

Legislative and Case Law Updates in Labor Law

Client Update – July 2026

Dear Clients,

We invite you to stay abreast of recent developments in Israeli employment case law. This month's update covers, among other matters, class actions, wage payment deadlines, vacation and sick leave calculations, return from reserve duty, and public-sector transparency.

The Supreme Court held:

Public transparency - Fitness for public office - Although the specific dispute was resolved by consent, the Supreme Court found it appropriate to note that the appointment of a senior public office holder in a local authority gives rise to a clear public interest in the disclosure of the selected candidate's relevant educational qualifications and professional experience. The Court further noted that a requester should not be required to establish, in advance, a factual basis for suspecting a defect in the appointment process, and that public authorities are expected to publish, on their own initiative, basic professional information concerning senior office holders.

The judgment illustrates the breadth of the duty of transparency in relation to senior appointments in public bodies, even where the Court's broader remarks were made in the context of an agreed resolution of the concrete dispute. (Administrative Appeal 37913-12-24

Lawyers for Proper Administration v. the Freedom of Information Officer at the Binyamina-Giv'at Ada Local Council, dated 16 June 2026).

The National Labour Court held:

1. **Class action - Compensated withdrawal - Third-party objection** - The National Labour Court struck out an appeal filed by an entity that had not been a party to the proceedings, holding that its procedural right to appeal a compensated withdrawal arrangement approved by the Regional Labour Court had not been established. At the same time, the Court observed that it remained questionable whether the parties should have been exempted from publication and service of notices, particularly in view of the unusual level of remuneration, and clarified that if one of the entities identified in the statute appears in the regional proceedings and seeks to be heard, its request should not be rejected solely by force of the judgment.

The judgment reflects the courts' careful scrutiny of compensated withdrawal arrangements in class actions. (Collective Petition (National) 31231-06-25 **The Civil Enforcement and Corporate Decentralization Fund Ltd. v. Renoir Fashion Manufacturing and Marketing** (1993) Ltd., dated 31 May 2026).

2. **Disguised wage components – Scope of deposits** - The National Labour Court largely allowed the employer's appeal and dismissed the employee's appeal, such that the liabilities imposed on the employer were set aside, save for a reduced award of statutory compensation for delayed payment of severance pay. The Court held that even if some components had, in practice, served to supplement the employee's expected remuneration, that fact alone did not justify the full range of liabilities imposed by the lower instance; rather, the deposits had to be examined by reference to the applicable collective agreement, extension order, and the specific contractual understandings.

The judgment underscores that not every non-uniform wage structure will automatically be treated as an artificial split justifying broad-based liabilities. (Labour Appeal (National) 45968-06-25 **Millenium Services and Logistics Ltd. v. Hujeira Marwan**; Labour Appeal (National) 47662-06-25 **Hujeira Marwan v. Millenium Services and Logistics Ltd.**, dated 31 May 2026).



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3. **Class action - Home visits** - The National Labour Court dismissed an appeal against the denial of motions to certify a class action against Maccabi Healthcare Services concerning entitlement to social benefits in respect of home visits. The Court held that even if some employees might have personal claims, a class action was not the efficient and fair mechanism for resolving the dispute, inter alia in light of the collective and regulatory framework, the need for substantial individual inquiry, and the risk of repayment or accounting vis-à-vis employees.

The judgment sharpens the weight labour courts attach to active collective regulation and to enforcement alternatives other than class actions. (Collective Petition (National) 5867-04-25 **T. Gadaz v. Maccabi Healthcare Services**, dated 4 June 2026).

4. **Collective enforcement – Alternative to class proceedings** - In a further judgment in the class-action sphere, the National Labour Court adopted a framework of collective enforcement in the security sector, after the first instance had certified causes of action concerning deficient pension deposits, work during the weekly rest period on Saturday night, and overtime in night work. The Court emphasized the role of the enforcement committee under the collective agreement, remitted the case to the Regional Labour Court for a report on the outcome of the enforcement process, and awarded interim remuneration and legal fees.
5. The judgment provides further support for the preference for collective enforcement mechanisms where they are suitable to the dispute. (Leave to Appeal (National) 2802-04-25 **H.S.M.T. Security Services Ltd. v. Nachum Edika**, dated 7 June 2026).
6. **Resignation deemed a dismissal – Material reduction in wages** - The National Labour Court dismissed the employer's appeal and upheld the finding that an employee who resigned following a substantial reduction in his income upon returning to work after the COVID-19 period was entitled to severance pay as a resigning employee deemed dismissed by law. The Court emphasized that the resignation did not stem merely from the earlier unpaid leave itself, but from the significant reduction in wages after the



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return to work, notwithstanding that the employee continued working for several months before resigning.

The judgment confirms that a prolonged and material impairment in earning capacity may establish entitlement to severance pay, even where the underlying cause is a broader economic crisis. (Labour Appeal (National) 71679-01-26 **Dizengoff Club Ltd. v. Asher Falah**, dated 11 June 2026).

The Regional Labour Courts held:

1. **Reserve duty - Duty to assign work upon return** - The Jerusalem Regional Labour Court dismissed a claim brought by a security guard who alleged that his rights had been infringed following his return from reserve service. The Court held that the employer had done all that it could to provide him with work, given the objective constraints, and that the difficulty in assigning him on a regular basis also stemmed from the claimant's failure to provide fixed availability and his occasional short-notice cancellation of assignments.

The judgment illustrates the importance of ongoing documentation of dealings with employees, particularly employees returning from reserve duty. (Labour Case (Jerusalem) 59048-09-24 **Ze'ev Nissim Lerer v. Team 5 Security Ltd.**, dated 31 May 2026).

2. **Extension order in the food retail sector – Choice day** - The Tel Aviv Regional Labour Court partially granted a motion to certify a class action against a food retail chain and held that there was a reasonable possibility of a ruling in favour of the class with respect to several components, including pension deposits, study fund contributions, salary-related items, a seniority increment, full recuperation pay, and the non-inclusion of a "bonus" component in overtime remuneration. At the same time, the Court held that entitlement to a "choice day" is contingent on the employee notifying the employer of the intended date of use and, accordingly, absent such a request, no entitlement arises either to the day itself or to its monetary value.



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3. The decision demonstrates that even where a class action is certified in relation to multiple wage and benefits components, the Labour Court will examine each component separately and will not hesitate to dismiss a cause of action that lacks a sufficient evidentiary basis. (Class Action (Tel Aviv) 62584-01-22 Haya Glandovar v. Super Chesed Ltd., dated 1 June 2026).
4. **No entitlement to compensation where salary is paid by the ninth day of the month -**
The Tel Aviv Regional Labour Court dismissed a motion to certify a class action based on the respondent's practice of paying wages on the ninth day of the following month. The Court held that, under the Wage Protection Law, monthly wages are not deemed delayed so long as they are paid by the ninth day of the following month, and therefore there is no basis for an independent compensation claim arising solely from payment on that date.
5. The judgment expressly reiterates that payment by the ninth day of the following month, in and of itself, complies with the law and does not entitle the employee to compensation. (Class Action (Tel Aviv) 15967-05-25 **Eliran Gabai v. Tahanat HaEven Coop Ltd.**, dated 14 June 2026).
6. **Unregulated employment relationships - Substantial financial exposure -** The Jerusalem Regional Labour Court largely upheld a claim by an employee who alleged long-term employment under unusual circumstances involving, inter alia, non-payment of wages, loans made to his employer, and complex financial understandings. Despite a dissenting opinion by one of the public representatives, the Court ordered the defendants, jointly and severally, to pay substantial sums in respect of contractual debt, wages, non-pecuniary compensation, statutory notice, costs, and legal fees.

The judgment highlights the importance of properly regulating employees' terms of employment, maintaining complete documentation, and avoiding situations in which employment relationships become intertwined with separate financial obligations. (Labour Case (Jerusalem) 24566-06-22 **Shalom Yifrach v. Albert Avraham Busso**, dated 15 June 2026).


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7. **The employer's identity is not determined by the name appearing on the work permit**

- The Jerusalem Regional Labour Court dismissed a claim brought by a construction worker who argued that the company in whose name the work permit had been issued was his employer. The Court held that a work permit is not sufficient to establish an employment relationship, and that the body of the evidence pointed instead to an authentic contractor arrangement with another company that actually carried out the construction works.

The judgment reinforces the importance of clear contractual arrangements, proper documentation of the identity of the employer, and adherence to a genuine contracting structure. (Labour Case (Jerusalem) 33208-11-22 Zakharia Hassan Abd Elzawahara v. Finats Israeli Ltd., dated 15 June 2026).

8. **Dismissal permit for a pregnant employee - Failure to complete redeployment to an alternative position**

- The Tel Aviv Regional Labour Court dismissed an employer's appeal against the decision of the Commissioner under the Women's Employment Law refusing permission to dismiss a pregnant employee. The Court held that although the termination of the dairy attendant role resulted from a regulatory change, there remained a link between the pregnancy and the termination of employment because the process of considering the employee's transfer to an alternative position had not been completed before she went on pregnancy-preservation leave.

The judgment emphasizes that even where an organisational or regulatory process is genuine and legitimate, the employer must carefully complete the examination of alternatives for a pregnant employee, and that the temporary impediment created by pregnancy-preservation leave does not sever the connection between the pregnancy and the dismissal. (Administrative Labour Appeal (Tel Aviv) 44682-11-25 **Central Bottling Company Ltd. v. State of Israel**, dated 17 June 2026).

9. **Vacation and sick leave - Calculation of absence on a shortened working day** - The Tel Aviv Regional Labour Court dismissed an application in a collective labour dispute concerning the method of deducting vacation and sick days on a shortened working



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day. The Court held that, absent a binding source requiring an hourly calculation, and given that the default rule is calculation by days, the absence is deducted as a full working day rather than according to the actual hours of absence. The Court further held that no binding practice of hourly calculation had been established and that, in practice, the deduction had already been completed on the basis of one standard day, such that there was no basis for any additional credit in respect of the shortened half-hour.

The judgment sharpens the importance of clear and documented arrangements governing the calculation of vacation and sick days on shortened working days, and of examining whether there is any normative source or specific agreement justifying a departure from day-based calculation. (Collective Dispute (Tel Aviv) 22596-05-24 **The Research Staff Organization in the Defence Establishment, Rafael and the Prime Minister's Office – Committee, Soreq Nuclear Research Center v. State of Israel – Soreq Nuclear Research Center**, dated 21 June 2026).

The judgments reviewed above reflect a continuing trend of close judicial scrutiny of motions to certify class actions, particularly where individual factual inquiry is required or where a collective or regulatory alternative exists. At the same time, they highlight those systematic gaps in the implementation of extension orders, employment without a structured framework, and the absence of precise arrangements regarding rights and absences on shortened working days may create significant exposure for employers. Increased attention is also evident in relation to public transparency, the integration of employees returning from reserve duty, and the rules applicable in organised workplaces and in the public sector.

From a practical standpoint, employers should consider reviewing whether payslips comply with extension orders and collective agreements; maintaining orderly documentation of employee scheduling, particularly in relation to employees returning from reserve duty; examining and regulating wage structures, especially where non-uniform arrangements may give rise to disputes; ensuring that engagements with contractors and service providers clearly and authentically reflect the identity of the employer and the allocation of responsibilities



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between the parties; and regulating, clearly and in writing, the method for deducting vacation and sick days on shortened working days or under special working arrangements.

We would be pleased to assist in assessing the implications of these judgments for your organisation, updating internal procedures and agreements, and providing ongoing advice on specific matters in the fields of wages, employment relations, and class actions, as well as on any issue relating to labour law and collective employment relations.

*This memorandum does not constitute legal advice and is provided as a service to our clients.



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