

## **New Collective Agreement**

### **A summary**

On December 21st a new Collective Agreement on the private labour market was signed on behalf of ASÍ, The Icelandic Confederation of Labour and SA, The Confederation of Icelandic Employers.

The agreement will now be put to a vote among the members of the trade unions and must be ratified at the latest on January 22nd 2014 in order to be valid. If accepted the agreement is valid from January 1st 2014 to December 31st 2014.

The main objective of the agreement is to increase purchasing power, raise the lower wages comparatively more than other wages, ensure low inflation and promote economic stability. We think that it is very important that all parties have agreed to continue negotiations early in 2014 with the aim of higher purchasing power and stability of the economy.

### **Highlights of the new collective agreement**

#### **General wage increase**

On January 1st 2014, wages will increase by 2.8%, but not less than kr. 8.000 per month for full daytime work. Other wage-related items will increase by 2.8% over the same period.

#### **New wage rates from 1 of January 2014**

Previously valid wage rates are replaced by new wage rates. Pay-scales under 230,000 kr. per month will increase specifically by 1,750 kr. The new pay scales are valid from January 1st 2014.

#### **Minimum full-time employment payments**

Minimum full-time employment will be kr. 214 000 from 1 of January and will be increased by kr. 10.000.- for workers aged 18 and older who have worked four consecutive months in the same company.

#### **December and vacation bonuses**

The December bonus for full-time employment in 2014 kr. will be 53,600 kr. (retail and office workers 69.000 kr.).

Vacation bonus (1 of May to April 30 will be 29.500 kr.) for full-time employment in 2014 will be 29.500 kr. (retail and office workers 22.200 kr.).

#### **Contributions to education and vocational training**

Contributions to education and vocational training funds will be increased by 0.1%.

#### **Changes in income tax**

The government has issued a statement relating to changes in income tax which means that the threshold between the first and second step will increase from 256.000 kr. to 290.000 kr.

The tax rate in the second step will be lowered from 25.8% to 25.3%. The personal tax credit will increase due to a Collective Agreement from 2006.

### Price control

Most municipalities in the country have decided to keep a strict control of prices, charges and tariffs and this means that these leading municipalities of the country will not increase their charges for the public services in the new year as they had originally decided. The government has issued a statement where they follow the Central bank's 2,5% price increase a year and the government will also revise those changes in charges/ tariffs that have been decided in the state budget for 2014. Tariffs and charges in public companies in the ownership of state and communities will stick to the inflation target of 2.5% of the Central Bank.

### Social- and education issues

In the new agreement and the statement of the government parallel to the SA/ASÍ agreement there are important social and education issues that will promote and improve the situation of workers especially in the private labour market. These concern e.g. more equal pension rights compared to the public pension system, important reforms in housing policy, reforms in education and the formation of an active labour market policy with the aim of promoting the welfare of those working in this country, and with a special emphasis on active participation of most workers in the labour market.

### Wage increases and tax reliefs from January 1st 2014

Monthly wages in kr.	Monthly wage increase <sup>+</sup>	Tax relief <sup>*</sup>	Tax relief <sup>**</sup>	Total	Change in %	
190.000	230.000	9.750	0	2.036	11.786	6,2-5,1%
235.000	285.000	8.000	0 - 539	2.036	10.036	4,3%-3,7%
300.000	8.400	957	2.429	11.786	3,9%	
350.000	9.800	1.245	2.429	13.474	3,8%	
400.000	11.200	1.485	2.429	15.114	3,8%	
450.000	12.600	1.725	2.429	16.754	3,7%	
500.000	14.000	1.965	2.429	18.394	3,7%	
600.000	16.800	2.445	2.429	21.674	3,6%	
700.000	19.600	2.925	2.429	24.954	3,6%	
800.000	22.400	3.405	4.138	29.943	3,7%	
900.000	25.200	3.470	4.913	33.583	3,7%	
1.000.000	28.000	3.470	4.913	36.383	3,6%	

+ A special increase of the wage rates for workers is on average 1.750 kr.

\* Due to the change in the tax bill with effect from January 1<sup>st</sup> 2014.

\*\* Due to the price indexation of the personal tax credit according to a ASÍ's Collective Agreement in 2006 and wage indexation of the thresholds between the second and third tax steps.