

The financial crisis in Iceland & the unfinished gender revolution?



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The Vikings went into banking



New Iceland - gender equality ?

- ⌘ Will the financial crisis trigger **gender revolution** or the creation of “New Iceland” (Nýtt Ísland) involving **gender equality** ?
 - ☒ The crisis is leading to large structural changes and the question is whether it will also involve fundamental change in power?
 - ☒ Political revolution underway as the **people** are demanding modifications to the constitution and even a new constitution.
 - ☒ Financial crisis lead in most cases to worsening social relations or greater (gender) inequality and poverty.
 - ☒ Icelandic women have mobilized and demanded gender equality involving equal representation of men and women and equal sharing and equal valuation of paid and unpaid work.



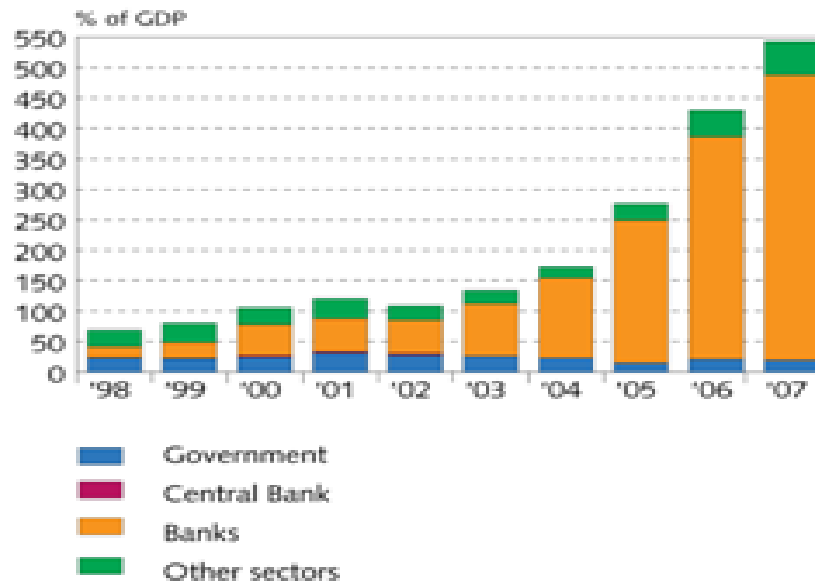
The largest bank collapse !

Chapter 8: Domestic and foreign debt



Chart 8.3

Estimated external debt by sector
1998-2007



Source: Central Bank of Ireland.

Gross government debt will be 138% of GDP in 2009

The economic impact

- ⌘ The bank collapse triggered a currency crisis that is still underway.
 - ⊞ In 2008, the value of the Isk. fell by 40% on average
 - ⊞ In 2009, the value of the Isk. is expected to fall by 23% on average

- ⌘ GDP in 2009 will contract by 10%
 - ⊞ 75% - 85% of firms technically bankrupt

- ⌘ Unemployment will rise to 10% in 2009.
 - ⊞ In October 2008, registered unemployment was 1.3%
 - ⊞ In January 2009, registered unemployment was 6.6%
 - ⊞ Men 7.5% and women 5.4%

- ⌘ 2 digit inflation rate in 2008 and 2009 (around 13%).
 - ⊞ Price indexed mortgage loans - 35% of households soon technically bankrupt.

Sources: Ministry of Finance, (2009) and Directorate of labour (2009)

IMF backed program in Iceland

⌘ The emergency loan(s):

- ⊞ IMF: 2.1 billion US\$
- ⊞ Others: 3 billion US\$ (Nordic countries, Russia & Poland)
- ⊞ Conditions:
 - ⊞ 1. Implement IFM economic program
 - ⊞ 2. Demonstrate commitment to solve the dispute around ICEsave/Edge

⌘ IMF economic program focus on:

- ⊞ 1. Currency stabilisation
 - ⊞ Currency stability the goal of monetary policy
 - Capital controls
 - Central bank interest rate up to 18%
- ⊞ 2. Bank restructuring
 - ⊞ New regulatory structure
 - ⊞ Recapitalize (The central bank and the 3 state-owned banks)
- ⊞ 3. Fiscal consolidation
 - ⊞ Extensive cuts or higher taxes due to large debt-servicing burden

Criticism of the IMF program

- ⌘ 1. Free floating currency instead of capital controls (right wing)
 - ⌘ IMF – undervaluation of currencies a problem after bank crash

- ⌘ 2. The IMF economic program is making the crisis worse:
 - ⌘ High interest rate to serve the need of (foreign) capital owners
 - ⌘ The private sector already technically bankrupt
 - ⌘ Many households will become bankrupt

 - ⌘ Contradictory policy aims
 - ⌘ Fiscal policy: Fiscal deficit only allowed in 2009
 - ⌘ Monetary policy: High interest rate

 - ⌘ Almost illiquid currency (Iskr)
 - ⌘ Keep Isk. - limits the size of the banking and corporate sector
 - ⌘ Unilateral adaptation of foreign currency – no lender of last resort
 - ⌘ EU membership and then EMU membership – takes too long time

Kitchenware revolution in Iceland – búsaáaldabyltingin



The social impact

⌘ 1. Inequality:

- ⊞ Rich investors and households :
 - ⊞ Better able to hedge in advance and run away
 - ⊞ More likely to receive compensation when bank bailouts occur

⌘ 2. Poverty:

- ⊞ More people suffer from non-employment, unemployment and under-employment
- ⊞ Large fall in real disposable income (14%)
- ⊞ Increase in cost of living (currency crisis)

⌘ 3. Wealth transfers:

- ⊞ From the poor to the rich – from the uninformed to the informed
- ⊞ From few domestic investors to even fewer domestic investors
- ⊞ From domestic investors to foreign investors

The gender impact

⌘ 1. Inequality:

- ☒ Women more likely to become, non-employed, under-employed, unemployed or precarious workers
 - ☒ Women at first in more protected jobs until budget cuts (Argentina)
- ☒ Men able to increase their hours of work (Asia)

⌘ 2. Poverty:

- ☒ Women suffer greater job losses than men
 - ☒ Younger women more than younger men
 - ☒ Older women more than older men
- ☒ Women less likely to have (full) right to unemployment benefits
- ☒ More women than men move out of the labour market
 - ☒ Lack of employment opportunities – black economy?
 - ☒ Need to provide welfare services that have been cut

⌘ 3. Wealth transfers (housing, capital, debt write off):

Social unrest in Iceland

⌘ Indebtedness of firms and households not tackled by IMF

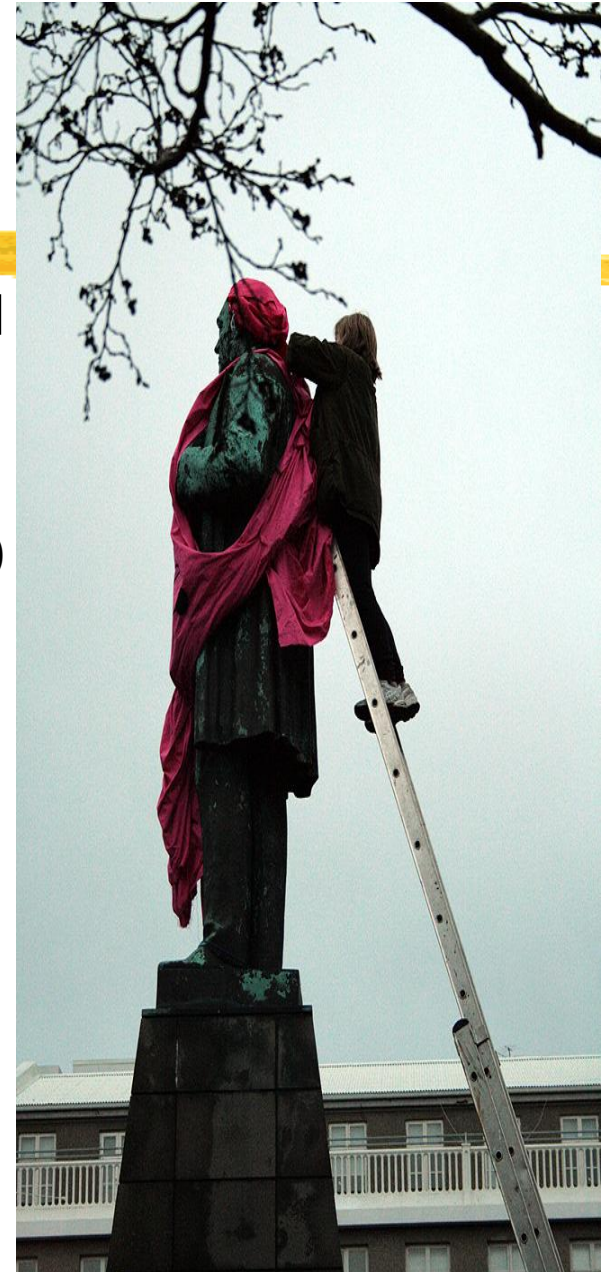
- ☒ Social policy measures focuses only on the most needy.
- ☒ Firms complain about lack of capital, high interest rate and strict bankruptcy law.

⌘ Poverty and inequality likely to increase in Iceland:

- ☒ Full access to deposits –capital owners compensated by the state
- ☒ Limited progressiveness of the tax system
- ☒ Price indexed housing loans and high real interest rate
- ☒ Voluntary pay decreases
- ☒ Low replacement rates of welfare benefits



Women's demands



⌘ The crisis is an opportunity to leave society based on women's secondary position:

- ⊞ Employment gap in 2007: **7.8%**
- ⊞ Gender pay gap in 2008: **27%** (**16%** if adjusted)
- ⊞ Gender divided labour market:
 - ⊞ Sectoral segregation (2008):
 - 50% of women worked in the public sector
 - 20% of men worked in the public sector
 - ⊞ Occupational segregation (2008):
 - 5.1% of women in management position
 - 13.8% of men in management position
- ⊞ Gender divided corporate sector (2007):
 - ⊞ Women 8% of board members in 100 largest companies of Iceland
- ⊞ Under-represented women in the Parliament (2007):
 - ⊞ Women 31.7% and men 68.7%

Women's emergency government



Neyðarstjórn kvenna

www.smugan.is

Gender revolution (closing of gender gaps)?

- ⌘ In October 2008, the government appointed 2 women (out of 3) CEOs of the 3 new banks.
 - ☒ In March 2009, only 1 female CEO of the 3 new banks
- ⌘ In October 2008, the government appointed 2 women (out of 15) as members of the Resolution Committees of the “old” banks.
- ⌘ A left wing government took over in January 2009.
 - ☒ The Prime Minister is a women for the first time
 - ☒ Equally as many men and women in the government.
- ⌘ In March 2009, 2 men appointed as Acting governor and deputy governor of the Central bank (replaced 3 men).
 - ☒ 1 women (out of 5) appointed to the monetary policy committee
- ⌘ New election on April 25th and women only 37% of candidates.

Gender impact of measures

- ⌘ 1. In 2009, the personal income tax rate was increased by 1.5% and the personal allowance was raised by 24%.
 - ☒ Women's employment more sensitive to tax rate changes than men's.
 - ☒ A rise in the personal allowance reduces the tax burden more at the lower end of the income distribution where more women tend to be placed.
- ⌘ 2. The unemployed can now participate in activation programs while receiving unemployment benefits (in-work-training, temporary full-time or part-time employment, work on one's own business plan or work within the non-profit sector)
 - ☒ These measures are beneficial for the unemployed and men especially.
- ⌘ 3. The government has now announced the creation of 4000 new jobs in construction, the energy sector, R&D, planting, etc.
 - ☒ 42% will be "female" jobs
- ⌘ 4. Budget cuts forced many public institutes to stop new recruitments.
 - ☒ Young women are the most affected.

Unfinished gender revolution

- ⌘ So far, the women's movement in Iceland has not managed to trigger off a **gender revolution**.
 - ☑ Men have been harder hit by the financial crisis than women
 - ☑ No man has resigned or been prosecuted for his part in the crisis
- ⌘ The women's movement has managed to undermine men's power
- ⌘ More positive attitudes towards women as risk-averse leaders and managers in politics and business
- ⌘ Equal representation of men and women in government
- ⌘ Gender revolution is still in progress:
 - ☑ The reasons for the bank crash must be made public
 - ☑ Those responsible (mostly men) must resign or be prosecuted
 - ☑ Quotas need to be adopted and used to break up power blocks

