Ministry of Social Affairs, Iceland

Comments on

GREEN PAPER
“Modernising labour law to meet the challenges of the 21st century”

30 March 2007
Comments from Iceland

The labour market in Iceland is seen to be very flexible and the cooperation between the social partners and the Government is very strong and well developed. Because of the flexible nature the labour market can relatively easily accommodate well to changing demands for labour resulting from market forces, introduction of new technologies and other factors.

The Icelandic Government is of the opinion that a strong and competitive labour market where the rights and duties of employees and employers are respected is one of the cornerstones of the Icelandic welfare society. Therefore, the Icelandic Government is a firm supporter of the Nordic Model.

The social partners have a wide ranged power to regulate various employment terms through collective bargaining. Collective agreements fulfil both the primary function of establishing workers minimum terms of employment as well as establishing competitive operating conditions for companies. At the same time they are flexible enough to take into account special circumstances and needs of individual companies and circumstances. Continuing this system is seen to be very important, particularly for SMEs.

Iceland’s obligations according to the EEA Agreement on the free movement of goods, capital, services, and workers across national boundaries have a positive effect on the interests of individuals and companies in this country, simultaneous with an increased supply of goods and services, the dissemination of knowledge between countries, increased competition between companies, upward trends in various sectors of society, and the increase in the number of jobs.

Nevertheless, changes in the composition of the work force due to increase in the number of foreigners in the national labour market, whether on the basis of free movement or temporary posting, should not disturb the stability of the labour market. The last few years, there has been a great inflow of foreign workers to Iceland, in fact the second largest inflow in Europe. Because of this, the social partners and the Icelandic Government have worked closely together on appropriate reactions to this situation whether by introducing collective agreements or legislative actions.

The social partners and the Government all agree that the current system must continue to be accommodated and respected. The regulatory system must not be too stringent because it would undoubtedly lead to a much less flexible labour market and could hinder both employers and employees in seeking and taking advantage of new opportunities and adjusting to them.

Therefore, the regulatory system must take into account that conditions can vary within the labour market in each country and also between countries. The best way to ensure this is to
continue to respect the collective bargaining systems and entrust the social partners with a considerable part of establishing and maintaining “flexicurity”. This also means that even though basic rights and duties of the social partners are discussed and formalized at the European level the Icelandic Government is of the opinion that further discussions and development of rules and procedures must be allowed at the national level either through collective bargaining or national legislation.

The success of the Icelandic welfare system relies in large part on the social partners taking responsibility alongside the Government. Therefore, all these parties must have the tools to maintain and improve the welfare system, including the labour market.