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Abstracts

Ayal Kimhi, Tamar Faust, *Gender Wage Gaps in Israel: Is there a Glass Ceiling for Women in the Labor Market?*

This study thoroughly examines the gender-based wage gap in Israel. Unlike in previous studies, we did not limit ourselves to estimating the average wage gap, but allowed the estimated wage gap to vary over the wage distribution. To this end, we used advanced econometric methods and corrected for selection bias since the estimation is only relevant to employees, who are not a random sample of the entire relevant population. We found that the gender wage gap increased across the wage distribution, going from some 10% at the bottom to some 30% at the top. We found a particularly large gap at the upper end of the wage distribution, which points at a "glass ceiling" phenomenon that affects the wage of women who reach relatively high wage levels.

The fact that the gender wage gap has not decreased over the years, despite various policy measures that have been taken, should be a source of concern for policymakers in Israel. The large gaps at the top of the salary distribution require special attention to the obstacles that apparently stand in the way of women in managerial or professional positions.

Hadara Bar-Mor, Gil Sharoni, *The Impact of Amendment 6 to the Equal Pay for Female and Male Employees Law, 1996 on Public Companies' Stock Returns*

Amendment 6 to the Equal Pay Law requires private businesses with more than 518 employees in Israel to prepare and publish an annual internal report detailing gender wage gaps between employees in the same occupational group. The rationale behind this proposal is based on the fact that women are often unaware of wage discrimination, and wage confidentiality makes it difficult for them to claim discrimination remedies. The implementation of the law and exposure of wage gaps have both positive and negative implications for company stakeholders, including employees, managers, employers, and investors. The research examined companies that disclosed significant gender wage gaps and found that this disclosure contradicts ESG principles, particularly organizations' commitment to stakeholders. Two relevant investor perspectives emerged regarding wage gap reports: fairness perception and anticipated economic implications. The ESG (Environmental, Social & Governance) approach includes three

main non-financial principles used as metrics for evaluating organizational commitments and performance. Despite the exposure of gaps, this information is not perceived by responsible investors as an indicator of increased investment risk, but rather as the beginning of a positive process for implementing their principles. In companies that reported wage equality or minimal gender wage gaps, a negative excess return of stock prices was found, which was a surprising finding. Many employers initially opposed the law's implementation because it requires significant resources to organize and publish the information without direct benefit to them. The findings raise questions about whether employers are willing to cooperate with the law and whether investors believe the published reports accurately reflect organizational gender wage gaps. There are concerns among responsible investors that companies showing no significant wage gaps might have ineffective regulatory enforcement mechanisms. The discussion concludes with recommendations for regulatory intervention regarding both the classification of employees into occupational groups and the supervision of wage gap reduction policies in organizations.

Lilach Litor, Regulation *to recognize the rights of self-employed workers and the issue of wage inequality*

Trends of post-Fordism and the rise of global capitalism have given rise to the development of unconventional employment modes. The article discusses the widespread increase in the phenomenon of independent workers' employment, which includes freelancers, platform workers, and independent contractors. These employees are usually considered as self-employed and external to the firm and therefore are not entitled to all the various rights at work. Labor legislation is a central pillar of the welfare state and is designed to reduce inequality and ensure a dignified existence for the public in general and for workers in particular. The lack of applicability of the employment legislation to these external workers leads to inequality and abusive employment patterns. These self-employed workers can be viewed as belonging to the "precariat" class, due to their employment in casual and precarious employment modes. The article examines regulatory policies that have been developed regarding these self-employed workers in various countries and presents a typology of several regulatory models. A review of different regulatory models reveals that in some countries, for instance, Italy and Spain- the regulatory model includes the extension of the applicability of employment legislation to self-employed workers.

Examining the regulatory policy in Israel over the years points to the lack of anchoring of protections for self-employed workers in the law. Regulatory barriers that led to the lack of development of specific regulation that protects the labor rights of self-employed has been derived, among other things, from a lack of sufficient awareness of the decision-makers of the need to protect the labor rights of this specific group of workers. A central and main obstacle in this context has been the influence of corporations and the platform companies themselves and their desire to avoid regulation and recognition of the rights of independent workers. Other regulatory barriers have arisen from a traditionally rooted concept of a corporatist welfare state in which classic workers' organizations have been dominant and occupied a central place in the labor arena. This has led to an unwillingness to recognize new patterns of organization of individual workers.

The article seeks to find new solutions for Israeli law, which currently does not include regulations regarding self-employed workers. The purpose of the study, therefore, is to outline guidelines for appropriate regulation with the purpose of reducing the wage inequality resulting from the disadvantageous employment modes of some self-employed workers. The self-employed do not enjoy the same rights as regular employees, and the article presents a new theory for recognizing protections for the self-employed and suggests that the legislator adopts a structural regulation in regard to this subject.

The article recommends adopting a regulatory model that could form an infrastructure for regulating rights for self-employed workers, similar 99to the regulatory model which is practiced in other countries - such as the existing model in Italy and Spain. The article also suggests basing the new regulatory model on the theory of transaction costs in order to examine in which situations a firm should hire employees as internal workers, thereby overcoming the main barrier to regulation in the form of the opposition of corporations and employers. Also, the article suggests adapting the labor legislation to the new reality, in a way that will provide an answer to the special problems that accompany the employment of independent workers characterized by the use of digital means or means of remote employment. The article also recommends considering corporations that employ external workers as subject to special obligations. In this regard , it is suggested that digital platforms should be considered as hybrid bodies of dual nature, subject to the obligation to respect essential rights at work and to act reasonably and transparently.

Dana Nayer, Consumer *Perceptions of Competition in Israeli Markets*

Despite regulatory actions taken in order to enhance competition in various Israeli industries, Israeli economy is still facing major challenges in this field. We argue that awareness as well as comprehension of consumers' perceptions of competition are crucial for the effective application of regulation and public policy means.

In this study, we mapped consumers' perceptions of competition levels in four markets, in both center and periphery regions in Israel. We presented 789 participants with questionnaires which included statements regarding their perceived competitiveness of one product they consumed. Participants were also asked about their general knowledge and views of market competition.
Our findings indicated that the competition perceptions of the participants were generally consistent with the economically assessed level of competition in the market. We did not observe differences in the perceptions of competition between center and periphery regions. We also identified several specific issues which need to be attended in order to increase competitiveness in specific fields.
We contribute to both existing literature and practice by demonstrating a simple and applicable data collection and analysis method, which includes the public opinion and perceptions. Future studies might be encouraged to develop this methodology in order to expand current methods used to evaluate competition, as well as to promote suitable regulation in this field.

Ela Tamir Shlomo, Erez Barak, *Overruling: Empirical Research, Analysis, Conclusions, and Policy Recommendations*

Under the framework of Amendment 20 to the Israeli Companies Law, enacted to address concerns regarding excessive compensation given to executives in public companies, it was established that certain compensation decisions require shareholder approval. However, the amendment provides that under certain circumstances, and based on detailed justifications, boards of directors may override shareholders' resolutions and approve the compensation despite its rejection, employing a mechanism known as "overruling".
In 2022 and 2023, the use of this mechanism increased significantly, to the extent that in 2023, in more than 65% of cases where shareholders rejected proposed compensation, boards of directors exercised their power to overrule and approve it. This occurred even in cases where such decisions appeared misaligned with legislature's intent or potentially failed to meet legal requirements. Consequently, shareholders started promoting votes against the reappointment of directors who had been involved in certain overruling decisions. The issue gained significant public attention, particularly after these moves ultimately led to the non-renewal of several external directors' terms. In the wake of this public pressure, the use of overruling in the subsequent period did indeed decline sharply. These developments were extensively covered by the financial press and other players in the capital market.

Despite growing interest in this issue, comprehensive academic literature remains scarce. Only recently—almost compelled by circumstances—did the Israel Securities Authority and the Legal Advisor to the Government address the matter. This article seeks to bridge this gap by providing an in-depth analysis of the background to Amendment 20, while for the first time presenting a comprehensive empirical study, based on an attempt to identify all overruling decisions made since the amendment was enacted, and while carefully trying to connect trends in the use of overruling with various public and regulatory developments. Additionally, to examine how boards of directors employ the overruling mechanism in practice, the article analyzes the justifications for those decisions as disclosed by companies. It also examines the link between overruling decisions and shareholder votes on directors' reappointments. Finally, based on our findings and collective experience, we offer several policy recommendations intended to promote a constructive dialogue between institutional investors and other shareholders, and public companies and their directors. Our hope is that this paper will support both directors and shareholders in appropriately exercising the powers they were given.

Amir Vang, *The Case of Consumer Credit, Behavioral Economics, and Consumer Protection*

This article presents the risks consumers face when taking out credit, as identified by behavioral economics; the insufficient response in existing Israeli law; and the innovative regulatory framework on this subject that is being developed in the UK in recent years. Behavioral economics identifies and sharpens our understanding of the biases and heuristics that influence consumer credit decisions, such as present bias, overconfidence regarding future debt payment ability, and more. It also helps us understand why the credit "product" is characterized by most frequent and intense biases, when compared with other products, due to, *inter alia*, complicated pricing, the distribution of costs and benefits over time, and the difficulty consumers face in developing independent knowledge through experience. Alongside these insights, the article presents global field studies containing empirical findings regarding both the biases consumers suffer from and the actual utilization of those biases by credit providers.

In a chapter on how Israeli law addresses the issue, the article maps various legal provisions, demonstrating a highly deficient response. While the existing law does include specific "rules" which where clearly designed with an awareness of the failures that are identified by behavioral economics, these "rules" are narrow in scope and, by nature, do not cover the full spectrum of cases requiring consumer protection. Broader legal “standards” – such as the prohibition of exploiting customers’ distress or “ignorance” – were primarily designed to address older economic perceptions and lack the application of insights that arise from behavioral economics. Furthermore, the “internal governance” rules, which various Israeli credit providers must implement, only sparingly refer to consumer protection (focusing more on protecting the financial institutions) and do not provide an adequate solution.

Finally, the article presents the innovative regulatory framework introduced by the English regulator in 2023: the Consumer Duty Rule. This innovative arrangement is designed to provide a comprehensive and systematic response to the issue of protecting financial services consumers, including borrowers, and was built with the intention of comprehensively addressing the failures highlighted by insights from behavioral economics.