

Employment protection in Iceland – 2008

Item 1 Notification procedures in the case of individual dismissal of a workers with a regular contract	A worker must be notified of dismissal in writing.
Item 2 Delay involved before notice can start	After notification in writing, the notice period begins first day of the month following notification.
Item 3 Length of notice period at different tenure durations	Under minimum standards legislation, employees with more than one year of continuous service are entitled to one month notice, those with three years of service are entitled to two months' notice and those with five years of service are entitled to three months' notice. Notice periods in collective agreements for affiliates to the two largest private sector trade union federations (SGS and LIV) are: SGS: 2 weeks: 12 days; 3 months: 1 month; 3 years: 3 months; LIV: under 3 months: 1 week; 3-6 months: 1 month; 6 months: 3 months; 10 years: 55 years of age: 4 months; 60 years of age: 5 months; 63 years of age: 6 months. Around 88% of workers are trade union members.
Item 4 Severance pay at different tenure durations	There is no legal right to severance pay.
Item 5 Definition of unfair dismissal	Employment can generally be terminated by either the employer or the employee without giving reasons for termination. A worker who is dismissed due to the fact that he/she has given notice of intended maternity/paternity/parental leave, during maternity/paternity/parental leave or when pregnant or soon after childbirth cannot be dismissed without reasonable cause and must be given written explanation of dismissal. Dismissal is also prohibited on the basis of gender, family responsibilities or trade union activity.
Item 6 Length of trial period	3 months.
Item 7 Compensation following unfair dismissal	Information not readily available.
Item 8 Reinstatement option for the employee following unfair dismissal	If the termination is found to be unfair, the court does not typically order reinstatement.
Item 9 Maximum time period after dismissal notification up to which an unfair dismissal claim can be made	Generally, dispute cases lapse if not claimed within four years.
Item 10 Valid cases for use of fixed term contracts	No restrictions.
Item 11 Maximum number of successive FTCs (initial contract plus renewals and/or prolongations)	No limit.
Item 12 Maximum cumulated duration of successive FTCs	Maximum length of fixed term contracts is 24 months including renewals. Fixed-term contracts for managerial personnel are not time-limited.
Item 13 Types of work for which temporary work agency (TWA) employment is legal	Generally allowed. However, TWA's are not permitted to hire out a worker to a user firm if the worker has worked directly for the user firm in the previous six months.
Item 14 Are there restrictions on the number of renewals and/or prolongations of TWA contracts?	No.
Item 15 Maximum cumulated duration of TWA contracts	No limit.
Item 16 Does the set-up of a TWA require authorisation or reporting obligations?	Temporary work agencies must notify and report regularly to the Directorate of Labour.
Item 17 Do regulations ensure equal treatment of regular workers and agency workers at the user firm?	TWA workers enjoy the same rights as guaranteed to other workers and shall receive the same pay and benefits as agreed in collective agreements.
Item 18 Definition of collective dismissal	Within a period of 30 days, dismissal of (i) at least 10 workers in enterprises usually employing more than 20 and less than 100 workers; (ii) at least 10% of all workers in enterprises employing more than 100 and less than 300 persons; or (iii) at least 30 workers in enterprises usually employing at least 300 workers.
Item 19 Additional notification requirements (compared to Item 1) in cases of collective dismissal	An employer contemplating collective dismissal must consult with the workers' representatives or with the workers and provide them with the opportunity to suggest ways to avoid or limit the dismissals or their impact. The employer must also notify the regional employment office.

Item 20 Additional delays involved (compared to Item 2)	The time taken for consultation between the employer and the workers' representatives varies widely.
Item 21 Other special costs to employers in case of collective dismissals	No additional costs.

This summary was produced by the OECD based on national labour law and secondary legal sources, and verified by officials from Iceland. It describes the situation current as at 1 January 2008 and is the basis for calculating the OECD employment protection indicators. To find out more about the methodology used to calculate the OECD employment protection indicators, see www.oecd.org/employment/protection.