Congress Document No. 4

Proposal of the Central Committee for a resolution on economic and social justice

The 47th Congress of ASÍ reiterates that the future of work and the labour movement cannot be separated from economic and social justice. In the coming years, technological and climate change, demographic change, and uncertainty in international affairs will have a major impact on jobs, living standards, and the position of workers. In such circumstances, the response of government, policy direction, and a robust regulatory framework are crucial to protecting public interest and workers' living standards.

The Congress reiterates that, in these circumstances, it is essential that economic and tax policy does not fuel inequality, widen the gap between those who have and those who do not, or reduce social mobility. In a period of rapid technological and climate change, it is more urgent than ever for government to ensure housing security for all, invest in welfare and strengthen social safety nets.

In recent years, inflation, high interest rates, and burdensome housing costs have put many households under pressure. The situation hits families with children, people on low incomes, indebted households and renters hardest. The idea that such economic challenges should be addressed through increased charges on households, curtailing the rights of unemployed people, restricting access to public services, or cuts to social transfer systems for families with children, renters and debtors is the wrong approach.

For almost four years, high policy rates have been applied aggressively in the hope of bringing down inflation. That policy has run its course and does nothing but squeeze families with children, debtors and renters, while capital owners benefit. The economic position of immigrants is poor, and there are signs of widening intergenerational inequality that will be difficult to reverse.

The ASÍ Congress emphasises that the goals of economic stability, lower interest rates and improved living standards will only be achieved if central government, local authorities and employers take responsibility. Businesses must contribute through responsible pricing, and government must protect the systems that support income security, labour market participation and equality.

The ASÍ Congress rejects any prioritisation that seeks to address economic challenges by placing greater burdens on workers, weakening rights and reducing public services. Such a policy can never provide a basis for consensus in the labour market.

Housing security is inseparable from workers' income security. For years, unacceptable conditions have prevailed in housing, with high house prices, high interest rates and a loosely regulated rental market making housing costs extremely burdensome for large groups of workers. Young people and ordinary workers are increasingly unable to enter the housing market, leaving many in the rental market, where rents have become unaffordably high and housing security is not guaranteed.

The 47th Congress of ASÍ recalls that having a roof over one's head is a fundamental prerequisite for a decent standard of living. Stability in the housing market and affordable housing costs are also prerequisites for moderate inflation and industrial peace. The Congress calls on central government and local authorities to take responsibility for housing and ensure much faster development of secure, affordable and non-profit housing throughout the country.

Housing development, strong social rights, robust public services and equal access to education and skills development are key challenges for the coming years. Without targeted action in these areas, it will become more difficult for people to build secure livelihoods, participate in society and respond to changes in the labour market. Such a development would fuel inequality, trap people in poverty and undermine value creation.

ASÍ priorities for economic and social justice

Economic affairs and public finances

- Workers should have a predictable economic environment and moderate interest rates.
- Public finance priorities must not lead to cuts, reduced access to public services or excessive charges.
- Overreliance on monetary policy instruments and a high-interest-rate policy fuels inequality and places a heavy burden on indebted households, younger age groups and families with children.
- Fiscal policy and the tax system should be used to reduce inequality, support monetary policy and protect the foundations of the welfare system.
- ASÍ rejects any expansion of user charges and flat-rate taxes, such as road tolls, tuition fees and charges for access to health and public services. Such charges fall most heavily on lower-income groups in society.
- The taxation of capital and capital income should be reformed with the aim of equalising the tax burden between workers and owners of capital.
- Targeted measures should be taken to reduce tax evasion and avoidance.

Housing

- Central and local government should take responsibility for housing and support the continued development of non-profit housing.
- Local authorities should be legally required to allocate a specified proportion of new homes to non-profit housing.
- The Rental Act should be reviewed and a rent controls introduced.
- Housing support should be reviewed with a view to ensuring that it primarily benefits lower-income groups, first-time buyers and those facing burdensome housing costs.

Public services

- Strong public services must be safeguarded as a cornerstone of living standards, equality, labour market participation and value creation. Essential services should be accessible regardless of income, place of residence or family circumstances. Strong social safety nets, unemployment insurance and universal access to education and training are essential to supporting a just transition and enabling workers to respond to social change.
- The unemployment insurance system should be reformed with the aim of increasing involvement, maintaining high labour market participation and improving access to labour market measures.
- Increases in fees imposed by central government, local authorities and public enterprises must not undermine workers' purchasing power or restrict access to essential services.
- The student loan system should be reviewed with a view to promoting equal access and ensuring affordable costs.

Report

Introduction

Historically, inequality has been low in Iceland. Social mobility has also been high here and in the Nordic countries generally. As a result, individual income and living standards are less determined by factors beyond people's control, such as gender, origin, or their parents' education and income. People in Iceland have therefore had greater opportunities than in many countries to improve their position and move up the income distribution.

There are many reasons for this. High labour market participation, broad collective bargaining coverage and strong social rights have contributed to one of the most equal income distributions in the Western world. Universal access to education, strong welfare systems, strong social safety nets and a redistributive tax system are among the factors that help equalise opportunities and support social mobility.

This position cannot, however, be taken for granted. In recent years, there has been a growing discussion of the social consequences of rising inequality and declining social mobility. In most OECD countries, the gap between the highest and lowest earners has widened over recent decades. The consequences are reflected not only in greater social instability, but may also reduce economic growth, value creation, and economies' capacity to generate value. Tax and social transfer systems play a key role in levelling people's circumstances through income redistribution and can also have a major impact on incentives to pursue education and participate in the labour market.

Equal opportunities, strong safety nets and universal access to childcare, parental leave, education and income protection following illness, accident or unemployment thus support high overall labour market participation and value creation[1].

Recent studies suggest that 15–35% of inequality can be traced to factors beyond individuals' control[2], such as where people are born, their parents' background, and gender. An example in the Icelandic context can be found in a survey by Varða – Labour Market Research Institute, which indicates that low-income workers increasingly must deny their children organised leisure activities and summer programmes. Single parents and low-income immigrants are in the worst position, with around 20–25% unable to pay for leisure activities or a full-time preschool place. A recent analysis by ASÍ and BSRB shows that this is caused not only by low incomes but also by people's position in the housing market, noting that around half of renters face burdensome housing costs. Renters also have less housing security.

Although Iceland has performed well in international comparisons of equality, this cannot be taken for granted in the future. The composition of the population has changed significantly in recent decades, in terms of age, origin and people's position in the labour market. Poor conditions in the housing market, weaker unemployment insurance, greater financial barriers to education and reduced access to childcare are factors that may, over time, undermine broad

[1] https://www.oecd.org/content/dam/oecd/en/publications/reports/2014/12/trends-in-income-inequality-and-its-impact-on-economic-growth_g17a2582/5jxrjncwxv6j-en.pdf
[2] See https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/09/to-have-and-have-not-how-to-bridge-the-gap-in-opportunities_f642138a/dec143ad-en.pdf

labour market participation, entrench poverty traps and widen the gap between those who have and those who do not.

More rapid technological change and adaptation to climate change make it even more important that transitions take place on workers' terms. The adoption of artificial intelligence and increased automation can create opportunities but can also lead to fewer jobs, insecure employment and weaker workers' rights. These developments raise pressing questions about how the gains from technological change are shared, how welfare systems will be financed in a society with fewer jobs, and how a society of equal opportunities can be maintained.

The future of work is therefore determined not only by technological progress or developments in business and industry, but also by how society safeguards workers' security, rights and opportunities. Economic and social justice is therefore a key prerequisite for ensuring that the transformations of the coming years lead to better living standards, a stronger labour market and sustainable value creation.

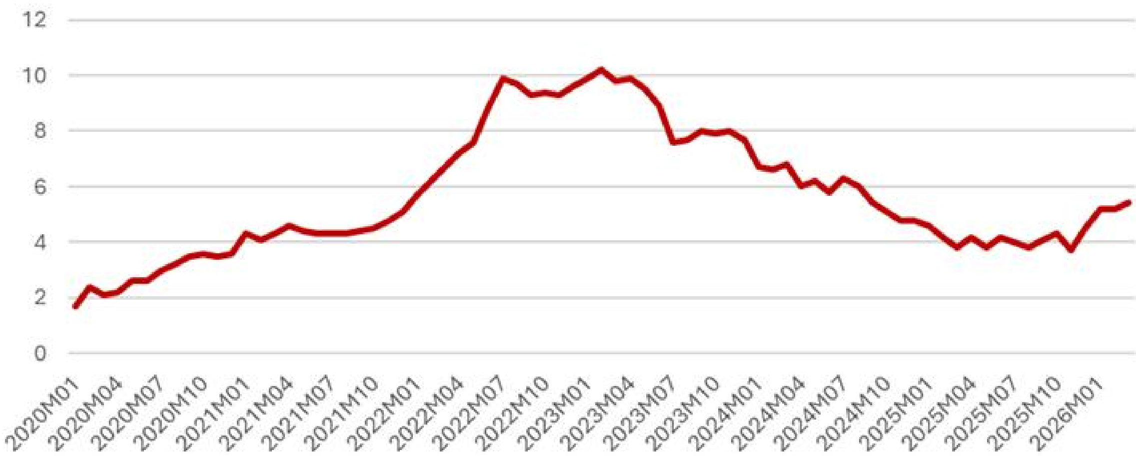
Economic affairs

The economic outlook is uncertain. Inflation has been above the Central Bank of Iceland's target since 2020, unemployment is rising, and there is a risk that external shocks, international uncertainty and high interest rates could result in a hard landing for the economy. In such circumstances, government economic policy must support households, labour market participation and social stability rather than shift the cost onto workers.

The finances of central and local government are under strain, and there is a risk that a weaker economic outlook will lead to greater restraint in welfare and public services in order to meet the government's objectives of a balanced budget and lower debt. It has already been announced that workers' unemployment insurance rights will be reduced, and child benefits, housing benefits and interest rebates are likely to decline further in real terms. Significant restraint in health and welfare services is also expected to continue. Planned public revenue raising for transport infrastructure will fall primarily on the public through increased charges on driving and traffic, which could easily hit lower-income groups hardest. Financing through the income tax system, by contrast, falls more heavily on higher-income groups, which would be more appropriate.

Inflation

Since the beginning of 2020



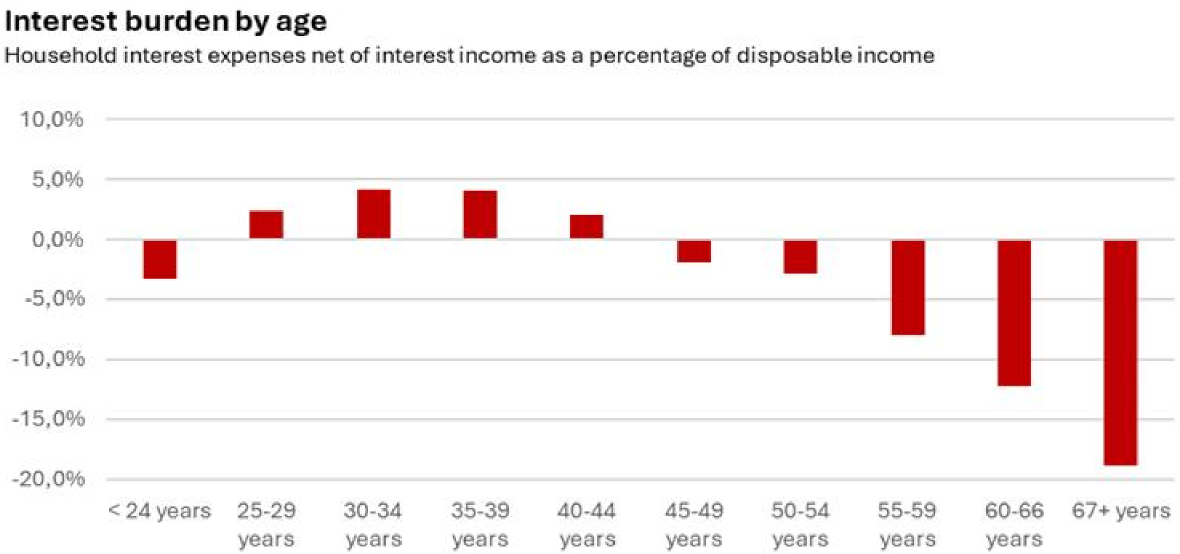
Source: Statistics Iceland

Inflation in recent years can be attributed to a range of factors. Rising housing costs have been the main driver of inflation, while domestic factors have also played a major role, particularly increases in the prices of essentials such as food, heating, electricity and other public charges.

The collective agreements in the private sector signed in March 2024 had as their main objective to help reduce inflation, create conditions for lower interest rates and increase purchasing power. Inflation stood at 6.8% when the agreements were concluded and, a year later, had fallen below the upper tolerance limit of the Central Bank of Iceland's inflation target; excluding the impact of housing costs, inflation was at the 2.5% target.

There was some setback in the decline of inflation last year. This development can be attributed to a range of factors, including domestic factors, such as rises in food prices, and international developments, such as the effects of increases in oil prices. Price increases under public-sector responsibility have also been substantial, both through general fee increases by central and local government and specific increases by public entities, for example in electricity and heating.

Household interest expenses have risen in recent years. The Central Bank of Iceland's key interest rate was 9.25% when collective agreements were signed in spring 2024, having been as low as 0.75% following the pandemic. High interest rates affect individuals and households differently depending on asset position and age. The interest burden of younger households is higher because housing debt is greater, while older age groups on average have a negative interest burden – that is, more interest income than interest expenses – and therefore benefit from high interest rates. The interest burden within these age groups varies greatly according to debt position. Around one fifth of debtors under the age of 40 had interest expenses exceeding 20% of disposable income, compared with around 14% across all age groups. These figures cover all tax filers, not only those with mortgage debt, and therefore understate the interest burden.



Source: Statistics Iceland

Unemployment has also increased. According to the Directorate of Labour (VMST), around 9,700 people were registered as unemployed in April, equivalent to an unemployment rate of

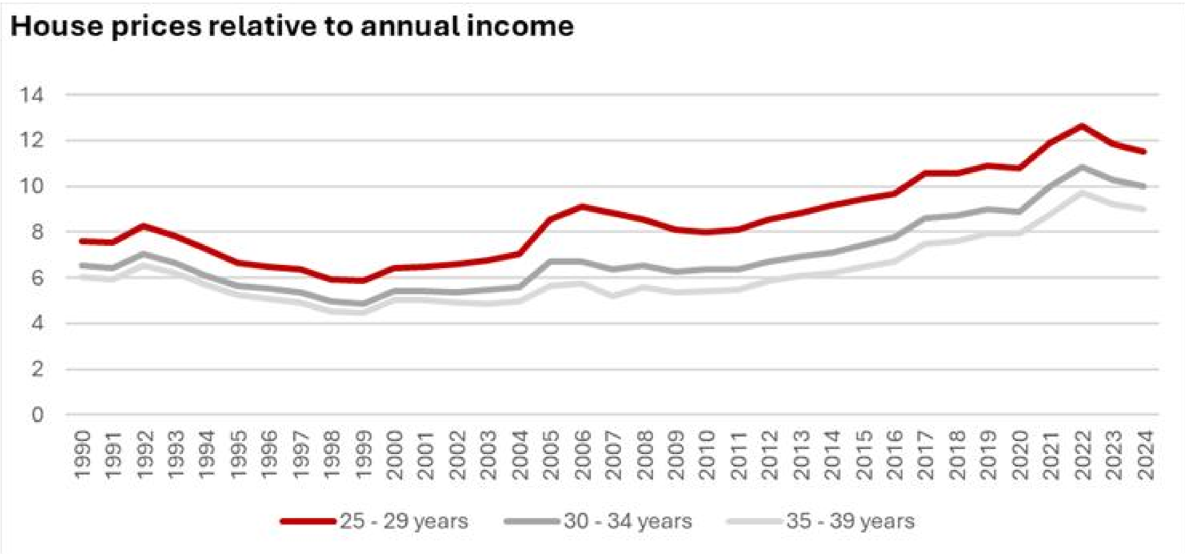
4.6%. According to Statistics Iceland, unemployment stood at 6.4% over the same period. Statistics Iceland bases its measurement on a sample survey, while the Directorate of Labour counts unemployed people who are entitled to unemployment benefits. Unemployment is highest in Suðurnes, at 7.5%.

Rising unemployment underlines the importance of strong unemployment insurance, active labour market measures and genuine access to continuing education and retraining. In an economy facing technological change, a green transition and international uncertainty, the unemployment insurance system must not be weakened but strengthened as part of workers' employment security and the labour market's adaptation to change.

Housing

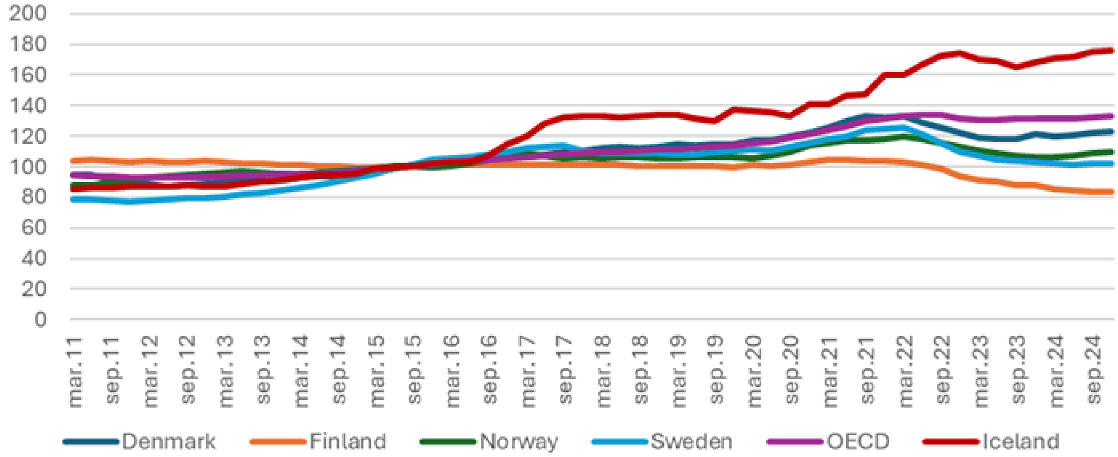
House prices at historic highs

Since the turn of the century, house prices in the Capital Region have risen nearly twice as fast as the incomes of first-time buyers. The average home in the Capital Region now costs more than 11 times an individual's annual income, compared with around six times annual income at the turn of the century. Although rising house prices are not unique to Iceland, increases here have been larger than in neighbouring countries and the OECD average.



Source: Registers Iceland, HMS, Statistics Iceland and ASÍ calculations.

Real house prices in the Nordic countries 2011-2024



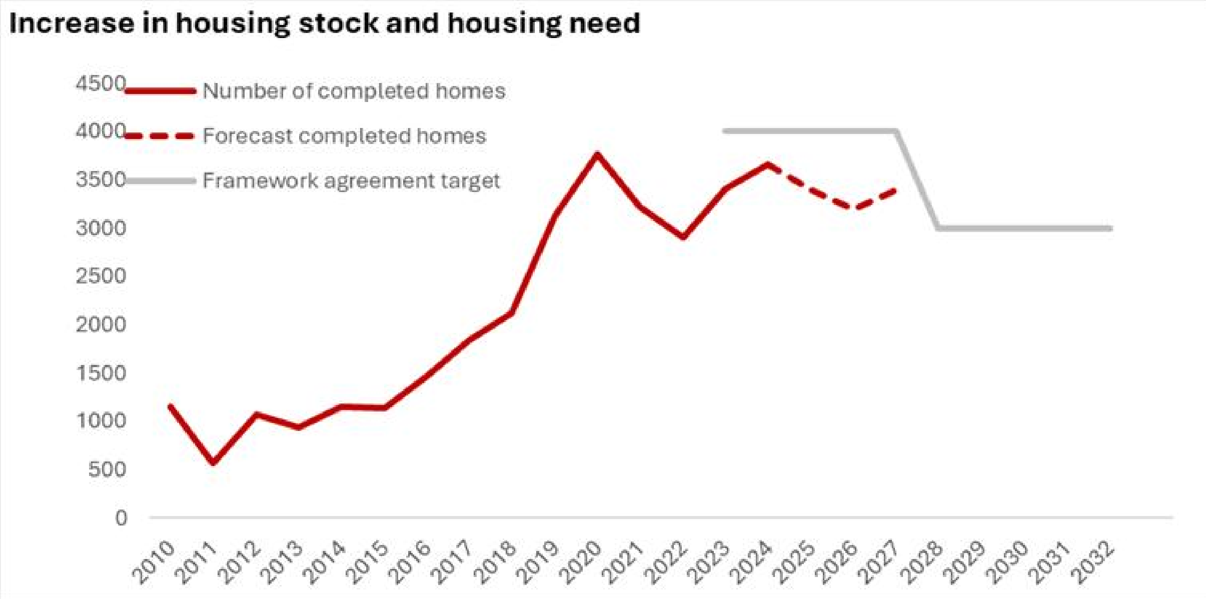
Source: OECD

The drivers of these increases are numerous and vary according to the period examined, whether demand-side factors are considered, such as access to credit, equity requirements, population growth, purchasing power and speculation, or supply-side factors, such as planning, the supply of housing and the type of dwellings available.

In particular, increased access to credit and changes in equity requirements or interest rates have had rapid effects on the owner-occupied housing market in certain periods, for example in 2004–2007 and 2020–2023. Other factors, such as population growth, an increase in the number of people reaching first-time-buyer age and changing housing needs, with fewer residents per dwelling, have also increased housing demand in Iceland.

Between 2013 and 2024, Iceland had the third-highest population growth in Europe, at around 18%. This population growth was largely driven by the expansion of tourism and job creation, which encouraged migration to Iceland. According to Statistics Iceland, 51,000 more foreign nationals immigrated than emigrated during this period. Nearly 80% were of working age, that is, 20–50 years old. This is equivalent to the combined population of Hafnarfjörður and Garðabær and has placed greatly increased pressure on the housing market and infrastructure.

Over the longer term, it has proved difficult to build enough homes to meet demographic housing needs and short-term increases in housing demand. Following the 2008 financial crash, residential investment fell by 70% over a three-year period. Between 2009 and 2014, an average of only 961 homes were completed each year, compared with around 2,900 homes a year in 2003–2008.



Source: Statistics Iceland, HMS

Despite substantial housing construction in 2018–2021, at around 3,000 homes a year, neither accumulated nor expected housing need was met. Volcanic and seismic activity on the Reykjanes Peninsula further widened the imbalance between supply and demand in the housing market, as around 4,000 people lived in Grindavík when the volcanic activity began.

In July 2022, central government and local authorities signed a framework agreement[3] to increase housing supply in 2023–2032 and establish a shared vision and policy for housing. A fundamental premise of the agreement was that local authorities would prioritise making building-ready plots available in line with housing plans, while central government would secure funding for housing support to match the development. Reykjavík is one of the few local authorities to have joined the framework agreement[4].

The framework agreement was based on detailed mapping by a working group on measures and reforms in the housing market. The group estimated that 35,000 homes would need to be built over the following 10 years to meet population growth, while accumulated and unmet housing need was estimated at a further 4,500 homes. The group estimated that at least 4,000 homes would need to be built each year during the first five years of the agreement and 3,000 a year during the final five years.

High barriers to entering the housing market

The average price of flats sold in multi-unit buildings in the Capital Region in 2025–2026 was ISK 76.5 million. To purchase such a property with an 80% loan-to-value ratio, an individual needs ISK 15 million in equity. Under the Central Bank of Iceland's borrower-based measures, first-time buyers may take out a mortgage with a maximum loan-to-value ratio of 90%. They must also meet requirements on the maximum debt-service burden, under which loan repayments may not exceed 40% of disposable income. That ratio is generally considered to

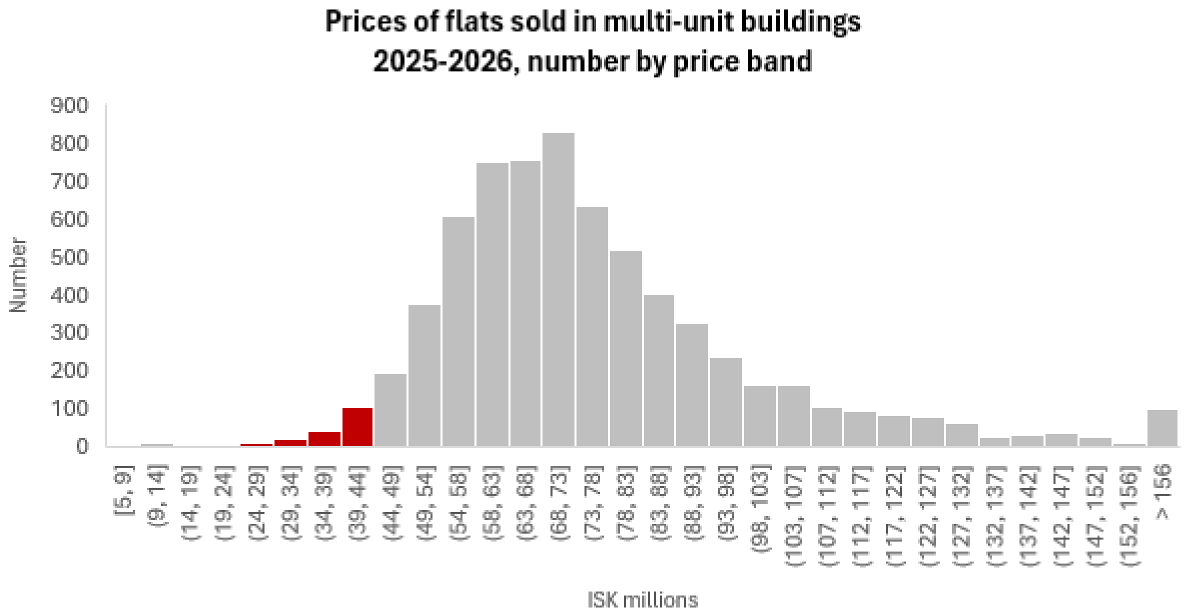
[3] See https://hms-web.cdn.prismic.io/hms-web/225348b7-df25-44cb-a905-d30482c6b5aa_Rammasamningur+IRN+Samband+HMS+-+undirrita%C3%B0.pdf

[4] See https://reykjavik.is/frettir/2023/timamotasamkomulag-rikis-og-borgar-um-husnaedisuppbyggingu

constitute burdensome housing costs, even though it does not include the running costs of housing or other costs associated with home ownership.

High house prices, high interest rates and stringent borrower requirements create significant barriers for ordinary workers seeking to enter the owner-occupied housing market. High property prices require substantial equity from first-time buyers, while high interest rates and borrower requirements make it difficult or impossible for people on middle incomes to pass affordability assessments or meet the debt-service ratio requirements[5].

A person earning ISK 761,500 per month[6] is not permitted to take out a loan with monthly debt-service costs above ISK 223,000, equivalent to 40% of after-tax income[7]. Under current conditions, that person can purchase a home costing no more than ISK 42.5 million, provided they have equity of more than ISK 4.2 million.



Source: HMS and ASÍ calculations

According to the property sales register of the Housing and Construction Authority (HMS), the average price of a flat in a multi-unit building in the Capital Region is ISK 76.5 million, and more than 90% of properties sold for over ISK 52.5 million. The figures show that only 2.5% of properties sold were within the purchasing capacity of an individual earning the maximum income permitted under the general housing system.

Under current conditions, home ownership is therefore not an option for a large group of low- and middle-income people. The Ministry of Finance and Economic Affairs has noted a dramatic increase in parental support for home purchases and that young people who enter the housing market receive greater financial support. The figures point to growing class divisions in the housing market. The Ministry also notes a large divergence in the growth of equity between

[5] HMS has noted that the borrower requirements have reduced the number of properties that fall within the permitted limits; in other words, there are few low-cost properties that enable lower-income buyers to enter the housing market. See, for example,
[6] This is the maximum income for eligibility to rent within the general housing system.

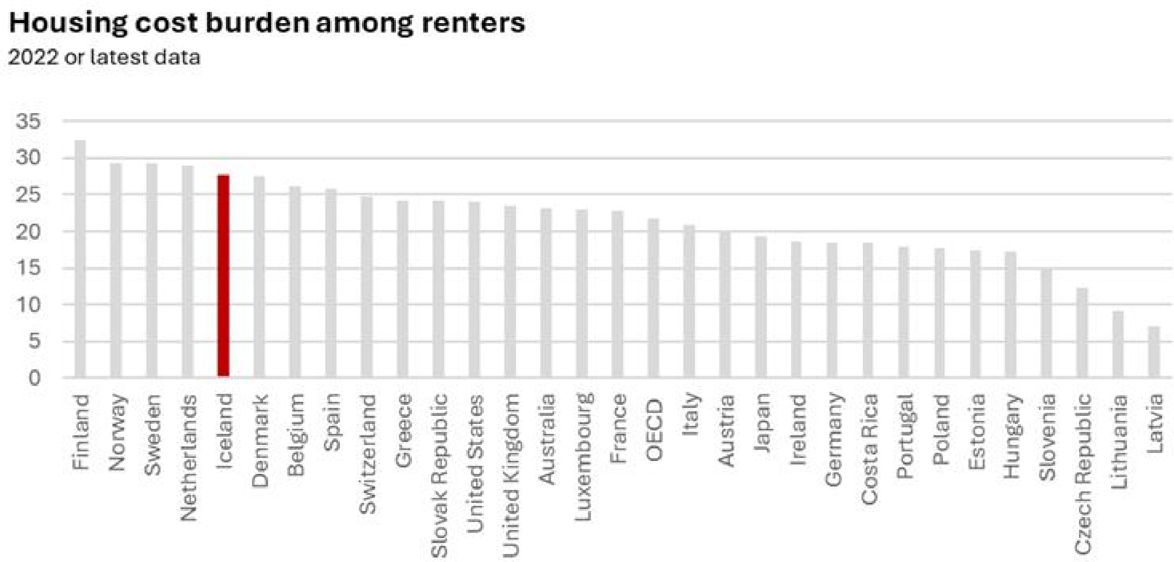
[7] After-tax income is ISK 558,188.

households that entered the owner-occupied housing market and those that do not own a home[8].

Rental market

For those unable to rely on parental support for a home purchase, or who do not meet borrower requirements, renting becomes a necessity rather than a choice. The rental market in Iceland has expanded significantly since the turn of the century. According to Eurostat data, around 13.2% of people were in the rental market in 2005, rising to 22% in 2011. The Housing and Construction Authority estimates that around 28% of adults currently live in rented accommodation.

Housing tenure is closely linked to income, and around half of individuals in the lowest income quintile are renters. Immigrants, young people and single parents are among the groups more likely to live in rented accommodation. Around one third of single parents live in rented housing, as do around one quarter of children. The scale of so-called unauthorised residential use is also significant: a government working group on unauthorised residential use estimated that 5,000–7,000 people were living in unauthorised dwellings[9] in 2020, that is, premises zoned for commercial use. A shortage of rental housing and high rents are the main reasons people live in premises designated for commercial activity. According to Statistics Iceland, around 10% of households were overcrowded in 2018, with the increase concentrated mainly in the lowest income quintile, where around one third of households live in overcrowded conditions[10].



Source: OECD

Increased demand for rental housing over the past 16 years is clearly reflected in rent trends. According to the HMS rent index, rents rose by 100% between 2013 and 2020. The Housing and Construction Authority recently noted that nearly half of renters face burdensome housing

[8] See the presentation to the National Economic Council: https://www.stjornarradid.is/library/03-Verkefni/Efnahagsmal-og-opinber-fjarmal/Thjodhagsrad/Kynning%20Sigur%c3%b0ar%20P%c3%a1l%20%c3%93lafssonar.pdf

[9] See further: https://hms.is/frettir/skortur-a-ibudarhusnaedi-leidir-til-oleyfisbusetu

[10] This uses Eurostat's international definition of overcrowding. Overcrowding is calculated on the basis of the number of rooms and the composition of the household. Each household requires one room shared by the household as a whole, one room for each couple in the household, one room for each single person aged 18 or over, one room for every two people aged 12–17 of the same sex, and one room for every two children under the age of 12.

costs. A comparison with OECD countries shows that renters' housing costs in Iceland are considerably higher than the average in those countries.

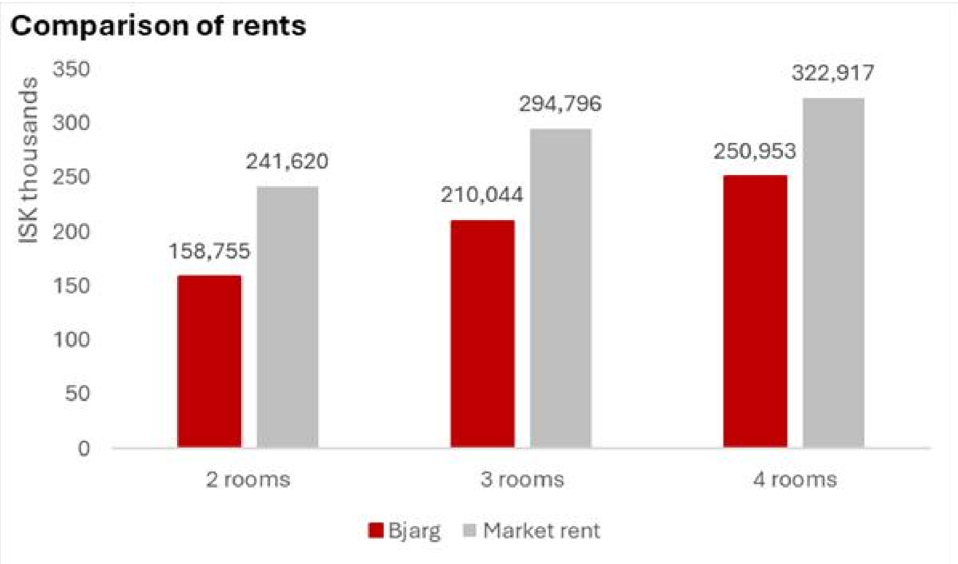
Housing differs from most other consumer expenditure in that people cannot opt out of having shelter. Individuals can choose the type and quality of their housing, but fixed housing costs always account for a large share of household expenditure. Housing costs also weigh more heavily on lower-income households. Burdensome housing costs are defined as more than 40% of disposable income. Households facing burdensome housing costs are in a worse position to save for a deposit on a home or to build savings generally. Their ability to cope with financial shocks is lower, and they are at greater risk of debt problems when faced with unexpected financial shocks or short-term income loss.

According to the 2024 survey by Varða – Labour Market Research Institute on the position of workers in Iceland[11], nearly 60% of renters who are members of trade unions affiliated to ASÍ and BSRB are immigrants. The survey also finds that renters have moved far more often than homeowners over the previous five years. Around 6% of homeowners had moved three times or more, compared with nearly 35% of renters. Single parents were also more likely to have moved frequently than married or cohabiting couples with children.

Burdensome housing costs and low housing security can therefore have a significant impact on individuals and their children in relation to education, leisure activities and labour market participation.

Rebuilding social solutions in the housing market

The general housing system was introduced in response to a strong demand from the labour movement for housing market reform in the 2015 collective agreements. After the workers' housing scheme was abolished, there were no alternatives guaranteeing housing security and affordable housing costs for low-income workers. The general housing system is based on cooperation between non-profit housing foundations, central government and local authorities, with central and local government initially supporting projects through founding contribution loans covering 30% of development costs. The loans are repaid after fifty years.

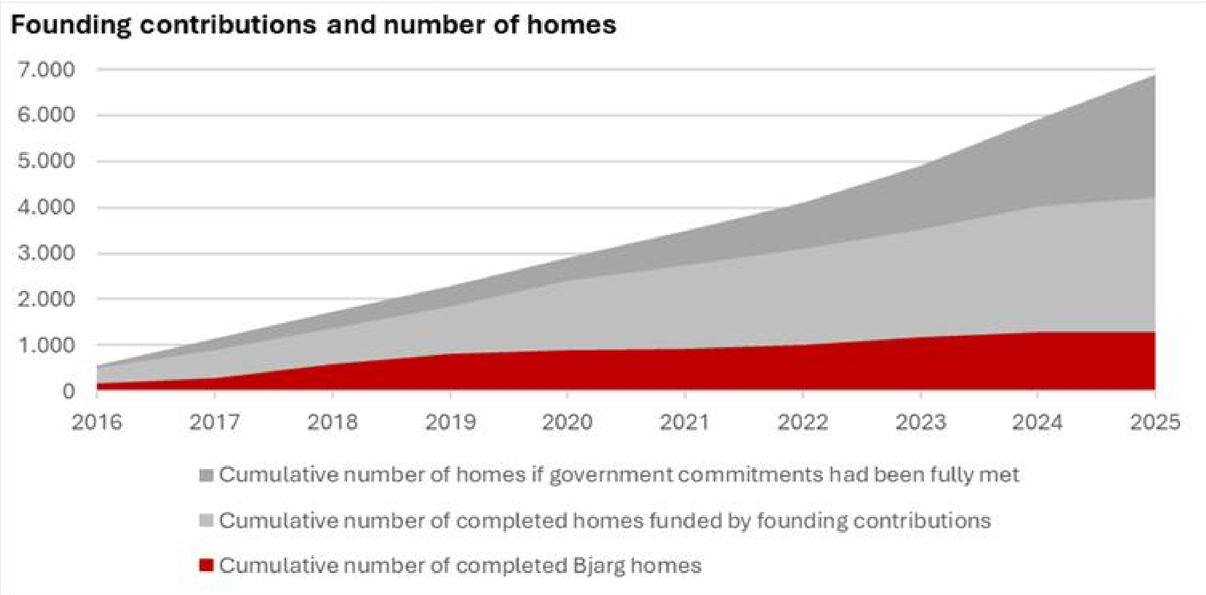


[11] See https://www.rannvinn.is/_files/ugd/61b738_83957a23b0a7423e86439aeacfa73cc9.pdf

Source: HMS and ASÍ

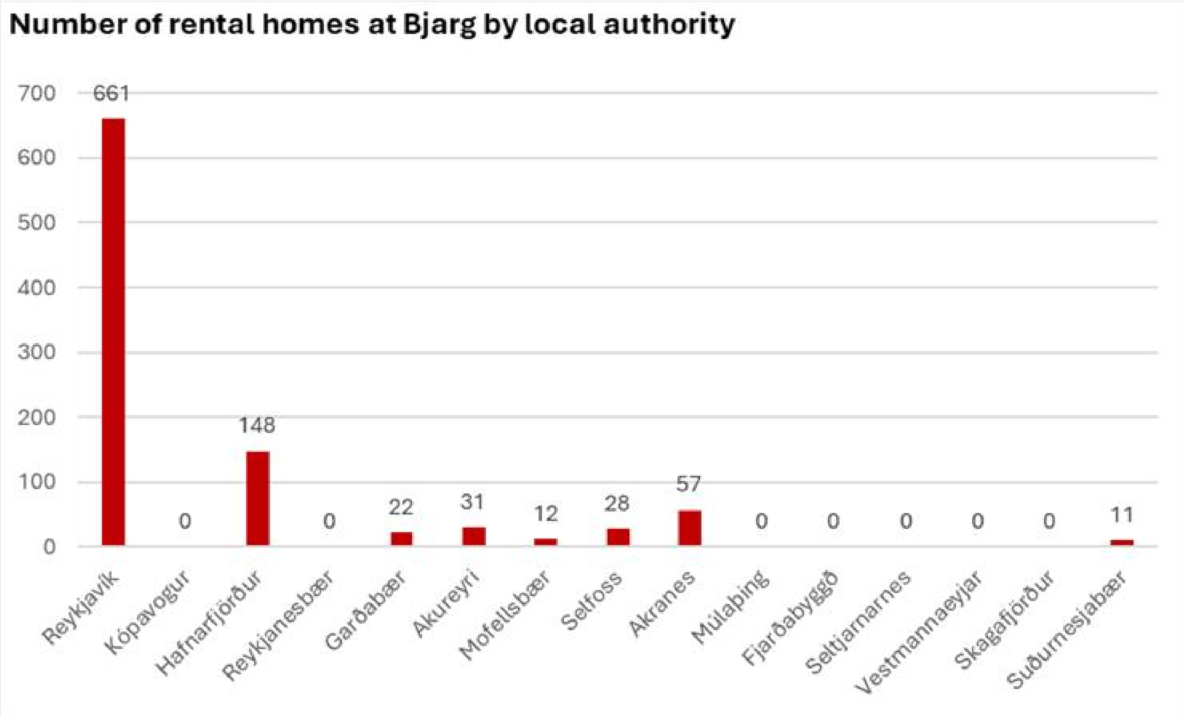
Within the system, different organisations build housing for different groups, for example people with disabilities, older people and students. Bjarg Housing Association is the only organisation serving low-income working people and offers rents that can be ISK 70,000–80,000 lower than in the general rental market, a difference of 30–50%. Bjarg offers long-term tenancies where rent is based solely on development costs, providing residents with a high degree of housing security.

When the system was established, the target was to build 2,300 homes in 2016–2019. Since Bjarg was established, the labour movement has campaigned for and secured government funding for founding contributions in connection with collective agreements. Since 2015, commitments have been made to fund around 7,000 homes through founding contributions, but only just over 1,000 homes aimed at low-income working people have been built within the system. Around 3,000 other homes have been built within the system, primarily for students and people with disabilities.



Source: ASÍ

The availability of plots has been the main obstacle to faster development by Bjarg and has meant that construction has not kept pace with targets. Most Bjarg homes have been built in Reykjavík, a total of 661, followed by Hafnarfjörður. No Bjarg homes have been built in Kópavogur, and seven of the country's 15 most populous local authorities have none. At the same time, waiting lists for homes have grown. More than 4,000 families are now waiting for a Bjarg home. At the pace of construction over the past decade, it will take around another 30 years for Bjarg's housing stock to reach 4,000 homes, which is far too long.



Source: ASÍ

Public services

Strong public services are a fundamental prerequisite for equality, income security and labour market participation. They have a direct impact on workers' living standards and their ability to reconcile work and family responsibilities. When access to essential services is reduced or costs are increasingly shifted onto households, disposable income is squeezed, inequality increases and the burden falls most heavily on those with the least financial leeway.

In recent years, the public's cost of public services has risen, including heating, electricity, property taxes, waste collection, preschool fees and public transport. These costs fall most heavily on those with the least financial leeway, such as people on low incomes, families with children, young people, renters and people living far from essential services. The problem concerns not only charges, but also reductions in services, travel costs, lost working time when accessing services and greater unpredictability in daily life.

In health care, equal access is not only about the direct cost of using services. When services are reduced, centralised or moved further away from people, substantial costs can fall on patients, family members and trade unions in the form of travel costs, lost working time, accommodation costs and the cost of family members accompanying patients.

The same applies when the development of essential social infrastructure is increasingly transferred to private operators, for example through the so-called lease model, under which private entities build and own specialised premises for public services that the public sector leases on a long-term basis. This may appear to be a quick way to meet accumulated need, but it does not alter the fundamental responsibility of government for the development, financing and quality of welfare services. The lease model may prove more expensive for the public sector over time because the private sector's required return is added to the cost of providing the service.

This applies particularly to the development of nursing homes, where a substantial infrastructure deficit has accumulated and the provision of nursing-home places has not kept pace with population growth and the ageing of the population. As a result, older people wait longer for appropriate care, either at home or in hospital after treatment has been completed. This increases pressure on the health-care system and delays and restricts access to other hospital services. At the same time, greater responsibility is shifted onto family members, who must provide unpaid care while waiting for services.

In recent years, access to childcare has changed significantly, while staffing problems in preschools have increased sharply alongside greater pressure on services. Preschool fee structures have changed considerably, charges for full-time places have increased and registration days have become more common. Parents must then pay separately for services on ordinary working days that were previously part of regular preschool provision. At the same time, opening hours or maximum attendance hours have been reduced in some local authorities, and preschools in many areas are closed on more days than before.

When summer closures, staff training days, registration days and other closure days are added together, the total can substantially exceed workers' general annual leave entitlement. This development also extends to after-school centres for the youngest primary-school children. Some local authorities have reduced these services, for example by shortening opening hours. This makes it harder for parents to reconcile work and family responsibilities and can have a direct impact on labour market participation.

Preschool discount schemes have also changed in many areas. Simple tariff discounts for certain groups have in some cases been replaced by means-tested discounts with low income thresholds, leaving a large share of parents working full time outside the discount schemes and therefore paying higher fees than before. Such means testing increases the marginal tax rates faced by families with children when combined with the means-tested child benefit system and a progressive income tax system. Improving preschool staffing must take priority over reducing services.

The same trend can be seen in other fixed household expenditure on essential basic services. Increased costs are reflected in charges related to housing, heating, electricity and other essential services. Property taxes have risen in krónur terms in many places even though many local authorities have reduced tax rates in part to offset rising property valuations. Since 2023, there have been examples of substantial increases in both smaller and larger local authorities. ASÍ's price monitoring has, among other things, highlighted examples of 52–62% increases in property taxes since 2023 and, in larger local authorities, increases of 27–34% for 75-square-metre flats in multi-unit buildings. Over the same period, general wage increases amounted to 10.6%.

Increases in heating and electricity charges are another example of price rises to which households have little scope to respond. This applies particularly to households in colder areas where homes are heated with electricity and energy costs make up a large share of fixed expenditure. Recent increases by Veitur ohf. show how changes in charges for essential services can directly affect household finances and increase the cost of day-to-day living. These charges come on top of a period of high inflation, high interest rates and rising housing costs.

This development shows that charges for essential basic services are part of a broader living-standards problem. When fixed expenditure rises faster than wages and the general price level, it squeezes household disposable income, increases pressure and reduces people's ability to participate in the labour market. Strong, accessible and well-funded public services are therefore a key prerequisite for ensuring that the changes of the future are met with equality, social security and a strong position for workers.