



## Employment



# Employment - General

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- Iceland normally has little unemployment, about 3%.
- The Covid-19 epidemic came with an immense increase in unemployment, especially among people of foreign extraction. In part this may be attributed to the fact that many foreign nationals were working in the tourism and food service industries, and jobs in these industries largely vanished.
- Citizens of EEA (European Economic Area) states do not require a work permit in Iceland.
- All workers must have an identification number and a legal domicile registered in the civil status records. [www.skra.is](http://www.skra.is)

# Benefit for society

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- It is important for everyone in society to have a strong economy.
- The greater the number of people who are working in the labour market, the higher the revenue for the state and municipalities in the form of taxes.
- Tax revenue is used to fund schools, health care, hospitals, to construct roads, pay social benefits and countless other things.
- More people working also means that fewer public funds are used for expenses such as unemployment and other social benefits.



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# Benefit for individuals

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- For most adult people it is very important to be gainfully employed.
- Employment provides:
  - Financial flexibility.
  - A more fulfilling daily life.
  - Social status and connections.
  - Potential for making use of one's talents.
  - Rights and benefits in various areas.
  - An opportunity to contribute to society.

# Rights and obligations in the labour market

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- Laws are established by Parliament and specific legal provisions apply to all employers and employees.
- All employers have an obligation to abide by the legislation that applies to hiring and wage contracts, work hours, absence from work, health, security and working environment.
- Employees also have obligations, including the responsibility to perform their duties in a satisfactory manner, and shall contribute their efforts towards creating a good working environment and participate in organised work in connection with safety and environmental matters in the workplace.
- Employees (through labour unions) and employers enter labour contracts with each other. Specific agreements are made for specific sectors of the economy.



# Rights and Obligations - Continued

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- Employees accrue rights in proportion to how long they have been employed and active on the labour market.
- Both seniority and chronological age are important factors about various rights, e.g., the length of **paid** summer holidays.
- Rights such as holidays, reimbursement for studies, sick leave, pension fund payments due to sickness and unemployment benefits are assessed based on age and rights accrued.
- Parental leave fund payments depend on **the duration and extent of employment on the Icelandic labour market** (minimum 6 months of employment before the birth of a child).
- It is also possible to apply for a parent's allowance, but this is a small amount.

# Trade union - What's that?

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- Employees on the labour market are members of specific trade unions.
- Some trade unions are profession-specific, i.e., only open to people who belong to one particular profession, such as the Icelandic Medical Association.
- The largest trade unions in Iceland are open to multiple occupational groups. VR, Efling and Sameyki are the largest trade unions.
- Trade unions negotiate with employers regarding wages, work hours and benefits on behalf of their members.



# Trade unions – Benefits for members

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- The purpose of trade unions is primarily to work towards improved conditions and increased rights for their members.
- Trade unions own summer cottages and vacation apartments all over the country, and these are available for members to rent for a few days for little money. Many trade unions offer traveller's cheques for purchase that can be redeemed for a higher amount when buying air fare tickets.
- It is wonderful to be able to go off on vacation to enjoy beautiful surroundings and relax. Everyone has the right to lease a summer vacation house or a vacation apartment. The houses are equipped with all facilities and usually a hot tub.



# Trade unions – Benefits for members, continued

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- Trade unions also run education and sickness funds which members can draw on for studies or expenses in relation to for instance Icelandic language courses, physical fitness programs, physiotherapy, psychology costs or to pay for eyeglasses.
- The rules that apply to these funds vary between unions.
- Trade unions also pay some of the expenses of medical accommodation for people living outside the capital area who must come to Reykjavík for medical treatment.
- Everybody can look to their trade union for assistance if they are uncertain about the extent of their rights or if they believe their rights have been violated (e.g., about wage contracts).

# Trade unions - Continued

- Union members pay union dues, a low membership fee. This is deducted from their wages.
- Union membership is not mandatory but it comes with undeniable benefits.
- People who are dismissed from employment can keep paying their union dues and maintain their rights.
- The Icelandic Confederation of Labour is the largest cross-industry organisation for wage earners in Iceland. [www.asi.is](http://www.asi.is)
- Trade unions are members of the Confederation. The Icelandic Confederation of Labour is a forum for membership organizations to cooperate with each other and interacts with government authorities and the Confederation of Icelandic Enterprise on their behalf in matters that jointly concern them. [www.sa.is](http://www.sa.is)

# Shop steward – what's that?

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- A shop steward is a contact person between employees and the union and employer.
- The shop steward is an employee elected by his/her fellow employees and has an obligation of confidentiality towards them.
- Among the shop steward's tasks are sharing information issued by the trade union and to be available to answer inquiries from employees regarding information and assistance related to the rights and obligations of employees.
- If you think that your rights are being violated at work, seek out the shop steward in the workplace or go directly to your trade union.



# Wages and taxes

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- In Iceland, wages are usually paid on a monthly basis, around the beginning of a new month.
- Income after taxes is transferred into employees' bank accounts.
- The wage slip is in a vast majority of cases on electronic form, visible under "My documents" in people's home banking service (online) or at [www.island.is](http://www.island.is).
- The wage slip indicates the amount of wages paid, total wages, taxes paid and other wage-related expenses.
- Total wages is the amount of wages before the deduction of taxes and wage-related expenses.
- Wages paid is the amount transferred into the bank account.
- All wage earners shall receive wage slips on which income and deductions are indicated.

# Wage related expenses

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- Wage-related expenses include:
  - Pension fund payments
  - Union membership dues
  - Contribution to the employees' association in the workplace
  - Food expenses, if the employee pays for food provided in the workplace.
- Employers are also obliged to deduct from wages any child support payments or unpaid official duties and send to the authorities.
- All payments and all deductions shall be indicated on the wage slip each month.



# Taxes - an important source of support in welfare states



- The Icelandic welfare state relies on people paying taxes and other official duties. The state's tax revenue is used to pay for public services and social benefits. [www.rsk.is](http://www.rsk.is)
- All parties who create revenue (wage earners and contractors) are required to pay income tax and municipal tax.
- Income tax is paid to the state.
- Municipal tax is tax paid to the municipality in which you live.
- Wage payers are required to deduct taxes from the wages of wage earners and pay these taxes to the state.

# Taxes – continued

- Wage earners pay different amounts of taxes, depending on their income.
- The taxation system has tax brackets that are applied to people's wages.
- On average, people pay about 37.4% of their income in the form of taxes and wage-related expenses.
- Personal tax allowance is deducted from the amount of the taxes. The personal tax allowance is ISK 59,665 per month for the year 2023. [www.rsk.is/einstaklingar/stadgreidsla/personuafslattur](http://www.rsk.is/einstaklingar/stadgreidsla/personuafslattur)
- Everyone who is aged 16 years or older during the income year and resides in Iceland is entitled to a personal tax allowance.

# Tax return

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- Everybody is required to file a tax return with the tax authorities in **March** of each year. This also applies to people who receive social benefits or disability benefits.
- If an individual does not file a tax return, the Commissioner of the Inland Revenue will assess the amount of wages earned by the relevant person.
- The tax return is an electronic document which indicates all income, assets, liabilities and tax payments for the year for the relevant person.
- Tax authorities examine the tax return and calculate the amount of official duties which everybody must pay, and compensation if relevant.
- Interest subsidies for housing loans and child benefits to support families with children are calculated based on the tax return. **Such benefits are income and asset based.**

# Tax return – continued

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- The tax return is on electronic form.
- Usually, all information has been pre-entered on it, for example wages and tax deducted from salaried work.
- The tax return must be verified and filed electronically. This is done using a web key or an electronic certificate.
- The tax return is filed in March of each year under "My pages" at [www.skattur.is](http://www.skattur.is) (Support Network).
- The results of the tax authorities' examination of each person's tax return are detailed on a tax assessment slip. Thereon are indicated official duties, compensation and whether the relevant person is owed money or owes money. The tax assessment slip can be found in electronic form under "My pages" at [www.skattur.is](http://www.skattur.is)

# The pension system

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- When people stop working due to their age (aged 67-70 years), they receive old age pension and usually also payments from a pension fund.
- Old age pension is paid by the state, through social insurance institutions (the Social Insurance Administration). The rights people are entitled to in the social security system **are linked to the duration of residency in Iceland.** [www.tr.is](http://www.tr.is)
- By law, all wage earners and self-employed persons are required to pay a pension fund contribution of at least 15.5% of total wages - which is divided between employees and employers. The wage earner pays 4% and the employer contributes 11.5%.



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# The pension system - Continued

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- The purpose of pension funds is to ensure that its members have sufficient old age pension to last them for the rest of their lives. Pension fund payments are also made to compensate loss of income for reasons of disability or the death of a spouse. [www.lifeyrismal.is](http://www.lifeyrismal.is)
- The amount of pension payments is determined by the premium payments made by each individual in the course of their working life, as well as the performance of the pension funds.
- Some pension funds are open to everyone, whereas others are restricted to specific professions.
- Supplementary pension savings are optional. Wage earners can make an additional contribution of 4% of their total wages to a pension fund, against a reciprocal contribution from the employer. A great many people do so.

# Directorate of Labour

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- The Directorate of Labor (VMST) is a public institution that operates according to the Act on Labour Market Measures and the Act on Unemployment Insurance. [www.vmst.is](http://www.vmst.is)
- Among the generic services that the Directorate of Labor provides to individuals are registration, qualification assessment, consultancy, remedies and labour recruitment.
- The Directorate of Labour has its head office in Reykjavík in addition to branches around the country.
- The Directorate of Labour pays unemployment benefits. These are always seen as a temporary remedy.
- Those on unemployment benefits must always be active in their job search and be ready to participate in labour market measures.

# The Directorate of Labour - continued

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- An individual can be entitled to receive unemployment benefits for a total of 30 months from the time when the application for benefits was made.
- Wage earners aged 18-70 are entitled to unemployment benefits provided that they have accrued the right to receive insurance and meet various requirements.
- To be entitled to receive unemployment benefits an individual must have a permit to work in Iceland **without limitations**.
  - People who have been accorded international protection status have unlimited rights regarding residency and work, and therefore may be entitled to receive unemployment benefits if other requirements are met.
  - People who have received a residence permit on humanitarian grounds and/or a provisional residence permit have limited rights to enter into employment in Iceland, and therefore are not entitled to receive unemployment benefit payments. (If such individuals later receive permanent residency permits, they can apply for unemployment benefits.)

# The Directorate of Labour - continued

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- Among the Directorate of Labour's tasks are:
  - Keeping a register of available jobs and sharing information about available jobs to job seekers.
  - Providing the registration of unemployed people and the payment of unemployment benefits.
  - Organising labour market resources such as study courses, job resources, consultancy and work-related rehabilitation.
  - Managing, procuring and sharing information about the state of the labour market in Iceland.
  - Issuing work permits and registering foreign nationals in the labor market.
  - Monitoring foreign workforce in cooperation with other government authorities.
  - Working towards ensuring that foreign nationals enjoy the same wage terms as other employees on the Icelandic labour market.
  - Operating a refugee team and an international department for the purpose of finding resources and providing services to people of foreign extraction in connection to activities on the labor market.

# Tax evasion

- Sometimes people work and receive wages that are not officially declared and pay no taxes. This is called "working under the counter".
- Such economic activities are illegal and punishable by law.
- An economic operator who does not pay taxes on his/her activities and employees who do not pay taxes on their income are not contributing to society.
- Tax revenue is used to pay for services and projects that benefit everyone in society.



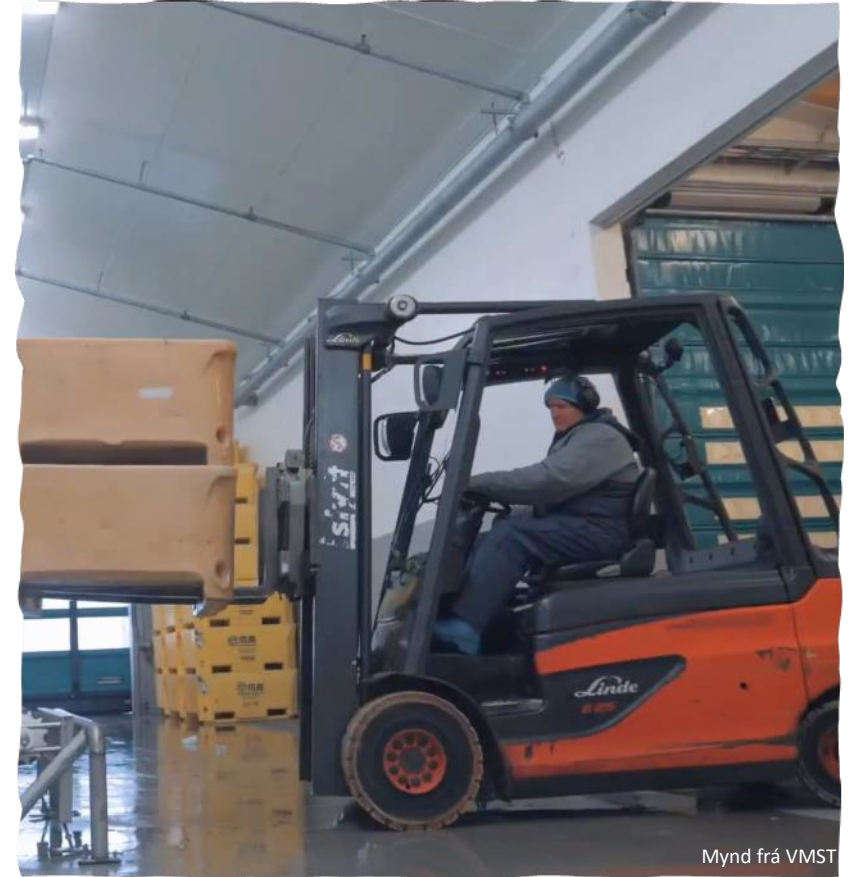
# Working under the counter – What are the consequences?

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- Working under the counter means that the individual:
  - Receives no sickness pay.
  - No summer vacation pay.
  - No contribution towards pension rights.
  - No right to receive unemployment benefits.
  - No accident insurance on the job.
  - Is less likely to get a bank loan or housing loan.
  - Less likely to find an apartment to rent.
  - There will be no employment contract, references or record of professional experience.
  - Therefore, it will be more difficult to find other jobs.

# Contractual work

- Any person who undertakes, for a consideration, to execute or manage a specific project for another party and guarantees the success of the project is a contractor.
- A contractor issues invoices for his/her work and is him/herself responsible for paying taxes and wage-related expenses.
- A contractor is required to file a tax return and declare income and expenses (cost).
- An economic operator (contractor) who employs people (employees/wage earners) are also called employers and as such have specific duties.



# Independent economic activities



- Before operating activities commence, they must be reported to the Directorate of Internal Revenue, irrespective of whether they are conducted as a company or under the identification number of the individual (sole proprietorship).
- It is also required to report changes to the operations and the cessation of activities (if a company is dissolved).
- People who conduct independent economic activities must manage their finances carefully:
  - Keep the accounts and regularly pay VAT.
  - Enter income as soon as it is obtained.
  - Issue invoices.
  - File annual accounts at the end of each business year.
  - File a tax return.
- The Commissioner of the Inland Revenue regularly offers courses for people who are embarking on independent economic activities, [www.rsk.is/atvinnurekstur/ad-hefja-rekstur/](http://www.rsk.is/atvinnurekstur/ad-hefja-rekstur/)

# Job seeking

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- Although unemployment is usually low in Iceland, there can be competition for jobs.
- Most jobs are advertised in newspapers and/or online.
- Large companies advertise available jobs on their home pages or provide opportunities for submitting applications if a job becomes available.
- There are also many employment agencies where many available jobs can be viewed. The biggest one is Alfreð, see: [www.alfred.is](http://www.alfred.is)
- In many cases, the application shall be filled out online and a CV, letter of introduction and certificates shall be enclosed (as an attachment) as needed.
- It is also possible to send an e-mail message directly to a company, to make a phone call or turn up in person in order to apply for a job or ask for a job interview.
- Invitations to attend job interviews are sent by e-mail or arranged over the phone.

# Job seeking – continued

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- A job application must include:
  - A letter of introduction with a short presentation of the individual, information about his/her professional background, if applicable, and arguments to establish competency and interest about the job.
  - CV – i.e., a written summary of education and work experience. It should contain information about:
    - Personal matters (photo, name, ID number, e-mail address and telephone number) and information about personal affairs, should the applicant so wish.
    - Education
    - Work experience
    - Language skills
    - Other information that may be of relevance.
    - References



# Immigrant participation on the Icelandic labor market

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- Immigrants in Iceland come from all over the world, although Poles constitute by far the most numerous immigrant group.
- It has often proved difficult for immigrants to have their qualifications accepted on par with Icelandic education degrees. It is possible to apply for attestation of diplomas from the relevant professional organisation through the Ministry of Higher Education, Science and Innovation.
- The ENIC/NARIC office provides consultancy about assessment of previous education. [www.enic-naric.net](http://www.enic-naric.net)
- Validation of competence regarding e.g., the vocational trades and other jobs is the responsibility of the bodies providing continued education. [www.idan.is](http://www.idan.is)

# Immigrants on the labor market

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- It is important for everyone to learn Icelandic as well as they possibly can, and to make use of each opportunity to practise. Even minimal skills can help when applying for a job.
- Icelandic society is still adapting to become a multicultural society and sometimes the directors of companies are hesitant to give immigrants an opportunity on the labour market.
- The need for diverse cultural and professional training resources for people of foreign origin increases as the number of people of foreign extraction in Iceland increases.
- There is a need for studies that combine Icelandic language studies and basic training, secondary school or university studies or occupational training.

# Websites

- [www.alfred.is](http://www.alfred.is)
- [www.asi.is](http://www.asi.is)
- [www.attavitinn.is/vinna/atvinnuleit](http://www.attavitinn.is/vinna/atvinnuleit)
- [www.efling.is](http://www.efling.is)
- [www.enic-naric.net](http://www.enic-naric.net)
- [www.idan.is](http://www.idan.is)
- [www.island.is](http://www.island.is)
- [www.lifeyrismal.is](http://www.lifeyrismal.is)
- [www.mcc.is](http://www.mcc.is)
- [www.rsk.is](http://www.rsk.is)

- [www.rsk.is/atvinnurekstur/ad-hefja-rekstur/](http://www.rsk.is/atvinnurekstur/ad-hefja-rekstur/)
- [www.sa.is](http://www.sa.is)
- [www.sameyki.is](http://www.sameyki.is)
- [www.skattur.is](http://www.skattur.is)
- [www.skra.is](http://www.skra.is)
- [www.tr.is](http://www.tr.is)
- [www.utl.is](http://www.utl.is)
- [www.vinnumalastofnun.is/atvinnuleitandi](http://www.vinnumalastofnun.is/atvinnuleitandi)
- [www.vinnumalastofnun.is/faedingarorlofssjodur](http://www.vinnumalastofnun.is/faedingarorlofssjodur)
- [www.vmst.is](http://www.vmst.is)
- [www.vr.is](http://www.vr.is)



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