

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

According to the provisions of the EEA Agreement on the free movement of workers wage earners from Member States of the European Economic Area (EEA) are entitled to enter into contracts of employment in Iceland without a work permit. The following are Member States of the EEA: Iceland, Austria, Belgium, the United Kingdom, Denmark, Finland, France, Greece, the Netherlands, Ireland, Italy, Cyprus, Liechtenstein, Luxembourg, Malta, Norway, Portugal, Spain, Sweden, and Germany. Comparable rules apply for Switzerland. The rules regarding the free movement of workers do not enter into force with respect to the citizens of Estonia, Latvia, Lithuania, Poland, Slovakia, Slovenia, Czech Republic, and Hungary until 1 May 2006. Citizens of those countries must have work permits as do workers from states not members of the EEA.

The rules regarding foreign nationals who are not citizens of Member States of the EEA stipulate that their employer must apply for work permits and residence permits for them prior to their arrival in Iceland.

### **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 for the employee and his family.

### **Wages and other working conditions**

Trade unions enter into collective bargaining agreements regarding the wages and other working conditions for wage earners on the labour market. Collective agreements made between trade unions and employers provide for the minimum working conditions in the industry in question throughout the district of the trade union in question.

Collective agreements have provisions for daytime and overtime wages, they regulate the payment of wages and the issuance of pay statements (pay-slips), paid sickness and accident leave, maximum working time and daily time of rest, holiday allowance and special holidays, conditions in the work place, notice of termination, contributions to union sickness funds, holiday allowance accounts, occupational education funds, pension funds, and other contributions.

The provisions of collective agreements regarding these issues are minimum working terms, irrespective of gender, nationality or period of employment for all wage earners in that particular industry.

Contracts of employment between individual wage earners and employers stipulating worse working conditions than those provided for in the collective agreements are void.



### **Contract of employment**

Within a period of two months from the time an employee starts working the employer must draw up a written contract of employment. A contract of employment must include information regarding the names of the contracting parties, the employee's place of work, a short job description, wage terms, and the job ratio in addition to pension fund and trade union membership. If a wage earner comes from a nation outside the EEA (or from one of the 8 new Member States) a contract of employment must accompany the employer's application for the wage earner's work permit.

### **Pay statement**

An employee is entitled to receive a pay statement (pay-slip) when wages are paid, which includes a breakdown of the wage calculation. Furthermore all deductions must be itemized, e.g. the withholding tax. It is important for the wage earner to get 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.

### **Working time**

The statutory workweek is 40 hours from Monday to Friday. In some sectors the trade unions have entered into wage contracts for shorter workweeks, e.g. for office and commercial workers. The lunch and coffee breaks for workers are as a minimum

30 minutes but generally they are 60 minutes. Usually there are two 20 minutes coffee breaks during day work, generally taken before and after noon.

### **Periods of rest**

Workers are entitled to a minimum consecutive period of 11 hours of rest during each 24-hour period and at least one day of rest per week immediately succeeding the daily minimum period of rest. The weekly day of rest must as far as possible fall on a Sunday. The maximum working time per week shall generally not exceed 48 active working hours including overtime.

### **Illness and accidents**

A worker is entitled to wages paid by his employer for a limited period of time in case of absence from work due to illness or accidents occurring in the worker's free time. During the first year of service with an employer a worker earns as a rule 2 days of paid sickness leave for each month worked. 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, or against temporary disability caused by work related accidents or 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 from work. The minimum statutory holiday entitlement provides for a period of two working days for each working month during the past holiday allowance year. The minimum holiday allowance is 10.17% of whole wages. Collective agreements frequently contain provisions on broader leave entitlement.

### **Occupational pension funds**

All wage earners are required to ensure their rights to a pension through occupational pension fund membership from the age of 16 to 70. The minimum pension fund contribution is calculated on top of whole wages and compensation for any kind of work, job and service. The minimum contribution is 10% of the contribution base of which 4% are deducted from the worker's wages and 6% are added by the employer. The employer's counter-contribution will be 7% from 1 January 2005 and 8% from 1 January 2007. In addition to this a worker may pay 2% into a supplementary contribution scheme (public or private pension fund) in that case the employer's counter-contribution is 2%.

### **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 equal-value and comparable work. Terms in addition to pay, means 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.

# Income tax Trade unions

Qualifications

Further details

## Personal income tax

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 2005 tax ratio for withholding taxes is 37.73%.

Wage earners are entitled to a tax free personal allowance, which is deducted from earnings before tax is calculated. The personal allowance for 2005 is ISK 28,321 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.

## Certified occupational qualifications

A worker's entitlement to hold certain jobs is frequently restricted by statutory requirements to persons holding professional degrees or who are specially authorized to work in a particular field or area. Furthermore in some fields of work 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 according to the applicable laws and regulations.

## Trade unions, union membership dues and shop stewards

Trade unions negotiate for the wages and other working terms for wage earners on the private labour market. 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 services to members and support the care taking of union interests towards employers. All employers are required to pay a contribution to the respective union sickness fund and holiday allowance account according to the terms of collective agreements. The trade union shop stewards have the task to oversee that employers abide by the collective agreements and that the social and civil rights of employees are not violated. Employees must contact the union shop steward at their place of work with their complaints against the employer. The trade unions are independent and are not subject to government authority; all communication between employees and the union shop steward is confidential.



## Further details on the rights and obligations that apply to the Icelandic labour market are provided by

### Icelandic Confederation of Labour (ASI)

Sætún 1, 105 Reykjavík, [www.asi.is](http://www.asi.is)  
Telephone: 53 55 600 Fax: 53 55 601

### Federation of General and Special Workers

Sætún 1, 105 Reykjavík, [www.sgs.is](http://www.sgs.is)  
Telephone: 562 6410, Fax: 552 6830

### Federation of Skilled Construction and Industrial Workers (Samidn)

Borgartún 30, 108 Reykjavík, [www.samidn.is](http://www.samidn.is)  
Telephone: 535 6000, Fax: 535 6020

### Union of Icelandic Electrical Workers (RSI)

Stórhöfði 31, 110 Reykjavík, [www.rafis.is](http://www.rafis.is)  
Telephone: 580 5200, Fax: 580 5220

### The Commercial Federation of Iceland (LIV)

Kringlan 7, 103 Reykjavík, [www.landssamband.is](http://www.landssamband.is)  
Telephone 588 1300, Fax 5101727

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

Stórhöfði 31, 110 Reykjavík, [www.matvis.is](http://www.matvis.is)  
Telephone 580 5200, Fax 580 5220

### Federation of Icelandic Seamen (SSI)

Sætún 1, 105 Reykjavík, [www.ssi.is](http://www.ssi.is)  
Telephone 561 0769, Fax 561 0774

## Government Institutions

### Statistics Iceland and the National Registry

Borgartún 24, 150 Reykjavík  
Telephone, 569 2900 Fax, 569 2949  
[thjodskra@thjodskra.is](mailto:thjodskra@thjodskra.is)  
Individuals who have received residence permits must register their domicile at the National Registry after arrival in Iceland

### The Icelandic Directorate of Immigration

Skógarhlíð 6, 105 Reykjavík  
Telephone 510 5400 Fax, 510 5405  
[utl@utl.is](mailto:utl@utl.is)  
The Icelandic Directorate of Immigration issues residence permits.

### Directorate of Labour

Hafnahúsinu Tryggvagötu, 150 Reykjavík  
Telephone, 515 4800 Fax, 511 2520  
[vinnumalastofnun@vmst.is](mailto:vinnumalastofnun@vmst.is)  
The Directorate of Labour issues work permits.

### Reykjavik Chief of Police

Hverfisgata 113-115, 150 Reykjavík  
Telephone, 444 1000, Fax 444 1015  
Residence- and work permits are delivered at the offices at Borgartún 7B, 150 Reykjavík  
Telephone 444 1400, Fax 444 1401, and at police stations around Iceland.

## Further information in your own language

### The Intercultural Centre

Hverfisgata 18, 101 Reykjavík  
Telephone, 530 9300 Fax, 530 9301  
[info@ahus.is](mailto:info@ahus.is)  
The Intercultural Centre provides consulting, education, interpretation and translation services and information with the aim of facilitating the adjustment of people of foreign descent to Icelandic society.

### The Multicultural Centre

Árnagata 2-4, 400 Ísafjörður, [info@mcc.is](mailto:info@mcc.is)  
Telephone, 450 3090 Fax, 450 3005  
The task of the Multicultural Centre is to facilitate interrelations between people of different roots and to enhance services to foreign people living in Iceland.



# Work in Iceland

