

INTERGOVERNMENTAL CONFERENCE ON THE
ACCESSION OF ICELAND TO THE EUROPEAN UNION

NEGOTIATING POSITION OF ICELAND
Chapter 2
Freedom of Movement for Workers

Summary of the negotiating position

1. Chapter 2 on the Freedom of Movement for Workers is fully covered by the EEA Agreement. Iceland implements and applies EEA relevant *acquis* under this chapter on an ongoing basis.
2. Iceland accepts the *acquis communautaire* with respect to Chapter 2 on the Freedom of Movement for Workers as of 9 February 2011¹. Iceland will have implemented any outstanding *acquis*, as of that date, under this chapter by the date of accession.
3. Iceland has the legislative and institutional framework necessary to continue implementing the *acquis* in this chapter.
4. Iceland does not request special arrangements, derogations or transitional periods under this chapter.

EEA Agreement

Iceland has been a party to the agreement on the European Economic Area (EEA) since its entry into force in 1994. As a result, Iceland has participated in the single market for more than 16 years and implemented all relevant EU legislation with respect to the four freedoms, as well as in other important areas such as research and development, education, social policy, the environment, consumer protection, tourism and culture. The EFTA Surveillance Authority (ESA) regularly monitors Iceland's performance under the EEA Agreement and publishes information about Iceland's implementation record twice yearly in an internal market scoreboard.

In those chapters covered by the EEA, Iceland has built its legislative framework and institutional framework to comply with and implement relevant EU legislation. Chapter 2 on Freedom of workers is covered by the EEA Agreement.

Legislative framework

The legislative framework is in place to continue implementing the *acquis* in this chapter.

¹ Date of screening meeting (one meeting on this chapter)

Access to the Labour Market

The basic principles of the *acquis* related to labour market access are fully covered by the EEA Agreement and are transposed into the Icelandic legal order on an ongoing basis.

The main legislation on labour market access is Act No. 47/1993 on the free right of employment and residence within the EEA. This Act, which gives priority to EEA nationals over third country nationals regarding access to the Icelandic labour market, transposes Regulation (EEC) No 1612/68 of the Council on freedom of movement for workers within the Community into national law. The Act is monitored by a committee appointed by the Minister of Welfare and includes representatives from the Icelandic Confederation of Labour and the Confederation of Icelandic Employers. The provisions of Directive 2004/38/EC on EU citizens exercising an economic activity as salaried workers have been transposed into the Icelandic legal order by Act No. 97/2002 on Foreign Nationals Right to Work.

Iceland fully participates in the EURES (European Employment Services) network, which was established in Iceland in 1994 through Article 15 of Protocol 31 of the EEA Agreement. The main goal of the institution is to facilitate the free movement of workers within the 30 countries of the European Economic Area. Following the financial collapse in 2008, the focus of the institution has shifted from the recruitment of foreign labour towards advising workers on the Icelandic labour market about employment opportunities and living conditions in other EEA States. In Iceland, the Public Employment Services participate in the EURES network

Iceland has implemented its obligations under the EEA Agreement for safeguarding supplementary pension rights of employed and self-employed persons within the European Union. The Icelandic Pension Funds Scheme provides a security system for retired workers, those who are disabled during employment and life insurance for survivors as well as benefits for children and spouses. Both the employee and employer contribute to mandatory funded occupational pension schemes (the pension funds), according to the Act on Mandatory Pension Insurance and Activities of Pension Funds No. 129/1997. Every worker in Iceland must pay a minimum of 12% of their wages into Employment Pension Funds.

Coordination of Social Security Systems

The *acquis* on the coordination of social security systems is fully covered by the EEA Agreement and is transposed into the Icelandic legal order on an ongoing basis.

The legislation on social security pensions is Act No. 100/2007 on Social Security. This Act, along with numerous other legislation such as the acts on health insurance, health services, parental leave and benefits, services for the elderly and the disabled, and unemployment insurance, transposes Regulations (EEC) No. 1408/71 and (EEC) No 574/72.

Regulations (EC) No. 883/2004 and 987/2009 have replaced the above regulations in the EU and Annex VI of the EEA Agreement is in the process of being modified to incorporate them. Iceland has already proposed entries into the annexes of the new regulations, which have been presented to the Member States and approved by the Administrative Commission for Coordination of Social Security Schemes. In addition, the Employment, Social Policy, Health and Consumer

Affairs (EPSCO) Council has agreed to incorporate the new regulations into the EEA Agreement. The entries for Iceland will need to be included into the annexes of Regulations No. 883/2004 and 987/2009 for the purpose of accession.

With regard to the Electronic Exchange of Social Security (EESSI), preparations for participation have started and a steering committee composed of representatives from the competent institutions was established in February 2010 to prepare the institutions for these changes.

Iceland has issued the European Health Insurance Card (EHIC) since 2005 and is prepared to issue the EHIC to third country nationals with health insurance in Iceland. No difficulties are foreseen in connection with implementing Regulation (EU) No 1231/2010 extending Regulation (EC) No. 883/2004 and Regulation (EC) No. 987/2009 to nationals of third countries who are not already covered by these regulations solely on the ground of their nationality, by the date of accession.

Institutional framework

The institutional framework is in place to continue to implement the *acquis* in this chapter.

Access to the Labour Market

Access to the labour market is under the responsibility of the Ministry of Welfare, which implements rules on the free movement of workers within the EEA on the basis of Act No. 47/1993. The Ministry of Welfare has a staff of 95, of which 11 work in the Department of Social and Labour Market Affairs responsible for labour market issues. The Ministry of the Interior is responsible for the rules regarding the right to reside in Iceland for workers and their families based on Act No. 96/2002. The Ministry of the Interior has a staff of 70, of which 14 work in the Department of Human Rights and Municipal Affairs responsible for foreign workers' rights.

The Directorate of Labour, which operates under the responsibility of the Ministry of Welfare, is responsible for the management of employment services and the EURES network in Iceland. The total number of staff is 183, including three EURES advisers, as well as contact persons in each of the regional offices throughout the country. The main tasks of the Directorate are to operate the employment services centres. It is responsible for gathering information on the employment situation and monitoring the composition of the workforce in Iceland. The Directorate also issues work permits to foreign workers and is responsible for the daily management of the Unemployment Fund.

The Ministry of Finance is responsible for employment and supplementary pensions, general family benefits and social security contributions as well as the employment pension schemes. The employment pension funds, which operate under the Ministry of Finance, are responsible for administering the employment old age and invalidity pension scheme. At the end of 2008 a total of 37 pension funds with 88 divisions were operating in Iceland. The total number of staff is 256.

The administrative capacities in Iceland are sufficient to continue implementing the *acquis* under

access to the labour market.

Coordination of Social Security Systems

The coordination and supervision of social security systems is mainly under the responsibility of the Ministry of Welfare and its agencies.

The Department of Social and Labour Market Affairs in the Ministry of Welfare is responsible for the supervision of universal pensions and state social assistance benefits, maternity/paternity and parental leave benefits, and unemployment benefits.

The Social Insurance Administration (SIA) is an agency under the responsibility of the Ministry of Welfare, and works mainly according to Social Security Act No. 100/2007 and the Social Assistance Act No 99/2007. It is the central administrative body for social security schemes in Iceland, including the national universal old age and invalidity pension scheme. SIA also administers special social assistance from the state, payments to parents of chronically ill or severely disabled children and advancements of child maintenance payments. The total number of staff is 135, located in offices throughout the country. In preparation for the Electronic Exchange of Social Security Information, a steering committee has decided that the National Access Point will be located at SIA.

The Directorate of Labour operates according to the Labour Market Measures Act No. 55/2006 and Unemployment Benefits Fund Act No. 54/2006, as well as implementing regulations. The Directorate is the central administrative body for the maternity/paternity benefits and grants scheme and unemployment benefits scheme. It is responsible for the management of the employment services as well as the daily expedition of the Unemployment Benefit Fund, the Wage Guarantee Fund and the Childbirth Leave Fund. The total number of staff is 183.

The Icelandic Health Insurance scheme operates under the Ministry of Welfare and administers health insurance and employment injury insurance. The total number of staff is 106.

The administrative capacities in Iceland are sufficient to continue implementing the *acquis* under coordination of social security systems.

Acceptance of the *acquis*

Iceland accepts the *acquis communautaire* in Chapter 2 on Free Movement of Workers as of 9 February 2011. No special solutions, derogations or transitional periods are requested under this chapter.