

Collective Agreement
between
The Commercial Workers' Union of Reykjavík
(Verzlunarmannafélag Reykjavíkur – VR)
and
The Federation of Icelandic Trade
(Samtök verslunarinnar – FÍS)

Valid as from 1 April 2004

This is a **translation only**, in matters of dispute, please refer to the original text in Icelandic.

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Section 1 Wages

1.1. Minimum wages

The parties to this Agreement shall strive to make wages for fully recognised workers, aged 18 and above, following their trial periods, as follows during the period covered by the Agreement:

1 April 2004	ISK 105,000
1 January 2005	ISK 110,000
1 January 2006	ISK 115,000
1 January 2007	ISK 120,000

Where it is not possible to achieve this aim, the parties shall, jointly and in collaboration with the employers of the workers concerned, use their influence to have a satisfactory solution found regarding the employees' wages.

1.1.1. Monthly wages of young persons

Young persons' monthly wages shall be as follows:

Under 18 years: not less than 80% of the minimum wage.

Those who are aged under 16 years shall not accept wages that are less than 75% of the minimum wage.

Young persons' wages shall apply as from the beginning of the year in which they reach the relevant age.

1.2. Wage increases

On 1 May 2004, those wage earners who have not received the ISK 10,000 increase to their monthly wage (based on full-time daytime work) as from 1 January 2003, shall receive an increase of that amount, or by the amount still needed to achieve that increase. This shall apply to those employees who have worked continuously for the same employer since 1 January 2003. Those who have been in their jobs for shorter periods, but have worked continuously for the same employer since 1 July 2003, shall receive a ISK 5,000 increase applied in the same way. However, employees who have demonstrably not received any wage increase since 1 July 2003 shall receive increases of at least 3.25%.

The wages of employees who are on monthly wages lower than ISK 200,000 for full-time daytime work shall rise by ISK 5,000 on 1 January 2005 and then on 1 January each year unless this Agreement has been terminated.

Part-time employees shall receive wage increases proportional based on the proportions of full employment that they work.

1.3.

Wages

- a. Except as regards the matters covered in Article 1.2, the employer and employee shall negotiate the employer's wages directly between them in each individual case.
- b. Wages shall reflect the employee's work contribution, skill, diligence, flexibility in work, work done at special times, the content of the job and, where appropriate, the responsibility and educational qualifications involved.
- c. An evaluation, and possible revision, of wages and other terms of service shall be carried out by means of a special wage appraisal interview between a representative of the employer and the employee. Such interviews shall take place once a year, and the employer shall take the initiative on arranging the interview. If more than one year elapses between wage appraisal interviews the employee may request an interview, which shall then be granted within two months. The outcome of the appraisal interview shall be recorded and confirmed by both parties, and shall be regarded as part of the employee's employment contract.
- d. Companies may institute wage systems of their own by company agreements in order to improve their competitive position, stimulate development and increase their employees' earning potential.
- e. Employees covered by the terms of such agreements shall be entitled to demand negotiations with the employer if their wages are substantially different from the starting wages of comparable groups of employees in the company and the starting wages in comparable companies under comparable circumstances.

When assessing what constitute comparable wages and terms, reference shall be made to information available from other companies and to wage surveys that may be appropriate and have been made according to recognised methods.

If an agreement on individual wage rates for a particular worker is obviously incompatible with the premises of item b above, each of the organisations may request negotiations with the participation of both organisations.

- f. If there is considered to be substantial discrepancy between the aggregate wage payments of groups of wage-earners who work in comparable companies under comparable circumstances, both parties shall be entitled to refer the matter to a wage committee.
- g. When wages are determined, an agreement may be made regarding fixed wages which take account of the general principles of item b above. Under such an arrangement, it may be decided that wages shall include payment for

overtime work and address other possible drawbacks of the arrangement which result in no special payment being made for overtime work.

In such agreements, the maximum number of overtime working hours included in the wages shall be defined.

Disputes regarding the wages and terms applying to individuals when fixed-wage agreements have been made may be referred to the contractual parties if there is evidently a substantial incompatibility between the wages and the total content of the job (*cf.* item b above).

- h. Wages shall be determined in accordance with the aims of the legislation on wage equality.
- i. The parties are in agreement that in cases where the organisations find it necessary to institute proceedings to secure wage equality, a survey may be made of a workplace, with the participation of both organisations before their actual negotiations take place. In connection with the survey/negotiations, it shall be decided what wage data must be submitted in individual cases.

1.3.1. Wage committee

The wage committee shall consist of two representatives of each party and shall have the aim of resolving disputes involving wage payments and the interpretation of this Agreement.

If, when a decision is to be taken on a specific matter, no majority emerges in the committee consisting of representatives of both parties, an impartial chairman nominated by both parties jointly shall be added to the committee. If it happens that the dispute continues, then the chairman's view shall determine the issue.

When an addition is made to the committee in this way, the general customs applying to professional courts of arbitration shall apply, with the concessions and adjustments that may be dictated by circumstances.

The chairman shall determine how costs are to be divided. Furthermore, it shall be in the chairman's power to decide to impose fines when there proves to be no reasonable grounds for the complaint.

The chairman may decide that a specific matter is to be resolved by treatment in writing.

The wage committee may request information from parties concerning wage payments in comparable companies. Companies that are members of FÍS shall be obliged to supply such information.

1.4. December bonus

Workers who have been in full-time employment all year long at the same company and are still employed at the company in the last week of November or the first week of December shall, not later than 15 December each year, receive a December bonus in the form of a special lump-sum payment, amounting to ISK 60,000 in 2004 and 2005 and ISK 65,000 in 2006 and 2007. Part-time workers meeting the same conditions shall receive proportional payments. Proportions of full-time employment shall be based on permanent regular work, amounting to a maximum of 36 hours and 15 minutes per week. The period on which the calculation is based shall be the calendar year, a full year's employment being, for this purpose, 45 worked weeks, or more, excluding holiday (annual vacation). Workers with shorter working time behind them shall receive payments proportional to their working time. The December bonus is a fixed sum which does not undergo change according to other provisions.

A worker who stops work due to age or following 12 weeks' continuous employment for the same employer during the year shall receive the December bonus, taking into account his working time and proportion of full employment during the year. The same shall apply even if the employee is off work due to illness after the employer's obligation to pay wages ceases to apply.

After 1 year's work for the same employer, absence due to legally-prescribed maternity/paternity leave shall be regarded as working time for the purposes of calculating December bonus payments. The same shall apply where women have to stop working during pregnancy as a safety precaution (*cf.* the Regulations on measures to increase safety and health at work for women who are pregnant, have recently given birth or are breastfeeding).

The December bonus, including holiday pay, shall be paid separately and without any connection with wages.

In accordance with a written agreement, the December bonus may be paid in 12 equal monthly payments, in which case these payments shall be shown separately on the pay slips.

Such monthly payments of the December bonus would come to ISK 5,000 in 2004 and 2005 and ISK 5,417 in 2006 and 2007.

1.5. Evaluation and working experience

If an employee works at more than one paid job within the same company, he shall draw pay based on the higher or highest-paid job, unless he undertakes the other(s) as extra work.

1.6. Courses

1.6.1. Structure of training

Companies shall draw up a training schedule in consultation with employees covering their training as far as circumstances permit. The training schedule shall be designed with the purpose of increasing employees' professional skills and knowledge and contributing towards further streamlining within the companies.

1.6.2. Courses outside working time

When taking courses that they are required to attend outside their working time, employees shall receive their contractual hourly rates of pay for half of the hours spent on the course, at daytime or overtime rates, as appropriate. However, this may never result in a reduction of the employee's regular monthly wage.

1.6.3. Courses for salesmen

It is desirable, where possible, that salesmen should be sent on the courses on offer to them within their profession, both in Iceland and abroad, and that the employer pay their course fees and travelling and maintenance costs.

For other provisions on salesmen, see Article 3.4.2 (on travelling costs) and Article 8.7. (definition and insurance).

1.7. Divisors

1.7.1. Divisors for calculating hourly rates

Each employee's hourly daytime rate of pay of is found by dividing the employee's regular monthly wage by 157.

1.7.2. Divisors for calculating daily pay rates and holiday pay

Each employee's daily rate of pay of is found by dividing the employee's regular monthly wage by 21.67 (Saturdays not being included).

1.8. Rates for overtime work and work on major public holidays

1.8.1. Overtime work

Payment for all overtime work shall be made at hourly rates equivalent to 1.0385% of monthly wages for daytime work.

Payment for overtime work done by office workers who work according to a systematic shift-work system shall be according to the provisions of the relevant agreements.

Regarding public holidays, see Article 2.3.1.

1.8.2. Work on major public holidays

Payment for all work done on major public holidays shall be made at hourly rates equivalent to 1.375% of monthly wages for daytime work.

This shall not apply to regular work for which winter leave entitlement is granted for work on the days referred to, in which case the valid rules on payment shall apply without amendment.

For a definition of major public holidays, see Article 2.3.2.

1.9. Call-outs

When an employee is called out for work that is not in direct continuation of his daily work, he shall receive overtime payment for at least 4 hours except when his regular working time commences within two hours.

1.10. Rules on wage payments

Wages shall be paid each month on the first day after the end of the month for which wages are paid. If this day falls on a holiday, then payment shall be made on the last working day of the month.

1.10.1. Pay-slips

Employees shall receive pay-slips when each wage payment is made, on which the payment shall be itemised, e.g. under daytime pay and overtime, with the number of hours worked in overtime work being stated.

1.10.2. Payment period for overtime work

Payment for all overtime work shall be made in a single payment, retrospectively, for each month.

1.11. Employment contracts

After two months' work, employees shall be entitled to a written employment contract stating their wages and other terms of service. Where a company agreement exists, the part it plays in the employee's terms of service shall be stated specially. Employees who have not received a written employment contract may request a written confirmation of the terms on which they are engaged.

- See the Protocol 2004 on employment contracts. -

Section 2 Working time

2.1. Daytime work

Payment shall be made for all work based on active working time.

The daytime working period shall be from 07:00 to 19:00 from Monday to Friday.

Active working time in full-time daytime work shall be 36 hours and 15 minutes per week.

Active working time is the time actually worked, excluding all breaks.

Working time shall be arranged at each place of work, taking account both of the needs of the employees and of the company.

2.1.1. Continuous daytime work

The contractual maximum period of daytime work shall take place within the limits set forth above, so that the daytime work period shall be continuous.

2.1.2. Agreement on working time structure

By agreement between employer and employees, working time may be structured in advance within the company so that it is clear how work is to be done during the period. Thus, the working time of full-time and part-time employees may be arranged so that their weekly working time is variable during the hours from 07:00-19:00 from Monday to Friday over a maximum period of 16 weeks. If working time is structured during a specific period in such a way that it exceeds 45 working hours, overtime rates shall be paid for the hours over and above 45 hours each week, and also for the hours between 19:00 and 07:00, even though the average normal weekly reference figure is not overstepped during the period.

Payment for all working hours up to 36.15 hours per week (*cf.* Article 2.1), or the average of a specific period (*cf.* the first paragraph of this Article) shall be made by means of ordinary wages, irrespective of whether the employees involved are full-time or part-time employees.

Changes that may be made to working hours shall normally be decided with 4 weeks' notice.

2.1.3. Maximum working time in a 16-week period

Average working time calculated on the basis of a period of up to 16 weeks may not exceed 48 working hours, including overtime (*cf.* the Agreement on certain matters regarding the structure of working time).

2.1.4. Flexible working time

The provisions of this Section shall not preclude the making of an agreement on flexible working time.

2.1.5. Stand-by shifts and disturbance due to use of home telephones

2.1.5.1. Stand-by shifts

Agreement may be made on stand-by shifts, in which employees are obliged to be contactable by telephone and to respond to call-outs, for which 1/3 of daily wages shall be paid for each hour of stand-by shift unless other provisions are made in the employment contract.

Employees on stand-by shifts on major public holidays shall receive overtime pay at the standard rates.

2.1.5.2. Disturbance due to use of home telephones

If employees' home or mobile telephone numbers are listed by the company in the telephone directory, or cited in another comparable manner, then a provision shall be included in the employment contract stating how recompense is to be made for the resulting work and disturbance outside working hours.

2.1.6. Leave in exchange for overtime

An agreement may be made between employer and employee on payment for work done outside the daytime working period in the form of leave during the daytime working period, providing that it is based on the monetary value of the work-time units that fall outside the daytime working period.

Accounting of the position resulting from such work shall take place at the same time as the monthly wage calculations, monetary payment being made for that part of such work as has not already been paid for in the form of leave or is to be paid for in the following month, except where the parties involved agree on linking such leave to the employee's annual holiday entitlement. Leave shall be taken in the form of whole days following on from a weekend, and shall be continuous. This authorisation shall not apply to overtime worked after 12:00 on Saturdays in December and after the end of the daytime working period on Þorláksmessa (23 December).

2.1.7. Leave entitlement in recognition of the extra workload and longer opening hours of shops in December

Permanently employed shop assistants and stock clerks of shops with long opening hours in December, e.g. after 16:00 on Saturdays, on Sundays and on the evening of Þorláksmessa (23 December), and who work in at least 50% positions, shall be entitled to two days of paid leave.

If they employees desires, they shall be entitled to a 10% wage bonus (based on their own daytime wages in December) instead of these two days of leave. Requests to this effect must be made at the beginning of December.

The parties are in agreement that the days of leave earned by employees as a result of longer opening hours in December may be granted before noon on Christmas Eve (24 December) and New Year's Eve (31 December), or after Christmas.

2.1.8. End of the daytime working period on Christmas Eve and New Year's Eve

On Christmas Eve (24 December) and New Year's Eve (31 December), the daytime working period shall end no later than 12:00 noon if these days fall on any of the days from Monday to Friday.

2.1.9. Miscellaneous working-time provisions

On the first working day after Christmas, daytime work in shops shall begin at 10.00.

All workers have the right to refuse to do overtime work, and if they do so, they shall not be made to suffer in any way.

2.2. Overtime and work on major public holidays

2.2.1. Overtime work

Overtime work is work of any type done outside the ordinary daytime working period, and also on Saturdays and Sundays, and also on all public holidays listed in Article 2.3.1.

2.2.2. Work on major public holidays

Work on major public holidays is work done on major public holidays as defined in Article 2.3.2.

2.2.3. Work on Saturdays and Sundays

When work is done on Saturdays and Sundays, payment shall be made for a minimum of 4 hours at after-hours/overtime rates, even if the period worked is actually shorter.

On Saturdays and Sundays, the arrangement shall be that meal and refreshment breaks are taken when circumstances permit. However, with respect to the variable timing of meal and refreshment breaks and the flexible working time of shops on Saturdays and Sundays, payment shall be made for not less than one hour more than the time actually worked.

If work begins before 12:00 noon on Saturdays, payment shall be made for time not shorter than if it began at 09:00. Payment on Sundays shall be based on the beginning of working time.

- See the Appendix to the Collective Agreement dated 6.9.1984. -

2.3. Holidays and major public holidays

Holidays are all the feast-days of the National Church of Iceland and the days listed in Articles 2.3.1 and 2.3.2.

2.3.1. Holidays

Holidays are: Maundy Thursday, Easter Monday, the First Day of Summer, 1 May, Ascension Day, Whit Monday and Boxing Day.

2.3.2. Major public holidays

Major public holidays are New Year's Day, Good Friday, Easter Day, Whit Sunday, 17 June, the August Bank Holiday, Christmas Day and the periods after 12:00 noon on Christmas Eve and New Year's Eve.

2.4. Minimum rest periods

Regarding applicability, rest periods, breaks, etc., reference is made to the Agreement on certain matters regarding the structure of working time between the Icelandic Confederation of Labour (ASÍ) and the Confederation of Icelandic Employers (VSI) of 30 December 1996. The following provisions are supplementary to Article 13 of that agreement.

2.4.1. Daily rest period

Working time shall be arranged in such a way that during each 24-hour period, starting from the beginning of the working day, the employee receives at least 11 hours' continuous rest. If possible, this daily rest period shall include the period between 23:00 and 06:00.

Work may not be arranged in such a way that the working period exceeds 13 hours.

2.4.2. Exceptions and right to take leave

Under special circumstances, when it is necessary to protect items of value, a work session may be extended to as much as 16 hours, in which case, without exception, a rest period of 11 hours shall be granted immediately following the work, without any reduction of the employee's right to regular wages for daytime work.

When special circumstances make it unavoidable to deviate from the daily rest period, in accordance with the authorisation in the Working Hours Agreement between the

Icelandic Confederation of Labour (ASÍ) and the Confederation of Icelandic Employers (VSI) of 30 December 1996, the following shall apply: If employees are specially asked to report for work before the 11-hour rest period is up, then the rest period may be postponed and granted later, in such a way that a right to take leave, in the form of 1½ hours (of daytime working time) shall be accumulated for every hour by which the rest period is shortened. It shall be permitted to pay ½ hour (of daytime working time) of the leave entitlement if the employee wishes. In no case may 8 hours of continuous rest be reduced.

If the employee works for such a long time preceding a holiday or weekend as to make it impossible to have 11 hours' rest before the normal beginning of the working day, the situation shall be handled in the same way as above. If the employee reports for work on a holiday or weekend, payment at overtime rates shall be made for the time worked, without further additional payments for this reason.

However, the above provisions shall not apply in the case of organised shift-work, in which the rest period may be reduced to as little as 8 hours.

Accrued leave-taking entitlement shall be stated on the employee's pay-slip, and leave shall be granted in half and whole days outside the peak periods in the company's activities in consultation with the employees, providing that the accrued leave-taking entitlement amounts to at least 4 hours. Settlement in respect of the employee's unused leave-taking entitlement shall be made on termination of employment, the entitlement being counted as part of the period of engagement.

2.4.3. Weekly day off

During each 7-day period, the employee shall have at least one weekly day off work, which shall be in direct sequence with the daily rest period. For this purpose, the week shall be taken as beginning on Monday.

2.4.4. Postponement of the weekly day off

To the extent practicable, the weekly day off shall be Sunday, and to the extent practicable, all those who work for the same company or at the same permanent place of work shall receive a day off work on that day. Nevertheless, the company may, by agreement with the employees, postpone the weekly day off when special circumstances necessitate such a deviation from the norm. If it is necessary to structure work in such a way that the weekly day off work is postponed, then a collective agreement shall be made concerning this. In such a case, the taking of days off may be arranged in such a way that 2 days off are taken together every second weekend (Saturday and Sunday). If, on the other hand, due to unforeseeable reasons, a day off falls on a working day, this

shall not reduce employees' entitlement to regular wages and shiftwork supplement.

[Protocols of March 1997 and May 2000 on the interpretation of Article 2.4.4. on the weekly day off: It is the joint understanding of the parties that if there is no agreement between employees and managers to postpone the weekly day off work, the employee shall be entitled to leave on a working day in the following week, without reduction of pay. – The same understanding applies regarding working trips abroad.]

2.4.5. Breaks

If the employees' daily working time is more than 5 hours, they shall be entitled to at least a 15-minute break.

2.4.6. Weekend leave for shop workers

When organising working time, management of shops shall attempt to ensure that employees who work all days of the week have leave on at least 8 out of 16 weekends from Friday evening to Monday morning.

2.4.7. Rest in connection with travelling

If no other terms are agreed, employees who travel during the evening or overnight for their employer shall have the right to a minimum of 11 hours' rest (*cf.* Article 2.4.1.).

2.5. Recording of working time

2.5.1. General

Employees shall turn up punctually for work, whether it begins in the morning or after a meal or refreshment break. If employees turn up late for work, $\frac{1}{4}$ hour may be deducted from their monthly wages at after-hours/overtime rates for each $\frac{1}{4}$ hour or fractions thereof in the case of repeated instances.

Each begun $\frac{1}{4}$ hour of worked after-hours/overtime work shall be counted as $\frac{1}{4}$ hour.

2.5.2. Recording with punch-cards

An employee who turns up late for work shall not be entitled to claim wages for working time that has already elapsed. Overtime rates shall not be paid until the contractual number of daytime working hours has been worked. However, this shall at no time cause the beginning of the time paid at overtime rates to be deferred by more than 30 minutes.

2.5.3. Working time structure on an annual basis

Employers and employees may make an agreement on the delivery of working obligations on an annual basis. In such cases, the total number of working days or working hours for the year shall be stated for each calendar year.

By agreement between the parties, it may be decided to introduce flexible working hours by the employee within the daytime working period in such a way that the employee is able to do a certain amount of work each year and receive consideration for it in the form of additional annual holiday.

The arrangement under which work is to be done must be decided in advance, and a written agreement must be made regarding it.

However, working time may not be incompatible with other provisions in this Collective Agreement regarding minimum rest periods and maximum working hours under Article 2.4 and the agreement between the social partners on working time.

- See the Appendix on working time structure on an annual basis. -

2.6. The rights of part-time workers

Persons who are engaged to work part time, and who work regular working hours, shall be paid monthly wages proportion to those paid to full-time employees according to Article 2.1.

Employees who work regular part-time work for the same employee shall enjoy the same entitlements to payment for contractual holidays, days off work due to illness and accidents, pay increases due to length of service, etc, as those who work full-time, and these payments shall be based on the employee's normal working time.

The parties are in agreement that the above provision shall apply equally to those who work a continuous portion of each day throughout the week and to those who work at regular intervals, e.g. one day or a part of one day each week.

Other arrangements concerning part-time workers shall be subject to the agreement between the parties concerning part-time work and, as appropriate, the Part-Time Workers Act.

[Protocol of 1989 on the working time of shop assistants who work at least 32 hours of daytime work per week: The general rule regarding the working hours of shop assistants who begin work in the morning and work every day from Monday to Friday shall be that work begins at 09:00. Deviations from this in the case of individual employees shall only be made in cases where the employees involved have submitted a request to work shorter hours.

The present arrangement regarding working time shall be terminated with the agreed notice period so that changes the working hours and wage payments of those involved shall take place, at the earliest, after the expiry of the notice period.]

Section 3 Breaks; meal breaks; food and travelling costs

3.1. Breaks during daytime work

Employees shall be entitled to breaks from work amounting to at least ½ hour per day unless other arrangements are agreed. The time spent in breaks from work each day may not exceed 1 hour unless the working day is longer than 8 hours per day, in which case breaks from work may amount to 1½ hours per day. On days when working time ends before 14:00, the parties may agree that no break from work shall be taken.

3.2. Meal breaks outside the daytime work period

A supper break shall be granted during the period 19:00 - 20:00, with pay at overtime rates. If employees work during the supper break or part thereof, they shall receive payment for 1 hour in addition to their working time, and at the same rate; this shall be done even if they work for a shorter time.

When overtime work is done, the meal break shall be from 03:00 to 04:00.

3.3. Travelling to and from the workplace

Travelling to and from workplaces in the Reykjavík Metropolitan Area during periods when buses do not run, shall be paid for by the employer.

3.4. Work outside the area covered by the agreement

3.4.1. Food and travelling costs

If work is done outside the area covered by this Agreement, the employer shall provide the employee with free food, accommodation and transport to and from work.

3.4.2. Salesmen's travelling expenses

At all times, the employer shall pay all accommodation, food and travelling costs incurred in sales trips according to invoices. For longer working periods in sales trips, salesmen shall receive a 43% supplement on their monthly wages if the sales trip lasts 5 days or less, and 65% if the sales trip last more than 5 days. This supplement shall be paid on the monthly wage in direct proportion to the number of days during which travelling is undertaken in areas outside a 60 km driving distance from the company's main headquarters, unless other arrangements have been agreed.

If salesmen use their own cars, they shall receive payment in accordance with the decision of the Government Travelling

Expenses Committee (Ferðarkostnaðarnefnd ríkisins), i.e. out of town; if they use them in town, then an agreement shall be made regarding daily rates.

3.5. Driving expenses

If employees use their own cars in the course of their work, and if no other arrangements are agreed, then the decision of the Government Travelling Expenses Committee on kilometre rates shall be used as a guideline.

Amendments to this scale of rates will be published in accordance with amendments to the scale of rates applying to civil servants, and will take effect from the date of publication.

3.6. Per diem allowances abroad

Payments of per diem allowances to employees for travelling abroad shall be subject to the decisions of the Government Travelling Expenses Committee unless the company has special rules on the payment of travelling expenses.

Section 4 Annual holiday

4.1. Annual holiday entitlement – Alternative A

4.1.1. Legally-prescribed holiday

Minimum annual holiday shall be 24 working days. Annual holiday pay shall be 10.17% of all wage payments, whether at daytime or overtime rates.

When calculating annual holiday, a divisor of 21.67 shall be used (Saturdays are not included). The first 5 Saturdays are not counted as part of annual holiday.

For the purpose of holiday pay, any person who has a notice period of at least one month for termination of employment shall be regarded as a permanent employee.

4.1.2. Holiday supplement

Following 5 years' employment in the same company or 10 years' work in the same occupation, employees shall have annual holiday entitlement of 25 days, and holiday pay shall be 10.64%. Following 10 years' employment in the same company, employees' holiday entitlement shall be 28 days, and holiday pay shall be 12.07%.

Employees who have acquired a 25-day or 28-day annual holiday entitlement with their former employer shall acquire the same entitlement after 3 years' employment with a new employer. This additional holiday entitlement may be granted during the winter unless other provisions are agreed.

Employees who have acquired a 25-day annual holiday entitlement following 3 years' employment shall acquire a 28-day entitlement after 5 years' employment with the same employer.

4.2. Annual holiday entitlement – Alternative B

The annual holiday entitlement under Alternative B is 30 working days, with annual holiday pay 13.04% of all wage payments, whether at daytime or overtime rates. When calculating annual holiday, a divisor of 21.67 shall be used (Saturdays are not included).

The minimum annual holiday period under the Annual Holiday Act, No. 30/1987, is 24 days, but if fewer than 30 days are taken in holiday, then the difference shall be settled by a lump-sum payment on 1 May each year. Each day shall then be equivalent to the monthly wage divided by 21.67, or 0.44% of annual salary.

When this provision is introduced, those wage-earners who are entitled to two days of paid leave in connection with the workload in December shall include them in the annual holiday supplement as described above in addition to their contractual

December bonus. The provisions of Article 1.4. on the December bonus and Article 2.1.7. on leave in respect of the workload in December shall then be waived.

If an employee is owed payment for the December bonus, the difference shall be paid as a wage increase on top of his monthly wage. The earning of the right to additional days of annual holidays (to 25 and 28 days) shall no longer apply when this change is made. When calculating the conversion to this new holiday system, employees who have 24 or 25 day holiday entitlements at the time when the system is adopted shall receive an additional 1% acquisition of rights/pay increase.

4.3. Holiday taken outside the annual holiday period

Those who, at the request of their employers, do not receive summer holiday when it is assumed in law that holiday will normally be taken, i.e. during the period from 2 May to 15 September each year, shall receive a 25% extension of the part of holiday leave granted outside the aforementioned period, or increase in the equivalent payment.

4.4. Decision on timing of holiday

The timing of holidays shall be a matter of agreement between employer and employee.

4.5. Illness during holiday

If an employee falls so seriously ill while on holiday in Iceland that he is not able to enjoy the holiday, he shall notify his employer on the first day, e.g. by telegraph, and state the name of the doctor from whom he intends to obtain a medical certificate. If the employee meets the notification requirement and the illness lasts for more than three full days, he shall be entitled to additional holiday leave for the same length of time as his illness demonstrably lasted. In all cases under these circumstances, the employee shall at all time demonstrate the occurrence of illness by means of a medical certificate. The employer shall have the right to have a doctor examine an employee who has fallen ill during his holiday period.

The same applies if the employee falls so seriously ill abroad as to necessitate hospitalisation or the employee's return to Iceland earlier than was expected.

Additional holiday of this type shall, as far as possible, be granted at the time requested by the employee, and during the period between 2 May and 15 September unless special circumstances apply.

4.6. **The Holiday Leave Act**

In other respects, the Holiday Leave Act, No. 30/1987, shall apply.

4.7. **Maternity/ paternity and parental leave**

Under the Maternity/Paternity and Parental Leave Act, No. 95/2000, maternity/paternity leave is to be counted as working time when assessing work-related rights and entitlements such as the entitlement to annual holiday and extension of annual holiday according to collective agreements, wage increases due to length of service, sick-leave entitlement and notice period for termination of employment. The same shall apply if it becomes necessary for a woman to stop work during pregnancy for safety reasons (*cf.* the Regulations on measures to increase safety at work for women who are pregnant, have recently given birth or are breastfeeding).

Legally-prescribed maternity/paternity leave is counted as worked time for the purpose of calculating holiday leave entitlement, i.e. the right to take holiday, but not for the calculation of holiday pay.

- See Article 8.4 on pre-natal examinations. -

Example demonstrating how holiday pay is calculated:

A person's wages for shop work in June 2004 are ISK 120,000 for daytime work and ISK 20,000 for overtime. His total wages are therefore ISK 140,000. His holiday pay for that month will be 10.17% of ISK 140,000, i.e. ISK 14,238.

This holiday pay is converted to hours of holiday by dividing it by the current hourly day-wage rate, which is ISK 764.33 (120,000/157). Thus, the number of holiday hours for the month of June is 18.62 (140,000 x 10.17% / 764.33).

Over the holiday leave year, this person could, e.g., have acquired 204.82 hours of holiday leave entitlement (11 months x 18.62). When he goes on holiday in summer 2005, his wage will have risen and his hourly rate will be ISK 796.17. His holiday pay will therefore be ISK 163,071 (204.82 holiday hours x ISK 796.17 per hour).

Section 5 Priority right to employment

The employers undertake to have commercial workers who are fully valid members of VR and other constituent unions of LÍV enjoy priority access to engagement for all shop and office work in the areas covered by those unions when this is demanded and when members apply for positions and are competent to do the work involved

The employers shall be free to choose which of the members of the unions involved they employ. If an employer wishes to employ a person who is not a member of VR or another constituent union of LÍV, then the union shall be obliged to grant the person entry into the union if he applies for it, providing that his becoming a member does not violate the constitution of the union.

If there is a shortage of workers, then VR and the other constituent unions of LÍV undertake to give members of FÍS preference in obtaining fully valid union members for work, providing it is announced that shop and office workers are required for work.

Section 6 Facilities, safety and health

6.1. Lockers, medicine chest, toilet facilities and refreshment facilities

Employees shall have access to lockers or another secure storage place at their place of work where they can keep personal belongings during working hours.

At workplaces, the employer shall ensure that a medicine chest is accessible, containing the necessary medicaments and bandages, and also that there is a toilet, running water and a wash-basin.

At all workplaces there shall be facilities for the taking of refreshments and storing protective clothing.

6.2. Rules on canteens/kitchens

When meals are regularly taken at the workplace, both employers and employees shall comply with the instructions of the health authorities regarding toilet facilities and conduct in the canteen/kitchen.

6.3. Safety equipment

The safety equipment that is considered necessary by the Occupational Safety and Health Administration due to the nature of the work, or that is specified in a collective agreement, shall be available at the workplace for use by the employees.

Employees shall be obliged to use the safety equipment mentioned in their collective agreements and in regulations, and managers and shop stewards shall ensure that it is used.

6.3.1. Penalties for negligence on the part of employees

Workers who do not use the safety equipment provided at the workplace may be dismissed without notice after they have been given a caution in writing. The employees' shop steward shall immediately establish whether such a dismissal was based on good reasons, and shall be given the opportunity to acquaint himself with all the facts of the case. If he is not convinced that the dismissal was based on valid reasons, he shall submit a written objection against the dismissal, and if this is done then the immediate dismissal shall not take effect.

Violations of safety rules that result in a threat to the life and limbs of the workers shall result in dismissal, following a caution, if the shop steward and the representative of the company are in agreement on this measure.

6.3.2. Penalties for negligence on the part of the employer

If the safety equipment that is stipulated in collective agreements and the use of which is has been required by instructions from the Occupational Safety and Health Administration is not provided at the workplace, any worker who does not receive such equipment may refuse to do work for which such equipment is required. If no other work is available for the worker concerned, he shall retain his full wages.

6.4. Disputes

If a dispute arises concerning this provision of the Agreement, it may be referred to VR/LIV and FÍS.

The Act No. 46/1980, and rules and regulations set thereunder, shall apply concerning working facilities and safety and health at work.

Section 7 Tools and working clothes

7.1. Working clothes and protective clothing

Where, in the opinion of the foreman and the shop steward, special working clothes are needed, the employer shall provide such clothing and have it laundered, providing that it remains the property of the employer.

7.2. Insurance and compensation

If an employee demonstrably suffers damage to ordinary, necessary clothing or personal items, such as a wrist-watch, spectacles, etc., in the course of his work, compensation shall be paid for this in accordance with an assessment of the value involved.

Compensation will only be paid for damage of this type if it occurs as a result of an accident at the workplace. Compensation will not be paid for such damage if it occurs as a result of negligence or carelessness on the part of the employee.

Section 8 Accidents at work, accident insurance, occupational diseases and the payment of wages in cases of accident and illness

8.1. Accidents at work and occupational diseases

8.1.1. Medical expenses

In the event of accidents at work, the employer shall pay the cost of transporting the injured person to his home or a hospital and will reimburse him for all medical expenses incurred in any given case, other than those paid by the State Social Security Institute or the employee's insurance.

8.1.2. Wage payments in cases of accidents at work and occupational diseases

In each instance of an accident at work or an occupational illness caused at or as a result of work, or transport to or from the place of work, the employer concerned shall pay wages at daytime rates for up to 3 months according to the wages at which the employee is engaged at the time that the accident or illness occurs, providing that *per diem* payments from the State Social Security Institute for those days are made to the employer. The provisions of this paragraph shall not reduce any further rights that employees may have according to law or other collective agreements

- See the Act No. 19/1979 regarding the right of workers to receive notice of termination of their employment and their rights to pay in the event of absence from work in the event of illness or accidents. -

8.2. Wages during absence due to illness and accidents

8.2.1. Wages during absence due to illness and accidents in the first year

The arrangement for wage payments to employees who are absent from work due to illness during the first year of their employment with the employer shall be that payment shall be made for two days in respect of each month they have worked.

Absence in connection with cosmetic operations, or resulting from events for which the employee himself is responsible, shall not be regarded as absence due to illness.

[Declaration dated 5 March 1987:

In view of the discussion that has taken place concerning the addendum to Article 8.2.1. in the Collective Agreement between FÍS and VR, which was signed on 1 March 1997, on

the payment of wages during absence from work resulting from illness and accidents, it should be stated that the parties are in agreement that this provision does not in any way reduce employees' right to leave in the event of illness or accident or limit the employer's obligation to make payments according to the collective agreement that was last in force.

This provision is intended to reduce the number of points of doubt and dispute that have arisen in cases of absence from work due to illness and accident and have had to be resolved by the courts.]

8.2.2. Wages in cases of illness and accidents after one year

The arrangement for wage payments to employees who are absent from work due to illness or accidents when they have worked for the same employer for one year or more shall be as follows:

- Following 1 year's work for the same employer: 2 months during each 12-month period;
- Following 5 years' work for the same employer: 4 months during each 12-month period;
- Following 10 years' work for the same employer: 6 months during each 12-month period.

However, employees who have earned the right to 4 or 6 months' on pay during sick leave with their previous employer and who change workplace shall be entitled to receive wages for not less than 2 months during each 12-month period.

8.3. Medical certificates

If an employee falls ill and is unable, as a consequence, to attend work, he shall immediately notify his superior, who shall decide whether a medical certificate will be required.

The employee may choose to undergo an examination by his private doctor (GP) or by a specialist instead of by the company's regular physician. The company's physician may call for information from the GP or specialist.

8.3.1. Payment for medical certificates

The employer shall reimburse the employee for all fees that he pays a doctor or clinic in order to obtain the medical certificates that are requested, providing that the above conditions are met.

8.4. Pre-natal medical examinations

Pregnant women shall have the right to absences from work that are necessary for pre-natal medical examinations without reduction of their regular wages if such examinations must be made during working time.

- See Article 4.7. on maternity/paternity leave. -

- See the Maternity/Paternity and Parental Leave Act, No. 95/2000. -

8.5. Absence due to children's illnesses

After the first month at work, parents shall be entitled to spend a total of 7 working days during each twelve-month period looking after their children under the age of 13 when they are ill, providing that no other measures can be arranged to have them cared for, retaining their fixed and regular wages. In the same way, after 1 year's work for the same employer, parents may spend a total of 10 working days looking after their children under the age of 13.

The parties are in agreement on the interpretation that the term 'parent' here also refers to foster-parents or guardians who support a child and act *in loco parentis*.

Employees shall be entitled to leave from work in the event of circumstances beyond their control (*force majeure*) and in the event of urgent family circumstances resulting from illness or accidents and necessitating their presence without delay. Employees shall not be entitled to wages from the employer in the circumstances mentioned above (*cf.*, however, paragraph 1 of this Article).

8.6. Insurance against death, accidents and disability

Sections 8.6 and 8.7 are under review¹

The monetary sums in this Section are based on 1 July 2004.

8.6.1. Obligatory insurance

Employers are obliged to insure the wage-earners covered by this Agreement against death and permanent or temporary disability resulting from an accident at work or on a normal route from their homes to the workplace and from the workplace to their homes. See also Article 8.7.

¹ The parties have agreed to revise the provisions of this Agreement on accident insurance with a view to increasing the degree of insurance cover of employees. The intention is that this work will be completed by the end of 2004, when new provisions will replace those of this sub-section. Samningsaðilar eru sammála um að fara í endurskoðun á slysatryggingarákvæðum kjarasamnings með það að markmiði að auka tryggingavernd starfsmanna. Stefnt er að því að vinnu þeirri verði lokið fyrir lok árs 2004 og koma þá ný ákvæði í stað þeirra sem í kafla þessum greinir.

8.6.2. Temporary location outside the home

If the employee is temporarily stationed at a location outside his home in connection with work, the temporary location shall replace the home for the purpose of insurance, and the insurance shall also cover normal travelling between the home and the temporary location.

8.6.3. Compensation for death as from 1 July 2004

1. If the deceased was unmarried, left no children and did not support an elderly parent (aged 67 or older): ISK 568,178.
2. If the deceased was unmarried but left a child or children under the age of 17 and or demonstrably supported a parent or parents (aged 67 or older): ISK 2,593,558.
3. If the deceased was married, compensation to the spouse will be ISK 3,541,927.
4. If the deceased left a child (or an adopted or foster-child) under the age of 17, compensation for each child will be ISK 681,746.

Compensation shall only be paid for one of the items 1, 2 or 3. Compensation according to item 4 may be paid in addition to that for items 2 or 3.

8.6.3.1. Those entitled to receive compensation for death are:

- 1) The statutory heirs.
- 2) The parties concerned, in equal shares.
- 3) The surviving spouse.

The children involved; this compensation shall be paid to the surviving spouse, if he or she is one of their parents, or else to the administrator of the estate and/or a financial custodian.

For the purpose of Article 8.6.3., the term 'spouse' also refers to an individual in a registered same-sex union or a registered cohabitational partnership.

8.6.4. Compensation for permanent disability

Compensation for permanent disability will be paid in proportion to the insurance sum of ISK 6,109,306 in such a way that each point of disability rating from 26% to 50% shall have double weighting and each point of disability rating from 51% to 100% shall have quadruple weighting. Compensation for 100% disability is therefore ISK 17,045,344.

8.6.5. Compensation for temporary disability

A per diem sum amounting to ISK 14,085 per week is paid out, starting four weeks after the accident occurs and lasting until the injured person has recovered sufficiently to be fit for work; however, this period shall never last for more than 48 weeks. A supplement of ISK 1,879 per week is added to this *per diem*

rate for each child under the age of 17 that is supported by the injured person.

8.6.6. Revision of insurance amounts

Insurance amounts will be revised twice a year, on 1 January and 1 July, and will change in accordance with the position of the consumer price index in May and November each year.

The above increases in insurance amounts and changes in terms will apply to accidents occurring after 1 July 2004. Monetary sums are based on the consumer price index in May 2004.

8.6.7. More advantageous insurance rights

These provisions shall not in any way lead to a reduction of more advantageous insurance rights that employees may have contracted for.

8.6.8. Term of validity

The insurance shall take effect as soon as the employee covered enters into employment (is entered on the payroll), and shall cease to apply as soon as he leaves employment (is removed from the payroll).

8.6.9. Conditions

The conditions shall be the ordinary conditions applied to occupational accident insurance of employees by the Association of Icelandic Insurance Companies at the time that this Agreement is made. Employees' accident insurance will not pay compensation to employees when their injuries are covered by legally-prescribed vehicle insurance, i.e., irrespective of whether they are covered by third-party insurance or by the driver's and owner's accident insurance.

8.6.10 Deduction of accident compensation and per diem payments from compensatory liability.

If the employer is liable for the payment of compensation to an employee who is covered for accidents under this Agreement, then accident compensation and per diem payments that may be made to the employee under the terms of this Agreement shall be deducted in full from the compensation that the employer may be made to pay. Per diem payments shall be made to the employer as long as the employee receives wage payments under this Agreement.

8.6.11 Employers' declaration.

The employers' organisations involved hereby declare that they will use their influence to have their members insure all their employees and to keep the insurance policies in force.

8.7. Insurance of salesmen and others who work outside the area covered by the Agreement

Articles 8.6 and 8.7 are under review.

8.7.1. Work outside the area covered by the Agreement

Salesmen and others who, in connection with their work, are obliged to work outside the area covered by this Agreement and to spend the night away from their homes, shall be covered by accident insurance 24 hours a day, while others shall be insured while at work and while travelling on normal routes to their place of work and from their place of work to their homes

Examples of categories of workers who, in connection with their work, are obliged to travel within the area covered by this Agreement are: drivers, debt collectors, insurance companies' assessors and messengers. However, this list is not exhaustive. In other instances, it must be determined on the basis of the nature of the work whether the person involved is constantly travelling within the area covered by the Agreement, and thus exposed to the risk of traffic accidents.

For the monetary amounts of accident insurance, reference is made to Article 8.6. Compensation paid to the spouse and children of the employee in the event of death shall, however, not be reduced from its present level, and will undergo change in accordance with Article 8.6.6.

8.7.2. Definition of salesmen

'Salesmen' refers to all those who work in companies' sales departments and are involved in wholesaling, agency sales, service companies and automobile sales, and whose main job is selling goods and/or services, providing that they have been engaged for work that comes under this definition or that sales activities has become a substantial part of their job.

The following are not covered by the provisions of this Article:

General ticket sales at airlines, shipping companies and travel agencies.

For other provisions on salesmen, see Article 1.6.3. (on courses), Article 2.1.2. (on working hours), and Article 3.5. (on travelling expenses).

8.7.3. Review

Article 8.7. on insurance, will be reviewed as part of the general review of accident insurance terms in 2004.

Section 9 Sick-pay fund, holiday-pay fund, vocational training fund and pension funds

9.1. Sick-pay fund

Employers shall pay 1% of the pay disbursed to their employees into the sick-pay fund of the relevant trade union, unless higher rates of contribution have been agreed in collective agreements.

- See the Employees' Right to Notice and Sick Pay Act, No.19/1979 – See also the Employees' Terms of Service and Obligatory Pension Rights Act, No. 55/1980. -

9.2. Holiday-pay fund

Employers shall pay to the Commercial Workers' Holiday Home Fund 0.25% of the same pay reference base as is used to calculated pension premiums. The parties to this Agreement agree that the pension funds concerned shall see to the collection of this fee, together with a premium of the same size to be paid to the Community Centre Fund of the Commercial Employers' Association (Félagsheimilasjóður verslunarsamtakanna) or to other employers who are parties to this agreement, as agreed in further detail by those paying these fees.

Collection costs shall be divided equally.

- See the Employees' Terms of Service and Obligatory Pension Rights Act, No. 55/1980. -

9.3. Vocational training and extension training fund

A vocational training and extension training fund shall be operated with the aim of improving commercial workers' competence and skills. The fund's aim shall also be to contribute towards raising the productivity of Icelandic commercial enterprises that operate in an international competitive environment. Payments from the fund shall also meet the costs of producing educational materials and contribute towards having a varied range of educational options for the occupational sector.

Members of VR and the other constituent unions of LÍV shall apply for grants directly to the unions. Companies that are members of FÍS shall direct applications for grants to the FÍS. The board of the fund shall consist of two persons from each of the parties and shall set rules for the fund stating how payments from the fund are to be made.

Employers' contributions to the fund shall be 0.2% of the same wage base as is used to calculate pension fund premiums. The trade unions shall pay a complementary contribution equivalent to 0.05% of the same base.

If the fund is abolished, then any sums that may remain in it shall be paid to the parties to this Agreement in the same proportions as they paid into the fund.

These provisions may be reviewed during the period of this Agreement, e.g. as regards the third paragraph of this Article.

9.4. Pension funds

9.4.1. Operation of pension funds

It is agreed that pension funds are to be operated, functioning under the valid laws and regulations, or those that the parties may subsequently approve, and that shop and office workers covered by this agreement shall have the right to become members of them.

- See the Obligatory Pension Rights Insurance and Pension Funds Operations Act, No. 129/1997. -

9.4.2. Investment of assets

The parties are in agreement that, in addition to investing its disposable assets in accordance with Article 9 of its Constitution, the pension fund should invest its assets in the form of loans to the major economic sectors at the most advantageous terms.

9.4.3. Premiums

Premiums paid to pension funds shall be calculated in order to the rules in force. Under the collective agreement of 2004, the employer's contribution to collective pension funds becomes 7% from 1 January 2005 and 8% from 1 January 2007.

- See Article 10 of the Constitution of the Commercial Workers' Pension Fund.-

9.4.4. The board of the Commercial Workers' Pension Fund (Lífeyrissjóður verzlunarmanna)

The board of the Commercial Workers' Pension Fund shall consist of equal numbers of representatives of the employers' organisations and VR.

9.4.5. Additional contributions to pension savings²

In those cases where the employee makes an additional contribution to the private division of a pension fund, the employer shall pay a counter-contribution as follows:

As of 1 January 2002, the employer's counter-contribution shall be 2% against a contribution of 2-4% by the employee.

² *Between 1 July 2002 and 31 December 2004, the employer paid a 1% contribution to the employee's private pension fund in cases where the employee made no additional contribution. This did not apply, however, in cases where contributions by the employer according to law and collective agreements amounted to a total of 7% or more. As from 1 January 2005, the employer was no longer obliged to pay the fixed 1% contribution, irrespective of the employee's contribution, in connection with the raising of the employer's contribution to the collective pension fund.*

Section 10 Union dues

10.1. Collection

The employers undertake to collect annual dues from fully valid (principal) and subsidiary members of VR and other constituent unions of LÍV in accordance with the conditions and rules of the relevant unions, whether these take the form of a proportion of wages or a fixed fee.

- See the Employees' Terms of Service and Obligatory Pension Rights Insurance Act, No. 55/1980. -

10.2. Means of collection

The parties are in agreement that the trade unions should be provided with a means of collecting union dues as a percentage of wages, e.g. by collecting the dues together with pension premiums, and using the same calculation base.

10.3. Staffing reports

The employers shall provide the unions with reports on staffing at six-monthly intervals, if requested.

Section 11 Notice of termination

11.1. Notice of termination

For both parties, the notice period for termination of employment shall be

1 week during the first three months, which constitute a trial period,

1 month during the three months following on from the end of trial period.

After 6 months' employment, the notice period shall be 3 months.

After the trial period, notice of termination shall be given in writing, taking effect at the change of month.

In cases where an employee is made redundant after 10 years or more of continuous employment at the same company, the notice period shall be

4 months if the employee has reached the age of 55,

5 months if he has reached the age of 60 and

6 months if he has reached the age of 63.

The employee, on the other hand may give 3 months' notice of termination of employment.

These provisions on notice of termination shall not apply, however, if the employee demonstrates gross negligence in his work or if the employer commits an offence against the employee.

11.2. Collective redundancies

The parties are in agreement that it is desirable that notice of redundancy should be directed exclusively at those employees who it is intended to make redundant, and not at all the employees or groups of employees. Accordingly, the parties have made the following agreement:

11.2.1. Scope

This agreement applies solely to collective redundancies affecting permanent employees where the numbers of those to be given notice in a 30-day period are:

at least 10 in enterprises with 16-100 employees,

at least 10% of the employees in enterprises with 100-300 employees,

at least 30 in enterprises with 300 employees or more.

Where employment is terminated in accordance with employment contracts that are made for a specific term or to cover specific problems, this shall not constitute a collective redundancy. This agreement does not apply to the termination of employment of individual employees or to terminations carried out in order to make changes to terms of employment in which it is not intended that the employee stop working.

11.2.2. Consultation

An employer who intends to implement collective redundancies shall, before doing so, consult the shop stewards of the trade unions involved in order to seek ways of avoiding collective redundancies to the extent possible and to reduce their consequences. If there is no shop steward, then the employer shall consult representatives of the employees. Shop stewards shall have the right to obtain information that is relevant concerning the proposed redundancies, particularly as regards the reason for the redundancies, the number of employees it is proposed to lay off and when the redundancies are to be implemented.

11.2.3. Implementation of collective redundancies

If, in the opinion of the employer, collective redundancies are unavoidable, even though the intention is to re-engage part of the employees without their stopping work completely, then the aim shall be that a decision on which of the employees are to be offered re-engagement should be made as soon as possible. Where no decision has been taken on re-engagement, and the employee is informed that he cannot be re-engaged, and this is done sufficiently early in the process so that at least 2/3 of the notice period applying to the employee in question remains, then the notice period shall be extended by one month in the case of a three-month notice period, by three weeks in the case of a two-month notice period and by two weeks in the case of a one-month notice period. This provision applies to employees who have acquired the right to a notice period of at least one month. Notwithstanding the provisions of this Article, an announcement on re-engagement may, in the event of external circumstances that are beyond the employer's control, be made subject to the condition that the employer will be able to continue the activities for which the employee is engaged, without this resulting in an extension of the notice period.

Section 12 Shop stewards

12.1. Choice of shop stewards

Workers may elect one shop steward at all workplaces where 5-50 people are employed; where more than 50 people are employed, they may elect two. After the election, the relevant trade union shall nominate the shop stewards. If it is not possible to hold an election, then the shop stewards shall be nominated by the relevant trade union. Shop stewards may not be elected or nominated for periods longer than two years at a time.

12.2. Time for work as shop stewards

Shop stewards at workplaces shall, in consultation with their superiors, be permitted to spend time on work that may be entrusted to them by the employees at the workplace and/or by the relevant trade union in their capacity as shop stewards, without reduction of their wages.

12.3. Access to materials

In connection with disputes, shop stewards shall have the right to examine records and work schedules that have a bearing on the matter in dispute. Such information shall be treated as confidential.

12.4. Locker and telephone

The shop steward in a workplace shall have access to a lockable storage space and a telephone, in consultation with his superior.

12.5. Meetings

The shop steward in each enterprise shall be able to call a meeting with the employees twice a year, at the work place and during working hours. These meetings shall begin one hour before the end of the daytime working period if this can be arranged. The meetings shall be called in consultation with the relevant trade union and the managers of the enterprise, with three days' notice, except where the matter to be discussed is extremely urgent and directly connected with a problem at the workplace. In such cases, one day's notice shall be sufficient. Employees' wages shall not be reduced in view of the first hour of the meeting.

- See the Protocol 2004 on participation by employees in collective agreements, etc. -

12.6. Complaints

Shop stewards shall present employee's complaints to their superiors or other managers within the enterprise before approaching other parties.

12.7. Courses for shop stewards

Shop stewards at workplaces shall be given the opportunity to attend courses intended to increase their competence in their work.

Those who attend these courses shall retain their daytime working wages for up to one week each year, providing that the courses are recognised by the parties to this Agreement. However, this shall apply to only 1 shop steward from each company each year.

12.8. Further rights

This agreement concerning shop stewards at workplaces shall not abridge the rights of those trade unions that have already, in their collective agreements, acquired further rights regarding shop stewards at workplaces.

Section 13 Accrued rights

13.1. Accrued rights

Employees' accrued rights shall remain valid if they are re-engaged within one year. In the same way, accrued rights shall become valid again after one month's work if the employee is re-engaged after more than one year but within three years. An employee who has worked for 1 continuous year or more for the same employer shall enjoy his accrued rights again after 3 months' work if he is re-engaged after a break in employment lasting longer than three years, but within 5 years.

Employees who enjoy more advantageous terms than those laid down in this Agreement shall retain them in full while they continue to work at the same job.

Section 14 Company agreements

14.1. Special company agreement provisions

In companies where 10 or more people work, and at least half of them are in favour, the employees may request that the provisions of the agreement between the parties be adapted to the needs of the workplace in question. In the same way, the employer may request negotiations on such an adaptation. The condition regarding at least half of the employees shall not apply if the employer approves such an adaptation. Agreements made under this Article shall be made in writing and shall be signed by the employer and representatives of the employees.

When negotiations under the foregoing provision have been arranged, each of the parties shall notify VR and FÍS. Each of the parties may seek advice from the parties to this Agreement.

An agreement on adaptation shall state clearly what the gain is to the company, and also the share of the employees in that gain. Consideration to the employees may take the form of a reduction in working hours, without a corresponding abridgement of wages, the payment of a fixed sum, a proportional supplement to wages, or another form.

Company agreements are made under the obligation to pursue peaceable relations, and may cease to apply as a result of termination. Each party may terminate the agreement with 3 months' notice, running from the change of month. In order for such termination to be binding on the employees, it must have been approved by a majority of them in a secret ballot.

The shop steward, or the trade union if there is no shop steward, shall appoint up to 5 persons, depending on the size of the company, to the negotiating committee on behalf of the employees.

Under company agreements, the provisions of this Agreement may be adapted regarding the following matters:

1. Part of the overtime supplement may be incorporated in the basic rate for daytime work.
2. Lengthening of the daytime work period. However, daytime work may at no time begin before 07:00 and shall end not later than 19:00.
3. Organisation of working time such that the number of daytime working hours per week is variable over a specific period, with the average not exceeding the ordinary weekly total of daytime working hours.
4. To have no payment applying for overtime until a specific number of working hours has been reached.

5. To have payment for overtime work made at the end of a reference period which is to be decided in advance.
6. To have part of annual holiday used in order to reduce activity or close operations on specific days outside the traditional annual holiday period.
7. To agree on a 36 hour and 15 minute working week (based on active working time). In such a case, employees shall be guaranteed a meal/refreshment break of at least 1 hour during the daytime working period.
8. To agree on a profit-sharing system.

When it appears that every means has been tried to effect an agreement between the employee and the employer regarding the adaptation of this Collective Agreement, each of those parties shall be entitled to refer the matter for formal treatment by the parties to this Collective Agreement.

Section 15 Voting on this Collective Agreement

15.1. Voting

The parties shall put this Collective Agreement to the vote in the legally-prescribed manner according to Article 5 of the Act No. 80/1938. Only those members of VR and the other constituent unions of LÍV who are employed by members of FÍS, as established by payment records, shall have the right to vote on this agreement.

Section 16 Period of validity

16.1. Period of validity

This agreement shall be valid as from 1 April 2004.

The parties are in agreement that the last valid collective agreement between them shall be extended indefinitely, with the amendments and provisos stated in this Agreement.

16.2. Wages and terms committee

At the initiative of either party, a wages and terms committee may be convened, consisting of two representatives of each party, for the first time in November 2005 and thereafter at the same time every second year. The role of the committee shall be to examine the application of the agreement and make proposals regarding amendments to it, and it shall, amongst other things, evaluate the trend in wages over the year. The committee shall have 3 months to reach an agreement. If the committee has not reached an agreement within this period, then either party to the agreement may terminate it with 6 months' notice.

Protocols, declarations and appendices

Protocol 2004 on pension fund premiums

The parties are in agreement that additional premium payments to collective pension funds shall not automatically result in greater pension rights, shall rights being subject to the decision of the board of the pension fund.

Protocol 2004 on changes in employers' union membership

The parties are in agreement that when companies join or leave FÍS, they may only move their employees from one collective agreement to another with the consent of the employees and their unions or when collective agreements are open for review.

Protocol 2004 on insurance against death, accidents and disability

The parties agree to review employees' accident insurance with a view to increasing their protective cover. The cost of an increase in premiums may be approximately ISK 1,000 per employee. This review shall be complete by the end of 2004.

Protocol 2004 on grants for leisure-time activities

The parties agree that as regards the payment of grants for leisure-time activities, the arrangement allowed for in the current rules of the Commercial Workers' Vocational Training Fund shall continue to apply; thus, grants for leisure-time studies shall only be made from the contributions of the trade unions, and the rules of the fund shall apply to the allocation of grants.

Protocol 2004 on participation by employees in collective agreements, etc.

When negotiations on collective agreements are in progress, members of VR and other constituent unions of LÍV who have been elected to the negotiating committees may attend their meetings during working hours. The same shall apply to delegates to the annual meetings of ASÍ/LÍV and representatives who sit on joint committees of ASÍ/LÍV and FÍS. Care shall be taken to ensure that the absence of these employees from work has the minimum disruptive effect on the functioning of the companies in which they work, and employees shall consult their superiors concerning their absences with the maximum possible notice. Generally, the frame of reference shall be that not more than one employee shall attend these meetings from a company with 5-50 employees, and two from companies with more than 50 employees. There shall be no obligation to pay wages for the time during which employees are absent from work.

Protocol 2004 on employment contracts

Employment contracts or written confirmations of terms of engagement shall contain at least the following information:

The identity of the parties, including their ID numbers.

The place of work and the employer's address. If there is no fixed place of work, or place where work is normally carried out, then it shall be stated that the employee is engaged to work in a variety of workplaces.

The title, position, nature or type of work for which the employee is engaged, or a short account or description of the job.

The date on which work is to begin.

The length of the engagement, if it is for a specific period.

Annual holiday entitlement.

The notice period required for termination of the contract by the employer and by the employee.

Monthly or weekly wages, e.g. by reference to a pay-scale, and also other payments or perquisites, and the period for which payment is to be made.

The length of the normal working day or working week.

The number of hours of overtime work, if payment for overtime work is included in the regular wages.

The work and the disturbance involved outside regular working hours if employees' home or mobile telephone numbers are listed by the company in the telephone directory, or cited in another comparable manner.

The pension fund.

A reference to a valid collective agreement and the relevant trade union.

The information listed in items 6-9 above may be given by reference to a collective agreement.

Work abroad. – If the employee is Employees entrusted with work in another country for one month or longer shall receive written confirmation of their appointment before leaving Iceland. In addition to the information listed in Article 1.11, the following shall be stated:

1. The intended working period abroad.
2. The currency in which wages are to be paid.
3. Bonuses or perquisites associated with the work abroad.
4. The conditions under which the employee may return to his home country, where such conditions are stated.

Information according to items 2 and 3 may be given in the form of a reference to legislation or collective agreements.

Protocol 2004 on educational accounts

The parties declare that they are in favour of ideas by which employees at companies are able to establish special educational accounts. Educational accounts are intended to cover part of the costs of long courses of study and training that workers decide to attend. The parties declare that they are prepared to seek an arrangement with the government authorities under which such accounts will have the same taxation status as the private divisions of the pension funds. The parties will also encourage companies and unions that are involved in workers' education and training to publicise educational accounts among their employees.

Protocol 2004 on security issues in companies

The parties agree to work together on having security standards established for companies over the next two years. The aim of this shall be to increase employees' security and to reduce the number of robberies.

Appendix 2004 on working time structure on an annual basis

Working days 2004 - 2008

Active working hours per day **7,25**

2004	24 days`holiday	25 days`holiday	28 days`holiday
Weekends	104	104	104
Public holidays	10	10	10
Holiday	24	25	28
Working days	228	227	224
Total	366	366	366
Leave for Dec. Work	2	2	2
Resulting working days	226	225	222

2005	24 days`holiday	25 days`holiday	28 days`holiday
Weekends	105	105	105
Public holidays	9	9	9
Holiday	24	25	28
Working days	227	226	223
Total	365	365	365
Leave for Dec. Work	2	2	2
Resulting working days	225	224	221

2006	24 days`holiday	25 days`holiday	28 days`holiday
Weekends	105	105	105
Public holidays	10	10	10
Holiday	24	25	28
Working days	226	225	222
Total	365	365	365
Leave for Dec. Work	2	2	2
Resulting working days	224	223	220

2007	24 days`holiday	25 days`holiday	28 days`holiday
Weekends	104	104	104
Public holidays	12	12	12
Holiday	24	25	28
Working days	225	224	221
Total	365	365	365
Leave for Dec. Work	2	2	2
Resulting working days	223	222	219

Declaration dated 5 March 1997 on wages during absence due to illness and accidents

In view of the discussion that has taken place concerning the addendum to Article 8.2.1. in the Collective Agreement between FÍS and VR, which was signed on 1 March 1997, on the payment of wages during absence from work resulting from illness and accidents it should be stated that the parties are in agreement that this provision does not in any way reduce employees' right to leave in the event of illness or accident or limit the employer's obligation to make payments according to the collective agreement that was last in force.

This provision is intended to reduce the number of points of doubt and dispute that have arisen in cases of absence from work due to illness and accident and have had to be resolved by the courts.

Protocol 1990 on the legal standing of employees in the event of changes of ownership of companies

The parties agree that changes of ownership of companies or company mergers can not affect terms of service, including the employees' entitlements regarding leave, sick pay and sick leave, unless their employment contracts have been terminated beforehand. The mutual notice period for termination of contract is not affected by a change in the ownership of the company.

The parties agree that the owner before the change should announce planned changes to the operations of the company, or its sale, with as much notice as possible.

When a change of owners takes place at a company, the new owner shall enter into the rights and obligations of the former owner towards the employees unless other terms are specifically agreed with the former owner. If in this way the new owner considers himself not bound by employment contracts made with the former owner, he shall make this known to the employees as soon as he takes over the operations of the company. If this is the case, then the former owner shall be obliged to pay the employees wages during the notice period for termination according to their employment contracts or the collective agreement.

Corresponding rules shall apply in cases where a company is leased, and to the leasing or sale of a company following insolvency, providing that the agreement applies to the operations of the company and not merely to its premises, plant and other equipment.

Declaration 1990 on employee's adaptation to retirement

With a view to facilitating their employees' adaptation to retirement, FÍS will instruct its members to make efforts to meet the wishes of their employees as regards reducing the proportion of a full job that they work during the years immediately preceding retirement.

Protocol 1989 on the proportion of women in managerial positions

The parties agree to aim at increasing the proportion of women in managerial positions in companies.

At the same time, the aim is that women should undertake more responsible and better-paid jobs.

The parties agree to appoint a discussion group to examine the pattern in the wage differential between men and women, and the reason for the wage differential, and methods of reducing it.

Protocol 1989 on the working time of shop assistants who work at least 32 hours of daytime work per week

The general rule regarding the working hours of shop assistants who begin work in the morning and work every day from Monday to Friday shall be that work begins at 09:00. Deviations from this in the case of individual employees shall only be made in cases where the employees involved have submitted a request to work shorter hours.

The present arrangement regarding working time shall be terminated with the agreed notice period so that changes the working hours and wage payments of those involved shall take place, at the earliest, after the expiry of the notice period

Appendix to the Collective Agreement of 6 September 1984

2.2.3 Work on Saturdays and Sundays

When work is done on Saturdays, payment shall be made for a minimum of 4 hours at overtime rates, even if the period worked is actually shorter. Payment shall be made for not less than 1 hour more than the time actually worked in view of the variable timing of meal and refreshment breaks in shops on Saturdays. This shall not apply, however, to regular shift work, e.g. in sales kiosks (corner shops). If work begins before 12:00 on Saturdays, then payment shall be made for time not shorter than if it began at 09:00.

Here follow some examples to illustrate the above provisions:

Working hours	Paid hours
- 09:00 - 11:00	4 hrs. (no meal break taken)
- 09:00 - 12:00	4 hrs. -
- 09:00 - 13:00	5 hrs. -
- 09:00 - 16:00	8 hrs. -
- 10:00 - 12:00	4 hrs. -
- 10:00 - 13:00	4 hrs. -
- 10:00 - 14:00	5 hrs. -
- 10:00 - 15:00	6 hrs. -
- 10:00 - 16:00	7 hrs. -
- 11:00 - 13:00	4 hrs. -
- 11:00 - 15:00	6 hrs. -
- 09:00 - 14:00	5.5 hrs. (meal break e.g. 1/2 hr.)
- 09:00 - 15:00	6.5 hrs. -
- 09:00 - 16:00	7.5 hrs. -