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# COVID-19 and Labour Law: Iceland

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### Abstract

The Icelandic response to the COVID-19 has been based to follow evident based measures to curb the spread of the virus and save lives at the same time as the Icelandic Government tries to keep the economy afloat. Several measures have been adopted to mitigate the economical and societal effects of the outbreak. The Social Partners have played a substantial role in the design of the measures taken by the Government.

**Keywords:** Covid-19; Labour Law; Unemployment; Unemployment benefits; Homework; Telework; Social partners.

### 1. General Framework.

As a result of the outbreak of the COVID-19 an emergency phase, the existence of highest alert level, was declared by Icelandic authorities on March 6<sup>1</sup>. The response has been based on evidence-based measures that have a successful track record, such as quarantine at home (self-quarantine), isolation for infected persons, early diagnosis of infection and effective information disclosure to the public. A ban on gatherings for 100 people or more was imposed and on March 24, a stricter measure was enforced with a ban on gatherings for 20 people or more until May 4<sup>2</sup>.

Grocery stores and pharmacies may still allow up to 100 people inside at once, provided space allows for a 2-metre distance between individuals. Authorities ordered the closure of swimming pools, gyms, bars, clubs, slot machines, and museums as of midnight on March 23. Operations and services that require close contact between individuals or risk close contact were also prohibited. This includes sports clubs, hairdressers, beauty salons, and massage parlours<sup>3</sup>. Universities and junior colleges (*menntaskólar*) have been closed, while primary schools and preschools have remained open, but subject to stricter measures.<sup>4</sup> These

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<sup>1</sup> The declaration was made by the Iceland's Chief Epidemiologist and the National Commissioner of the Icelandic Police's Department of Civil Protection and Emergency Management.

<sup>2</sup> <https://www.covid.is/categories/icelands-response>

<sup>3</sup> <https://www.icelandreview.com/ask-ir/whats-the-status-of-covid-19-in-iceland/>

<sup>4</sup> <https://www.icelandreview.com/ask-ir/whats-the-status-of-covid-19-in-iceland/>

measures have meant limited services and hours in many primary schools and preschools. These measures will be lifted in stages, starting on May 4<sup>5</sup>.

Since March 19 all Icelandic residents that enter the country are obligated to go into 14 days of quarantine<sup>6</sup> and from April 24 all foreign travellers entering Iceland are required to present a Public Health Passenger Locator form and undergo a 14-day quarantine upon arrival.

Clearly, the economic impact of the COVID-19 in Iceland will be considerable. The effects are already visible in many places, including in tourism, commerce and industry. Demand has been declining rapidly, tourists are almost completely gone, and household consumption is declining. The government's struggle has been to curb the spread of the virus at the same time as they try to keep the economy afloat. The Icelandic economy was already in a downturn when the virus epidemic struck in Iceland<sup>7</sup>. The total unemployment rate in March was 9,2% and had then increased from 5,0% in February.<sup>8</sup> The Directorate of Labour expects that unemployment will grow to 16,9% in April but will decline something in May due to increased activity in certain areas of the economy<sup>9</sup>.

## 2. Regulatory Interventions to Support Affected Businesses and Workers.

Several measures have been adopted by the Icelandic Government to mitigate the economical and societal effects of the COVID-19 outbreak. The first-phase response measures, announced 21 March, had primarily the aim to counteract unemployment and temporary loss of personal income<sup>10</sup>. The second phase was announced 21 April, focusing on support and protections for small enterprises, innovation and vulnerable groups<sup>11</sup>.

Among the first measures taken is a legislation allowing companies to reduce the employment rate of workers down to 25%, due to a temporary contraction in the employer's activities, the wages from the employer being paid in conjunction with and not reducing

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<sup>5</sup> See <https://www.government.is/news/article/2020/04/14/Restrictions-to-be-gradually-lifted-starting-4-May/>

<sup>6</sup> Transportation (i.e. airline and freighter) crews are excepted from this rule. See <https://www.icelandreview.com/ask-ir/whats-the-status-of-covid-19-in-iceland/>

<sup>7</sup> Economic growth was slow and unemployment was growing.

See: <https://www.si.is/frettasafn/vidtaek-efnahagsleg-ahrif-covid-19>

<sup>8</sup> In February 2019 the total unemployment rate was 3,1%.

<https://vinnumalastofnun.is/frettir/2019/03/skrad-atvinnuleysi-i-februar-var-31percent>

<sup>9</sup> <https://www.vinnumalastofnun.is/media/2529/mar2020skyrsla.pdf>. The final figures concerning unemployment in April have not been published yet.

<sup>10</sup> This was especially made through the introduction of partial unemployment benefits, access to third-pillar (private) pension savings, deferral of corporate tax payments, and operational loan facilities for companies. See: <https://www.frettladid.is/frettir/bein-textalysing-rikisstjornin-bregst-vid-efnahagslegum-ahrifum-covid-19/>

<sup>11</sup> Among these measures are dedicated support to jobseekers and vulnerable groups, immediate support loans for small and medium-sized enterprises, creation of summer jobs and summer term for students and a one-off bonus to front-line healthcare workers, who have been under additional strain and are at elevated risk of contagion, to reflect their service.

See: <https://www.government.is/news/article/?newsid=5a7b7cb1-83f7-11ea-9467-005056bc4d74>

employment benefits<sup>12</sup>. Self-employed and part time working students are also covered by the legislation subject to certain conditions<sup>13</sup>. The overall aim of this legislation is to encourage businesses to keep employees on their payrolls, rather than lay them off, and to protect the employment relationship<sup>14</sup>. However, to avoid insolvencies, increased support for companies was introduced on 28 April, providing the opportunity to apply for temporary government support<sup>15</sup> to pay a portion of salary costs for any staff member during their notice period<sup>16</sup>.

As law and collective agreements concerning sick leave do in general not apply to workers in quarantine without being infected, employers who have paid wages and employees who have not received wages in this situation can according to new legislation<sup>17</sup> apply for Governmental support/payments to the Directorate of Labor Office. The same applies to self-employed persons. Public employees have been guaranteed the right to payments under the same circumstances<sup>18</sup>.

In the public sector specifically, amendments have been made to the Civil Defence Act stipulating that Public bodies may temporarily assign employees to changed duties and to transfer employees between establishments and public bodies to carry out priority tasks in crisis situations. Employees keep unchanged pay in such circumstances<sup>19</sup>.

Before the epidemic, homework/telework was not very common in Iceland but this has changed swiftly and substantial number of workers are now working from home, at least partly. Children have in many instances also been at home due to the situation. The emphasis in recent collective agreements<sup>20</sup> on balance between work and family life, especially with the

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<sup>12</sup> Act No. 23/2020, on amendments to the Unemployment Insurance Act and the Act on the Guarantee Fund (reduced employment rate). It is provided that the previous employment rate must have fallen by at least 20% and the employee has kept a minimum 25% employment rate. However, wages from the employer and total unemployment benefits may never exceed a certain maximum amount per month<sup>12</sup> and shall not exceed 90% of the average total wage of the employee. See: <https://www.althingi.is/alttext/150/s/1173.html>

<sup>13</sup> Students are covered by the Act if they have taken on a reduced work rate. Self-employed persons may qualify for employment benefits, even though they have not reported an end of operation to the Icelandic Revenue if sufficient reductions have been reported as well as a change in the calculated. remuneration. See: <https://www.althingi.is/alttext/150/s/1173.html>

<sup>14</sup> <https://www.government.is/news/article/?newsid=afa0d410-6b79-11ea-9462-005056bc4d74>. Employer's organizations have taken on to encourage companies that have temporary problems due to the crisis to take advantage of this rather than resort to dismissals. See: <https://www.althingi.is/alttext/150/s/1173.html>

<sup>15</sup> This government support will be available from 1 May through 30 September. See: <https://www.government.is/news/article/2020/04/28/Government-of-Iceland-announces-increased-support-for-companies-and-extension-of-part-time-unemployment-benefits/>

<sup>16</sup> According to the Government's announcement these amendments will include the employees concerned having priority access to jobs when business activities resume, and they will retain certain specified accrued rights from that employer. However, it is still unclear how this will be implemented.

<sup>17</sup> Act no. 24/2020, on temporary payments for wages of individuals subject to quarantine in accordance with instructions from the health authorities without being infected. <https://www.althingi.is/alttext/150/s/1174.html>

<sup>18</sup> According to declarations made by the Minister of Finance and Economy and the Association of Icelandic Local Authorities, public employees will be paid wages if they quarantine under these circumstances and this measure will not impair their sickness rights.

See <https://www.althingi.is/thingstorf/thingmalalistar-efrir-thingum/ferill/?ltg=150&mnr=667>

<sup>19</sup> Act No. 27/2020, amending the Civil Defence Act No. 82/2008. This provision expires on 1 January 2021. According to the law, an employee is exempt from this duty if his or her health, or any other person he is responsible for, is such that his safety and health are endangered by entrusting him with such duties.

<sup>20</sup> <https://www.sa.is/media/26490/lifskjarasamningur-2019-2022.pdf>

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reduction of working time, has not been in the focus. Rather one could describe the situation in some instances as a merger of work and family life. However, it can be assumed that these changes will to some extent be permanent, and evidently worker's rights regarding telework, now according to collective agreements, have to be followed up more closely than is currently the case<sup>21</sup>.

### 3. The role of Social Partners in the design of the measures.

The Social Partners have played a substantial role in the design of the measures taken by the Government and seem in general to approve them. This applies to the Economic Packages which have been announced by the Government.

Some measures have been taken on the basis of a joint declaration by the Government, The Confederation of Icelandic Enterprise (SA) and The Icelandic Confederation of Labour (ASÍ), on the social need to slow the spread of the COVID-19 virus<sup>22</sup>. This applies e.g. to measures concerning payment of wages to workers in quarantine. Clearly, there has however not been scope for traditional consultation given that this is an unprecedented situation. The opposition has supported the Governmental measures but at the same time called for greater actions<sup>23</sup> and criticised the Government for lack of consultation before issues have formally been addressed in the Parliament (Alþingi)<sup>24</sup>.

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<sup>21</sup> The Framework agreement of the the European social partners ETUC (and the liaison committee Eurocadres-CEC), UNICE, UEAPME and CEEP on telework, from 16 July 2002, was implemented in Iceland by collective agreements:

<https://www.asi.is/vinnurettarvefur/vinnurettur/rettindi-og-skyldur/radningarsambond-stofnun-og-edli/fjarvinna/>

<sup>22</sup> <https://www.althingi.is/altext/150/s/1131.html>

<sup>23</sup> See e.g. <https://www.visir.is/g/2020390902d/stjornarandstadan-gerir-miklar-athugasemdir-vid-adgerdir-rikisstjornarinnar>

<sup>24</sup> See e.g. <https://www.althingi.is/altext/raeda/150/rad20200414T150626.html>