

SPOTLIGHT ON JOBS AND SKILLS ICELAND

2026

Introduction

Drawing on its rich country-level skills intelligence, Cedefop develops its Spotlights on jobs and skills for EU-27 Member States, Iceland and Norway. The Spotlights provide insights into the current labour market landscape, future trends, and skills anticipation in each country. The analysis is based on Cedefop's skills intelligence online tool, its skills forecast, the European Skills Index (ESI), online job advertisements, sectoral and occupational skills intelligence, and country-specific skills anticipation reports.

Recent employment developments

Unemployment in Iceland was at 4 % in 2023 (6 % in the EU) and has been consistently lower than the EU average throughout the past decade. Iceland has also managed to return to pre-COVID-19 unemployment levels. The groups facing the highest unemployment rates are young people aged 15 to 24 (9 % compared with 15 % in the EU), the low qualified (7 % compared with 12 % in the EU), and men (4 % compared with 6 % in the EU).

In 2023, over half of the employed population in Iceland worked in education (13 %, a much higher employment share compared with the 7 % EU average) or in one of four other sectors: health and social care (12 % compared with 11 % in the EU), wholesale and retail trade (12 % versus 13 %), manufacturing (9 % versus 16 %), or construction (at 7 %, same as the EU average) (Figure 1).

In 2023, almost three quarters of the employed population were employed in one of four occupations: professionals⁽¹⁾ (26 % compared with 22 % in the EU), service and sales workers (20 % versus 16 %), associate professionals (14 % versus 16 %), and managers (13 % versus 5 %). The top three occupations in terms of employment were teaching professionals (9 %, ranking among the highest when compared with EU Member States and nearly

double the EU average of 5 %), sales workers (7 %, on par with EU average), and care workers (6 % compared with 3 % in the EU).

In 2023, the share of employees aged 15 to 24 was much larger than in most EU Member States (14 %, 8 % in the EU on average). More than half of employees (55 %, slightly below the EU average of 57 %) belong to the 25 to 49 age group. The share of older age groups in employment has increased over the past decade, in line with the EU trend. Two in 10 Icelanders have low qualifications, while the remaining eight are nearly evenly split between high- and medium-level qualifications. Overqualification is more common than in the EU, affecting nearly a quarter of tertiary graduates aged 25 to 34. This suggests a potential mismatch between education and the job market. In 2023, the share of women (46 %) and men (54 %) in employment was similar to that in the EU. However, while the share of women in employment in the EU has risen slightly in the past decade, it declined in Iceland. This is possibly linked to the lower labour market participation in the workforce of women aged 55 and over and the high participation of young women in tertiary education.

The share of young people neither in employment, education nor training (NEET) in Iceland is 4 %, which is low compared with the EU average NEET rate of 9 %.

Recent skills and learning developments

According to Cedefop's 2024 [European Skills Index \(ESI\)](#), Iceland ranked fifth out of 31 countries, with a total ESI score of 66 out of the theoretically possible 100 points. In the past seven years, Iceland's skills system performance has fluctuated considerably but has slightly improved, moving from sixth place in 2017 to fifth in 2024. Of the three ESI pillars, Iceland scored highest in skills activation, ranking second among all countries (Figure 2). Within this ESI pillar, the activity rate of people aged 20 to 24, and the share of recent graduates in employment have had consistently high scores, while significant improvements were registered for early leavers from

(1) To learn more about the classification of sectors, occupations, and qualification levels discussed in this report, see [Annex 2 of Cedefop's skills forecast methodological framework \(April 2023\)](#).

education and training (where the score increased by 16 points between 2017 and 2024). Other high-performing indicators include pre-primary pupil-to-teacher ratio (ranked first), high digital skills (first), and low long-term unemployment (first). However, the activity rate of people aged 25 to 54 fell, with the score declining by 11 points between 2017 and 2024 and the ranking dropping to 11th in 2024 from first in 2017.

Participation in training in 2023 was considerably higher than the EU average (26 % versus 14 %). The core working age population (25- to 49-year-olds) had a higher participation rate (28 % compared with 16 % in the EU) than those aged 50 to 64 (22 % versus 11 %), but training participation was for both groups far above the EU average. Women participated more in training (32 % versus 16 %) than men (22 % versus 12 %).

Future employment trends

By 2035, employment in Iceland is expected to grow at twice the annual EU rate (2 % versus 1 % in the EU on average). The increase will primarily be driven by employment growth in sectors such as arts, recreation and other service activities (+66 %), construction (+38 %), and real estate, professional, scientific and technical activities (+45 %) in the years up to 2035. While in most other sectors employment will remain at 2022 levels or grow moderately, in education (-3 %) and manufacturing (-17 %) employment is forecast to decline.

Companies looking for professionals (30 %), managers (18 %), and technicians and associate professionals (16 %) are expected to generate almost 2 out of every 3 job openings because of employment growth and replacement demand. Within these broad categories, the occupations with the highest share in total job openings are: teaching (8 %), health (7 %), business and administration associate professionals (6 %), chief executives, senior executives, and legislators (8 %), and production and specialised services managers (7 %). Collectively, employers looking for staff in these five occupations are estimated to generate about 1 in 3 job openings.

The labour force will also change throughout

the 2022-2035 period. In terms of size, the labour force is projected to increase by nearly 2 % a year – roughly three times the EU rate. The share of men is expected to grow slightly faster, possibly continuing the downward trend in the employment share of women mentioned earlier. The labour force aged 35 to 54 is expected to grow by over 2 % a year. The annual growth rate of older workers (65 and over) is forecast to be around 3 %. These trends mean that the labour force will get older on average, as is also the case for the EU as a whole.

Future skills and learning trends

Employment requiring high qualifications made up 43 % of jobs in 2022. By 2035 this share is projected to reach 55 %, surpassing the EU average of 46 %. The increase comes primarily at the expense of the share of jobs requiring low qualifications (21 % in 2022; 12 % in 2035). Jobs requiring high qualifications are expected to be a key driver of change in Iceland's labour market. They are expected to amount to just under two thirds (64 %) of all job openings by 2035 – 5 percentage points above the EU average. Medium qualifications will be required for almost one third of job openings (30 % compared with 40 % in the EU), while the share of job openings requiring low qualifications will be marginal (5 %). On the supply side, the share of the workforce with high qualifications is expected to reach 55 % by 2035, a 28 % increase since 2022 and 10 percentage points above the EU average. The shares of those with medium and low qualifications are projected to decrease, reaching 32 % (45 % in the EU) and 13 % (10 % in the EU) respectively by 2035.

The expected increase in demand for highly qualified labour is visible in the [employment growth in the high-tech economy](#), which is forecast to grow by 4 % in Iceland between 2030 and 2035, slightly below the EU average of 5 %. The increase is concentrated in knowledge-intensive services, where employment is expected to grow by 5 %, compared with the EU average growth rate of 9 %. As overall employment in manufacturing is forecast to contract, high technology manufacturing is also likely to face a slight employment decline.

Employment in high-tech manufacturing is forecast to decrease by 1 %, in contrast to the 2 % increase projected for the EU.

Expected skill shortages

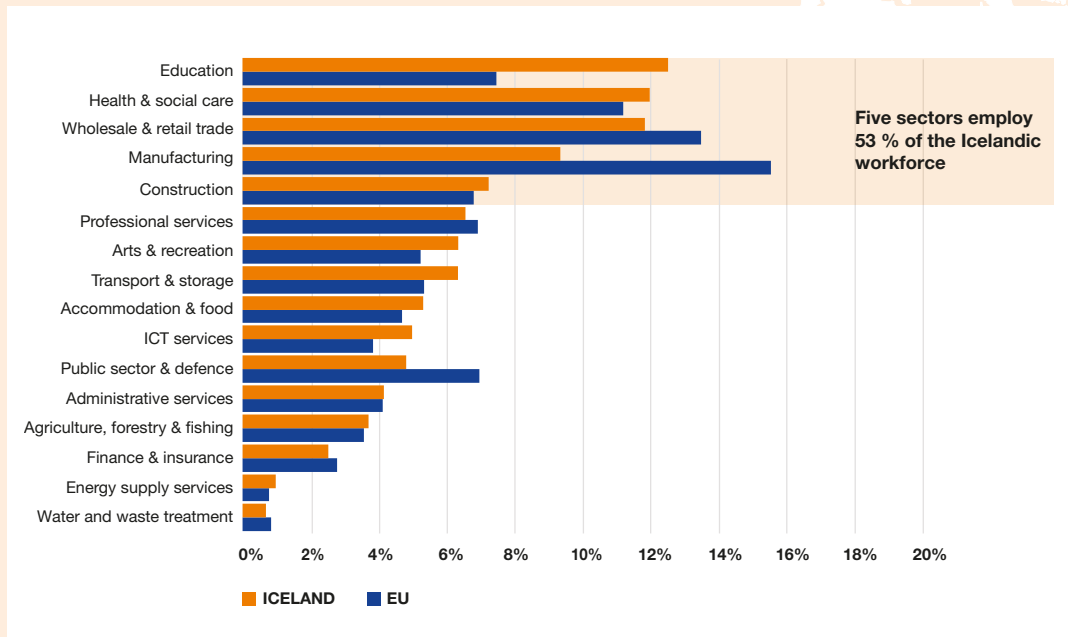
According to [Cedefop's Labour and Skills Shortage Index](#), the highest level of labour shortage, expressed as hiring difficulties, is expected among high-skilled and elementary occupations (Figure 3). Staff shortages in elementary occupations are driven by high replacement demand and already high current supply–demand imbalances. Employers recruiting labourers in mining, construction, manufacturing and transport, as well as refuse workers and other elementary workers, will face the highest recruitment challenges. For professionals, the situation varies: high employment growth, combined with high replacement demand, is likely to result in substantial difficulties in filling the growing number of open positions. Employers seeking to hire health professionals and business and administration professionals will face the greatest recruitment challenges.



ICELAND

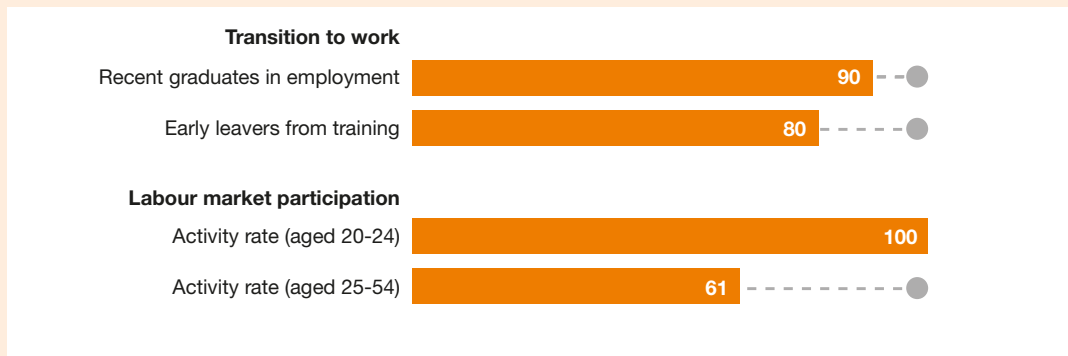
Jobs and skills in figures

Distribution of employment across sectors in Iceland and the EU-27, 2023 (%)



Source: [Cedefop Skills Intelligence tool](#).

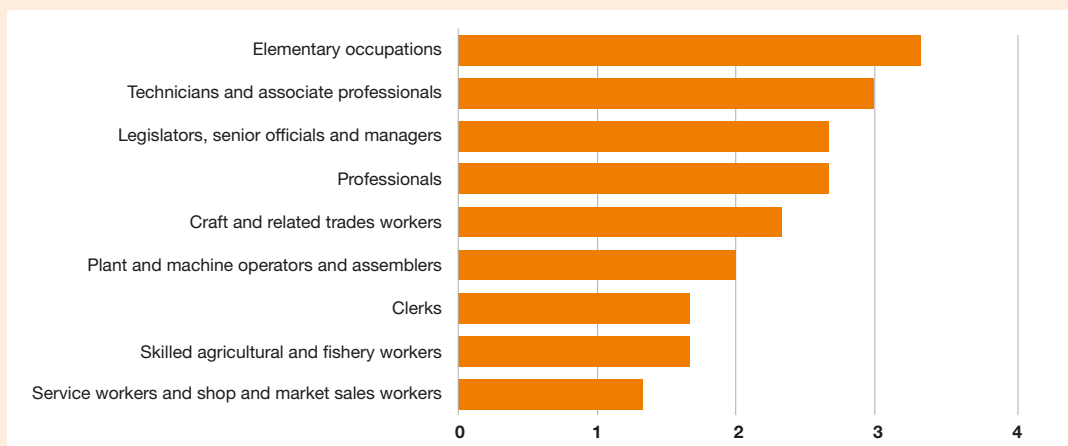
ESI skills activation pillar in Iceland, 2024



NB: The ESI measures countries' 'distance to the ideal' performance, i.e. the highest achieved by any country over a period of seven years. The ideal performance is scaled to 100, with national scores computed and compared to that. Example: a score of 65 suggests that the country has reached 65 % of the ideal performance, with 35 % (100-65) room for improvement.

Source: [Cedefop ESI](#).

Cedefop Labour and Skills Shortage Index, 2022-35, Iceland



NB: The Labour and Skills Shortage Index is the simple average of the quartiles in each of the three pillars: (1) employment growth; (2) replacement demand; (3) supply/demand imbalance (FIOD). A score of 4 indicates a higher level of shortage, and 1 no shortage. The outcome of the pillars is based on the relative evaluation in quartiles of the occupation (here for all EU-27).

Source: [Cedefop Labour and Skills Shortage Index](#).



Further information

- Cedefop. (2023). *Skills anticipation in Iceland*. Data insights series.
- Cedefop. (2023). *Skills forecast methodological framework*.
- Cedefop. (2024). *Evolution of European skills systems: performance 2015 to 2022*. Publications Office of the European Union.
- Cedefop. (2024). *Vocational education and training policy briefs 2023 – Iceland*. Cedefop monitoring and analysis of vocational education and training policies.
- Sverrisdóttir, M. K. (2024). *Implementing European priorities in VET: making national VET agile, flexible, innovative, attractive, inclusive and quality-assured: Iceland*. Cedefop ReferNet thematic perspectives.

[Cedefop Skills intelligence tool](#)

[Cedefop Skills forecast](#)

[Cedefop Skills OVATE](#)

[Cedefop European Skills Index](#)

[Cedefop Labour and Skills Shortage Index](#)

This Spotlight was drafted by Cedefop's Skills intelligence and foresight team.

Cedefop would like to thank Adalheidur Jónsdóttir from RANNÍS (ReferNet Iceland) for their valuable feedback. This Spotlight was validated by the National Representative of the Iceland ReferNet team, Skúli Leifsson.



CEDEFOP

European Centre for the Development
of Vocational Training

Europe 123, 570 01 Thessaloniki (Pylaia), Greece
Postal: Cedefop service post, 570 01 Themi, Greece
Tel. +30 2310490111, Fax +30 2310490020, Email: info@cedefop.europa.eu



Copyright © European Centre for the Development of Vocational Training
(Cedefop), 2026 Creative Commons Attribution 4.0 International

visit our portal www.cedefop.europa.eu



Publications Office
of the European Union