

27 May 2011

Screening report

Iceland

Chapter 2 – Freedom of movement for workers

Date of screening meetings:

Bilateral meeting only: 9 February 2011

I. CHAPTER CONTENT

As regards the **general principles related to access to labour market**, the *acquis* under this chapter provides that EU citizens of one Member State have the right to work in another EU Member State, to reside there for that purpose with their family members and to be treated in the same way as national workers in relation to working conditions and social and tax advantages. In addition, the general principles of freedom of movement for workers include provisions related to supplementary pension rights of employed and self-employed persons moving within the Union.

The **EURES** network (European Employment Services) is aimed at promoting the freedom of movement for workers within the Union, notably by close cooperation between national employment services to exchange information on employment opportunities. At an operational level, relevant databases of job vacancies need to be integrated with the EURES vacancy exchange mechanism, and general information on the labour market and on living and working conditions needs to be exchanged.

The right to free movement for workers is complemented by a system for the **coordination of social security systems**, i.e. the right for migrant workers and their dependents to acquire, cumulate or transfer social security benefits as well as to obtain payment of these benefits. This is based on regulations that do not harmonise but coordinate the social security systems of Member States, requiring administrative cooperation between them. Moreover, in the health care field, medical expenses will need to be reimbursed for all necessary treatment of nationals falling ill or having an accident during a temporary stay in another Member State, e.g. as tourists. To this end, a **European Health Insurance Card** has to be issued to all nationals.

Substantial parts of the *acquis* in this chapter are covered by the EEA Agreement, notably through its Annexes V and VI.

II. COUNTRY ALIGNMENT AND IMPLEMENTATION CAPACITY

This part summarises both the information provided by Iceland and the expert discussions facilitated by the screening meetings. Iceland indicated that it can accept the *acquis* regarding freedom of movement for workers and it does not expect any difficulties to implement the *acquis* by the time of accession.

II.a. Access to labour market (general principles)

The EEA Agreement¹ lays down specific obligations related to the *acquis* in the area of freedom of movement for workers. Therefore, the general principles of the *acquis* related to access to the labour market already apply in Iceland since 1994.

EU workers enjoy the same rights of access to the labour market and equal treatment as Icelandic nationals². The main legislation in this field consists of the Act on the Free Right to Employment and Residence within the European Economic Area that implements Regulation 1612/68 on freedom of movement for workers within the EU into national law. EEA nationals are registered by the National Population Registry upon arrival in Iceland for statistical purposes. A clear

¹ Particularly in Article 28 and in its Annex V.

² A temporary exception until December 2013 at the latest applies for Bulgarian and Romanian nationals in accordance with the transitional arrangements following the accession of the two countries and the extension of the EEA Agreement: they are currently still subject to restrictions on labour market access and need a work permit.

priority is given to EEA labour before third country nationals. The application of the Act is monitored by a special committee appointed by the Minister of Welfare including representatives from the Icelandic Confederation of Labour and the Confederation of Icelandic Employers.

Iceland stated that it has implemented its obligations under the EEA Agreement as regards the right to reside for workers and their family members. This is done through the Act on Foreigners.

Iceland also stated that it has implemented its obligations under the EEA Agreement as regards the *acquis* on safeguarding of supplementary pension rights of employed and self-employed persons moving within the Union, although there are currently no second pillar supplementary pension schemes in Iceland.

As regards administrative capacity, the Ministry of Welfare is the institution responsible for implementing in Iceland the rules on free movement of workers within the EEA on the basis of the Act on the Free Right to Employment and Residence within the European Economic Area. The Legal Department of the Ministry of Finance oversees pension issues, including supplementary pensions.

II.b. EURES

The EURES network requires the existence of public employment services on a national and local level which are sufficiently developed, particularly with respect to human resources and technical information capacity.

EURES was established in Iceland in 1994 when the EEA Agreement came into force. Article 15 of Protocol 31 to the EEA Agreement provides for participation of Iceland in the EURES network. The Directorate of Labour on behalf of the Ministry of Welfare is responsible for the management of the employment service and EURES within the country. Iceland stated that there are three EURES advisers in Iceland and that there are currently no plans to increase the number of them.

For the last three years the annual activity budget has been around 40 000 €. There was a turning point in the service following the collapse of the Icelandic banking system in October 2008. The main focus until then had been assisting employers in Iceland to recruit workers from other EEA countries and helping people from EEA countries to find work in Iceland. Since then, focus has been on informing, counselling and providing advice to potentially mobile workers (mainly Icelandic citizens) on job opportunities and living and working conditions in the EEA, now especially in Norway. The bilingual (Icelandic and English) website (www.eures.is) is the centre of the services of EURES Iceland. It has 1 200 – 2 000 visits per week. It contains application forms for foreign job-seekers, vacancy registration forms for employers, etc.; a list of available jobs in Iceland; brochures and all kind of information on how to work in Iceland and in the other EEA countries. EURES Iceland also provides services to newcomers on unemployment benefits in English and in Polish. Moreover, EURES Iceland organises several job fairs per year as well as so called *ad hoc* mini-job fairs, courses on “moving abroad” in cooperation with the Nordic Association and participates in the Nordic Baltic Project, a joint pre-initial training for new advisers on dissemination of information between the countries.

Iceland considers that the visibility of EURES Iceland has increased substantially over the recent years. This is due to the increased number of Icelanders looking for a job abroad, the popular job fairs which have been advertised a lot in the media as well as thanks to the new website.

II.c. Coordination of Social Security Systems

The EEA Agreement, Annex VI, lays down specific obligations in the area of coordination of social security systems covering the *acquis* in this field.

Iceland stated that it follows the examples of the other Nordic countries in view of ensuring the effective application of Regulations in this area. Iceland also participates in the meetings of the Administrative Commission for the coordination of social security systems which is composed of government representatives of Member States, and assisted, where necessary, by expert advisers.

The institutions dealing with the coordination of social security rules are the Social Insurance Administration (the central administrative body for the national old age and invalidity pension scheme); the Icelandic Health Insurance (the central administrative body for the health insurance scheme); the Directorate of Labour (central administrative body for the maternity/paternity benefits and unemployment benefits scheme); the Directorate of Internal Revenue (the central administrative body for the general family benefits scheme) as well as independent employment pension funds.

To take into account the new *acquis*, in particular Regulations (EC) No 883/2004 and 987/2009 which became applicable in May 2010 replacing the Regulations (EEC) 1408/71 and 574/72, and in this respect to prepare for the Electronic Exchange of Social Security Information (EESSI), a national steering committee with representatives from the Icelandic social security institutions was established in February 2010. It was decided, among others, that the national part of the Access Point will be located in the Social Insurance Administration.

The EEA Agreement, on the basis of which Iceland applies the Regulations (EEC) 1408/71 and 574/72 on coordination of social security, is in the process of being modified in order to take account the new regulations. For this purpose, Iceland has proposed entries into annexes of the new Regulations 883/2004 and 987/2009, which have been presented to the Member States and approved by the Administrative Commission for coordination of social security. Iceland has declared that the same proposals for the annexes would be made with regard to the Regulation on the necessary technical amendments to the EU legislation, to be drafted for the purpose of accession.

As the coordination rules are already applied between Iceland and the social security institutions of the EU Member States, the Icelandic institutions do not consider it necessary at present to reorganise and/or hire additional staff solely as a consequence of or in connection with Iceland becoming a Member State of the EU. However, the organisation within the institutions is constantly being revised taking account of the need, workload, new demands, and changes in the legislation.

As regards staff training, Iceland stated that the staff is regularly trained and informed about the coordination rules. Further training is also foreseen on the new coordination rules.

Overall, Iceland considers that there have been no major problems regarding the application of the coordination rules.

II.d. European Health Insurance Card

Iceland started to issue the European Health Insurance Card (EHIC) on 1 May 2005. The Ministry of Welfare is responsible for the EHIC which is mainly issued on the basis of a remote

application via the website of the Icelandic Health Insurance. The validity of the card is two years.

The main problems that Icelandic Health Insurance has encountered are connected with cases when an EU Member State is unable to locate the holder of the EHIC in their system or rejects bills on the basis of the holder not being (or no longer) insured in the issuing Member State. Late replies and late, or even no payments at all, have also been experienced.

Iceland stated that it is prepared to issue EHIC to third-country nationals insured in Iceland. This will, however, require certain changes in the computer systems.

III. ASSESSMENT OF THE DEGREE OF ALIGNMENT AND IMPLEMENTING CAPACITY

Overall, as a member of the European Economic Area, Iceland has already reached a high level of alignment and already applies a substantial part of the *acquis* in the field of freedom of movement for workers according to Annex V of the EEA Agreement. Overall, sufficient administrative structures are in place. In the area of coordination of social security systems, preparations for implementing the new *acquis* are ongoing. Preparations are also currently taking place on the electronic data exchange within the Electronic Exchange of Social Security Information (EESSI). Iceland will have to extend its rules on the coordination of social security to third-country nationals.

III.a. Access to labour market (general principles)

Iceland applies the *acquis* on access to labour market. EU workers enjoy the same rights of access to the labour market and equal treatment as Icelandic nationals. Although there are currently no second pillar supplementary pension schemes within the meaning of the *acquis* in Iceland, certain legal clarifications are still necessary, notably as regards contributions by workers posted from Iceland. Sufficient administrative capacity is in place.

III.b. EURES

Iceland is fully participating in the European Employment Services network (EURES). EURES Iceland is an efficient service and has continued to provide reliable services despite challenging economic circumstances in the wake of the financial crisis. Sufficient administrative capacity is in place.

III.c. Coordination of Social Security Systems

Iceland applies the Regulations on coordination of social security systems, and has adequate administrative capacity in place. As required by the new *acquis* that entered into force in May 2010, Iceland has started the necessary preparations for electronic data exchange within the Electronic Exchange of Social Security Information (EESSI) system. It will have to extend its rules on the coordination of social security to third-country nationals and apply the respective EU Regulation upon accession. This extension is unlikely to present any major difficulties with regard to administrative capacity. It does not require any legislative initiative by Iceland. However, further staff training is needed on the new coordination rules.

III.d. European Health Insurance Card

Iceland has introduced the European Health Insurance Card. Icelandic citizens as well as other residents who are EEA citizens and who have the National Health Insurance in Iceland are entitled to it.