

## Partial unemployment benefits to compensate for a reduction in working time

The aim of the measure is to ensure, to the extent possible, that firms keep workers on their payrolls, rather than dismissing them. The maintenance of employment relations is of value to both workers and businesses. It is important to protect workers against the consequences of a temporary contraction in the economy so as to minimise the negative financial and social effects suffered by each individual.

A business may ask its employees to agree to a reduction in working time with an equal reduction in pay only on the condition that it has been forced to reduce its operations because of the current unusual situation.

A reduction in working time with reduction in pay can only take place on the basis of an agreement (see link below this pdf on the website) concluded between the employer and the employee.

### Main features of the legislative provisions providing for the payment of unemployment benefits in cases of reduced working time:

- Any decision to implement reduced working time for reduced pay must be based on an **agreement concluded between the firm and each individual** and stipulating the proportion by which working time is reduced and the period during which the reduction will apply.
- The reduction in hours worked must be **at least 20 percentage points**.
- The number of hours worked after working time has been reduced must correspond to **at least 25 per cent of full-time hours**.
- Partial unemployment benefits are paid out in direct proportion to the reduction in hours worked.
- The sum of wages received from the employer and unemployment benefits paid is **limited to 90 per cent of the pay** earned prior to the reduction in working time taking effect, and **may not exceed ISK 700,000**.
  - **Workers whose pay for a full-time position prior to the reduction was ISK 400,000 or less will receive full compensation.**
  - **Workers whose pay for a full-time position prior to the reduction was higher than ISK 400,000 are given a guarantee that the sum of wages received from the employer and unemployment benefits paid will not fall below ISK 400,000.**
- Agreements on reduced working time for reduced pay **do not affect workers' rights** to receive wage-related unemployment benefits if they lose their jobs at a later date.
  - Students at the university level are entitled to receive partial unemployment benefits if they meet the conditions laid down in the legislation.

- **Workers' rights to receive payments from the Wage Guarantee Fund are safeguarded** in cases where an employer becomes bankrupt.
- **Self-employed persons** are covered by the legislation.
- **The legislative provisions outlined above are to remain in force from 15 March to 1 June 2020.**

**A few points of clarification:**

- If a firm requests that its employees agree to a reduction in working time with an attendant reduction in pay without a period of notice, an employee may refuse to accept this and may insist that the period of notice be respected.
- An employer may not require a worker to put in longer hours of work than stipulated in the agreement on reduced working time.
- The right to receive unemployment benefits as a compensation for reduced working time applies to all workers, including students at the university level, irrespective of their rights to other benefits.

**How to apply for partial unemployment benefits**

Workers apply for partial unemployment benefits by filling in an electronic form in the *My pages* section of the [website of the Directorate of Labour](#). The employer concerned must also provide certain information on its pages on the Directorate's website. The application for partial unemployment benefits can be processed as soon as both the worker and the employer have entered the required information.

**For more information:**

[www.asi.is](http://www.asi.is)