



34. þing Landssambands ísl. verzlunarmanna
30.-31. október 2025

Resolution: LÍV Congress Warns Against Austerity Policies

The 34th Congress of the Commercial Federation of Iceland (LÍV) strongly warns against the austerity policy that currently characterises both public debate and government decisions in economic and fiscal matters.

Austerity policies pose a threat to the wages, rights, and living standards of working people in Iceland. They are a political ideology — not sound or objective economics. Austerity can be described as threefold.

First, it involves cuts to public spending, which often manifest as deteriorating public services, reduced social support, harsh means testing, and higher fees and charges. Second, it includes a high-interest-rate policy designed to make debtors and tenants bear the cost of economic fluctuations while protecting capital owners. Third, austerity policies are reflected in attempts to erode the wages and rights of workers.

All three elements are now evident in Icelandic society, and the LÍV Congress urges the government to abandon this path.

For example, the current budget bill includes reductions in child benefits and housing benefits, as well as increased user fees in the healthcare system. One municipality after another is raising preschool fees, and rural residents must travel longer distances to access basic services.

The high-interest-rate policy maintained over the past three years has had a devastating impact on working people — especially on young people striving to secure housing.

Furthermore, the government plans to reduce unemployment benefits without consulting the labour movement and to abolish the equalisation contribution to pension funds. These examples are not exhaustive.

All of these actions are expressions of austerity policy, which can have severe long-term consequences for Icelandic society. Such measures are often presented as economic necessities, but research repeatedly shows that austerity is bad economics.



34. þing Landssambands ísl. verzlunarmanna

30.-31. október 2025

The promise that public debt will be reduced and the economy will return to growth after cuts are made has never been fulfilled — anywhere.

On the contrary, austerity leads to greater indebtedness, economic contraction, and the erosion of social infrastructure.

At the same time, it results in a massive transfer of wealth from those with the least to those with the most. The poor become poorer, and the middle class shrinks. Austerity is also a threat to democracy, as it undermines public trust in institutions and social systems.

The challenges of our time are extensive and demand bold political leadership. The LÍV Congress will never accept any rollback of workers' rights or living standards, nor will it tolerate policies that replace public investment with increased financial burdens on wage earners.

Iceland's public infrastructure urgently needs investment, and the housing crisis cannot be solved with piecemeal measures.

The goal must be to leave Icelandic society stronger and fairer for future generations. The LÍV Congress therefore calls on the government, municipalities, and the Central Bank of Iceland to fulfil their responsibilities and act in the public interest.