

ICELAND

Items	Regulations in force on 1 January 2013
1: Notification procedures in the case of individual dismissal of a worker with a regular contract	A worker must be notified of dismissal in writing.
2: Delay involved before notice can start	After notification in writing, the notice period begins first day of the month following notification. Calculation: 1 day for notice in writing plus 15 days on average for first day of following month.
3: Length of notice period at different tenure durations (a)	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. Calculation (for EPL indicators): based on collective agreements: 9 months: average of 1 month and 3 months = 2 months; 4 years: 3 months; 20 years (assume aged under 55 years): 3 months
4: Severance pay at different tenure durations (a)	There is no legal right to severance pay
5: Definition of unfair dismissal (b)	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.
6: Length of trial period (c)	3 months
7: Compensation following unfair dismissal (d)	Compensation is normally provided only for financial loss (e.g. taking up a new occupation at a lower salary).
8: Reinstatement option for the employee following unfair dismissal (b)	If the termination is found to be unfair, the court does not typically order reinstatement.
9: Maximum time period after dismissal up to which an unfair dismissal claim can be made (e)	Generally, dispute cases lapse if not claimed without four years.
10: Valid cases for use of standard fixed term contracts	No restrictions
11: Maximum number of successive standard FTCs (initial contract plus renewals and/or prolongations)	No limit.
12: Maximum cumulated duration of successive standard FTCs	Maximum length of fixed term contracts is 24 months including renewals. Fixed-term contracts for managerial personnel are not time-limited.
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.
14: Are there restrictions on the number of renewals and/or prolongations of TWA assignments? (f)	No
15: Maximum cumulated duration of TWA assignments (f)	No limit
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.
17: Do regulations ensure equal treatment of regular workers and agency workers at the user firm?	TWA workers enjoy basic pay and working conditions as agreed in collective agreements. Calculation (for EPL indicators): half point for wages and half point for working conditions
18: Definition of collective dismissal (b)	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. Firms with less than 20 employees are exempt from requirements for collective dismissals.

19: Additional notification requirements in cases of collective dismissal (g)	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.
20: Additional delays involved in cases of collective dismissal (h)	The time taken for consultation between the employer and the workers' representatives varies widely.
21: Other special costs to employers in case of collective dismissals (i)	No additional costs.

Legend: d: days; w: weeks; m: months; y: years. For example "1m < 3y" means "1 month of notice (or severance) pay is required when length of service is below 3 years".

Notes:

- a) Three tenure durations (9 months, 4 years, 20 years). Case of a regular employee with tenure beyond any trial period, dismissed on personal grounds or economic redundancy, but without fault (where relevant, calculations of scores to compute OECD EPL indicators assume that the worker was 35 years old at the start of employment). Averages are taken where different situations apply – e.g. blue collar and white collar; dismissals for personal reasons and for redundancy.
- b) Based also on case law, if court practice tends to be more (or less) restrictive than what specified in legislation.
- c) Initial period within which regular contracts are not fully covered by employment protection provisions and unfair dismissal claims cannot usually be made.
- d) Typical compensation at 20 years of tenure, including back pay and other compensation (e.g. for future lost earnings in lieu of reinstatement or psychological injury), but excluding ordinary severance pay and pay in lieu of notice. Where relevant, calculations of scores to compute OECD EPL indicators assume that the worker was 35 years old at the start of employment and that a court case takes 6 months on average. Description based also on case law.
- e) Maximum time period after dismissal up to which an unfair dismissal claim can be made.
- f) Description based on both regulations on number and duration of the contract(s) between the temporary work agency and the employee and regulations on the number and duration of the assignment(s) with the same user firm.
- g) Notification requirements to works councils (or employee representatives), and to government authorities such as public employment offices. Only requirements on top of those requirements applying to individual redundancy dismissal count for the OECD EPL indicators (cf. Item 1).
- h) Additional delays and notice periods in the case of collective dismissal (only delays on top of those required for individual dismissals – as reported in Items 2 and 3 – count for the OECD EPL indicators).
- i) This refers to whether there are additional severance pay requirements and whether social compensation plans (detailing measures of reemployment, retraining, outplacement, etc.) are obligatory or common practice.