

Globalization Partners provides employer of record services for customers that want to hire employees and run payroll without first establishing a branch office or subsidiary in Israel. Your candidate is hired via Globalization Partners' Israel [Professional Employer Organization](#) in accordance with local labor laws and can be onboarded in days instead of the months it typically takes. The individual is assigned to work on your team, working on your company's behalf exactly as if he or she were your employee to fulfill your in-country requirements.

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Our solution enables customers to run payroll in Israel while HR services, tax, and compliance management matters are lifted from their shoulders onto ours. As a Global PEO expert, we manage employment contract best practices, statutory and market norm benefits, and employee expenses, as well as severance and termination if required. We also keep you apprised of changes to local employment laws in Israel.

Your new employee is productive sooner, has a better hiring experience and is 100% dedicated to your team. You'll have peace of mind knowing you have a team of dedicated employment experts assisting with every hire. Globalization Partners allows you to harness the talent of the brightest people in more than 185 countries around the world, quickly and painlessly.

Israel is a small country in the middle east that borders the Mediterranean and Red Seas. The

political capital is Jerusalem and the business center is Tel Aviv. While Israelis tend to be friendly and cordial, they are also known for being direct, assertive, and persistent. Businesses usually have a relatively flat hierarchy and are informal. The culture is collaborative, results-oriented and fast-paced, and sudden changes in plans happen frequently. Meetings may start as much as 20 minutes late and are often interrupted by phone calls or other people walking in; such interruptions are normal and should not be considered rude.

When negotiating terms of an employment contract and offer letter with an employee in Israel, it may be useful to keep the following standard benefits in mind:

### **Employment Contracts in Israel**

Israeli labor law does not require a written employment contract, however, it is strongly recommended to put one in place. The contract should be in the local language, and spell out the terms of the employee's compensation, benefits, and termination requirements. An offer letter and employment contract in Israel should always state the salary and any compensation amounts in Israeli shekel rather than a foreign currency.

Most employment agreements include clauses regarding confidentiality, assignment of intellectual property and noncompetition. It should be noted however that restrictive provisions concerning future employment of an employee are valid only if such limitations are aimed at protecting the employer's legitimate interests, including trade secrets. It is highly likely that in most cases, restrictive terms will not be held enforceable. Nevertheless, and in light of the deterring value of non-compete provisions, it is recommended to include such clauses in the employment agreement. All employees hired via our [Global Employer of Record solution](#) are contracted in accordance with best practice.

### **Working Hours in Israel**

The standard work week in Israel is Sunday through Thursday, although non-Jewish people may choose Friday, Saturday, or Sunday as their main weekly holiday. Jewish people may not

work on Saturday unless their employer is open on Saturdays with a special permit.

The work week may not exceed 42 hours, allocated over 5 or 6 days of work, provided that each workday does not exceed 9 hours of work.

Employees are entitled to overtime pay which is calculated on a daily basis.

- For the first 2 overtime hours, the remuneration is 125% of the regular wage
- For any additional hour of work as well as for work during the weekly day of rest, remuneration shall amount to 150% of the regular wage.
- Some companies pay a global monthly amount as compensation for overtime pay

## Holidays in Israel

Israel celebrates the following official public holidays for which employees are given the day off, including:

- Passover
- Memorial Day (Half Day)
- Independence Day
- Pentecost
- Rosh Hashanah (New Year)
- Yom Kippur (Day of Atonement)
- Sukkot (Feast of Tabernacles)
- Shmini Atzeret/Simchat Torah

Independence Day is observed by all citizens, while others are Jewish religious holidays that non-Jewish people do not observe.

## Vacation Days in Israel

Israeli employees have the right to paid annual leave, the length of which depends upon the period of service of the employee. The minimal period required by law is between 10 and 23 days per year.

## Israel Sick Leave

Employees have the right to receive sick leave at a rate of one and a half days for each month of employment with the right to accumulate up to 90 days.

- Employees are not entitled to any payment for the first day of sickness
- For the second and third days, employees are entitled to 50% of the salary
- From the fourth day onward, 100% of salary
- It should be noted that it is common for some industries to pay full salary for sick leave from day one

All employees who are employed for more than one year with the same employer are entitled to an annual payment for convalescence. The minimal period is between 5 and 10 days per year, and the current rate per day is around ILS 330 (US \$90). This pay can be included in the employee's salary, subject to the employee's written consent.

## Maternity/Paternity Leave in Israel

Pregnant women are entitled to seven weeks of maternity leave at full pay provided that they were employed by the company for the previous six to ten months. The employee is also entitled to receive the same position upon returning.

- Women who have worked more than ten months receive fourteen weeks of paid leave. Half of that time can be taken prior to the birth of the child.

Male employees receive an eight-day paternity leave following the birth of their child. This includes three paid vacation days and five days of sick leave paid by the employer.

In general, it is forbidden to dismiss a pregnant employee who worked for over 6 months (even if the employer was not aware of the pregnancy on the day of notice.) Dismissal is also prohibited throughout the employee's pregnancy, as well as during the maternity leave and a period of 60 days after that. The dismissal of a pregnant employee can only be done with a permit.

## Health Insurance in Israel

All Israeli citizens are entitled to health care as stipulated under the National Insurance Law. There are four health care funds for basic treatment and citizens are given the choice of one, as well as the choice of increasing their coverage by purchasing supplementary health insurance.

## Israel Supplementary Benefits

Some companies in Israel contribute to “managers’ insurance” policies or to pension funds. This provides for a monthly allocation into an insurance fund of 18.3% of the employee’s salary, paid in part by both the employer and employee. A portion of the employers’ contribution is in lieu of severance pay.

Some employers provide disability insurance for their employees in an amount of up to 2.5% of the employee’s salary.

Employees are entitled to be compensated for their travel expenses, the rate of which is updated from time to time (the current maximum rate per day is around ILS 20 or US \$5). This is calculated on the basis of the days actually worked during which the employee used public transportation to and from the employee’s workplace.

- Some employers provide a company car to their employees or pay a separate fee for the use and maintenance of the car. Specific terms are subject to collective bargaining agreements and to the employee’s employment contract.
- Travel expenses can be included in the employee’s salary, subject to the employee’s written consent.

Generally, we recommend budgeting 20% for benefits on top of the gross salary to allocate the total employer’s cost including benefits in Israel.

## Termination/Severance in Israel

Employment may be terminated by resignation, dismissal, retirement, death, or the expiration of a limited period of employment. Dismissal entitles the employee to receive severance pay, however, there are certain circumstances in which the dismissed employee is not entitled to receive severance, i.e. with cause.

The employer or employee must provide written notice before the termination. The minimal statutory period of prior notice for dismissal and for resignation of employees whose salaries are paid on a monthly basis is:

- One day during the first six months of employment
- 6 days plus an additional 2.5 days for every month worked from the seventh month for employees who have worked 6 months to 1 year
- 30 days after completion of the first year of employment
- Unless specifically indicated otherwise, the employer has the right to terminate employment without the delivery of a notice, and provide a severance payment in lieu, if required

## **Paying Taxes in Israel**

Employees pay progressive income tax in Israel starting at 10% and increasing to a maximum of 50%.

Both employers and employees contribute a portion of salary to National Insurance and Health Insurance.

*This information is provided as generally accepted information and is not intended as advisory services.*

## **Why Globalization Partners**

Establishing a branch office or subsidiary in Israel to engage a small team is time-consuming, expensive and complex. Israeli labor law has strong worker protections, requiring great attention to detail and an understanding of local best practices. Globalization Partners makes

it painless and easy to expand into Israel. We can help you hire your candidate of choice, handle HR matters and payroll, and ensure that you're in compliance with local laws, without the burden of setting up a foreign branch office or subsidiary. Our Israel PEO and [Global Employer of Record](#) solution provides you peace of mind so that you can focus on running your company.

If you would like to discuss how Globalization Partners can provide a seamless employee leasing or PEO solution for hiring employees in Israel, please [contact us](#).