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# EUROPEAN SOCIAL CHARTER

27th National Report on the implementation of the European Social Charter

submitted by

## THE GOVERNMENT OF ICELAND

(Articles 2, 4, 5 and 6)

(for the period 01/01/2009 – 31/12/2012)

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## CYCLE XX-3 (2014)

# EUROPEAN SOCIAL CHARTER

**27th report on the**
**implementation of the**
**European Social Charter**

**Submitted by**

**THE GOVERNMENT OF ICELAND**

**Ministry of Welfare**

**(for the period 1 January 2009 to 31 December 2012)**

**REPORT**

on the application of Articles 2, 4, 5 and 6 for the period 1 January 2009 to 31 December 2012 made by the Government of ICELAND in accordance with Article 21 of the European Social Charter and the decision of the Committee of the Ministers, taken at the 573rd meeting of Deputies concerning the system of submission of reports on the application of the European Social Charter.

# Article 2

# The right to just conditions of work.

## Article 2, para. 1 – Reasonable daily and weekly working hours.

**1.– 2.**

No changes were made during the period covered by this report to statutory provisions or the provisions of collective agreements regarding reasonable daily and weekly working hours; thus, reference should be made to the Government's last reports as regards this matter.

***Comment by the Committee of Independent Experts.***
***Conclusions XIX-3 p. 4***
*The Committee considers that the Act gives too broad a margin of discretion to the social partners in determining sectors of activity where working time can be extended to 16 hours. It recalls that working time should in no circumstances go up to 16 hours per day, and therefore considers, irrespective of the fact that the Act foresees compensatory rest when the daily rest time is shortened, that the situation is in breach of Article 2§1 of the Charter on this point.*

The Ministry of Welfare has taken notice of the ECSR's conclusion on the situation in Iceland is not in conformity with Article 2, para 1 of the Social Charter on the ground that the social partners can agree to extend daily working time to 16 hours in various occupations. The Ministry has informed the social partners of the conclusion and started a dialogue on this issue within a committee where the social partners have their representatives. The aim is that the committee will submit its proposals to the Minister of Social Affairs and Housing during the winter 2014-2015.

**3.**

Table 1 shows the average working hours in various occupations in Iceland. Working hours are recorded by Statistics Iceland (*Hagstofa Íslands*), following the same methods as are observed by the other member states of the European Economic Area.

**Table 1. Average actual hours of work per week by economic activity in main job 2009-2012.**

**Male and female**

| | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|
| **Total** | **38,6** | **38,6** | **38,9** | **38,7** |
| **Agriculture and fishing** | **54,1** | **54,1** | **55,7** | **54,4** |
| Agriculture | 52,0 | 50,5 | 53,7 | 51,3 |
| Fishing | 56,3 | 58,0 | 58,1 | 58,2 |
| **Industry** | **41,4** | **41,8** | **41,8** | **42,2** |
| Fish processing | 43,4 | 44,2 | 42,4 | 43,5 |
| Manuf. Except fish processing | 40,3 | 40,9 | 41,0 | 41,3 |
| Electricity and water supply | 44,2 | 43,6 | 44,0 | 44,6 |
| Construction | 42,0 | 42,1 | 42,5 | 43,1 |
| **Service** | **36,8** | **36,5** | **36,8** | **36,7** |
| Wholesale, retail trade, repairs | 37,5 | 35,9 | 37,0 | 35,5 |
| Hotels, restaurants | 34,0 | 31,8 | 34,0 | 34,3 |
| Transport, communication | 40,3 | 41,7 | 41,6 | 42,0 |
| Financial services | 39,7 | 39,7 | 39,1 | 39,2 |
| Real estate and business activities | 38,3 | 39,2 | 38,0 | 38,7 |
| Public administration | 39,5 | 39,9 | 41,2 | 40,7 |
| Education | 35,2 | 36,0 | 35,9 | 35,2 |
| Health services, social work | 33,4 | 33,6 | 34,2 | 34,6 |
| Other social services, cultural work and unspecified | 35,2 | 33,3 | 33,7 | 34,3 |

*Only those who worked for at least one hour during the reference week

Source: Statistics Iceland.

***Comment by the Committee of Independent Experts.***

***Conclusions XIX-3 p. 4-5***
*The Committee found that the situation was not in conformity with Article 2§1 because working hours for seamen could reach up to 72 hours per week. There have been no changes to the situation, and, under the Seamen's Act (No. 35/1985) the working time limits continue being 14 hours per day or 72 hours per week. The report again states that such regulations are in line with relevant Community directives and other international instruments.*

*The Committee refers to its Introductory Observation on the relationship between European Union Law and the European Social Charter in Complaint No. 55/2009, Confédération Générale du Travail (CGT) v. France, decision on the merits of 23 June 2010, paragraph 38. It reiterates that the fact that a domestic regulation reproduces, or is inspired by, a European Union Directive cannot prejudge its conformity with the Charter. Therefore, given that weekly working time of more than 60 hours is too long to be considered as reasonable under Article 2§1 of the Charter, the Committee reiterates its conclusion of non-conformity on this ground.*

Reference is made to the last report where it was stated that Article 64 of the Seamen's Act, No. 35/1985, with subsequent amendments, includes detailed provisions on seamen's rest time. It states that each crew member shall be entitled to adequate rest and that the maximum working week shall be limited to 48 hours, on average, calculated over a reference period not exceeding twelve months.

As table 1 shows, the average weekly working hours for seamen has reduced last years and has been less than 60 hours for the years 2009-2012.

A task force, including representatives of stakeholders, is at work in the Ministry of the Interior on proposals on the implementation and ratification of the ILO Conventions regarding seamen's rights. The aim is that a draft bill on the amendment of the Maritime Traffic Act, based on the work of the task force, should be ready in 2015. The comments of the ECSR will be taken into consideration when the draft bill is prepared.

***Comment by the Committee of Independent Experts.***
***Conclusions XIX-3 p. 5***
*The Committee asks that the next report provide information on the supervision of working time regulations by the Labour Inspection, including the number of breaches identified and penalties imposed in this area.*

The Administration of Occupational Safety and Health is in charge of monitoring the application of the Act on Working Environment, Health and Safety in Workplaces, No. 46/1980, with subsequent amendments (hereinafter 'the Health and Safety at Work Act'). Chapter IX of the Act covers working hours, including rest hours, leave days and maximum working hours. The Administration of Occupational Safety and Health has not maintained regular surveillance of data on individual enterprise's working hours, but responds to complaints and tip-offs alleging violation of the rules. Statistics Iceland records the average actual hours of work, following the same methods as are observed by the other member states of the European Economic area, and the Administration of Occupational Safety and Health follows carefully the development of working hours.

In the period covered by this report (2009–2012), the Administration of Occupational Safety and Health was aware of five violations by enterprises of the provisions of the Act regarding working hours. In 2010, one company infringed the working-time provisions applying to air traffic controllers, following which the Administration gave it a caution. In 2011, four fish-processing companies violated the working-time provisions of the Act; all the cases, which involved violations of the working hours of children and young people, were referred to the police in view of their seriousness.

**Article 2, para. 2 – Public holidays.**
Iceland has not ratified this paragraph.

**Article 2, para. 3 – Annual holiday with pay.**
**1.**
Under Article 5 of the Leave Act, No. 30/1987, paid annual leave is to be granted at the rate of two days for each month worked during the preceding reference year, i.e. from 1 May to 30 April. Leave is to be granted during the period 2 May to 15 September each year, but the social partners may make provisions in collective agreements for leave to be taken at other times of the year when particular operating circumstances render this necessary. Nevertheless, employees shall at all times be given the right to take at least 14 days' leave during the summer holiday period. If leave is taken outside the leave period at the request of the employer, then that part of the employee's leave is to be lengthened by 25%. Part-time employees, and those who are temporarily employed, earn the right to paid leave in the same way as full-time employees.

Workers who are, due to being ill, unable to take leave at the time determined by the employer under Article 5 of the Leave Act must demonstrate this by means of a medical certificate. In September 2011, the Althingi approved an amendment to the second sentence of the first paragraph of Article 6 of the Leave Act enabling workers to demand leave at other times, in which case the leave is to be decided in consultation between the employer and the employee under Article 5, and in any case as soon as possible after the period of illness comes to an end. Previously, workers were able to demand to take leave at other times, but not later than so as to ensure that their leave would be completed by 31 of the next May. Thus, the legal amendment referred to above ensured that employees are able to take leave that they were unable to take earlier due to illness without a time restriction, while also ensuring that they can take it at the first opportunity after they recover.

Many collective agreements contain provisions on broader leave entitlement according to the employee's age or length of service. There are examples in which employees acquire the right to take 28 days of paid leave after 10 years of service in the same company. If the person concerned changes job, he/she acquires the same right again after three years of service with the new employer. There are also examples of employees who reach the age of 30 during the reference year on which a summer holiday period is based receiving 27 days of paid leave, this figure being increased by three days when the employees reach the age of 38.

**2.**
No changes were made during the period covered by this report to the provisions of collective agreements regarding annual holiday with pay; thus, reference should be made to the Government's last reports as regards this matter.

**Article 2, para. 4 – Reduced working hours or additional holidays for workers in dangerous or unhealthy occupations.**
Iceland has not ratified this paragraph.

**Article 2, para. 5 – Weekly rest period.**
***Comment by the Committee of Independent Experts.***
***Conclusions XIX-3 p. 5***
*The Committee asks that the next report provides a full and up-to-date description of the situation in law and practise in respect of Article 2§5.*

The provisions of the Health and Safety at Work Act, No. 46/1980, with subsequent amendments, on the weekly rest period were amended by the Act No. 68/2003. Under Article 54 of the amended Act, workers are to receive at least one weekly holiday in direct conjunction with the daily rest period in each seven-day period.

In cases of special necessity due to the nature of the job involved, the weekly holiday may be postponed by agreement between the organisations of the social partners so that the worker receives the corresponding rest time later, and in all cases within 14 days. Where special circumstances render such a deviation necessary, it may, however, be decided by agreement in the workplace to postpone the weekly rest time so that instead of a weekly holiday, two consecutive rest days shall occur during every two weeks. Furthermore, under the third paragraph of Article 54 of the Act, the weekly holiday may be postponed when external causes, such as the weather or other natural forces, accidents, power failure, mechanical failure or other comparable unforeseeable events disrupt, or have disrupted, operations and it is necessary to maintain services or production, providing that the worker receives the corresponding rest time later and as soon as this can be arranged.

The general rule is that if it is necessary to postpone the weekly holiday, workers are to receive a corresponding rest period within 14 days, which means in practice that workers work for 12 days and then the rest period will be two days. In cases where operations are disrupted by external circumstances, the weekly holiday may be postponed, being made up to the workers as soon as this can be arranged. It can be assumed that the interpretation of this is that this should be done when normal operations are resumed. It can also be assumed that it would be very unusual for such a situation to last for more than twelve days; however, no information is available on such cases.

The social partners have decided in their collective agreements on the postponement of the weekly holiday so that the worker will receive a corresponding rest period within 14 days. An example of such a collective agreement is that between the Confederation of Icelandic Employers *(Samtök atvinnulífsins)* and Skilled Construction and Industrial Workers *(Samiðn)*. This states that in every seven-day period, workers are to have at least one weekly holiday in direct conjunction with the daily rest period; for the purposes of this calculation, the week is taken as beginning on Monday. Where no shift-work is involved, the normal arrangement is that the weekly holiday is Sunday, and that all those working for the same company or at the same regular place of work have a day off on that day. It is permitted, by arrangement with the workers, to defer the weekly holiday so that instead of having one weekly day off, they have two consecutive days off in a fortnight. These holidays may be arranged so that they are taken every second weekend (Saturday and Sunday).

See also the description on normal working week under Article 4, para. 2, in this report.

# Article 4
# The right to fair remuneration.

**Article 4, para. 1 – Adequate remuneration.**

**1.–3.**

*Collective agreements on the Icelandic labour market.*

A stability pact concerning the reconstruction of the Icelandic economy was signed on 25 June 2009 by the Government, municipalities and the social partners. Its aim was to promote the recovery of the economy after the financial crisis of autumn 2008. At the opening of negotiations, the parties set themselves the goals that annual inflation should be 2.5% or lower by the end of 2010, that the national deficit should not exceed 10.5% of GDP and that fluctuations in the exchange rate should be reduced, with a stronger currency and, as near as possible, an equilibrium exchange rate. In addition, the interest-rate differential compared with the Euro zone should be under 4%. This would secure conditions for increased investment by both domestic and foreign entities, higher economic growth, progress on employment and the basis for a long-term improvement in living standards.

The parties to the pact were in agreement on the importance of supporting the economic standing of households, protecting the infrastructure of the welfare system, defend the educational system and protect jobs in both the public and the private sector as far as circumstances permitted.

In addition to making this pact, the social partners were united in an attempt to eliminate uncertainties in the labour market by concluding their collective bargaining for the collective agreements that would be valid until the end of November 2010, where emphasis was placed on strengthening the position of low-income people. However, those collective agreements were amended at the same time as the stability pact was concluded on 25 June 2009. These amendments involved changes to the agreed pay-scales, to take effect as from 1 July 2009 and also changes in wages by means of the extension of collective agreements, taking effect as from 1 November 2009. The wage changes of 1 July 2009 were intended to address the position of people on the lowest pay-scales, while changes applying to others were postponed.

Half of the increases in ordinary wages as defined in collective agreements in the private market took effect on 1 July 2009; the other half took place on 1 November that year.

It had been agreed in the collective agreements in the private market in 2008 that a guaranteed minimum wage increase of 3.5% would be applied on 1 March 2009 (taking into account other wage increases over the period). By an agreement between the social partners in June 2009, the application of this guaranteed increase was deferred until 1 November 2009, with its reference period to run from 1 January to 1 November 2009.

The collective agreements in the private market expired on 30 November 2010. New agreements were signed on 5 May 2011, with a preliminary agreement that expired in June 2011 when the new collective agreements took effect. These were to run for three years, subject to the condition that the Government met certain demands regarding the fulfilment of goals it had announced in a declaration made shortly before the agreements were concluded. Amongst other things, the Government undertook to work sincerely on laying the foundation for long-term economic growth and welfare. Furthermore, the social partners were to make their contribution towards the attainment of these goals. The main aim was to stimulate economic growth through profitable and sustainable investments without jeopardizing the attainment of the goals regarding the Treasury

balance. The premises of the collective agreements of 5 May 2011 were that during 2012, purchasing power of wages should rise, inflation should be under 2.5%, the exchange-rate index of the ISK should be under 190 by December 2012 and the Government should honour its general promises given in connection with the collective agreements. These agreements were in effect until 30 November 2013.

It was agreed in the 2011 collective agreements that the following general wage increases were to take place over the period they covered: 4.25% on 1 June 2011, 3.5% on 1 February 2012 and 3.25% on 1 February 2014. Minimum earnings for full-time work (i.e. fully 173.33 hours worked each month, or 40 hours per week) for workers aged 18 and older who had worked for four continuous months for the same company, were to be ISK 182,000 per month as from 1 June 2011, ISK 193,000 per month as from 1 February 2012 and ISK 204,000 per month as from 1 February 2013.

The agreements provided for a special lump-sum payment of ISK 50,000 on 1 June 2011 to every worker employed full-time during the months March-May. Those who stopped work in April were to receive proportions of this sum based on their working hours in March and April. Those who began working in April or the first five days of May and were employed during May were to receive proportionate payments based on their working hours in April and May. Part-time workers received proportions of the lump sum reflecting their job proportions. In addition, the collective agreements provided for an additional payment of ISK 10,000 on the vacation pay supplement for 2011 and an additional ISK 15,000 on top of the December supplement in 2011.

The State Negotiating Committee attends to negotiating collective agreements on behalf of the Minister of Finance and Economic Affairs. It negotiates agreements with many unions whose members are employed by the state, most of them belonging to the Confederation of Icelandic Labour (ASÍ), the Association of University Graduates (BHM), the Federation of State and Municipal Employees (BSRB) and the Icelandic Teachers' Union (KÍ). Most of the collective agreements applying to civil servants during the period covered by these reports were in effect from the first half of 2008 and were valid for just under a year. As in the private sector, the agreements were extended when the stability pact was concluded in June 2009 until the end of November 2010. New agreements were then signed in May and June 2011 that were intended to remain in force until the early months of 2014.

The Local Authorities' Wage Committee negotiates on behalf of the local authorities with unions representing municipal employees; most of these unions are constituent members of the larger umbrella organization of the social partners mentioned above. Their collective agreements ran for periods similar to those made between civil servants and central government.

In October 2013 the most representative organization of the social partners on the Icelandic labour market published a report entitled: *Approaching collective agreements: the economic environment and wage trends (Í aðdraganda kjarasamninga: efnahagsumhverfi og launaþróun).* Amongst other things, the report covered wage trends on the domestic labour market in the period from 2006 to 2013; this revealed that the wage index used by Statistics Iceland reflected very closely the trends discernable in the wages of workers who were members of unions within the Icelandic Confederation of Labour (ASÍ) in the private sector; these workers account for about 70% of the index. Wages paid by the state and the local authorities (municipalities) were steady, while those

in the private sector rose rather more than in the public sector. Thus, wages in the private market rose 3.8% above wages in the state public sector and 4.3% above those paid by the municipalities. In the period 2006-2009, wages in the private sector rose less than in the public sector, while in the period 2010-2013 increases were markedly greater in the private sector. In particular, changes in the trend were discernible in 2010 and 2011, partly due to then expectations of greater economic activity on which the collective agreements of 2011 were based, and also due to additional restraint in public spending.

The report also stated that, of each union federation and negotiating sectors, wages of the members of constituent unions of the Icelandic Confederation of Labour (ASÍ) who worked for the state had risen the most in the period from 2006 to 2013. This group's wages were 58.6% higher in May 2013 than they had been in November 2006. The main explanation of this is that their wages underwent an increase of about 18% between 2007 and 2008. Under the collective agreements between the Icelandic Confederation of Labour and the state, their pay-scales were upgraded by ISK 20,300 in May 2008. The agreements between trade unions within the confederation and the local authorities were made later and consequently this increase applied to those workers later. The main part of the rise in wages was this ISK 20,300 increase in the pay-scales that took place in December 2008, and differences in the wages of members of the constituent unions of the confederation who worked for the state or local government in 2008 and 2009 were due to the differences in the timing of this increase. The fixed-sum increase in ISK was so large that even though the wages of members of unions within the confederation who worked in the private sector rose by larger percentages over the following years, the public-sector workers enjoyed a larger increase over the entire period under examination in this report.

There was little difference in wage trends of members of the constituent trade unions of the Association of University Graduates according to whether they worked for the state or for the local authorities: their wages rose by 50% in both cases. The increases were almost identical over the entire period, the only difference lying in the timing of the contractual increases that took place in 2008 and 2009.

The wages of the members of trade unions represented within the Federation of State and Municipal Employees for the period November 2006 until May 2013 was also analysed. Those who were employed by the municipalities received a 46.6% increase over this period, while state employees received rather more: 51.1%. A large part of these increases may be traced to 2008 and 2009: in 2008, wages of workers within the federation who were employed by the state rose by more (13.6%), which may be attributed to the fact that the ISK 20,300 increase to all pay-scales took place in May, while the same adjustment to municipal wages, made in December, was the main factor in the 11.7% wage increase municipal workers received between 2008 and 2009.

The report also revealed that the wages of members of the constituent trade unions of the Icelandic Teachers' Federation who worked for the municipalities rose by more than those working for the state, i.e. by 50.6% against 45.2%. The collective agreements covering junior and senior schools were extended in June 2008, and wages at these levels of the school system rose substantially during 2008, partly due to the flat-rate raise in pay-scales. The increase in wages paid by the municipalities in 2009 can be attributed to the collective agreements covering pre-schools (kindergartens) and music schools, which were made in December 2008 and provided for an ISK 20,300 increase across the pay-scale.

*Minimum wages and minimum earnings insurance.*

Table 2 shows unskilled workers' minimum wages for full employment on the Icelandic labour market according to Icelandic collective agreements. These agreements also provide for minimum earnings for full employment (i.e., fully 173.33 hours worked each month, or 40 hours per week) for workers aged 18 and older who had worked for four continuous months for the same company. Minimum earnings insurance has no effect on workers' pay rates; what they do is to ensure them the right to minimum earnings each month. Thus, minimum earnings insurance will generally have no effect if the worker carries out part of full-time work in the evenings or at weekends or is paid according to shiftwork supplements or receives bonuses or other additional payments. Wages paid for work in excess of 173.33 (171.15) hours per month are not included in this context. It should be mentioned that all collective agreements specify the minimum wages for the particular occupation group to which they apply. Under Article 1 of the Terms of Service and Obligatory Pension Insurance Act, No. 55/1980, the wages and other working terms agreed between the social partners are to be considered minimum terms, independent of sex, nationality or term of appointment, for all employees in the relevant occupation within the area covered by the collective agreements.

**Table 2. Minimum wages and minimum earnings insurance of unskilled workers on the Icelandic labour market.**

| | **Minimum wages** | **Minimum earnings insurance** |
|---|---|---|
| | ISK per month | ISK per month |
| March 2009 | | 157,000 |
| July 2009 | 144,502 | |
| November 2009 | 151,252 | |
| June 2010 | 157,752 | 165,000 |
| June 2011 | 169,752 | 182,000 |
| February 2012 | 180,752 | 193,000 |

Source: Efling Trade Union.

Table 3 shows minimum wages for daytime work, together with average wages for daytime work and average aggregate wages after deduction of pension-fund premiums and taxes for the years 2009-2012.

**Table 3. Minimum and average monthly wages in the private sector, after deduction of pension-fund premiums and taxes, 2001-2012.**

| Year | Net regular salaries - full time | Net total regular salaries - full time | Net minimum wage | Net minimum earn. insurance |
|---|---|---|---|---|
| 2001 | 144,002 | 171,045 | 70,052 | |
| 2002 | 153,445 | 180,586 | 73,892 | |
| 2003 | 162,507 | 192,003 | 79,206 | |
| 2004 | 170,187 | 204,385 | 84,114 | |
| 2005 | 190,920 | 234,559 | 87,445 | |
| 2006 | 209,453 | 261,697 | 95,170 | 94,638 |
| 2007 | 235,789 | 293,178 | 106,048 | 100,030 |
| 2008 | 253,100 | 314,192 | 119,039 | 123,512 |
| 2009 | 262,859 | 297,223 | 136,857 | 136,857 |
| 2010 | 268,790 | 301,556 | 143,649 | 143,649 |
| 2011 | 279,628 | 319,233 | 153,737 | 153,737 |
| 2012 | 295,608 | 345,520 | 162,628 | 162,628 |

Source: Statistic Iceland, Ministry of Finance and Economic Affairs calculations.

***Comment by the Committee of Independent Experts.***
***Conclusions XIX-3 p. 6***
*The Committee concludes that the situation in Iceland is not in conformity with Article 4§1 of the Charter on the ground that the minimum wage is not fair.*
*The Committee notes that in 2005 the net minimum wage represented 37.3% of the aggregate net average wage and 37.9% in 2008. (The proportion to the net average daytime wage is higher and equals 45.8% and 47% respectively). The Committee notes that this relationship is not in conformity with Article 4§1 of the Charter.*
*The Committee observes that the proportion between minimum and average wages is considerably lower for this reference period compared to the previous one. It notes in this regard that figures provided in the present report concerning net wages, insofar as they cover previous reference period, differ significantly from those provided in the last report. The Committee therefore asks for a clarification of this divergence, in particular what was the method used in both reports to calculate net wages.*

Ever since 1997, the social partners have made it a priority that the wage provisions of collective agreements should raise the wages of the lowest-paid workers more than those of others. As an example, in the 1997 agreements, the wages of the lowest income groups rose by up to 35%, while the general increase was slightly under 13%. In the 2000 agreements, the lowest wages rose by up to 30% over the contract period, which was far more than the general increase over the same period according to the collective agreements. According to an estimate made by the Confederation of Icelandic Employers, the minimum wage (i.e., minimum earnings insurance for full-time work) rose from the beginning of 2008 to January 2014 by 71% while over the same

period the general level of wage increases according to collective agreements was 28%. During this period, Statistics Iceland's wage index rose by 40%. Minimum earnings in this connection include all payments for work up to 173.33 hours per month (or 171.15 hours in the case of shop assistants). Minimum earnings insurance has no effect on workers' pay rates; what they do is to ensure them the right to minimum earnings each month. Thus, minimum earnings insurance will generally have no effect if the worker carries out part of full-time work in the evenings or at weekends or is paid according to shiftwork supplements or receives bonuses or other additional payments. Wages paid for work in excess of 173.33 (171.15) hours per month are not included in this context.

To arrive at net wages such as those set forth in Table 3, pension-fund premiums are subtracted from gross wages; the result gives the taxation base. Tax deductions at source are calculated on the tax base by applying the tax rate (percentage), with personal tax credit being subtracted to produce the total tax amount due. This sum is then deducted from the tax base and the remainder constitutes net wages.

In this context it should be mentioned that Statistics Iceland has carried out standard-of-living surveys since 2004. In 2009, the at-risk-of-poverty threshold (illustrated values) for a single-person household was ISK 160,800, while the threshold was ISK 337,700 for a household with two adults and two children. In 2012, the at-risk-of-poverty threshold (illustrated values) for a single-person household was ISK 156,000, while the threshold was ISK 328,000 for a household with two adults and two children.

The at-risk-of-poverty threshold is based on 60% of the median equivalised disposable income. Equivalised disposable income takes account of the total disposable income of a household and the number of people depending on such income. Two adults with two children, for example, need 2.1 times higher disposable income than a person living alone to enjoy comparable standard of living. The at-risk-of-poverty rate in Iceland was 10.2% in 2009 and 7.9% in 2012; it has never before been recorded at such a low rate since Statistics Iceland began its standard-of-living surveys.

In 2012 the proportion of people in Iceland under the poverty threshold or at risk of poverty or social exclusion was 12.7% (representing 39,000 people).

Of other relevant indicators, it may be mentioned that the Gini coefficient in Iceland was 24 and that the highest-earning quintile had earnings 3.4 times greater than those of the lowest-earning quintile. According to Statistics Iceland's standard-of-living survey, the purchasing power of wages remained steady after falling from the 2009 level. In 2011 and 2012, purchasing power was similar for all earning quintiles but declined most among the highest earners from 2009 to 2011.

The December supplement and holiday pay supplement was as shown in Table 4 for the years 2009-2012.

**Table 4. Lump-sum payments.**

| Year | December supplement * (ISK) | Holiday pay supplement* (ISK) |
|---|---|---|
| 2004 | 38,500 | 21,100 |
| 2005 | 39,700 | 21,800 |
| 2006 | 40,700 | 22,400 |
| 2007 | 41,800 | 23,000 |
| 2008 | 44,100 | 24,300 |
| 2009 | 45,600 | 25,200 |
| 2010 | 46,800 | 25,800 |
| 2011* | 63,800 | 36,900 |
| 2012 | 50,500 | 27,800 |

*Special supplement.
Source: Central government agreements with the private sector trade union Starfsgreinasambandið.

Table 5 shows the numbers of workers whose annual gross income is under ISK 1,000,000, and the proportion (%) they constitute of active participants in the labour market during the period 2009-2012.

**Table 5. Number of individuals (in thousands) with annual income below one million ISK***

| Year | Individuals - nominal ISK 1 m. | Per cent of employed | Individuals - real ISK 1 m. (1997)*** | Per cent of employed |
|---|---|---|---|---|
| 1997 | 68.4 | 44.29% | 68.4 | 44.29% |
| 1998 | 62.8 | 40.24% | 63.8 | 40.91% |
| 1999 | 58.0 | 36.71% | 61.0 | 38.61% |
| 2000 | 52.8 | 32.68% | 58.3 | 36.09% |
| 2001 | 47.2 | 28.93% | 55.6 | 34.08% |
| 2002 | 46.0 | 27.79% | 56.7 | 34.31% |
| 2003 | 44.6 | 26.63% | 56.3 | 33.57% |
| 2004 | 43.4 | 25.51% | 56.5 | 33.19% |
| 2005 | 41.5 | 23.53% | 56.2 | 31.85% |
| 2006 | 38.9 | 21.00% | 56.2 | 30.35% |
| 2007 | 36.7 | 19.13% | 55.7 | 29.05% |
| 2008 | 36.4 | 18.52% | 62.0 | 31.61% |
| 2009 | 38.7 | 20.81% | 74.0 | 39.77% |
| 2010 | 37.1 | 20.09% | 74.7 | 40.47% |
| 2011 | 33.3 | 18.12% | 69.7 | 37.96% |
| 2012 | 31.3 | 16.77% | 68.9 | 36.94% |

Sources: Ministry of Finance and Economic Affairs, Statistics Iceland, Internal Revenue.
*It should be noted that the high number of individuals earning less than 1 million ISK may give a distorted image of the actual picture, due to the high number of young individuals working concurrently with their studies and during school holidays.
To illustrate that point, the number of wage earning individuals aged above 25 earning less than ISK 1 million by the 1997 index was 32,400 in 2008, representing 18.1% of the total employed.
*** ISK 1,000,000 at 1997 prices was multiplied by the consumer price index for each year.

When examining the above figures, it must be borne in mind that they cover all persons who submit tax returns, irrespective of the proportion of full jobs they work, including school pupils over the age of 16, who work only during the summer months or concurrently with their studies.

The Government monitors the index of purchasing power of the minimum wage, with and without the lump-sum supplements agreed in collective agreements such as vacation pay supplement and December supplement. Table 6 shows the trend in the purchasing power of the minimum wage, with and without lump-sum payments, for 2009-2012.

**Table 6. Purchasing power of minimal wage with lump sum payments 2009-2012.**

| Year | Consumer price index (2001=100) | Real wages (2001=100) |
|---|---|---|
| 2001 | 100.0 | 100.0 |
| 2002 | 104.8 | 102.3 |
| 2003 | 107.0 | 105.8 |
| 2004 | 110.4 | 107.3 |
| 2005 | 114.8 | 110.1 |
| 2006 | 122.7 | 112.9 |
| 2007 | 128.8 | 117.3 |
| 2008 | 144.8 | 112.9 |
| 2009 | 162.2 | 104.7 |
| 2010 | 171.0 | 104.0 |
| 2011 | 177.8 | 106.8 |
| 2012 | 187.1 | 109.5 |

* Change in wage index deflated with CPI.

Source: Statistic Iceland.

***Personal tax credit.***

In 2009 the personal tax credit was ISK 506,460 per person; in 2010 it was ISK 530,460, in 2011 it was ISK 530,460 and in 2012 it was ISK 558,276. For the period, unutilised tax credit was fully transferable between spouses. The income tax rate in 2012 was 37.34% of wages ISK 0 – 230,000, 40.24% of wages ISK 230,001 – 704,367 and 46.24% of wages higher than ISK 704,367 kr. The tax-free income ceiling was ISK 129,810 per month for a single person and ISK 259,620 per month for cohabiting couples if the secondary earner had no income. The employee's contribution to pension funds, 4% of earned income, was deductible from taxable income.

***Child benefit.***
According to information from the Ministry of Finance and Economic Affairs, child benefit is granted for all children, subject to income thresholds. The amendments to tax legislation that came into effect in 2004 included a schedule for raising child benefit. As from 2007, child benefit was paid for children up to 18 years of age instead of 16 years of age. For 2009 – 2012, benefit was as follows (in ISK per year):

**Table 7. Child benefit.**

| | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|
| For all children under the age of seven | 61,191 | 61,191 | 61,191 | 61,191 |
| **Children under the age of eighteen:** | | | | |
| First child | 152,331 | 152,331 | 152,331 | 152,331 |
| Each additional child | 181,323 | 181,323 | 181,323 | 181,323 |
| **Benefits for single parents:** | | | | |
| First child | 253,716 | 253,716 | 253,716 | 253,716 |
| Each additional child | 260,262 | 260,262 | 260,262 | 260,262 |
| **Income threshold for benefit curtailment:** | | | | |
| For couples | 3,600,000 | 3,600,000 | 3,600,000 | 3,600,000 |
| For a single parent | 1,800,000 | 1,800,000 | 1,800,000 | 1,800,000 |
| **Curtailment of benefits under the age of seven:** | | | | |
| For each child | | 3% | 3% | 3% |
| **Curtailment of benefits under the age of eighteen:** | | | | |
| For one child | 2% | 3% | 3% | 3% |
| For two children | 5% | 5% | 5% | 5% |
| For three children or more | 7% | 7% | 7% | 7% |

Source: Ministry of Finance and Economic Affairs.

***Interest benefit.***
According to information from the Ministry of Finance and Economic Affairs, a fully refundable tax credit is granted to purchasers of personal dwellings (homes) to reimburse them for part of mortgage-related interest expenses. The maximum tax-related interest credit in 2012 is ISK 400,000 for a single person, ISK 500,000 for a single parent and ISK 600,000 for a married couple. The following constraints apply to interest rebates: (1) They cannot exceed 7.0% of the remaining debt balance incurred in buying a home for one's own use; (2) The maximum amount of interest payments that qualify for an interest rebate calculation is ISK 800,000 for an individual, ISK 1,000,000 for a single parent and ISK 1,200,000 for a couple; (3) 8% of taxable income is subtracted from the interest expense; (4) The rebates begin to be curtailed at a net worth threshold of ISK 4,000,000 for a single individual and a single parent and ISK 6,500,000 for a couple and are eliminated altogether at a 60 per cent higher amount, or ISK 6,400,000 and 10,400,000, respectively.

In 2010 the maximum rebate amount increased by 47 – 62 per cent and the net worth ceiling was reduced significantly. The rate of taxable income which is subtracted from the interest expense was increased from 6 per cent to 8 per cent. These measures still applied in 2012. In addition to the ordinary interest payment relief, a temporary interest cost rebate was in effect in 2010-2011

For 2009 – 2012, interest benefits are as follows (in ISK per year):

**Table 8. Interest benefits.**

| **Income earning year** | | | **2009** | **2010** | **2011** | **2012** |
|---|---|---|---|---|---|---|
| Max. Interest benefit | Single persons | | 246,944 | 400,000 | 400,000 | 400,000 |
| | Single parents | | 317,589 | 500,000 | 500,000 | 500,000 |
| | Couples | | 408,374 | 600,000 | 600,000 | 600,000 |
| Max. Interest payments due to debts on residential accommodation | | | 7% | 7% | 7% | 7% |
| Max. Interest payments for calculating benefit | Single persons | | 554,364 | 800,000 | 800,000 | 800,000 |
| | Single parents | | 727,762 | 1,000,000 | 1,000,000 | 1,000,000 |
| | Couples | | 901,158 | 1,200,000 | 1,200,000 | 1,200,000 |
| Income-related reduction | | | 6% | 6% | 6% | 6% |
| Asset-related reduction thresholds | Single persons | Lower | 7,119,124 | 4,000,000 | 4,000,000 | 4,000,000 |
| | | Upper | 11,390,599 | 6,400,000 | 6,400,000 | 6,400,000 |
| | Couples and jointly-taxed individuals | Lower | 11,390,599 | 6,500,000 | 6,500,000 | 6,500,000 |
| | | Upper | 18,224,958 | 10,400,000 | 10,400,000 | 10,400,000 |
| **Temporary interest rebate** | | | | | | |
| Proportion of debt | | | - | 0.6% | 0.6% | - |
| Maximum | Single persons | | - | 200,000 | 200,000 | - |
| | Couples and single parents | | - | 300,000 | 300,000 | - |
| Net-worth related reduction | Single persons | Lower | - | 10,000,000 | 10,000,000 | - |
| | | Upper | - | 20,000,000 | 20,000,000 | - |
| | Couples and jointly-taxed individuals | Lower | - | 15,000,000 | 15,000,000 | - |
| | | Upper | - | 20,000,000 | 20,000,000 | - |

Source: Ministry of Finance and Economic Affairs.

***Rent benefit.***

Rent benefit was regulated by the Rent Benefit Act, No. 138/1997, with subsequent amendments. Means-tested rent benefit was available from local communities, taking into account the family size, income and cost of housing. Under Regulation No. 378/2008, on the Amendment of the Regulation on Rent Benefit, No. 118/2003, the base for the calculation of rent benefit was ISK 13,500 for each apartment. An additional ISK 14,000 was paid for the first child, ISK 8,500 for the second and ISK 5,500 for the third. An additional 15% was paid on the part of the rent

amount lying between ISK 20,000 and ISK 50,000. Rent benefit pursuant to these base amounts, however, could never exceed the equivalent of 50% of the rent amount, a maximum of ISK 46,000 per month.

In 2013 the base for the calculation of rent benefit for each apartment was increased to ISK 17,500 for each apartment and the maximum rent benefit pursuant to these base amounts was increased to ISK 50,000 per month.

Local communities may decide to pay a higher amount in the form of special rent benefit. Special rent benefit is aimed at assisting persons in particularly difficult social and financial circumstances. Benefit is not subject to taxation.

**Article 4, para 2 – Increased rate of remuneration for overtime work.**
***Comment by the Committee of Independent Experts.***
***Conclusions XIX-3 p. 5***
*The Committee reiterates its request that the next report provide a full and up-to-date description of the situation in law and practice in respect of Article 4§2.*

According to Article 2 of the Forty-Hour Working Week Act, No. 88/1971, a normal working week is to consist of no more than 40 hours, normally in the form of eight working hours per day Monday to Friday. The social partners can agree on shorter working week. Under the Health and Safety at Work Act, No. 46/1980, with subsequent amendments, working time is to be organized in such a way that workers receive at least 11 hours' continuous rest time in each 24-hour period, calculated from the beginning of the working day.

The social partners have addressed weekly working hours in their collective agreements. As an example, the collective agreement between the Confederation of Icelandic Employers and the Reykjavik Shop and Office Workers' Union, defines active working time in shops (daytime work i.e. time on the job excluding refreshment breaks), is defined as 36 hours and 35 minutes per week as from 1 October 2000. Daytime work is done between 9:00 and 18:00 from Monday to Friday. If the agreed coffee-breaks are included, working time lengthens accordingly, reaching 39 hours and 30 minutes per week. Daytime work may, however, begin before 9:00 hours, as is considered best for each individual type of work, in which case the overtime work period begins correspondingly earlier. The active working time of office workers and salespersons is defined in the collective agreement as 36 hours and 15 minutes per week as from 1 October 2000. If the agreed coffee-breaks are included, working time lengthens accordingly. *Overtime* is used to mean all work which extends outside normal daytime working hours, and also work done on Saturdays, Sundays and public holidays. When work is done on Saturdays and Sundays, payment may never be for less than 4 hours of overtime work, even if the actual time worked is shorter. All overtime work is to be paid by the hour at a rate of 1.0385% of monthly wages for daytime work. *Festival days* are specific public holidays, and for overtime work on these, payment is made at an hourly rate equivalent to 1.375% of monthly wages for daytime work.

Under the collective agreement between Skilled Construction and Industrial Workers (*Samiðn)* and the Confederation of Icelandic Employers, daytime work is to be 40 hours per week (active working time being 37 hours and 5 minutes) per week. Daytime work is to be done from Monday to Friday; overtime work begins following daytime work. There are provisions stating

that overtime work shall never begin later than 18:00 hours. Overtime pay is to take the form of hourly pay equivalent to 1.0385% of monthly wages for daytime work. All work done on festival days is to be paid at hourly rates equivalent to 1.375% of monthly wages for daytime work.

According to the collective agreement between the trade unions *Efling* and *Hlíf* (for unskilled workers) and the Keflavík Workers' and Seamen's Union, on the one hand, and the Confederation of Icelandic Employers, on the other, active working time per week is to be 37 hours and 5 minutes. Each worker's daytime work is to be done continuously each day, in no case beginning before 7:00 hours. Contractual overtime work begins when contractual daytime work ends on weekdays, and overtime pay is to be paid for work done on Saturdays, Sundays and other agreed holidays. Overtime work is to be paid for at an hourly rate equivalent to 80% of hourly pay for daytime work, i.e. at the rate of 1.0385% of the monthly wage for daytime work. All overtime work on festival days is to be paid for at an hourly rate equivalent to 1.375% of monthly wages for daytime work.

**Article 4, para 3 – Non-discrimination between men and women workers with respect to remuneration.**

**1.**

Amendments to the Gender Equality Act, No. 10/2008, were made in May 2014 by the Act No. 62/2014. The definitions of direct and indirect discrimination were changed. In the new version of the Act, direct discrimination is defined as being when one individual receives less favourable treatment than another of the opposite sex receives, or would receive, in comparable circumstances. This ensures that any individual is able to compare treatment he or she receives with, on the one hand, the treatment received by an individual of the opposite sex who has been in comparable circumstances (e.g., a predecessor in the same job) or, on the other, the treatment that would be received by an imagined individual of the opposite sex. The inclusion of 'the treatment that would be received by an imagined individual of the opposite sex' is intended to enable a person who considers that he or she has been discriminated against on grounds of gender to make the comparison with the treatment received by an imagined individual of the opposite sex in comparable circumstances if no actual person of the opposite sex is available for direct comparison.

Indirect discrimination is defined as being when an apparently neutral requirement, standard of reference or measure puts one sex at a particular disadvantage compared to the other, unless this can be objectively justified by a legitimate aim and the means of achieving that aim are appropriate and necessary. Thus, if it is alleged that a requirement, standard or reference or measure involves indirect discrimination, then the requirement, standard or reference must stand a certain test to avoid the conclusion that indirect discrimination has been practised. Firstly, it must be possible to demonstrate that the requirement, standard of reference or measure is justifiable in an objective manner and with a legitimate aim. If this is the case, then as a second test, it must be possible to demonstrate that the measures employed to achieve the intended aim are appropriate and necessary.

The Minister of Social Affairs and Housing was also authorising to issue regulations on the further application of the Article 19 (equal pay), including the implementation of an equal-pay policy and on qualifications required for accreditation agencies and the accreditation procedure, according to Article 19 of the Gender Equality Act.

**2.–3.**

Iceland has been successful in a global context when it comes to gender equality. It ranks number one on a list of countries with the highest levels of gender equality, according to the 2013 Global Gender Gap Index published by the World Economic Forum. This is the fifth consecutive year where Iceland is at the top of the list. While Iceland is proud of these results, it is clear that work remains to be done before complete gender equality will be achieved in all spheres of Icelandic society.

In Iceland there has been a high employment rate both for women and men. Women have been almost as economically active as men since the 1970s. Equal pay has been one of the main topics in the struggle for gender equality on the Icelandic labour market and all parties are in agreement that measures to combat gender-based wage differentials are among the most urgent challenges in the sphere of gender equality. Studies indicate that gender-based wage differentials have not been eliminated, even though some important progress has been made since 2011. Many studies of the gender pay gap have been carried out in Iceland, employing various methods. The differential remaining after all other factors have been allowed for and only gender remains is known as the "non-adjusted gender wage differential". Studies in the past few years have established this figure at 7-18%, depending on the methods used and, not least, on the groups or geographical regions of the country on which the surveys are based. A study made by Statistics Iceland in 2010 at the request of the social partners and covering the wages of 185,000 people in the private sector during the period 2000-2007 showed a gender pay gap of 9%. In the opinion of Statistics Iceland, this is not actually a matter of a non-adjusted differential, because wages are calculated in terms of paid hours of work done; thus, a partial adjustment is made covering differences in the numbers of hours worked. The last year for which figures from the four-yearly SES study by the European Statistics Office, based on data from all participating countries on the non-adjusted gender wage differential for all months of the year, was 2010. This revealed a non-adjusted gender wage differential of 18% in Iceland, which was similar to the average figure for the European Union. Eurostat does not attempt to adjust the figures for the individual member countries, particularly in view of how controversial the topic is, e.g. regarding explanatory variables and statistical methods. According to the latest wage survey by Statistics Iceland, women's wages for a full month's work were ISK 123,000 lower than those of men in 2012. Average gross wages for men in full-time employment were ISK 548,000 per month, while those for women were ISK 425,000.

While there is still a significant difference between aggregate earnings of men and women, it has become smaller over the past decade because women are now, on average, working longer and men are working shorter hours. In the 1980s, women's aggregate earnings were only just over half of men's; in the latest surveys, the proportion lies in the range 68-82%. Part of the explanation for this is that women's participation in the employment market has risen steadily. Even though women are still in a minority in managerial and influential positions, they account for more than half the experts among the specially-qualified workers in Iceland. The ratio of women in specialist positions will probably rise still higher, since over 60% of the graduates emerging from Iceland's universities each year are now women.

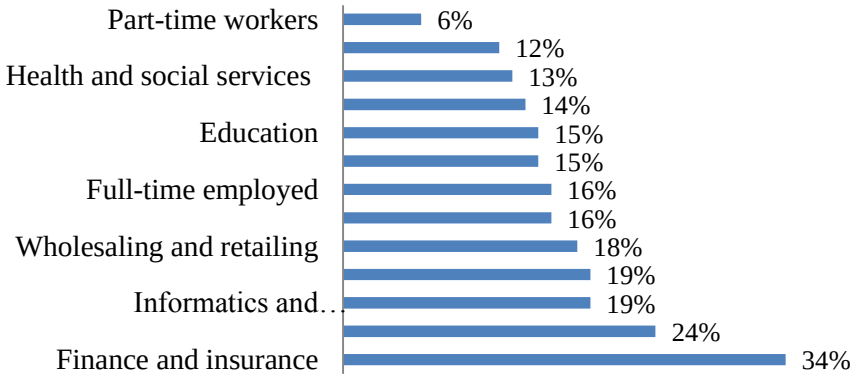


Figure 1. Non-adjusted gender-based wage differentials, 2012.

Source: Statistics Iceland, 2012.

The differentials shown in Figure 1 are defined as 'non-adjusted' because explanatory factors (such as employment, education, age, marital status or seniority in the workplace) that could influence individual's income are not taken into account. Calculating the differentials in this way results in a particular picture of the situation regarding wage differentials on the labour market that are partially explained by the aforementioned factors.

According to experts in the field of wage studies, it is difficult to isolate definitively the influence of gender in surveys, though this has been done in experiments in which people have been presented with (fictional) identical CVs of representatives of both sexes applying for the same job. Studies of this type abroad have produced results regarding gender-based wage differentials that are similar to the findings of studies based on actual materials.

In 2008 Reykjavík University published the results of a study entitled "A Study of the Unexplained Gender Pay Gap" *(Skýrsla starfshóps um jafnlaunastefnu á almennum vinnumarkaði)* which indicated that a large part of the gender pay gap was built into people's attitudes and expectations. One of the findings was that women offered women lower wages than they offered men, while men offered other men even higher wages; it was also found that women expected other women to accept lower wages than men. When deciding on measures to eradicate the gender pay gap, it is therefore necessary to bear in mind factors that may lie behind the differentials. Studies indicate that tradition and socialisation may result in work done by men being over-valued while that done by women is under-valued. This under-valuation applies particularly to teaching and care-giving, and work currently and/or formerly done within the home. Furthermore, the view that men should have higher wages than women is based on the old system in which it was more common for the man than for the woman to be the breadwinner for the home. It is also important to consider methods of reducing gender-based choice of study and employment, since the gender divide on the labour market is regarded as being one of the main reasons for pay differentials. Finally, it is necessary to take both systemic and informal barriers in the prevalent power structure into account. Men are still in a majority in positions of political power, the management boards of companies, institutions and negotiating committees dealing with collective agreements, and it is therefore natural that their viewpoints have a greater formative effect on systems.

A wage survey made by the union VR for the year 2012 revealed a gender pay gap that was, for the first time since surveys began, under 10%. The figure for 2012 was 9.4%, having been 10.6% in 2011. The change between years was too small to be statistically significant; nevertheless, over a longer period considerable progress has been made: the difference in aggregate wages has fallen by 24% over the past decade, and the gender pay gap in wages by 32%. Wages paid for work in sectors in which women are in a majority have risen more than for that in male-dominated sectors. Male members of the VR union had average aggregate earnings of just under ISK 518,000 for full-time work in January 2012, while women received ISK 441,000, leaving a difference of ISK 77,000. In other words, women's aggregate earnings for that specific month were 14.9% lower than men's. However, when allowance has been made for explanatory variables (i.e., age, working hours, seniority, qualifications, occupation, occupational sector and placement in a superior position with responsibility for other workers) by means of regression analysis, this figure is reduced to 9.4%. Thus, according to the VR survey, women receive approximately 9% lower wages than men, this difference not being attributable to anything other than gender after allowance has been made for the factors listed in the survey.

***Projects currently under way to eradicate this persistent problem of the gender pay gap.***

As was stated in the last report, in 2008 the Minister of Social Affairs and Social Security (now the Minister of Social Affairs and Housing), together with the Confederation of Trade Unions in Iceland and the Confederation of Icelandic Employers, cooperated with Icelandic Standards (IST) to produce an Equal Pay Standard (Icelandic *Jafnlaunastaðall)*. The idea was to create a system that can confirm that women and men working for the same employer are paid equal wages and enjoy equal terms of employment for the same jobs and jobs of equal value. The completed standard was published in December 2012. Iceland's Equal Pay Standard is an unprecedented and pioneering step in the sphere of gender equality. The Equal Pay Standard is a 'requirement standard', which means that it defines the requirements made regarding its implementation and lends itself to certification: companies and institutions will be able to seek certification from the competent authorities to demonstrate that they meet the requirements of the standard. The intention is that companies and institutions will institute procedures to ensure that their procedures and decision-making processes in the field of wages does not include any gender bias. The standard is structured according to the same sort of form as is used in control standards (e.g. the ISO 9000 quality management system and the ISO 14000 environmental management system). The Icelandic standard bears the number IST 85:2012. A major feature of these standards is that an enterprise that intends to introduce them is obliged to lay down a policy, and then documented working procedures on its application. The standard also includes requirements regarding review, remedial measures and the handling of deviations when they arise, and procedures for carrying out reforms where a situation is found to be unsatisfactory. One of the prerequisites for being able to achieve gender equality as regards wages within a company is that decisions on wages are based on deliberate and professional procedures. These must be capable of being reviewed, which means that all decisions must be transparent. Review is then the prerequisite for the company's management being able to respond if there is reason to do so. It is important to bear in mind that the standard will be of use in all enterprises, irrespective of their size and gender ratios. An appendix to the standard on job classification gives some examples from both large and small enterprises which are interesting to examine and can be of value as guidelines. The standard does not cover actual wage composition, but only the introduction of a

system that is intended to ensure that men and women working at the same jobs, or at jobs of equal value, will receive the same wages and terms of service.

Adoption of the standard is optional for companies and institutions, but those that wish to receive certification under the standard are required to follow a formal procedure from an accreditation authority stating that they operate in accordance with the demands set in the standard. A special consultative team consisting of representatives of the Government and the accreditation department of the Patent Office prepared a draft regulation during the winter 2013-2014 on the qualification requirements demanded of certification authorities and the procedures to be followed in carrying out certification under the standard.

A Plan of Action on Gender Equality Regarding Wages, produced by the Government and the social partners, was unveiled on 24 October 2012. It set forth projects that were intended to promote greater gender wage equality. On the same occasion, a collaborative declaration was signed between the Government and the social partners' organisations, following which the Minister appointed a task force to supervise the measures set out in the Action Plan. Amongst the duties of the task force are the coordination of studies of gender-based wage differentials, the preparation of a programme to publicise and introduce the Equal Pay Standard, a special campaign and counselling programme for enterprises and institutions to work against gender-based wage differentials and the preparation of materials to reduce it. The Action Plan also stated that the Government was to raise awareness among employers and those active on the labour market regarding ways of facilitating the integration of the demands of family and working life, and that a programme was to be drawn up to reduce gender-based differences in career choice, the aim being to break down gender barriers on the labour market. These projects are, materially, closely related to the campaign against the gender pay gap, and the Minister has commissioned the task force to prepare a plan of action in the relevant areas. A plan of action on the integration of family life and professional life will be based on the report by a task force appointed to examine the matter which was submitted in April 2013. The next report will contain further examination of this.

A special experimental project has also been launched in connection with the introduction of the Equal Pay Standard, ÍST 85:2012. This is in the hands of a task force under the Minister of Social Affairs and Housing, and is part of the Government's plan of action on gender equality. The aim of the project is to assist companies with the implementation of the standard, and it is hoped that by using it, they will be in a better position to establish and maintain gender equality as regards pay. The project began on 1 November 2013 and it is planned to end on 1 May 2015. It is being directed by experts from the Ministry of Welfare, the Ministry of Finance and Economic Affairs, the Confederation of Icelandic Employers and the Association of Local Authorities, and provides a working forum for the institutions, companies and municipalities that are participating in it. Further details of this project will be given in the next report.

***Comment by the Committee of Independent Experts.***
***Conclusions XIX-3 p. 8***
*The Committee notes that the new Act of 2008 authorises pay comparisons with regard to the same employer but not between employers; wages are dependent on firms' financial results. Consequently, the Committee considers that the situation is not in conformity with the Charter on this point, but notes nonetheless that in practice, according to the information provided by the Icelandic authorities, when the social partners negotiated wages and adopted collective agreements by sector, they took account of the situation in other firms.*

The Icelandic Government makes reference to its earlier reports submitted to the ECSR on this issue. The Act does not permit employers to pay employees of one sex less than those of the other for work of equal value or for comparable work. However, employers are free to negotiate with their employees on better wages than the appropriate collective agreements lay down, for example in view of the fact that their enterprise has been returning good profits. Obviously enterprises have different profits and therefore they are not all in the same position as regards paying their employees for their work. In fact, employers are free to decide how much they would like to pay their employees as long as they respect the relevant collective agreements and the Gender Equality Act. It should also be noted that contracts made between individual employee and employer on poorer work terms than those specified in the general collective agreement shall be void.

Article 19 of the Gender Equality Act is intended to ensure that women and men enjoy the same wages and the same terms for the same jobs and for dissimilar jobs that are evaluated as being equally valuable and equivalent. Furthermore, the explanatory notes to the Act state: "the provision also specifically states that account must be taken of jobs for the same employer. There have been considerable changes in the way businesses have been run in recent years. The term 'same employer' therefore refers to businesses that are linked by ownership ties, such as parent companies and subsidiaries".

Moreover, an amendment was made to the definition of direct discrimination, as is described above, by which direct discrimination is deemed to have been practised when an individual receives less favourable treatment than another of the opposite sex in comparable circumstances receives (or would receive). Thus, individuals are able to compare their wages with those of other individuals of the opposite sex who has been in comparable circumstances (e.g., a predecessor in the same job) or, if no actual person of the opposite sex is available for direct comparison, the treatment that would be received by an imagined individual of the opposite sex in comparable circumstances. This could therefore apply in the case of a traditionally male-dominated or female-dominated sector in which there are few individuals of either sex when comparing wages between women and men.

**Decisions delivered by the Gender Equality Complaints Committee.**
Under the Gender Equality Act of 2008, the Complaints Committee on Gender Equality consists of three lawyers nominated by the Supreme Court of Iceland and appointed by the Minister of Social Affairs and Housing. The Supreme Court of Iceland nominates all three. The Committee considers cases brought before it, concerning alleged violations of the Gender Equality Act. The committee delivers a binding decision on whether or not the Gender Equality Act has been broken.

The Gender Equality Complaints Committee ruled in eleven cases in 2009, five cases in 2010, eight cases in 2011 and twelve in 2012.

The Gender Equality Complaints Committee ruled in eleven cases in 2009. Four of the cases involved job positions, two involved wage discrimination, two involved dismissal from employment, one involved wheel-chair access, one involved the standing of a senior school pupil and one involved the rules on procedure. One of them was considered to constitute a violation of the Gender Equality Act; five were not. Two cases were dismissed by the committee and two were withdrawn. The complainants were male in two of the cases.

The Gender Equality Complaints Committee ruled in five cases in 2010. Four of the cases involved job positions and one involved an allegation of sexual harassment. One of them was considered to constitute a violation of the Gender Equality Act and involved a job position; three were not. One case was dismissed by the committee.

The Gender Equality Complaints Committee ruled in eight cases in 2011. Four of the cases involved job positions, one involved wage discrimination, one involved dismissal from employment, one involved the denial of participation in a trip planned by the housewives' leave committee and another one concerning a special 10% discount offered only to women. Two of them were considered to constitute a violation of the Gender Equality Act and involved dismissal and job positions; three were not. Three cases were dismissed by the committee. The complainants were male in two of the cases.

The Gender Equality Complaints Committee ruled in twelve cases in 2012. Six of the cases were related to job positions, two were related to wage discrimination and four involved alleged discrimination in registration in the National Register. Three of them were considered to constitute a violation of the Gender Equality Act; four were not. Three cases were dismissed by the committee and two were withdrawn.

**Supreme Court Judgements**

The Supreme Court of Iceland delivered judgment in two cases concerning the Gender Equality Act, No. 10/2008, during the period covered by this report. The first of these, in Supreme Court Case No. 25/2009, delivered on 10 October 2009, concerned a job appointment; it was not considered that any infringement of the law had taken place. In this case, A was one of four applicants for the position of assistant professor or associate professor in Computer Science in the Computer Science Department of the Engineering Faculty of H, which had been advertised vacant for application in October 2004. In the opinion of the selection committee, two applicants, A and K, were competent to fill the position of associate professor. The Engineering Faculty of H received the opinion of the selection committee, which was discussed at a faculty meeting on 8 June 2005, where it was agreed to recommend that K be engaged in the position; it was also requested that this be done in a letter from the dean to the vice-chancellor on 23 June that same year. In the letter it was stated that the assessment of the majority of those present at the meeting had been that what was most important in the decision on the granting of the appointment was the Engineering Faculty's need for teaching in its basic course, and that when this was taken into account, K was the best-qualified applicant for the position. The vice-chancellor requested detailed arguments in support of this, and these were submitted in accordance with a resolution of a faculty meeting on 14 October 2005. When these arguments had been provided, the vice-

chancellor agreed to the department's proposal. J then brought a court action on behalf of A, demanding that the court recognize that H had, by passing over A in making its appointment, violated provisions of Act No. 96/2000. It was also requested that the court recognize H's compensatory liability in view of the aforementioned engagement, and its obligation to pay compensation for non-pecuniary damage. The Supreme Court took the view that in the context of judging which applicant was considered best qualified for the job, placing an emphasis on the teaching aspect of the work (as the Engineering Faculty had done) was a legitimate consideration. It was on this basis that the faculty meeting had deemed K as better qualified than A, and therefore the court was obliged to reject the view that the decision had been based on irrelevant considerations or that it was evidently wrong. The court neither accepted that the rules of the Administrative Procedure Act had been violated nor that it had been sufficiently demonstrated that discrimination, direct or indirect, had taken place on the basis of gender when the appointment had been made. It therefore rejected the view that Act No. 96/2000, which then applied, had been violated, and H was acquitted of J's demands.

The second Supreme Court Judgment, in Case No. 267/2011, was rendered on 16 February 2012 and concerned sexual harassment, wages and compensation for non-pecuniary damage. The circumstances of the case were that A brought a suit against a company, B, in order to claim wages owing to her, together with compensation for sexual harassment which she said she had suffered at the hands of her superior, E, who was an employee of B. A based her case on the view that B's response to the incident was not in keeping with the gravity of the matter and that changes had been made to her job in such a way as to make it impossible for her to do the job. The Supreme Court rejected the view that E's conduct came under the definition of the term 'sexual harassment' in the Gender Equality Act, No. 10/2008. In addition, the court took the view that it had not been demonstrated in any way that A had been unjustly treated in her work in terms of her job security, wages or terms of service. A had not demonstrated that she was entitled to receive wages for the period in which she chose not to go to work or that B's conduct towards her constituted an unlawful malicious action in any way. Therefore, B was acquitted of A's demands.

***Comment by the Committee of Independent Experts.***
***Conclusions XIX-3 p. 9***
*The Committee concludes that the situation in Iceland is not in conformity with Article 4§3 of the Charter on the grounds that:*

*- law makes no provision for declaring a dismissal null and void and/or reinstating an employee in the event of a retaliatory dismissal connected with a claim for equal pay.*

The Icelandic Authorities would like to reiterate that under the Gender Equality Act, an employee who seeks redress on the basis of the Act may not be dismissed for that reason. The employer shall also ensure that no employee is subjected to injustice in his/her occupation, e.g. regarding safety and health at work, working terms or the assessment of his/her performance, due to the fact that he/she has complained about sexual harassment or discrimination on the basis of gender. If evidence is presented of direct or indirect discrimination due to sex, the employer shall be obliged to prove that other reasons than gender were the main consideration in the decision.

The same applies if the employer is in breach of the prohibition on dismissal, in which case he/she has to demonstrate that the dismissal or alleged injustice was not based on the employee's demand for redress or on his/her allegation concerning sexual harassment or other gender discrimination. This rule will not apply if the dismissal is made more than a year from the time of the employee's demand for redress on the basis of the Act.

Under the Gender Equality Act, the courts are therefore able to judge a dismissal as being unlawful. Nevertheless, it is not compatible with Icelandic law to put individuals into employment positions by a court order; this applies equally whether the employer does not wish to engage a particular worker or whether the worker does not wish to do the work. This is a basic principle which applies on the Icelandic labour market according to a very long tradition and has very often been confirmed by case law.

In general, an employer is free to engage or dismiss workers. He/she is, however, bound by the rules applying to these activities in law, collective agreements and employment contracts. In the same way, the worker has the choice of whether or not he/she is prepared to accept a particular job.

In cases of violation of the Gender Equality Act when people have not been engaged, or have been dismissed from a job, the remedy applied by the courts has been to award compensation to the person concerned so as to put him/her in the same position as he/she would have been in if he/she had been engaged or retained the job.

There are no known case-law examples of dismissal being judged unlawful under the Gender Equality Act. On the other hand, the courts have come to the conclusion that dismissals have been unlawful, and in accordance with case-law precedents set by the Supreme Court, compensation has been assessed and awarded. In Case No. E-1783/2013 the Reykjavík District Court awarded ISK 4,500,000 in compensation for financial loss and ISK 800,000 in compensation for non-pecuniary damage. In Supreme Court Case No. 121/2013, compensation of ISK 2,800,000 was awarded for financial and non-pecuniary damage due to unlawful dismissal.

**Article 4, para. 4 – Reasonable notice of termination of employment**
**1.–2.**
As no changes were made to reasonable notice of termination of employment of Icelandic collective agreements during the period, reference is made to the Government of Iceland's last report.

***Comment by the Committee of Independent Experts.***
***Conclusions XIX-3 p. 9***
*The Committee concludes that the situation in Iceland is not in conformity with Article 4§4 of the Charter on the ground that the two-week notice period for employees with more than six months' service, covered by the collective agreement between the Confederation of Icelandic Employers and Skilled Construction and Industrial workers, is not reasonable.*

The Ministry of Welfare has taken notice of the ECSR's conclusion that the situation in Iceland is not in conformity with Article 4, para 4 of the Social Charter on this ground. The Ministry has informed the social partners of the conclusion and they are working on the issue. The social

partners did not manage to cover the matter in their negotiations on collective agreements in December 2013, but the matter will be pursued in the collective bargaining sessions set for autumn 2014.

**Article 4, para. 5 – Limitation of deduction from wages.**
No changes were made to law and practice regarding deductions from wages.

***Comment by the Committee of Independent Experts.***
***Conclusions XIX-3 p. 9***
*The Committee reiterates its request that the next report provide a full and up-to-date description of the situation in law and practice in respect of Article 4§5.*

When a worker's aggregate wage for a particular period has been calculated, the employer is obliged, before wages are disbursed, to deduct payments prescribed in law and collective agreements from that sum.

Under the Payment at Source of Public Levies Act, No. 45/1987, the employer is obliged to deduct and retain from the employee's wages source payments of income tax, taking into account the worker's personal tax credit and municipal taxes according to the Local Authorities' Taxation Bases Act. The employer is responsible for the public levies retained; hence, the worker is not responsible for paying them providing he is able to demonstrate that the employer deducted them from his/her wages. The employer and the worker bear *in solidum* liability, on the other hand, for insufficient deductions of public taxes and levies. A worker employed by more than one employer is responsible for ensuring that the correct proportion is calculated when each of them calculates the deductions at source (*cf.* Article 22 of the Payment at Source of Public Levies Act).

However, employers may never retain more than 75% of aggregate wage payment at any given time in order to pay taxes, legally-prescribed premiums and child maintenance payments; hence it is ensured that the worker will receive 25% of the aggregate wage payment (*cf.* Article 2 of the Regulation on Deductions from Wages, No. 124/2001). Furthermore, the worker may apply for a reduction of the amount deducted if it seems likely that his/her wages will not suffice to support him/her, his/her spouse and dependent children.

All wage-earners, employers and self-employed persons are obliged to pay premiums to pension funds. Wage-earners pay 4% of their wages in premium, while the employer's counter-contribution is 8%. Employers (wage-payers) are obliged to retain workers' premiums and make them over to the relevant pension funds together with their counter-contribution.

In addition, employers are obliged to retain workers' dues to their trade unions according to the rules of the relevant collective agreements (*cf.* the second paragraph of Article 6 of the Workers' Wages and Terms and Obligatory Pension Insurance Act).

Furthermore, the Child Support Collection Centre, which sees to collecting child maintenance payments from parents who are legally required to make such payments (e.g. following divorce), is able to demand that employers deduct and retain child maintenance payment from the wages of a worker who has neglected, in part or entirely, to respond to the centre's collection demands (*cf.* item 1 of the seventh paragraph of Article 5 of the Child Support Collection Centre Act, No.

54/1971, with subsequent amendments). Under Regulation No. 491/1996, on the collection and making over of child maintenance payments, etc., by the Child Support Collection Centre, employers are nevertheless obliged not to deduct and retain more than 50% of the aggregate wage payment in any given instance for the payment of child support which the employer is obliged to deduct and retain from the wages of the person in question.

# Article 5
# The right to organise.

**1. -2.**

***Comment by the Committee of Independent Experts.***
***Conclusions XIX-3 p. 10***

*The Committee considers that such priority clauses constitute a serious interference with the right not to join trade unions as non-unionised workers find themselves in a clearly disadvantageous position on the labour market compared to workers belonging to trade unions having negotiated priority clauses for their members. The report indicates that it is the Government's position that intervention by way of legislation or measures aiming to prohibit priority clauses in collective agreements would risk jeopardising the stability of the labour market. Arguing that these clauses are the result of agreements freely reached by employers and unions and are long-standing practice, the Government appears to leave it to the social partners themselves to stop having recourse to them. The Committee considers that, ultimately, it remains for the Government to ensure conformity of the national situation with the Charter. For this reason it asks what concrete steps are taken to encourage social partners not to have recourse to priority clauses anymore and whether a decrease has been noted as a result of such action. In the meantime, and given the current state of legislation and case law as described in the report, the Committee still cannot consider the situation to be in conformity with Article 5 by reason of the existence of such priority clauses.*

*The committee concludes that the situation in Iceland is not in conformity with Article 5 of the Charter on the ground that the existence of priority clauses in collective agreements which give priority to members of a certain trade unions in respect of recruitment and termination of employment infringes the right not to join trade unions.*

The information stated in the 17$^{th}$ and 23$^{rd}$ reports of the Icelandic authorities is reiterated and reference is made to that reports.

# Article 6
# Right to bargain collectively.

**Article 6, para. 1 – Joint consultation.**
**1.–3.**
***Comment by the Committee of Independent Experts.***
***Conclusions XIX-3 p. 11***
*The Committee asks that the next report provide a full and up-to-date description of the situation.*

Since the very beginning of the 20th century, it has been the custom on the Icelandic labour market that the organisations of the social partners negotiate workers' wages and terms and also other working conditions in the course of free collective bargaining. Extremely powerful organisations of the social partners function on the Icelandic labour market; this is particularly the case in connection with workers' organisations. Thus, the Government of Iceland has taken the view that collective bargaining is entirely in the hands of the social partners, without intervention by the government.

Furthermore, the organisations of the social partners have agreed between themselves most of the rules applying to the Icelandic labour market, and it may be said that the labour market system is based, in all its essentials, on agreement between these parties themselves. On occasion, the social partners have requested the intervention of the government in the form of legislation to apply to the labour market. In cases where laws or regulations are to be set, applying to relations in the labour market, the government has attached particular priority to having close consultation with the social partners regarding the formulation of such rules.

Furthermore, the government has regarded it as a priority to maintain close collaboration with the organisations of the social partners on various issues. For example, the Minister of Social Affairs and Housing holds regular consultative meetings with representatives of the largest organisations, in addition to which they have representatives on various governmental committees, e.g. the consultative committee on employment in connection with the EEA Agreement and the Tripartite ILO Consultative Committee, both of which are appointed without term, and *ad hoc* committees appointed to have dialogue on various issues which are of concern at any given time.

***The Information and Consultation within Enterprises Act, No. 151/2006.***
The aim of the Information and Consultation within Undertakings Act, No. 151/2006, is to ensure employees' rights to information and consultation in undertakings and to encourage representatives of workers and undertakings to work together in a cooperative spirit on methods of making information available and engaging in consultation, taking the interests of both parties into consideration (*cf.* Article 2 of the Act). It applies to undertakings in which at least 50 people are normally employed on the domestic labour market. The Act is based on Council Directive 2002/14/EC, establishing a general framework for informing and consulting employees in the European Community, which covers the obligation of undertakings and establishments to provide workers' representatives with information and to consult them regarding specific matters. The duty to provide information applies to the situation and probable developments regarding the undertaking's or establishment's activities and economic situation, employment within the undertaking or establishment and decisions likely to lead to substantial changes in work

organisation or in contractual relations. Shop stewards play a major role as employees' representatives in connection with information and consultation, and where workers have no shop steward, they are to elect a common representative to handle these functions. It is permissible, however, to agree on another arrangement in collective agreements, in addition to which agreement may be made on other methods of application, or such arrangement may be in conformity with tradition within the enterprise.

***The Collective Redundancies Act, No. 63/2000.***
A Collective Redundancies Act, No. 63/2000, based on the Council Directive 98/59/EC, on the approximation of the laws of the Member States relating to collective redundancies, came into force in 2000, replacing the Act No. 95/1992. The Act covers collective redundancies announced by employers and affecting workers for reasons that do not relate to any of them. Collective redundancies are also defined in the Act in terms of the minimum number of employees who are to be made redundant. The Act specifies the duty of the employer regarding information and consultation with the employees' shop-steward or other representative if collective redundancies are planned. In addition, the employer is to give the employees' representative all relevant information concerning the redundancies. Finally, the employer is required to inform the regional employment exchange in the relevant area of the proposed redundancies.

***Act on European Works Councils in Undertakings, No. 61/1999.***
The Act on European Works Councils in Undertakings, based on Council Directive 94/45/EC on the establishment of a European Works Council or a procedure in Community–Scale undertakings and Community–Scale groups of undertakings for the purposes of informing and consulting employees, was passed in 1999.

The Act applies to undertakings and groups of undertakings with at least 1,000 employees in their service in the European Economic Area, including at least 150 employees in two establishments in at least two EEA states. Under the Act, employees of undertakings that fall under these size specifications are given the right of access to the same information, and have the same right, as their colleagues within the undertaking or groups of undertakings in other states to express their points of view to the principal management of the undertaking.

**Article 6, para. 2. – Negotiation procedures.**
**1.–3.**
No changes have been made since last reports.

***Comment by the Committee of Independent Experts.***
***Conclusions XIX-3 p. 11***
*The Committee asks that the next report provide a full and up-to-date description of the situation.*

In order to encourage and promote the full development and utilisation of machinery for voluntary negotiation between employers' and workers' organisations, a special system of collective bargaining has been developed in a close co-operation with the social partners.

The Trade Unions and Labour Disputes Act, No. 80/1938, with subsequent amendments, applies to collective bargaining and conciliatory functions in labour disputes in the private sector; the Civil Servants' Collective Agreements Act, No. 94/1986, with subsequent amendments, applies

in the public sector. The fundamental principle in these statutes is that the social partners reach agreement by negotiation. Thus, these Acts assume that trade unions are the formal legal parties that negotiate wages and terms on behalf of their members with employers and their organisations. Collective agreements are made between employers, or their organisations, on the one hand, and trade unions on the other, and these agreements are expected to lay down wages and other terms of work for wage-earners on the labour market. Thus, the principal responsibility for deciding how wages are to be determined lies with the social partners.

Chapter III of the Trade Unions and Labour Disputes Act applies to conciliatory (mediation) functions in labour disputes in the private sector and, as appropriate, in the public sector. The Minister of Social Affairs and Housing appoints the State Mediation and Conciliation Officer for terms of five years at a time; the officer's function is to mediate in labour disputes. The officer is also expected to monitor the situation and outlook on the labour market in all parts of the country. He or she keeps abreast of trends in wages and terms negotiations and matters that could potentially lead to disputes in dealings between employers' organisations and trade unions (*cf.* Article 22 of the Act). The State Mediation and Conciliation Officer maintains a register of the collective agreements in force at any given time, and the parties to such agreements are required to send him or her copies of all agreements as soon as they are concluded, and of amendments made to their contents subsequently.

Under Article 23 of the Act, the parties are to draw up a schedule plan of their negotiations on the renewal of collective agreements not later than ten weeks before the current agreement reaches its term. They are permitted to grant their national organizations special authorisation to draw up a negotiation schedule for them if no such authorisation is included in the organizations' lawful constitutions. When the negotiation schedule is ready, it is to be sent to the State Mediation and Conciliation Officer. If the contracting parties fail to draw up a negotiating schedule by the aforementioned time, the officer is to issue them with a schedule not later than eight weeks before the current collective agreement reaches its term.

The Act specifies that the contracting parties are able, at any time following the compilation of their negotiating schedule, to request the mediation services or the assistance of the State Mediation and Conciliation Officer. Furthermore, they are obliged to allow the officer to observe and monitor a labour dispute and attempts to negotiate agreement at any time he or she may request. Where negotiations between the parties are broken off or either party considers there to be little hope of reaching agreement through further negotiations, either party, or both, acting jointly, may refer their dispute to the officer.

The State Mediation and Conciliation Officer then calls the parties to a meeting at the first opportunity and continues attempts to bring about an agreement as long as there is any hope of this producing results. In such circumstances, the officer normally takes over control of the negotiations, but may also defer formal mediation attempts and instruct the parties to explore possible means of reaching agreement in direct negotiations between themselves if he or she considers this is more likely to produce results. The State Mediation and Conciliation Officer may at all times take over control of negotiations if he or she considers this to be the best course of action. He or she is also obliged to do this if he or she receives notification of a work stoppage.

The Act contains special provisions on conciliatory meetings, and the parties to the dispute are obliged to attend such meetings called by the officer, or to have representatives attend them on their behalf. The officer may also demand from the parties to a labour dispute, and from public bodies, all information and reports he/she considers necessary.

Where conciliatory work by the State Mediation and Conciliation Officer produces no results, he/she may set forth a proposed solution to the dispute; he/she is obliged to consult the parties' negotiating committees before doing this. The solution proposal is then presented to the parties for their acceptance or rejection. The parties are obliged to ensure that their members who are entitled to vote on the proposals have the opportunity to examine them in their entirety. After consulting the parties to the labour dispute, the State Mediation and Conciliation Officer may summarise the main points of the mediation proposal in order to make it easier for union members to acquaint themselves with its contents and adopt a position on the proposal and the implications it would have for their standing and financial position. As soon as a vote has been taken, the ballot materials are delivered to the State Mediation and Conciliation Officer; the votes are then counted under the officer's direction, each party being permitted to have a representative present at the counting. A mediation proposal is considered defeated if more than half the votes cast are against it and if the "no" votes constitute more than a quarter of the votes according to the register of voters or union members. This applies equally to votes cast at a voting meeting and to postal votes. The State Mediation and Conciliation Officer may present mediation proposals as many times as he/she considers necessary.

When a collective agreement has been signed by the competent representatives of the contracting parties, it runs from the date of signature (unless other arrangements are agreed) providing it is not rejected in a secret ballot by a majority of the votes cast with the participation of at least one fifth of the number of persons on the register of voters or union members within four weeks of its being signed. If a secret postal vote is held among the union members on a collective agreement that has been negotiated, the outcome of the vote is valid irrespective of the numbers who actually vote. If a collective agreement only applies to part of the union members or the employees of an enterprise or undertaking, provision may be made in the agreement to the effect that only they are to have the right to vote on it, providing it is stated clearly how the vote is to be taken.

By an agreement dated 11 June 2003, the most representative organisations of the social partners established a collaborative committee on information on wages and the economic premises of collective agreements. The background to the establishment of this committee was as follows. The Minister of Welfare had commissioned the State Mediation and Conciliation Officer to head a joint effort on the part of the Government and the social partners to make improvements in the procedure for negotiating collective agreements between the social partners. The pros and cons of the current structure of negotiations were examined, as were the arrangements in place elsewhere in the Nordic countries. It was decided to create a formal framework for this collaborative effort and to initiate preparatory work of certain types prior to the next round of collective agreements. The aforementioned committee was appointed for this purpose. Its work resulted in the publication of a report in October 2013 entitled *Approaching collective agreements: the economic environment and wage trends (Í aðdraganda kjarasamninga: efnahagsumhverfi og launaþróun).* The information it contained was intended to be of use to the social partners when they began their negotiations in the autumn.

**Article 6, para. 3 – Conciliation and arbitration.**
**1.–3.**
No changes have been made since the last reports.

**Article 6, para. 4 – Collective action**
**1.–3.**
During the period covered by this report it was necessary to intervene once in an labour dispute between the social partners. Negotiations in a dispute over wages and terms between aircraft mechanics and the Confederation of Icelandic Employers, representing the airline Icelandair, had gone on for some time under the auspices of the State Mediation and Conciliation Officer, but without any progress being made. A strike began on 22 March 2010. When the strike had lasted for 16 hours, the Althingi (Iceland's parliament) passed legislation (Act No. 17/2010 on Aircraft Mechanics' Wages and Terms) to end the strike. The Act put an end to the strike, prolonging the collective agreement then in force between the parties until 30 November 2010 if no new agreement were concluded between them. The reasons for the passing of the Act were described in the explanatory notes to the bill; these stated that a strike by aircraft mechanics resulted in substantial disruption of air traffic both to and from Iceland, Icelandair being by far the largest aviation operator in Iceland and one of the main pillars of Iceland's tourist industry. It was estimated that a strike would cause substantial damage to the Icelandic economy at a time when it was ill-prepared for it and would have a negative impact on the jobs of thousands of individuals and enterprises all over the country that depended on the tourist industry and on reliable air communications at a time when the operating environment of all enterprises in the country was very sensitive.

It was also stated that wage increases over and above those already agreed would have a negative impact on other collective agreements and on stability on the labour market. Under the stability pact of 2009, parties in the private sector had agreed to extend their collective agreements until the end of November 2010; this was one way of ensuring the basis of stability. The Act was not intended to have any impact on the content of collective agreements or in any other way to undermine the basis on which collective agreements had been made.

**Table 9. Strikes and lockouts 2009–2012.**

| | | | | *Working days lost* | | | |
|---|---|---|---|---|---|---|---|
| | *Strikes and lockouts* | *Days of strikes or lockouts* | *Employees directly affected* | *Total* | *Land based workers* | *Fishermen and other seamen* | *Others* |
| 2009 | – | – | – | – | – | – | – |
| 2010 | 1 | 1 | – | – | – | – | – |
| 2011 | – | – | – | – | – | – | – |
| 2012 | - | - | - | - | – | – | - |

***Comment by the Committee of Independent Experts.***
***Conclusions XIX-3 p. 12***
*The Committee asks the next report to provide updated information on procedural requirements before a strike can take place.*
As is stated above in this report, there is a long tradition in the Icelandic labour market of the organisations of the social partners negotiating workers' wages and terms. The vast majority of workers are unionised, and provisions in law state that it is illegal to agree on terms that are poorer than those stated in the collective agreements applying to the relevant occupation in any specific geographical area. The organisations of the social partners thus play an important role on the Icelandic labour market.

Under the structure of the Icelandic labour market, strikes are viewed as collective action by the workers in cases of conflicts of interest. Under Article 14 of the Trade Unions and Industrial Disputes Act, No. 80/1938, trade unions, employers' organisations and individual employers are permitted to engage in strikes and lockouts in order to press for the achievement of their demands in industrial disputes and to protect their rights under the Act. Article 19 of the same Act states furthermore that for the purposes of the Act, the term "work stoppages" refers to lockouts by employers and strikes in which workers stop their normal work, in part or in its entirety, in order to obtain a specific common goal. The same applies to other comparable measures taken by employers or workers that can be equated with work stoppages.

Trade union members decide jointly, within their organisations, whether there is reason to call a strike and whether it is certain that a majority of the members are in favour of such measures. Provisions in Article 15 of the Act cover how strikes and lockouts are to be called. When an employers' association or a trade union intends to begin a work stoppage, this may only be done if a decision to this effect has been taken in a general, secret ballot with the participation of at least one-fifth of the members who are entitled to vote, and where the proposal has received the support of a majority of the votes cast. A general, secret postal ballot may be held among the members concerning a proposal to begin a work stoppage, in which case the outcome is regarded as valid, irrespective of the participation rate.

When a work stoppage is intended to involve only a specific group of the union members or workers in a specific workplace, the decision on the work stoppage may be taken by the votes of the workers it is intended to cover. In such cases, one-fifth of those who are entitled to vote must participate in the vote, and the proposal must receive the support of a majority of the votes cast.

The Civil Servants' Collective Agreements Act, No. 94/1986, contains comparable rules. Under Article 14 of the Act, a trade union may engage in a strike in order to press for the achievement of its demands in a dispute regarding a collective agreement. It is stated that a strike is considered as being when workers stop their normal work, in part or in its entirety, in order to obtain a specific common goal. The same applies to other comparable measures taken by workers that may be equated with strikes. A decision on the lawful calling of a strike must be taken in a general, secret ballot in each trade union that is a party to the agreement. In order for the calling of a strike to be approved, at least half the union members employed by the party against whom the strike is directed must participate in the vote, and a majority of them must approve the proposal to call a strike (*cf.* Article 15 of the same Act).

The social partners have the choice of referring their disputes in collective bargaining to a special Mediation and Conciliation Officer under the Act No. 80/1938. The officer's function is to act as a mediator in industrial disputes between the partners if this assistance is requested by the partners themselves. It is therefore made a condition for the lawful calling of a work stoppage that negotiations, or attempts at negotiations on the demands presented, must have taken place and proved unsuccessful despite the mediation of the Mediation and Conciliation Officer. The proposal to call a work stoppage must state clearly the persons it is primarily intended to involve and when it is intended to take place.

Furthermore, it is mutually understood by the social partners that during the period of validity of a collective agreement, there is an obligation to preserve peaceful relations. The social partners have therefore taken the view that it is not lawful to call strikes while the collective agreements between them are valid. In the event of disputes concerning the interpretation of collective agreements between the social partners, it is assumed that they will apply to special conciliation committees as provided for under the collective agreements, or the Labour Court or the ordinary courts, as appropriate. Furthermore, strikes are not regarded in Icelandic law as a means of forcing the government to do something, or refrain from doing something (where action, or lack of action, is involved) where the government does not appear as an employer. Of course, all people are free to organise peaceful demonstrations in connection with action, or the lack of it, by the government or by other parties. Under paragraph 1 of Article 73 of the Icelandic Constitution, all persons are guaranteed freedom of opinion and conviction. Paragraph 3 of Article 74 of the Constitution guarantees the right to unarmed assembly. It has happened that various societies, including trade unions, have urged people to boycott certain goods or services, e.g. because of alleged unfair price increases or levies. Such instances should not be confused with actual work stoppages aimed at the securing of demands in industrial disputes. Furthermore, cases have occurred in which the trade unions have organised measures, such as refusals to handle goods or unload vessel cargoes, which have been seen as sympathy strikes in support of other unions involved in industrial disputes, and consequently that these have constituted support for lawful measures. At all times, however, great importance is attached to having parties to disputes resolve their differences peacefully.

***Comment by the Committee of Independent Experts.***
***Conclusions XIX-3 p. 12***
*The Committee asks the next report to provide updated information on the consequences of a strike.*

Consequences of strikes vary greatly in seriousness according to the line of work involved, the length of time they last and whether they are localised or cover larger regions or even the entire country. All other things being equal, strikes have a negative impact on the financial standing of the workers who stop work, as they do not receive wages during the period covered by the strike, but in the long run it is thought to have positive result for them. It is thought to have negative impact to the economic standing of the companies in which work is suspended. Most strikes also have a negative impact on the national economy as a whole; however, this depends very much on how long they last and the size of the regions they cover.

Most trade unions maintain special strike funds with the aim of being able to assist their members in the event of a strike if there is reason to do so. In such cases, their members receive payments from the fund during the strike, according to the rules of each individual fund.

## Article 23
## Consultations and communication of copies of the report

In the preparation of this report, consultations were held with the Icelandic Confederation of Labour and the Confederation of Icelandic Employers, which are, respectively, the main organizations of workers and employers in Iceland.

Copies of this report have been communicated to the following national organizations of employers and trade unions:

The Icelandic Confederation of Labour.
The Confederation of Icelandic Employers.
The Federation of State and Municipal Employees.
The Alliance of Graduate Civil Servants.