



Iceland: gender responsive budgeting to address the economic crisis

This island of 330,000 inhabitants experienced the full brunt of the 2008 economic and financial crisis. However, since then, it has witnessed a “spectacular recovery”¹ with 6% GDP growth forecast for 2017, general government debt reined in at 35% of GDP, a slight fiscal surplus of 1.7% and almost full employment. One of the initiatives to address the crisis was the rollout of gender responsive budgeting (GRB).²

A GRB approach³ analyses whether financial resources are collected (notably through taxes or levies) and distributed (in the form of subsidies, capital expenditure, operating expenditure for services, etc.) in ways that increase or decrease gender inequality. In terms of fiscal policy, this involves targeting tax reductions or replacing household-based taxation by individual taxation in order not to penalise women. On the spending side, GRB results in policies aimed at supporting the supply of female labour (via paid parental leave, subsidised childcare, and public subsidies for companies to boost hiring of women). This gender approach should be included in every stage of the budgetary cycle: setting up indicators with data per gender, including gender as a bargaining criterion, and specific budget allocations. IT systems should be adapted so that they can produce reports that include gender-based data. Lastly, impact studies and *ex post* audits can be carried out in order to measure the effect of the budgetary measures on gender inequality.⁴

The history of gender responsive budgeting

In 1984, Australia implemented the first GRB in the world. The UK followed suit in 1989, with the Women's Budget Group (WBG), which studies the gender-equality impact of taxes and budgetary transfers. In Canada, the Women's International League for Peace and Freedom was behind a 1993 initiative to incorporate gender into fiscal policy. Only in 1995 did gender responsive budgeting receive international recognition, at the UN's World Conference on Women in Beijing.⁵

At present, more than one hundred countries have adopted GRB, to varying degrees. According to a 2016 OECD survey, in nearly half the OECD countries (15 out of 34), GRB has been introduced (Austria, Belgium, Finland, Iceland, Israel, Japan, Mexico, Netherlands, Norway, South Korea, Spain and Sweden), is being introduced (Italy) or is in the planning stages (Czech Republic and Turkey).⁶ All initiatives launched to date worldwide point to the conclusion that equality between men and women contributes to economic growth and citizens' wellbeing.⁷

¹ <https://www.tresor.economie.gouv.fr/Ressources/File/438204>

² <http://www.beigewum.at/wordpress/wp-content/uploads/Iceland.pdf>

³ According to the Council of Europe's definition (2005), “Gender budgeting is an application of gender mainstreaming in the budgetary process. It means a gender-based assessment of budgets, incorporating a gender perspective at all levels of the budgetary process and restructuring revenues and expenditures in order to promote gender equality.”

⁴ <https://www.imf.org/en/Publications/Policy-Papers/Issues/2017/05/12/pp041917gender-budgeting-in-g7-countries>

⁵ <https://rm.coe.int/1680596144>

⁶ <https://www.oecd.org/gender/Gender-Budgeting-in-OECD-countries.pdf>

⁷ <https://www.oecd.org/gov/budgeting/gender-budgeting-experts-meeting-2017-agenda.pdf>

Iceland, world champion in gender equality

Iceland, which *The Economist* ranks as the best country in the world for working women,⁸ was also No. 1 in the World Economic Forum's Global Gender Gap Index in 2016, for the eighth year running.⁹ This confirms its lead in women's participation in politics and the economy, thanks to a rising number of women legislators, senior officials and managers.¹⁰ This is not a new trend; it corresponds to a long tradition of promoting gender equality. In 1850, women received the same inheritance rights as men.¹¹ In the early 20th century, several major changes occurred: Reykjavik City Council had its first women city councillors in 1908, women gained the vote in 1917, and the first woman MP was elected in 1922. In 1980, Icelanders elected Vigdís Finnbogadóttir, the world's first woman president.¹²

Iceland also stands out with a very high labour force participation rate for women (77.6%), childcare facilities for 90% of children aged 1 to 5, and a three-month parental leave reserved for fathers and not transferable. Lastly, the Act on Equal Status and Equal Rights of Women and Men (2008) insists on the importance of using statistics by gender.¹³

Gender responsive budgeting: a measure to tackle the economic crisis

The first pilot project for introducing gender responsiveness into the budgetary process came during a Nordic cooperation project in 2006.¹⁴ Although this first project was not continued, the idea reappeared in 2009 after the economic crisis and the arrival of a new coalition (Social Democratic Alliance and Left-Green Movement), which stated: "Gender budgeting will be a key concern in budget preparation and economic policy".¹⁵ Each ministry was tasked with setting up a pilot project. Among these 17 projects: an analysis of the transferability of individual tax reductions between members of a couple (Ministry of Finance); research on the status of Icelandic household debt (Ministry for Foreign Affairs); and analysis of the gender breakdown of unemployment benefits and hospital waiting lists (Ministry of Welfare).

In 2011, a working group was appointed to measure the impact of the economic crisis on gender equality. Sharp cuts in public sector budgets had greater effects for women than for men.¹⁶ These cuts increased unemployment of women, as the civil service employs a high proportion of women. Also, a reduction in the parental leave allowance discouraged men from taking parental leave. Thus, the same year, the government approved a three-year plan to improve the budget's impact on gender equality.

A new organic budget law targeting women

These first measures highlighted some initial orientations in terms of fiscal policy.¹⁷ For example, women were disadvantaged for farm subsidies, waiting lists for cardiac imaging, and availability of retirement home places. Corrective measures added to the budget act improved this situation. Then, in 2015, the Icelandic Parliament's Budget Committee changed income tax legislation. Firstly, the number of tax bands was reduced from three to two, and in couples filing jointly, the higher earner (generally a man) can no longer benefit from the unused tax credit of the lower earner, as this measure was deemed discriminatory against women.¹⁸ Lastly, Article 18 of the new organic budget law passed in 2016 introduced the principle of gender budgeting and equality.¹⁹ Other administrations followed suit: Reykjavik City²⁰ and the University of Iceland.²¹

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8 <https://www.economist.com/blogs/graphicdetail/2016/03/daily-chart-0>
9 <http://reports.weforum.org/global-gender-gap-report-2016/top-ten/>
10 https://www.staticis.is/media/50333/women_and_men_2017.pdf
11 <https://www.womenpoliticalleaders.org/why-is-iceland-the-world-s-global-leader-in-gender-equality/>
12 https://www.althingi.is/pdf/wip/Gender_Equality_in_Iceland_2012.pdf
13 http://garciaproject.eu/wp-content/uploads/2015/01/Gudmundsdottir_Reykjavik_August_2014.pdf
14 https://eng.fjarmalaraduneyti.is/media/utgafa/GB_in_Iceland_Fact_Sheet2012.pdf
15 <https://www.imf.org/external/pubs/ft/wp/2016/wp16155.pdf>
16 <http://www.nordregio.se/en/Metameny/Nordregio-News/2013/Gender-Equality-for-Regional-Growth/Reflection/>
17 <https://books.google.fr/books?id=hAs0CgAAQBAJ&pg=PA15&lpg=PA15&dq=gender+budgeting+Iceland&source=bl&ots=xBmCBVBoh&sig=hNBnmCfTAVgQG0ps41VHIVU0z9c&hl=fr&sa=X&ved=0ahUKEwidj7K2pO3WAhUFZFAKH4UAI0Q6AEIZDAI#v=onepage&q=gender%20budgeting%20Iceland&f=false>
18 <https://www.oecd.org/gender/Gender-Budgeting-in-OECD-countries.pdf>
19 <https://www.pempal.org/sites/pempal/files/attachments/2017-08-23/d1-pm-session-4-herdis-solborg-haraldsdottir-iceland.pdf>
20 http://reykjavik.is/sites/default/files/gender_budgetin_reykjavik.pdf
21 <http://www.irpa.is/article/view/a.2016.12.1.9>