

Collective Agreement
between
The Commercial Workers' Union of Reykjavik, VR
and
The Confederation of Icelandic Employers
(Samtök atvinnulífsins, SA)

Valid from 16 April 2004 to 31 December 2007

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. Pay-scales

1.1.1. Shop assistants:

	<u>16.4. 2004</u>	<u>1.1.2005</u>	<u>1.1.2006</u>	<u>1.7. 2006</u>	<u>1.1 2007</u>
Starting wages	98.428	101.381	105.943	120.943	124.450
After 6 m at comp.	108.075	111.317	116.326	131.326	135.134
After 1 yr at comp.	109.317	112.597	117.664	132.664	136.511
After 2 yrs at comp.	116.210	119.696	125.082	140.082	144.144
After 5 yrs at comp.	118.146	121.690	127.166	142.166	146.289

Specially trained shop workers who are capable of working independently, who show initiative and can be entrusted with supervisory roles

	<u>16.4. 2004</u>	<u>1.1.2005</u>	<u>1.1.2006</u>	<u>1.7. 2006</u>	<u>1.1 2007</u>
Starting wages	102.857	105.943	110.710	125.710	129.356
After 6 m at comp.	112.938	116.326	121.561	136.561	140.521
After 1 yr at comp.	114.236	117.663	122.958	137.958	141.959
After 2 yrs at comp.	121.439	125.082	130.711	145.711	149.937
After 5 yrs at comp.	123.463	127.167	132.890	147.890	152.179

Starting wages apply to workers in the year they turn 18.

1.1.2. Young people

- a. Wages of 17-year-olds are 94% of the starting rate for 18-year-olds; wages of 16-year-olds are 89% of starting wages.
- b. Wages of younger workers shall be the following proportions of the wages of 16-year-olds:
 - 15-year-olds: 85%
 - 14-year-olds: 75%
 - Younger than 14: 50%

Wages of teenagers working in the area covered by the commercial workers' agreement shall apply as from the beginning of the year in which they attain the required age.

1.1.3. Office workers

	<u>16.4. 2004</u>	<u>1.1.2005</u>	<u>1.1.2006</u>	<u>1.7. 2006</u>	<u>1.1 2007</u>
Starting wages	110.000	116.000	121.278	136.278	140.230
After 3 yrs exp.	120.000	126.000	131.733	146.733	150.988

The above wages of office workers are minimum wages. In other respects, the wage terms of office workers covered by this agreement shall be decided by the market.

Pupils undergoing vocational training in connection with studies in tourism shall be entitled to wages equivalent to 55% of the starting rate. The precondition for wage payments according to this provision shall be the existence of a tripartite agreement between the school, the trade union and the company.

1.1.4. Other agreements

On the signature of this agreement, the following separate agreements shall become invalid: The agreement on the wages of workers in sales kiosks and roadside cafes, the agreements with Baugur Ltd (including 10-11 and Bónus), Kaupás Ltd, Matbær Ltd and Samkaup Ltd.

For the wages of workers in guest reception and dispensing pharmacies, reference is made to the appropriate collective agreements.

1.2. Wage structure

1.2.1. Wage increases

All wages shall increase as follows:

16 April 2004	3.25%,
1 January 2005	3.00%,
1 January 2006	2.50%,
1 January 2007	2.9%.

Other wage-related items shall undergo the same changes by the same proportions on the same dates, unless other arrangements have been agreed.

1.2.2. Individually agreed wages

Wage agreements between employer and employee shall reflect the employee's work contribution, competence, educational qualifications and skills, and also the nature of the job and the responsibility it involves. Wage decisions shall take account of the Gender Equality Act.

Employees shall be entitled to have an interview with their superiors once a year concerning their jobs and possible

changes to their terms of service. Attempts shall be made to have the outcome of these interviews clear within one month.

1.3. December and holiday bonuses

1.3.1. 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. 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 39½ hours per week in the case of shop workers and 37½ hours per week in the case of office workers. 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.

December bonus shall be paid as follows:

- In 2004: ISK 43,700
- In 2005: ISK 45,000
- In 2006: ISK 46,200
- In 2007: ISK 47,400

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 or due to legally-prescribed maternity or paternity leave.

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

1.3.2. Holiday bonus

Workers who have earned full holiday entitlement by working for the same employer for the immediately preceding holiday reference year and still employed in the last week of April or the first week of May shall, when they begin taking their annual holiday, or not later than 15 August, receive a holiday bonus in the form of a special lump-sum payment of ISK 15,900 as from 1 May 2004, based on full employment, or proportional payments based on their working time and proportion of full employment. Proportions of full employment shall be based on permanent

regular work, amounting to a maximum of 39½ hours per week in the case of shop workers and 37½ hours per week in the case of office workers. A full year's employment, for this purpose, shall be 45 worked weeks, or more, excluding holiday (annual vacation).

Holiday bonus is a fixed sum which does not undergo change according to other provisions.

Holiday bonus shall be paid as follows:

- In the holiday-reference year beginning on 1 May 2004: ISK 15,900.
- In the holiday-reference year beginning on 1 May 2005: ISK 16,500.
- In the holiday-reference year beginning on 1 May 2006: ISK 16,900.
- In the holiday-reference year beginning on 1 May 2005: ISK 17,400.

A worker who stops work due to age or following 12 weeks' continuous employment for the same employer during the holiday-reference year shall receive the holiday bonus relating to his accrued entitlement, based on his working time and proportion of full employment. 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 or due to legally-prescribed maternity or paternity leave.

No holiday pay shall be paid on holiday bonuses.

1.3.3. Holiday and December bonus entitlement earned during maternity/paternity leave

After the employee has worked for one year for the same employer, periods of absence from work due to legally-prescribed maternity/paternity leave shall be regarded as working time when calculating December and holiday bonuses. The same shall apply in the case of women who, as a safety precaution, have to stop work during pregnancy (*cf.* the Regulations on measures to improve safety and health at work for women who are pregnant, have recently given birth or are breast-feeding).

1.3.4. Leave instead of holiday and December bonuses

By agreement between employee and employer, holiday and December bonuses may be waived or reduced, with corresponding periods of leave being granted instead, based on the wages of the individual worker. Such leave shall be granted in the form of whole or half working days.

Example: An employee has a monthly wage of ISK 150,000 for full-time employment, based on daytime work. His daily wage is therefore ISK 6,922 (150,000/21.67). The holiday bonus is ISK 15,900 (2004).

*Instead of this ISK 15,900 holiday bonus, employee and employer may agree that he receive two days of leave on full pay (ISK 6,922*2) and payment of ISK 2,056, the remainder of his holiday bonus entitlement.*

1.4. Evaluation and length of service

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.

When an employee who is not engaged as the deputy of a superior temporarily takes over the functions of the superior, e.g. during holiday periods or illness, and such replacement periods last for one week or more, the subordinate shall be entitled to remuneration for deputising in this way, taking into account the responsibility and work-load he undertakes. The parties shall agree on the remuneration before the deputising takes place.

Evaluation of length of service, for the purpose of wage placement, shall be based on the time when the employee begins work at the company, irrespective of his age; such evaluation may be made for the first time when the employee is 18 years old. Evaluations of length of service that teenagers have accumulated through part-time work before reaching the age of 18 shall be based on the hours they have worked. The number of hours may be found on the basis of estimated average wages, a full year's work being taken as 1,800 hours.

When evaluating length of service for wage calculations, attainment of the age of 22 years shall grant the right to be placed on the next service-related step above the starting rate. This shall not apply, however, in the case of office workers.

If the employer demands a certificate regarding working experience, the employee shall be obliged to comply with such a demand, if possible, providing that the employer involved is obliged to issue such a certificate. Otherwise, length of service shall be established by reference to the appropriate pay scales and agreements.

1.5. Courses

1.5.1. Courses during working time

If employees are required to attend courses organised jointly by the parties to this agreement, then such courses shall be held during working hours and shall not result in any reduction of employees' wages. Such courses shall be aimed at increasing employees' competence and professional knowledge.

1.5.2. 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, after-hours or overtime rates, as appropriate. However, this may never result in a reduction of the employee's regular monthly wage.

1.5.3. 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 2.1.2. (on working hours), Article 3.5.3. (on travelling costs) and Article 8.7. (definition and insurance).

1.6. Divisors

1.6.1. Divisors for calculating hourly rates

1.6.1.1. When refreshment breaks are taken

Each employee's hourly daytime rate of pay is found by dividing the regular wage of the appropriate step on the pay-scale (see Article 1.1) by 170 in the case of shop assistants and by 160 in the case of office workers.

1.6.1.2. When no refreshment breaks are taken

Each employee's hourly daytime rate of pay is found by dividing the regular wage of the appropriate step on the pay-scale (see Article 1.1) by 158.5 in the case of shop assistants and by 157.1 in the case of office workers.

1.6.2. Divisors for calculating daily pay rates and holiday pay

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

1.7. Wages for after-hours work, overtime work and work on major public holidays

1.7.1. After-hours and overtime wages: shop workers

Payment for work done outside the daytime working period shall be made at hourly rates equivalent to 0.8235% of monthly wages for daytime work up to 171.15 hours per month (an average of 39½ hours per week). Payment for work in excess of 171.15 hours shall be made at hourly rates equivalent to 1.0385% of monthly wages for daytime work

1.7.2. After-hours and overtime wages: office workers

Payment for work done outside the daytime working period shall be made at hourly rates equivalent to 0.875% of monthly wages for daytime work up to 162.5 hours per month (an average of 37½ hours per week). Payment for work in excess of 162.5 hours shall be made at hourly rates equivalent to 1.0385% of monthly wages for daytime work

1.7.3. 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.

1.8. 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.

1.9. 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.

1.9.1. 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, after-hours pay and overtime, with the number of hours worked in after-hours and overtime work being stated. All deductions shall also be itemised.

1.9.2. Payment period for after-hours and overtime work

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

1.10. Employment contracts and letters confirming employment

1.10.1. The making of contracts

Where a worker is engaged for a period of longer than one month, and for more than 8 hours per week, on average, an employment contract shall be made not later than two months after the commencement of the job, or the engagement shall be confirmed in writing. If the employer stops work before the two-month period is up, without an employment contract having been made or the engagement having been confirmed in writing, then he shall be provided with such a confirmation when he stops work.

1.10.2. Amendments

Amendments to terms of engagement, other than those resulting from legislation or collective agreements, shall be confirmed in the same way [*cf.* 1.10.1] not later than one month after they take effect.

1.10.3. Occasional jobs

The provisions of Articles 1.10.1. and 1.10.2. shall not apply to engagements for occasional jobs, providing that such an arrangement is based on objective considerations.

1.10.4. Information to be stated by the employer

Employment contracts or written confirmations of employment, i.e. letters of engagement, shall contain at least the following information:

1. The identity of the contracting parties, including their ID Numbers.
2. The employer's place of work and 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 for work at various locations.
3. The title, job position or type of work for which the employee is engaged, or a short summary or description of the job.
4. The date of commencement of the job.
5. The length of the engagement, if it is for a specific term.
6. The employee's right to annual holiday.
7. The notice period for termination, to be given by the employer and the employee.

8. Monthly or weekly wage rates, e.g. including references to pay-scales, other payments and perquisites, and also the payment periods.
9. The length of an ordinary working day or working week.
10. The pension fund.
11. Reference to a valid collective agreement and the trade union involved.

Information in items 6-9 may be given in the form of a reference to a collective agreement.

1.10.5. Work abroad

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 1.10.4, 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.

1.10.6. Temporary engagements

Temporary engagements shall be subject to the Temporary Engagement of Employees Act, No. 139/2003.

Section 2 Working time

2.1. Daytime work

2.1.1. Daytime work in shops

Active working time in daytime work, i.e. the time actually worked by shop workers, excluding meal and refreshment breaks, shall be 36 hours and 35 minutes per week. Daytime work shall be from 09:00 to 18:00 from Monday to Friday. If workers take their contractual refreshment breaks, then working time shall be lengthened accordingly (*cf.* Article 3.1.2.) in which case weekly working time shall be 39½ hours. Working time shall be arranged by agreement between employees and employer according to what is considered suitable in each individual place of work.

2.1.2. Daytime work of office workers and salesmen

Active working time in daytime work, i.e. the time actually worked by office workers and salesmen, excluding meal and refreshment breaks, shall be 36 hours and 15 minutes per week. If workers take their contractual refreshment breaks, then working time shall be lengthened accordingly (*cf.* Article 3.1.2.) in which case weekly working time shall be 37½ hours. Working time shall be arranged by agreement between employees and employer according to what is considered suitable in each individual place of work, with an extension of daytime work before 09:00, after 17:00 and/or shorter lunch breaks.

For other provisions on salesmen, see Article 1.5.3. (on courses), Article 3.5.3. (on travelling costs) and Article 8.7. (definition and insurance).

2.1.3. Daytime work in bakeries

2.1.3.1. *Shop workers in bakeries*

Active working time in daytime work, i.e. the time actually worked by shop workers, excluding meal and refreshment breaks, shall be 36 hours and 35 minutes per week. Daytime work shall be from 08:00 to 18:00 from Monday to Friday. If workers take their contractual refreshment breaks, then working time shall be lengthened accordingly (*cf.* Article 3.1.2.) in which case weekly working time shall normally be 39½ hours. Working time shall be arranged by agreement between employees and employer according to what is considered suitable in each individual place of work.

2.1.3.2. *Assistants in bakeries*

Active working time in daytime work, i.e. the time actually worked by assistants in bakeries, excluding meal and refreshment breaks, shall be 36 hours and 35 minutes per

week. Daytime work shall be from 07:00 to 17:00 from Monday to Friday. If workers take their contractual refreshment breaks, then working time shall be lengthened accordingly (*cf.* Article 3.1.2.) in which case weekly working time shall normally be 39½ hours. Working time shall be arranged by agreement between employees and employer according to what is considered suitable in each individual place of work.

The meal and refreshment breaks of assistants in bakeries may be arranged to correspond with the meal and refreshment breaks of other personnel working there, providing that full consultation takes place regarding such an arrangement.

2.1.4. Daytime work before 09:00

Daytime work may nevertheless begin before 09:00, according to what is considered the best arrangement for each occupation or company. However, daytime work may never begin before 07:00.

2.1.5. 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.

2.1.6. Beginning of after-hours/overtime work

If daytime work begins by any amount earlier in the morning, then after-hours/overtime work shall begin correspondingly earlier.

2.1.7. Leave in exchange for daytime work

Employer and employee may make a written agreement on a different structure of daytime work within the daytime working period so that the employee works in excess of 39½ hours (37½ hours) during the daytime working period, accumulating the hours so worked in the form of entitlement to leave later on, specified in whole and half days.

2.1.8. Leave in exchange for work outside the daytime work period

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.

Leave shall be taken by agreement, and shall be organised in such a way as to cause the minimum disturbance to the functioning of the company.

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 and half days.

2.1.9. 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.

2.1.10. 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 after-hours/overtime work, and if they do so, they shall not be made to suffer in any way.

Regarding annual working time, reference is made to the appendix on annual working time.

2.2. After-hours work, overtime and work on major public holidays

2.2.1. After-hours work

After-hours work is work of any type carried out outside the ordinary daytime working period, and also on Saturdays and Sundays, and also on all public holidays listed in Article 2.3.1, up to 171.15 hours (162.5 hours in the case of office workers) each month.

2.2.2. Overtime work

Overtime work is work of any type carried out outside the ordinary daytime working period, and also on Saturdays and Sundays, and also on all public holidays listed in Article 2.3.1, in excess of 171.15 hours (162.5 hours in the case of office workers) each month.

2.2.3. Work on major public holidays

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

2.2.4. 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.

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

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 (VSÍ) of 30 December 1996, the following shall apply: If employers 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.

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 collaboration 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 6 hours, they shall be entitled to a 15-minute break. This shall not reduce the effect of the provisions of this agreement regarding meal and refreshment breaks under Article 3.1.

Regarding the scope, working time, breaks and other matters, reference is made to the Collective Agreement between ASÍ and VSÍ of 30 December 1996 on certain matters regarding the structure of working time, which is regarded as part of this Collective Agreement. The aforementioned provisions supplement Article 13 of this Agreement.

2.5. Breaks in the working time of assistants in food shops

In view of the additional workload on staff working on cash-desks on Fridays and the last working day before public holidays that fall on any of the days from Monday to Friday, employees who are obliged to be at work for at least three continuous hours after 16:00 shall be granted a 15-minute break during the period 16:00-19:00, providing that no evening meal break is taken on the aforementioned days.

2.6. Recording of working time

2.6.1. 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, ¼ hour may be deducted from their monthly wages at after-hours/overtime rates for each ¼ hour or fractions thereof in the case of repeated instances.

Each begun ¼ hour of worked after-hours/overtime work shall be counted as ¼ hour.

2.6.2. 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. After-hours/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 after-hours/overtime rates to be deferred by more than 30 minutes.

2.7. 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., i.e. 39½ hours or 37½ hours.

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 ASÍ and SA concerning part-time work and, as appropriate, the Part-Time Workers Act.

2.8. Stand-by shifts

Stand-by shift duty may be imposed, according to which employees are obliged to be contactable by telephone and to respond to call-outs. Where no other arrangements are agreed in the employment contract, the following shall apply.

For each hour on stand-by duty during which the employee is confined to home, he shall receive payment equivalent to the rate for 33% of the hourly rate for daytime work. On public holidays and major public holidays as defined in Articles 2.3.1. and 2.3.2., the proportion shall be 50%.

For stand-by duty in which it is not demanded that the employee respond without delay, but where he is prepared to go to work as soon as he is contacted, he shall receive 16,5% of the hourly rate for daytime work for each hour spent on stand-by. On public holidays and major public holidays as defined in Articles 2.3.1. and 2.3.2., the proportion shall be 25%.

For a call-out when on stand-by, employees shall receive payment for the time they work, though never for less than 4 hours except when their daytime work begins within two hours of the time when they turn up for work. However, payment for

stand-by work and for after-hours/overtime work shall never be combined.

2.9. Disturbance due to use of home telephone

If employees' home or mobile telephone numbers are listed by the company in the telephone directory, the workload resulting from this shall be taken into account when determining their wages.

Section 3 Meal and coffee breaks; food and travelling costs

3.1. Meal and coffee breaks during the daytime work period

3.1.1. Meal breaks

The meal break during the daytime working period shall be ½ - 1 hour during the period 12:00-14:00 and shall not be counted as part of ordinary working time. The right to a lunch break shall be based on at least 5 hours' work during the daytime working period.

3.1.2. Coffee breaks

The refreshment break for shop workers shall be 35 minutes per day, based on full daytime work. For office workers, the refreshment break shall be 15 minutes per day, based on full daytime work. Part-time workers shall receive proportional refreshment breaks. Refreshment breaks may be omitted or shortened by agreement in the workplace, working hours being shortened accordingly.

3.2. Meal and coffee breaks outside the daytime work period

3.2.1. Supper break

A supper break shall be granted during the period 19:00 - 20:00, with pay at after-hours/overtime rates. If employees work during this period or part thereof, they shall receive pay for correspondingly longer overtime work.

Example 1:

The employee works until 19:10. Ten minutes' work is paid for at after-hours or overtime rates, as appropriate, for the work done up to 19:10. An additional 10 minutes' work is paid for at overtime rates due to work done during the meal break.

Example 2:

The employee works until 21:00. The employee receives a 40-minute meal break. Working time from 19:00 to 20:00 shall be paid at after-hours rates to part-time employees and at overtime rates to full-time employees. Payment is also made for 20 minutes at overtime rates for time worked during the meal break.

3.2.2. When work begins at 16:00 or later

Shop workers who turn up for work at 16:00 or later shall receive payment for 5 minutes for each hour they work

(though for a minimum of 15 minutes) in respect of refreshment breaks that are not utilised. Employees who work 4½ hours or longer, however, shall be entitled to a full 1-hour meal break.

3.2.3. Other meal and coffee breaks

When work is done outside the daytime working period, the meal break shall be from 03:00 to 04:00 and coffee breaks from 22:00 to 22:20 and from 06:15 to 06:30.

On Þorláksmessa (23 December), however, a 20-minute refreshment break may be granted during the period from 21:40 to 22:20. The meal and coffee breaks listed above shall be counted as working time, and if employees work during them, then they shall receive pay for correspondingly longer periods of overtime work.

3.2.4. Meal and coffee breaks on Saturdays, Sundays and public holidays

Meal and coffee breaks on Saturdays, Sundays and public holidays as defined in Article 2.3. shall be subject to the same rules as those on ordinary working days.

3.3. Work during meal and refreshment breaks

When work is done during meal and refreshment breaks, or part thereof, during the daytime working period, it shall be paid for at after-hours/overtime rates, as appropriate.

3.4. Travelling to and from the workplace

Travelling to and from workplaces in the Reykjavík Metropolitan Area (Reykjavík - Kópavogur - Garðabær - Hafnarfjörður - Mofellsbær and Seltjarnarnes), during periods when buses do not run, shall be paid for by the employer.

3.5. Work outside the area covered by the agreement

3.5.1. 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.

3.5.2. Rest in connection with travel for the employer

If no other terms are agreed or established by practice in the case of the individual employee, then employees who are obliged to 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.).

3.5.3. 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.

Concerning salesmen, reference is made to other provisions in Article 1.5.3. (on courses), Article 2.1.2. (on working time) and Article 8.7. (definition and insurance).

3.6. **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.

3.7. **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

Minimum annual holiday shall be 24 working days. Annual holiday pay shall be 10.17% of all wage payments, whether at daytime, after-hours 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.

(Concerning holiday entitlement, any person who has a notice period of at least one month for termination of employment shall be regarded as a permanent employee.)

4.2. Holiday taken outside the annual holiday period

Those who, at the request of their employers, do not receive annual 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.

4.3. 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 annual holiday entitlement following 5 years' employment with their former employer shall acquire the same entitlement after 3 years' employment with a new employer, providing that proof of the entitlement is submitted at the time of engagement. *(This right takes effect on 1 May 2004; thus, the higher rate of holiday pay will be paid from that date and the extra day's holiday entitlement may be taken during the holiday period beginning on 1 May 2005.)*

Employees who have acquired a 28-day annual holiday entitlement following 10 years' employment with their former employer shall regain the same entitlement after three years' employment with a new employer, providing that proof of the entitlement is submitted at the time of engagement.

Holiday in excess of 23 days may be granted during the winter, unless other arrangements are negotiated.

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

- Concerning holiday bonus, see Article 1.3.2. -

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. The notification shall state the name of the doctor from whom he intends to obtain a medical certificate.

The same applies if the employee falls so seriously ill in a country in the EEA, Switzerland, the USA or Canada that hospitalisation (of 1 day or more) becomes necessary.

If the employee meets the notification requirement and the illness lasts for more than 3 full days (in Iceland) or 6 full days (in the EEA, Switzerland, the USA or Canada), 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.

As far as is possible, additional holiday leave shall be granted at the time requested by the employee, and during the period from 2 May to 15 September, except where special circumstances apply.

4.6. The Holiday Leave Act, No. 30/1987

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

4.7. Maternity/ paternity and parental leave

Maternity/paternity and parental leave are subject to the Maternity/Paternity and Parental Leave Act, No. 95/2000.

Under the Maternity/Paternity and Parental Leave Act, 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).

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 also Article 8.4. concerning pre-natal medical 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 for each month worked. 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 705.88 (120,000/170). Thus, the number of holiday hours for the month of June is 20.17 hours (140,000 x 10.17% / 705.88).

Over the holiday leave year, this person could, e.g., have acquired 221.87 hours of holiday leave entitlement (11 months x 20.17). When he goes on holiday in summer 2005, his wage will have risen and his hourly rate will therefore be ISK 727.06.

Over the year used for calculating holiday entitlement, this employee could, for example, have earned a total entitlement of 221.87 hours of holiday (11 months x 20.17 hours). When he goes on holiday in summer 2005, his wages will have risen, and his hourly rate will be ISK 727.06. Thus, this employee's holiday pay will be ISK 161,313 (221.8 hours of leave x ISK 727.06 per hour).

Section 5 Special company agreement provisions

5.1. Aim

The aim of the special company agreement provisions of this Agreement is to stimulate collaboration between employees and employers in the workplace with the aim of creating the conditions for improved terms of service for the employees through increased productivity.

The aim is to develop collective agreements so that they will bring benefit to both parties. Amongst other things, the aim is to shorten working hours while maintaining or increasing productivity. At all times, the aim shall be that defined gains should be apportioned between the employees and the company according to clear principles.

5.2. Authorisation to negotiate

The special company agreement provisions shall normally apply to all employees covered by the collective agreements of the relevant unions. However, special agreements may be made in individual delineated workplaces if this is agreed.

Negotiations on special company agreements [agreements with individual companies] shall be held under the obligations of general collective agreements to pursue peaceable means, and shall be adopted with the consent of both parties. Furthermore, it shall be stated in writing to whom the agreement is intended to apply.

When it has been decided to hold negotiations, then the relevant commercial and shop workers' union and employers' organisation shall be notified. Both parties, the employees and the management of the company, shall have the right to seek advice from the parties to this Agreement. The parties may, jointly or separately, decide to call in representatives of the parties to this Agreement for advice on the negotiations, as soon as it has been decided to hold negotiations.

5.3. Representatives of the employees – representation in negotiations

Trade union shop stewards shall represent employees in negotiations with the managers of the company. A shop steward may have an additional 2-5 persons elected, according to the number of employees, to sit in the negotiating committee, and together they shall form a joint negotiating committee.

The shop steward and the elected members of the negotiating committee shall be guaranteed a normal amount of time

during working hours in which to attend to preparations and negotiations. They shall also enjoy special protection in their work, and they may not be made to suffer for the work they do in the negotiating committee. Thus, they may not be dismissed from their jobs because of their work in the negotiating committee.

At workplaces where the shop stewards are members of two or more trade unions, they shall jointly represent the employees in cases where the special company agreement affects their position. In these cases, care shall be taken to ensure that representatives of all divisions of the occupational sector concerned take part in the negotiations; this shall be done even if it means expanding the negotiating committee.

Where no shop stewards have been appointed, the Commercial Workers' Union of Reykjavik (VR) may take steps to have a negotiating committee elected.

5.4. Exchange of information

Before a special company agreement is negotiated, the managers shall inform the shop stewards and other members of the negotiating committee of the company's standing, future prospects and staffing policy.

Shop stewards shall have the right to information on wage payments at the workplaces where they are representatives to the extent necessary to apply the provisions of the special company agreement.

During the period of validity of the special company agreement, shop stewards shall be informed twice each year of the matters mentioned above and the emphases in the running of the company. They shall be bound by an obligation not to disclose this information to the extent that it is not under public discussion.

5.5. Permitted adaptations

Under an agreement within the company, between the employees and the company, the provisions of this Agreement may be adapted to the needs of the workplace by introducing variations regarding the following matters, providing that agreement is reached on remuneration to the employees.

- a) Four-day working week. The full week's daytime working obligation may be discharged in four working days where this is not prevented by law or other agreements.
- b) Shift work. An agreement may be made on the introduction of shift work with at least one month's notice. Shift periods shall not last for less than one month at a time.

- c) After-hours/overtime supplement in the basic daytime rate. Part of the after-hours/overtime supplement may be incorporated in the basic rate for daytime work.
- d) Holiday pay for after-hours/overtime work. An agreement may be made under which workers may accumulate after-hours/overtime working hours and take the same number of hours of leave on working days outside the company's busiest periods. Overtime hours may be accumulated and paid for later in the form of daytime working hours, but the supplementary payment for after-hours/overtime work is to be paid in cash.
- e) Meal and coffee breaks. Agreements may be made on arrangements different from those in this general Agreement regarding meal and coffee breaks.
- f) Annual holiday. Part of the annual holiday entitlement may be used to reduce the level of activity or to close the company on certain days outside its busiest period.
- g) Performance-related wage system. Where it is considered appropriate by both parties, a performance-related wage system may be developed without formal studies of the work structure.
- h) Transfer of holidays falling on Thursdays. It may be agreed at a workplace to transfer leave in connection with the contractual holidays Ascension Day and the First Day of Summer, both of which always fall on a Thursday, to another working day, e.g. Friday or Monday, or to link it to other leave taken by the employees. A decision on a different day off work or another arrangement covering the taking of this leave shall apply to all the employees concerned, and shall be determined by the choice of the majority. In this case, the same wages will be paid for these days as for other working days, and the workers will retain their daytime pay when they take days off on the new holidays. If employees are specially requested to work on the new holidays, they shall be paid after-hours/overtime rates in addition to daytime rates unless other provisions are made in collective agreements regarding shift work. If an employee has not taken the day off when he stops work, then payment shall be made for it in his final wage settlement, at the rate for 8 daytime working hours (based on full-time employment).

Deviations from the general rules of this Agreement over and above the limits set out above shall only be permitted where the approval of the commercial workers' union and employers' union involved has been obtained. Employment contracts shall state the part played in the employee's wages and terms by the special company agreement.

5.6. Remuneration to the employees

Where agreement is reached on the adaptation of the provisions of this Agreement to the needs of the company, or on other deviations from the agreed work structure, then an agreement shall also be made on the employees' share of the benefits that the company derives from these changes.

The employees' share may take the form of a reduction in the number of working hours without a corresponding reduction of income, the payment of a fixed sum each month or each quarter, a supplement reflecting their competence, a percentage supplement on their wages, a fixed sum added to their hourly rates or some other form, depending on what is agreed. However, the benefit to the company and the remuneration to the employees shall be stated clearly in the agreement. Both these elements are deviations from this Agreement, and may be abolished by termination under Article 5.7.

5.7. Entry into force, scope and period of validity

Special company agreements shall be made in writing, and shall be referred for approval to all those to whom they are intended to apply in a secret ballot organised by the employees' negotiating committee involved. An agreement shall be considered as being approved if it receives the support of the majority of the votes cast. The trade union involved shall establish whether the deviations that are agreed from regular terms, and the remuneration in return for them, are compatible, as a whole, with the provisions of law and collective agreements regarding minimum terms. If no notification to the contrary is received within four weeks, then the agreement shall be regarded as having been approved by both parties.

A special company agreement may be made for a trial period of up to three months, after which its contents shall be finalised in the light of experience. Otherwise, its period of validity shall be unlimited. When a year has elapsed, either party may request a review. If no agreement on amendments is reached within two months, either party may terminate the agreement with 6 months' notice, counting from the beginning of a month. When that period has expired, then both the amendments agreed and the employees' share in the gains shall cease to apply. In order for termination to be binding, it must receive the support of the majority of the employees concerned in a ballot of the same type as was held when the agreement took effect. If the employer terminates the special company agreement provisions, then wage increases according to them shall only be retracted to the extent involved in the additional costs resulting from the re-adoption of the former contractual provisions.

5.8. Effect of special company agreements on terms of employment

Changes in terms of employment resulting from special company agreements shall be binding for all the employees involved if they do not formally inform the managers of the company and the employees' negotiating committee of their opposition to the making of the agreement before it is put to the vote.

The provisions of the special company agreement shall apply equally to those workers who are in employment at the time that the agreement is approved in accordance with the provisions of this Section and those who are engaged for employment subsequently, providing that they are informed of them at the time of their engagement.

5.9. Disputes

If a dispute arises within the company on the interpretation or application of a special company agreement, and if it cannot be resolved by negotiations between the parties at the workplace, the employees may seek the assistance of VR or entrust it with the resolution of the dispute.

If no agreement is reached on the assessment of the effects of termination under the final sentence of the second paragraph of Article 5.7., either party may refer it for a ruling by an impartial party. Sixty-five per cent of the resulting expenses shall be paid by the company and 35% by the employees.

Section 6 Facilities, safety and health

6.1. Medicine chest, toilet facilities and refreshment facilities

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

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

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.

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 section of the Agreement, it may be referred to the standing committee of the ASÍ (Icelandic Confederation of Labour) and VSÍ-VMS (the Confederation of Icelandic Employers and the Confederation of Co-Operative Employers).

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 employee's superior 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.

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 pay-scale 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.-

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.

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.

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- Following one year's work: 90 days on full wages and 90 days on half wages during each 12-month period.
- Following 10 years' work: 180 days (on full wages) 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. Such a medical certificate shall be provided by the company's regular physician if this is requested.

8.3.1. Payment for medical certificates

The employer shall pay for medical certificates if 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 also Article 4.7. on maternity/paternity leave.

8.5. Children's illnesses and leave due to circumstances beyond the individual's control

After the first month at work, a parent shall be entitled to spend a total of 7 working days during each twelve-month period looking after his or her children under the age of 13 when they are ill, providing that no other measures can be arranged to have them cared for, retaining daytime wages and also supplementary payment for shift work or after-hours work (40%) as appropriate. Similarly, after one year's work for the same employer, parents shall have the right to spend a

total of 10 working days caring for 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

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 subsection.

Articles 8.6 and 8.7 are under review.

The sums in this section are based on price-levels 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.

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.
- 4) 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 1.5.3. (on courses), Article 2.1.2. (on working hours), and Article 3.5.3 (on travelling expenses).

8.7.3. 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, and 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 calculate 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 (Félagsheimilásjóður 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 fund

Employers shall pay 0.15% of the wages of union members into a vocational training fund in accordance with the agreement of 1 June 2000 between SA and VR/LÍV on vocational training.

If, on the other hand, the company attends formally to vocational training issues and spends on them an amount comparable to or greater than the proportion stated above, then it shall pay the equivalent of 0.05% of the wages of union members working for the company. The management of the fund shall confirm that these conditions are met on the basis of information provided by the company.

The trade unions shall pay a complementary contribution equivalent to one third of the amount paid by the employers towards the project.

See the agreement between SA and VR/LÍV on vocational training.

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 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 Regulations, 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.

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 savings¹

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.

¹ 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 The right to employment and to membership of VR/LÍV

10.1. Right to employment

The employers undertake to have commercial workers who are members of VR or the appropriate constituent union of LÍV enjoy priority access to engagement for all general commercial work according to this Agreement when this is demanded and when members apply for positions and are competent to do the work involved.

10.2. Right to membership of VR/LÍV

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, then the union shall be obliged to grant the person entry into the union if he applies for it and if this does not violate the constitution of the union.

Section 11 Union dues

11.1. Collection

The employers undertake to collect annual dues to the union in return for a stamped receipt from the cashier or other union employee, or in another manner as agreed.

- See the Employees' Terms of Service (Etc.) Act, No. 55/1980

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11.2. 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.

11.3. Staffing reports

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

Section 12 Notice of termination

12.1. 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.

12.2. 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:

12.2.1. 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, to terminations carried out in order to make changes to terms of employment in which it is not intended that the employee stop working, or to the termination of employment of ships' crews.

12.2.2. 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.

12.2.3. 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 13 Shop stewards

13.1. 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.

13.2. 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.

13.3. 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.

13.4. 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.

13.5. 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.

13.6. Complaints

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

13.7. Courses for shop stewards

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

Each shop steward shall have the right to attend one or more courses amounting to a total of one week per year. 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 both parties. In enterprises with more than 15 employees, the shop stewards shall retain their daytime working wages for up to two weeks during the first year. This shall apply to one shop steward in each enterprise with 5-50 employees and to two shop stewards where there are more than 50 employees.

13.8. Right to attend meetings

When collective agreements are being negotiated, members of VR and LÍV who have been elected to the negotiating committees shall be permitted to attend their meetings during working hours. The same shall apply to representatives to the annual meetings of ASÍ/LÍV and representatives on joint committees of ASÍ/LÍV and SA. Measures shall be taken to ensure that the absence of these employees from work shall have the minimum disruptive effect on the operations of the enterprises in which they work, and each employee shall consult his superior concerning the absences with as much prior notice as possible. The general aim shall be that not more than 1-2 people from each enterprise attend such meetings. Employers shall not be obliged to pay wages for the hours during which the employees are absent.

13.9. 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 14 Accrued rights

14.1. 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 15 Handling of disputes

15.1. Conciliation committee

Either party may refer disputes concerning wages and terms, and similar disputes on the interpretation of this Agreement that may arise during its period of validity, to a special conciliation committee consisting of two representatives of each party. The committee shall seek to resolve disputes between the parties.

Section 16 Premises of this Agreement

16.1. Premises of this Agreement

The aim of the parties in concluding this Agreement is to promote economic stability and equilibrium on the employment market, both of which constitute a basis for development and increasing the number of jobs. In accordance with this aim, this Agreement is based on the following premises:

1. That changes in price levels will conform to the Central Bank of Iceland's target regarding inflation.
2. That the wage policy and cost increases laid down in this Agreement will set a general policy model for other agreements concluded on the employment market.

If it happens during the period of validity of this Agreement that the above premises no longer apply, the parties may refer it to special committee appointed to review the premises with the purpose of making it likely that the aims of the Agreement will be secured and its premises adopted on a permanent basis.

The committee to review the premises shall consist of two representatives nominated by ASÍ and two nominated by SA, and shall start work immediately. Its task is to assess whether the above premises hold and the aims of the Agreement are met. The committee shall also seek collaboration with the government on monitoring developments that may jeopardize the premises of this Agreement and may, as appropriate, suggest appropriate responses.

The committee shall make a special examination of the premises of the Agreement not later than 15 November 2005 and 2006. If it comes to the conclusion that significant departures have taken place from either or both of the above premises, two courses of action will be open. If agreement is reached within the committee on an appropriate response, it may rule that the Agreement will remain in force, taking account of the committee's conclusion. If no agreement is reached within the committee on responses, then the Agreement may be terminated by the parties. A decision on termination shall be taken by 10 December, and the Agreement will then be open for review as from the beginning of the following year.

The committee shall set itself further rules on its procedure.

Section 17 Period of validity

17.1. Period of validity

The term of the last valid collective agreement between the parties shall be extended to 31 December 2007, with the amendments and provisos stated in this Agreement, and shall then expire without special notice of termination.

Protocols, declarations, agreements and appendices.

Protocol 2004

on the revision of basic wages in connection with the adoption of a new supplement for after-hours work

A. Employees whose wages are higher than specified in the collective agreement and who receive special payments for overtime work

Under the agreement signed today, workers are guaranteed a wage increase of at least 3.25%, based on regular working hours. A new supplement is adopted, i.e. 40% on the hourly rate for daytime work, applying to work done outside daytime working hours up to the full number of daytime working hours per month; this is known as the "after-hours supplement". In order to guarantee the minimum increase under the Collective Agreement, it is necessary in certain cases to review the basic wages of employees who have received full overtime supplement for work done outside the daytime working period and will receive the 40% supplement after the Collective Agreement takes effect.

For this review, employers shall gather information for the first 3 months of the year (or a shorter period where the employer has worked for a shorter time). In companies where there are substantial seasonal fluctuations in operations, employees shall have the right to have a 6 or 12 month period used as the basis of the review, providing they request it specially.

The average number of daytime working hours, working hours taking place outside the daytime working period but within the full number of daytime working hours per months, and finally the number of overtime hours worked by the employee shall then be calculated. The increase in the basic daytime rate is then calculated on the basis of this information, using the method illustrated in the following examples.

Example 1. Shop assistant in part-time employment, with wages higher than are specified in the collective agreement

	Before the change			After the change			
	Hours per month.	Hr. rate	Total wage	Hours per month	Hr. rate	Total wage	Change
Dayt.	90	800	72,000	90	920	82,827	15%
Overt.	50	1,412	70,618				
After hours				50	1,288	64,421	
Total	140		142,618	140		147,248	3.25%

Example 2. Shop assistant who works 200 hours per month, 100 in daytime hours, 71.15 outside daytime hours and 28.85 as overtime

	Before the change			After the change			
	Hours per month.	Hr. rate	Total wage		Hours per month.	Hr. rate	Total wage
Daytime	100	800	80,000		100	912	91,170
Overtime	100	1,412	141,236		29	1,610	46,436
After-hours					71	1,276	90,814
Total	200		221,236		200		228,420
							3.25%

The parties are in agreement that when the above-mentioned review of basic wages is carried out in connection with changes in supplement payments, hourly rates for after-hours and overtime work shall be calculated on the same basis.

B. Office worker in part-time employment who receives special payment for overtime work

Work done by office workers outside daytime working hours may be very irregular or restricted to certain times of the year. For this reason, the parties agree to use overtime over the past 12 months as the basis for reviewing basic wages in order to effect an increase to conform to the new after-hours supplement.

Example 3. Office worker in a 50% position who works irregularly during peak periods. The reference period is the past 12 months. Weekend work e.g. 25 hours during the period.

	Before the change			After the change			
	Hours in past 12 months.	Hourly rate	Total wages	Hours in past 12 months.	Hourly rate	Total wages	Change
Daytime	974.93	800	779,940	975	831	810,504	3.92%
Overtime	25.00	1,329	33,232				
After hours				25	1,164	29,097	

Total	1,000		813,17 2		1.000		839,60 1	3.25%
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The parties are in agreement that when the above-mentioned review of basic wages is carried out in connection with changes in supplement payments, hourly rates for after-hours and overtime work shall be calculated on the same basis.

Protocol 2004 on time off at weekends

The parties will call on their constituent members to structure the working time of shop assistants who work every weekday so that they will have time off on at least 6 weekends of every 18 from Friday evening until Monday morning.

Protocol 2004 on wage terms of shop and office workers employed at power-development sites

The provisions on working periods, work structure, travelling, accident insurance and free meals and accommodation under the collective agreement on power-development projects for Landsvirkjun shall also apply to shop and office workers who are employed in connection with power-development projects for Landsvirkjun. This protocol shall have the same period of validity as the collective agreement on power-development projects and shall expire when it ceases to be valid.

Protocol 2004 on two days off in connection with work in December

In the collective agreement of 2004, the 2 days off that were granted in connection with longer working hours in December were abolished. Compensating for this, permanent employees who were in at least 50% positions at the time of signing of the agreement and drew wages over and above the contractual rates (see Article 1.1.) received a 0.5% increase in their basic wages. However, these employees have the right to take two days' leave without pay in connection with longer working hours in December.

Notwithstanding the above, employers and employees are permitted to agree that the employee retains the right to two days' leave in connection with longer working hours in December, without the wage increase as described above.

Protocol 2000 on inability to work due to illness

The parties agree that, in addition to cases of illness and accidents, the sickness rights under this Agreement are to be active if the employee needs to undergo urgent and necessary medical treatment in order to reduce or

eradicate consequences of illness that would foreseeably result in his becoming unable to work.

The above definition does not imply a change in the concept of illness in labour law as it has been interpreted by the courts. However, the parties agree that treatment that the employee needs to undergo in order to alleviate the consequences of accidents at work should also result in the activation of sickness rights under this Agreement.

Protocol 2000 on collaboration in connection with wages and terms surveys

The parties will collaborate on a wage and terms survey and ask the Wage Investigation Committee to publish a special breakdown of the wages of commercial workers once a year. Steps shall be taken to ensure that it is not possible to identify wage payments by individual companies or the wages of individuals from the findings of the survey.

Protocol 1997 on the safety of shop assistants

The parties agree that it is necessary to find means to increase the safety of shop assistants, particularly where shops are open in the evening and at weekends. For this purpose, VR, on the one hand, and VSÍ and VMS, on the other, agree to appoint a committee consisting of two persons from each side to make proposals on this matter. Amongst the matters to be examined will be emergency buttons, security systems, minimum numbers of workers and the handling of money.

Protocol 1997 on wage systems and performance

The parties agree that it is desirable that transparent wage systems be developed in companies reflecting in a normal way an assessment of employees' performance, education, suitability for work and other factors that determine their contribution to the company's wealth creation.

Protocol 1997 on the interpretation of Article 2.4.4. on the weekly day off

It is the joint understanding of the parties that where no agreement is made between the employees and the management on the postponement of the weekly day off, an employee shall be entitled to a day off on a weekday in the following week without any reduction of pay.

The same understanding shall apply regarding working trips overseas.

Protocol 1995 on illicit work

The parties agree to seek means to prevent illicit work, including that by teenagers in kiosks (corner shops). Teenagers who work in this way forego various rights, such as the right to sick-pay and pension rights. It is intolerable that teenagers' first experience of the employment market should be that collective agreements and the rules applying to labour relations are not respected.

Protocol 1990 on the legal position 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.

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.

Declaration 1990 on employee's adaptation to retirement

With a view to facilitating their employees' adaptation to retirement, VSÍ and VMS will instruct their 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.

Agreement 2004 between SA and VR/LÍV 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 employees.

A special committee of the parties, composed of two members appointed by each, shall be entrusted with preparing proposals on how further work on this matter should proceed.

Appendix – Working days 2004 – 2008

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 ²	228	227	224
Total	366	366	366
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
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
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
2008	24 days' holiday	25 days' holiday	28 days' holiday
Weekends	104	104	104
Public holidays	13	13	13
Holiday	24	25	28
Working days	225	224	221
Total	366	366	366

² In the collective agreement of 2004 it was agreed to drop the two days that had been agreed in connection with work in December in return for an increase in wages. Nevertheless, the workers concerned are entitled to take two days' leave, without pay, in connection with longer working hours in December. Notwithstanding this, employers and employees were free to agree that employees retained the right to paid days of leave in December instead of the wage increase. Employees who agreed to this arrangement have an extra two days' holiday each year. Reference is made to the protocol of 2004 on two days off in connection with work in December.

Special collective agreement between VR/LÍV and SA covering pharmacy workers

Art. 1. Scope

This special agreement covers workers in pharmacies. It forms part of the general collective agreement between the parties, and is valid for the same period.

Art. 2. Wages

Shop assistants' wages shall be subject to the general collective agreement.

Pharmacist technicians

	<u>16.4. 2004</u>	<u>1.1.2005</u>	<u>1.1.2006</u>	<u>1.7. 2006</u>	<u>1.1 2007</u>
Starting wage	114.400	120.640	126.129	141.129	145.222
After 1 year's exp.	120.120	126.672	132.436	147.436	151.712
After 3 years' exp.	126.126	133.006	139.057	154.057	158.525
After 5 yrs. Same comp.	132.432	139.656	146.010	161.010	165.679

The starting wage is for workers who turn 18 during the calendar year.

Art. 3. Footwear

In pharmacies where the use of special footwear at work is a requirement, the employer shall provide permanently employed workers with one pair of shoes each year. Alternatively, a payment of ISK 3,700 per year may be made to the employee each year to cover costs incurred in connection with shoe purchases. This sum may be transferred between years, with double the sum being paid every second year.

Protocol 2000 on publicity or promotional meetings that workers are obliged to attend

If workers are obliged to attend publicity or promotional meetings outside regular working hours, this shall be taken into account when their wages and terms are determined.

Protocol 1995 on student pharmacist technicians

The parties agree that student pharmacist technicians shall draw wages in accordance with the wage agreements of ordinary shop assistants.

Special collective agreement between VR/LÍV and SA covering workers in guest reception facilities

Art. 1. Scope

This special agreement covers workers in guest reception facilities. It forms part of the general collective agreement between the parties, and is valid for the same period..

Art. 2. Wages

Wages of workers in guest reception facilities:

	<u>16.4. 2004</u>	<u>1.1.2005</u>	<u>1.1.2006</u>	<u>1.7. 2006</u>	<u>1.1 2007</u>
Starting wage	109.861	113.157	119.489	134.489	138.389
After 6 months' exp.	111.684	115.034	121.471	136.471	140.429
After 1 year's exp.	114.744	118.186	124.799	139.799	143.853
After 3 years' exp.	118.219	121.765	128.579	143.579	147.743
After 5 yrs. Same comp.	122.316	125.986	133.036	148.036	152.329

The above rates include payments covering the necessary communications connected with changes of shift, preparations and tidying up. Allowance is made for the time required for this being up to 30 minutes for each shift; payment for this is included in the rates and forms part of the basis for overtime rates. Thus, special payments for shift changes have been abolished.

Trainees doing their practical training as receptionists are entitled to wages equivalent to 60% of the starting wage.

Art. 3. Working hours

3.1. Daytime work

In return for fixed monthly wages, employees shall work 39½ hours (36 hours and 35 minutes of active working time) per week, or proportionally shorter if any of the holidays listed in Articles 2.3.1. and 2.3.2. in the general collective agreement fall during the week.

The daytime working period is 08:00 - 17:00, Mondays to Fridays; daytime work may be begun earlier if the employer and employees agree on this. Nevertheless, each employee's daytime work shall always be carried out in a continuous working period each day, and shall never begin before 07:00.

Regular part-time work

An employee who is engaged in a part-time position shall receive hourly rates of pay for work done over and above his job proportion at daytime rates for work in the daytime

working period, at overtime rates outside the daytime working period and on contractually-defined holidays and at the rates for major public holidays for work done on major public holidays.

Occasional work

Workers who are called out for occasional work (when they are not under an obligation to work) shall receive hourly rates of pay at daytime rates for work in the daytime working period, at overtime rates outside the daytime working period and on contractually-defined holidays and at the rates for major public holidays for work done on major public holidays.

3.2. Overtime

Overtime work begins after the end of the daytime working period, i.e. after 7 hours and 54 minutes (7 hours and 19 minutes of active working time) during the period 07:00-17:00, Mondays-Fridays.

Where work is done during refreshment and meal breaks during daytime working hours, it shall be paid for at overtime rates.

Art. 4. Shift work

4.1. Shifts

Work may be structured in shifts every day of the week. If shift work is done on only 5 days of the week during the period 17:00-08:00, then the working week shall be only 38 hours.

Each shift shall be not longer than 12 hours and not shorter than four hours. Each shift shall run as a continuous period.

For the purpose of this agreement "shift" refers to a pre-determined working arrangement. Work done by part-time workers over and above their job proportion shall be paid for at hourly rates, at daytime rates for work in the daytime working period, at overtime rates outside the daytime working period and on contractually-defined holidays and at the rates for major public holidays for work done on major public holidays

Shift schedule

Shifts shall normally be planned out for four weeks at a time. The shift scheme shall be hung up where workers have easy access to it one week before work according to the scheme is due to begin. When the scheme is drawn up, effort shall be made, as far as possible, to ensure that work during peak periods is divided evenly between the workers. Each worker's working scheme shall be determined in his employment

contract, and may not be changed without prior termination of the contract or by agreement.

4.2. Supplement on daytime working rates

Supplements shall be paid as follows on daytime wages for that part of the 39½ hours (on average) of work per week falling outside the period 08:00 - 17:00, Mondays-Fridays:

33% for the period 17:00-24:00, Mondays-Fridays.

45% for the period 00:00-08:00 every day, and also at weekends.

Supplements on public holidays

Payment for work done on Maundy Thursday, Easter Monday, the First Day of Summer, 1 May, Ascension Day, Whit Monday and Boxing Day shall carry a 45% supplement.

Supplements on major public holidays

Payment for work done on New Year's Day, Good Friday, Easter Day, Whitsun, 17 June, the August Bank Holiday, Christmas Eve after 12:00, Christmas Day and New Year's Eve after 12:00 shall carry a 90% supplement.

Overtime rates

Work over and above 39½ hours (38 hours in the case of work done in the period 17:00-08:00) on average, in shift work each week, shall be paid for at overtime rates.

Refreshment breaks

Refreshment breaks shall be equivalent to 5 minutes for each hour worked, and shall be divided by agreement between employer and employee. Refreshment breaks shall normally consist of 15 continuous minutes. Work done during refreshment breaks shall be paid for at overtime rates, or shall result in a corresponding shortening of working hours.

4.3. Winter leave due to work on public holidays and major public holidays

Workers who do shift work shall earn 12 days of winter leave, based on a full year's work (96 hours of obligatory working hours, based on full-time employment) in respect of public holidays and major public holidays (cf. Articles 2.3.1. and 2.3.2. of the general collective agreement) which fall on days from Monday to Friday.

If the workplace is closed on the days referred to above, or if days off are granted, then the corresponding number of days

shall be deducted from the additional leave days, except in the case of employees who are owed accumulated leave related to shift work. Such changes to the shift schedule shall be announced with one month's notice.

Winter leave days shall be granted during the period 1 October to 1 May. The recording period for winter leave days shall be based on the period October-October.

Subject to agreement between employer and employee, it shall be permitted to have payment replace the leave days referred to, with 8 hours at daytime work rates being paid for each leave day, based on full-time employment. Winter leave days that have accrued during the working period of temporary replacement staff shall be included in their settlement when they stop work.

4.4. Night shifts

Deviations may be made from Article 2.4. of the general collective agreement, with night shifts for 7 days running being separated by 7 days' shift leave by agreement between employer and employee.

Art. 5. Trips to and from the workplace

The cost of travelling to and from the workplace in the capital area (Reykjavík, Kópavogur, Garðabær, Hafnarfjörður, Seltjarnarnes and Mosfellsbær), at times when buses do not run, shall be paid by the employer. The same shall apply to other built-up areas where buses run from morning to evening every day of the week. Each payment shall be equivalent to 2½ times the starting fee charged by taxis. The employer may, however, transport the workers at his own expense if he so wishes.

Art. 6. Working clothes (uniforms)

Uniforms shall be regarded as consisting of trousers or a skirt, a jacket or waistcoat, two blouses, shirts and shoes. These shall be dispensed once a year, for the first time after not more than four month's service. Uniforms are the property of the employer.

Art. 7 Meals

If workers buy meals, partly or entirely, at the workplace, they shall pay for them from their wages each month. Meal breaks occurring during working hours shall be regarded as half meals. This represented ISK 4,143 as of 1 May 2004, based on a consumer price index of 223.90.

Pay-scales in shops as of 16 April 2004

Shop assistants:

	M'thly pay	Dayt.	After-h.	Overt.	Maj.p.h.
16-year-olds	87,601	515.30	721.39	909.74	1,204.51
17-year-olds	92,522	544.25	761.92	960.84	1,272.18
Starting wages (18 yr-olds)	98,428	578.99	810.55	1,022.17	1,353.39
After 6 m at the company	108,075	635.74	890.00	1,122.36	1,486.03
After 1 yr. at the comp.	109,317	643.04	900.23	1,135.26	1,503.11
After 2 yrs. at the comp.	116,210	683.59	956.99	1,206.84	1,597.89
After 5 yrs. at the comp.	118,146	694.98	972.93	1,226.95	1,624.51

Specially trained shop workers who are capable of working independently, who show initiative and can be entrusted with supervisory roles:

	M'thly pay	Dayt.	After-h.	Overt.	Maj.p.h.
Starting wages (18 yr-olds)	102,857	605.04	847.03	1,068.17	1,414.28
After 6 m at the company	112,938	664.34	930.04	1,172.86	1,552.90
After 1 yr. at the comp.	114,236	671.98	940.73	1,186.34	1,570.75
After 2 yrs. at the comp.	121,439	714.35	1,000.05	1,261.14	1,669.79
After 5 yrs. at the comp.	123,463	726.25	1,016.72	1,282.16	1,697.62

Pay-scales as of 1 January 2005

Shop assistants:

	M'thly pay	Dayt.	After-h.	Overt.	Maj.p.h.
16-year-olds	90,229	530.76	743.04	937.03	1,240.65
17-year-olds	95,298	560.58	784.78	989.67	1,310.35
Starting wages (18 yr-olds)	101,381	596.36	834.87	1,052.84	1,393.99
After 6 m at the company	111,317	654.81	916.70	1,156.03	1,530.61
After 1 yr. at the comp.	112,597	662.34	927.24	1,169.32	1,548.21
After 2 yrs. at the comp.	119,696	704.09	985.70	1,243.04	1,645.82
After 5 yrs. at the comp.	121,690	715.82	1,002.12	1,263.75	1,673.24

Specially trained shop workers who are capable of working independently, who show initiative and can be entrusted with supervisory roles:

	M'thly pay	Dayt.	After-h.	Overt.	Maj.p.h.
Starting wages (18 yr-olds)	105,943	623.19	872.44	1,100.22	1,456.72
After 6 m at the company	116,326	684.27	957.94	1,208.05	1,599.48
After 1 yr. at the comp.	117,663	692.14	968.95	1,221.93	1,617.87
After 2 yrs. at the comp.	125,082	735.78	1,030.05	1,298.98	1,719.88
After 5 yrs. at the comp.	127,167	748.04	1,047.22	1,320.63	1,748.55

Pay-scales as of 1 January 2006

Shop assistants:

	M'thly pay	Dayt.	After-h.	Overt.	Maj.p.h.
16-year-olds	94,289	554.64	776.47	979.19	1,296.48
17-year-olds	99,586	585.80	820.09	1,034.20	1,369.31
Starting wages (18 yr-olds)	105,943	623.19	872.44	1,100.22	1,456.72
After 6 m at the company	116,326	684.27	957.94	1,208.05	1,599.48
After 1 yr. at the comp.	117,664	692.14	968.96	1,221.94	1,617.88
After 2 yrs. at the comp.	125,082	735.78	1,030.05	1,298.98	1,719.88
After 5 yrs. at the comp.	127,166	748.04	1,047.21	1,320.62	1,748.53

Specially trained shop workers who are capable of working independently, who show initiative and can be entrusted with supervisory roles:

	M'thly pay	Dayt.	After-h.	Overt.	Maj.p.h.
Starting wages (18 yr-olds)	110,710	651.24	911.70	1,149.72	1,522.26
After 6 m at the company	121,561	715.06	1,001.05	1,262.41	1,671.46
After 1 yr. at the comp.	122,958	723.28	1,012.56	1,276.92	1,690.67
After 2 yrs. at the comp.	130,711	768.89	1,076.41	1,357.43	1,797.28
After 5 yrs. at the comp.	132,890	781.71	1,094.35	1,380.06	1,827.24

Pay-scales as of 1 July 2006

Shop assistants:

	M'thly pay	Dayt.	After-h.	Overt.	Maj.p.h.
16-year-olds	107.639	633,17	886,44	1.117,83	1.480,04
17-year-olds	113.686	668,74	936,24	1.180,63	1.563,19
Starting wages	120.943	711,43	996,00	1.255,99	1.662,97
After 6 m at the company	131.326	772,51	1.081,51	1.363,82	1.805,73
After 1 yr. at the comp	132.664	780,38	1.092,53	1.377,72	1.824,13
After 2 yrs. at the comp.	140.082	824,01	1.153,62	1.454,75	1.926,13
After 5 yrs. at the comp	142.166	836,27	1.170,78	1.476,39	1.954,78

Specially trained shop workers who are capable of working independently, who show initiative and can be entrusted with supervisory roles:

	M'thly pay	Dayt.	After-h.	Overt.	Maj.p.h.
Starting wages	125.710	739,47	1.035,26	1.305,50	1.728,51
After 6 m at the comp.	136.561	803,30	1.124,62	1.418,19	1.877,71
After 1 yr. at the comp.	137.958	811,52	1.136,12	1.432,69	1.896,92
After 2 yrs. at the comp.	145.711	857,12	1.199,97	1.513,21	2.003,53
After 5 yrs. at the comp.	147.890	869,94	1.217,92	1.535,84	2.033,49

Pay-scales as of 1 January 2007

Shop assistants:

	M'thly pay	Dayt.	After-h.	Overt.	Maj.p.h.
16-year-olds	110.761	651,53	912,15	1.150,25	1.522,96
17-year-olds	116.983	688,14	963,39	1.214,87	1.608,52
Starting wages	124.450	732,06	1.024,88	1.292,41	1.711,19
After 6 m at the company	135.134	794,91	1.112,87	1.403,37	1.858,09
After 1 yr. at the comp	136.511	803,01	1.124,21	1.417,67	1.877,03
After 2 yrs. at the comp.	144.144	847,91	1.187,07	1.496,94	1.981,98
After 5 yrs. at the comp	146.289	860,52	1.204,73	1.519,21	2.011,47

Specially trained shop workers who are capable of working independently, who show initiative and can be entrusted with supervisory roles:

	M'thly pay	Dayt.	After-h.	Overt.	Maj.p.h.
Starting wages	129.356	760,92	1.065,28	1.343,36	1.778,65
After 6 m at the comp.	140.521	826,59	1.157,23	1.459,31	1.932,16
After 1 yr. at the comp.	141.959	835,05	1.169,07	1.474,24	1.951,94
After 2 yrs. at the comp.	149.937	881,98	1.234,78	1.557,10	2.061,63
After 5 yrs. at the comp.	152.179	895,17	1.253,24	1.580,38	2.092,46

Office workers' pay-scales as of 1 April 2004

Office workers:

	M'thly pay	Dayt.	After-hrs.	Overtime
Starting wages	110,000	687.50	962.50	1,142.35
After 3 years' experience	120,000	750.00	1,050.00	1,246.20

Pay-scales as of 1 January 2005

Office workers:

	M'thly pay	Dayt.	After-hrs.	Overtime
Starting wages	116,000	725,00	1,015,00	1,204,66
After 3 years' experience	126,000	787,50	1,102,50	1,308,51

Pay-scales as of 1 January 2006

Office workers:

	M'thly pay	Dayt.	After-hrs.	Overtime
Starting wages	121,278	757.99	1,061.18	1,259.47
After 3 years' experience	131,733	823.33	1,152.66	1,368.05

Pay-scales as of 1 January 2007

Office workers:

	M'thly pay	Dayt.	After-hrs.	Overtime	Maj.p.h
Starting wages	140.230	876,44	1.227,01	1.456,29	1.928,16
After 3 years' experience	150.988	943,68	1.321,15	1.568,01	2.076,09