

International Labour and Employment Compliance Handbook

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Edited by Salvador del Rey and Robert J. Mignin

Labour and Employment Compliance in Israel

Second Edition

Yaron Horovitz
Pnina Broder-Manor
Helen Raziel



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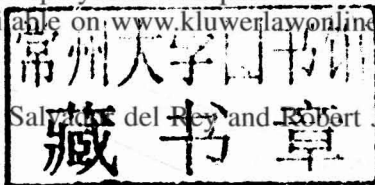
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Israel

AUTHORS

Yaron Horovitz, Adv.

Mr Horovitz is a partner located in the Tel-Aviv office. He joined the firm in 1990 and has been a partner since 1 January 1997. Prior to joining the firm, Mr Horovitz clerked for the Israel Supreme Court and with another leading law firm in Israel.

Mr Horovitz represents local and multinational private and public companies, many of them in the high-tech industry, governmental entities and select employee groups (such as airline pilots and physicians' organizations) – and heads up the labour and employment law fields in Naschitz Brandes.

Mr Horovitz provides a range of legal services including labour and employment law, commercial law and public tender law. He also handles litigation matters, specializing in disputes involving labour and employment, commercial law, and public tender law.

Born in Jerusalem, Mr Horovitz received his LL.B. (cum laude) from the Hebrew University in Jerusalem, Israel in 1989 and his LL.M. from the London School of Economics and Political Science in 1995, and was admitted to practice law in Israel in 1990. Mr Horovitz is fluent in English and Hebrew.

ADDRESS

Naschitz, Brandes, Amir & Co.,
Advocates, 5, Tuval Street,
Tel-Aviv 67897,
Israel

Tel: +972-3-623-5000;
+972-3-623-5070
Fax: +972-3-623-5081

ISRAEL

E-mail: yhorovitz@nblaw.com

Web: <www.nblaw.com>

Pnina Broder-Manor

Ms Broder-Manor is a partner located in the Tel-Aviv office. She joined the firm in 1992 and has been a partner since 1 January 2001. Ms Broder-Manor clerked for the Israel Supreme Court.

Ms Broder-Manor represents commercial clients, both private companies in various stages of development and public companies. She represents clients situated in Israel and abroad, including multinational companies. Ms Broder-Manor provides a range of services and has experience in the fields of corporate law, labour and employment law, contracts, banking law, finance, international transactions, labour and employment law, pharmaceutical law, real estate and dispute resolution.

She has over twenty years of practical experience in all aspects of employment law and has advised employers over a wide range of issues. Ms Broder-Manor has advised local and international clients and often issues advice to non-Israeli law firms on various aspects of Israeli labour laws. She has extensive experience in advising on the employment aspects of mergers and acquisitions.

Ms Broder-Manor also has substantial experience in matters of employment law and immigration. She has advised several international clients in relation to the employment of foreign individuals – advising them on the processes involved and assisting them in approaching the relevant government authorities in Israel in obtaining such permits as may be required in any given instance. She has particular expertise in assisting with foreign expert entry and work permits for employees of international clients.

Ms Broder-Manor is the partner representing Naschitz Brandes as the Israeli member of the Employment Law Alliance (ELA). Her involvement in the ELA and attendance at its various meetings and conferences assists in keeping up with trends and issues at the international level.

Born in Montreal, Ms Broder-Manor received her LL.B. degree from Tel-Aviv University in 1989 and was admitted to practice law in Israel in 1990. She is fluent in English and Hebrew.

ADDRESS

Naschitz, Brandes, Amir & Co.,
Advocates, 5, Tuval Street,
Tel-Aviv 67897,
Israel

Tel: +972-3-623-5160

Fax: +972-3-623-5170

E-mail: pbroder@nblaw.com

Web: <www.nblaw.com>

Helen Raziel

Ms Raziel is a senior associate located in the Tel-Aviv office. She specializes in corporate and commercial law, hi-tech and bio-tech financing (private financings), intellectual property, public utilities law (water and electricity) and public tenders.

Ms Raziel has been with the firm since 2000. Prior to that, after arriving in Israel, she completed her internship and then worked as an attorney with another major commercial law firm in Tel-Aviv, where she handled a broad range of commercial issues.

Ms Raziel acts for a wide range of local and international clients and advises on all aspects of their business in Israel. Ms Raziel has considerable experience in advising on the entire range of employment law and often is required to respond quickly to day-to-day employment law queries raised by clients during the course of their business as well as dealing with employment law issues, which arise in the merger and acquisition context. Ms Raziel also provides regular legal advice on Israeli employment laws to foreign law firms.

Before coming to Israel, Ms Raziel was both a qualified barrister at the Bar of England and Wales and a lecturer in law at the University of Buckingham, England. During her time at the Bar, Ms Raziel was one of the legal team appointed to assist a major public inquiry in London, England into the failings of the social services in one of the major child abuse cases of the 1980s.

Ms Raziel is a member of the Israel British Lawyers Association.

Born in Bristol, England, Ms Raziel received her LL.B. (cum laude) from the University of East Anglia, England in 1981 and her LL.M. from the London School of Economics and Political Science in 1982. Ms Raziel was called to the Bar of England and Wales in 1984, and was admitted to practice law in Israel in 1990. Her mother tongue is English but she also speaks Hebrew.

ADDRESS

Naschitz, Brandes, Amir & Co.,
Advocates, 5, Tuval Street,
Tel-Aviv 67897,
Israel

Tel: +972-3-623-5000
+972-3-623-5065,
Fax: +972-3-623-5051

ISRAEL

E-mail: hrazil@nblaw.com

Web: [<www.nblaw.com>](http://www.nblaw.com)

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Firm Overview

Naschitz, Brandes, Amir & Co is one of the leading corporate, commercial and insurance law practices in Israel. It comprises over 150 lawyers and provides a full range of legal services.

All of Naschitz Brandes' partners and many of its lawyers are multilingual and many have qualified and practised as lawyers in USA, and England.

The firm is well known for its expertise and experience in fields such as: M&A's, emerging companies – hi-tech and bio-tech; venture capital, capital markets, employment, insurance and insurance litigation, real estate, information technology, and so on.

Scope of this Guide

This Guide is of general, overview nature only and aims to highlight items solely for information purposes. This Guide does not purport to offer legal advice nor should be deemed as offering legal advice and/or as a substitute to taking full and proper legal advice on any of the matters dealt with herein.

This Guide was originally prepared during the last part of 2010 and early 2011 and has since been updated so as to provide only a general overview, with the most recent update as at May 2015.

For further information on any of the fields covered by this Guide, you are invited to contact the following individuals at Naschitz, Brandes, Amir:

Mr Yaron Horovitz, Adv., E-mail: yhorovitz@nblaw.com, Ms Pnina Broder-Manor, Adv., E-mail: pbroder@nblaw.com, Ms Helen Raziel, Adv., E-mail: hrazil@nblaw.com,

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Legal Compliance in Israel

1. LEGAL FRAMEWORK: EMPLOYMENT LAWS IN ISRAEL

Israeli employment law is drawn from a number of legal sources:

- legislation – both primary and secondary and including not only strictly labour law directed but also more general legislation;
- collective agreements – collective arrangements and extension orders thereof;
- individual employment agreements/custom and practice.

Where there is a contradiction between different sources, the general approach adopted by the Labour Courts is to take that which is more favourable to the employee. The legal sources are interpreted by the Labour Court, the main judicial body developing labour law (and in some cases creating new norms and mandatory practices). It should also be noted that international standards (the ILO conventions adopted by Israel and also EU standards) are used as guidelines by the Labour Courts even though they are not binding.

During the earlier years of its establishment, Israel was a country with socialist orientation. The General Federation of Workers in Israel (the 'Histadrut') played an influential and important role in the early development of labour laws in Israel. In addition to providing direct membership to blue and white collar unions, the Histadrut provided social services – health care, pensions, insurance schemes, sports and cultural activities, etc. The Histadrut was an integral part of the labour movement, which formed the government coalitions until 1977. The influence of the Histadrut combined with the ideology of the labour movement led to the adoption of a comprehensive system of employee protective legislation for employment laws. The union density was high and remained so until the 1990s.

This high union density resulted in collective agreements governing most large workplaces. The preference was to keep the courts out of the area of collective labour law – resulting in a model of State non-intervention in this area. The legislation governing collective labour law is the Collective Agreements Law, 1957 and the Settlement of Labour Disputes Law, 1957. Until the early 1970s, there were no limits on strikes and the law gave unions and strikers protection for strike activity.

In the early 1970s (with the adoption of the Labour Courts' Law, 1969), the Labour Courts were established. The Labour Courts have made a significant contribution to the development of labour law in Israel. For example, the Labour Courts have contributed to the stabilization of labour relations and settlement of collective disputes through negotiation and adjudication. They also interpret collective and individual agreements and reside over cases involving employee rights.

During the 1990s, the socialist basis of the society changed – the high union density declined. As from 1 January 1995, the Compulsory National Health Insurance Law entered into force, which guaranteed medical coverage to every resident. This in itself brought about a substantial overnight reduction in Histadrut membership. While the Histadrut still holds a prominent position, there are also other important employee unions – the Teachers' Unions (Grade School and High School), the Doctors' Union and the Leumit National General Union.

The main employment law legislation (not in any particular order) includes the following legislation by way of example:

- Notification to an Employee (Terms of Employment Law), 2002.
- Advance Notice for Dismissal and Resignation Law, 2001.
- Hours of Works and Rest Law, 1951.
- Minimum Wage Law, 1957.
- Wages Protection Law, 1958.
- Annual Vacation Law, 1951.
- Sick Pay Law, 1976.
- Employment of Women Law, 1954.
- Employment Equal Opportunities Law, 1988.
- Equal Wages Law, 1996.
- Severance Pay Law, 1963.
- Enhancement of Enforcement Law, 2011.

Much of the employment law legislation sets forth fundamental and minimum employee entitlements. These laws apply to all employees (subject only to specific exceptions).

In addition to the legislation, a large part of the employees' rights as well as their obligations are included within the framework of collective agreements. By virtue of the Collective Agreements Law, 1957, these