



Measures in response to a contraction in the labour market

The Icelandic labour market is currently fraught with uncertainty following the declaration of a global pandemic caused by the COVID-19 virus. Tourism and a number of related sectors are already facing a severe contraction, and there is a constant stream of news about official action being taken in other countries which will aggravate the economic contraction in Iceland. We are dealing with an unprecedented, temporary situation in the labour market to which we must react quickly, decisively and with foresight.

The goal is to protect workers and businesses from loss caused by a temporary setback, thus minimising the economic and social harm suffered by individuals, and helping businesses to survive this temporary downturn and return in full strength when the market recovers. An important part of this is to ensure that companies do not start laying off employees or act in ways that infringe on workers' rights. This applies to all workers, whether they are Icelandic citizens or not.

The Icelandic government is preparing legislation to make it possible for businesses to offer their staff a modification of their employment contracts whereby a temporary reduction in working hours and pay would be compensated for through the payment of an unemployment allowance. The exact form the legislation will take is not known yet, but the bill is expected to be put to a vote in the Icelandic parliament later this week.

As soon as the content of the new legislation is known the trade unions will relay the information to their members and provide guidance on how to proceed. We advise everyone to keep themselves up-to-date with the latest developments, and we recommend that workers do not sign any new employment contracts relating to specific measures until the new legislation is in place.