

LABOUR LAW IN ICELAND

SECOND EDITION

ELÍN BLÖNDAL
RAGNHEIDUR MORGAN SIGURDARDÓTTIR



Wolters Kluwer
Law & Business

Labour Law in Iceland

Second Edition

Elín Blöndal
Ragnheidur Morgan Sigurdardóttir

This book was originally published as a monograph in the International
Encyclopaedia of Laws/Labour Law and Industrial Relations.

General Editor: Roger Blanpain
Associate General Editor: Michele Colucci



Wolters Kluwer
Law & Business

Published by:

Kluwer Law International
PO Box 316
2400 AH Alphen aan den Rijn
The Netherlands
Website: www.kluwerlaw.com

Sold and distributed in North, Central and South America by:

Aspen Publishers, Inc.
7201 McKinney Circle
Frederick, MD 21704
United States of America
Email: customer.service@aspenpublishers.com

Sold and distributed in all other countries by:

Turpin Distribution Services Ltd.
Stratton Business Park
Pegasus Drive, Biggleswade
Bedfordshire SG18 8TQ
United Kingdom
Email: kluwerlaw@turpin-distribution.com

DISCLAIMER: The material in this volume is in the nature of general comment only. It is not offered as advice on any particular matter and should not be taken as such. The editor and the contributing authors expressly disclaim all liability to any person with regard to anything done or omitted to be done, and with respect to the consequences of anything done or omitted to be done wholly or partly in reliance upon the whole or any part of the contents of this volume. No reader should act or refrain from acting on the basis of any matter contained in this volume without first obtaining professional advice regarding the particular facts and circumstances at issue. Any and all opinions expressed herein are those of the particular author and are not necessarily those of the editor or publisher of this volume.

Printed on acid-free paper

ISBN 978-90-411-5864-2

This title is available on www.kluwerlawonline.com

© 2014, Kluwer Law International BV, The Netherlands

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without written permission from the publisher.

Permission to use this content must be obtained from the copyright owner. Please apply to: Permissions Department, Wolters Kluwer Legal, 76 Ninth Avenue, 7th Floor, New York, NY 10011-5201, USA. Email: permissions@kluwerlaw.com

Printed and Bound by CPI Group (UK) Ltd, Croydon, CR0 4YY.

The Authors



Elín Blöndal obtained a Cand Jur. Degree from the University of Iceland in 1992 and a Master's degree in Public International Law from the University of Leiden, Holland, in 1996. Before she became Professor at Bifröst University, in 2008, she was employed as a legal advisor at the Icelandic Parliament, Head of the Labour Office at the Ministry of Social Affairs and as Head of Office at the Parliamentary Ombudsman. She has also chaired the Research Centre of Labour law at the University of Bifröst since 2004. She has written several publications, especially in the field of labour law, gender equality and social human rights. She has steered and participated in several commit-

tees and working groups as well as research projects at the national and international level in her field. She is now e.g. a judge in the Icelandic Labour Court, on the board of the Icelandic Labour Law Association, on the consultant board of the Icelandic Lawyer's Association Law Review and a member of the European Labour Law Network (ELLN).



Ragnheidur Morgan Sigurdardóttir was born on 18 November 1980. She has a Bachelor degree in corporate law and a Master's degree in law for Bifröst University. She is currently completing an M.Acc. degree in accounting and auditing from the University of Iceland. She has from the year 2009 worked on several research projects for the Centre for Labour Law and Equal Rights, including international projects, as well as teaching courses at the Bifröst University Faculty of Law. Since spring 2011, Ragnheidur has been employed as legal advisor for the special investigation team at the Financial Supervisory Authority of Iceland.

Table of Contents

The Authors	3
List of Abbreviations	13
General Introduction	15
Chapter 1. General Background	15
§1. GEOGRAPHY, LOCATION, SIZE AND BOUNDARIES	15
§2. THE POLITICAL SYSTEM	16
§3. VITAL STATISTICS	18
I. Employment	18
II. Employment in Different Industries	19
§4. UNDERLYING SOCIAL AND CULTURAL VALUES OF SOCIETY	22
Chapter 2. Definitions and Notions	23
§1. DISTINCTION BETWEEN LABOUR LAW (INDUSTRIAL RELATIONS) AND OTHER BRANCHES OF LAW, ESPECIALLY SOCIAL SECURITY LAW	23
I. Social Security Law	23
II. Labour Law	24
§2. DEFINITIONS OF LABOUR LAW AND OF THE CONCEPTS WHICH ARE MOST FREQUENTLY USED	24
I. The Employment Relationship	24
II. Employee	25
III. Employer	25
Chapter 3. Historical Background	26

Table of Contents

Chapter 4. Role of Government Institutions in the Shaping and Administration of Labour and Industrial Relations Policy	27
§1. THE DIRECTORATE OF LABOUR	28
§2. THE ADMINISTRATION OF OCCUPATIONAL SAFETY AND HEALTH	28
§3. THE STATE CONCILIATION AND MEDIATION OFFICER	28
Chapter 5. Sources of Labour Law	30
§1. CONSTITUTION	30
§2. ACTS OF THE LEGISLATURE AND JUDGE-MADE LAW	30
§3. THE EUROPEAN ECONOMIC AREA	31
§4. COLLECTIVE AGREEMENTS	32
§5. THE INDIVIDUAL EMPLOYMENT CONTRACT	33
§6. RELATIONSHIP (HIERARCHICAL ORDER) BETWEEN THE DIFFERENT SOURCES OF LABOUR LAW	33
Chapter 6. International Private Labour Law	35
Part I. The Individual Employment Relation	41
Chapter 1. Definition and Concepts	41
§1. THE DIFFERENT CATEGORIES OF EMPLOYEE	41
I. Public Sector Employees *	41
II. Private Sector Employees	41
III. Specific Categories in the Labour Market	41
A. Seamen	42
B. Foremen	42
C. Vocational Trainees	42
IV. Self-employed Persons	43
§2. INDIVIDUAL LABOUR CONTRACTS	43
I. Different Categories of Labour Contract	43
A. Indefinite Period	43
B. Definite Period	44
C. Trial Period	44

Table of Contents

II. Vocational Trainee Contracts	45
A. Form and Content (Written or Unwritten, Mandatory Provisions, etc.)	45
B. Changes in Terms of Employment	47
C. Transfer of Undertakings	47
III. Ability to Conclude a Labour Contract	48
A. Competence to Act	48
B. Minors	48
 Chapter 2. Rights and Duties of the Parties during Employment	 49
§1. DUTIES OF THE EMPLOYEE (EXECUTION OF ORDERS, RESPONSIBILITIES, ETC.)	49
I. Duty to Perform Work and Obey Managerial Authority	49
II. Speed of Work	49
III. Quality of Work	50
IV. Place of Work	50
V. Duty to be Loyal	50
§2. DUTIES OF THE EMPLOYER	50
I. Payment of Wages	51
II. Managerial Authority	51
III. Safety and Working Environment	51
IV. Obligations regarding Equality and Sexual Harassment	52
V. Tobacco in the Workplace	52
 Chapter 3. Working Time, Annual Vacations and Holidays	 53
§1. WORKING TIME	53
§2. THE ACT ON WORKING ENVIRONMENT, HEALTH AND SAFETY OF WORKERS	53
§3. PART-TIME WORKERS	54
§4. THE ACT ON PART-TIME WORKERS	54
§5. FIXED-TERM EMPLOYMENT	55
§6. THE ACT ON FIXED TERM EMPLOYMENT	55
§7. ANNUAL VACATION	55
§8. THE VACATION ACT	56
§9. VACATION PERIOD	56

Table of Contents

§10. VACATION OUTSIDE THE VACATION PERIOD	56
§11. HOLIDAYS	57
Chapter 4. Remuneration and Benefits	58
§1. THE CONCEPT OF WAGES	58
I. The Payment of Wages	59
II. Wage Deductions	60
A. Taxes	60
B. Pension Insurance	60
C. Union Contributions	61
D. Child Support Payments	61
III. Wage Guarantee Fund	61
IV. Equal Wages	62
Chapter 5. Incapacity to Work	64
§1. ILLNESS AND ACCIDENTS	64
§2. PREGNANCY AND CHILDBIRTH	64
I. Pregnancy	64
II. Maternity/Paternity and Parental Leave	65
A. The Right to Take Maternity/Paternity Leave	65
B. The Structure of Maternity/Paternity Leave	66
C. The Right to Payments from the Maternity/Paternity Leave Fund	67
D. Maternity/Paternity Grants to Parents who are not Active in the Labour Market	67
E. Maternity/Paternity Grant to Parents Attending Full-time Educational Programmes	68
F. Parental Leave	69
III. Attending Sick Children and Other Compelling Family Reasons	69
Chapter 6. Job Security	70
§1. GENERAL PRINCIPLES	70
§2. PROCEDURE OF TERMINATION	70
§3. TERMS OF NOTICE IN THE EVENT OF DISMISSAL	71
§4. PARTIAL TERMINATION OF CONTRACT	72
§5. IMMEDIATE DISMISSAL	72

Table of Contents

§6. COLLECTIVE DISMISSALS	73
§7. TRANSFER OF UNDERTAKINGS	74
§8. PUBLIC EMPLOYEES	75
§9. SPECIAL PROTECTION OF CERTAIN CATEGORIES OF EMPLOYEE	75
I. Trade Union Representatives	75
II. Pregnant Women and Those Taking Maternity/Paternity or Parental Leave	76
III. Workers Having Family Responsibilities	76
IV. Gender	77
V. Part-Time Workers	77
VI. Transfer of Undertakings	77
Chapter 7. Protection of Certain Categories of Worker, Protection against Discrimination in Employment	78
§1. PEOPLE WITH DISABILITIES	78
§2. MINORS	79
I. Prohibited Work	79
II. Working Hours	80
Chapter 8. Gender Equality	81
§1. MEASURES TO PROMOTE EQUALITY ON THE LABOUR MARKET	82
Chapter 9. Covenants of Non-competition	84
Chapter 10. Inventions by Employees	85
Chapter 11. Settlement of Disputes	86
§1. GRIEVANCE PROCEDURES	86
I. Reconciliation Committees	86
II. Arbitration	87
§2. ROLE OF THE COURTS	87
I. The Labour Court	87
II. Courts of General Jurisdiction	89
Part II. Collective Labour Relations	91
Chapter 1. Trade Union Freedom	91

Table of Contents

§1. FREEDOM OF ASSOCIATION	91
§2. FREEDOM TO FORM AND JOIN TRADE UNIONS	92
§3. FREEDOM NOT TO JOIN TRADE UNIONS	93
Chapter 2. Trade Unions and Employers' Associations	94
§1. CONCEPT AND DEGREE OF ORGANIZATION	94
§2. TRADE UNIONS	94
I. Role	94
II. Structure	95
A. The Icelandic Confederation of Labour (ASÍ)	95
B. Trade Unions outside Union Associations	96
C. Public Sector Unions	96
D. The Confederation of Workers of the State and Communities (BSRB)	97
E. The Association of Academics (BHM)	97
F. The Icelandic Teachers' Union (KÍ)	97
III. Rule of Membership	97
IV. Lawful Restrictions	99
A. Education and Qualifications	99
B. Profession	99
C. Age	99
D. Unpaid Union Fees	99
V. Unlawful Restrictions	99
A. Residence	99
B. Nationality	99
C. Gender	100
D. Membership of Another Trade Union	100
VI. Withdrawal from Trade Unions	100
VII. Rights and Duties of Trade Union Members	100
VIII. Penalties for Violations	101
§3. EMPLOYERS' ASSOCIATIONS	101
Chapter 3. Institutionalized Relations	104
I. Health and Safety in the Workplace	105
II. Information and Consultation	106
III. European Work Councils	108
IV. Employees' Representation in Corporate Bodies	108
Chapter 4. Collective Bargaining	109
§1. THE COLLECTIVE BARGAINING SYSTEM	109

§2. COLLECTIVE AGREEMENTS	110
I. What is a Collective Agreement?	110
II. Parties to a Collective Agreement and its Entry into Force	111
III. Types of Collective Agreement	111
A. General Collective Agreements	112
B. Special Agreements	112
C. Workplace Agreements	112
D. Enterprise Agreements	113
E. Company-related Parts of Collective Agreements	113
IV. Content of Collective Agreements	114
V. Industrial Peace	114
VI. Extension and Coverage of Collective Agreements	115
VII. Negotiating Schedule	115
VIII. Duration and Termination of Collective Agreements	116
IX. Interpretation of Collective Agreements	116
§3. THE PUBLIC SECTOR	116
Chapter 5. Strikes, Lock-outs and Other Legal Forms of Industrial Action	118
§1. DIFFERENT CATEGORIES OF COLLECTIVE INDUSTRIAL ACTION	118
I. Strike	118
II. Lock-outs	119
III. Sympathy Action	119
§2. LEGITIMACY OF WORK STOPPAGES	120
I. The Peace Obligation	120
II. Unlawful Work Stoppages	120
III. Work Stoppage Monitoring	121
§3. FORMAL REQUIREMENTS OF NOTICE	122
I. Form and Content of the Notice	123
II. Competence to Give Notice	123
§4. CONSEQUENCES OF SUCH ACTIONS	123
I. Accumulation of Rights	124
II. Work during Work Stoppage	125
III. Liability	125
IV. Government Intervention	126
§5. THE PUBLIC SECTOR	127
§6. STATISTICS	129

Table of Contents

Chapter 6. Settlement of Industrial Disputes and Protection
of Vital Needs 131

§1. INDUSTRIAL DISPUTES 131

§2. THE STATE CONCILIATION AND MEDIATION OFFICER 132

§3. THE PROCESS OF CONCILIATION AND MEDIATION 132

 I. Compromise Proposal 134

 II. Rules of Voting 135

§4. ARBITRATION 135

§5. INTERACTION AND ROLE OF THE GOVERNMENT 136

Selected Bibliography 137

Index 141

Labour Law in Iceland

Second Edition

**Elín Blöndal
Ragnheidur Morgan Sigurdardóttir**

This book was originally published as a monograph in the International
Encyclopaedia of Laws/Labour Law and Industrial Relations.

General Editor: Roger Blanpain
Associate General Editor: Michele Colucci



Wolters Kluwer
Law & Business

Published by:

Kluwer Law International
PO Box 316
2400 AH Alphen aan den Rijn
The Netherlands
Website: www.kluwerlaw.com

Sold and distributed in North, Central and South America by:

Aspen Publishers, Inc.
7201 McKinney Circle
Frederick, MD 21704
United States of America
Email: customer.service@aspublishers.com

Sold and distributed in all other countries by:

Turpin Distribution Services Ltd.
Stratton Business Park
Pegasus Drive, Biggleswade
Bedfordshire SG18 8TQ
United Kingdom
Email: kluwerlaw@turpin-distribution.com

DISCLAIMER: The material in this volume is in the nature of general comment only. It is not offered as advice on any particular matter and should not be taken as such. The editor and the contributing authors expressly disclaim all liability to any person with regard to anything done or omitted to be done, and with respect to the consequences of anything done or omitted to be done wholly or partly in reliance upon the whole or any part of the contents of this volume. No reader should act or refrain from acting on the basis of any matter contained in this volume without first obtaining professional advice regarding the particular facts and circumstances at issue. Any and all opinions expressed herein are those of the particular author and are not necessarily those of the editor or publisher of this volume.

Printed on acid-free paper

ISBN 978-90-411-5864-2

This title is available on www.kluwerlawonline.com

© 2014, Kluwer Law International BV, The Netherlands

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without written permission from the publisher.

Permission to use this content must be obtained from the copyright owner. Please apply to: Permissions Department, Wolters Kluwer Legal, 76 Ninth Avenue, 7th Floor, New York, NY 10011-5201, USA. Email: permissions@kluwerlaw.com

Printed and Bound by CPI Group (UK) Ltd, Croydon, CR0 4YY.

The Authors



Elín Blöndal obtained a Cand Jur. Degree from the University of Iceland in 1992 and a Master's degree in Public International Law from the University of Leiden, Holland, in 1996. Before she became Professor at Bifröst University, in 2008, she was employed as a legal advisor at the Icelandic Parliament, Head of the Labour Office at the Ministry of Social Affairs and as Head of Office at the Parliamentary Ombudsman. She has also chaired the Research Centre of Labour law at the University of Bifröst since 2004. She has written several publications, especially in the field of labour law, gender equality and social human rights. She has steered and participated in several committees and working groups as well as research projects at the national and international level in her field. She is now e.g. a judge in the Icelandic Labour Court, on the board of the Icelandic Labour Law Association, on the consultant board of the Icelandic Lawyer's Association Law Review and a member of the European Labour Law Network (ELLN).



Ragnheidur Morgan Sigurdardóttir was born on 18 November 1980. She has a Bachelor degree in corporate law and a Master's degree in law for Bifröst University. She is currently completing an M.Acc. degree in accounting and auditing from the University of Iceland. She has from the year 2009 worked on several research projects for the Centre for Labour Law and Equal Rights, including international projects, as well as teaching courses at the Bifröst University Faculty of Law. Since spring 2011, Ragnheidur has been employed as legal advisor for the special investigation team at the Financial Supervisory Authority of Iceland.

Table of Contents

The Authors	3
List of Abbreviations	13
General Introduction	15
Chapter 1. General Background	15
§1. GEOGRAPHY, LOCATION, SIZE AND BOUNDARIES	15
§2. THE POLITICAL SYSTEM	16
§3. VITAL STATISTICS	18
I. Employment	18
II. Employment in Different Industries	19
§4. UNDERLYING SOCIAL AND CULTURAL VALUES OF SOCIETY	22
Chapter 2. Definitions and Notions	23
§1. DISTINCTION BETWEEN LABOUR LAW (INDUSTRIAL RELATIONS) AND OTHER BRANCHES OF LAW, ESPECIALLY SOCIAL SECURITY LAW	23
I. Social Security Law	23
II. Labour Law	24
§2. DEFINITIONS OF LABOUR LAW AND OF THE CONCEPTS WHICH ARE MOST FREQUENTLY USED	24
I. The Employment Relationship	24
II. Employee	25
III. Employer	25
Chapter 3. Historical Background	26