

Bits & Briefs

Israeli Labor and Employment Law | Special Series | August 2020

In our "Bits & Briefs" Special Series dedicated to **Israeli Labor and Employment Law**, we provide periodic bite-sized updates introducing key provisions of Israeli labor law and their practical implications, particularly from the perspective of businesses looking to operate in, or expand to, Israel. In this update we will cover the Israeli Labor Law perspective on engagement of consultants.

Employers` Engagement with Service Companies and Manpower Companies

According to Israeli Law, companies are entitled to hire employees via third party providers, who will be responsible for fulfilling the various statutory employer obligations under Israeli law. Such third party providers are service companies and manpower companies.

However, Israeli law provides that if a manpower company's employee continues to provide services to a company under this arrangement for more than nine months, then the company will be considered to be the actual employer.

Furthermore, according to a labor court ruling, employees of service companies or manpower companies may be regarded as the employees of the engaging company even within the nine-month period (but not only with regard to that period) and even though the contract between the third party provider and the employee states that no employment relationship exists between the company and the employee. Such a finding may arise in circumstances which indicate greater linkage between the company and the employees rather between the third-party provider and the employees.

Examples of such linkage may include involvement of the engaging company in the employees` recruitment process; involvement of the company in advising the employees and similar criteria.

The result of such a finding is that the employees of the third party providers will be entitled to receive social benefits (such as severance pay, recreation payments, vacation leave, etc.) from the engaging company in accordance with the social benefits it provides to its employees, for the entire period of their service.

Furthermore, just recently, in July 2020, the Israeli National Labor Court ruled that companies are obligated to conduct a hearing process (i.e., a process in which employees are entitled to present their thoughts and claims before their employers reach a final decision regarding their termination) not only for their own employees but also for manpower company or service company employees who work for them.

We are happy to assist you in providing legal advice in relation to each of these issues, their ramifications for the workplace and the practical steps that may be taken as a result.

Sincerely,
Fischer Behar Chen Well Orion & Co.

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