

New Collective Agreement

On Thursday May 5th a new Collective Agreement on the private labour market was signed on behalf of the trade unions.

Workers in the country who are members of the unions within The Icelandic Confederation of Labour (ASÍ) have had no agreement with their employers for almost half a year. During this period purchasing power has decreased, we have been facing growing unemployment, many have experienced a sharp drop in their income as working hours have been cut and many have to accept job sharing and part time work. The bargaining negotiations of last months have been especially difficult for the negotiators as increase in wage payments have been dragged for months when people really need a pay rise. It has been of great help to our negotiators that people in the unions have been very supportive and all decisions have been made in complete agreements. The new agreement will be put to vote in the trade unions and has to be ratified before May 25th in order to come in to force.

It is clear that if the unions and employers had not reached an agreement the road was open for serious industrial disputes as the trade unions had started preparing for massive strikes in the country.

Increases in wages

According to the agreement all wages will rise at least by 11,4% in the next 3 years. Minimum wages will however rise by 23,6%.

General wage rise:

| | |
|-------------------|-------|
| 1. June 2011: | 4,25% |
| 1. February 2012: | 3,50% |
| 1. February 2013: | 3,25% |

Increases in wage tables

| | |
|-------------------|------------|
| 1. June 2011: | 12.000 kr. |
| 1. February 2012: | 11.000 kr. |
| 1. February 2013: | 11.000 kr. |

Income guarantee for full time work will be

| | |
|-------------------|-------------|
| 1. June 2011: | 182.000 kr. |
| 1. February 2012: | 193.000 kr. |
| 1. February 2013: | 204.000 kr. |

Special payments (because how late the agreement was made)

In June workers in full time work in the months March – May will be paid 50.000 kr. once. Workers who left employment in April or who are in part time work will be paid proportionally according to time worked in March and April. Workers who started to work in April and are in work on May 5 will be paid proportionally according to time worked in March and April.

Special payment in addition to the Vacation supplement in 2011: 10.000 kr.

Special payment in addition to the December supplement in 2011: 15.000 kr.

Other issues

The agreement deals with many issues other than wages such as rights in case of accident, pension rights, overtime work and time-of, calculation of overtime pay, definition of shift work, week-end work and meal breaks and insurances in case of accidents when working outside Iceland.

In relation to the collective agreement the government, after dialogue with the trade unions and the employers organisation, issued a statement on many issues in the interest of workers. The statement deals with issues like unemployment and welfare benefits, taxes, education and active employment measures and workers pension rights. The statement has to be seen as an important and integrated part of the agreement.

The agreement is valid to February 1th 2014.

The agreement is based on some pre conditions. As regards 2011 the conditions are made as regard the statement given by the government on May 5th. For 2012 and 2013 conditions are made as regards inflation, the value of the krona and real wages.

If conditions for 2011 will not hold, the agreement expires on February 1 2012. If the conditions for 2012 and 2013 will not hold, the agreement can be improved if both parties agree or terminated by either or both parties to the agreement. In that case it expires on February 1 2012 or February 1 2013.

What do we gain by the agreement?

We list here the most important points in the agreement:

- The wage tables on the private/general labour market increase by 17-21,6% or 34,000 kronas over the term of agreement.
- Income guarantee for full time work increases by 23,6%.
- With higher wage tables the safety net is improved for those who receive wages over wage tables stipulated in union agreements.
- Special payments make up for the delay in the negotiation process
- The government will guarantee indexed tax credit and will revise the tax system as regards child benefits and interest rates deduction with relation to assets.
- The pension system for workers on the general labour market will now be improved by increasing payments into the system in the years 2014-2020.
- One of the important goals of this agreement is to increase employment, create jobs.
- A special campaign will be launched for the unemployed where the main target is to find jobs and give those who are out of work opportunities in the formal and informal education system, both young people and those who are above school age.
- The government will support The Wage Guarantee Fund and The Maternity/Paternity fund in order to guarantee payments to workers on childbirth leave and those who risk loss of payments due to bankrupt companies.
- Unemployment benefits and other welfare benefits will increase as are stipulated in the agreement.
- New legislation will guarantee rehabilitation rights for all workers and those who are receiving benefits from the pension funds.

- The government will guarantee indexed tax credit and will revise the tax system as regards child benefits and interest rates deduction with relation to assets.
- In the statement issued by the government some social reforms will improve the legal rights of workers.

We hope that once you have reviewed the agreement you will agree with us on its benefits. It is very important that you take part in the vote and express your will as regards the new agreement.

We encourage you to participate in the vote and support the agreement.