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Rights and employment terms of foreign workers on the Icelandic labor market

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The Icelandic labor market

Access to the labor market

Iceland is a member state of the EEA, the European Economic Area; hence citizens of EU member states are authorized to come to Iceland in search of employment and to become employees of Icelandic undertakings without a special work permit¹. They need, nevertheless, to apply for a residence permit with the Icelandic Directorate of Immigration at the latest when a three-month working period in Iceland is completed. Citizens of other states are not authorized to work in Iceland without work or residence permits unless the exemption provisions of law allow it.

Until 1 May 2009, employers must notify the Directorate of Labor about the employment of citizens of Estonia, Latvia, Lithuania, Poland, Slovakia, Slovenia, the Czech Republic or Hungary. The notification shall state the name of the employer, the national ID number and address, together with the name of the foreign person, his/her national ID number and address in Iceland. Additionally, the notification shall be accompanied by an employment contract that guarantees wages to the foreign person and the other terms of employment according to Icelandic law and wage agreements. The notification shall have been received by the Directorate of Labor within 10 days from employment.

Wage terms of foreign employees and control of them

According to Icelandic law, wages and other terms of employment as negotiated by the social partners shall be minimum wages irrespective of gender, nationality or employment period for all employees in the relevant field of work in the area covered by the agreement. This also applies to all employees of employers who are outside of the organizations of employers or have not themselves entered into collective agreements with trade unions. The agreements of individual employees and employers on worse terms of employment than stated in the collective agreements are invalid and not binding for the employee.

Special rules apply about foreign employees who are sent to Iceland under the auspices of foreign undertakings in connection with the provision of service. They have an employment relationship with the foreign undertaking; however, have rights according to Icelandic collective agreements regarding minimum pay and other terms of employment, and the rights to vacation and vacation pay. Additionally, the rules on maximum work time and minimum rest should be abided by. The law stipulates their right to pay in sick or accident situations and to accident insurance.

¹ Citizens of Bulgaria and Romania, however, need work permits to work in Iceland. This rule is in effect at least until 1 January 2009.

It is the role of the unions' shop stewards at the workplace to see to it that the collective agreements that have been made are honored in respect of foreign workers. If there exists grounds of suspicion on breach of rights towards a foreign employee, the shop steward has the right to go through documents about the wages and other employment terms of the employee. If there is no shop steward at the workplace a representative of the relevant trade union has the same authorizations as the shop steward to go through documents.

If suspicion arises on breach of rights the appropriate step is to seek the assistance of the shop steward at the workplace who investigates the matter and demands rectification. If there is no shop steward at the workplace the appropriate step is to contact the trade union operating in the area of the relevant field of work and seek assistance.

This booklet is intended to assist foreign employees to know the rights and terms of employment on the Icelandic labor market. The employment terms of store and office workers are not addressed herein.

Wages and other wage factors

Minimum wages

All employers in Iceland should abide by the provisions of the collective agreements on minimum wages. The minimum wages are first and foremost determined on grounds of the nature of the work, seniority and education.

Example of the minimum pay of a 22-year old general worker (2007):

Cleaning	ISK	122,905
Fish processing	ISK	127,814
Construction work	ISK	129,500
Machine operators	ISK	136,500

The minimum wages of carpenters/painters/plumbers with journeyman's diploma:
ISK 186,555

The minimum wages of electricians with journeyman's diploma:
ISK 189,474

The minimum wages cf. the collective agreements, are based on full day work, 40 hours per week. Overtime is paid for work in excess of this.

The wage scales of the 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. Hence, information must be sought with the relevant trade union about the wage scales in effect.

December and vacation supplements

Employees may have a right to special wage supplements, in addition to other wages. Persons who are employed at the end of November/beginning December or who work

at least 12 weeks during the calendar year, have the right to a December supplement, i.e. a proportional payment based on the worked period during the calendar year. The amount of the December supplement in 2007 is ISK 41,800 and is payable not later than by 15 December

Persons who are employed at the end of April/beginning May or who work at least 12 weeks in the vacation year (i.e. during the period from 1 May through 30 April) have the right to a vacation supplement, i.e. a proportional payment based on the worked period during the vacation year that is ending. The amount of the vacation supplement to be paid in the summer of 2007 is ISK 23,000 and is payable not later than by 15 August.

Part-time employees have the right to proportional supplements.

Regular day-work pay

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

The hourly pay for day work is found 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. The hourly pay of workers at restaurants and hotels is found by dividing the monthly pay by 172.

Overtime and major-holiday pay

Overtime pay shall be paid for work in excess of 8 hours per day and 40 hours per week. Overtime is paid at an hourly rate equaling 1.0385% of the monthly wages for regular day work.

Work on major holidays shall be paid with an hourly pay equaling 1.375% 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.

Payment of wages and payslips

The employment contract shall state whether the wages are paid monthly, weekly or every two weeks. If the wages are paid monthly, the payday shall be the first regular weekday of the next month. When the wages are paid weekly (40 regular day-work hours) or every other week (80 regular day-work hours), the payday shall be on Thursday or Friday, for work carried out until the weekend before the payday.

Working hours, rest periods, and meal and coffee breaks

Working hours

Regular day work is carried out on Mondays through Friday, 8 hours per day (40 hours per week). The regular day-work period begins at 07:00 hours; however, the end of the day work varies, depending on the collective agreements. General workers' day work ends at 17:00 hours, whereas skilled workers' day work generally ends at 18:00 hours. The employee and the employer negotiate when the regular day work shall be carried out during this period.

Overtime begins when the employee has worked 7 hours and 25 minutes regular work time (8-hour workday minus 35 minutes coffee break).

Work outside of the regular day-work period is paid with overtime pay except in instances of shift work. Paying regular day-work pay for overtime is not permitted even though the employee did not work his/her full 8 hours as day work.

Rest period

The working hours shall be arranged such that the employee receives at least 11 hours of consecutive rest every day. If the employee is especially requested to come to work before the 11 hours of rest have been reached, the employee is entitled to additional rest of 1.5 hours for every hour by which his/her rest is reduced. The employee shall receive at least one weekly day off; however, it is permitted to negotiate with the employee to postpone the weekly day off such that in its place the employee receives two consecutive days off over two weeks, for example, Saturday and Sunday.

Meal and coffee breaks

The lunch break is 1 hour and is not considered as a working hour (unpaid). According to the collective agreement of skilled workers, the lunch break on weekends is considered as worked time. The coffee breaks are 35 minutes per day and are paid as worked time. Overtime shall be paid if the lunch or coffee break is worked.

Negotiating shorter meal or coffee breaks is permissible in which instance overtime begins earlier as per the said break.

Shift work

Most collective agreements contain an authorization on shift work applying to a part or all employees 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.

Day-work employees do not work on holidays unless this has been agreed upon between the employee and the employer. If a holiday falls on a Monday through Friday, the employee shall be paid wages even though work is not carried out. A total of 8 hours are paid at the employee's regular day-work pay. Overtime is not paid. General workers, however, do not have the right to pay on holidays until one month after their consecutive work with the same employer or in the same field of work.

If work is carried out on holidays that fall on Mondays through Fridays, overtime or major-holiday pay shall be paid in addition to the regular day-work pay.

Overtime is paid for work on: Maundy Thursday, the Second Day of Easter, the First Day of Summer, 1 May, Ascension Day, the Second Day of Whit Sunday, the Banking Holiday (first Monday in August) and the Second Day of Christmas.

Major-holiday pay is paid for work on: New Year's Day, Good Friday, Easter Day, Whit Sunday, 17 June (the national day of Iceland), Christmas Day and Christmas Eve and New Year's eve after 12:00 noon.

Other rules apply to shift work.

Vacation

Minimum vacation

Differentiation must be made between the vacation days the employee earns with his/her work on the labor market, on the one hand, and the vacation pay every employer pays in addition to the wages for work, on the other hand.

Vacation days

An employee who has worked a full vacation year, from 1 May to 30 April, has the right to 24 days vacation. It makes no difference whether the employee has changed employers during the period. Those who have worked a shorter period of time have the right to proportional vacation days in which instance the focus is on the employee earning two vacation days for every worked month.

When the employee takes his/her vacation, Saturdays, Sundays and holidays are not counted as vacation days.

Vacation pay

Through his/her work with the employer, the employee earns the right to pay during vacation. The vacation pay is stated on the payslip of the employee. The minimum vacation pay is 10.17% of all wages. This equals pay for 24 days.

Wages during vacation is paid by different means:

- The employer withholds the vacation pay and pays it when the employee goes on vacation in the next vacation year. Upon every payment of wages the employer divides the vacation pay by the employee's regular day-work hourly pay; thus calculating how many day-work hours the vacation pay amounts to. The employee accumulates such hours throughout the vacation year. When the employee goes on vacation in the following vacation year, the total number of these hours is calculated and multiplied by the day-work hourly pay in effect at such time. The amount thus found is paid the employee less taxes and other charges.
- The vacation pay (less tax and other charges) is deposited into a vacation account, which is a special bank account in the name of the employee. The employee may

withdraw his/her balance for the past vacation year after 15 May every year.

- Employees earning fixed monthly wages for day work maintain their pay when they go on vacation. Vacation pay on overtime, bonus payments or other extra payments are deposited into the vacation account.

Additional Vacation

The collective agreements contain a provision on additional vacation, i.e. more vacation days and higher vacation pay than the minimum vacation pay. The employee, on grounds of his/her period of employment with the relevant employer or in the field of work, may earn a 25-28 days vacation right. In such instance the vacation pay is from 10.64% to 12.07%.

Decision and notification

The employer decides after consultation with the employees when vacation is to be taken. He shall meet their requests for vacation time to the extent possible in respect of the operation. When the employer has completed checking the wishes of the employees, he/she shall announce as soon as possible, at the latest one month before the beginning of vacation, when the vacation shall begin unless special circumstances prevent this.

Illness during vacation

If illness prevents the employee from taking vacation at the time designated by the employer, the employee has the right to vacation outside of the summer vacation period, however, not later than the employee's vacation ending before 31 May of the following year. The employee has the right to pay during illness in conformity with his/her earned sick-leave right and the provisions of the collective agreements thereon.

If the employee becomes ill after his/her vacation has begun, his/her supplementary vacation rights shall be as stated in the collective agreements. If the employee meets the conditions stated therein, he/she has the right to supplementary vacation equaling the time the employee was provably ill. Differentiation is made as to whether the employee became ill during vacation in Iceland or abroad. If an employee becomes ill during vacation abroad the requirement is, among other things that the illness is of such serious nature that it results in hospitalization and lasts longer than 6 days. The employee shall notify the employer about his/her illness on the first day of illness.

Sick-leave rights

Employee's illness and accident

An employee, who becomes incapable to work because of illness or accident, has the right to wages from his/her employer during the illness. When such right has been fully exercised the employee may have a right to payments by the sick-fund of the trade union or a daily allowance from the State Social Security Institute.

The employee's right to pay by the employer is based on the work time with the relevant employer. The right of skilled construction workers, however, is based on their worked time in the field of work.

The employee earns the right to pay for two days for every worked month. The employee thus has two days after one month of employment, four days after two months of employment, etc. The right to pay during illness is a total right over a 12-month period irrespective of the type of illness. When an employee becomes ill the focus is 12 months back and the paid sick-leave days are deducted from the right the employee has earned according to the collective agreements.

The length of the sick-leave right is somewhat different between the various collective agreements.

Workers

- During the first year of employment with the same employer two days are paid at full pay.
- After one year of employment with the same employer one month is paid at full pay.
- After two years of employment with the same employer one month at full pay is paid and one month at day-work pay.
- After three years of employment with the same employer one month at full pay is paid and two months at day-work pay.
- After five years of employment with the same employer one month at full pay is paid and one month at full day-work pay (i.e. regular day-work pay, bonus and shift differentials) and two months at regular day-work pay.

Skilled metal workers

- The first six months with the same employer: two days at full pay for every worked month.
- After six months of consecutive employment with the same employer: one month at full pay.
- After two years of consecutive employment with the same employer: one month at full pay and one at day-work pay.
- After three years of consecutive employment with the same employer: one month at full pay and two at day-work pay.

Skilled construction workers

- The first six months in the field of work upon completion of the journeyman's exams: two days at full pay for every worked month.
- After six months of consecutive employment in the field of work: one month at full pay.
- After one year of consecutive employment in the field of work: one month at full pay and one at day-work pay.
- After three years of consecutive employment in the field of work: one month at full pay and two at day-work pay.

Electricians

- During the first year of employment with the same employer: two days at the fixed wages for every worked month.
- After one year of employment with the same employer: one month at the fixed wages.

- After three years of employment with the same employer: two months at fixed wages.
- After five years of employment with the same employer: two months at fixed wages and one month at the day-work pay.

The aforementioned collective agreements also contain provisions on the transfer of earned rights between employers; however, the rules on this vary between the agreements. The general rule is that an employee who has worked for 3 or 5 years with the same employer may transfer a part of his/her earned rights to a new employer.

If an employee becomes incapable of working due to an accident at work or if the employee has an accident on his/her direct route to or from work, also if an employee becomes ill from a work-related illness, the employee shall maintain his/her day-work pay for three months in addition to the aforementioned sick-leave right. This additional right is an independent right and does not affect the employee's other sick-leave rights.

The employer may request the employee to provide a medical certificate stating that he/she was incapable of working because of illness or accident. The employer pays for the medical certificates he/she requests provided that the illness was notified on the first day of illness.

Illness of employees' children

If an employee needs to care for his/her sick children under the age of 13 and if other care cannot be arranged, the employee shall maintain his/her day-work pay and the shift differential (if applicable). After one month of employment with the same employer the employee has the right to 7 days per every 12-month period, and after one year of employment this right is 10 days.

Accident insurance

Employers are obligated to take out insurance for the employees against death, permanent disability or temporary disability as a result of workplace accidents or accidents during travel on the normal route from the home to the workplace and from the workplace to the home.

Termination of employment contracts

The principal rule in Iceland is that employers and employees are equally authorized to cancel employment contracts without stating the reason for this. Employees are generally hired without time limits, in which instance the employment contract is cancelled with a termination notice period as stated in the collective agreements. The employment-termination notice is mutual and such employment cancellations shall be in writing.

The length of the employment-termination notice varies between the collective agreements.

Workers

- During the first two weeks of employment there is no employment-termination notice.
- After two weeks of consecutive employment with the same employer: 12 calendar days.
- After three months of employment with the same employer: one month based on the last day of the month.
- After three years of employment with the same employer: three months based on the last day of the month.

Skilled metal workers

- During the first year of employment: two weeks based on the end of the week.
- After one year in the field of work: one month based on the end of the month.
- After three years in the field of work: two months based on the end of the month.
- After five years with the same undertaking: three months based on the end of the month.

Skilled construction workers

- During the first year of employment: two weeks based on the end of the week.
- After one year in the field of work: one month based on the end of the month.
- After three years in the field of work: two months based on the end of the month.
- After five years in the field of work: three months based on the end of the month.

Electricians

- Upon employment, unless limited to certain period of time: one month based on the end of the month.
- After three years of consecutive employment with the same employer: two months based on the end of the month.
- After five years of consecutive employment with the same employer: three months based on the end of the month.

End of employment

The aforementioned collective agreements contain provisions on longer employment-termination periods at the end of employment of employees who have reached a high real age and work seniority (both conditions met):

- After 10 years of consecutive employment and 55 years of age: four months.
- After 10 years of consecutive employment and 60 years of age: five months.
- After 10 years of consecutive employment and 63 years of age: six months.

The employee, however, may resign from work at three months notice.

Dues to the pension funds and trade unions

Dues to pension funds

According to law and the collective agreements, the employee pays a 4% pension-fund due on all his/her wages and the employer pays 8%.

If the employee makes an additional contribution of at least 2% to a special savings fund, the counter contribution by the employer shall be 2%.

Membership fee to trade unions

The trade unions are open to all employees in the relevant field of work at the union's area. They are the lawful social partner negotiating the wages and employment terms of their members. The employer is obligated to withhold from the employee's wages his/her membership fee for the relevant trade union according to the rules thereon stated in the collective agreements. The membership fees are generally 1% of the wages and this deductible item is stated in the payslip.

Dues to sick funds, vacation funds and education funds

Employers are obligated to pay dues to the trade unions' sick funds and vacation funds, according to the rules stated in the collective agreements. The collective agreements also state the contributions by employers to the education funds.

Other provisions

The collective agreements have various other provisions on the rights and duties of employers and employees, for example, on employment contracts and their contents, payments for calls to work and standby shifts, deductibles from the wages because of absence from work, provisions on travel and living expenses when working outside of the defined work area, working clothes and the workplace facilities, damage to the clothes and items of employees, work-group supervision and work foremanship, the election of shop stewards and their rights at the workplace, etc. The collective agreement of general workers contains various special provisions regarding certain groups of workers, for example, construction workers, machine operators, drivers, canteen workers, fish-processing workers, general industrial workers and cleaning workers.

Employer
Address
National ID no.

Payslip

Worker
Address
National ID no.
 Job title General worker

Pay period 1.-30.09 2007
 Pay day 1.10.2007
 Total wages 196.026
 Total deductibles 65.487
Paid wages 130.539

Wages deposited into bank account no.

Wage items	Hours	Scale	Amount of wages	Total since New Year's
Daytime	173,33	850	147.331	1.325.975
Overtime	20	1530	30.600	275.400
Other	0	0	0	0
Other	0	0	0	0
Holiday pay		10,17%	18.096	162.860
			Total wage items	
				196.026

Deductibles				Total since New Year's
Pension fund	4,00%		7.841	70.569
Additional savings	2,00%		3.921	35.285
Trade union	1,00%		1.960	17.642
Other				
Pay-as-you-earn tax base		184.264		
Tax percentage	35,72%	65.819		
Tax discount		32.150		
Paid taxes		33.669		
Vaction pay deposited at bank		18.096		
			Total deductibles	
				65.487
			Paid wages	
				130.539

Vacation from 1 May 2007 90.478
 Vacation pay balance
 Vacation right