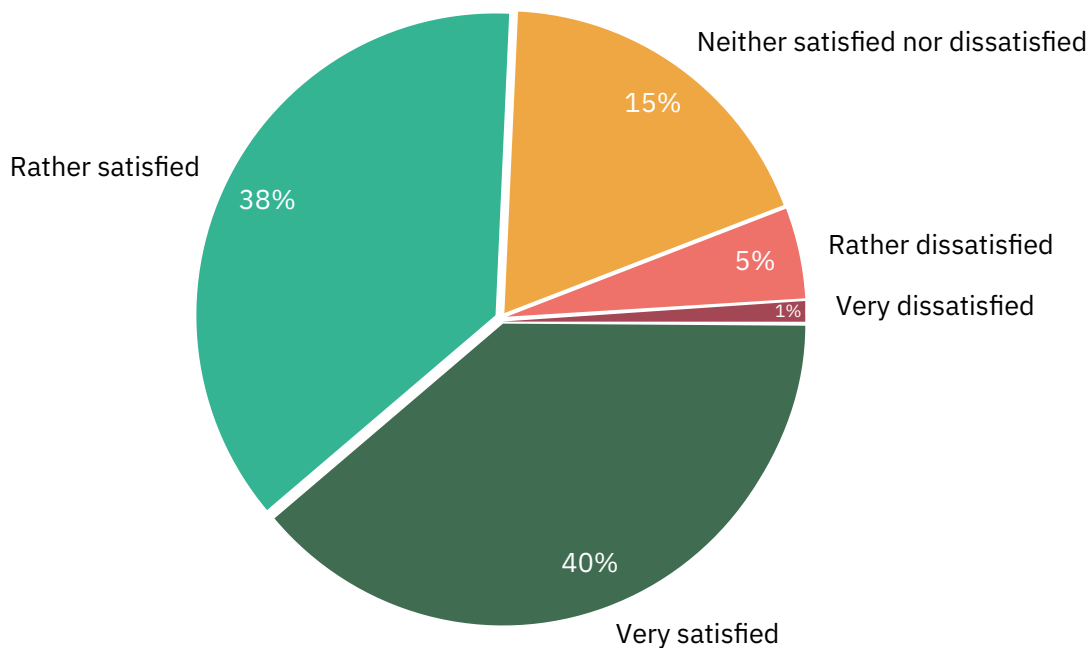


Figure 5: Respondents' satisfaction or dissatisfaction with their current working time (%).

Source: Alda and Autonomy analysis of employment survey by University of Iceland's Social Science Research Institute.

The vast majority of workers (78%) reported being satisfied with their present working time, with only 6% dissatisfied. Women are more satisfied than men (81% vs. 75%), and there was a small difference between workplaces based on gender predominance, with more satisfaction where women were the majority (81% vs. 80%). Meanwhile, in the public sector, 81% of state workers and 82% of municipal workers are satisfied with their work time, while a slightly lower rate – 77% – were satisfied in the private sector.

The survey data suggests that incidence of dissatisfaction is slightly higher in occupations relating to health care, fishing and agriculture, food processing, transportation and machine works (with these occupations ranging between 10 to 13% dissatisfaction rates, compared to 6% on average across all occupations).

Are you more satisfied or more dissatisfied with your work time after the reduction of hours?

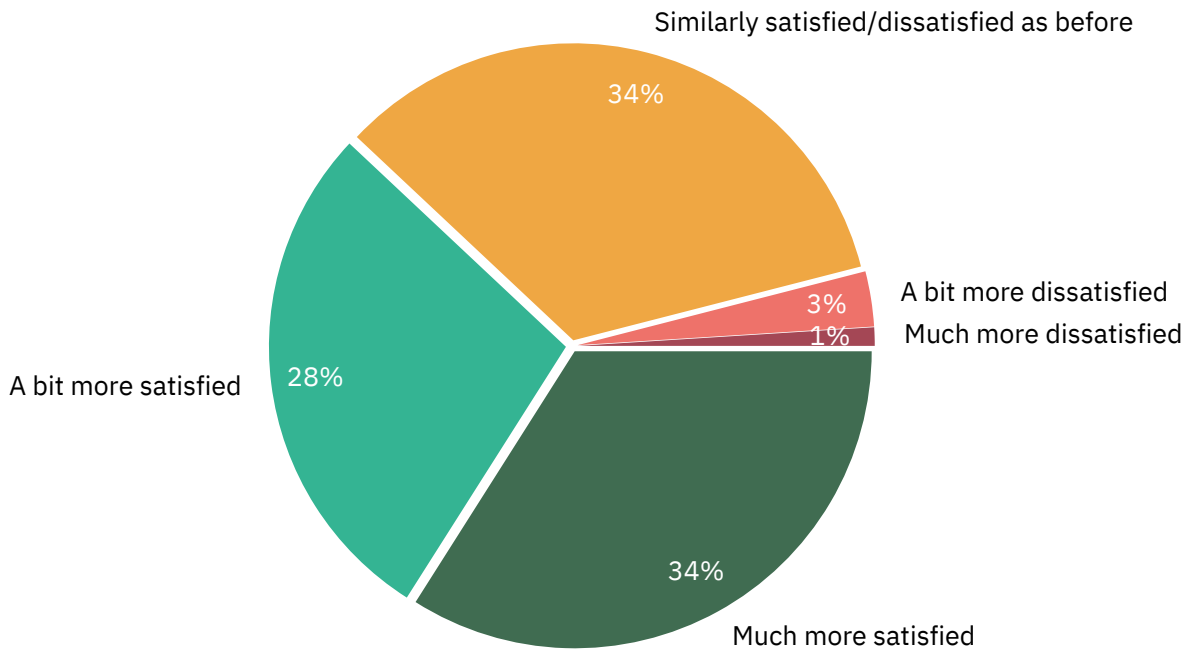


Figure 6: Number of respondents (%) that were either more, less or equally satisfied with their working time following a reduction in working hours.

Source: Alda and Autonomy analysis of employment survey by University of Iceland's Social Science Research Institute.

Figure 6 shows that, following a reduction in working hours, 62% of workers reported being more satisfied with their work time. Only 4% of workers suggested they were more dissatisfied.

Public sector workers are more likely to be more satisfied with their work time following reductions compared to the private sector (65% state-level workers and 68% municipal-level workers were satisfied, compared to 55% private sector workers). In workplaces where women are highly represented among the workforce, the percentage of responders indicating more satisfaction was much higher, at 70%, compared to 54% where staff were predominantly men.

Work-life balance, exhaustion and stress



Work-life balance, exhaustion and stress

At the time of the survey, around 39% of workers indicated that their workload was often high – however, some sectors showed much higher incidence than others, such as health care, teaching, education, as well as hotels and hospitality – in which around 50% of workers indicated that their workload is often high.

Turning to employee exhaustion, 33% of respondents said they were often mentally exhausted after work with a gendered split, in the detailed data, of 28% for men and 39% for women – while the proportion of those often mentally exhausted was particularly higher for carers (51%), specialists in education (50%), and health care (44%). Respondents working in workplaces where women were the majority were much more likely to indicate regular mental exhaustion compared to where men were the majority (43% vs. 29%).

In terms of physical exhaustion, meanwhile, 22% said they were often or always physically exhausted after work (20% for men, 25% for women), with the proportion being particularly high for non-specialised workers (41%), farmers and people who work in fishing (45%). Physical exhaustion was more prevalent in the same sectors as mental exhaustion, with the addition of hotels and hospitality (38%).

Is it easy or difficult for you to do private errands for one or two hours in your main job?

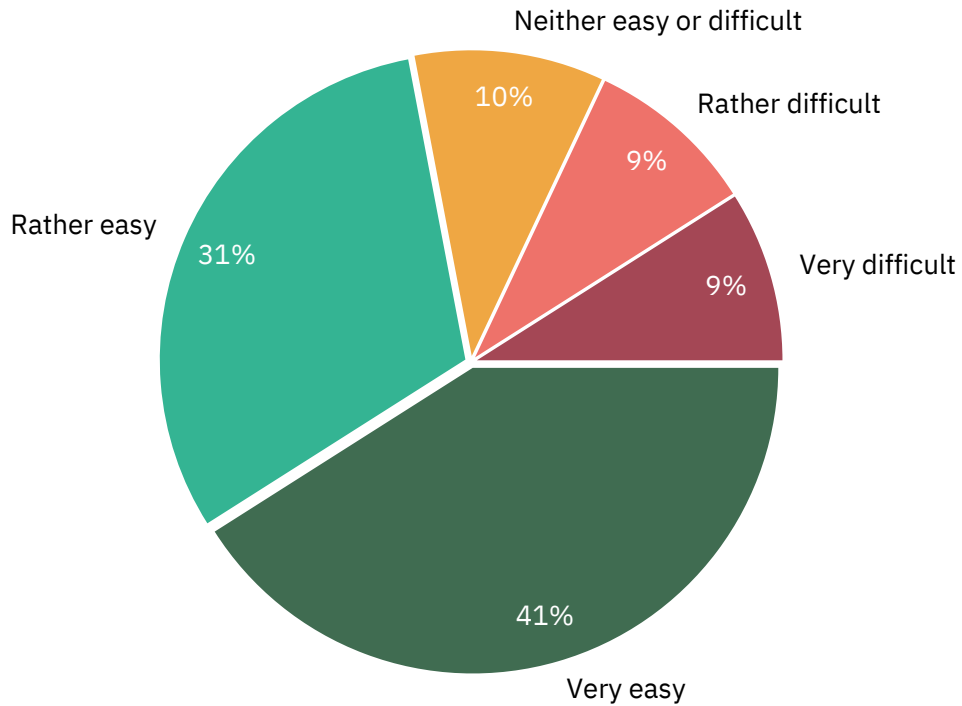


Figure 7: Respondents' assessment of how difficult it is for them to attend to private (non-work) errands for one or two hours in their main job.

Source: Alda and Autonomy analysis of employment survey by University of Iceland's Social Science Research Institute.

Looking at work-life balance, Figure 7 shows that more than two-thirds of workers said that they found it easy to do short private errands during the course of their main job.

Has it gotten easier or more difficult for you to do private errands for one or two hours in your main job since work time was reduced?

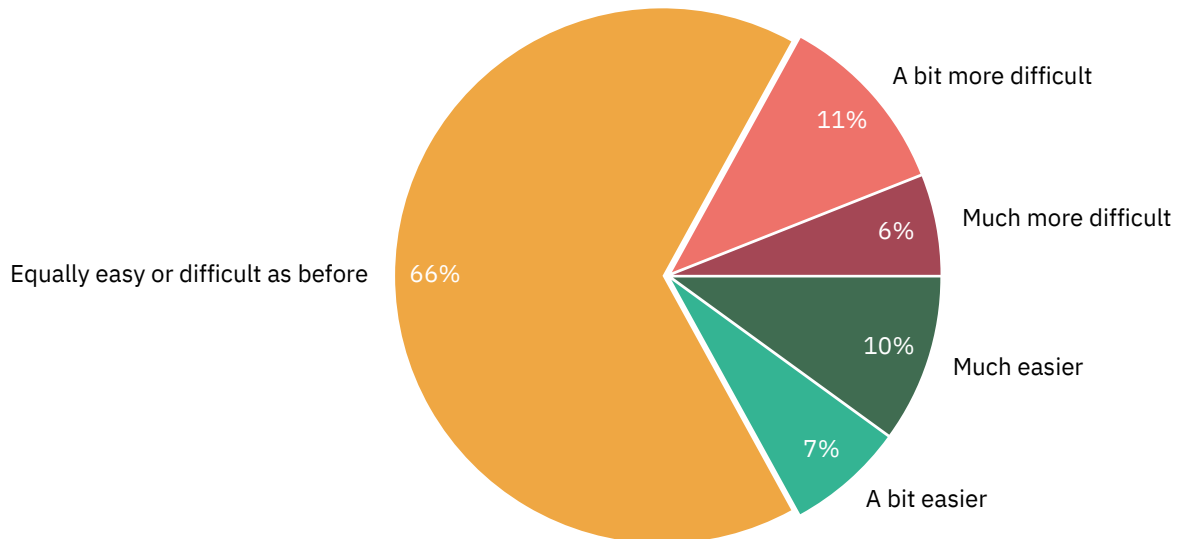


Figure 8: Respondents' assessment of how difficult it is for them to attend to private (non-work) errands for one or two hours in their main job, since their working time was reduced.

Source: Alda and Autonomy analysis of employment survey by University of Iceland's Social Science Research Institute.

However, it appears that respondents did not think that shorter working time had made it easier to do such short errands. Figure 8 shows that 66% thought it was just as easy as before, with 17% of the respondents thinking it had become both easier or more difficult respectively.

On the whole, how well or badly do you think you can balance work and private life?

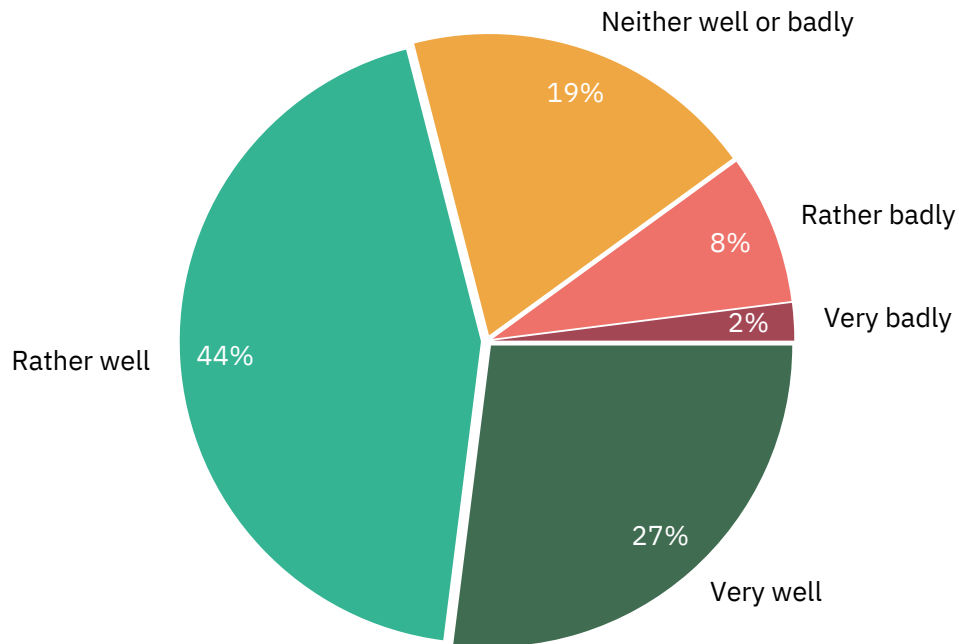


Figure 9: Respondents' assessment of how well they can balance their work and private life.
Source: Alda and Autonomy analysis of employment survey by University of Iceland's Social Science Research Institute.

Turning to how well workers are able to balance their work and private life, Figure 9 shows that a significant majority (71%) felt that they could do so well in the years since the shift to shorter working hours.

How often in the last 12 months have you felt that due to your main job, you are too tired to enjoy private life?

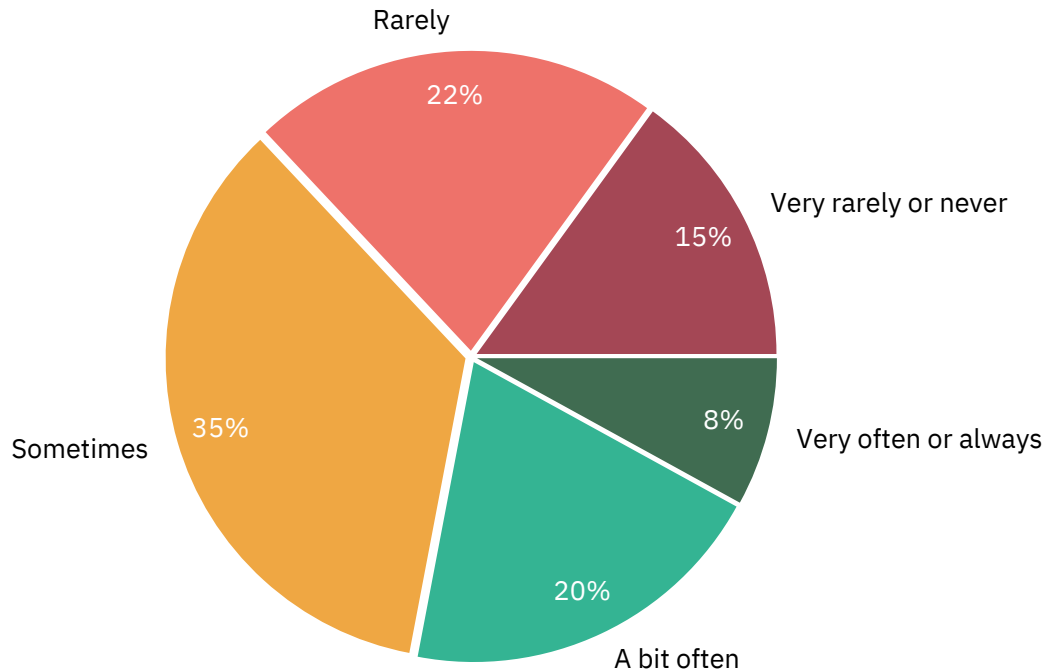


Figure 10: Respondents' assessment of how often, because of their main job, they have been too tired to enjoy their private life.

Source: Alda and Autonomy analysis of employment survey by University of Iceland's Social Science Research Institute.

Nevertheless, 28% of respondents felt that, because of their main job, they were too tired to enjoy their private life, as Figure 10 shows.

Certain occupations showed higher incidence of tiredness due to work. These were in teaching and education (37%), and care work (42%). There were signs of the same in health care and social work (31%). Women were slightly more likely than men to say that it was easier to balance work and private life compared to before (57% compared to 45%).

How often in the last 12 months have you felt that due to your job, you cannot enjoy time with your family?

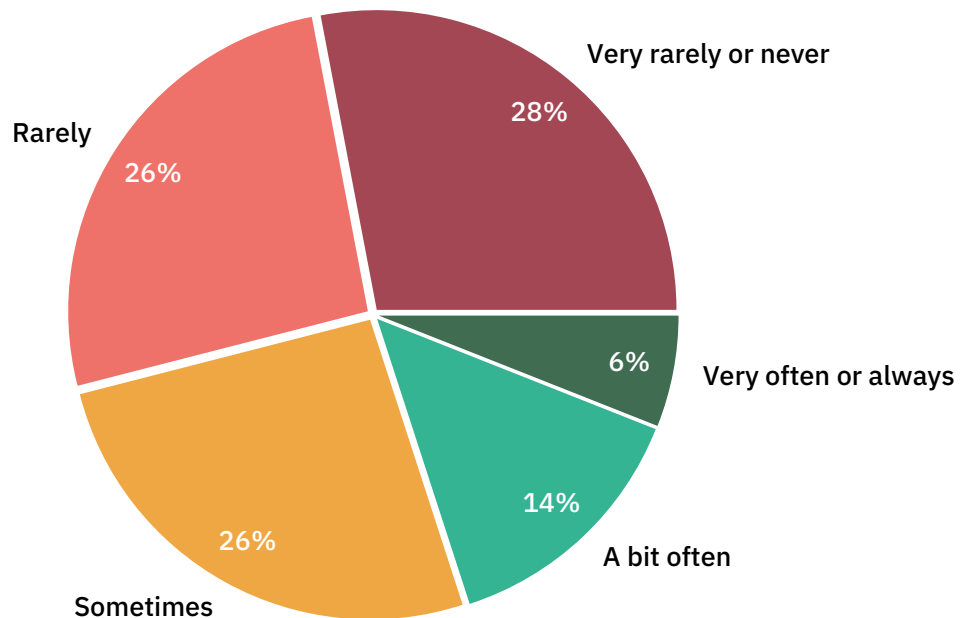


Figure 11: Respondents' assessment of how often, due to their job, they cannot enjoy time with their family.

Source: Alda and Autonomy analysis of employment survey by University of Iceland's Social Science Research Institute.

Figure 11 shows that negative effects on family life were less pronounced, with 20% of respondents saying that due to their job they often cannot enjoy time with family, while a majority (54%) indicate that this happens rarely.

Workers in the private sector were more likely to say that family time was impacted due to work, at 23%, compared to 15% of state workers and 16% of municipal workers. There was no material difference between women and men, although in workplaces where men were predominant, respondents were more likely to indicate impact due to work (21% vs. 17%).

Specific sectors showed differences to the average: workers in food processing were more likely to say that family time was impacted due to work (27%), as were workers in transportation and machine works (33%), hotel and hospitality (32%), and fishing and farming (45%).

Do you think that shorter working time has had an impact on the balance of work and private life?

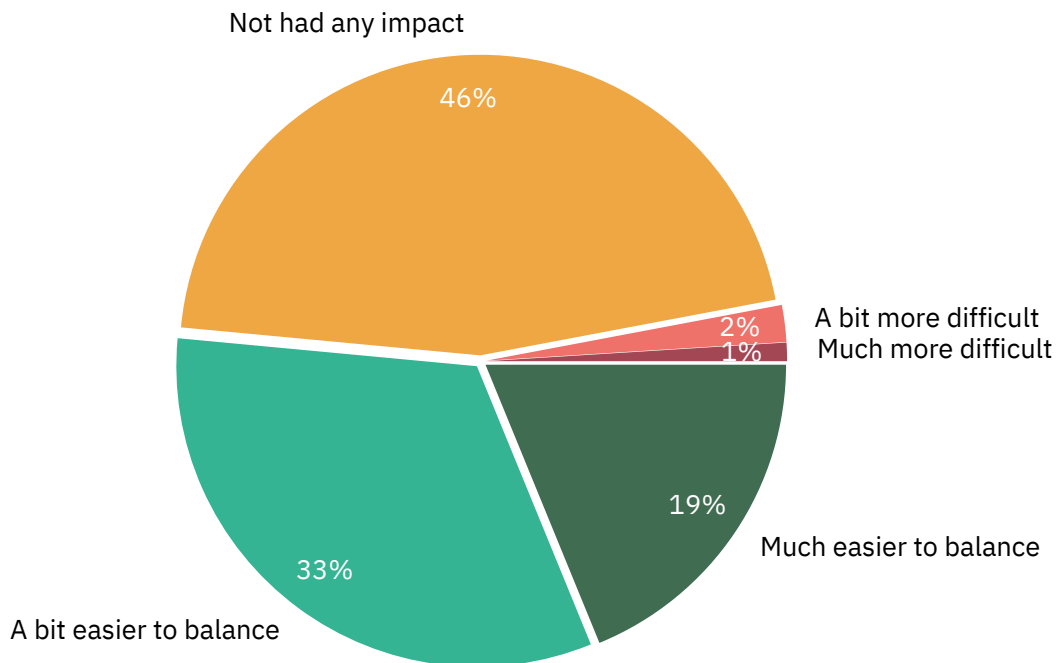


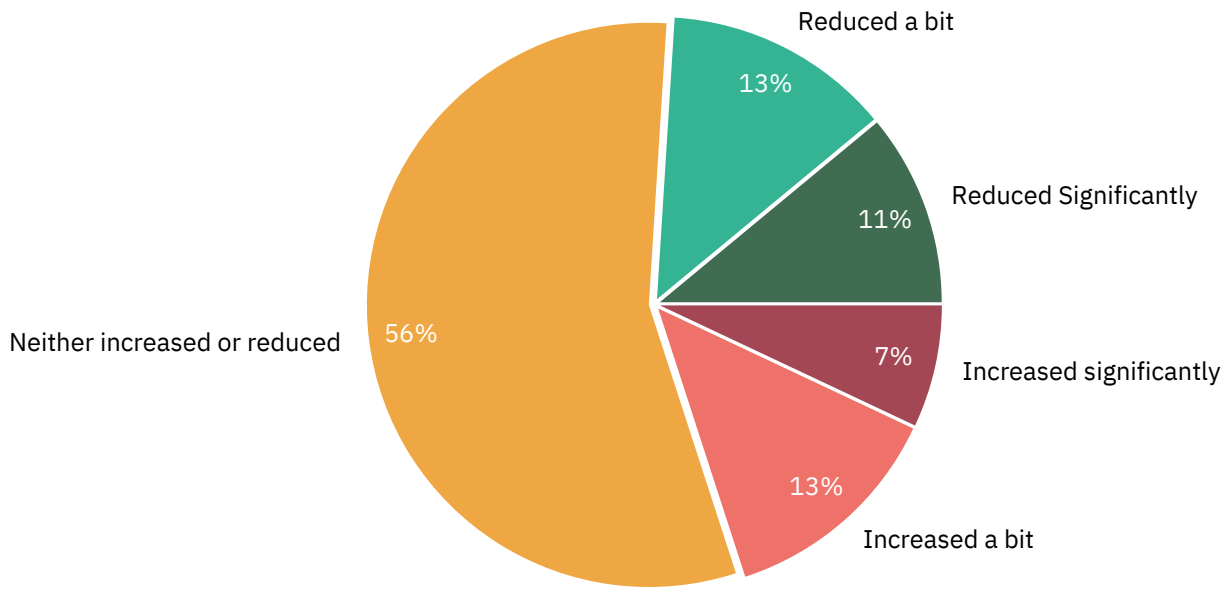
Figure 12: Respondents' assessment of the impact of shorter working time on balancing work and private life.

Source: Alda and Autonomy analysis of employment survey by University of Iceland's Social Science Research Institute.

Following the implementation of a shorter working hours, 52% thought it had improved, and 97% overall found that the new system had either made balancing work and private life better, or kept it the same as before (with a majority, 52%, suggesting it had improved it). As such, we might think that even if issues of work intruding on private life continue within a shorter hours system, for a majority of workers, reduced time has nevertheless improved their situation.

Workers in the public sector were more likely to indicate that the reduced working time had made it easier to balance work and private life, with 61% of state workers and 55% of municipal workers saying so, while 42% of private sector workers agreed.

Has reduction of work time increased or reduced stress at work?



*Figure 13: Respondents' assessment of the impact of shorter working time on stress at work.
Source: Alda and Autonomy analysis of employment survey by University of Iceland's Social Science Research Institute.*

Looking more specifically at stress, Figure 13 shows that 56% of respondents felt that shorter working hours had had no impact, with slightly more (24%) thinking it had reduced stress, than the 20% who felt it had actually increased stress in their job.

Has the reduction of work time increased or reduced stress in your private life?

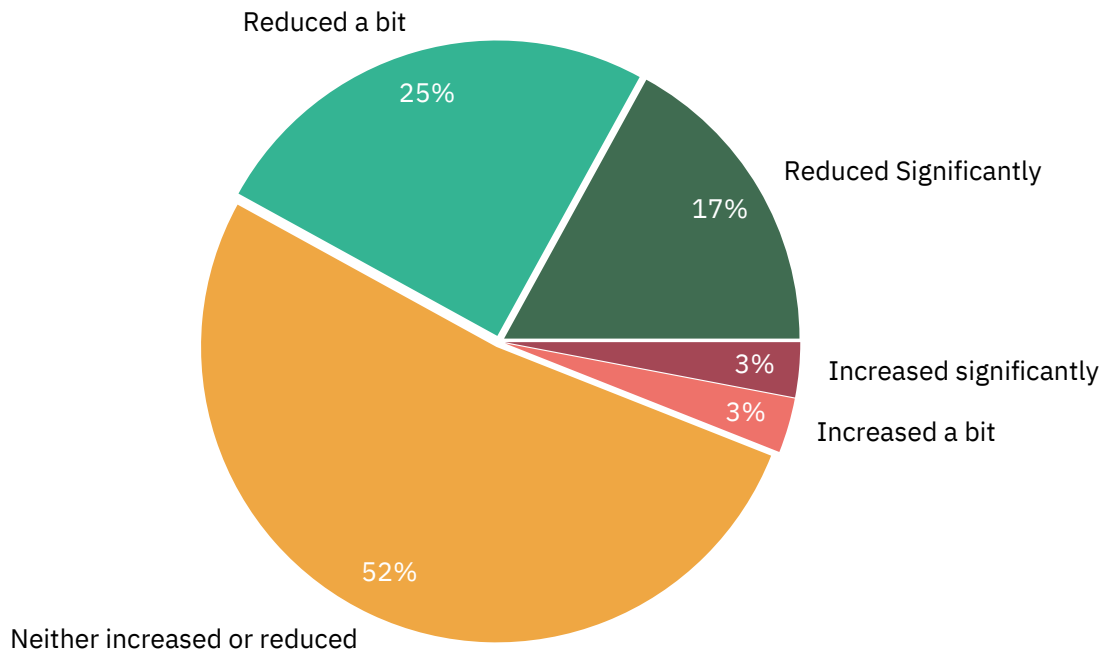


Figure 14: Respondents' assessment of the impact of shorter working time on stress in their private lives.

Source: Alda and Autonomy analysis of employment survey by University of Iceland's Social Science Research Institute.

However, shorter working time appears to have had more of a positive impact on stress in their private life, with 42% of workers surveyed saying the reduction in work time had reduced stress in their private life, against 6% who said it had increased.

Iceland's economy with shorter working weeks



Iceland's economy with shorter working weeks

Following the widespread adoption of shorter working weeks, Iceland's small but dynamic economy has remained resilient, with low unemployment rates and strong growth bolstered by abundant renewable energy and a strong tourism sector. It does, however, face high interest rates compared to other advanced economies (which have now started to fall), as well as challenges for its aluminium exports due to falling global metal prices.

Gross Domestic Product (GDP) Growth

Iceland's GDP has grown steadily over the past few years, recovering from the effects of the Covid pandemic. In 2023, the economy experienced a growth rate of approximately **4.1%**, driven by robust tourism, fisheries, and other exports.

Tourism remains a major contributor to the Icelandic economy. Post-pandemic recovery has been significant in tourist arrivals. Foreign tourist revenue **grew 31% from 454.5 billion ISK in 2022 to 597.7 billion ISK in 2023**, with Q4 alone rising from 98 billion to 110 billion ISK.¹⁹

19 Statistics Iceland (2024) 'Tourism short-term indicators in March'. Available at: <https://www.statice.is/publications/news-archive/tourism/tourism-short-term-indicators-in-march-2024/#:~:text=Revenue%20from%20foreign%20tourists%20during,to%20597%2C7%20billion%20ISK.>

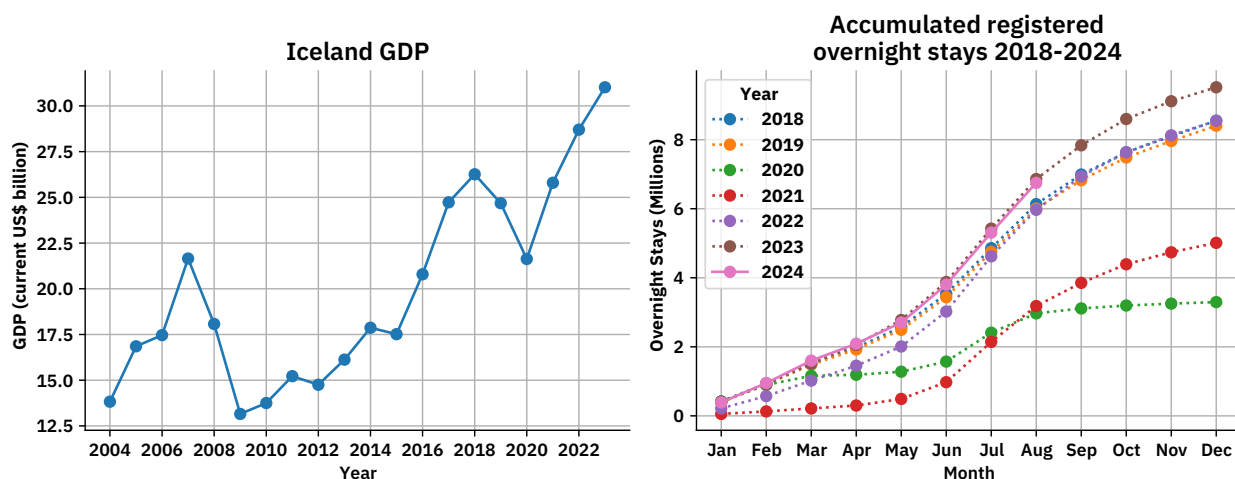


Figure 14: Iceland US\$ GDP (2004–2023) and accumulated registered overnight stays per month (from Jan 2019 to Aug 2024).

Source: Autonomy calculations using World Bank Data²⁰ and Statistics Iceland.²¹

Iceland's economy shows steady GDP growth despite fluctuations. Tourism, impacted by the pandemic in 2020 and 2021, has rebounded strongly, with accumulated overnight stays rising sharply in 2023 and 2024, surpassing previous years and signalling a robust recovery in the sector.

Unemployment Rate

Iceland enjoys a low unemployment rate, which is a strong indicator of the economy's vitality. As of 2023, the unemployment rate stands at 3.6%, one of the lowest in Europe. This reflects a strong labour market and high demand across various sectors.

Labour productivity

According to the Committee on Labour Market Statistics publication this spring, labour productivity in Iceland has increased by 1.5% a year on average the last five years, the highest of the Nordics.²² This is a potential break with the past, where productivity was lower in Iceland than neighbouring countries.

20 World Bank (2024) 'Iceland'. Available at: <https://www.worldbank.org/en/country/iceland>

21 Statistics Iceland (2024) 'Overnight stays in August 2024'. Available at: <https://www.statice.is/publications/news-archive/tourism/overnight-stays-in-august-2024/>

22 Committee on Labour Market Statistics [Kjaratölfræðinefnd] (June 2024). Kjaratölfræði - vorskýrsla 2024.

Trade Balance

Iceland maintains a balanced external trade, with exports, particularly from fisheries and energy intensive metals such as aluminium production, slightly outpaced by imports.

Ongoing challenges

Late 2023 volcanic eruptions close to the town of Grindavík have disrupted tourism and displaced around 1% of Iceland's population, adding short-term risks to the economy.²³ Inflation has remained high in Iceland,²⁴ driven mostly by the housing market.²⁵

Overall, the Icelandic economy has remained strong post-reduction of working weeks in the country.

23 The New York Times (2024) 'Iceland Scrambles to Shelter Residents Made Homeless by Volcanic Eruption'. Available at: <https://www.nytimes.com/2024/01/18/world/europe/iceland-volcano-housing.html>

24 The Central Bank of Iceland (n.d.) *Verðbólga*. Available at: <https://www.sedlabanki.is/annad-efni/verdbolga/>

25 Statistics Iceland (n.d.) *Hlutfallsleg skipting og áhrifaþættir vísitölu neysluverðs*. Available at: <https://px.hagstofa.is:443/pxis/sq/022b5b08-3fce-40d4-8b5d-1641ddb68c83>

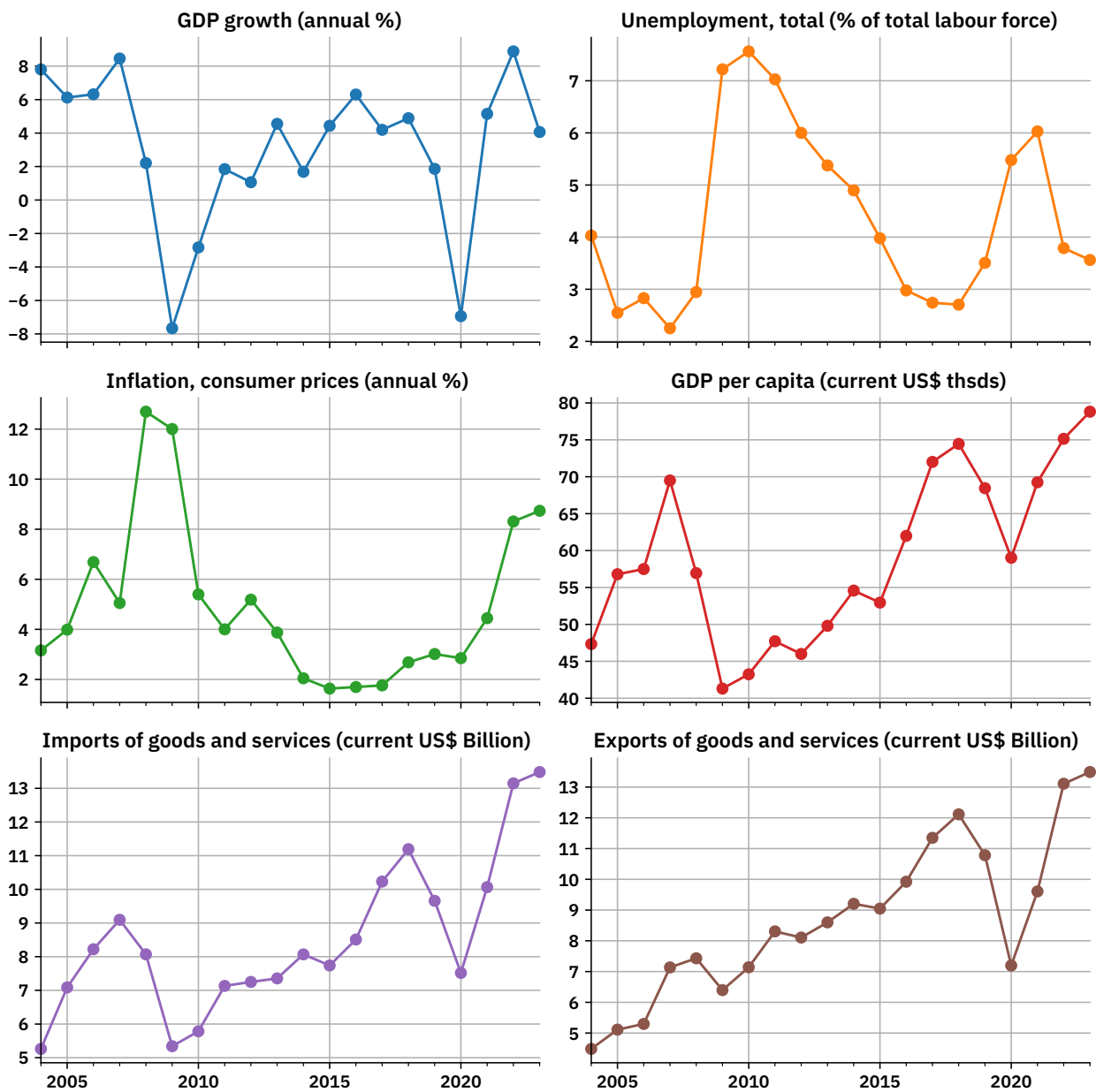


Figure 15: Icelandic main economic indicators over time (2005–2023).
 Source: Autonomy Institute calculations using World Bank data.

Iceland’s economy shows resilience and growth despite fluctuations. GDP per capita has steadily increased, while both imports and exports have trended upward. Unemployment peaked after the 2008 crisis but has since improved. Inflation, though volatile, is on the rise again, signalling economic activity. Overall, Iceland’s economic indicators reflect a recovery and ongoing growth trajectory.

Conclusion



Conclusion

Analysis of this latest survey data offers new insight into the longer term progress of shorter working hours in Iceland, following the widespread adoption of shorter working hours in the country. Reduced working time is widespread – 59% have been offered reduced working hours, and hours of work have gone down – while 62% of workers who have adopted shorter hours are more satisfied with their work time afterwards. Satisfaction with working time is high, according to the survey. Furthermore, international comparison shows that hours of work have reduced considerably across the course of the last decade and now stand closer to the other Nordic countries.

Given that reductions in working time in the private sector were smaller than those it was the public sector unions which predominantly guaranteed larger reduction of hours for their members and uptake was higher in the public sector, these achievements are impressive.

The effects on workers, according to their own responses, are clear: shorter hours have helped to balance work with participant's private lives, with 42% feeling that they have helped decrease levels of stress in private life. Work and private life are in better harmony, which was the main goal of the new reduced hour contracts, with 97% of respondents to the survey thinking that work-life balance had either improved or remained the same as before, with the majority thinking it had improved. A majority of workers can do private errands while at work. Stress at work, on the whole, seems not adversely impacted.

The contracts also had the goal of reducing the difference in working hours between women and men, and there is good indication here as well of success: women were more likely to say that work-life balance was enhanced. Also, supporting this, women were more likely to be able to make use of reduced hours. It is thus clear that the main aims of the contracts have been achieved.

Nevertheless, the Icelandic working-time reduction programme has sometimes been criticised by employer associations on grounds of their apparent financial impact and expense. However, early added costs due to the reduced work-time by the whole public sector in 2022 are estimated to be no more than 0.11% of the total budget: a small sum in the context of increased quality of life for thousands of workers.²⁶

Labour productivity in Iceland has increased the most of the Nordics in the last five years. This is noteworthy as critics of the reduced hours initiative repeatedly claimed productivity would not increase in relation to reduced hours. A likely cause of this change is re-organization of work and better organised shifts, strategies meant to prepare for the reduction of hours, but also widespread consultation on the implementation of reduced working time. The economy has remained strong post reduction of working time.

Future directions

The benefits to workers, their family and social lives from reduced work time is clear from both the evidence outlined here and from the trials conducted in 2015–2019, where these effects were noted by workers at the time.²⁷ There is thus clear grounds for continued reduction of hours to increase quality of life in Iceland. The basic framework used to drive the reduction – education, consultation, follow-up – has proven successful and can be of value going forward, but also to others outside of Iceland.

Although the reduction of working time has proven very successful, there are three areas discernable from the data provided in this study where improvements are clearly needed, and those should be in focus for the continued reduction of work time in Iceland.

The first area is the private sector in general. Although some of the sector's contracts stipulated reduced hours for workers, it is clear this has not taken place in a satisfactory manner to many workers. In this sector, hours of work tend to be longer, satisfaction with working time tends to be slightly less, increases in satisfaction with work time after reduction were less, and work-life balance less favourable. Also the private sector was less likely to offer workers reduced hours and consult with them on the process.

26 Stjórnarráðið (2021) 'Frumvarp til fjárlaga 2022': 124-5. Available at: <https://www.stjornarradid.is/library/01--Frettatengt---myndir-og-skrar/FJR/Fj%c3%a1rlagafrumvarp%20fyrir%20%c3%a1ri%c3%b0%202022.pdf>

27 The Autonomy Institute (2021) 'Going Public: Iceland's Journey to a Shorter Working Week'. Available at: <https://autonomy.work/portfolio/icelandssww/>

All of this is very likely to have happened because the sector did not participate in work-time reduction to the same extent as the public sector. There is thus clear opportunity for the private sector to change direction in the next negotiation round, and learn from the public sector. This, based on the experiences iterated here, is very likely to provide large benefits to private sector workers and their families, but also companies in the form of more engagement and productivity.

Reduced hours in the private sector, but also the whole economy generally, would have a secondary, positive impact on playschools, which are often understaffed and where workload is often high. Reduced hours in the private sector would enable children to leave playschool earlier and thus the total length of the workday would be shorter for staff – children would also have more time with their parents and siblings as a result.

The second area is workers who often work very long hours – 51 or more per week, a proven health hazard.²⁸ This group, whose hours are much longer than the rest of society, works mostly in the private sector, and is embedded in the hotel and hospitality industry, transportation, machine works, fishing, farming and food processing. Workers in these sectors – more often men – experience reduced ability to spend time with their families and very probably less ability to enjoy social life. Furthermore, this group was less likely to be offered a reduction of hours, and is less satisfied with their work time. Full engagement in future reduction by the private sector would help workers working long hours tremendously in balancing work with other aspects of life and increase quality of life, and it is fully worth considering special measures for this group due to how long their hours tend to be.

The third area is within the health, social and educational sectors. Workers in these sectors – many or most of whom are employed by the state and municipal governments, disproportionately women – work under high workload, and are more often too tired to enjoy private life than others due to work. There is also slightly less satisfaction with working time in these sectors and exhaustion due to work is more likely. Although women saw many positive improvements due to the contracts and reduced hours – they are more satisfied with their reduced hours, and were more likely to make use of it – it is clear that workers in these sectors can benefit from better staffing to relieve workload and stress.

28 Wong, K., Chan, A. H. S., & Ngan, S. C. (2019) 'The Effect of Long Working Hours and Overtime on Occupational Health: A Meta-Analysis of Evidence from 1998 to 2018'. *International journal of environmental research and public health*, 16(12), 2102. Available at: <https://doi.org/10.3390/ijerph16122102>

This is imperative, because not only would this help the workers but also it is foreseeable that these sectors will see more pressure due to demographic change (higher life-expectancy, increased number of refugees in the world). For these sectors to be sustainable in terms of workforce, society needs to contribute more to them.

On the whole, Iceland should utilise more of increased future productivity towards reducing working time. The benefits of doing so are very clear in terms of increased quality of life, more favourable work-life balance and so forth. The social value is thus very high. The private sector needs to reduce hours further, building on experience in the public sector and trials of four-day week internationally – many of whom are in the private sector. The public sector needs better staffing in sectors that remain and will be under high workload. For these sectors, this will make work and staffing more enjoyable, sustainable and provide higher value to workers.

In sum, this preliminary release of data suggests that support for shorter working time is now embedded within Iceland's workforce, following the groundbreaking trials which began almost a decade ago. Rather than a 'flash in the pan', a shorter working week appears to still be delivering for its workers. There are also clear indications for future directions within Iceland and learnings for other countries aiming to do the same.



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