

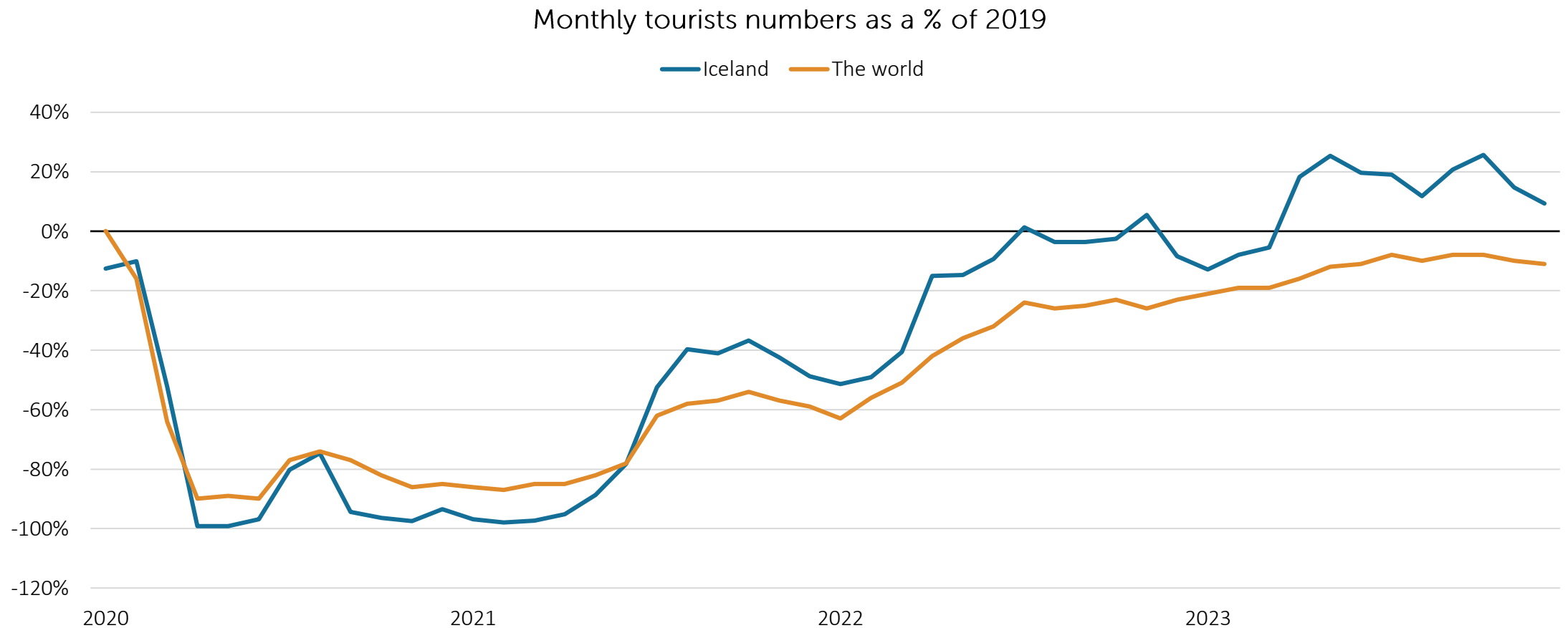


Post-pandemic Challenges in Icelandic Tourism

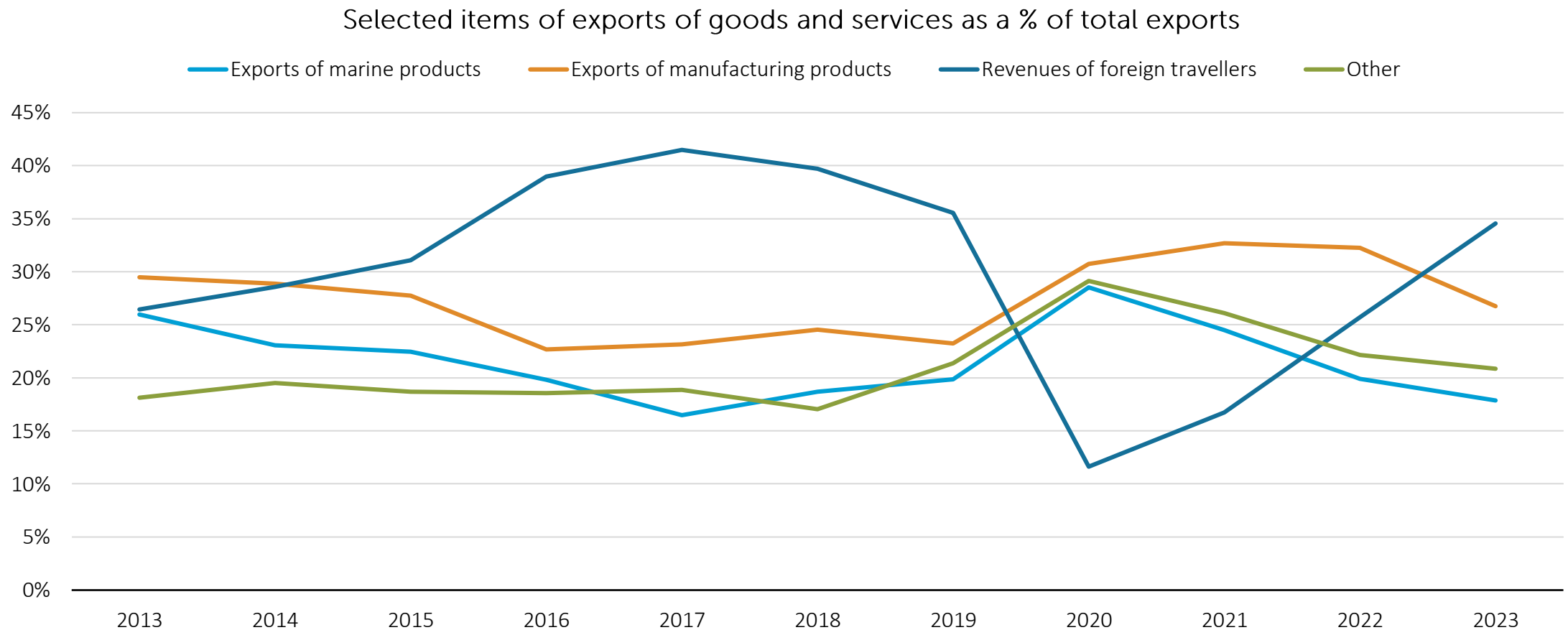
Jóhannes Þór Skúlason

The Icelandic Travel Industry Association

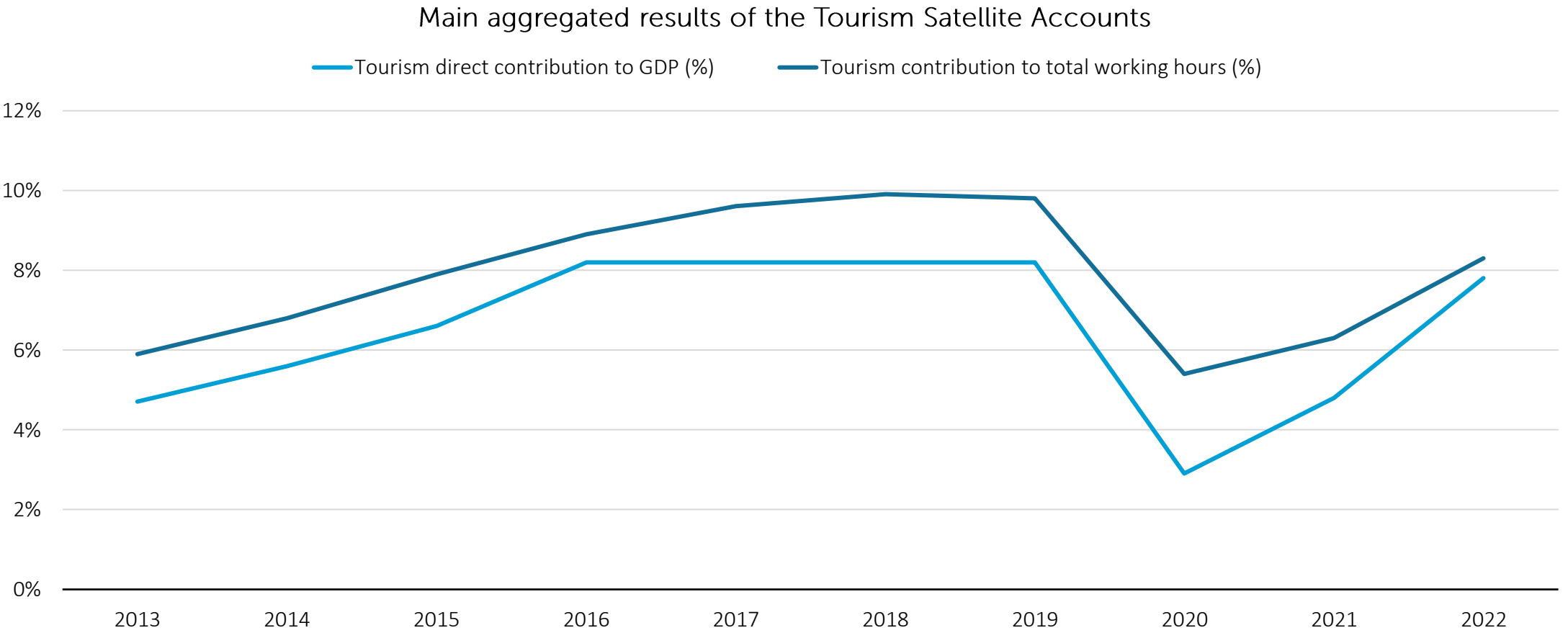
Iceland is outperforming the world in post-pandemic tourism recovery



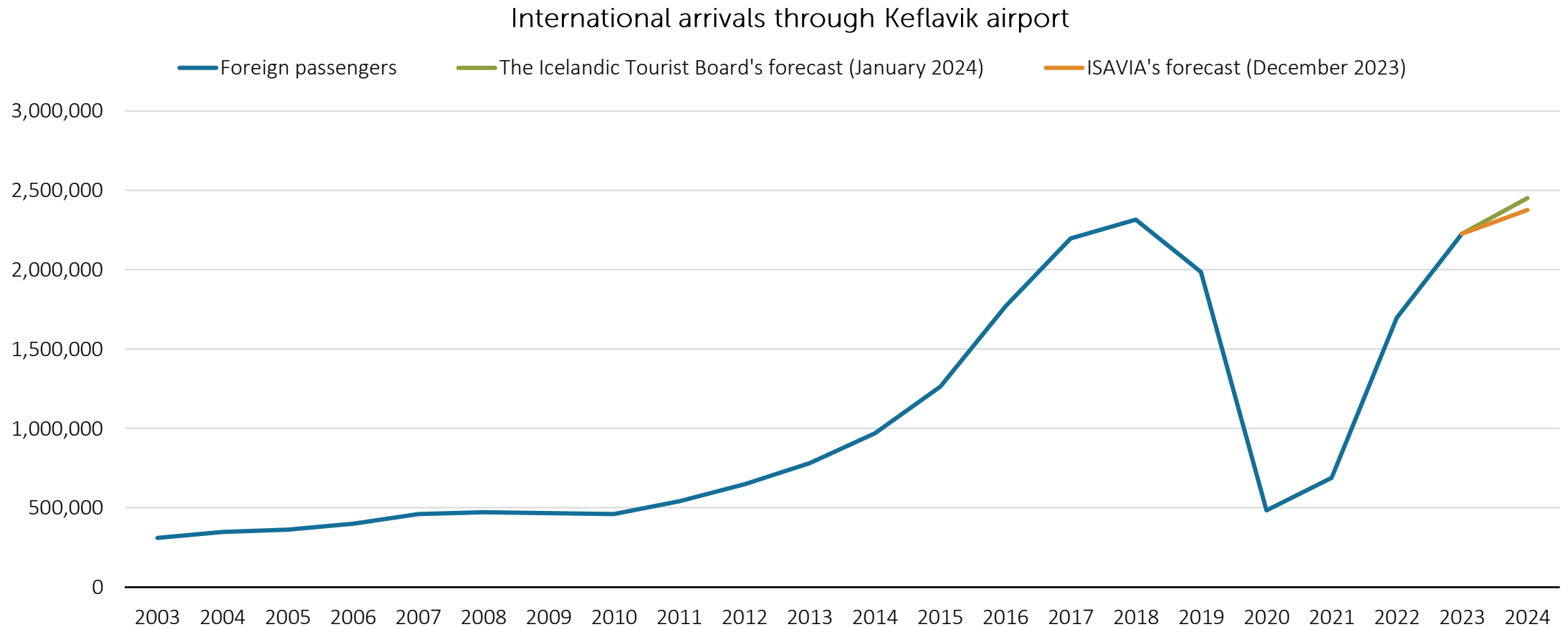
Tourism accounts for around 35% of Iceland's total export revenues



Tourism accounts for around 8% of GDP as well as of total working hours in Iceland



Forecasts predict around 2.4 million international arrivals this year

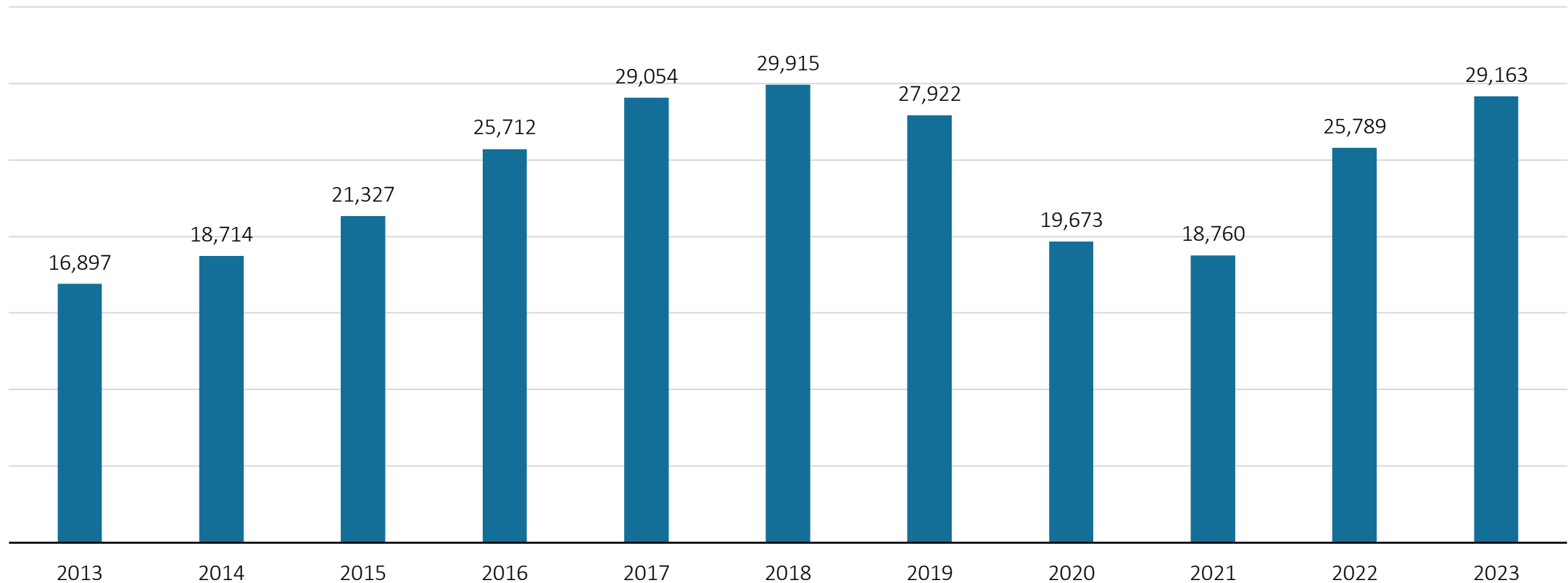


A scenic view of a fjord in Iceland, featuring steep, layered rock cliffs on either side and a small, rocky island in the distance. The water is calm and reflects the surrounding landscape. The text "Icelandic tourism depends on the foreign workforce" is overlaid in white, sans-serif font.

Icelandic tourism depends on
the foreign workforce

Around 30 thousand people work in the tourism industry in Iceland

Register based employment with the tourism industry as a main job

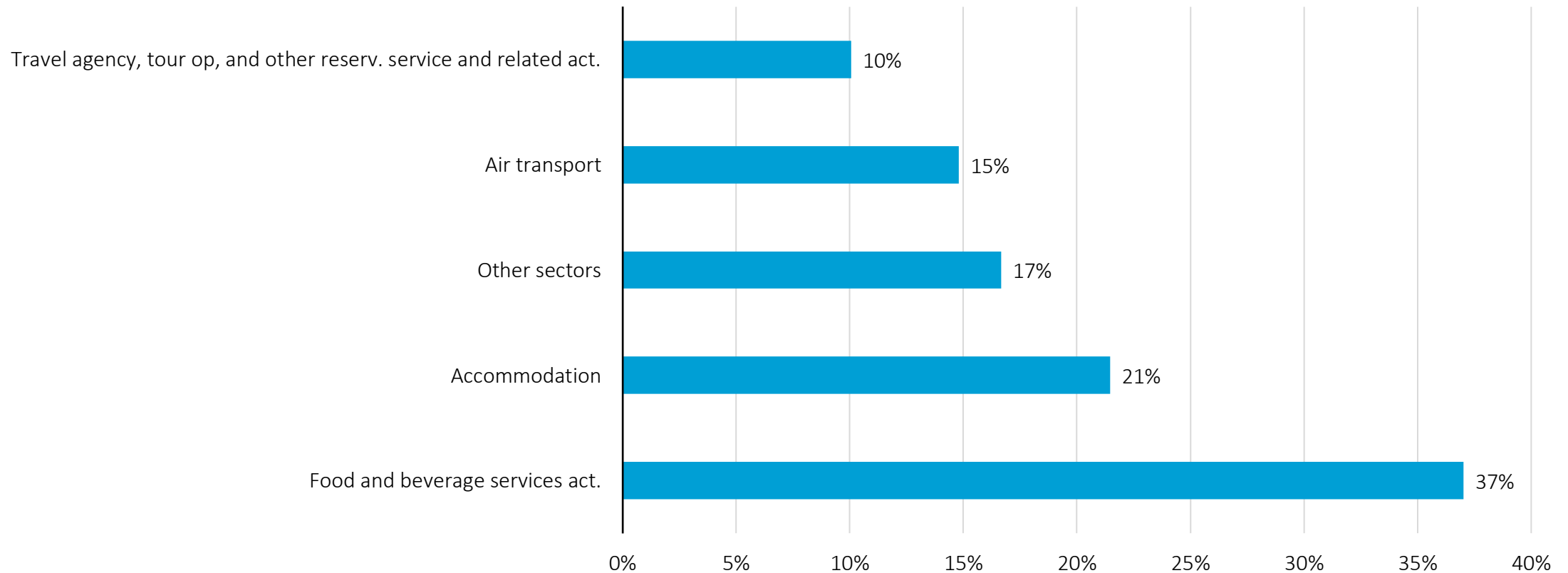


• 2023 is based on data for January to November

Data source: Statistics of Iceland

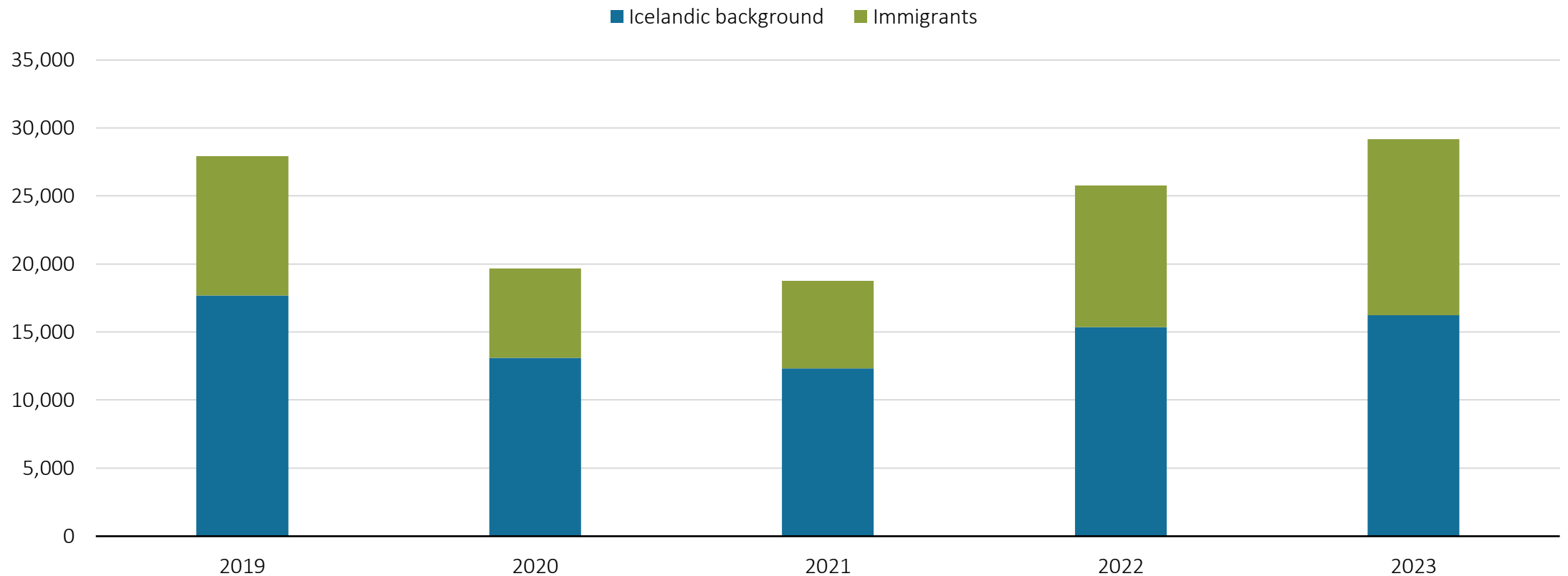
Tourism industry employment by sectors

Different tourism sectors as a % of total register based employment in tourism as a whole



The foreign workforce in tourism has been growing

Register based employment in main job in the tourism inudstry

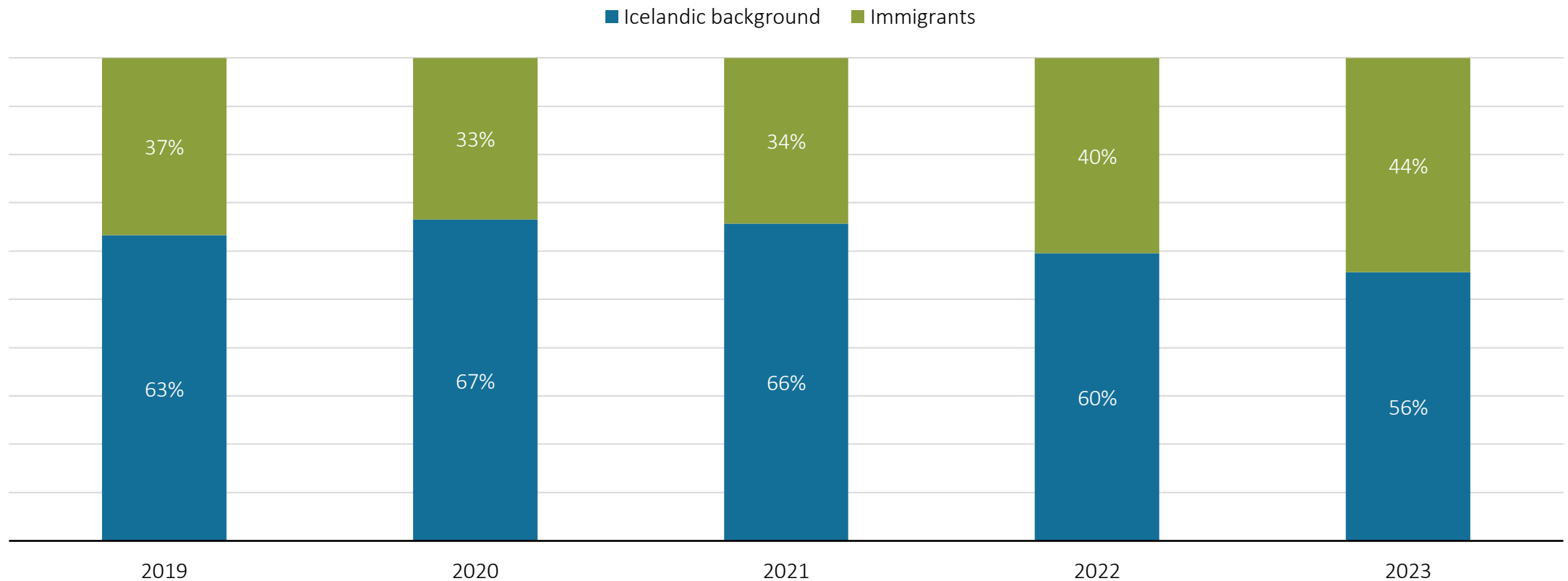


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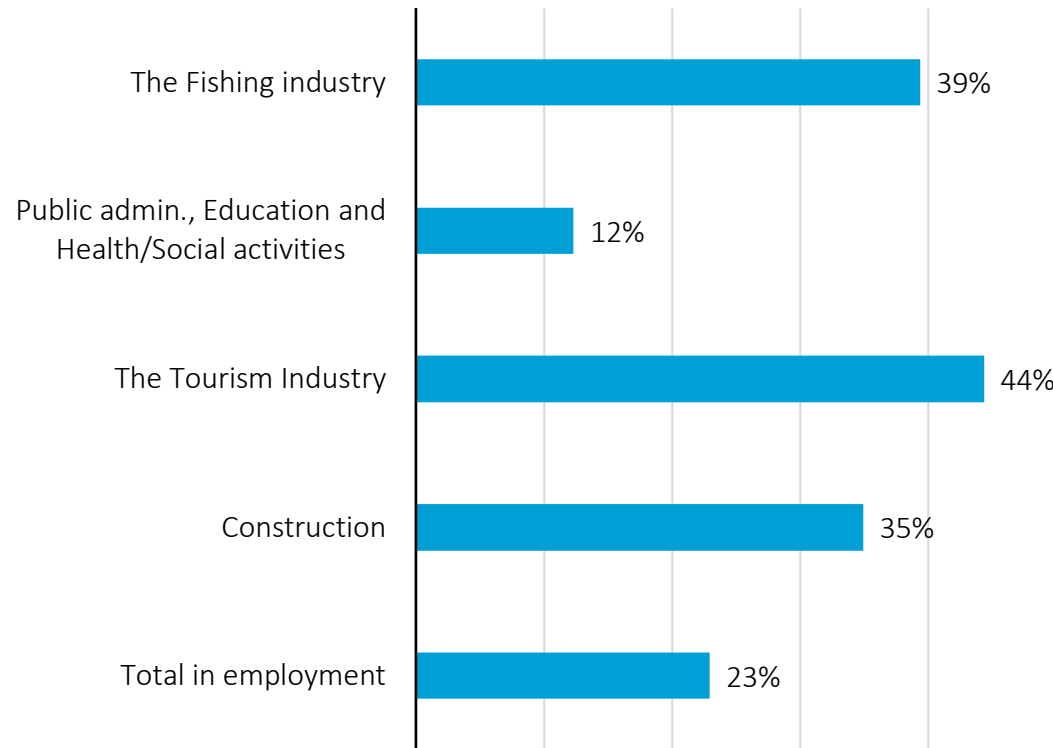
The percentage of foreign workers in tourism has grown from 37% in 2019 to 44% in 2023

Register based employment in main job in the tourism industry

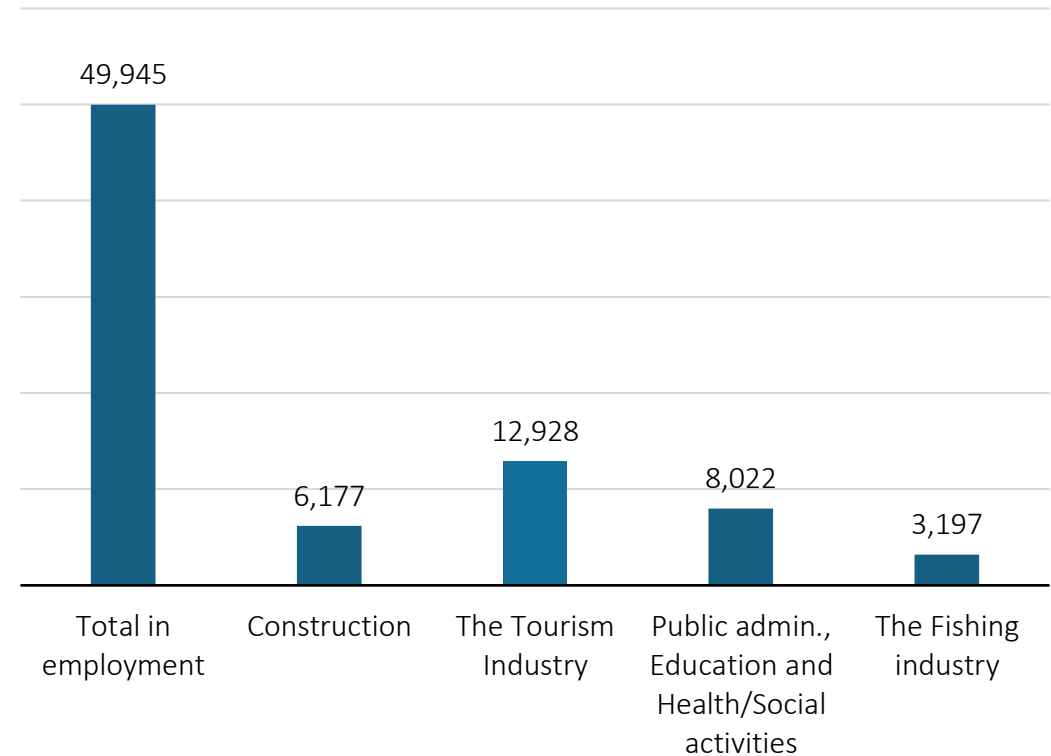


Foreign workers account for about 23% of total employment in Iceland

Immigrants as a % of total employees in the following sectors on average 2023

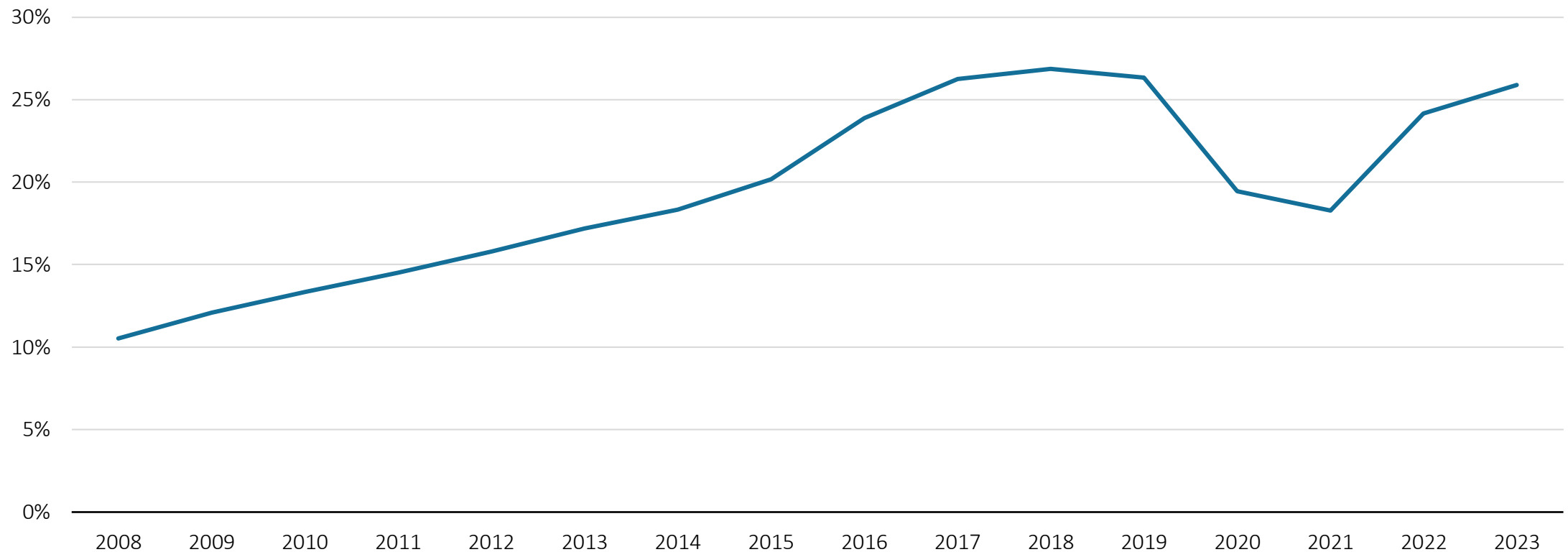


Foreign workers employed by the following sectors on average 2023



26% of foreign workers in Iceland are employed by the tourism industry

Immigrants employed by the tourism industry as a % of total foreign employers in the economy

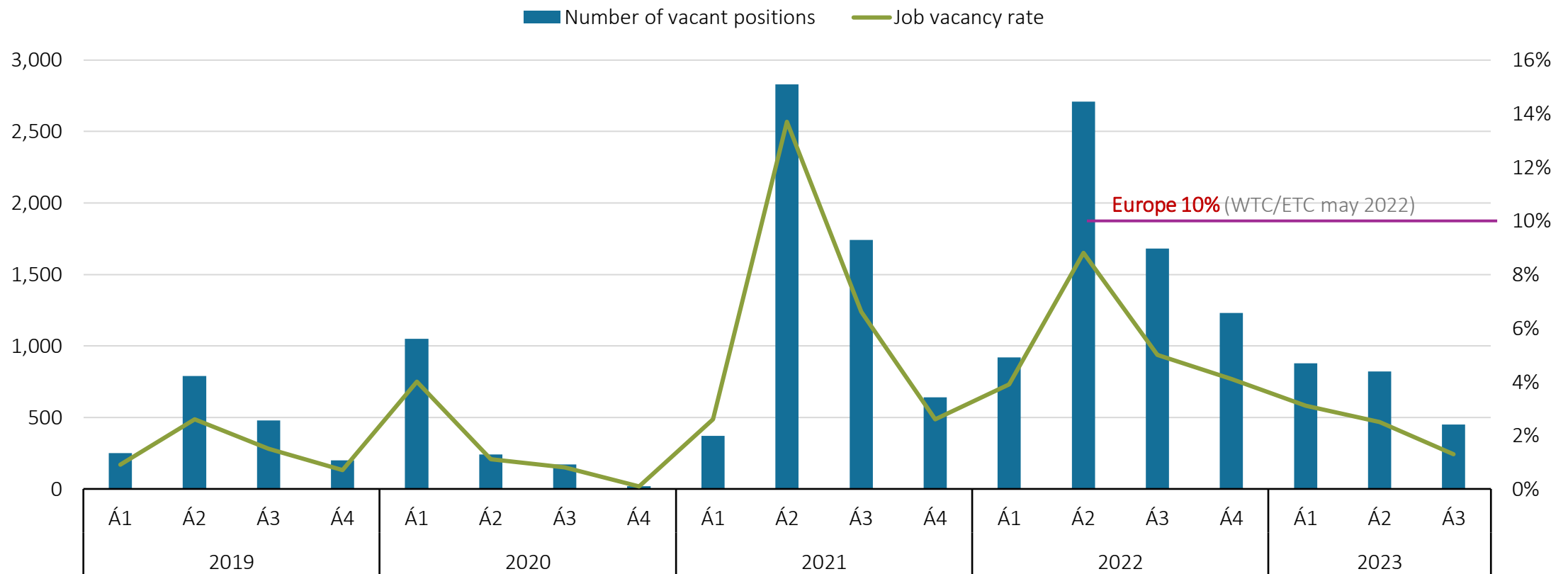


A close-up photograph of a chef's hands plating food. The chef is wearing a white uniform and has extensive tattoos on their forearms. They are using a spoon to place a small portion of food onto a white plate. The image is overlaid with a semi-transparent blue filter. The text "Vacant positions, staff and skill shortages" is written in white, sans-serif font across the middle of the image.

Vacant positions, staff and skill shortages

Number of vacant positions in the tourism industry to reach pre-covid levels

Job vacancy rate by quarters in the tourism industry



A year ago, a survey among members of the Icelandic Travel Industry Association showed that

more than 42% say there was a shortage of labour or a shortage of employees at their company.

over 50% believe that the shortage of employees will hinder their company's growth over the next five years.

only 26% believe that the Icelandic education system can meet their company's skill requirements for the next five years.

over 38% think that the Icelandic education system will do rather poorly or very poorly to meet the skill requirements of their company in the near future.



Staff housing presents
significant problems

A perfect storm of housing market challenges

Very fast post-pandemic economic growth

Higher demand for foreign workforce in tourism, building sector, innovation sector, public sector.

Housing market prices growing very fast in the last 5 years

Poorly developed rent market

Low profit margins from building new housing in rural areas - very few new projects in the last decades in some areas

Increased demand due to higher influx of refugees (e.g. Ukraine)

Legacy problems on the supply side from 2008 banking crisis

Social changes in Europe affecting tourism staffing



Higher staff turnover negatively impacts quality and costs

Before the pandemic most of the foreign workforce in tourism came from Eastern Europe.

Many people came to Iceland for work over the high season for many years in a row = lower staff turnover, lower training costs, often high probability of filling positions with employees' friends or family.

After the pandemic a higher percentage of the foreign workforce in tourism came from Southern Europe.

Higher percentage of workers with no prior experience with Icelandic tourism = higher staff turnover, higher training costs, harder to fill vacant positions.

In 2023 we seem to be moving back towards pre-pandemic situation

A blue-tinted photograph of a snowy mountain landscape. In the foreground, a line of people on snowmobiles is moving across the snow, leaving tracks. The background features a large, snow-covered mountain peak under a clear sky. The text "Seasonality is detrimental to staff retention" is overlaid in white, sans-serif font on the left side of the image.

Seasonality is detrimental to
staff retention

Staff retention in rural areas is a key element for local growth and development

Seasonality in rural areas is still high – higher the further you get from the Reykjavík area.

Helping SME's in rural areas to retain staff the whole year round would help build skill and quality in tourism and contribute to more economic value in the long term.

It would increase the likelihood of staff settling permanently in the area with a positive impact on the local community and help build stronger SME's and more sustainable employment in the area.

Such a program could (at least partially) make use of funds that is now spent on unemployment benefits for seasonal workers in tourism.

Cooperation with the Directorate of Labour is important



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