



Halldór Grönvold  
Deputy General Secretary  
Icelandic Confederation of Labour  
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***„Developments and Challenges  
of  
Icelandic Labour Migration  
Policy“***



# Fact on Iceland



<b>Total area:</b>	<b>103.300 sq km</b>		
<b>Language:</b>	<b>Icelandic</b>	<b>Population:</b>	<b>293.577</b>
<b>Currency:</b>	<b>Icelandic krona ISK</b>	<b>Reykjavik area:</b>	<b>184.244</b>



# Facts on Iceland



- ✓ Member of the Nordic Council
- ✓ Member of EFTA (European Free Trade Association)
- ✓ Not member of European Union
  - Never applied for membership
- ✓ Member of European Economic Area (EEA)

Part of the European Internal Market of 28 countries

Free movement of:

- Goods
- Services
- Capital
- Persons



# The Icelandic Economy



- ✓ Gross domestic production (PPP): **109** (Index EU-15=100)
- ✓ Increase in GDP (PPP): **6,2%** (2004)
- ✓ Productivity (increase in 2004) **3,1%**
- ✓ Price level (overall GDP): **122** (Index EU-15=100)
- ✓ Inflation: **1,5%** (October 2004 – October 2005: Harmonised Index)



# The labour market



- ✓ Active on the labour market: **161.100**
  - **Men** **85,0%**
    - 16-24 72%
    - 25-54 94%
    - 55-74 71%
  - **Women** **76,3%**
    - 16-24 72%
    - 25-54 85%
    - 55-74 56%
- ✓ Minimum pay for full time work: 103.500 ISK Per month  
**(1.380 €)** per month
- ✓ Annually average earnings: 2.716.000 ISK  
2004 **(36.300 €)**



# The labour market



✓ Working time: **42** (Average hours per week)

- Men 47,1
- Women 35,9

✓ Unemployment: **3,1%** (2004)

- Men 3,2%
- Women 2,9%

**1,4%** (October 2005)



# The Social Partners

## The Trade Union Movement



<b>Icelandic Confederation of Labour (ASI)</b>	<b>72.000</b>
Federation of State and Municipal Employees (BSRB)	16.900
Association of Academics (BHM)	8.500
The Icelandic Teachers' Union (KI)	8.400
The Confederation of Icelandic Bank and Finance Employees (SÍB)	3.500
Individual unions (outside Confederations/federations)	6.800
The Union of Officers at Sea (FFÍ) – Journalists – Pilots	
<b>Trade Union members:</b>	<b>116.100</b>
<b>Non-union members:</b>	<b>19.900</b>

**Union density in Iceland 85%**



# The Social Partners

## The Employers



- ✓ The Confederation of Icelandic Employers (SA) covers all industries and all the biggest and most influential companies in Iceland in the private sector
- ✓ The Ministry of Finance negotiates collective agreements with unions representing state employees
- ✓ The Municipalities have their own negotiating committee which negotiates with the unions representing municipal employees





# The Social Partners



- ✓ The Social Partners (Trade Unions and Employers Federations) cover “all” sectors and industries of the Icelandic economy
- ✓ Collective Agreements cover all sectors, industries and virtually all jobs on the Icelandic labour market
- ✓ The Social Partners are recognised by the state and the society at large as representing the interests of workers and companies on the labour market, in the economy and on all other issues concerning these groups
  - Icelandic Confederation of Labour (ASI)
  - Confederation of Icelandic Employers (SA)



# The labour market



✓ The rights and obligations of workers and employers on the labour market are also regulated by means of various employment legislation which deals with particular aspects of the employment relationship and the social protection of workers.

- Act on Trade Unions and Industrial Disputes, No. 80/1938.
- Working Terms and Pension Rights Insurance Act, No. 55/1980.
- Act Respecting Labourers' Right to Advance Notice of Termination of Employment and to Wages on Account of Absence through Illness and Accidents, No. 19/1979.
- The Holiday Allowance Act, No. 30/1987.
- Equal Status and Equal Rights of Women and Men Act, No. 96/2000.
- Maternity/Paternity Leave and Parental Leave Act, No. 95/2000.
- Act on Working Environment, Health and Safety in the Workplace, No. 46/1980.
- Unemployment Insurance Act, No. 12/1997.



# Working Terms and Pension Rights



## Insurance Act No. 55/1980, with subsequent amendments.

### Art. 1

Wages and other working terms agreed between the social partners shall 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 agreement. Contracts made between individual employees and employers on poorer working terms than those specified in the general collective agreement shall be void.



# The labour market

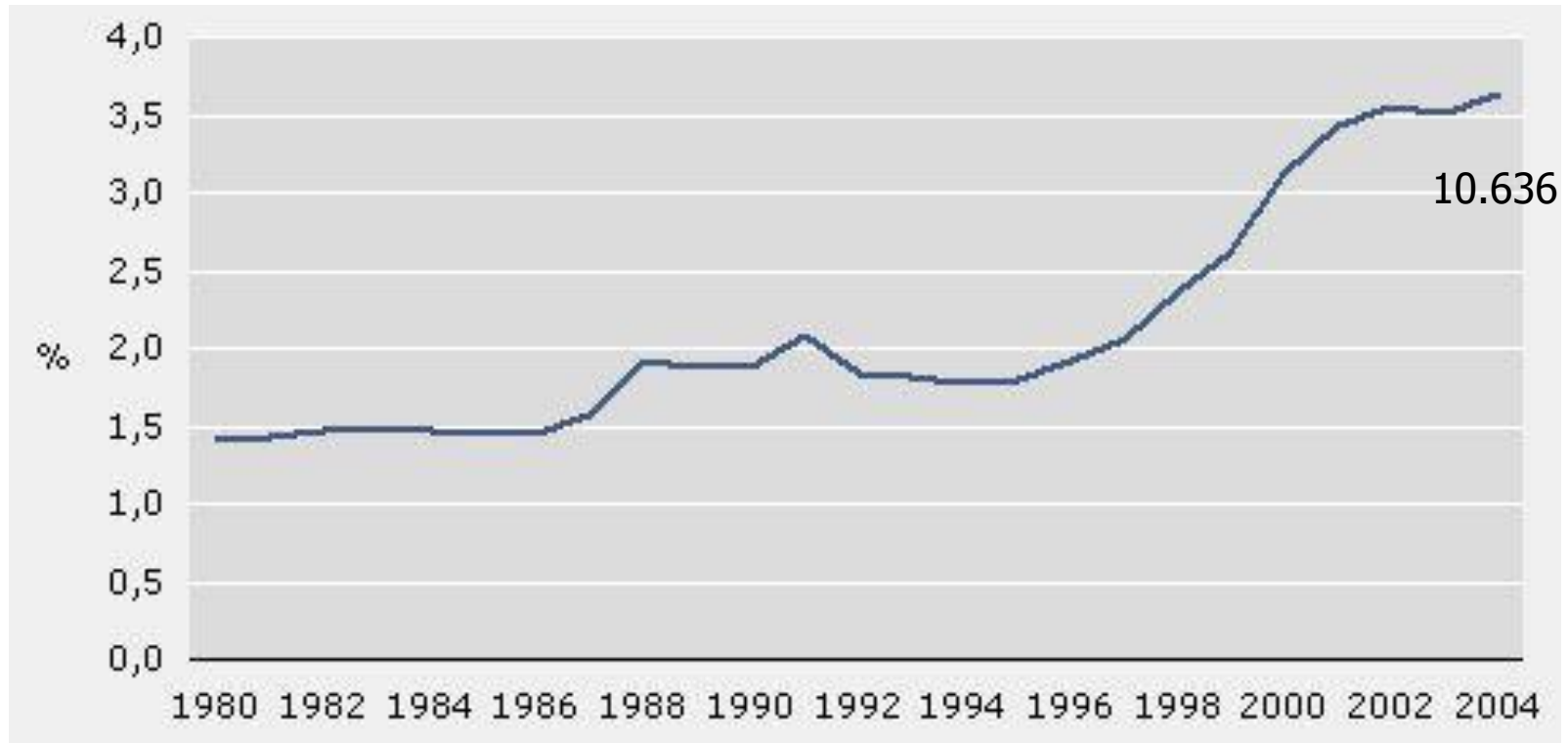


- ✓ The Icelandic labour market is flexible by European standards:
  - Collective agreements set the minimum wages and working conditions (wages for different jobs and industries, overtime payments, rest-periods, holiday allowances, payments in case of illness and accidents, pensions etc.)
    - The wage-structures are flexible and take into account:
      - The general performance of the economy and individual companies
      - The personal performance of individual workers
  - Low security – easy for companies to hire and fire
    - Workers ready to change jobs in search for better jobs and wages
- ✓ Consensus on system of Flexicurity?





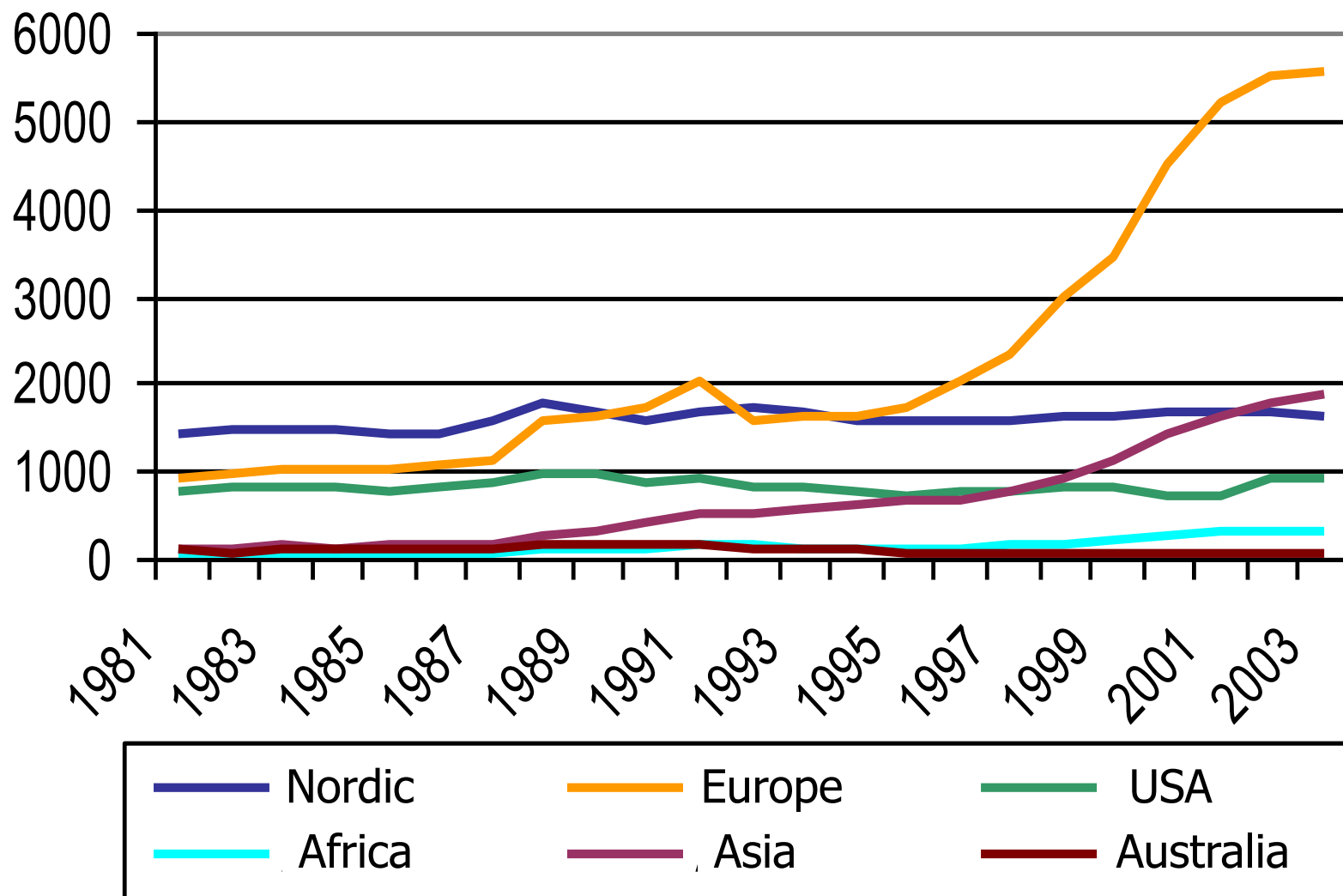
# % of foreign nationals in Iceland



2004: 637 foreigners granted Icelandic citizenship  
2003: 436 foreigners granted Icelandic citizenship  
2002: 364 foreigners granted Icelandic citizenship



# Foreign nationals in Iceland





# Foreign nationals in Iceland (2004)



Poland	1903
Denmark	890
Jugoslavia	670
Philippine	647
Germany	540
USA	515
Thailand	490
Lithuania	423
Portugal	357
Others	4201

# Icelandic Labour Migration Policy

- ✓ The general rule stated in the Foreign Nationals' Right to Work Act is that the right of foreign nationals' to work in Iceland is based on work permits
- ✓ There are basically two kind of work permits:
  - Temporary work permit granted to a employer to employ a foreign national, usually issued for a period of up to 1 year. Based on the fact that qualified person can not be found in Iceland
  - Permanent (unlimited) work permit granted to a foreign national which has been legally domiciled in Iceland, and has lived there, for three consecutive years





# Foreign Nationals' Right to Work Act, No. 97/2002



## Art. 7

- ✓ A temporary work permit is issued to the employer in order to employ a foreign national. The conditions for granting a work permit under this Article are as follows:
  - a. That qualified persons can not be found in Iceland, that occupational sectors in the country lack workers, or that there are other special reasons for granting such permits. Before the permit is granted, the employer shall have applied to the regional employment office for workers, except where it is a foregone conclusion, in the opinion of the Directorate of Labour that such an application will prove



# Foreign Nationals' Right to Work Act, No. 97/2002



## Art. 11

- ✓ A foreign national may be granted permanent work permit. The conditions for granting a work permit under this Article are as follows:
  - a. that the foreign national has been legally domiciled in Iceland, and has lived there, for three consecutive years,
  - b. that the foreign national has acquired a residence permit in Iceland under the Act on Foreigners,
  - c. that a permit has been issued previously under Article 7.



# General consensus



- ✓ There has been a general consensus in Iceland that the Icelandic labour market is so small and sensitive to economic fluctuations and external pressures that when it comes to issuing work permits should primarily be based on the need on the labour market because of shortage in the workforce
- ✓ In practice it has followed that:
  - The number of work permits issued has been directly linked to the demand on the labour market at that time
  - Foreign national's in Iceland are highly active on the labour market



# Nationals not needing work permits



- ✓ Common Nordic Labour Market

A long tradition for a common Nordic Labour Market – with free movement of workers from Denmark (Greenland and Faroe Islands) Norway, Sweden (Aland) and Finland

- ✓ The European Economic Area (EEA)

On 1 January 1994 Iceland became part of the Single Market for Goods, Services, Capital and Persons made up of 18 European states (15 EU and 3 EFTA states (Iceland, Norway and Lichtenstein). The common labour market is important part of the EEA



# Declaration by Iceland in 1993



- ✓ When signing the EEA Treaty the Icelandic government issued a declaration which underlines the possible danger the government (and the trade unions) at that time saw in opening up the Icelandic labour market:

*“Due to the one-sided nature of its economy and the fact that its territory is sparsely populated, Iceland states its understanding that, without prejudice to the obligations arising under the Agreement, it may take safeguard measures if the application of the Agreement is to cause in particular:*

- *serious disturbances on the labour market through large-scale movements of labour into certain geographical areas, particular types of jobs, or branches of industry; ....”*

- ✓ It has however never been considered to take any safeguard measures based on this declaration



# The enlargement of EEA



- ✓ From the outset the Icelandic government and the Social Partners supported the enlargement of EU and EEA
- ✓ It was also emphasised how important it was that the enlargement of the EEA would go hand in hand with the enlargement of EU
  - The government of Iceland issued a number of statements emphasizing this opinion within EFTA and on its own
  - The Social Partners in Iceland signed joint statements and opinions to this end both as members of EFTA's Consultative Committee and as part of EEA Consultative Committee together with EESC



# Transitional arrangements



- ✓ When the EEA Enlargement Treaty was finalised it had the same transitional arrangements in the area of free movement of workers as the EU Enlargement Treaty
- ✓ In Iceland dialogue in late 2003 and early 2004 between the government and the Social Partners resulted in a common position:

The transitional arrangements would apply for the first 2 years as regards 8 of the 10 new member states – to 1 May 2006.

In late 2005 dialogue would take place again on the question what to do after May 1 2006



# Social Partners Agreement



In March 2004 the Social Partners signed an **Agreement concerning Foreigners on the Icelandic Labour Market**

In the introduction following statements are to be found:

- ✓ *The Parties to this Agreement are of the opinion that variations in the composition of the labour force as a result of an increase in the number of foreigners in the Icelandic labour market should not disrupt the current arrangement for the determination of wages and other working conditions for workers through collective agreements.*
- ✓ *It is a common task for the Parties to render their support so that companies employing foreign labour in their production or their services shall pay wages and offer working conditions in compliance with collective agreements and the laws in this country.*
- ✓ *It will undermine the operations of other companies and impair the conditions for normal competition as well as reduce the benefits to society as a whole for a strong and healthy industry if collective agreements are not complied with.*
- ✓ *The Parties agree that the adjustment of foreign labour and foreign companies to the customs and traditions of the Icelandic labour market and the Icelandic society are well suited to create a situation of trust and peace in the relations of the Parties.*





The agreement:

# Right to information



- ✓ *It is the task of the shop stewards representatives of the trade unions at the place of work to ensure that collective agreements that have been entered into are observed with respect to the employees, cfr. Act No. 80/1938, Art. 9. In the event of the probable suspicion of a violation of the collective agreement in question or of the laws on the working conditions of foreign workers the shop steward has the right as provided for in this present Agreement to review documents/data regarding the wages or other working conditions of those foreign employees covered by the applicable collective agreement who are working for the employer in question, and if applicable regarding the occupational qualifications of those who hold jobs where such qualifications are required.*
- ✓ *If there is not a shop steward at the place of work the representative of the trade union concerned will have the same authorities and the same duties as the shop steward to review the documents/data.*



The agreement:



# In case of disagreement

- ✓ *In the event that the employer does not consent to the request of the shop steward to be granted access to information regarding the wages and other working conditions of a foreigner and/or there is disagreement as to whether or not the provisions of collective agreements or of the laws have been complied with... and this disagreement has not been resolved within the company, the dispute can be referred to a special Joint Consultation Committee of The Icelandic Confederation of Labour (ASI) and the Confederation of Icelandic Employers (SA).*
- ✓ *The Joint Consultation Committee shall seek ways to collect information concerning cases referred to the committee in accordance with the above rules and to settle the dispute through discussions.*
- ✓ *In case of "non-solution" the issue could be taken to the courts*



# Development on labour migration



- ✓ There is a long tradition for (young) people from the other Nordic countries (and western Europe) to come a work in Iceland (temporarily)
- ✓ In the late 80's and 90's there was a gradual increase in people coming from Asia (especially women from Philippine and Thailand to work in low pay jobs in manufacturing industry and services) and Poland (especially to work in the fish processing industry)
- ✓ Since 2003 there has been a explosion in the number foreign workers on the Icelandic labour market – both registered and “not-registered” primarily from Poland, Portugal, the Baltic states (Latvia and Lithuania) and the Balkans



# Increased demand for workers



- ✓ Because of decisions taken in 2002 and 2003 the demand for skilled and semi-skilled workers in construction and building industry increased significantly in the period 2003 to 2008. At the peak of the period (in late 2005) about 3000 new jobs are created.
  - New hydropower stations
  - New and enlarged aluminium smelter plants
- ✓ At the same time the Icelandic economy is going through a economic boom which has lead to a increased demand for workers in the general building industry and services
- ✓ In all over 5000 new (temporary) jobs have been created



# New temporary work permit



<b>Year</b>	<b>Number</b>
<b>2002</b>	<b>502</b>
<b>2003</b>	<b>563</b>
<b>2004</b>	<b>1374</b>
<b>2005</b> (1)	<b>3148</b>

(1) January - October

## **Nationality 2005** (Jan. –Oct):

Poland:	<b>2.031</b>
China:	510 (1)
Lithuania:	<b>296</b>
Peru:	182 (1)
Serbia:	177
Slovakia:	154

(1) Permanent workers at Impregilo (main contractor at Karahnjukar hydropower – building side)



# Temporary agencies and contracts of services



- ✓ There is no tradition for Temporary agency work in Iceland neither from Icelandic or foreign Temporary work agencies (TWA). With very few exceptions (Portuguese)
- ✓ In 2004 hundreds of worker started to come to Iceland to work in the construction industry employed by Temporary work agencies (TWA) primarily from Latvia and Lithuania
- ✓ In 2004 hundreds of workers started to come from these same countries and Poland to work in the construction industry as part of contracts on services where the foreign company provides material and workers



# Services and social dumping



- ✓ In early 2005 it was estimated that only in the Reykjavik area the number of unregistered and in many cases illegal worker had grown dramatically working for Temporary agencies or based on other forms of service contracts
- ✓ It was also becoming more and more clear that these workers were not getting wages and other terms of employment in accordance with Icelandic collective agreements and labour law as they are entitled to as stated in the **Working Terms and Pension Rights Insurance Act No. 55/1980**



# Working Terms and Pension Rights



## **Insurance Act No. 55/1980, with subsequent amendments.**

Wages and other working terms agreed between the social partners shall 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 agreement. Contracts made between individual employees and employers on poorer working terms than those specified in the general collective agreement shall be void.







# Few facts

- ✓ Information gathered by the trade unions, the Social Partners Joint committee and the labour Directorate of Labour have revealed that the workers employed by the Temporary agencies and the other companies providing services are getting wages which are as low as 20 – 25% of the minimum wages by Icelandic collective agreements
- ✓ The minimum wage for semi-skilled construction worker is about 106.000 ISK. (1.415 €) for one months work (173 hours).  
We have seen wages down to 22.000 ISK. (300 €) for the same period.  
The same goes for payments for overtime work



# The Trade Unions' response



- ✓ In May 2005 the Icelandic Confederation of Labour started a information campaign

## ***"Equal rights – No exceptions"***

The main message of the campaign was that all workers on the Icelandic labour market should enjoy equal rights as regard wages and other employment rights regardless of their nationality

Information about basic rights of workers were translated into 10 languages and distributed to foreign workers located at various building-sides and placed at information centres





# EINN RÉTTUR -EKKERT SVINDL!

## Are you working? Do you know your rights?

### Everybody loses from social dumping

ASI's campaign against social dumping is aimed at companies that are abusing foreign workers. It is not aimed at foreign workers that have come to Iceland to work trusting that everything is in order.

Free information  
brochures in  
several languages  
are available



Information tel.:  
**53 55 629**  
**53 55 630**  
ekkertsvindl@asi.is

ICELANDIC CONFEDERATION OF LABOUR  
LD 1 ISLAND



ALPÝÐUSAMBAND ÍSLANDS



# The results



The campaign has been a success in many ways:

- ✓ The media has been very positive
- ✓ The community of foreigners in Iceland has been positive and supported the campaign
- ✓ Icelandic companies employing foreign workers have in many cases “put things right”
- ✓ Some companies using Temporary work agencies which have been paying their workers below wages set by Collective agreements have terminated their contracts and employed the workers directly



# New practises



- ✓ In September it was decided to speed up the handling of applications for work permits and minimise the administrative burden of companies seeking to employ workers coming from new member states.

The stated aim is to get Icelandic companies to employ workers from the new member states directly rather than to use Temporary work agencies or other forms of service contracts

- ✓ At the same time it is foreseen that work permits for other nationalities will become more and more difficult to get



# New legislation on temporary work agencies



- ✓ In connection with the renewal of general collective agreement in the private sector on November 15, the Government by referring to a dialogue with the Social Partners, issued a statement promising to get a legislation on Temporary work agencies through the Icelandic Parliament before Christmas.
- ✓ The draft legislation and its content is a result of dialogue and negotiations between the Social Partners and the government



# The draft legislation



- ✓ The Act applies to temporary work agency, domestic or foreign, operating on the Icelandic labour market.
- ✓ A company, domestic or foreign, is not authorized to operate a temporary work agency in Iceland without prior registration with the Directorate of Labour.
- ✓ Temporary work agency established in another EEA-Member State or an EFTA-state is under the same obligation as regards registration with the Directorate of Labour. In addition it has to present documents which prove that the company is registered as such in another member state and is authorized according to the law of that country to operate a temporary work agency.
- ✓ A temporary work agency established outside the EEA area is not allowed to operate in Iceland unless an international agreement which Iceland is party to provides for that.



# The draft legislation<sup>(2)</sup>



- ✓ A foreign temporary work agency which operates in Iceland for more than 10 working days in every 12 months is required to appoint a representative in Iceland.
- ✓ The representative is responsible for providing the authorities with information under this Law and the Working Terms Act, No. 55/1980.
- ✓ He must furthermore have power of attorney to receive official decisions issued by the authorities or subpoena in case someone intends to sue them in a court of law, with the same legal effects as if these decisions were presented directly to the temporary work agency.





# The draft legislation<sup>(3)</sup>



- ✓ An agency which intends to provide its services in Iceland must provide the Directorate of Labour with the following information, within eight days of it providing its services in Iceland:
- ✓ a. Number of workers hired out by the agency in Iceland, including their names, address in their country of origin, citizenship and professional qualifications where applicable.
- ✓ b. The estimated length of stay in Iceland in case of foreign workers.
- ✓ c. Information regarding the validity of employment permits in case of non-EEA workers, which have been issued by an EEA member state.
- ✓ e. Other information deemed necessary by the Directorate of Labour in order to check whether the temporary work agency is truly providing services as foreseen by the EEA Agreement and that it is hiring out its own workers. This includes copies of the agreement of services between the foreign temporary agency and the domestic user undertaking and employment contracts.



# The draft legislation<sup>(4)</sup>



- ✓ The Act provides workers with a number of legal protections.
- ✓ Temporary work agencies are prohibited from claiming, to negotiate or receive a fee from their workers for offering or providing them employment, whether at the start or during the course of the employment relationship.
- ✓ The Directorate of Labour is responsible for investigating reasoned complaints where it is alleged that a temporary work agencies has violated the provisions of this Act.
- ✓ If the Directorate of Labour concludes on the basis of its investigation that the complaint is well founded it can insist that the agency in question rectifies its business within a reasonable period of time and thus put it within the scope of the Act.
- ✓ Temporary work agencies, domestic and foreign, are required to provide the Directorate of Labour with any information that the Directorate deems necessary in order to ensure the correct application of the Act, including contracts of employments and information concerning wages and other terms of employment.



# What next?



- ✓ A dialogue between the government and the Social Partners on the issue of free movement of workers from the new member states after May 1, 2006 will start in the beginning of December
- ✓ Technically the following options will be considered:
  - Transitional arrangements for up to 3 more years as possible by the EEA Agreement
    - Free movement of workers delayed for up to 3 more years
  - Other arrangements
  - Free movement of workers fully implemented



# After May 1 2006?



## Possible outcome

- ✓ Free movement of workers from the new member states will be fully recognised?
  - Legal obligation to register with Icelandic authorities?

Special ID cards issued for all those working in the building and construction industry?

- ✓ The trade unions will demand active measures by the authorities to control activities of foreign services providers in Iceland and to monitor that observance of Act 55/1980 to ensure that they pay wages and provide their workers with working terms in accordance with Icelandic Collective Agreements and Labour law

