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MEMORANDUM

SUBJECT: Termination of Employment Relations in Israel

This memorandum provides a brief list of the steps to be taken in order to terminate an employment relationship in Israel based on the application of the general rules of Israeli law as at the date hereof.

General

1. Under Israeli law the termination of the employment relationship is required to be made in good faith and should not be made in a discriminatory manner. All decisions to terminate the employment relations should be based on relevant considerations.
2. Relevant considerations include matters such as the degree of professionalism, commitment towards the work, discipline and interpersonal skills (especially in the case of senior management), or economic-business considerations of the employer, in the face of reorganization procedures.
3. In accordance with Israeli law, both in the case of consideration of the termination in the face of performance or discipline, and in the case of lay-offs, reductions in work force or redundancies - the same termination procedure must be followed, including the hearing process, as described below.
4. There are situations in which the dismissal of employees is either prohibited or requires a special permit, including, but not limited to, during service in reserve duty in the army and 30 days thereafter, during maternity leave or 60 days thereafter, paternity leave and others.

Hearing Invitation

5. An employer that is considering termination is required to invite the employee, by a notice in writing, to a hearing before it reaches the decision to terminate the employment. The invitation is usually given to the employee in person.
6. The employer should provide the invitation a few days in advance of the hearing so that the employee will have ample time to prepare for the hearing. The invitation should include all the reasons for which the employer is considering termination in detail, so that the employee will be able to address them. The employer is under the duty to disclose to the employee the information in his possession that may have an effect on the decision and especially negative information. If there are relevant documents, the employer should present them to the employee in advance.
7. The participants on behalf of the employer are typically the employee's manager, the person that is authorized to reach the decision regarding the termination (if that is not the same manager), HR personnel accustomed to conducting a hearing process and that can take minutes and, if suitable, legal representation. The invitation to the hearing should specify who will be attending on behalf of the employer.
8. If the employee chooses, he can provide his input in writing, however, the employer should suggest a face to face meeting.
9. If the employee requests to bring a representative to the hearing (either a lawyer or anyone else) the employer should accommodate the employee's request. It is customary to ask the employee to advise in advance if he intends to bring anyone to the meeting so that the employer can consider its participants accordingly.

The Hearing Meeting

10. At the hearing, the employer should state clearly the reasons underlying the considered termination. The employer should not add reasons that were not indicated in the invitation.
11. A hearing should not be a mere technical ceremony, but rather a fair and open opportunity for the employee to convince the employer not to terminate the employment. The employer must listen unprejudiced and openly to what the employee has to say.
12. The employer should write reasonably accurate and detailed minutes of the hearing. The minutes should be provided to the employee after the employer has time to finalize them.
13. We suggest that you take into consideration that the employee might be recording the hearing, or other discussions held both before and after employee was informed of the hearing.
14. If the employee requests that the employer consult with another employee, we recommend to do so and to write minutes of the consultation.

The Decision

15. After the hearing, the employer should consider all of the employee's arguments and allegations. The employer should consider if less drastic steps would suffice and if there are alternative roles that might be suitable.
16. We advise to keep a record of the consideration process to show that the employer took all the points raised by the employee into consideration. This is not a document that is regularly provided to the employee, but the document may be used if the termination is contested.
17. The employer should provide its decision in writing within a day or two after all the information is gathered.

The Notice Period

18. The termination will become effective after the required advance written notice. The termination notice should specify whether the employee is required to work or not during the notice period. Alternatively, the employer can pay the employee in lieu of providing the required notice period.
19. If the employee won't be attending the work place during the notice period we advise to set a date and procedure for the return of company property (telephone, vehicle, confidential information and the like).

Obligations Following the Termination Decision

20. When the employment ends, the employer must give the employee a written certificate confirming the commencement and cessation dates of the employment.
21. In almost all cases of termination by employer, the employer will be required to make payment of severance pay due to the employee. If an arrangement in accordance with Section 14 of the Severance Pay Law 1963 was adopted and the full amounts were contributed to the severance pay fund, the employer will only have to provide a letter releasing the fund without any additional payments.
22. The employer will also have to release the employee's pension funds, education fund (if applicable) and pay any amounts due to the employee, such as for unused vacation, recreation pay and other payments as relevant.
23. Separation agreements are not mandatory. The employee is entitled to receive the rights that are due to him, even if he refuses to execute a separation agreement. The employer may require the execution of a separation agreement only as a condition to additional rights, exceeding the rights that the employee is entitled to receive under law or contract.

24. Pursuant to the Employment Service Law, 1959, an employer that delivers notices of dismissal to ten or more employees is required to notify the Employment Service Bureau.
