**The Impact of Furloughs on Employer-Employee Relationships During the COVID-19 Pandemic: The Case of Israel**

Galit Klein and Marianna Delegach

Corporate operations are among the many areas profoundly affected by COVID-19. Companies have had to establish new ways of working, and these have affected employer-employee relationships. While some companies retained their employees by changing working arrangements (working from home), others had to dismiss their workforce. COVID-19 restrictions also created a third group of workers: those who were furloughed or temporarily laid off. Focusing on furloughed workers, this study examines the price ultimately paid by companies and Israel as a whole due to the changes in employee-employer relationships caused by furloughs.

This paper’s analysis of the economic effects of furloughs paints a complex picture of an increased budget deficit and reduced gross domestic product (GDP) and tax revenues (at least in the short term). Nonetheless, payments to furloughed workers helped stave off poverty and secure the economic welfare of the many workers furloughed during the COVID-19 lockdowns. In the second part of our research, which examines the impact of employees’ furloughed status on their attitudes and well-being, we conducted interviews with 16 furloughed employees, as well as cross-sectional studies during the first lockdown (March–April 2020) and four months after it ended (August 2020). The final sample included 336 subjects who continued working during that lockdown or returned to work after their furlough. Furloughed employees reported higher feelings of injustice and job insecurity, as well as greater turnover intentions, than workers who continued working during the lockdown. Even after furloughed workers returned to work, their negative attitudes about their employers persisted, which increased their turnover intentions. However, these results were prominent only among workers reporting high levels of emotional exhaustion. Despite the negative effects furloughs had on employee-employer relationships, our analysis shows that furloughed workers who felt they had been supported by their company during the lockdown expressed understanding and a willingness to contribute to the company. In the last section, we provide recommendations to government and business policymakers.