

ICELANDIC LABOUR LAW

A SUMMARY
OF BASIC RIGHTS AND OBLIGATIONS
ON THE PRIVATE LABOUR MARKET

ICELANDIC CONFEDERATION OF LABOUR (ASI)

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Foreword

On behalf of the legal department of the Icelandic Confederation of Labour (ASI) we are pleased to present this summary of labour law and trade union rights in Iceland.

In this booklet the reader will find information about trade unions and collective bargaining, employment contracts, wages and working time, holiday allowance, payments in case of accidents and sickness, health and safety in the workplace, maternity and paternal leave, information and consultation of workers, access of foreign workers into to the labour market and other related issues.

Our focus is on the general or private labour market. The public labour market is governed by a different set of rules.

Collective bargaining between the social partners on wages and other terms of employment has a long tradition in all sectors of the labour market. This system of freely negotiated agreements enjoys a strong support of the social partners and is fully endorsed by the government. Collective agreements play a vital role in regulating the labour market as they are according to a specific provision of law made generally applicable and binding upon all workers and employers operating within the boundary of the applicable agreement.

Workers rights are also protected in various pieces of legislation which deal with particular aspects of the employment relationship and the social rights of workers.

We hope this summary will serve foreign workers and employers alike, as a good introduction to labour law in Iceland.

October, 2007

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Table of contents

Foreword	3
Introduction.....	8
1. Trade Unions.....	10
1.1 Introduction	10
1.2 Membership of Trade Unions.....	10
1.3 Representation at the workplace.....	10
1.4 Priority clauses	11
1.5 Strikes.....	11
1.6 Political rights of workers	11
1.7 Union funds.....	12
2. Collective bargaining.....	12
2.1 Introduction	12
2.2 Content of collective agreements.....	12
2.3 Occupational and geographical coverage.....	12
2.5 Types of agreements	13
2.6 Period of validity	13
2.7 Confidential ballots.....	13
2.8 Industrial Peace	14
3. Access to the labour market	14
3.1 Introduction	14
3.2 Discrimination.....	14
3.3 Age	14
3.4 Regulated professions.....	15
3.5 Foreign workers	15
4. Contract of employment	15
4.1 Introduction	15
4.2 Incorporation of collective rights.....	15
4.3 Written statement or contract of employment.....	15
4.4 Changes in terms of employment	16
4.5 Termination of contract	16
5. Wages and working time	16
5.1 Introduction	16
5.2 Working time.....	17
5.2 Day time and over time work	17
5.3 Major holidays	17
5.4 Transfer of public holidays.....	18
5.5 Christmas and Holiday bonus payment	18
5.6 Shift work	18
6. Daily and weekly rest and maximum weekly working time	18
6.1 Introduction	18
6.2 Maximum weekly working time	18
6.3 Daily rest	18
6.4 Weekly day off.....	19
6.5 Night workers	19
7. Meal and Coffee breaks	19
7.1 Introduction	19
7.2 Meal breaks.....	19
7.3 Coffee breaks	20
7.4 Work during lunch and coffee breaks.....	20
8. Pay statement.....	20
8.1 Introduction	20
8.2 Particulars of a written pay statement	20
8.3. Payment	20
9. Personal income tax.....	21

9.1	Introduction	21
9.2	Personal tax credit	21
9.3.	Payment of taxes	21
9.4	Social security contributions	21
9.5	The Internal Revenue Directorate	21
	10. Holidays and holiday allowance	21
10.1	Introduction	21
10.2	Number of holidays	22
10.3	Holiday allowance.....	22
10.4	Holiday period	22
10.5	Holiday outside the holiday period	23
10.6	Worker falls sick before or during holiday	23
10.7	Employment terminated	23
	11. Absence from work due to sickness	23
11.1	Introduction	23
11.2	Statutory rights	23
11.3	Collective rights	24
11.4	Accrualment of rights during absence.....	24
11.5	Transfer of acquired rights.....	25
11.6	Union Sickness Fund.....	25
11.7	Attending sick children and other compelling family reasons	25
	12. Accidents at work and occupational diseases	25
12.1	Introduction	25
12.2	Additional wages for up to three months.....	26
12.3	Medical expenses	26
12.4	Insurance for death, accident and disability.....	26
12.5	Statutory occupational injury insurance	26
12.6	If the employer is accountable	26
12.7	Reporting of accidents to AOSH.....	27
	13. Equal Status and Equal Rights of Women and Men.....	27
13.1	Introduction	27
13.2	Pay equality	27
13.3	Equality programs	27
13.4	Integration of demands of work and duties towards the workers families	27
13.5	Sexual harassment.....	27
13.6	Complaints and damages	28
	14. Maternity and paternal rights	28
14.1	Introduction	28
14.2	Total leave of nine months	28
14.3	Maternity/paternal benefits.....	28
14.4	Safety and health of pregnant women	29
14.5	Parental leave - unpaid	29
14.6	Employment protection	29
	15. Pension funds	30
15.1	Introduction	30
15.2	Mandatory occupational pension fund.....	30
15.3	Supplementary Pension.....	30
15.4	Statutory pension.....	30
	16. Part-time and fixed-term work	30
16.1	Introduction	30
16.2	Part-time workers	30
16.3	Fixed-term work	31
	17. Young workers	31
17.1	Introduction	31
17.2	Prohibited work.....	32
17.3	Working hours	32
	18. Termination of employment.....	32

18.1	Introduction	32
18.2	Formalities	32
18.3	Notice periods.....	33
18.4	Employment protection	34
19.	Protection of personal data	34
19.1	Introduction	34
19.2	Personal data	35
19.3	Basic principles relating to data quality and processing	35
19.4	Electronic surveillance.....	35
19.5	E-mail and internet use	36
20.	Information and consultation	36
20.1	Introduction	36
20.2	Health and safety	36
20.3	Collective dismissals	37
20.4	Transfer of undertakings	37
20.5	General framework for information and consultation.....	37
20.6	European Work Councils and the European Company (SE)	38
21.	Posting of workers	38
21.1	Introduction	38
21.2	Terms and conditions of employment	39
21.3	Registration.....	39
21.4	Temporary work agencies	39
22.	Foreign Workers.....	39
22.1	Introduction	39
22.2	Workers from Europe.....	40
22.3	Workers from third countries - Work permits.....	40
22.3.1	Types of work permits	40
22.3.2	Temporary work permits	40
22.3.3	Unlimited work permits	41
22.3.4	Specialist work permit.....	41
22.3.5	Four weeks exemption	42
22.4	Agreement on foreign workers	42
	ADDRESSES AND WEBSITES	44
	LABOUR LAW LEGISLATION	46

Introduction

The Icelandic labour market is usually characterized as flexible from a regulatory point of view, labour participation is very high and the workforce quick to adapt to changes in the labour market due to market forces, introduction of new technologies and other factors.

The labour market is for the most part regulated by means of collective bargaining. The social partners play therefore a important role in deciding wages in different sectors of the economy, working time arrangements and various employment rights of workers. Collective agreements cover approximately 88% of the workforce.

Wages and other terms of employment concluded in collective agreements are minimum terms, applying to all workers in the applicable occupation within the geographical area covered by each agreement. Minimum terms set by collective agreements do not stand in the way of higher wages and/or better terms negotiated between workers and their employers, if the economic situation in the relevant sector warrants it.

Labour law enacted by the Parliament supports this system by providing the social partners with a legal framework which deals with certain aspects of collective bargaining, the right to strike and dispute resolution. In addition there are a number of employment laws in areas such as equal rights of men and women, pensions, maternity and paternal leave and health and safety at the workplace.

The Constitution of the Republic of Iceland requires that everyone shall be equal before the law and enjoy human rights irrespective of sex, religion, opinion, national origin, race, colour, property, birth or other status.

Iceland is a member of the European Economic Area (EEA) which unites the EU Member States and the three EFTA States (Iceland, Liechtenstein and Norway) into one Single Market governed by the same basic rules in the area of free movement of goods, capital, services and persons.¹ Iceland is a member of various international organizations such as the International Labour Organization (ILO), the World Trade Organization (WTO) and the Organization for Economic Co-operation and Development (OECD).²

The Icelandic Confederation of Labour (ASI)

The Icelandic Confederation of Labour (ASI) is built up of trade unions of general workers, office and retail workers, seamen, construction and industrial workers, electrical workers and various other professions.³ These trade unions are affiliated to 5 national federations which in turn are affiliated to ASI. In addition there are 7 national unions which are directly affiliated to ASI. The two largest trade unions in Iceland are Efling-stéttarfélag⁴ with approx. 17.000 members and VR⁵ with approx. 30.000 members. Trade unions belonging to ASI represent almost exclusively workers in the private sector, but some of their members are also employed by municipal authorities.

The role of ASI is to promote the interests of its constituent federations, trade unions and workers by providing leadership through co-ordination of policies in the fields of employment, social, education, environment and labour market issues. ASI represents the trade union movement at various levels of the government on issues such as labour law, employment and social policy and occupational safety.

ASI is a member of various international and regional organizations. These include the Nordisk fackligt samarbejde (NFS), which is an organization of the Nordic Confederations of Labour, The European Trade Union Confederation (ETUC) which was established in 1973, to provide a trade union counterbalance to the economic forces of European integration and The International Confederation of Free Trade Unions (ICFTU).

Individual federations which are affiliated to ASI are themselves members of Nordic, European and international organisations in their respective fields.

¹ For further information please visit the EFTA website at www.efta.int/

² Iceland is also a member of the Nordic Council, Council of Europe and the Council of Baltic Sea States. For more information please contact the Ministry for Foreign Affairs of Iceland at www.mfa.is/

³ www.asi.is/

⁴ www.efling.is/

⁵ www.vr.is/

Employers on the general labour market organize themselves in a similar manner, the most representative being The Confederation of Icelandic Employers (SA).⁶

Tripartism

The social partners are represented in governing bodies of public institutions which deal with labour market issues, such as the Administration of Occupational Safety and Health (AOSH), the Directorate of Labour, the Unemployment Insurance Fund and the Centre for Gender Equality. The purpose of this arrangement is to establish where possible a consensus between the social partners and government regarding implementation of applicable legislation and to let the social partners contribute to the development of these institutions.

⁶ www.sa.is/

1. Trade Unions

1.1 Introduction

Trade unions on the Icelandic labour market work to improve wages and other employment conditions of their members, primarily by representing them in collective bargaining with employers and their federations and promoting their rights in the socio-economic field.

The Act on Trade Unions and Industrial Disputes No. 80/1938⁷ establishes the right of workers to form trade unions and federations of trade unions for the purpose of working jointly for the interests of the working class and workers in general. Trade unions are according to this Act made legal contracting parties concerning wages and terms of employment for their members.

The constituency of a trade union can according to Act No. 80/1938 never be smaller than one municipality. The district can cover more than one municipality and for some trade unions the constituency is extended to the whole country.

1.2 Membership of Trade Unions

Trade unions are open to all those working in the trade concerned within the district of each union in accordance with further fixed rules contained in their statutes. Applicants may not be denied membership based on gender, national origin or other similar grounds. Union density is very high in Iceland compared to most countries, or around 88%.

Trade unions are affiliated to national federations which are affiliated to the Icelandic Confederation of Labour (ASI).

Federations affiliated to ASI	Unions	Members
Federation of General and Special Workers (SGS)	26	51.800
The Commercial Federation of Iceland (LIV)	21	30.000
Federation of Skilled Construction and Industrial Workers (Samidn)	17	6.600
Union of Icelandic Electrical Workers (RSI)	10	5.200
Federation of Icelandic Seamen (SSI)	23	2.800

In addition there are 7 national unions directly affiliated to ASI, with approx. 7.000 members.

1.3 Representation at the workplace

Workers belonging to each trade union have a right to elect one union representative in workplaces employing 5 to 50 workers, and two union representatives, if the number of workers exceeds 50. After the election, the trade union appoints the union representatives. This principle is established under Act No. 80/1938 and further developed in collective agreements. Union representatives are appointed for a term of two years.

The role of trade union representatives is receive and assess complaints from their fellow workers relating to unsatisfactory terms of employment or facilities etc. If they consider the complaints valid they must forward them to the employer and claim for amendment.

Union representatives are permitted to call a meeting twice a year during working hours at the workplace. The meetings must be called in consultation with the relevant trade union and the management of the company.

A union representative is entitled, after consulting his employer, to leave work on account of his duties as union representative without reduction in full normal wages based on regular working hours.

Employers are not permitted to terminate the employment of trade union representatives on account of their status as such or to let them in any way suffer for the fact that a trade

⁷ This Act has undergone various subsequent amendments.

union has charged them with discharging duties for the union. In case an employer plans to reduce the number of workers a trade union representative is, other things being equal, to have priority in retaining his job.⁸

1.4 Priority clauses

Collective agreements contain so-called priority clauses. Employers undertake under these clauses to allow workers who are full members of the relevant trade union to have priority regarding all general work when this is demanded and union members who are fully capable of doing the work involved are available. If there are no workers available who are members of the respective trade union the employer is free to hire non-union workers. Priority clauses are deemed to be compatible with Article 74 of the Icelandic Constitution, on freedom of association.

1.5 Strikes

Trade unions and employers' associations are authorized to declare a work stoppage for the purpose of working for the advancement of their demands in industrial disputes and for the protection of their rights under the Act No. 80/1938, subject only to the conditions and limitations which are laid down in law.

The term „work stoppage“ refers to lockouts by employers and strikes in which workers discontinue their normal work to some extent or in its entirety in order to achieve a specific common goal. The term also applies to other comparable actions taken by employers or workers, which may be regarded as the equivalent of work stoppages.

Strikes are usually only used as a bargaining tool by trade unions when negotiating a new collective agreement. When a collective agreement has been signed the negotiating trade union or unions waive their right to strike inasmuch as the conditions established in the collective agreement are respected (peace clause). Cases concerning violations of a collective agreement or disagreements relating to the interpretation of a collective agreement can be resolved by referring the case to the Labour Court.⁹ According to Act No. 80/1938 it is not permissible to resolve such grievances by calling a strike.

Act No. 80/1938 stipulates that strikes are only permitted if the decision to call a strike has been taken by secret ballot with the participation of at least 20% of those on voting and/or membership list, and the proposal receives the support of the majority of votes cast. A proposal for a strike must state clearly the aim it is intended to achieve and when it is proposed to begin. Secret postal ballot may also be used for a proposal to call a strike, in which case the result is considered valid irrespective of the participation rate. Formal announcement of industrial action must be sent to the State Mediator and the counterpart with 7 days notice.

A competent representatives of the contracting parties may at all times cancel a work stoppage. The same parties may postpone a work stoppage that has been called, once or more often, by up to 28 days in total, without the approval of the opposite contracting party, providing that party is informed of the postponement with at least three days' notice.

It is furthermore always possible to postpone a work stoppage that has been called, and a work stoppage that is in progress, with the approval of both parties.

1.6 Political rights of workers

Employers are required by Act No. 80/1938 not to attempt to influence political views of their workers, their attitude to dealing with trade unions or political association or industrial disputes by:

- Notice of termination of employment or threats of such notice.
- Monetary payments, promises of profit or refusal to effect just payments.

⁸ Art. 11 of Act No. 80/1938.

⁹ See also Chapter 2.8 on Industrial Peace.

1.7 Union funds

Employers are required under Act No. 55/1980 to subtract from the wages of their workers, contributions payable to their trade union, according to such rules as specified in the applicable collective agreements. Union contributions are determined by the trade unions and usually set to 1% of the worker's wages.¹⁰

Employers are furthermore under a legal obligation based on Act No. 19/1979 and Act No. 55/1980 to pay premiums into sickness benefit funds and holiday funds of trade unions. This premium is usually 1% for sickness funds and 0,25% for holiday funds. Collective agreements also provide for the payment by employers of a vocational fund fee of 0,15%.

Union fees are usually collected with the payments to occupational pensions funds.¹¹

2. Collective bargaining

2.1 Introduction

Collective bargaining is governed by Act No. 80/1938 which empowers trade unions to negotiate agreements with employers concerning wages and other terms of employment of their members.

Collective agreements are according to Act No. 55/1980 automatically binding for all workers and employers operating within its occupational and geographical area. It is not a condition for the applicability of a collective agreement that the workers concerned are members of the signatory trade union or that those who employ them are members of the negotiating partner on the employers side. This law affects both domestic and foreign undertakings operating on the Icelandic labour market.

Each national federation negotiates at least one general collective agreement with SA which applies to wages and other terms of employment. Additional agreements are negotiated by individual trade unions where local conditions are taken into account.

2.2 Content of collective agreements

The content of general collective agreements can be divided into three parts. In the first part are provisions on wages and working time, meal and coffee breaks and minimum hours of daily and weekly rest.

The second relates to holiday payments, health and safety at the workplace, payments in cases of sickness and work-related accidents, working clothes, trade union and pension fund fees, rules on notice of dismissal, selection and duties of trade union representatives etc.

The third part concerns the term of the agreement and in some cases dispute resolution of the negotiating parties and how do deal with changes that occur in underlying economic factors, such as inflation, which affect the expected outcome of real-wages during the validity of the agreement.

2.3 Occupational and geographical coverage

The occupational coverage of collective agreements is linked to the mandated occupational area of the signatory trade union and covers under Act No. 55/1980, all work that is customarily performed by workers who are members of the signatory union or is performed by workers engaged in the same type of work that the agreement applies to.

The geographical coverage depends on the material scope of the agreement on the one hand and the limits posed on by the geographical district of the negotiating trade union on the other.

¹⁰ A number unions have reduced this fee to 0,7%, for example Efling-stettarfelag and VR.

¹¹ See Chapter 15.

2.5 Types of agreements

2.5.1 General collective agreements

Each national federation negotiates at least one general collective agreement with SA which applies to wages and other terms of employment for all their members. This agreement contains all the relevant provisions such as pay, working time, meal and coffee breaks, payments in cases of sickness and work-related accidents, holidays and holiday payments, health and safety at the workplace, payment of union fees, choice and duties of trade union representatives etc.

2.5.2 Special agreements

General collective agreements are supplemented with agreements negotiated by trade unions at local-level on various issues such as shift-work arrangements.

2.5.3 Enterprise agreements

Enterprise agreements are negotiated for large industrial companies such as aluminium corporations and hydro electrical power plant projects. Those agreements can be negotiated on behalf of a number of trade unions belonging to different occupational sectors and national federations. Such agreements cover all the relevant issues that a general collective agreement would cover.

2.5.4 Workplace agreements, supplementing collective agreements.

Incorporated into all collective agreements is a chapter called „Company-related parts of collective agreements“ which is defined as an agreement concluded between a particular company and its workers, all of them or a specified group thereof, affiliated to one or more unions, concerning the alignment of a wages and terms agreement to the requirements of the workplace. Union representatives at the workplace act as spokespersons for workers in the course of negotiations with the company.

The goal of such agreements is to enhance the cooperation of workers and management at the workplace, with the aim of making adjustments to improve the wage conditions with more productivity. The goal is furthermore to evolve collective agreements so that they benefit both parties. This type of agreement can cover issues such as flexible daytime work, a four-day work week, shift-work, postponement of weekly day off rest so that consecutive days off be taken over a period of 14 days, production related payment system etc. The benefit sought after must be divided between the workers and the employer in accordance with clear pre-conditions.

A workplace agreement does not in itself constitute a collective agreement since a trade unions is not a party to it. The unions can nevertheless be called upon to participate as advisors and the agreement must comply on the whole with the applicable collective agreement.

2.6 Period of validity

Collective agreements are concluded for a specific period of time. If the parties have not concluded a new agreement before the old one expires, the terms of the old agreement will apply until a new agreement has been signed. Collective agreements have in recent years been concluded for a period of 3 to 4 years. Collective agreements which were negotiated on the general labour market in the spring of 2004 are in most cases valid until the end of 2007.

2.7 Confidential ballots

A collective agreement is valid from the day it is signed unless otherwise agreed by the parties, unless it is rejected by a majority vote in a confidential ballot held within four weeks of the date of signature. For a valid vote, at least one fifth of those on the voting roll or membership register, working under the agreement must participate. Trade unions belonging to the same national federation, which has signed on their behalf a general collective agreement, can decide to put that agreement under a joint ballot for members of all the participating trade unions.

If a general confidential postal ballot is held, its result is valid irrespective of participation rate.

If two or more trade unions are involved in a collective agreement for members at the same place of work (enterprise agreement), it must be put jointly to a ballot involving all the members to whom it applies.

2.8 Industrial Peace

When a collective agreement has been signed the negotiating parties waive their right to take collective action inasmuch as the conditions established in the collective agreement are fully respected. Thus, a period of industrial peace is in principle to prevail for the validity of each collective agreement. Disputes regarding interpretation of collective agreements are to be referred to the Labour Court which is located in Reykjavik.

3. Access to the labour market

3.1 Introduction

Employers are in general free to choose if and who they hire for a particular vacancy. Employers must nonetheless exercise this freedom in accordance with legal provisions which ban discrimination between workers based on gender or nationality, rules protecting young workers, requirements for professional qualifications in a number of occupations and restrictions regarding hiring of workers from countries outside the EEA-area.

Employers and workers have several ways to obtain information about available worker and job openings on the labour market. The Directorate of Labour operates regional employment offices around the country which provide services, free of charge, to people seeking employment and to employers in search of workers.¹²

There are also a number of private employment agencies offering services to workers and employers. These services must be rendered free of charge to individual job seekers. Information about vacancies are also posted in newspapers and on the websites of companies.

3.2 Discrimination

Employers are prohibited from discriminating between applicants on the basis of gender. The same applies for promotion, changing of position, continuing education, vocational training, study sabbaticals, dismissal, working conditions and working environment.

It is furthermore prohibited to advertise, or publish an advertisement for a vacant position indicating that a worker of one sex is preferred over the other. This does not apply, however, if the aim of the advertiser is to promote a more equal distribution of the sexes within an occupational sector, and that shall then be indicated in the advertisement. The same rule applies if there are legitimate reasons for advertising only for applicants of one of the sexes.

3.3 Age

According to rules regarding health and safety of young workers, limitations are set to the type of work, working environment and working time of people under the age of 18. Children may for example only be employed after reaching the age of 14 years and then only for light work.

A specific retirement age for workers is not provided for in law or collective agreements in the private sector labour market. Retirement age can be said to be governed by rules relating to entitlement to old age pension. For the majority of workers, entitlement to old age pension is set at the age of 67 years. Workers have the option of early retirement at the age of 65 or to postpone their retirement to the age of 70. Seamen are however entitled to old age pension at the age of 60.

¹² For more information visit the website of the Directorate of Labour www.vinnumalastofnun.is/

3.4 Regulated professions

Access to certain professions is restricted to persons holding a professional degree in the relevant field or to those having obtained a particular qualification. This applies in many fields of industry, health services, civil engineering etc.¹³

3.5 Foreign workers

The Icelandic labour market is open to foreign workers who fall under the rules of the EEA-Agreement. Workers from countries not belonging to the EEA area are on the other hand, according to the Foreign Nationals' Right to Work Act, required to work under work permits issued to their respective employer by the Directorate of labour¹⁴

4. Contract of employment

4.1 Introduction

General principles of contract law apply to the formation of employment contracts. A contract of employment may be entered into orally, but a written contract is recommended as proof of its existence and of individual terms of the employment relationship.¹⁵

4.2 Incorporation of collective rights

The terms in the applicable collective agreement are regarded as incorporated into the contract of employment of individual workers falling within its scope of application. These include the basic provisions, such as minimum rates of pay and other terms such as working time, the right to holiday and paid leave, payment of wages during sickness etc.

Contracts of employment that provide for poorer terms than those provided for in the applicable collective agreement are according to law null and void.

4.3 Written statement or contract of employment

If a worker is hired for longer than one month and on average for more than 8 hours per week, a written contract of employment must be made, or terms of employment confirmed by the employer in writing, no later than 2 months after the work began.¹⁶

The contract/statement must include the following information:

1. Identities of the parties.
2. The place of work and domicile of employer; where there is no fixed or main place of work, the principle that the worker is employed at various places.
3. The title, grade, nature or category of the work for which the worker is employed, or a brief specification or description of the work.
4. The date of commencement of the contract or employment relationship.
5. In the case of a temporary employment, the duration thereof.
6. Holiday entitlement and holiday allowance.
7. Length of the notice periods to be observed by the employer and the worker.
8. Monthly, bi-weekly or weekly pay, other wage items and the frequency of payment of the remuneration to which the worker is entitled.
9. Length of the worker's normal working day or week.
10. Pension Fund affiliation.

¹³ For further information please contact the relevant Ministry through the gateway www.government.is/

¹⁴ For further information please go to Chapters 21 and 22.

¹⁵ Employment contract forms, both in Icelandic and English, can be obtained from the ASI website at www.asi.is/

¹⁶ These rules are based on Council Directive 91/533/EEC on an employer's obligation to inform workers of the conditions applicable to the contract or employment relationship.

11. The collective agreement governing the worker's terms and conditions of work and the relevant Trade Union.

The information referred to in points 6 to 9 may be given in the form of a reference to the collective agreement governing those particular points.

Where an employment relationship comes to an end within a period of two months from the start of work, the information mentioned above must be made available to the worker at the end the relationship.

4.4 Changes in terms of employment

An employer who wishes to change the terms in individual contracts of employment to the detriment of the worker, e.g. lower his wages, introduce new working hours etc., he must do so in accordance with the general notice periods which apply to termination of employment provided for under the applicable collective agreement. The worker can choose to regard such a notice of change as a final notice of termination of his employment contract. If he chooses to do so, he must notify the employer as soon as he can. If he does not, his silence will be regarded as accepting the changes. The changes come into effect when the notice period has expired.

According to the rules referred in 4.3. changes in the terms of employment must be the subject of a written document to be given by the employer to the worker at the earliest opportunity and not later than one month after the date of entry into effect of the change in question. This not compulsory in the event of change in laws or collective agreements cited in the employment contract.

4.5 Termination of contract

A contract of employment may be terminated without cause by either employer or worker under notice of termination required by the applicable collective agreement.

The freedom of the employer in this respect is in certain cases restricted by legal provisions.¹⁷

5. Wages and working time

5.1 Introduction

Act No. 55/1980 states that wages and other terms of employment agreed between the social partners in collective agreements are minimum terms, regardless of sex, nationality, term of employment etc., for all workers in the relevant occupation within the area covered by the agreement.

The minimum wage for each sector of the labour market is negotiated in collective agreements by the social partners and is therefore not the same for every occupational sector.¹⁸ The minimum wages are determined on grounds of the nature of the work, seniority and education.

The wage scales of collective agreements are generally subject to annual changes, i.e. on 1 January every year, or upon the entry-into-force of a new collective agreement.

The minimum rates do not always reflect the wages that are actually paid in the relevant sector. This is a special feature of the wage formation on the labour market and allows for certain freedom of spot negotiations between individual workers and their employers reflecting market conditions.

Information about the going wage rate in a particular sectors can be obtained from the social partners. Another source of information is Statistics Iceland which collects information, on a regular basis, on wages and working time in various sectors of the labour market.¹⁹

¹⁷ See Chapter 18 for further information.

¹⁸ Collective agreements set the minimum wages for those of 18 years of age.

¹⁹ Statistics Iceland: www.statice.is/

VR trade union has negotiated a wage system for its members which features a combination of a straightforward wage scales system and a system which emphasizes wage settings in direct negotiations between each worker and his or her employer. Under this system the worker enjoys the protection of the minimum terms but has also a contractual right to meet his or her employer once a year for re-negotiation of wages.

5.2 Working time

Hours of daytime work are according to collective agreements defined as 40 hours per week, divided into five eight hours working days from Monday to Friday, and wages determined as weekly or monthly wages. Paid coffee breaks, usually 35 minutes, are included in the 8 hour work day.

Day time hours usually start at 07:00 (general workers, industrial workers) but the time they end differs based on what collective agreement applies. For general workers it ends at 17:00 hours but for industrial workers it is usually at 18:00 hours.

The decision as to when during this period of daily hours the workers shall work their 8 hours day time work is made at each workplace by the workers and their employer.

5.2 Day time and over time work

The regular day-work pay can either be monthly pay or hourly pay. When monthly wages are paid for day-work, the worker receives the agreed monthly pay, irrespective of the number of workdays (Mondays-Fridays) during the month.

The hourly pay for day work is established by dividing the monthly pay by 173.33. The paid wages every month are determined by the number of day-work hours in the relevant month. If the monthly pay of a construction worker amounts to ISK 129,500, for example, his hourly pay for regular day work is ISK 747.13.

Overtime pay is paid for work in excess of 8 hours per day and 40 hours per week. Work performed outside day time hours is remunerated with overtime pay. It is not permitted to pay day-time wages for work performed during hours outside day-time hours even though the worker in question has not done his full 8 hours in day-time.

Overtime is paid at an hourly rate equalling 1.0385% of the monthly wages for regular day work. If the monthly wages of a construction worker amount to ISK 129,500, for example, the hourly overtime pay is ISK 1,344.86 and the hourly pay for work on major holidays is ISK 1,780.63.

Special provisions apply for overtime under collective agreements negotiated by VR.²⁰

5.3 Major holidays

Workers hired under a contract for day time work are not required to perform their duties on special or public holidays, unless they agree to do so. If those days fall within the week (Monday-Friday) a normal daytime pay for 8 hours is to be paid. For general workers this right however does not kick in until after one month employment with the same employer or in the same occupational sector.

Special holidays are New Year's Day, Good Friday, Easter Sunday, White Sunday, 17th of June (Icelandic Republic Day), The day before Christmas (Christmas Eve) after 12 am., Christmas day and the last day of the year (New Year's Eve) after 12 am.

Work on major holidays is paid with an hourly pay equalling 1.375% of the monthly wages for regular day work, in addition to the 8 hours day-time wages. If monthly wages for daytime work are set to 150.000 ISK then the special holiday pay per hour is calculated as $150.000 \times 1,375\% = 2.063$ ISK.

Public holidays are Maundy-Thursdays, Easter Monday, Resurrection day, First day of summer (April), Labour Day (May 1), White Monday, Boxing Day and Bank Holiday (First

²⁰ www.vr.is/

Monday in August).²¹ Work performed on these days is remunerated with overtime pay, in addition to the 8 hours day-time wages.

5.4 Transfer of public holidays

Employers and their workers are authorized, on the basis of a provision in collective agreements, to transfer public holidays which fall on Thursdays (Resurrection day and First day of summer) onto the next working day, for example Friday or Monday, or connect them to other holidays. The purpose of such an arrangement is to establish in those circumstances a working week of at least 4 consecutive working days.

5.5 Christmas and Holiday bonus payment

Collective agreements provide for the payment by employers of a fixed Christmas bonus payable in December and a Holiday bonus payable from 1 May to 15 August. Those who work part-time or only a part of the year receive these premiums proportionally.

5.6 Shift work

Most collective agreements contain an authorization on shift work applying to a part or all workers of a company. A shift differential is paid for work carried out during the period from 16:00 hours (from 17:00 hours at restaurants and hotels) to 08:00 hours and on weekends. Overtime is paid for work in excess of 40 hours average per week as shift work.²²

6. Daily and weekly rest and maximum weekly working time

6.1 Introduction

Act No. 46/1980 on Working Environment, Health and Safety of workers lays down general minimum safety and health requirements for the organization of working time, in respect of maximum weekly working time, periods of daily and weekly rest, breaks during the day, aspects of night work, shift work and patterns of work.²³

The Administration of Occupational Safety and Health (VER) is responsible for the enforcement of this Act.²⁴

Collective agreements also contain rules on health and safety of workers within the general framework set by this Act.

6.2 Maximum weekly working time

The Act stipulates that the average maximum weekly working time over a 4 month reference period shall not exceed 48 hours per each seven-day period, including over-time. Working time is in this context defined as active working time.

The maximum weekly working time, may be averaged based on a collective agreement, over a reference period not exceeding 6 months. In exceptional cases this period can be extended to 12 months.

6.3 Daily rest

Working time for each 24 hour day must be organized in such a way as to provide at least 11 hours of consecutive rest for the worker. If possible, the daily time of rest should fall between 11pm and 6am.

It is unlawful for employers to organize longer than 13 hour workdays.

²¹ Please note that the Bank Holiday is a special holiday for those who fall under the scope of The Commercial Federation of Iceland (LIV/VR).

²² For more information about applicable shift differentials please contact the relevant trade union.

²³ These rules are based on Directive 93/104/EC concerning certain aspects of the organization of working time, and subsequent amendments in Directive 2000/34/EC.

²⁴ Administration of Occupational Safety and Health website www.vinnueftirlit.is/

When special circumstances demand that an exception be made to the rules regarding daily rest the following applies: If workers are specifically asked to come to work before the 11 hour daily rest is over, it is allowed to postpone the rest and grant it later so that the right to time off from work, 1.5 hours (day work), accumulates for every hour of rest reduction. It is allowed to pay 0.5 hours (day work) of each accumulated hour but the rest must be granted as time of.

Exception is also allowed in case of shift work, each time the worker changes shift and cannot take daily and/or weekly rest periods between the end of one shift and the start of the next one. In this case, daily rest may be reduced to 8 hours each time. Shift work is defined as any method of organising work in shifts whereby workers succeed each other at the same work station according to a certain pattern, dividing the work to different hours of the day in each shift period.

Workers are also entitled to a break of for rest at least 15 minutes from work during each working day of more than 6 hours. Coffee and meal breaks are considered to be breaks.²⁵

6.4 Weekly day off

For every 7 day period a worker shall have at least one day off from work, which is directly connected to the daily rest. Monday is the first day of the week, in this respect.

If possible, the weekly day off shall fall on a Sunday and, if possible, every worker of a given employer shall have that day off.

If necessary, and after consultation with its workers, a employer may postpone the weekly day off where special reasons make such an exception unavoidable.

If there is a special need to organize the work in a way that calls for the postponement of the weekly day off, a special agreement shall be made to that effect.

6.5 Night workers

Night workers are those who work more than three hours between 11pm and 6am as a regular part of their job.

Employers are required to take all reasonable steps to ensure that the 'normal' hours of their night workers do not exceed 8 hours in every 24 hours.

Night workers are entitled to a free health assessment before their assignment and thereafter at regular intervals. Night workers suffering from health problems recognized as being connected with the fact that they perform night work have the right to be transferred whenever possible to day time work to which they are suited. The free health assessment must comply with medical confidentiality and must be conducted within the national health system.

In cases where night work involves special hazards, heavy physical or mental strain, no more than 8 hours in any 24 can be worked.

7. Meal and Coffee breaks

7.1 Introduction

Meal and coffee breaks are regulated in collective agreements. These rules cover the length of these breaks and whether they are paid for or not.

7.2 Meal breaks

The duration of a meal break varies between sectors of the labour market, ranging from 30 minutes to 1 hour, taken between 11:30 and 13:30. The lunch break is not counted as working time and therefore unpaid.

Meal breaks during overtime are on the other hand reckoned as working time and paid for with overtime rate. The same applies to coffee breaks during over time hours.

²⁵ See Chapter 10 for further information.

7.3 Coffee breaks

Workers are usually entitled to two coffee breaks during daytime work and they shall be taken before and after noon. The length of coffee breaks are usually around 35 minutes.

Coffee breaks during daytime count as normal working time and are paid for.

Collective agreements allow for workplace agreements where one or both coffee breaks are skipped or reduced, given that the total working time is reduced by the same measure.

7.4 Work during lunch and coffee breaks

Work shall only be performed during meal and coffee breaks provided that the workers agree. Work during meal or coffee breaks during the day count as overtime and must be paid for as such.

8. Pay statement

8.1 Introduction

Collective agreements require that payment of wages must be accompanied with a written pay statement (pay-slip). Workers are entitled to ask their union representatives to check whether their wages and deductions made by their employer are calculated correctly.

8.2 Particulars of a written pay statement

A written pay statement must at least include the following information:

- Name and address of the employer and name of the worker.
- The period of time or the work for which the worker is being paid.
- The rate of wages to which the worker is entitled, the number of hours worked, broken into daytime work, overtime and the gross amount of the wages.
- Deductions and the purposes for which they are made, e.g. personal income tax, pension fund contributions,²⁶ trade union fees etc.
- Holiday pay.
- Any bonus, allowance or other payment to which the worker is entitled.
- Accumulated right for time-off due to reduced hours of rest.
- Net wages being paid to the worker.

8.3. Payment

Collective agreements usually state that wages are to be paid monthly on the first day after the month ends for which the wages is being paid. Wages are in some sectors paid on a weekly or bi-weekly basis.

Wages are usually paid directly into the worker's personal bank account, but can also be paid directly with checks or money.

The pay-statement issued to the worker is a valid receipt for the payment of his taxes and should be kept at least until the final tax assessment the following year.

²⁶ For information on pension funds contributions see chapter 15.

9. Personal income tax

9.1 Introduction

Workers are subject to state and municipal income taxes. Income tax and municipal tax is calculated on the basis of employment income and certain benefits in kind, after deducting pension premiums. For tax year 2007 the rate of withholding tax is 35,72%, i.e. 22,75% income tax and 12,97% municipal tax.

Special income tax 2.00% is levied on annual income exceeding ISK 4.196.686.

9.2 Personal tax credit

Workers are entitled to a personal tax credit against the computed income tax. The personal tax credit in 2007 is ISK 32.150 pr. month.

Workers must apply for a tax card to be eligible for the credit during each year. If they do not, tax is deducted in full and regulated and refunded in august the following year.

The monthly personal tax credit is transferable between months within the calendar year but not between years. It is also 100% transferable between spouses.

In the following example the full amount of wages for one month is set to 200.000 ISK. A 4% pension contribution by the worker is deducted from the tax base, in this case 8.000 ISK.

Taxable income	192.000
Tax rate 35,72 x 192.000	68.582
Personal tax credit	- 32.150
Withholding tax	36.432
	155.568

Source: Internal Revenue Directorate.

9.3. Payment of taxes

The employer withholds the tax and is responsible for paying it every month to the local tax authority.

Final assessment takes place on the basis of the tax return by July 31st of the year following the tax year. The tax year is the calendar year.

9.4 Social security contributions

Employers pay monthly social security contributions on all remuneration paid for dependent personal services and presumptive employment income of the self-employed. The general rate in 2007 is 4.54%. Employers pay in addition a 0,10% contribution for the financing of the Wage Guarantee Fund (insolvency of employers), 0.65% in employment security tax and a so called market fee of 0,05%, totalling 5,34%.

9.5 The Internal Revenue Directorate

For further information on tax issues in Iceland, please contact the Internal Revenue Directorate (RSK) or local tax authorities.²⁷

10. Holidays and holiday allowance

10.1 Introduction

Workers have the right to holidays and a holiday allowance, according to the rules contained in the Holiday Allowance Act No. 30/1987.

²⁷ The Internal Revenue Directorate publishes information in English, Danish and other languages about income and capital taxation of corporations and individuals in Iceland on its website at www.rsk.is/

The Act sets minimum rights in this field but collective agreements provide for further rights depending on various factors such as length of service with and age.

10.2 Number of holidays

The Act provides for a minimum of two working days' holiday for each month in employment during the past holiday allowance year (May 1st to April 30th), two weeks or more constituting one month in this respect, shorter periods not being counted. The minimum holiday for each year is therefore 24 working days. Sundays and other public holidays do not count as holidays in this respect, nor the first five Saturdays during holidays. This rule applies regardless of the worker being employed by one or more employers during the past holiday allowance year.

Collective agreements contain provisions on broader leave entitlement according to the worker's length of service.

Absence from work due to sickness or accident while the worker is receiving wages, or is on holiday, constitutes working hours for the purpose of calculating the number of holidays.

10.3 Holiday allowance

Workers are under the Holiday Allowance Act entitled to a holiday allowance (paid holiday) consistent with holiday rights accrued during the past holiday allowance year. The minimum holiday allowance is 10.17% of total wages.²⁸

The Act recognises various methods according to which the right to holiday allowance is protected.²⁹

Accrued holiday allowance. The basic rule of the Act requires the employer to withhold the vacation pay for each pay period until the worker goes on vacation in the next vacation year. The holiday allowance for each wage period (usually one month) is calculated in daytime working hours and stated specifically on the pay slip at the time of each wage payment, both the total of accrued holiday allowance from the beginning of the year and holiday allowance for the period in question.

The calculation is done by dividing the vacation pay (i.e. 10,17% of total wages for each wage period) by the workers regular hourly pay for day time work; thus calculating how many day-work hours the vacation pay amounts to. The employee accumulates such hours throughout the vacation year. When the worker goes on vacation in the following vacation year, the total number of these hours are multiplied by the day-work hourly pay in effect at that time. The amount thus found is paid the worker less taxes and other charges.

Holiday allowance account. Trade unions may agree with employers to have the holiday allowance (minus tax and other charges) deposited regularly into a special holiday allowance account in the name of the worker at a bank. Under such an agreement, it must be ensured that the party undertaking to safeguard the holiday allowance will pay the accrued holiday allowance to the worker in question, i.e. the principal along with interest, at the beginning of his holiday. The worker may withdraw his/her balance for the past vacation year after 15 May every year.

Workers earning a monthly salary. Workers employed on an open ended basis and earning fixed monthly wages for day work maintain their pay when they go on vacation. If they earn additional payments for over-time work, bonus payments or other extra payments, holiday allowance is calculated specifically on those payments and deposited into a holiday allowance account.

10.4 Holiday period

Holiday is to be granted during the period 2 May to 15 September each year (summer holiday period), but the social partners may make provisions in collective agreements for holiday to be taken at other times of the year when particular operational circumstances render this necessary. Nevertheless, workers shall at all times be given the right to take at least 14 days' holiday during the summer holiday period.

²⁸ The holiday

²⁹ For information about what method is relevant for particular sectors or job categories please contact the trade unions.

The employer determines, in consultation with his workers, when holiday is to be granted, within the period 2 May to 15 September each year. The employer has to comply with the wishes of his workers, to the extent possible, as to when holiday is granted, taking into account the operations of his company. After the employer has ascertained the wishes of his worker, he must, as soon as possible and at the latest one month before the beginning of the holiday, announce when they are to begin, unless special circumstances make this impossible.

In order to defend the purpose of the holiday, the worker may not forfeit his time off and take pay or other benefits instead during his holidays.

10.5 Holiday outside the holiday period

Those, who at their employer's request, do not take their holiday during the appointed summer holiday period, i.e. during the period from 2 May to 15 September each year, receive a 25% extension on the portion of the holiday taken outside the holiday period or equivalent payment.

10.6 Worker falls sick before or during holiday

If the worker is unable to take his holidays at the time determined by his employer, he must, according to the Holiday Allowance Act, submit proof of his inability to do so by presenting a medical certificate to this effect. The worker may then demand to be granted holidays at another time but not later than will enable him to complete his holidays before the next May 31st.

If a worker falls ill during his holiday, so seriously that he is unable to enjoy his holiday, time off due to illness does not count as part of his holiday, provided he produces a medical certificate. The same applies if a worker is taken ill and must be hospitalized, for one or more days during his holiday in a country within the EEA, United States of America or Canada. If the worker fulfils his obligation to inform his employer and if he is ill for more than 3 days in Iceland or 6 days within EEA, United States of America or Canada he is entitled to supplementary holiday for the same number of days as he was ill.

Supplementary holiday must as far as possible be granted during the period May 2nd, until September 15th, unless special circumstances apply.

10.7 Employment terminated

If an employment contract is terminated, the employer is required, at the end of the employment relationship to pay the worker all his accrued but unpaid holiday allowance.

11. Absence from work due to sickness

11.1 Introduction

A worker, who is unable to perform his normal duties at work due to sickness or accidents occurring in the worker's free time,³⁰ is entitled to wages from his employer for a certain period of time.

Minimum rights of workers are regulated in the Act Respecting Labourers' Right [...] to Wages on Account of Absence through Sickness and Accidents No. 19/1979, and further improved upon in collective agreements.

11.2 Statutory rights

Act No. 19/1979, provides workers with basic rights in case of absence from work due to sickness or accidents occurring in the worker's free time.

The minimum rights during the first year of service with an employer are 2 days in respect of each month. After one year of employment an worker is entitled to total wages for 1 month out of every 12 months, after three years with the same employer 1 month of total

³⁰ See chapter 12 for work related accidents.

wages and 1 month with day wages out of every 12 months, and finally after five years with the same employer 1 month of total wages and 2 months with day wages out of every 12 months.

11.3 Collective rights

Collective agreements provide for additional rights in case of absence from work due to illness. These rights vary depending on the applicable collective agreement.

Trade unions belonging to SGS³¹

During the first year	2 days earned for each month worked
After one year	1 month full wages ³²
After two years	1 month full wages and 1 month on daytime wages
After three years	1 month full wages and 2 month on daytime wages
After five years (1)	Bay Area Unions (incl. Reykjavik) = 1 month full wages and 3 months daytime wages.
After five years (2)	SGS = 1 month full wages, 1 month on daytime wages plus all bonus payments and 2 months on daytime wages.

Trade unions belonging to LIV

During the first year	2 days earned for each month worked
After one year	2 months every twelve months.
After five years	4 months every twelve months.
After ten years	6 months every twelve months.

Members receiving a monthly pay

During the first year	2 days earned for each month worked.
After one year	2 months every twelve months.
After five years	4 months every twelve months.
After ten years	6 months every twelve months.

Trade unions belonging to SAMIDN

During the first 6 months	2 days earned for each month worked.
After 6 months	1 month full pay.
After 2 years	1 month full pay + 1 month daytime wages.
After 3 years	1 month full pay + 2 months daytime wages.

Trade unions belonging to RSI and MATVIS

During the first year	2 days earned for each month worked.
After one year	1 month full pay.
After three years	2 month full pay.
After five years	2 months full pay + 1 month daytime wages.

11.4 Accrual of rights during absence

The employment relationship between the parties stays intact during the period which the worker is absent. This means that the employer's contractual and legal obligations are maintained and he is responsible for payment of taxes and social contributions. Seniority also continues to accrue during the worker's absence.

If the worker has exhausted his rights against his employer under his or collective agreement and is at that point still unable to return to work the parties should consider the status of their employment relationship, whether it should be maintained still for some time or terminated.

³¹ Please note that these federations also negotiate collective agreements on behalf of their members who work for various public institutions, either within the central government or the municipalities around the country.

³² The concept of full wages, daytime wages etc. are clarified in the applicable collective agreements.

11.5 Transfer of acquired rights

Acquired rights of workers to paid sickness leave can be transferable between employments and employers. If the worker has worked a number of years for his previous employer and accrued rights to a considerable sickness leave they become partly transferable to his new employer. This right is normally contingent on that the worker reassigns within 12 months of leaving his former employment and that he claims this transferred right against his new employer when entering into contract of employment with him.

Examples

SGS	After 5 years of employment – transfer of 2 months.
LIV	After 5 or 10 years of employment – transfer of 2 months.
RSI	After 5 years of employment - transfer of 1 month.
SAMIDN	After 3 years of employment – transfer of 1 month.
MATVIS	After 3 years of employment – transfer of 10 days.

11.6 Union Sickness Fund

A worker, whose rights for sickness payments against his employer have been exhausted, is entitled to payments from his Union Sickness Fund. Minimum rights are stipulated as 4 months or 120 days (counting 7 days a week), paid by 80% of the workers normal wages during the past 6 months in employment.³³

11.7 Attending sick children and other compelling family reasons

Collective agreements provide parents that have worked for one month, with a total of 7 workdays out of every 12 months to attend to their sick children under 13 years of age, provided that sufficient attendance cannot be arranged in another way. After a year of service with the same employer, parents are likewise permitted to devote a total of 10 days to attend to their children under 13 years of age.

During this time the parent has the right to full wages for day time work, including shift premiums when applicable.

The Union Sickness Funds guarantee in addition the right to 3 months or 90 days (counting 7 days a week), paid by 80% of the workers normal wages during the past 6 months in employment because of the workers children who suffer grave and lasting sickness or are invalid. The same applies if the workers spouse falls seriously sick or has a serious accident.

Workers are entitled to a leave from work due to unforeseen and grave reasons (force major) or when it concerns very serious sickness or accident in his family that requires his immediate presence. Workers do not have the right to payment of wages in this case.

12. Accidents at work and occupational diseases

12.1 Introduction

The rights of workers in cases of work-related injuries (accidents at work and occupational diseases) when the worker can not hold the employer accountable, his subordinates or others whom he is responsible for, are regulated in the Act Respecting Labourers' Right [...] to Wages on Account of Absence through Sickness and Accidents No. 19/1979, and further improved upon on in collective agreements. Those rights are sickness pay³⁴ and in addition, day-time wages for up to three months.

³³ Minimum rights are stipulated in a specific regulation applicable to all unions affiliated to the Icelandic Confederation of Labor (ASI).

³⁴ See Chapter 11.

12.2 Additional wages for up to three months

In addition to sickness pay, in each case of a work related accident or occupational disease caused by work, or if it is a direct consequence of his work, or occurs during the worker's journey back and forth from the place of work, the concerned employer is required to pay in addition to normal sickness pay, wages for up to three months according to the worker's day-time wages at the time the accident or sickness, provided all payments from the social security and/or from the national health insurance are paid directly to the employer.

12.3 Medical expenses

In case of work related accidents, the employer must pay for the transport of the injured worker to his home or to a hospital. The employer must refund the worker all normal medical expenses in each case, provided that this cost is not refunded by the worker's health insurance or social security.

12.4 Insurance for death, accident and disability

Employers have a duty under collective agreements to insure their workers against death, permanent disability or temporary disability caused by an accident at work or on a normal journey from home to the place of work and from the place of work to home.

The insurance is effective from the moment the insured worker begins his employment. The insurance is terminated at the moment the insured worker leaves his employment.

If damage liability is established and the employer is liable for damages to his worker, a full deduction of the accident compensation and daily allowance must be made from the compensation the employer may have to pay his worker.

12.5 Statutory occupational injury insurance

According to the Social Security Act No. 117/1993, occupational injury insurance covers all workers. Self-employed persons are also insured unless they voluntarily choose to be exempted. Benefits are paid when an insured person is injured at work or while travelling to or from work. An injury is not regarded as having occurred in the course of work if it is caused by actions of the injured person which are in no way related to his work. The insurance, however, covers any injury to a seaman aboard his vessel, or when he and his vessel are away from the vessel's home port or the place from which the vessel is operated.

Injuries include diseases caused by the noxious effects of substances, radiation or similar conditions which prevail at most for a few days and which must be attributed to the employment.

Occupational injury insurance benefits comprise medical assistance, per Diem benefits, invalidity benefits and death grants.

If an occupational injury giving rise to benefits results in sickness and loss of working capacity for ten days or more, the necessary costs of treatment of the injured person and costs rising out of damage to artificial limbs or prosthetic aids are paid in accordance with the law. If an injury does not cause inability to work for 10 days but nonetheless gives rise to expenses, such expenses may be paid to the extent that they are not paid through health insurance.

12.6 If the employer is accountable

If the employer, his subordinates or others whom he is responsible for, can be held accountable for action or the lack thereof, causing a worker's injury at the workplace, general rules stipulated in Act No. 50/1993 on Torts, apply. Damages paid under Act No. 50/1993 are much higher than those discussed above and cover both material and immaterial injuries to the worker's health.

If damage liability is established and the employer is liable for damages to his worker, a full deduction of the accident compensation and daily allowance must be made from the compensation the employer may have to pay his worker.

Trade unions and their federations provide legal assistance to their members in this field.

12.7 Reporting of accidents to AOSH

An employer must notify the AOSH in writing within one week of all accidents in which a worker dies or becomes incapable to work for one day or more in addition to the day on which the accident occurred. An accident in which it is likely that a worker has incurred long-term or permanent damage to his health shall be reported to the AOSH within a maximum of twenty-four hours.³⁵

13. Equal Status and Equal Rights of Women and Men

13.1 Introduction

Employers are prohibited from discriminating between their workers on the grounds of their gender as regards wages or other terms of employment.

This principle is established in the Act on the Equal Status and Equal Rights of Women and Men No. 96/2000, which prohibits discrimination of all types, direct or indirect, on grounds of gender. The same principle applies to promotion, continuing education, vocational training, study leave, working conditions and other matters such as dismissal of workers. If a worker seeks redress on the basis of the act, the employer is prohibited from dismissing him or her for that reason.

If evidence of direct and indirect discrimination based on gender is presented, the employer is obliged to prove that other reasons than gender sustain the criteria for his/her decision.

13.2 Pay equality

Women and men who are employed by the same employer are entitled to equal pay and equal terms of employment for comparable work of equal value.

Pay shall be determined in the same manner for women and men and that the criteria on which they are determined must not include any discrimination based on gender. Terms, in addition to pay, means pension rights, the rights to be granted a holiday, the right to pay during sickness and any other terms or benefits that may be given monetary value.

When evidence is presented that a woman and a man, employed by the same employer, receive different pay or different terms for equal-value and comparable work, the employer is obliged, if there is any difference, to prove that the difference can be explained by other factors than gender.

13.3 Equality programs

Institutions and enterprises with more than 25 workers are to set themselves equality programs or to make special provisions regarding gender equality in their employment policies.

13.4 Integration of demands of work and duties towards the workers families

Employers are obliged to take necessary measures to enable men and women to integrate the demands of their work and their duties towards their families. These measures shall aim at increasing flexibility in arranging work and working time so as to accommodate both the needs of the economy and of the workers, including enabling them to re-enter employment after taking maternity/paternity leave or parental leave or periods of leave necessary to meet urgent family requirements.

13.5 Sexual harassment

Employers and directors of institutions and social activities must take special measures to prevent workers, students and clients from being subjected to sexual harassment at the workplace, within institutions, during social activities or within schools.

³⁵ Administration of Occupational Safety and Health website at www.vinnueftirlit.is/

Act 96/2000 defines sexual harassment as sexual behaviour that is unreasonable and/or insulting and against the will of those who are subjected to it, and which affects their self-esteem and is continued in spite of a clear indication that this behaviour is unwelcome.

Sexual harassment can be physical, oral or symbolic. One event may be considered sexual harassment if it is serious.

13.6 Complaints and damages

Workers, who believe that they have been discriminated against, can take the matter to the Equality Complaints Board, which can instruct the parties to take steps to remedy any discrimination that may have occurred. Also non-governmental organizations may take complaints to the Complaints Board. Employers are prohibited from dismissing a worker who has filed a complaint or instituted court proceedings under the Act.

In all cases, the burden of proof lies with the employer, who must show that the treatment or decision complained of is based on grounds other than sex.

A person, who, deliberately or through negligence, violates Act 96/2000 on the Equal Status and Equal Rights of Women and Men, can be made liable for damages under general principles of tort. In addition to pecuniary loss, the person concerned may be awarded compensation for non-pecuniary loss. Furthermore, violations of the Act can be punished by fines paid to the State Treasury.³⁶

14. Maternity and paternal rights

14.1 Introduction

Parents that are active on the labour market have a right to be granted maternity/paternity leave and parental leave according to Act No. 95/2000. The same applies to parents who are self-employed and to parents who are not active on the labour market and parents attending full-time educational programs as to receiving a maternity/paternity grant.

The aim of the Act is twofold:

- to ensure children's access to both their parents
- to enable both women and men to co-ordinate family life and work outside the home.

Employers are obliged to make efforts to meet workers' wishes with regard to the taking of maternity/paternity leave.

14.2 Total leave of nine months

Both parents have an equal, non-transferable, right to take three months' leave in connection with

- the birth,
- first-time adoption, or
- fostering of a child,

irrespective of whether they work in the private or the public sector, or are self-employed.

They are also able to divide a further three months' leave between themselves as they wish.

14.3 Maternity/paternal benefits

A parent obtains the right to payments from the Maternity/Paternity Leave Fund after it has been active on the domestic labour market for six consecutive months prior to the first day of the maternity/paternity leave. A parent's working time in other EEA countries is

³⁶ For more information please visit the website of the Centre for Gender Equality at www.jafnretti.is/

taken into account if the parent has been employed in Iceland for at least one month during the last six months prior to the first day of the maternity/paternity leave.

These payments amount to 80% of average gross wages or calculated remuneration over the two years preceding the birth year of the child. The maximum monthly amount is for 2007 set to 518.600 ISK. The monthly payment during maternity/paternity leave to a parent in a 25-49% part-time job shall never be less than 72.589 ISK and the monthly payment to a parent holding a 50-100% job shall never be less than 100.604 ISK.³⁷

14.4 Safety and health of pregnant women

If safety or health of a pregnant woman, a woman who has recently given birth to a child, or a woman who is breastfeeding a child, is considered to be in danger according to a special assessment, her employer must make the necessary arrangements to ensure the woman's safety by temporarily changing her working conditions and/or working hours. If this is not possible for technical reasons, or other valid reasons, the employer must entrust her with other tasks; if this is not possible, the employer shall grant her leave of absence for the length of time necessary to protect her safety and health.

Those changes, which are considered necessary in a woman's working conditions and/or working time, shall not affect her wages so as to reduce them or abridge her other job-related rights. If it is necessary to grant a pregnant woman leave, she is entitled to payment according to the rules described in chapter 14.3.

14.5 Parental leave - unpaid

Each parent is entitled to unpaid independent parental leave for 13 weeks to care for his/her children. This right is non-transferable. Parental leave is not accompanied by payment from the Maternity/Paternity Leave Fund. The right to parental leave ends when the child reaches the age of eight years.

A worker acquires the right to parental leave after completion of work for six consecutive months by the same employer. A worker who intends to exercise his right to parental leave has to notify his employer thereof in writing, as soon as possible, and at the latest six weeks prior to the first day of the intended leave. The worker has to state the starting day of the intended leave, its length and its structure.

The employer shall record the taking of parental leave, enabling the worker to obtain a certificate stating the number of days of parental leave if he/she wishes to do so.

14.6 Employment protection

The employment relationship is to remain unchanged during maternity/paternity leave and parental leave.

This means that the worker is entitled to return to his job upon the completion of maternity/paternity leave or parental leave. Should this not be possible, he shall be entitled to a comparable position with the employer according to a contract of employment.

The employer is not permitted to dismiss a worker due to the fact that he has given notice of intended maternity/paternity leave or parental leave or during his maternity/paternity leave or parental leave, without reasonable cause, and in such a case, the dismissal shall be accompanied by written arguments. The same rule applies to pregnant women, and women who have recently given birth.

This prohibition does not preclude a dismissal if the employer can show without any doubt whatsoever that the reason behind the dismissal is not related to the special status of the worker. This would apply in cases of dire economic difficulties experienced by the undertaking where all workers are treated equally when it comes to nominate those who are to be dismissed.

³⁷ For further information please go the website www.faedingarorlof.is/

15. Pension funds

15.1 Introduction

All workers between the ages of 16 and 70 are required by law to be members of a pension fund. Pension funds pay old-age pensions, disability pensions and pension payments to surviving spouses and/or children. The funds are governed jointly by the social partners but regulated by the Ministry of Finance and supervised by the Financial Supervisory Authority.

A Public Pension system is operated by the State.

15.2 Mandatory occupational pension fund

The Pension Act No. 129/1997 provides for a mandatory affiliation to the pension fund provided for in the applicable collective agreement, for all workers between the ages of 16 and 70. The membership of a workers pension fund is determined by the collective agreement on which the basic wages for each worker are determined.

The minimum contribution as from January 1, 2007 is 12%, of which 4% are deducted from the worker's wages and 8% which is added by the employer.

The contribution base is comprised of all types of wages or compensation for work which is subject to income tax. The contribution base shall not, however, include benefits paid in kind, such as clothing, food or accommodation, or payments which are intended to cover expenses paid, e.g. vehicle allowances, per diem and food allowances.

The workers 4% contribution is deducted from his income before taxes are levied. The tax liability is postponed in the sense that the pension benefits are taxed as income from employment when they are eventually paid out.

15.3 Supplementary Pension

Law and collective agreements provide for a framework of supplementary pensions contributions. Final arrangements are however made on an individual basis as part of the contract of employment. A worker who pays 2% of his pay into a supplementary pension scheme receives a counter-contribution of 2% from his employer.

15.4 Statutory pension

The public pension scheme provides for old age pension, disability pension and survivor's pension. The old age pension is in most cases paid from the age of 67. The public pension is divided into a basic pension and supplementary pension. Both are means-tested. Pensions received from other sources are treated differently from other income and do not affect the basic pension and the level at which they begin to reduce the supplementary pension is much higher than for other income.

The State Social Security Institute operates the Public Pension system.³⁸

16. Part-time and fixed-term work

16.1 Introduction

The majority of workers are employed as full time workers on an open ended contract of employment.

Other employment arrangements, such as part-time work or fixed-term work, are also common and exist in various sectors of the labour market.

16.2 Part-time workers

Part-time workers are according to a general provision in collective agreements to be treated equally as full time workers on a pro-rata basis.

³⁸ For further information please visit www.tr.is/

Contractual and statutory rights, such as those concerning sick leave, payments for holidays etc., are based on proportional service and a customary working day of the worker concerned.

ASI and SA negotiated a collective agreement, which took effect on January 1st 2003, which stipulates that employers are not allowed to discriminate against part-time workers unless it is justifiable on objective grounds.³⁹ Part-time work is further addressed in Act No. 10/2004.

According to this agreement a worker is regarded as a part-time worker if he is paid wholly or partially by reference to the time that he works, and cannot be identified as a full-time worker when compared to other workers on the same type of contract. The agreement is based on the principle that a part-time worker has the right not to be treated less favourably than the employer treats a comparable full-time worker as regards the terms of his contract of employment.

In reorganising workloads, part-time workers should not be treated less favourably than full-time workers, unless the treatment can be objectively justified. Having worked part-time previously, or currently working part-time, should not prevent a worker from being promoted, whether the new post is full-time or part-time.

When choosing the criteria to select jobs for redundancy, the criteria must be objectively justified and part-time workers must not be treated less favourably than comparable full-time workers.

16.3 Fixed-term work

Act No. 139/2003, on Fixed Term Employment aims to improve the quality of fixed-term work by ensuring the application of the principle of non-discrimination and by establishing a framework to prevent abuse arising from the use of successive fixed-term employment contracts or relationships.

Fixed-term workers are not to be treated in a less favourable manner than comparable permanent workers in respect of employment conditions, solely because they have a fixed-term contract or relation unless different treatment is justified on objective grounds.

The use of successive fixed term contracts is to be limited.⁴⁰ The Act prohibits the extension or renewal of fixed term agreements in the case they last continuously for a period longer than two years, unless otherwise provided for in law. It is nonetheless allowed to renew fixed term contracts of managerial personnel which have been completed for a period of four years or longer, for the same period each time.

A new employment contract is deemed to replace a previous one if it is extended or if a new fixed-term contract is established between the same parties within three weeks from the completion of the previous agreement.

17. Young workers

17.1 Introduction

Rules regarding work of children and adolescents are found in Act No. 46/1980 on Working Environment, Health and Safety of workers and in Regulation 426/1999.⁴¹

Limitations are set as to the type of work, working environment and working time of young people. i.e. under the age of 18.

The regulation outlines the type of work that is allowed or prohibited, working time etc. and for this purpose classifies young workers into three groups:

- Youth which refers to an individual under the age of 18.

³⁹ This agreement transposes the Part-time Workers Directive 98/23/EC into Icelandic law. Further implementation is provided for in Act 10/2004 on Part-time Workers.

⁴⁰ The Fixed-term work Directive 1999/70/EC was incorporated into Icelandic law in December 2003 with Act on Fixed Term Employment, No. 139/2003.

⁴¹ These rules are based on Directive 94/33/EC on the Protection of Young People at Work.

- Child, which refers to an individual under the age of 15 or who is still in compulsory schooling.
- Adolescent which refers to an individual who has reached the age of 15 but is younger than 18, and is no longer in compulsory school.

The regulation is built upon the basic principle that the organization of work is focused on safety and that the mental and physical health of youths is not jeopardised. The work undertaken by youths must not have disturbing effects on their education or development. Young workers enjoy a right to particular assistance and care by the employer.

An employer must inform his workers, who work with youths, and those in charge of a company's safety measures, of the demands that are made to the work of youths and ensure that they are abided by and that they are followed in the execution, organization and supervision of the work of youths.

17.2 Prohibited work

The law imposes a number of provisions, which prohibit certain kind of work for young people in the interests of protecting their health and development. These prohibitions include work with dangerous tools and equipment and toxic substances.

Children, who are at the age of 13–14, or who are in compulsory school, may only engage in work that falls under the definition of „light work" and which is listed in Appendix 4 to the Regulation. Children may neither work with or in the vicinity of machinery or dangerous substances, nor shall they lift heavy weights.

17.3 Working hours

The working time of adolescents (15-18) must not exceed 8 hours per day and 40 hours per week.

In special instances, e.g. in case of pressing need due to the nature of the operation, for example if valuables in agriculture or fish processing are to be saved, the work time of adolescents may exceed 8 hours per day and 40 hours per week, provided that the provisions of daily rest and time off are honoured.

Adolescents may not, however, work more than 60 hours per week and 48 hours per week average over a four-month period.

The regulation also provides for a minimum daily rest, which shall not be less than 12 hours of consecutive rest and a two day break every week.

Adolescents must furthermore during every seven-day period, receive at least two days of rest, which shall be consecutive if possible. This minimum rest period shall generally include Sundays.

The working time of children 13–15 years of age is further limited.

18. Termination of employment

18.1 Introduction

The general principle on the private labour market is that any employment contract concluded for an indefinite period of time may be terminated for any reason, by both employer and worker, subject to notice periods according to the applicable collective agreement or Act No. 19/1979.

Certain categories of workers enjoy protection against termination of their employment by their employers. See chapter 18.4.

18.2 Formalities

Notice of termination must be in writing and based on the turn of the month (or week if applicable). If the worker does not receive his formal notice of dismissal at least on the last working day of the month, his notice period is automatically pushed back to the turn of the next month.

18.3 Notice periods

Notice periods range from 12 days to six months (three months are common), depending on rules of the applicable collective agreement⁴².

An employment which has been terminated by either party remains intact until the end of the notice period, which means that rights and obligations under the agreement remain unchanged during the period. The parties can however come to an agreement to end their relationship before the notice period expires.

A worker deprived of his right to a lawful notice of termination can claim damages, equal to his loss during the notice period. Where the worker on the other hand leaves without giving the required notice, the employer may have, in certain circumstances, a right to claim damages. There are exceptions, where no notice is required – such as in the event of gross misconduct by either party or dangerous or insufficient working conditions.

19.3.1 Statutory rights

Act No. 19/1979 establishes the following minimum rights:

- **After one-year** continuous employment with the same employer = one month's notice.
- Continuous employment for **three years** with the same employer = two months' notice.
- **Five years** of continuous engagement with the same employer = three months' notice.

A worker who is entitled to the above notice periods is bound to give the same notice if he wants to terminate his employment.

18.3.2 Collective rights

Collective agreements contain provisions on notice periods, applicable during the first of year of employment and are furthermore better than the statutory minimum.

Trade unions belonging to SGS

After 2 weeks consecutive employment for the same employer.	12 days notice period.
After 3 months consecutive employment for the same employer.	1 month notice period.
After 3 years consecutive employment for the same employer.	3 months notice period.

Trade unions belonging to LIV

During the first 3 months (trial period).	1 week.
Between 3 and 6 months of work.	1 month notice period.
After 6 months of work.	3 months the notice period.
After 10 years working for the same company.	55 years of age: 4 months notice period. 60 years of age: 5 months notice period. 63 years of age: 6 months notice period.

Those who have earned the right to a notice period ranging from 4 to 6 months can resign from their work by giving a 3 months notice. In all other cases the length of the notice periods are mutual.

Trade unions belonging to SAMIDN

During the worker's first year of employment the notice period is 2 weeks. After one year's employment it is extended to 1 month. After three years work in the same occupation the

⁴² Older workers who fall under the scope of the collective agreement of LIV/VR have a superior right on the basis of their age when it comes to notice periods.

period is 2 months, and after five years in the same occupation the length of the notice period is three months.

Trade unions belonging to RSI

The general rule is a notice period of 1 month. If an electrician is hired for a specific period of time, then these rules do not apply unless he has worked for four weeks or longer consecutively.	
The collective agreement refers to the Act No. 19/1979.	
After at least 10 years consecutive work for the same employer.	55 years: 4 months notice period. 60 years: 5 months notice period. 63 years: 6 months notice period. The worker can himself resign with a 3 months notice period.

Trade unions belonging to MATVIS

After working one month or longer for the same employer the notice period is one month. During the first month of employment there is no notice period. For those employed between 1 and 2 years for the same employer the notice period is 2 months. After 2 years the notice period is extended to 3 months.⁴³

18.4 Employment protection

Certain categories of workers enjoy protection against termination of their employment by their employers.

Employers are according to Act No. 95/2000, prohibited from dismissing a worker due to the fact that he has given notice of intended maternity/paternity leave or parental leave, or during his maternity/paternity leave or parental leave, without reasonable cause, and in such a case, the dismissal must be accompanied by written arguments. The same rule applies to pregnant women, and women who have recently given birth.

Workers enjoy further protective status under Act No. 96/2000 which include prohibition of dismissal on the basis of gender.

Under Act No. 27/2000 a worker may not be dismissed solely due to family responsibilities he bears. Three principal conditions must be met to demonstrate the existence of family responsibilities. Firstly, the responsibilities must be towards the worker's own children, spouse or close relatives. Secondly, the persons concerned must live in the workers own home, and thirdly, the person or persons involved must need the care or guardianship of the worker himself in connection with, e.g., illness, disability or comparable circumstances. All three conditions must be met in order for the worker to be regarded as bearing family responsibility under the Act.⁴⁴

According to Act No. 72/2002, on Workers' Rights in the Event of Transfers of Undertakings, a transfer of an undertaking does not in itself constitute valid grounds for dismissal of workers. This does however not stand in the way of dismissals for economic, technical or organisational reasons entailing changes in the workforce.⁴⁵

Trade Union representatives are according to Act No. 80/1938 protected against dismissals which are based on their duties as union representatives.

19. Protection of personal data

19.1 Introduction

Protection of personal data and the protection of privacy of workers is an issue of big importance, especially as information technologies are more and more used by employers

⁴³ For information on notice periods for other trade unions see addresses at the end of this booklet.

⁴⁴ The act is based on the ILO's Workers with Family Responsibilities Convention, No. 156.

⁴⁵ See also chapter 20.4.

to monitor their workers, including their e-mail and internet use and lately by attempting to introduce drug and alcohol tests at the workplace.

The Act on Protection and Processing of Personal Data, No. 77/2000 applies this type of surveillance.⁴⁶ The Act has the objective of promoting the practice of processing personal data in accordance with fundamental principles and rules regarding data protection and privacy, and to ensure the reliability and integrity of such data. The Privacy and Data Protection Authority is responsible for monitoring the application of this Act.⁴⁷

19.2 Personal data

The Act defines personal data as any data relating to the data subject (identified or identifiable), i.e. information that can be traced directly or indirectly to a specific individual, deceased or living.

The Act however defines sensitive personal data as information about origin, skin colour, race, political opinions, religious beliefs and other life philosophies, data on whether a man has been suspected of, indicted for, prosecuted for or convicted of a punishable offence, health data, including genetic data and data on use of alcohol, medical drugs and narcotics, data concerning sex life (and sexual behaviour) and data on trade-union membership.

19.3 Basic principles relating to data quality and processing

The Act is based upon principles relating to data quality and processing. The principles may be summarized as follows:

- Data must be fairly and lawfully processed in accordance with good practices of personal data processing.
- Data must be processed for limited purposes only.
- Data must be adequate, relevant and not excessive in relation to the purposes for the processing.
- Data must be reliable and accurate.
- Data must not be kept for longer a longer time than is necessary. Personal data which are unreliable or incomplete, having regard to the purposes for their processing, must be erased or rectified.

Personal data may only be processed if the data subject has unambiguously agreed to the processing or given his consent. Processing is also allowed if it is necessary to honour a contract to which the data subject is a party, to fulfil a legal obligation of the controller, to protect vital interests of the data subject and for a number of other reasons that Act provides for. The Act sets out further requirements for processing of sensitive personal data.

19.4 Electronic surveillance

Rules no. 837/2006 on Electronic Surveillance state that electronic surveillance shall not be excessive in relation to the purposes for which it is conducted. Privacy rights of the individuals subject to surveillance shall be respected and any unnecessary interference with their privacy shall be avoided. When determining whether to conduct electronic surveillance, it should be established that the objectives of the surveillance can not be reached by other, reasonable, and less intrusive means.

Electronic surveillance for the purpose of monitoring workers' efficiency is subject to the condition of an specific need, e.g. if:

- a. employee supervision can not be managed by other means; or
- b. safety of the monitored area can not be ensured by other means, e.g. from the point of view and in the light of legislation on hygiene and pollution control;

⁴⁶ The law is based on Directive 95/46/EC the protection of individuals with regard to the processing of personal data and on the free movement of such data and Directive 97/66/EC concerning the processing of personal data and the protection of privacy in the telecommunications sector.

⁴⁷ For further information please visit the website of the Privacy and Data Protection Authority www.personuvernd.is/

c. the surveillance is necessary on the basis of provisions of a wage contract or a similar agreement on terms of employment, e.g. when wages are based on performance-based or time-based systems.

19.5 E-mail and internet use

Private e-mail can not be viewed except when expressly needed, e.g. in the case of a computer virus or for similar technical purposes.

Data on internet browsing, connections to websites, and data volume of an employee or a student can be viewed, if there is a substantiated suspicion that the relevant individual is violating law, or rules by the employer or school authorities. In case of suspicion of criminal activities, the police should be contacted.

When viewing the use of e-mail or internet, the employee or student should be notified beforehand and give the possibility to attend the viewing. That does not apply if the attendance of the individual is not possible, e.g. because of his serious illness. If the individual can not attend the viewing he shall have the possibility of appointing a representative.

At the termination of employment, an employee should be given the possibility to erase or copy e-mail not relating to the employer's activities. E-mail of students should be erased at the end of their school attendance, provided that they have had adequate time to make personal copies.

20. Information and consultation

20.1 Introduction

The issue of information and consultation within the work place is a relatively new aspect of Icelandic industrial relations. There is, however, a general system of worker representation at the workplace which is primarily based on collective agreements and relates primarily to issues regarding the implementation of particular agreements and protection of workers' rights under the law and each collective agreement.⁴⁸

20.2 Health and safety

The Act No. 46/1980 on Working Environment, Health and Safety of Workers require employers, depending on the number of their workers, to set up a consultation mechanism on health and safety issues at work.

In enterprises employing 10 workers or more, the employer is required to appoint one safety guard on his behalf and the workers must appoint another from their group as safety representative. Cooperatively they are entrusted with the working environment, health and safety in their workplace.

In enterprises employing 50 workers or more, a safety committee must be established. The workers select from their group two representatives and the employer appoints two representatives.⁴⁹

Safety committees are entrusted with organizing activities concerning the working environment, health and safety at work, informing the workers of these matters, inspection of the workplaces and to ensure that measures are taken to improve the working environment and that health and safety measures are fully effective. The employer must make sure that elected safety representatives receive the training needed for carrying out their roles.

⁴⁸ The rights of workers to information and consultation are primarily based on EU directives that have been transposed into Icelandic law. These include Directive 98/59/EC on collective redundancies, Directive 2001/23/EC on transfer of undertakings and Directive 94/45/EC on European Works Councils.

⁴⁹ For further information see „Occupational Health and Safety. Guidelines for Foreign Workers in Iceland.” Published by the Administration of Occupational Safety and Health (AOSH). 1st edition 2002. Further information on www.vinnueftirlit.is/vinnueftirlit/is/english/

20.3 Collective dismissals

Collective dismissals are according to Act No. 63/2000 deemed to be notices of termination in enterprises given by the employer within a period of 30 days for reasons unrelated to the workers person and which affect:

(i) at least ten workers in enterprises usually employing more than 20 and less than 100 persons, (ii) at least 10% of all workers in enterprises usually employing more than 100 and less than 300 persons, or (iii) at least 30 workers in enterprises usually employing at least 300 workers.

An employer contemplating a collective dismissal must consult with the workers' representatives or, if there is none, with the workers, and provide them with the opportunity of making suggestions on how to avoid the dismissals or to limit the number of dismissals and to alleviate their consequences.

The employer is obliged to provide all relevant information to the workers' representative body. In any case, the employer must inform them in writing on the following issues:

(i) the reasons for the collective dismissal, (ii) the number of workers to be dismissed, (iii) the number of persons usually employed, and (iv) the time period within which the notification of the dismissals is to be given.

The employer is also required to notify the regional employment office, in the area where the enterprise is located, of the proposed redundancies.

20.4 Transfer of undertakings

The Act No. 72/2002, on Workers' Rights in the Event of Transfers of Undertakings stipulates that when an undertaking, or part of one, is transferred, (i.e. sold or leased), to another employer the workers' terms and conditions arising from existing contracts of employment and collective agreements are transferred to the new employer.⁵⁰

The former and the new employer are required to inform the representatives of their respective workers affected by the transfer of the following:

- the date or proposed date of the transfer,
- the reasons for the transfer,
- the legal, economic and social implications of the transfer for the workers,
- any measures envisaged in relation to the workers.

The former employer must give such information in good time, before the transfer is carried out. The new employer must give such information in good time, and in any event before his workers are directly affected by the transfer as regards their conditions of work and employment.

Where the employers envisage measures in relation to their workers, they are required to consult the representatives of their workers in good time on such measures with a view to reaching an agreement.

A change of ownership, or other types of transfer, do not constitute grounds for dismissal of workers, unless they are necessary for economic, technical or organizational reasons. Workers are not obliged to continue their employment under a new employer if the change of ownership implies a change for the worse in their pre-existing terms and conditions of employment.

20.5 General framework for information and consultation

The Act no. 151/2006 Act establishes a general framework for the right of workers to information and consultation.⁵¹ The Act applies to companies employing at least 50 workers on a regular basis.⁵²

⁵⁰ The Act is based on Council Directive 2001/23/EC on the approximation of the laws of the Member States relating to the safeguarding of employees' rights in the event of transfers of undertakings, businesses or parts of undertakings or businesses .

⁵¹ The Act is based on Directive 2002/14/EC of the European Parliament and of the Council of 11 March 2002 establishing a general framework for informing and consulting employees in the European Community.

Information and consultation shall cover:

- (a) information on the recent and probable development of the undertaking's or the establishment's activities and economic situation;
- (b) information and consultation on the situation, structure and probable development of employment within the undertaking or establishment and on any anticipatory measures envisaged, in particular where there is a threat to employment;
- (c) information and consultation on decisions likely to lead to substantial changes in work organization or in contractual relations, including those covered by rules on collective redundancies and transfer of undertakings.

Consultation on issues falling under b and c must take place at the relevant level of management and representation, depending on the subject under discussion, on the basis of information supplied by the employer and of the opinion which the employees' representatives are entitled to formulate, in such a way as to enable employees' representatives to meet the employer and obtain a response, and the reasons for that response, to any opinion they might formulate.

The Act also contains rules on confidentiality and on the protection of employees' representatives.

The social partners are allowed under the Act to define through negotiated agreement the practical arrangements for informing and consulting employees.

20.6 European Work Councils and the European Company (SE)

The Act No. 61/1999, on European Work Councils applies to undertakings and groups of undertakings with at least 1,000 workers in their service in the European Economic Area, including at least 150 workers in two establishments in at least two EEA states.⁵³

Under the Act, workers of undertakings that fall under these size specifications are given the right of access to the same information, and have the same right, as their colleagues within the undertaking or groups of undertakings in other EEA states, to express their points of view to the principal management of the undertaking.

The Act No. 26/2004 on European Companies (*Societas Europaea* or SE) is supplemented by another Act which deals specifically with the rights of workers for information and consultation and in some cases participation in matters relating to organizational and economic matters of the company.⁵⁴

21. Posting of workers

21.1 Introduction

Act No. 45/2007 on the rights and obligations of EEA-undertakings which post their workers temporarily to Iceland and their remuneration, applies to undertakings that undertake one of the following international measures:

- post workers to Iceland on their account and under their direction, under a contract concluded between the undertaking making the posting and the party for whom the services are intended, operating in Iceland, or
- post workers to an establishment or to an undertaking owned by the group in Iceland, or
- being a temporary employment agency, hire out a worker to a user undertaking established or operating in Iceland.

⁵² The scope of the Act is until March 1 2008 limited to companies which employ at least 100 workers on a regular basis.

⁵³ The Act is based on Council Directive 94/45/EC.

⁵⁴ These rules are based on Council Regulation (EC) No 2157/2001 on the Statute for a European company (SE) and Directive 2001/86/EC.

21.2 Terms and conditions of employment

Posted workers on the Icelandic labour market enjoy rights under Icelandic law and collective agreements regarding minimum wages and other terms of wages, overtime payments, vacation entitlement, maximum working hours and minimum rest time,

Their employer must furthermore ensure their health and safety in the workplace according to law.

Allowances specific to the posting are considered to be part of the minimum wage, unless they are paid in reimbursement of expenditure actually incurred on account of the posting, such as expenditure on travel, board and lodging.

The Act also provides for their right for wages in case they are absent due to sickness or accidents and for insurance for death, accident or disability.⁵⁵

The provisions of the legislation apply without prejudice to better terms of wages and terms for workers according to their employment contracts with the relevant undertaking or to collective agreements or legislation in the state where they normally work.⁵⁶

21.3 Registration

An EEA-undertaking intending to provide services in Iceland for a total of more than ten working days in any twelve-month period is required to submit information to the Directorate of Labour not later than eight working days before the service is provided. This includes the name of the undertaking, a survey list of the workers, confirmation that workers are covered by accident insurance while in Iceland and more.

21.4 Temporary work agencies

Temporary work agencies (TWA), domestic or foreign, that provide services in Iceland have a duty to notify their businesses to the Directorate of Labour and must disclose certain information according to the Act on Temporary work agencies No. 139/2005.

The Act no. 45/2007, on the rights and obligations of foreign undertakings which post their workers temporarily to Iceland and their remuneration, also apply to foreign TWA's,

TWA's must provide their workers with a written contract of employment and provide their workers with written information about the work they are about to undertake in each user undertaking.

TWA's are prohibited from claiming, to negotiate or receive a fee from their workers for offering or providing them employment, whether at the start or during the course of the employment relationship. TWA's are in principle not allowed to hire out a worker to a user undertaking if the worker was in direct employment with the latter undertaking in the previous six months. They are also prohibited from banning or restricting their workers from resigning from their employment contracts in order to form a direct employment relationship with any of the user undertakings where they have been working.

22. Foreign Workers

22.1 Introduction

The access of foreign workers into the labour market is governed by different set of rules depending on whether they are EEA citizens or coming from third countries.

The former group falls under the agreement on the European Economic Area (EEA) which combines the labour markets of the three EFTA-countries (Iceland, Norway and Liechtenstein) and the countries of the European Union. The agreement confers direct rights on EEA citizens to look for and take up paid employment in Iceland.

⁵⁵ For further information see Articles 5., 6. and 7 of this Act.

⁵⁶ On tax issues related to foreign workers see guidelines from the Internal Revenue Directorate posted at www.rsk.is/

The employment rights of workers from third countries is governed by the foreign Nationals' Right to Work Act No. 97/2002, which regulates the conditions for the issue of work-permits. The Directorate of Labour is responsible for the administration of this Act.⁵⁷

The Act on Foreigners No. 96/2002 governs the issue of residence permits for both groups of workers.⁵⁸

22.2 Workers from Europe

The EEA Agreement confers direct rights on EEA citizens to look for and take up paid employment in Iceland. A work permit is not required. Included is the right to reside in Iceland and to have his family join him. The rights of these workers are regulated in the Act respecting the right of workers for Employment and Residence within the European Economic Area, No. 47/1993.

A provisional measure applies to worker who are citizens from the 10 new Member States of the European Union; the Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia. They do not need an employment permit, but those who employ them are required to notify their engagement to the Directorate of Labour. This measure applies until May 1, 2009.⁵⁹

22.3 Workers from third countries - Work permits

Foreign nationals who are not citizens of Member states of the European Economic Area (EEA) and who come to Iceland for the purpose of engaging in employment are required to hold work permits. Work permits are normally only issued in those occupational sectors in which there is a shortage of labour and it is not considered likely that domestic labour will be found to fill the positions. An employer wishing to employ a third country national has to assure the Directorate of Labour that no suitable resident labour is available for the vacancy in order to obtain a work permit. Once admitted into the labour market, equal treatment applies in labour law and taxation.

22.3.1 Types of work permits

Work permits may be put into three categories:

- Temporary work permit: A temporary permit granted to an employer, allowing him to employ a foreign national, usually for a period of 12 months.
- Specialist work permit: A temporary permit granted to a foreign national in connection with specialized tasks.
- Permanent work permit: A permit with no time restriction, granted to a foreign national and allowing him to work in Iceland.

Foreign spouses of Icelandic citizens, and their children aged up to 18 are exempt from requirements regarding work permits.

22.3.2 Temporary work permits

Temporary work permits are issued by the Directorate of Labour on the basis of an application by an employer seeking to employ a non-EEA national.

The **main conditions** for granting a temporary work permit are as follows:

- that qualified persons cannot be found in Iceland, that occupational sectors in the country lack workers, or that there are other special reasons for granting such permits.
- the employer must submit an application to the regional employment office for workers, except where it is a foregone conclusion, in the opinion of the Directorate of Labour, that such an application will prove unsuccessful.

⁵⁷ For further information please contact the Directorate of Labour.

⁵⁸ Directorate of Immigration. www.utl.is/

⁵⁹ The notification can be made electronically via www.vinnumalastofnun.is/erlendir/

- the local trade union or the appropriate national federation, has made its comment on the application from the employer. The Union must submit its comments within 14 days of receiving the application from the employer. However, this condition may be waived in special cases where there is no trade union or national federation in the relevant occupation.

Further requirements

- **Employment contract.** This document must be prepared and signed by both parties covering a specific period of employment or task and guaranteeing the worker wages and other terms of employment equal to those enjoyed by local residents. See Act No. 55/1980.
- **Health insurance.** Employers hiring non-EEA personnel must take out health insurance covering the first 6 months of their stay in Iceland. After 6 months non-EEA personnel enjoy equal treatment within the social security system.
- **Expatriation.** The employer is responsible for sending the worker back to his home country at the end of his employment in Iceland, if the worker becomes incapable of working for a long period due to illness or accident and in the event of the termination of employment for which the worker is not responsible.
- **Health certificate.** Satisfactory health certificate for the worker must be submitted to the Directorate of Labour.
- **Regulated professions.** If the worker is engaged to provide services within occupational sectors which require certain professional qualifications the applicant employer must provide the Directorate of Labour with evidence that his professional qualifications have been recognized by the relevant authorities in Iceland.

22.3.3 Unlimited work permits

Non-EEA nationals who hold unlimited work permits are in the same position on the labour market as Icelandic citizens. They are no longer tied to a specific employer, as is the case in the case of temporary work permits and are therefore free to change their occupation.

The main conditions for granting an unlimited work permit are as follows:

- the foreign national has been legally domiciled in Iceland, and has lived there, for three consecutive years,
- the foreign national has acquired a residence permit in Iceland under the Act on Foreigners,
- a temporary work permit has previously been issued to him.

These conditions may be waived in cases where an Icelandic citizen divorces, or terminates cohabitation with a foreign spouse or partner. The marriage, registered partnership or registered cohabitation must have lasted for at least two years, and the foreign spouse or partner must have been legally domiciled in Iceland for at least the same length of time on a continuous basis. Furthermore, it may be permitted to waive these conditions in the case of a foreign spouse or partner in the event of the death of an Icelandic spouse or partner or in a case involving the spouse or partner of a foreign national who holds an unlimited work permit, or his or her children aged 18 or older.

The same applies in the case of a foreign national who has taken a course of studies in Iceland lasting at least three years, and has completed it.

22.3.4 Specialist work permit

In special circumstances, a temporary work permit may be granted to a non-EEA worker whom it is planned to send to Iceland in the service of a company that does not have a branch in Iceland. Such permits are not normally granted for periods longer than six months on the basis of the same service contract. A service contract must have been made with a company in Iceland that includes a statement to the effect that a condition for the transaction under the contract is that a worker of the foreign company is to provide the service here in Iceland.

22.3.5 Four weeks exemption

Non-EEA workers who fall into the following categories are exempt from the requirements regarding work permits for periods of up to four weeks each year:

- Scientists, scholars and lecturers, as regards teaching or comparable activities.
- Artists, with the exception of instrumental performers who enter into employment in catering establishments. The exemption under this item does not apply to dancers who appear in nightclubs.
- Athletics coaches.
- Representatives on business visit for companies that do not have branches in Iceland.
- Drivers of passenger coaches registered in foreign countries, providing that the vehicles are carrying foreign tourists to Iceland.
- Journalists and reporters from foreign news media who are in the service of companies that are not established in Iceland.
- Workers, consultants and instructors working on the assembly, installation, supervision or repair of equipment.

22.4 Agreement on foreign workers

On March 7th 2004, the Icelandic Confederation of Labour (ASI) and the Confederation of Icelandic Employers (SA) agreed on a procedure in matters of disagreement concerning foreign workers.⁶⁰ The organisations agreed that Iceland's obligations according to the EEA Agreement on the free movement of goods, capital, services, and workers across national boundaries have a positive effect on the interests of individuals and companies in this country, simultaneous with an increased supply of goods and services, the dissemination of knowledge between countries, increased competition between companies, upward trends in various sectors of society, and the increase in the number of jobs. Further more they agreed that it is the joint task of the parties to see to that companies using foreign workers in their production or services pay wages and terms of employment that are in accordance with the collective agreements and the laws of Iceland. The agreement states that if collective agreements are not honoured, this undermines the operations of other companies and compromises the premises of normal competition, and diminishes the benefits of the entire society from a stable and healthy labour market.

General rules concerning foreigners' terms of employment

With the agreement, ASI and SA wish to guarantee the enforcement of current legislation regarding the terms of employment for foreigners in the Icelandic labour market. These rules apply especially to the following areas:

- *Wages and other terms of employment.* Act no. 55/1980 on Working Terms and Pension Insurance Rights states that wages and other terms of employment agreed upon by the social partners shall be minimum terms, independent of nationality, applying to all workers in the field of work covered by the collective agreement.
- *Workers of foreign service undertakings, including temporary employment agencies.* Act no. 54/2001 on the Legal Status of Workers Posted Temporarily in Iceland in the Service of Foreign Undertakings states, among other things, that workers shall, while they work in this country, receive wages and enjoy vacations rights according to collective agreements and protection according to rules concerning health and safety in the workplace.
- *Freedom of movement for workers.* The EEA Agreement and Act no. 47/1993 on Freedom of movement for Workers Within the EEA state that any discrimination of workers of an EEA country other than that in which he works on grounds of nationality shall be prohibited regarding terms of employment, working conditions, and especially, as regards wages.

⁶⁰ Full text of the agreement can be found on www.asi.is

- *Work permits for nationals of third countries.* The Foreign Nationals' Right to Work Act, no. 97/2002, states that a permit to work in this country shall be granted according to the laws and regulations that apply to the Icelandic labour market and that there exists an employment agreement that guarantees the worker wages and other terms of employment equivalent to those of Icelanders, cf. Act no. 55/1980.

Information on wages and other terms of employment for foreign workers

Under the agreement, shop stewards safeguard that the collective agreements are enforced. If there is a well-founded suspicion of a violation of the relevant collective agreement or the law regarding foreign workers' terms of employment, the shop steward has the right to study information on the wages and other terms of employment for the foreign workers as appropriate, information about the occupational qualifications of those in jobs where such qualifications are needed. If there is no shop steward at the workplace, a representative of the labour union in question shall have the same power as the shop steward to study such information, and he shall have the same responsibilities.

If the employer does not agree to the shop steward's request for access to information about the wages and other terms of employment relating to the foreign worker and/or there is a disagreement over whether the provisions of collective agreements or law have been met and if the disagreement has not been settled within the company, the disagreement may be sent to the special Consultation Committee of ASI and SA.

Consultation Committee of ASI and SA

The Consultation Committee shall look for ways to cast a light on matters that are sent to the committee in accordance with the agreed rules and to settle the matter of disagreement with discussions between the parties. When studying the matter under discussion, the Committee may demand necessary information from the employer about wages and other terms of employment for the foreign workers involved and, if appropriate, about the occupational qualifications of those carrying out work that requires such qualifications. This power applies to the foreign workers who are covered by the collective agreements of the ASI member organisations. The parties to the disagreement shall be told about the Committee's ruling. It is permissible to bring a matter to court despite the Committee's ruling.

ADDRESSES AND WEBSITES

SOCIAL PARTNERS

Icelandic Confederation of Labour (ASI)

Website: www.asi.is

e-mail asi@asi.is

Tel. +(354) 53 55 600

Federation of General and Special Workers (SGS)

Website: www.sgs.is

e-mail: sgs@sgs.is

Tel. +(354) 562 6410

Federation of Skilled Construction and Industrial Workers (Samidn)

Website: www.samidn.is

e-mail: postur@samidn.is

Tel. +(354) 535 6000

Union of Icelandic Electrical Workers (RSI)

Website: www.rafis.is

e-mail: rsi@rafis.is

Tel. +(354) 580 5200

The Commercial Federation of Iceland (LIV)

Website: www.landssamband.is

e-mail: liv@landssamband.is

Tel. +(354) 588 1300

The Icelandic Federation of Food and Restaurant Workers (MATVIS)

Website: www.matvis.is

e-mail: matvis@matvis.is

Tel. +(354) 580 5200

Federation of Icelandic Seamen (SSI)

Website: www.ssi.is/

e-mail: hj@ssi.is

Tel. +(354) 561 0769

The Icelandic Musicians' Union (FIH)

Website: www.fih.is/

Tel. +(354) 588 8255

The Icelandic Cabin Crew Association (FFI)

Website: www.ffi.is

Tel. +(354) 561 4307

The Icelandic Tourist Guides Association (FL)

Website: www.touristguide.is

Tel. +(354) 588 8670

The Icelandic Dairymen's Union (MFFÍ)

Website: www.mffi.is

Tel. +(354) 580 5201

The Graphical Union of Iceland (FBM)

Website: www.fbm.is

Tel. +(354) 552 8755

The Icelandic Union of Marine Engineers and Metal Technicians (VM)

Website: www.vm.is

Tel. +(354) 575 9800

Confederation of Icelandic Employers (SA)

Website: www.sa.is

e-mail: sa@sa.is

Tel. +(354) 591 000

Federation of Trade

Website: www.fis.is

e-mail: fis@fis.is

Tel. +(354) 588 8910

Ministries and Government Offices

Website: www.government.is/

**Prime Minister's Office
General information about the
Icelandic society**

Website: www.island.is/english

PUBLIC INSTITUTIONS

Directorate of Labour

Website: www.vinnumalastofnun.is

Tel. +(354) 515 4800

**Administration of Occupational
Safety and Health in Iceland (AOSH)**

Website: www.vinnueftirlit.is

Tel. +(354) 550-4600

**The Icelandic Directorate of
Immigration (Útlendingastofnun)**

Website: www.utl.is

Tel. +(354) 510 5400

**The Internal Revenue Directorate
(RSK)**

Website: www.rsk.is

Tel. +(354) 563 1100

The State Social Security Institute

Website: www.tr.is

Tel. +(354) 560 4400

The National Registry

Website: www.thjodskra.is

Tel. +(354) 569 2900

Centre for Gender Equality

Website: www.jafnretti.is

Tel. +(354) 460 6200

**The National Association of Pension
Funds (NAPF)**

Website: www.ll.is

Tel. +(354) 563 6450

**The Privacy and Data Protection
Authority in Iceland (PDPA)**

Website: www.personuvernd.is

Tel. +(354) 510 9600

**The Federation of Icelandic
Industries**

Website: www.si.is

Tel. +(354) 591 0100

Trade Council of Iceland

Website: www.icetrade.is

Tel. +(354) 511 4000

OTHER INSTITUTIONS

**The Intercultural Centre
(Alþjóðahúsið)**

Website: www.ahus.is

Tel. +(354) 530 9300

**The Multicultural Centre
(Fjölmeningarsetur)**

Website: fjolmenningarsetur.is

Tel. +(354) 450 3090

**Akureyri Intercultural Center
(Alþjóðastofan)**

Website: fjolmenningarsetur.is

Tel. +354 462 7255

**The Icelandic Human Rights Center
(Mannréttindaskrifstofa Íslands)**

Website: www.humanrights.is/

Tel. +(354) 552 2720

LABOUR LAW LEGISLATION

Copies of these legislative texts can be obtained from websites of individual ministries;
www.government.is

Various subsequent amendments to the following legislation are not listed in this register.

- Act on Trade Unions and Industrial Disputes, No. 80/1938.
- Working Terms and Pension Rights Insurance Act, No. 55/1980.
- Act Respecting Labourers' Right to Advance Notice of Termination of Employment and to Wages on Account of Absence through Illness and Accidents, No. 19/1979.
- Act No. 88/1971, on 40 hours Working Week.
- The Holiday Allowance Act, No. 30/1987.
- Law on Fixed Term Employment, No. 139/2003.
- Law on Part Time work, No. 10/2004.
- Act on Temporary work agencies, No. 139/2005.
- Equal Status and Equal Rights of Women and Men Act, No. 96/2000.
- Maternity/Paternity Leave and Parental Leave Act, No. 95/2000.
- Act No. 27/2000 Prohibiting Redundancies due to Family Responsibilities.
- Act on Working Environment, Health and Safety in the Workplace, No. 46/1980.
- Regulation regarding the work of Children and Adolescents, No. 426/1999.
- Act on Mandatory Insurance of Pension Rights and on Activities of Pension Funds, No. 129/1997.
- Act No. 72/2002, on Workers' Rights in the Event of Transfers of Undertakings.
- Act No. 63/2000, on Collective redundancies.
- Act No. 61/1999, on European Work Councils.
- The Act No. 26/2004, on European Companies.
- The Industrial Act, No. 42/1978.
- Regulation No. 940/1999, respecting Authorized Branches of Industry.
- Regulation No. 495/2001, respecting Recognition of Work and Vocational Training in Industry in another EEA State.
- Act respecting the Authorization of Several Professional Titles of Specialists in Technical and Design Faculties, No. 8/1996.
- Act respecting the right of workers for Employment and Residence within the European Economic Area, No. 47/1993.
- Foreign Nationals' Right to Work Act, No. 97/2002.
- The Act on the rights and obligations of foreign undertakings which post their workers temporarily to Iceland and their remuneration, No. 45/2007.
- Act on Foreigners, No. 96/2002.
- Act No. 77/2000, on The Protection of Privacy as regards the Processing of Personal Data.
- Rules on Electronic Surveillance no. 837/2006.
- Unemployment Insurance Act, No. 54/2006.
- The Wage Guarantee Fund Act, No. 88/2003.