

Labor and Employment

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The Israeli Labor Market: New Unionizations, Sectors and Guidelines

Israeli labor law is a breathing entity, constantly evolving through new legislation and labor court rulings. Below we set out a general overview of certain basic rights granted to employees in Israel under Israeli labor laws, as well as some key recent developments in Israeli labor relations. For businesses looking to operate in or expand to Israel, the following laws are among the most important to be familiar with.

Workweek and Overtime: The Work and Rest Hours Law (1951) establishes the right of an employee to receive compensation for overtime (defined as working beyond nine hours a day and all weekly hours beyond 43 hours) and restricts the employment of an employee on weekly rest days. For the first two hours of overtime, an employee is entitled to 125% of his hourly salary and for each additional hour thereafter he is entitled to 150% of his hourly salary.

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Payment of Salary: The Salary Protection Law (1958) provides that an employer shall pay employee salaries by no later than the ninth day of the calendar month following the month in which wages were earned.

Annual Vacation: The Annual Vacation Law (1951) provides a minimum annual leave for employees ranging from 15 to 28 days, based on seniority. The law provides that up to a maximum of two years of unused vacation days are redeemable upon termination of employment.

Sick Leave: The Sick Leave Payment Law (1976) provides that employees are entitled to sick leave payment such that one and a half days of sick leave are earned for each month of employment, up to a maximum of 90 days. The employee is not entitled to compensation for the first day of sick leave, compensation is set at half pay for the second and third days, and thereafter the employee is entitled to full pay. Unused accumulated sick days may not be redeemed.

Convalescence Pay: According to the General Extension Order Regarding Payment of Convalescence, employees are entitled to convalescence payments (from five to ten days per year) based on their seniority.

Pension Insurance: Every employee in Israel is entitled to pension insurance consistent with an Extension Order issued by the Minister of Economy. According to the Extension Order, employers must contribute 6.25% (6.5% as of January 1st 2017) of an employee's gross salary to a pension plan (the rates may be slightly different if the employee chose a 'manager insurance policy') and 6% of an employee's gross salary as severance pay, with the employee also contributing 5.75% (6% as of January 1st 2017) toward the pension plan. Generally, an employer must make provisions for pension insurance after the employee has been employed for six months. However, if the employee had a pension plan with a previous employer, the employee is entitled to the pension arrangement as of the first day of work.

Severance Pay: Under the Severance Pay Law (1963), an employee who has completed a full year of employment and is terminated by the employer is entitled to one month of salary per each year of employment based on the monthly salary at the time of termination. However, Section 14 of the Severance Pay Law provides an alternative whereby an employer is exempt from the severance pay obligation in cases of dismissal. This would apply if the employer implements an arrangement according to Section 14 in which the employer makes monthly payments out of the employee's monthly salary towards a pension plan in the name of the employee, which includes a component of severance pay and a component of pension payment. The amounts accrued in the severance pay component may be substituted for the statutory amount if the employer and employee agree to the Section 14 Arrangement in writing; provided, however, that the funds must be released to the employee even if the employee resigns.

In a precedent-setting case (known as the Telephone case), the National Labor Court set new guidelines and prohibitions for employers.

Termination - Prior Notice: The Prior Notice for Resignation and Dismissal Law (2001) stipulates specific minimum periods of prior notice that employers must provide employees before a dismissal. During the first year of employment, the period varies from 1 day to 21 days based on the length of employment and, following the first year of employment, the period is set at one month. According to Israeli National Labor Court rulings, an employer that wishes to transfer the ownership of its business to another entity should provide prior notice to employees.

The "Unionization Flooding" in the Israeli Labor Market

An interesting development in Israeli labor law in recent years is the "unionization flooding." In a unionized company, a labor organization represents the employees vis-à-vis the employer and, therefore, negotiations regarding salaries, employment terms and the process of termination of employees are no longer conducted on an individual basis between each employee and the company, but rather in a collective manner. This results in the signing of a collective agreement between the company and the labor organization. In case a collective agreement has not been achieved the labor organization may declare a labor dispute and take organized measures such as work stoppage and strikes.

In recent years, the unionization process was more prevalent with blue-collar occupations (such as port employees, and employees in the electricity and building industries); however, in the past three years, we are witnessing a great change in this field, as white-collar employees (such as employees in the cellular, insurance, accounting and high-tech industries) are unionizing as well. A major factor encouraging this phenomenon is the Israeli labor court's precedents which support the employee's right to unionize.

In a precedent-setting case (known as the Pelephone case), the National Labor Court set the following guidelines and prohibitions for employers. These include pressuring employees to terminate their union membership; increasing supervision on employees due to their unionization attempts; threatening termination of employment; worsening employment terms or the dismissal of committee members or active members of the initial organization; negatively commenting against the organization; preventing labor union members from entering the workplace; establishing an organization or committee on behalf of employers; and making any changes in the employee's terms and conditions that were in place before the employees began to organize (neither positive nor negative changes are allowed).

Applying the courts' guidelines led to a rigorous approach against employers who fail to comply with the prohibitions set forth in Pelephone case. For example, in the HOT Mobile case, the labor court enforced the guidelines on a company that violated the Pelephone prohibitions where employees attempted to unionize. The court granted the union a financial relief of NIS1 million and, in addition, the company was ordered to negotiate a collective bargaining agreement in order to settle employment terms. In the Shlomo Insurance case, where the company violated the employees' right to unionize, the court laid a declaratory judgment stating that the company will recognize the Histadrut (Israel's largest labor organization) as the representative labor organization, and granted the union a financial relief of NIS500,000.

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In the Menorah Mivtahim case, the court ruled that the prohibition on employers from interfering with their employees' unionization efforts within a labor union is so important that the employer is also prohibited from showing "sympathy" or "lack of indifference" towards internal organization, and if the employer actually shows such "sympathy" or "lack of indifference," the internal organization has a heavy burden to justify its "authenticity" (i.e. that it is not supported by the employer).



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Fischer Behar Chen Well Orion & Co (FBC), founded in 1958, is one of Israel's premier and largest full service law firms. FBC acts for prominent multinational and Israeli clients (in the practice areas noted below and in a wide spectrum of industry sectors), and offers professional excellence and personal attention across the spectrum of multidisciplinary legal services. FBC's attorneys pride themselves, first and foremost, on their business and legal acumen and ability to bring matters to closure, integrating the commercial sensitivities of attorneys experienced in handling large-scale matters with the in-depth knowledge of first-class practitioners. With over 175 lawyers, including more than 40 partners, FBC is repeatedly ranked by international and domestic directories among Israel's leading practitioners in many areas, including by Chambers and Partners, Legal 500, IFLR 1000, Global Competition Review, World Tax, BDI, and Dun & Bradstreet.

FBC has one of the most active, involved and visible Labor Relations & Employment practices in Israel. It represents employers and employees, labor organizations and unions, and workers committees of various companies in various industries. It handles the full scope of labor and employment matters, including collective bargaining, labor disputes, strikes and organized actions, collective agreements, collective litigation, employer-employee litigation, labor contracts, employment agreements, separation agreements, labor relations, due diligence, mediation and arbitration. The practice is also active in legislative initiatives and works closely with members of parliament in drafting bills and regulations.

Practice Areas: Arbitration & Mediation; Aviation, Maritime & Tourism; Banking & Finance; Capital Markets; Class Actions & Derivative Suits; Competition & Antitrust; Environmental; Hi-Tech, Technology & Venture Capital; Insolvency & Restructuring; Intellectual Property; Labor Relations & Employment; Life Sciences & Healthcare; Litigation; Mergers & Acquisitions; Private Asset Management; Private Equity; Project Finance & Energy; Real Estate; Regulatory; Tax; Telecom & Media; White Collar.

Shay Teken is a partner and the Head of FBC's Labor Relations & Employment practice, specializing in all aspects of labor and employment law. He has been involved in Israel's most significant changes in labor relations and labor law precedents in recent years. Shay serves as Chairman of the Labor and Employment Forum of the Israeli Bar Association and is frequently consulted by Israeli regulators and legislators to develop and comment on proposed legislation and regulations, and appears frequently before committees of the Israeli parliament regarding labor matters. Prior to joining FBC, Shay acted as chief legal adviser and head of the legal department at the Histadrut, Israel's largest trade union federation, and as chairman of its organizing wing, and continues to act as a special consultant to its legal department.

Moran Friedman is an associate in FBC's Labor Relations & Employment practice where she specializes in all aspects of labor and employment law. Prior to joining FBC, Moran served in the legal department of the Histadrut.

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