

Work in Iceland

- minimum wages
and other terms
in short!



- According to the the EEA Agreement, wage earners from **Member States of the European Economic Area (EEA)** are entitled to start to work in Iceland without a work permit.
- **For workers outside of the EEA-area:** Those who wish to apply for a residence permit (and work permit) in Iceland must have secured a job in Iceland and signed an employment contract. The employment contract must accompany the application.
- 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.
- All workers have **access to their union** in Iceland, do not hesitate to contact your union with questions or complaints.
- Within a period of two months from the time an employee starts working the employer must draw up a written **contract of employment**.
- Wages and other terms of employment concluded in collective agreements are **by law minimum terms**. Minimum terms set by collective agreements do not stand in the way of higher wages and/or better terms negotiated.
- The **minimum income** is ISK 245.000 per month for a full-time position (ISK 260.000 from 1st of May 2016), i.e. 173,33 hours worked per month (40 hours per week), for an employee who has reached the age of 18 and has worked for at least six months in the same company (a minimum of, however, 900 hours).
- **Overtime** is paid at an hourly rate corresponding to 1.0385% of the monthly wages for regular day work.
- Most collective agreements contain an authorisation for **shift work** applying to a part or all employees of a company. A shift premium is paid for work carried out during the period from 16:00 (from 17:00 at restaurants and hotels) to 08:00 and on weekends. Overtime is paid for work in excess of 40 hours average per week as shift work.
- Work on major **public holidays shall be paid** with an hourly pay corresponding to 1.375% of the monthly wages for regular day work.
- Employees who are employed during the first week of December or who have held consecutive employment with the same employer for 12 weeks over the last 12 months have the right to a **December bonus**, proportionally based on the employment period in the calendar year. A full year's employment is 45 weeks or more excluding vacation time. The December supplement shall be paid not later than 15 December. The December supplement in 2015 is ISK 78.000. In 2016, this amount is ISK 82.000.
- Employees who are employed at the turn of the months April/May or who have worked at least 12 weeks during the vacation year (i.e. during the period 1 May to 30 April) have the right to a **vacation bonus**, proportionally based on their employment period in the vacation year, which is then ending. A full year's employment is 45 weeks or more excluding vacation time. The payable vacation supplement in the summer of 2016 is ISK 44,500. The vacation supplement in 2017 is ISK 46,500 and is ISK 48,000 in 2018.

- If wages are paid monthly (general practice), 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.
- An employee is entitled to receive a pay statement (**pay-slip**) when wages are paid, which includes a breakdown of the wage calculation. All payments must be itemised on the payslip, such as day work, overtime and major-holiday work. All deductions must also be itemised.
- **Regular day work** is carried out on Mondays to Fridays, 8 hours per day (40 hours per week) within the day-work period. The regular day-work period begins at 07:00. The end of the day-work period, however, varies depending on the collective agreements. General workers' day work ends at 17:00 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 completed full day-work hours. Work outside of the regular day-work period is paid with overtime pay except in instances of shift work.
- 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.
- The working hours shall be arranged so that the employee receives at least 11 hours of **consecutive rest** every day.
- An employee who has worked a full vacation year, from 1 May to 30 April, has the right to a **minimum of 24 vacation days**.
- An employee who becomes incapable of working because of illness or accident has the right to **wages from his/her employer during the illness**. The employee earns the right of two days for every worked month.
- 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 premium (if applicable).
- The employer is obligated to take out **insurance** for his employees against death, permanent disability and/or temporary disability resulting from accidents at work or on route from home to the workplace and from the workplace to the home.
- The principal rule in Iceland is that employers and employees are equally authorised to **cancel employment contracts**. Any termination of employment shall be in writing and in the same language as the employment contract of the employee. 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.
- According to law and the collective agreements, the employee pays **pension-fund** dues of 4% on all his/her wages, and by the same token, the employer pays 8%. Employer's contribution will rise 1 July 2016 by 0.5% points and will be 8.5%, 1 July 2017 it will be 10% and 1 July 2018 11.5%. If the employee makes an additional contribution of at least 2% to a supplementary savings fund, the matching contribution from the employer shall be 2%.

