

## I. Overview of the Faroese Labour Market

The Faroese labour market can be divided into a public and a private sector. This publication contains information about the private sector labour market.

The labour market is to a great extent shaped by cooperation and negotiation between two parties: employers' associations and trade unions. Even though union membership is not mandatory, both employers and workers usually choose to join an association or union, which safeguards their interests.

Both employers' associations and trade unions are politically independent, and on the Faroe Islands, it is customary that the political system interferes as little as possible with labour market issues.

The umbrella organization for Faroese employers' associations is Føroya Arbeiðsgevarafelag, the Faroese Employers' Association, and most employers' associations on the islands are members of it, this includes the master craftsmen's associations.

The most important trade unions, excluding trades at sea, are Føroya Arbeiðarafelag (Faroese General Workers' Union), Havnar Arbeiðarafelag (Tórshavn General Workers' Union), Havnar Arbeiðskvinnufelag (Tórshavn Women Workers' Union), Klaksvíkar Arbeiðsmannafelag (Klaksvík General Workers' Union), Klaksvíkar Arbeiðskvinnufelag (Klaksvík Women Workers' Union), Føroya Handverkarafelag (Confederation of Faroese Unions for Craftsmen), Landsfelag Handverkaranna (Faroese National Confederation of Craftsmen's Unions) and S&K (Office and Retail Workers' Union).

Terms and conditions of wages and employment for workers are set out in agreements, which the parties draw up after negotiations. Føroya Arbeiðsgevarafelag has the overall responsibility for these agreements on behalf of employers, whereas, within its area, each trade union is responsible for these agreements on behalf of workers.

Once the two parties enter into an agreement, it becomes binding for both employers and workers, and, as a starting point, it is not possible to depart from what it stipulates. Any disputes regarding agreed stipulations are to be settled by the employers' associations and trade unions, according to set procedures.

As mentioned above, the Faroese labour market is by and large organized by its main stakeholders. However, there are also laws that govern certain aspects of it, including holidays, maternity and paternity leave as well as unemployment insurance.

Please refer to Section II for more information about terms and conditions of employment.

## **II Terms and Conditions of Wages and Employment**

### **Definition of Employment Categories**

#### ***Workers***

Workers are people who carry out work that, according to the general workers' unions, professionally and geographically lies within one of these unions' area of activity. They also carry out any type of manual work, which does not require a vocational education<sup>1</sup>.

Workers are mainly employed under the main agreement, salaried workers' agreement or specialist worker agreement. There are other agreements, but they mainly apply to specific areas, such as the hotel business.

#### ***Craftspersons***

Craftspersons are employed in accordance with the agreement between Føroya Handverkarafelag/Landsfelag Handverkaranna and Føroya Arbeiðsgevarafelag/Føroya Handverksmeistarafelag.

The agreement stipulates that any individual wanting to take up work as a craftsperson must be able to provide proof of having an education compliant with the Faroese Vocational Education and Training Act, or any other education meeting the approval of the federations.

Craftspersons may be employed pursuant to the main agreement or the salaried craftspersons' agreement.

#### ***Specialist Workers***

##### ***Workers' Agreements***

A special agreement for specialist workers has been entered between Føroya Arbeiðsgevarafelag and the Workers' union. In this agreement specialist work is characterized as follows:

Manual work, which is not expressly mentioned in § 1 to 4 of the main agreement and which requires training, is included in the specialist workers' agreement:

- Mass production of concrete units, aluminium and plastic windows, packaging materials, window glass, glass fibre products and construction units.
- Mounting steel, concrete and wood units. Putting up scaffolding. Placing roofing felt and flooring.
- Shuttering moulds, placing kerbstones and concrete slabs, deploying drainage pipes.
- Working at timber yards with frame saws, planes, panel saws, moulding machines and circular saws preparing plates and timber for customers.

The agreement includes an allowance for specialist work.

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<sup>1</sup> The agreement between Føroya Handverkarafelag and Føroya Arbeiðsgevarafelag/Føroya Handverksmeistarafelag also includes unskilled specialist workers.

### *Craftspersons' Agreements*

The craftspersons' agreement contains references to specialist workers; it stipulates that any individual wanting to take up work as a specialist worker must be able to provide proof of having an education as a specialist worker. When any disputes regarding educations arise, the joint administrations shall enter negotiations about them until such time when a set scheme has been established regarding educations, terms and conditions and other matters.

### ***Salaried Employees***

The agreement with S&K applies to most salaried employees. However, there are also salaried employees in other areas of work. Act 13, dated March 20, 1958, enacted by the Løgting, applies to salaried employees. The conditions for work qualifying as a salaried employment are:

- It must be of a specific type
- Average working hours must be at least 20 per week
- Those employed must be hired to work at the employer's instructions.

The types of work included in the Salaried Employees' Act are:

- a) Work in stores, offices or equivalent work at warehouse offices.
- b) Work providing technical or clinical assistance, which is not considered craft or industrial work, and equivalent salaried work.
- c) Work that exclusively or mainly entails supervising other people's work on behalf of an employer.
- d) Work that is mainly of the type described in a) and b).

### **Proof of Employment**

The agreements Føroya Arbeiðsgevarafelag has signed stipulate that proof of employment is to be drawn up between employers and workers; moreover, there is a law on proof of employment. Employment contracts set out the terms and conditions of work to ensure that both parties are fully aware of what they are agreeing to and may avoid any work disputes.

Workers, who work more than 8 hours per week, are entitled to receiving proof of employment from their employer within one month after employment begins.

The employment contract shall contain the following information:

- Name and address of employer and wage/salary earner
- Place and area of work
- Job title
- Date of employment
- Term of employment, in the case of temporary work
- Paid holiday entitlements
- Term of notice for dismissal and resignation
- Ordinary working hours
- Length of service
- Terms and conditions of wages
- Applicable agreement

- Any other agreements reached regarding employment, if applicable.

The legislation regulating proof of employment contains approximately the same requirements as the Aliens Act.

### **Ordinary Working Hours**

#### ***Workers***

Ordinary working hours vary between the different agreements. Nonetheless, all agreements contain stipulations regarding a 40-hour working week. Some agreements allow for employers and workers at individual workplaces to reach agreements about a longer working week and other agreements stipulate that ordinary weekly working hours are either 40 or 50. Other than the 40-hour working week, the following agreements apply:

- Salaried workers' agreement between Føroya Arbeiðarafelag and Føroya Arbeiðsgevarafelag: Employers and workers at each workplace may enter agreements about a 48-hour working week.
- Salaried workers' agreement between Havnar Arbeiðarafelag and Føroya Arbeiðsgevarafelag/Havnar Arbeiðsgevarafelag: Working hours are 40 or 50 hours per week.
- Salaried workers' agreement between Havnar Arbeiðskvinnufelag and Føroya Arbeiðsgevarafelag: Working hours are 40 or 48 hours per week.
- Salaried workers' agreement between Klaksvíkar Arbeiðskvinnufelag/Klaksvíkar Arbeiðsmannafelag and Føroya Arbeiðsgevarafelag: Working hours are 40 or 50 hours per week.

#### ***Craftspersons***

According to the craftspersons' agreement the ordinary working week is 40 hours. Ordinary working hours must not begin before 6:00 am and may not continue after 6:00 pm. Within these limits, masters and craftspersons are free to organize individual working hours; however, meal breaks may be no more than 4 hours apart.

#### ***S&K***

Ordinary working hours are 40 hours per week on average, including meal breaks, over an 8 week period, according to a work schedule. Otherwise, working hours are 40 hours per week. This means that people either work 40 hours per week on average, according to an 8 week work schedule, or they work 40 hours per week.

Nonetheless, working hours for ordinary office work is 40 hours per week and shall be in the period between 7:00 am and 6:00 pm between and including Monday to Friday. Employers shall aim to offer 8-hour working days. People may also work flexitime, within the periods mentioned.

Part-time work hourly rates are based on people's length of service. If they work more than 15 hours per week, they receive wages in accordance with the same regulations as people working full time, and their wages are calculated proportionally to the 40-hour week. They receive standard hourly rates for extra hours between 6:30 am and 7:30 pm on ordinary working days and between 6:30 am and 2:30 pm on Saturdays.

### **Length of Service Bonus**

The workers' and craftspersons' agreements include stipulations about length of service bonuses. These are bonuses people receive after working for a specific number of years. In principle, people should have stayed in the same job that whole time, but it is possible to transfer length of service between employers, provided jobs are in the same area of work.

Length of service bonuses are always added to basic pay. This means that if someone receives higher pay than what the agreement stipulates, their bonus is not calculated based on their full pay, but only on the basic pay stipulated in the agreement.

When a person earns the right to a length of service bonus it becomes part of his basic pay, therefore overtime and other payments are calculated based on the new basic pay.

It is advisable that employment contracts indicate whether people receive a length of service bonus and, if so, at which level.

### **Pension Contributions, Life Insurance and other Payments**

**Pension contributions** are stipulated in the agreements between employers' associations and trade unions. Pension contributions are calculated as a percentage of either salary or basic wages, depending on which agreement applies, but not of holiday pay. For workers' agreements, the craftspersons' agreement and the agreement with S&K the pension percentage is calculated of all income taxed at source, excluding holiday pay. Holiday pay is explained later in this guide.

Percentages are paid into pension schemes when salaries are paid. For trade union members pension contributions are paid into the fund stipulated in their union's agreement. For people, who are not members of any trade union, pension contributions are paid into their pension scheme. Pensions should not be paid as wages.

In addition to pensions, the workers' agreements and S&K agreement stipulate that employers have to deduct a payment for life insurance and other social security items, as well as a membership fee, before wages are paid. This payment is transferred to the trade unions according to crew lists and account statements, at the same time as wages are transferred.

The craftspersons' agreement includes stipulations about an education and continuing education fund. Craftspersons and masters pay the fund a small fraction of a DKK for each working hour. This fund is called Vitan.

Some agreements oblige employers to transfer membership fees on behalf of members, whereas other agreements stipulated that this should be agreed. When people are hired their employment contract should indicate whether they are members of a trade union and, if so, which one.

## **Illness**

### ***Workers***

People, who have been in paid employment for at least 120 hours within the last 13 weeks, are entitled to sickness benefits as of the first day of their illness. A doctors' certificate is required as proof and it is paid for by the Faroese Department of Social Services (Almannaverkið).

Sickness benefits are usually calculated based on average income over the last 5 weeks before absence due to illness. Sickness benefits are equivalent to the expected lost income but cannot exceed 80% of workers' pay. Statutory pension and holiday pay is also given of sickness benefits and it is paid into a fund.

Sickness benefits are paid for maximum 40 weeks as of the first day of absences, in a 12-month period.

Employers must confirm the amount earned and the duration of work.

Applications for sickness benefits must be submitted on the 30<sup>th</sup> day after the first day away from work, at the latest, in order to receive sickness benefits from the first day of illness. If the Department of Social Services receives the notification any later, then it can only grant sickness benefits from the day it received the application.

The Department of Social Services initially pays for the first and second day of illness. It subsequently claims a refund from employers.

### ***Craftspersons***

Please refer to illness for workers.

Salaried craftspersons, however, are entitled to paid absence during illness. The same rules apply to salaried craftspersons as to salaried employees. Please refer to illness for salaried employees.

### ***Salaried Employees***

Salaried employees are entitled to paid absence as of the first day of illness. This, however, does not apply if they have caused the illness themselves, on purpose or by gross negligence, or if they, by deceit, have concealed that they were ill.

During illness, lasting longer than 14 days, employers are entitled to require information about the duration of the illness through the salaried employee's doctor or a specialist chosen by the employee. This, however, shall be at no cost to the employee.

## **Termination of Employment**

### ***Termination of Workers' Employment***

#### *Hourly paid workers*

If work lasts less than 3 months the only valid period of notice is that which employers and workers agree to. If nothing has been agreed, then there is no period of notice.

For any work whatsoever, lasting longer than 3 months, the period of notice for hourly paid workers is:

Less than 6 months' employment:	5 working days.
More than 6 months' employment:	7 working days.
More than 1 year's employment:	10 working days.
More than 2 years' employment:	15 working days.
More than 3 years' employment:	20 working days.
More than 5 years' employment:	25 working days.

After 3 months' work the period of notice for workers resigning is 5 working days and after 6 months' work the period of notice is 7 working days.

However, this does not apply when work stops due to lack of raw materials or bad weather. Regarding periods of notice, workers are not entitled to pay during the period of notice if work has halted due to lack of raw materials or bad weather.

#### *Salaried Workers*

For salaried workers the periods of notice for dismissals are:

- Up to 6 months' employment:	1 month, by the 1 of a month.
- From 6 months to 2 years' employment:	2 months, by the 1 of a month.
- Over 2 years' employment:	3 months, by the 1 of a month.

When resigning, workers shall give 1 months' notice, by the 1 of a month.

### ***Termination of Craftspersons' Employment***

#### *Main Agreement*

No craftsperson may be dismissed or abandon work without grounds.

The period of notice for any work lasting longer than 3 months is:

More than 3 months' employment:	5 working days.
More than 6 months' employment:	10 working days.
More than 2 years' employment:	20 working days.

More than 5 years' employment: 30 working days.

Both parties are bound by this period of notice and both parties shall give notice in writing. If these conditions are violated by a craftsperson, then he will be fined with the loss of half of the termination periods wages; if a master violates the conditions, then he will pay the same amount.

### *Salaried Craftspersons' Agreement*

The period of notice for salaried craftspersons is:

Less than 2 years' employment: 1 month.  
 More than 2 years' employment: 3 months.  
 More than 5 years' employment: 4 months.

### ***Termination of Salaried Employment***

#### *Warnings*

If employers wish to show salaried employees that they will not tolerate certain situations – without choosing dismissal or immediate dismissal – they may issue a warning.

Warnings should be plain, clear and preferably in writing.

#### *Termination of Employment*

When a salaried employee resigns, the period of notice is 1 month, from the 1. of the month.

Periods of notice for employers are:

- a) 1 months' notice for dismissal by the last working day of a month during the first 6 months of employment
- b) 3 months' notice for dismissal by the last working day after 6 months' employment. This notice increases by 1 month for every 3 years' employment; however, it cannot exceed 6 months.
- c) a) does not apply if employment is temporary or a trial and lasts less than 3 months. Employers shall provide proof of this.

This means:

<b>Duration of Employment</b>	<b>Period of Notice</b>
0 - 6 months (excluding temporary and trial employment)	1 month (notice shall be given before the 5 <sup>th</sup> month has passed)
6 months – 3 years	3 months (notice before 2 years and 9 months have passed)
3 - 6 years	4 months (notice before 5 years and 8 months have passed)
6 - 9 years	5 months (notice before 8 years and 7 months have passed)
Over 9 years	6 months (notice after 8 years and 7 months have passed)



It should be noted that if employers extend the period of notice, it shall be extended accordingly for salary earners. If a salary earner's period of notice is extended from 1 month to 3 months, then, the period of notice granted by the employer must be extended by 2 months (in addition to the stipulated period). Thus, if, in this case, the employer's period of notice was 4 months it would increase to 6 months.

Once salaried employees have handed in or received a notice of termination of employment, employers shall give them the time off they need to seek other employment. Employees must, however, accommodate their employer's wishes as much as possible by seeking employment at the times most convenient for the company.

Salaried employees are at all times entitled to a written confirmation from their employer of their length of service, the type of work they have done and their salary. If an employee is dismissed, he has a right to know why.

### ***Immediate Dismissal***

The difference between immediate dismissal and dismissal is that when an employee is dismissed immediately he loses his right to pay from the moment he is dismissed, whereas people who have been dismissed receive their salary during the period of notice (and must work during this period).

When a person is immediately dismissed their employment ceases forthwith. Immediate dismissal is only applicable in cases in which employers consider that a salary earner has been grossly and significantly negligent of his employment. It can be difficult to assess when employment is being neglected.

A few examples are mentioned, but whether or not a situation warrants immediate dismissal will always be a matter of judging the concrete situation. Some examples are:

- Refusing to carry out work ordered
- Absence from work (without legitimate reason).
- Being late for work (after having received a warning stipulating that if this happens again he will be dismissed immediately)
- Alcohol abuse
- Theft
- Disloyalty

## **Statutory Terms and Conditions of Employment**

### ***Maternity and Paternity Leave and Pay***

Mothers and fathers are entitled to parental leave and pay according to the Parental Leave Act.

More information is to be found at [www.www.barsil.fo/en/](http://www.www.barsil.fo/en/)

### ***Holiday***

Wage earners in public or private employment are entitled to holidays and holiday pay as provided for in Act 30, dated April 7, 1986, enacted by the Lögting, with its later amendments.

Not only do wage/salary earners have the right to holiday, but they also have a duty to take holiday.

Holidays last 30 days (including Saturdays) for people in full time employment between April 1 and March 31, which is the holiday accrual year. The accrual year is the year in which wage/salary earners accumulate the right to take their holiday. Wage/salary earners that work less than a complete accrual year, accumulate holiday proportionally to their working time, this means that they earn 2.5 days for each month they work.

Wage earners who have not accrued the right to paid holiday or holiday pay are, nonetheless, entitled to up to 30 days' holiday without pay in a holiday year.

Holiday must be taken between May 2 and May 1 (holiday year). At least 4 weeks of holiday must be granted consecutively between May 2 and September 30 (holiday period). Holidays not taken cannot be carried over from the holiday year.

Employers decide, in consultation with wage earners, when holidays must be taken and shall give reasonable notice of their decision. Employers have the final say over when holidays must be taken.

Monthly paid salary earners are entitled to paid holiday and a holiday contribution, which is 1.5% of wages earned in the previous accrual year. A 1.5% holiday contribution is also paid on overtime. Hourly paid workers receive holiday pay, which is 12% of wages earned.

Holiday pay and holiday contributions are calculated based on all taxable salary provision, except pay during holidays, provided holiday pay or paid holiday contributions.

### III Contact Information

The list contains contact information for the most important actors on the Faroese labour market.

#### Trade Unions

	Telephone	E-mail	Website
Føroya Arbeiðarafelag Faroese General Workers' Union	312101	<a href="mailto:fafelag@fafelag.fo">fafelag@fafelag.fo</a>	<a href="http://www.fafelag.fo">www.fafelag.fo</a>
Havnar Arbeiðarafelag Tórshavn General Workers' Union	312106 or 317103	<a href="mailto:haf@haf.fo">haf@haf.fo</a>	<a href="http://www.haf.fo">www.haf.fo</a>
Havnar Arbeiðskvinnufelag Tórshavn Women Workers' Union	353995	<a href="mailto:hak@hak.fo">hak@hak.fo</a>	<a href="http://www.hak.fo">www.hak.fo</a>
Klaksvíkar Arbeiðsmannafelag Klaksvík General Workers' Union	455090	<a href="mailto:kamf@olivant.fo">kamf@olivant.fo</a>	
Klaksvíkar Arbeiðskvinnufelag Klaksvík Women Workers' Union	455218	<a href="mailto:kl-arkv@olivant.fo">kl-arkv@olivant.fo</a>	
Føroya Handverkarafelag Confederation of Faroese Unions for Craftsmen	312120	<a href="mailto:fhf@fhf.fo">fhf@fhf.fo</a>	<a href="http://www.fhf.fo">www.fhf.fo</a>
Landsfelag Handverkaranna Faroese National Confederation of Craftsmen's Unions	354800	<a href="mailto:handverk@handverk.fo">handverk@handverk.fo</a>	<a href="http://www.handverk.fo">www.handverk.fo</a>
S & K Office and Retail Workers' Union	666060	<a href="mailto:skfelag@skfelag.fo">skfelag@skfelag.fo</a>	<a href="http://www.skfelag.fo">www.skfelag.fo</a>

#### Employers' Associations

The employers' associations concerned have a common office at the House of Industry:

Faroese Employers' Association	309900	<a href="mailto:industry@industry.fo">industry@industry.fo</a>	<a href="http://www.industry.fo">www.industry.fo</a>
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