



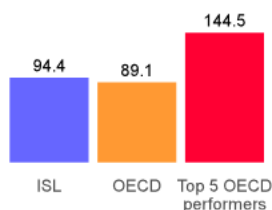
## Performance gaps

## Recommendations

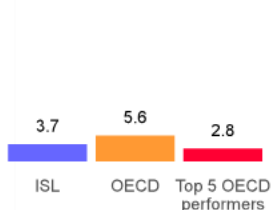
### Product and labour markets functioning

- Barriers to entry are high for both domestic and foreign firms, hampering sound competition.
- Considerable administrative burdens for new companies protect incumbents and restrict the entry and growth of innovative start-ups.
- Regulation of professional and personal services is also relatively restrictive. Many activities require multiple professional designations, compounding the burden on professional entrants, especially in tourism and construction.
- Reform the regulatory framework in the tourism and construction sectors to facilitate entry of new and innovative firms.
- Ease or remove stringent occupational licensing to facilitate access to professions.
- Increase openness by easing restrictions on foreign-owned companies, public procurement, and auditing.

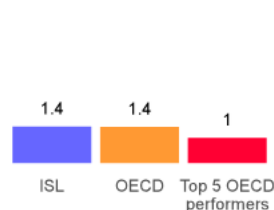
**Labour productivity**  
GDP per employee, USD  
2022



**Unemployment rate**  
%, 2022



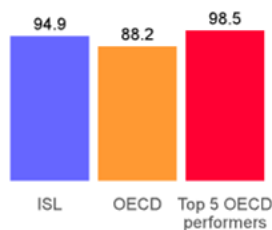
**Product Market Regulation**  
**Economy-wide**  
From least to most restrictive  
Index of 0-6, 2018 or latest available



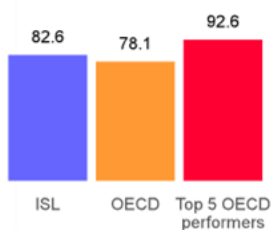
### Digital transition

- Iceland has an excellent digital infrastructure, with the fibre network ranking at the top of European countries. However, digital uptake of firms, especially small ones, often remains weak, partly because the education system provides relatively few digital skills.
- The scope of digital government lags the OECD.
- Foster digital skills by broadening education programmes at the secondary and tertiary level, particularly in vocational education and training.
- Strengthen collaboration between research and businesses, including specific programmes that connect smaller firms with researchers.

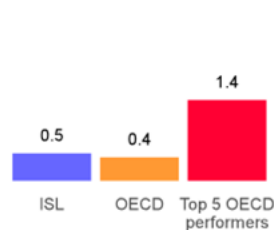
**Households with broadband Internet access at home**  
%, 2021 or latest available



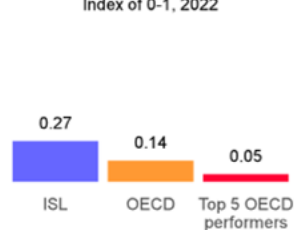
**Businesses with a website or home page**  
%, 2021 or latest available



**Business R&D expenditure in information industries**  
% of GDP, 2019 or latest available



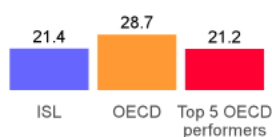
**OECD Digital Services Trade Restrictiveness Index**  
From least to most restrictive  
Index of 0-1, 2022



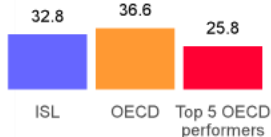
### Inclusiveness, social protection, and ageing

- Iceland has the most equal income distribution in the OECD thanks to highly equal wages and a well-targeted tax and social benefit system. However, marginal tax rates for low- and middle-income earners are high. The large difference in working hours between men and women brings about a considerable gender wage gap.
- Spending on disability is high.
- Reduce high marginal tax rates on second earners, often women, for instance by moving towards a universal child benefit.
- Continue the reform of the disability benefit system, putting emphasis on returning to and remaining in work.

**Mean poverty gap after taxes and transfers**  
Line at 60% of median disposable income  
2021 or latest available



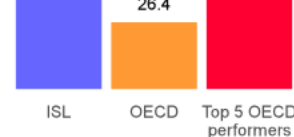
**Impact of socioeconomic background in PISA reading score**  
%, 2018



**Strength of redistribution**  
Differences in Gini coefficients between market & disposable income relative to coef. on disposable income  
%, 2021 or latest available



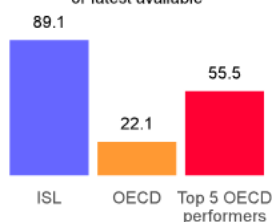
**Income levels provided by cash minimum-income benefits**  
% of median disposable income, 2021 or latest available



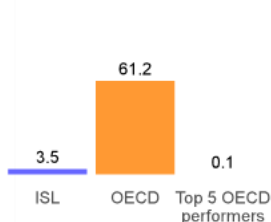
### Climate transition

- Although Iceland relies far more on renewable energy than any other OECD country, greenhouse gas emissions are above average and hardly declining. Carbon pricing is above the OECD average, but geothermal energy generation and agriculture are exempt. Investment in research and development and in low-carbon infrastructure is relatively weak.
- Submit all sectors outside the European emission trading system to carbon pricing, considering interactions between carbon taxes and emissions trading.
- Step up spending on low-carbon transport infrastructure, energy transition and digital transformation.

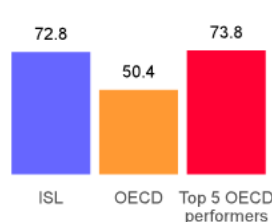
**Share of renewables in the energy mix**  
%, Average over 2019-21 or latest available



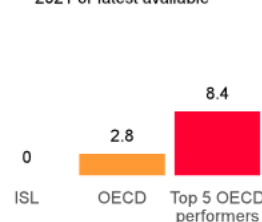
**Share of population exposed to more than 10 µg/m3 of PM2.5**  
%, Average over 2017-19



**Carbon pricing score**  
%, at EUR 30 per tonne CO2, 2018



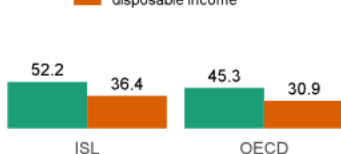
**Environmentally-related government R&D budget**  
% of total government R&D  
2021 or latest available



## Overall performance

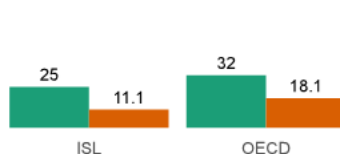
### Economy

Thousands USD per capita  
2022 or latest available



### Inequality and poverty

2021 or latest available



### Environment and climate

1 unit of GDP, 2021

0.25 GHG emissions  
0.24 (OECD)

**Welfare cost of premature deaths due to ambient particulate matter**  
% GDP equivalent, 2019





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Going for Growth

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