

# Work in Iceland



**EQUAL  
RIGHTS**  
— NO EXCEPTIONS!



Alþýðusamband Íslands

# Work in Iceland

## **The right of foreign nationals to work in Iceland**

Workers from the member states of EU and EFTA (EEA) are entitled to employment in Iceland without a work permit.<sup>1</sup>

Citizens from outside the EEA must have employment and residence permits before being allowed to work in Iceland.

## **Collective agreements covering wages and other employment terms**

Trade unions negotiate collective agreements for wages and other employment terms of wage earners. Collective agreements reached by the unions apply as minimum terms in the Icelandic labour market, irrespective of gender, nationality or duration of employment, for all wage earners in the profession in question.

Contracts of employment between individual wage earners and employers stipulating poorer employment terms than those provided for in the collective agreements are invalid.

Collective wage agreements provide for the occupation's minimum wage, working hours, rest periods and refreshment breaks, wages for overtime, rules on wage payments and payslips, wages during illness and accident absences, holiday time and paid days off, personnel facilities, termination notice periods, employee payments to unions and to pension funds, employers obligation to pay to illness, holiday, vocational training and pension funds, etc.

The following are examples of minimum wages and entitlements according to collective agreements and legislation. It is important to keep in mind that experience in an occupation and seniority in a company provide, according to collective wage agreements, higher wages and more rights.

---

<sup>1</sup>EEA member states: Austria, Belgium, Bulgaria, the Czech Republic, Croatia, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Holland, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxemburg, Malta, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, the United Kingdom. Comparable rules apply to the Faeroe Islands and Switzerland.



## **Wages**

The minimum income for a full-time position in 2015 is ISK 245,000 per month for employees who, after the age of 18, have worked for at least six months in the same company.

The minimum wage for tradesmen (electricians / metal workers / carpenters / plasterers / painters / plumbers) is ISK 319.366. The next increase in wages will be 1 May 2016 at the very latest.

It is quite common for wage earners to negotiate higher wages with their employers as well as further rights than the collective wage agreements stipulate. Such wages are called market wages and are subject to conditions in the labour market at any given time. It is important for wage earners to find out the market wages for their occupation.

## **Working time**

The workweek is 40 working hours. In some sectors, the trade unions have negotiated shorter workweeks, e.g. for office and commercial workers. Wages are paid for daytime work, which cannot exceed 40 hours per week (8 hours per day, Monday to Friday). Overtime begins on completion of daytime work. Overtime is usually paid with 80% higher wages than daytime work.

Workers, shop assistants and tradesmen are entitled to a 35-minute refreshment break per day, based on full-time employment, without any deduction from wages.

## **Periods of rest**

Workers are entitled to a minimum of 11 hours consecutive rest during each 24-hour period and at least one day of rest per week immediately succeeding the daily minimum period of rest.

## **Illness and accidents**

A worker is entitled to wages paid by his employer in case of absence from work due to illness or accidents occurring in the worker's free time. During the first year of employment for an employer, employees earn at least 2 sickness leave days for each worked month.

In the event that a worker suffers a work-related accident, he will be entitled to wages paid by his employer for a period of three months in addition to earned paid sickness leave. A worker must notify the employer of any illness, and the employer may request that the worker submit a health certificate.

Employers are required to insure their employees against death, permanent disability and against temporary disability caused by work-related accidents or accidents occurring in the course of their normal route from their home to the place of work or from the place of work to their home.

## **Holidays and holiday allowance**

All workers are entitled to take an annual paid leave period from work. The minimum statutory holiday entitlement provides for a period of two working days for each worked month during the past holiday allowance year. Holiday pay is at least 10.17% and is added to the hour rate.

## **Pension funds**

All wage earners are required to ensure their rights to a pension through pension fund membership from the age of 16 to 70. The minimum contribution to a pension fund is 12% of the salaries, 4% of which is deducted from the worker's wages and 6% of which is contributed by the employer. In addition to this, a worker may pay 2% into a supplementary contribution scheme (public or private pension fund), in which case the employer's matching contribution is 2%.

## **Contract of employment**

Employers must, no later than within two months of employing an employee, draw up a written contract of employment. The provisions of the employment contract must include names of the parties to the con-



tract, the location of the employee's workplace, a short description of his duties, the first day of work, wage terms, employment ratio, the length of employment if temporary, holiday rights, notice of termination, pension fund membership and reference to an effective collective wage agreement as relates to other terms of employment.

### **Payslip**

An employee is entitled to receive a pay statement (payslip) when wages are paid, containing a breakdown of the wage calculation. Payslips must contain information on the name and ID No. of both the company and the employee. The period for which payment is being effected must be stated, and working hours and wages must be itemised. Furthermore, all deductions must be itemised, e.g. the withholding tax. It is important for the wage earner to receive a copy of the pay statement because if the employer does not pay tax, pension fund contributions, membership fees to the trade union, etc., the wage earner may run into problems if he does not have the pay statement as evidence that his personal income tax has been deducted from his wages.

### **Occupational qualifications**

A worker's entitlement to hold certain jobs is frequently restricted by statutory requirements for certification of persons to be authorised to work in a particular field or area. In some fields of work, moreover, employees are required to have special job-related certifications, such as an advanced driving licence or a driving licence for industrial machinery.

The EEA Agreement provides for the entitlement of foreign workers to have their professional degrees, occupational qualifications and work experience acquired in other EEA states accredited in Iceland. Recognised occupational qualifications and work experience are valued toward higher wages in Iceland.

### **Length of service provides higher wages and better rights**

Length of service in a profession and/or company provides higher wages and better rights for e.g. sickness leave wages and holiday entitlement and longer notice for termination according to collective wage agreements than has been specified herein.

Foreign employees in Iceland bring with them their accrued period of employment with respect to the rights in the collective agreements that relate to the employment period in the relevant field of work, provided the work abroad is considered comparable.

Upon engagement, employees shall prove their length of service in a verifiable manner, no later than within three months from the date of employment.

### **Taxes**

Employers are required to deduct personal income tax and municipal income tax from an employee's wages every month and return the withholding tax to the local Inland Revenue office. The tax percentage for withholding tax in 2015 is 37.30% and increases with higher wages.

Wage earners are entitled to a tax-free personal allowance, which is deducted from earnings before tax is calculated. The personal allowance for 2015 is ISK 50,902 per month. In order to use his personal allowance, a wage earner must submit a tax card to his employer. Workers must apply for a tax card from the local Inland Revenue office. EEA citizens and others who do not need a work permit will receive a tax card after a residence permit has been issued. Others are issued with a card once their work and residence permit has been issued.

## **Registration in the population registry is important**

EEA citizens intending to work in Iceland for longer than 3-6 months must register their legal domicile in Iceland within 7 days of arrival or as soon as they meet requirements for the registration of legal domicile, e.g. one week after signing an employment contract, but never later than 6 months from first arrival.

EEA citizens intending to stay less than three months must register their address in Iceland and obtain an ID No. when they first arrive.

Residency for more than 3-6 months without registration of legal domicile in the population registry is illegal and can have an impact on civil rights. Everyone staying or intending to stay in Iceland for 3-6 months or more must, according to law, have their legal domicile in Iceland.

Entitlement to public services and assistance is generally dependent on having a registered legal domicile. Registering legal domicile as soon as possible if intending to stay in Iceland, therefore, is recommended.

## **Equal status of women and men**

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

Terms in addition to pay refers to pension rights, entitlement to wages paid in case of absence due to illness and any other terms or benefits that may be given monetary value.

## **Trade unions and shop stewards**

Almost all wage earners in Iceland are members of a union. Unions are independent of the authorities, and everything that employees discuss with shop stewards or union employees is confidential.

Unions negotiate for the wages and employment terms of wage earners and guard the interests of employees with respect to employers. Employers are required to deduct membership dues from employees' wages and return the dues to the respective union. The membership fee is remuneration for negotiating a collective agreement on wages and other working terms, and it will cover the cost of daily ser-

VICES to members and protecting their interests towards employers.

Membership of unions provides entitlement to payments from the sickness fund, holiday fund and vocational training fund of the union in question according to the rules of the funds.

The trade union shop stewards oversee that employers abide by the collective agreements and that the rights of employees are not violated. Employees must contact the union shop steward at their place of work with their complaints against the employer.

### **Icelandic language courses**

According to law, employers and trade unions must provide employees holding temporary work permits with information regarding basic courses in Icelandic for foreigners, courses in civics and other learning courses that may be available to workers and their families.

### **Special rules on the rights and obligations of the employees of foreign companies that provide temporary services in Iceland, including temporary work agencies**

Special rules apply to foreign employees who are sent to Iceland under the auspices of foreign undertakings in connection with the provision of services. Although they have an employment relationship with the foreign undertaking, they have rights according to Icelandic collective agreements regarding minimum pay and other terms of employment, overtime payments as well as the right to vacation time and vacation pay. The law stipulates their right to pay in illness or accident situations and to accident insurance.

The employees of temporary work agencies must at the very least enjoy the same wages and other terms of employment as if they had been directly recruited to the user company to undertake the same work.

EEA citizens who are insured in their home country can continue to enjoy the benefits of such insurance while undertaking temporary work in Iceland in connection with the service provision of their employer. They will need to submit the requisite certificates to do so.

**For further information contact the local trade union.**





## **Further information on the rights and obligations that apply to the Icelandic labour market**

### **The Icelandic Confederation of Labour (ASÍ)**

Guðrúnartún 1, 105 Reykjavík

Tel.: 535 5600, [asi@asi.is](mailto:asi@asi.is), [www.asi.is](http://www.asi.is)

### **Federation of General and Special Workers (Starfsgreinasamband Íslands)**

Guðrúnartún 1, 105 Reykjavík

Tel.: 562 6410, [sgs@sgs.is](mailto:sgs@sgs.is), [www.sgs.is](http://www.sgs.is)

### **Federation of Skilled Construction and Industrial Workers (Samiðn)**

Borgartún 30, 108 Reykjavík

Tel.: 535 6000, [postur@samidn.is](mailto:postur@samidn.is), [www.samidn.is](http://www.samidn.is)

### **Union of Icelandic Electrical Workers (RSI)**

Stórhöfði 31, 110 Reykjavík

Tel.: 580 5200, [rsi@rafis.is](mailto:rsi@rafis.is), [www.rafis.is](http://www.rafis.is)

### **The Commercial Federation of Iceland (LIV)**

Kringlan 7, 103 Reykjavík

Tel.: 588 1300, [asta@landssamband.is](mailto:asta@landssamband.is), [www.landssamband.is](http://www.landssamband.is)

### **The Icelandic Union of Marine Engineers and Metal Technician (VM – Félag vélstjóra og málmtæknumanna)**

Stórhöfði 25, 110 Reykjavík

Tel.: 575 9800, [vm@vm.is](mailto:vm@vm.is), [www.vm.is](http://www.vm.is)

### **The Icelandic Federation of Food and Restaurant Workers (MATVIS)**

Stórhöfði 31, 110 Reykjavík

Tel.: 580 5200, [matvis@matvis.is](mailto:matvis@matvis.is), [www.matvis.is](http://www.matvis.is)

### **Federation of Icelandic Seamen (SSI)**

Guðrúnartún 1, 105 Reykjavík

Tel.: 561 0769, [hj@ssi.is](mailto:hj@ssi.is), [www.ssi.is](http://www.ssi.is)

## Government agencies

### Registers Iceland

Borgartún 24, 150 Reykjavík

Tel.: 569 2900, thjodskra@thjodskra.is, www.skra.is

*Foreigners working in Iceland must register at Þjóðskrá.*

### The Directorate of Internal Revenue

Laugavegur 166, 105 Reykjavík

Tel.: 442 1000, rsk@rsk.is, www.rsk.is

*The Directorate of Internal Revenue is responsible for issuing tax cards that are a prerequisite for wage earners to enjoy personal tax credit.*

### The Directorate of Immigration

Skógarhlíð 6, 105 Reykjavík

Tel.: 510 5400, utl@utl.is, www.utl.is

*The Directorate of Immigration is responsible for the issue of residence permits for citizens from states outside the EEA.*

### The Directorate of Labour

Kringlan 1, 103 Reykjavík

Tel.: 515 4800, postur@vmst.is, www.vinnumalastofnun.is

*The Directorate of Labour is responsible for issuing work permits to citizens from states outside the EEA.*

*EURES – European employment service operating under the auspices of the Directorate of Labour, www.eures.is.*

## Further information in your own language

### The Multicultural Centre

Árnagata 2-4, 400 Ísafjörður

Tel.: 450 3090, info@mcc.is, www.mcc.is

### The Reykjavik Human Rights Office

Tjarnargata 11, 101 Reykjavík

Tel.: 411 1111, mannrettindi@reykjavik.is, www.reykjavik.is

### Human Rights Office of Iceland

Túngata 14, 101 Reykjavík

Tel.: 552 2720, info@humanrights.is, www.humanrights.is



Alþýðusamband Íslands

Guðrúnartún 1 | 105 Reykjavík

Tel.: 535 5600 | asi@asi.is | www.asi.is