

STANDARD OF LIVING AGREEMENT 2019-2022

Parties to the collective bargaining agreement

Parties to the collective bargaining agreement are VR (The Store and Office Workers' Union), LÍV - The Commercial Federation of Iceland Efling-Trade Union, AFL Federation of general and special workers, Aldan Trade Union, Báran Trade Union, Drífandi Trade Union, Eining-Iðja Trade Union, Framsýn Trade Union, Samstaða Trade Union, Vesturland Trade Union, Akranes Trade Union, Grindavík Trade Union, Hlíf Trade Union, Bolungarvík Trade Union and Seaman's Union, Keflavík Trade Union and Seaman's Union, Sandgerði Trade Union and Seaman's Union, Snæfelífsnes Trade Union, Suðurland Trade Union, Vestfirðir Trade Union, Þórshöfn Trade Union on the one hand, and SA Confederation of Icelandic Enterprise on the other hand.

Introduction - main substance

The collective agreement constitutes a special emphasis on improved wages for lower paid workers. The wage increases in the agreement are all in the form of ISK increases of pay rates and of fixed monthly pay for day work. This constitutes a broad consensus on the labour market on lower paid workers receiving proportionately greater increases in wages than those who have higher wages.

A main objective of the collective agreement is to support a reduction in interest, which is of particular benefit to households and to economic activity. In the opinion of parties to the agreement, the agreement creates leeway for a reduction in interest rates, which increases disposable income of households and helps companies bear the wage increases prescribed in the agreement. A reduction in interest rates also supports reduction in rent for homes.

One of the criteria for good terms of employment for lower paid workers and for full-time work is the competitiveness of Icelandic economic activity. The objective of the party's the agreement is to protect purchasing power of wages and to support low inflation and lower interest rates into the future.

The agreement constitutes a direct link between the capacity of the economics sector for changes in wages and wage increases. The provisions on bonuses for increased productivity assures a share for wage earners in profits when gross domestic product exceeds a certain level.

The agreement also ensures that wage earners who are paid according to the agreed rates of pay, follow general development in wages when there is a significant increase in wages on the labour market in general.

The parties the agreement wish to secure a healthy labour market where infringements on workers are not tolerated through measures against ID number changing and undercutting which also ensure a level field of competition between companies.

Period of validity

The period of validity of the agreement is from 1 April 2019 until 1 November 2022

Changes in wages

The collective agreement constitutes a special emphasis on improved wages for lower paid workers. The wage increases in the agreement are all in the form of ISK increases of pay rates and of fixed monthly pay for day work. Monthly pay means a fixed monthly pay for day work.

General increase in monthly pay for full-time work

1 April 2019: ISK 17,000.

1 April 2020 ISK 18,000.

01 January 2021: ISK 15,750.

01 January 2022: ISK 17,250.

Pay rates

Pay rates increase specifically, see attached document with the relevant collective agreements

1 April 2019: ISK 17,000.

1 April 2020 ISK 24,000.

01 January 2021: ISK 24,000.

01 January 2022: ISK 25,000.

Terms of employment items

Terms of employment related items increase by about 2.5%, unless agreed otherwise.

Minimum wages for full-time work

Minimum wages for full-time work will be:

01 April 2019 ISK 317,000 per month.

01 April 2020 ISK 335,000 per month.

01 January 2021 ISK 351,000 per month.

01 January 2022 ISK 368,000 per month.

December bonus and holiday bonus

The December bonus for each calendar year based on full employment is:

Per annum 2019 ISK 92,000.

Per annum 2020 ISK 94,000.

Per annum 2021 ISK 96,000.

Per annum 2022 ISK 98,000.

The holiday pay bonus for each holiday pay year (1 May to 30 April) based on full-time employment is:

For holiday pay year commencing 1 May 2019, holiday pay, bonus will be ISK 50,000.

For holiday pay year commencing 01 May 2020, holiday pay, bonus will be ISK 51,000.

For holiday pay year commencing 01 May 2021, holiday pay, bonus will be ISK 52,000.

For holiday pay year commencing 01 May 2022, holiday pay, bonus will be ISK 53,000.

Lump sum May 2019

In 2019 a lump sum will be paid in the form of a special weighting on the holiday pay, bonus, ISK 26,000. Holiday pay bonus for the year 2019 shall be paid no later than 2 May

Wages and criteria committee

A special wages and criteria committee shall start work immediately. The committee shall comprise 3 representatives nominated by essay and 3 representatives nominated jointly by the negotiation committees of those unions that are affiliated to the collective bargaining agreement dated 3 April 2019.

The task of the committee is to assess the criteria of the collective agreement and its provisions on economic growth and increases in pay rates.

Economic growth bonus

During the years 2020 - 2023 a wages increment will be introduced on the basis of the development of per capita GDP.

The calculation of the wage bonus will be based on provisional figures from Statistics Iceland on the per capita GDP index, which is published annually at the beginning of March for the preceding year. The wage bonus is added both to the monthly pay rates in the collective agreement and to the fixed monthly pay for day work. The table below shows the amount of the bonus and the underlying criteria.

Per capita GDP, increase between years	Wage bonus on monthly pay rates in the collective agreements	Wage bonus on fixed monthly pay for day work
1.0-1.50%	ISK 3,000.	ISK 2,250.
1.51-2.00%	ISK 5,500.	ISK 4,125.
2.01-2.50%	ISK 8,000.	ISK 6,000.
2.51-3.00%	ISK 10,500.	ISK 7,875.
>3.0%	ISK 13,000.	ISK 9,750.

When deciding a wages bonus for the years 2019-2022 which come into force 2020-2023, revised provisional figures shall be taken into account for those years, on which the calculation of the wages bonus is based. The wage bonus is paid on 1 May.

The wages and criteria committee of the parties to the agreement decides the wage bonus amount should there be reason to pay a bonus.

Guaranteed pay rights for wages development

During the years 2020-2022, an annual pay rate bonus is paid on the basis of development of wages, given that certain conditions are fulfilled.

The wages and criteria committee shall analyse reasons for payment of a pay rate bonus on the basis of development of wages. The committee shall compare the development of wages according to the Statistics Iceland wage index for the general labour market (adjusted with a method pursuant to a proposal from Dr. Kim Ziechang which is described in his report dated 5 November 2018) with proportional change to the highest active SGS pay rate (Wage category 17 e 5 yrs.) The reference period for the comparison is the month of December each year during the term of the agreement in the first instance December 2019 - December 2020. The conclusion shall be established in March each year.

If the conclusion is that the above specified wage index has increased more than the reference pay rate during the reference period, the committee shall rule on a specific ISK amount by which all pay rates in the collective agreement will be increased. This ISK amount is calculated as a proportion of the access increase of the above specified pay rate. The pay rate bonus is added to the pay rate from 1 May.

Collective agreement criteria

The main objective of this collective agreement is to support increased purchasing power and lower interest rates for the future. The agreement is based on the primary criteria that purchasing power of wages should increase during the term of the agreement according to the objectives of the agreement to increase the lowest wages and that interest rates are reduced and that there will be full honouring of the government declaration that was issued in connection with the collective agreement. The parties agree that the agreement should create conditions for a significant reduction in interest rates.

The criteria of the agreement are as follows:

1. Purchasing power of wages should have increased during the term of the agreement according to the wages index of Statistics Iceland
2. Interest rates should drop significantly up to the review of the agreement in September 2020 and should remain low throughout the term of agreement.
3. The government should stand by its promises according to its declaration "Government support for the standard of living agreement" and "government declaration on measures to mitigate the effect of indexation," which were issued in connection with this collective bargaining agreement.

Evaluation of criteria

The wages and criteria committee shall evaluate whether the following criteria have been met:

In September 2020, the committee shall evaluate whether the criterion on purchasing power of wages pursuant to item 1, interest pursuant to item 2 and whether government decisions, changes in law and funding which were promised in the government declarations pursuant to item 3 have been honoured. The committee shall notify before the end of September 2020 whether the above specified criteria have been met.

In September 2021, the committee shall evaluate whether the criterion on purchasing power of wages pursuant to item 1, interest pursuant to item 2 and whether government decisions, changes in law and funding which were promised in the government declarations pursuant to item 3 have been honoured. The committee shall notify before the end of September 2021 whether the above specified criteria have been met.

Reaction to failure to meet criteria

Should it transpire that any of the above criteria have not held, a joint meeting of the negotiation committees of the above specified parties and of the management board of SA shall seek ways to support the achieving of the objectives of the agreement, and endeavour to come to an agreement to work towards retaining its validity.

Should agreement not be reached on reactions to failure to meet criteria, then the party that wishes that the agreement should not remain in force shall make notification to this respect as follows:

For review in September 2020. Before 16:00 hours on 30 September 2020 and the agreement will no longer be in force on 1 October 2020.

For review in September 2021. Before 16:00 hours on 30 September and the agreement will no longer be in force on 1 October 2021.

Ratification of collective bargaining agreement

The ratification of the collective bargaining agreement shall be notified by Wednesday 22 April.

Declaration by the Government of Iceland

This collective bargaining agreement contains a declaration by the government, among others things about the following issues: Income tax, maternal/paternal leave, child allowances, accommodation issues, pensions, social undercutting, management of the economy, prices and price guarantees, simplification of regulatory framework and surveillance.

Reykjavik, 03 April 2019

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