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SUBJECT: **3 IMPORTANT CHANGES IN ISRAELI EMPLOYMENT LAWS AS OF JULY 2016**

DATE: **JUNE 2016**

We bring to your attention 3 important changes in the field of labor law and practice in Israel:

1. Mandatory Pension Payments

As you are no doubt aware, pursuant to the “Extension Order for Comprehensive Pension Insurance in the Economy” issued by the Israeli Ministry of Industry, Labor and Trade on December 30, 2007 (the “Extension Order”), since January 2008, all Israeli employers are, generally, required to provide their employees with at least a minimum pension. While the percentages had not been updated since 2014, a new Extension Order was signed on May 23, 2016 which updates the percentages as follows:

<u>Beginning and Thereafter</u>	<u>Employer Contribution for Pension</u>	<u>Employee Contribution for Pension</u>	<u>Employer Contributions for Severance</u>	<u>Total:</u>
January 1, 2014	6.00%	5.50%	6.00%	17.5%
July 1, 2016	6.25%	5.75%	6.00%	18.0%
January 1, 2017	6.50%	6.00%	6.00%	18.5%

The above percentages apply to all components of salary which would be considered for calculation of severance pay but the minimum salary to which the percentages are to be applied are the lower of: (a) an individual's actual salary for purposes of severance pay and (b) the average, national monthly salary (currently NIS9,334). To the extent that payments are made on this basis, the employer is exempt from paying severance pay on the amount for which s/he paid the severance pay component.

2. Increased Vacation Allowance

Effective July 1, 2016, the minimum, required vacation allowance for each of the first 4 years of an employee's employment with a given employer, is to be increased by 1 day as of July 2016 such that for each of the first 4 years, employees (5 day work week) will be entitled to no less than 11 work days of vacation and as of January 1, 2017 an



additional day such that for each of the first 5 years, employees (5 day work week) will be entitled to no less than 12 work days of vacation.

3. Minimum Wage

As of July 2016, the monthly minimum wage will be increased to ₪ 4,825 and the hourly minimum wage will be increased to ₪ 25.94.

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*This memorandum is not to be considered as a legal opinion.
For legal advice, we suggest that you contact legal counsel directly.*

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