**Abstract**

The current study aims to examine differences in organizational trust among employees who were furloughed and those who continued working in the organization during the COVID-19 pandemic. It also seeks to explore the relationship between job insecurity and organizational trust mediated by psychological contract breach, as well as the moderating role of perceived organizational support in the relationship between psychological contract breach and organizational trust. The study is based on a survey conducted at two time points, involving 122 furloughed employees and 134 employees who continued working in Israel during the pandemic. Quantitative methods were used to analyze the data, revealing significant differences between the two groups across all the study variables. In addition, the study found that psychological contract breach mediates the relationship between job insecurity and organizational trust, while perceived organizational support does not serve as a mediator.

The study has several central contributions. From a theoretical standpoint, it expands our understanding of the consequences of the corona crisis on the world of work. The study contributes to our understanding of the employee-employer relationship in organizations where employees were furloughed during the crisis and of the factors influencing organizational trust. It also deepens the understanding of effective organizational management during crises. The unique circumstance of employees transitioning from furlough back to work in the same organization presented an opportunity to investigate organizational trust among employees in a new employment situation that had not been studied before. This new employment policy made it possible to investigate various aspects of employment relationships, such as psychological contract breach, perceived job security, perceived organizational support, and organizational trust. Going on furlough signifies a disruption in the employment relationship between the employee and the organization. This unique situation, in which employees were temporarily removed from the workplace and then expected to return and maintain a healthy relationship with the organization, provided a distinctive context to examine these elements in comparison to employees who continued working regularly. Furthermore, the role of psychological contract breach as a mediator between perceived job security and organizational trust, in both crisis and non-crisis contexts, has not been previously researched, rendering the current study innovative in this regard. From an applied perspective, the study’s significance lies in its potential to help policymakers understand the impacts of furlough and consider the appropriateness of this employment policy during crisis situations.

# Introduction

The health crisis and economic crisis caused by the outbreak of COVID-19 led many organizations in the Israeli labor market to suspend non-essential activities and place their employees on furlough. Organizational trust is a significant resource that has numerous implications (Guinot & Chiva, 2019), especially during times of crisis. In such times, employees’ trust can provide organizations with concrete advantages; crisis inherently entails uncertainty, and trust can aid organizations in managing and navigating through it (Lee & Jahng, 2020). A macroeconomic crisis of this magnitude is an exceptional event that required government intervention in the labor market. Consequently, the Israeli government implemented a policy of furloughing employees against their will. Unlike in layoff situations, these employees were meant to be reintegrated into their organizations once normalcy resumed, raising questions regarding their level of trust in the organization after having been forced to go on furlough while their colleagues continued to work. According to Szulc and Smith (2021), furloughs during the crisis affected the organizational climate, specifically relationships within the organization. In light of the above, the current study aims to examine the relationship between perceived job security and organizational trust, mediated by psychological contract breach, as well as the role of perceived organizational support as a mediator in the relationship between psychological contract breach and organizational trust.

The study is grounded in social exchange theory (Blau, 1964), which helps explain key concepts of employment relationships (Archimi et al., 2018; Yu et al., 2018). According to this theory, the employee-organization relationship is shaped by social exchange processes. Individuals develop specific behaviors as an exchange strategy in an aim to give back to the organization what they receive from it (Archimi et al., 2018; Blau, 1964). Thus, reciprocity is central to social exchange relationships (Latorre et al., 2016). The application of social exchange theory has contributed to the development and empirical validation of various structures in employee-organization relationships.

The current study offers several key contributions. Firstly, furlough refers to the placement of employees on temporary leave, during which the employment relationship between the employer and the employee continues, but the latter does not receive a salary, pension, and other benefits to which he or she is entitled by virtue of being employed. Involuntary furlough due to the COVID-19 pandemic affected many aspects of life on both personal and organizational levels, as employees sought to maintain their employment while adapting to changes in working conditions. Indeed, studies have shown that furloughed employees have negative beliefs about their skills (Szulc & Smith, 2021), a significantly higher tendency toward depression, and perceptions of missed opportunities (Posel et al., 2021). The current study’s unique investigation offers valuable insights both from an academic standpoint and in in the context of employment policy.

Secondly, while organizational trust has been examined among employees within an organization (e.g., Newman et al., 2019; Wong, 2018), it has not been studied among furloughed employees expected to return to work within the same organization, as the employment world had not encountered such a unique scenario prior to the crisis. Thus, the current study aims to fill the existing research gap by examining the differences in organizational trust and the factors influencing it between furloughed employees and those who continued working during the pandemic. Studying organizational trust in the context of the COVID-19 crisis holds significance and implications for the ability of organizations to navigate through potential future crises.

Thirdly, the current study examines the relationship between employees’ perceived job security and their level of organizational trust, mediated by psychological contract breach and moderated by perceived organizational support. These relationships have not previously been studied among employees who were placed on involuntary furlough after having been defined as “non-essential” compared to employees who continued working as usual. Perceived psychological contract breach has been studied as a mediating variable (e.g. Vander Elst et al., 2016), however no studies have been found on psychological contract breach as a mediating variable in the relationship between perceived job insecurity and organizational trust. Moreover, as perceived organizational support has been found to be associated with organizational trust (Muneer et al., 2014; Ng, 2015), and found to moderate the negative effects of psychological contract breach (Aggarwal & Bhargava, 2010), the current study investigates perceived organizational support as a moderating factor in the relationship between psychological contract breach and organizational trust. To the best of our knowledge, this moderation hypothesis has not been investigated to date.

Lastly, the current study may assist in understanding the employee-employer relationship in organizations where employees were furloughed during the Covid-19 crisis, as well as the factors influencing organizational trust. From an applied perspective, the study may contribute to policy development and effective organizational management during crises. The unique situation created in the world of work following the COVID-19 crisis provides an opportunity to examine organizational trust among employees in a new employment situation that has not been studied to date. Involuntary furlough constitutes a crisis in the employee-organization relationship, so it is relevant to examine this situation in comparison to employees who continued to work as usual. The current study is innovative in its examination of psychological contract breach, job insecurity, and perceived organizational support among furloughed employees compared to those who continued to work in the organization.

# Theoretical Background

## Organizational Trust

Organizational trust refers to an employee’s trust in the organization that employs him or her (Lambert et al., 2017), with most definitions focusing on two dimensions identified in previous research: positive expectations of reliability and a willingness to endure harm (Fulmer & Gelfand, 2012). Organizational trust is an intangible asset and constitutes an important organizational trait (Qin & Men, 2022). On a macro level, trust is related to organizational survival during organizational changes, initiatives, mergers, and acquisitions. On a micro level, trust is associated with outcomes such as job satisfaction, performance, civic behavior, information sharing, human resources management, and more (Fulmer & Gelfand, 2012). According to Alcover et al. (2017), extensive empirical evidence has consistently demonstrated that reciprocal relationships predict various attitudes and behaviors related to organizational trust. Based on social exchange theory, the more trust employees have in the organization, the more effort they will invest on its behalf. Conversely, when employees perceive an imbalance in reciprocity and experience dissatisfaction, their organizational trust diminishes (Archimi et al., 2018). As social exchanges are characterized by undefined obligations and uncertainty about the future actions of both parties, trust plays a key role in the exchange. According to the reciprocity principle of social exchange theory, employees who are treated well by the organization will develop positive views of it and are more likely to trust it (Lambert et al., 2017). During the COVID-19 crisis, the messages organizations conveyed to their employees significantly influenced their organizational trust (Qin & Men, 2022).

Therefore, we propose that:

H1: A difference will be found in the level of organizational trust between furloughed employees and those who continued working in the organization during the crisis, with furloughed employees showing a lower level of organizational trust.

## Job Insecurity and Organizational Trust

Job security refers to the extent to which an organization provides stable employment for its employees (Zacharatos et al., 2005). It encompasses desirable job attributes such as promotion opportunities, consistent working conditions, and long-term career prospects (Jeon, 2009). This security exists when the organization provides long-term employment stability without reducing employees’ tenure, wages, pensions, and other entitlements (Ye et al., 2012). One way to study job security is through perceived job insecurity (Jeon, 2009), which refers to perceived loss of job continuity. It has two dimensions: threat to job continuity itself and threat to the continuity of important job attributes (Greenhalgh & Rosenblatt, 1984). This perception has significant consequences for both employees and organizations (Costa & Neves, 2017).

Various factors can contribute to job insecurity, such as changes in external circumstances, organizational contexts, and organizational relationships. Therefore, it is plausible that an organizational change will lead employees to experience job insecurity (Jeon, 2009). Indeed, during the COVID-19 crisis, employees in various industrial sectors experienced job instability and a heightened risk of job insecurity (Nemteanu et al., 2021). The widespread practice of furloughing employees due to the pandemic affected employment relationships, as it introduced a new dynamic between employees and employers. Organizational practices that influence employment conditions have been found to alter perceptions of job security (Newman et al., 2019). Thus, changes such as reorganization and downsizing threaten employees’ job security (Ugboro, 2016). Accordingly, furlough was found to threaten employees’ job security and heighten their fear of layoff (Smith & Szulc, 2021). In light of all this, it stands to reason that an organizational change characterized by the furloughing of many employees will lead them to experience job insecurity.

According to social exchange theory, employment security has a positive impact on trust in senior management (Jeon, 2009). Other studies that examined the relationship between trust in management, trust in the organization, and job security, as well as their effects on intentions to leave and organizational civic behavior, found a strong positive relationship between job security and organizational trust (Newman et al., 2019; Wong, 2018). Conversely, job insecurity was found to reduce the level of organizational trust (e.g. Richter & Naswall, 2019; Kim, 2019).

Therefore, we propose that:

H2a: A difference will be found in the level of job insecurity between employees who continued to work in the organization and those who were furloughed during the COVID crisis, with employees who continued working showing a lower level of job insecurity.

H2b: Job insecurity is negatively related to organizational trust.

## Job Insecurity and Psychological Contract Breach

The psychological contract refers to the unwritten mutual obligations existing between an employee and an employer (Ugboro, 2016) and accordingly, the commitment the employee expects the organization to fulfill in the context of their mutual relationship (Shin, 2019). Conversely, psychological contract breach is the employees’ perception of the organization’s failure to fulfill its promises or commitments (Abela & Debono, 2019). Among other things, job security is an expectation embodied in the psychological contract (Ugboro, 2016), which provides a context for understanding the effects of job insecurity on psychological contract breach (Ma et al., 2019).

The strategies organizations adopted in response to the COVID-19 pandemic undermined employees’ work arrangements, leading to a disruption of the psychological contract. Even if the organization’s failure to meet its commitments results from external environmental changes beyond the organization’s control, employees might still perceive a breach of the psychological contract (Gong & Sims, 2023). According to Huffman et al. (2021), the furlough policy may undermine the perception of the psychological contract and create a sense of inequity among employees. Moreover, if employees perceive a psychological contract breach while on furlough, they are more likely to reconcile their cognitive dissonance by changing their attitude toward the organization (Huffman et al., 2021).

Given that employees have clear expectations from the organization regarding job security, a threat to it implies a psychological contract breach (Wong, 2018). Ma et al. (2019) offer an explanation based on social exchange theory: employees expect stability and job security from the organization, and in return, the organization expects employees to perform their job to the required standard and remain loyal. When employees experience job insecurity, the exchange can be seen as unbalanced, and employees are liable to view the organization as failing to fulfill its commitments. Thus, job insecurity leads to an increase in psychological contract breach (Costa & Neves, 2017).

Therefore, we propose that:

H3a: A difference will be found in the level of perceived psychological contract breach between employees who continued to work in the organization and those who were furloughed during the crisis, with employees who continued to work in the organization showing lower levels of psychological contract breach.

H3b: Job insecurity is positively related to psychological contract breach.

## Psychological Contract Breach and Organizational Trust

Psychological contract breach leads to a reevaluation of the contract, and thus the psychological distance may manifest in reduced trust between the parties (Wong, 2018). Indeed, the study conducted by Abela and Debono (2019) in an industrial factory in Malta found a direct negative relationship between perceived psychological contract breach and organizational trust. Similarly, a study conducted by Liu et al. (2013) among hospitality workers found that the higher the employees’ perceived psychological contract breach, the less trust they exhibited toward the organization. In addition, Jafri’s (2012) study, which examined junior managers in private banks in North Delhi, indicated that psychological contract breach significantly predicts the level of organizational trust. Jafri (2012) and Yu et al. (2018) explain their findings through the norm of reciprocity; trust is established when the organization meets its obligations in response to the dedication and efforts of its employees. Consequently, when employees sense a lack of reciprocation, a pervasive sense of mistrust toward the organization arises.

Therefore, we propose that:

H4: Psychological contract breach is negatively related to organizational trust.

## Psychological Contract Breach as a Mediator between Job Insecurity and Organizational Trust

To date, psychological contract breach has been studied as a mediating variable, however we have found no studies on psychological contract breach as a mediator between perceived job insecurity and organizational trust. Vander Elst et al. (2016) found that psychological contract breach mediated, among other things, the relationship between job insecurity and performance. In other words, in regard to employees’ primary assessment of the threat of job loss (i.e. job insecurity), they may evaluate whether specific promises and/or commitments will be fulfilled by the employer, and thereby, determine if the psychological contract is being honored or breached. From this we can infer that job insecurity might imply an employer’s breach of obligations, and as such, may lead to the perception of a one-sided psychological contract breach. Upon perceiving a psychological contract breach, employees might attempt to cope reactively, in line with the norm of reciprocity, and attempt to restore balance by reassessing their investment in the organization. According to Karatepe et al. (2022), job insecurity is an indicator of future job loss. Unprecedented events such as the COVID-19 pandemic also signify potential job loss and erode employees’ trust in the organization due to their perception of a psychological contract breach.

Therefore, we propose that:

H5: Psychological contract breach mediates the relationship between perceived job insecurity and organizational trust.

## Perceived Organizational Support as a Moderator between Psychological Contract Breach and Organizational Trust

Another factor found to be related to organizational trust is perceived organizational support (Muneer, 2014; Ng, 2015), which is “the accumulation of employee beliefs concerning the extent to which the organization values their contribution and cares about their well-being” (Eisenberger et al., p.501, 1986). Organizational support theory posits that perceived organizational support promotes organizational commitment by addressing employees’ socio-emotional needs. Therefore, employees feel they should reciprocate the perceived organizational support they experience through organizational trust (Muneer et al., 2014). Accordingly, studies have found that employees with higher perceived organizational support showed higher levels of organizational trust (Muneer et al., 2014; Ng, 2015).

Perceived organizational support has been extensively studied through the lens of social exchange theory (Cropanzano et al., 2017), which suggests that high levels of perceived organizational support positively influence employee performance. In the context of organizational changes, social exchange theory indicates that employees who perceive that they are supported by the organization trust that the organization’s change initiatives will not harm them or their interests (Gigliotti et al., 2019).

Chen and Eyoun (2021) found that perceived organizational support moderates the relationship between job insecurity and emotional exhaustion. Aggarwal and Bhargava (2010) found that perceived organizational support moderates the positive relationship between work conflicts and psychological contract breach, so that employees with higher perceived organizational support have lower perceived psychological contract breach caused by work conflicts. In other words, employees who perceive their organizations as caring for their well-being, i.e. those with high perceived organizational support, interpret a psychological contract breach as a natural occurrence that will be rectified over time (Aggarwal & Bhargava, 2010). Based on this explanation, it is plausible that perceived organizational support moderates the negative effect of psychological contract breach on employees’ organizational trust.

Therefore, we propose that:

H6a: A difference will be found in the level of perceived organizational support between employees who continued to work in the organization and those who were furloughed during the COVID-19 crisis, with the former showing higher levels of perceived organizational support.

H6b: Perceived organizational support moderates the effect of psychological contract breach on organizational trust, so that the higher the employees’ perceived organizational support, the less their perceived psychological contract breach leads to a decrease in organizational trust.

# Method

## Research Context

While COVID-19 primarily evolved as a health crisis, it also had significant implications for the economy and the labor market (Stuart et al., 2021). Due to the pandemic, substantial restrictions were imposed to minimize the virus’s transmission, including on workplace operations and the physical presence of employees. Regulations limiting the number of employees also resulted in measures such as furlough (Government Decision No. 4913, dated March 21, 2020), and the harsh reality of unexpected job loss became the experience of many employees. According to a survey by the Central Bureau of Statistics, about 24% of salaried employees were furloughed as of the end of March 2020. In total, the number of furloughed employees was 960,000, constituting about 28% of the workforce. For comparison, in February 2020, before the crisis erupted, the unemployment rate stood at 3.9% of the workforce. The survey data from the Central Bureau of Statistics are in line with international definitions from the OECD and ILO. According to the OECD’s definition, furloughed employees who receive unemployment benefits are considered unemployed, while the ILO categorizes furloughed employees who are expected to return to their place of work as being temporarily absent and considers them employed. The current study compared employees who continued to work to employees who were forced to go on furlough and examined differences in attitudes between them.

## Sample

## The survey was distributed through the iPanel survey company and participants were randomly sampled. The study data was collected at two time points from 256 salaried employees. Out of these, 122 (47.6%) were on furlough and 134 (52.3%) continued working for the organization during the COVID-19 crisis. The average furlough duration among the furloughed participants (N=122) was 4.36 months (SD=4.55). Of the participants, 139 were male (54.3%) and 117 were female (45.7%). Participants’ ages ranged from 19 to 68, with a mean of 39.68 (SD=12.25) and mean tenure was 7.56 years (SD=7.76). Sixty-eight participants had a secondary education (26.6%), 60 had a tertiary education (23.4%), 81 had a bachelor’s degree (31.6%), and 47 had a master’s degree or higher (18.4%). The research proposal was approved by the institutional ethics committee prior to conducting the study. At the start of the survey, participants were ensured anonymity and confidentiality, informed that they were not obligated to participate in the study, that responding to the survey indicated informed consent to participate, and that participation was entirely voluntary.

## Measures

The study was based on a survey consisting of four valid and reliable research instruments, taken from the literature and translated from English to Hebrew specifically for this study. The reliability of the translation was examined. All items in the survey were rated on a five-point Likert scale ranging from “strongly disagree” (1) to “strongly agree” (5).

*Job Insecurity* (T1): Investigated using the scale developed by Isaksson et al. (1998), which consists of seven items, e.g., “I am afraid I will have to leave my job before I want to.” The survey includes reversed items: 4, 5, 6, and 7. Hellgren et al. (1999), found the instrument’s reliability to be 0.79.

*Psychological Contract Breach* (T1): Investigated using the scale developed by Robinson and Morrison (2000), which consists of five items, e.g., “I have not received anything I was promised in exchange for my contributions.” The survey includes reversed items: 1, 2, and 3. The instrument’s reliability is 0.9.

*Perceived Organizational Support* (T1): Investigated using seven items from the scale developed by Eisenberger et al. (1986), based on the selection made by Eisenberger et al. (2002). For example: “The organization really cares about my well-being.” The survey was adapted for this study, and therefore the statement “The organization will forgive an honest mistake on my part” was removed. The survey includes two reversed items: 5 and 6. The instrument’s reliability is 0.88.

*Organizational Trust* (T2): Investigated using the scale developed by Robinson (1996), which consists of seven items, e.g., “I believe my employer has a high level of integrity.” The survey includes several reversed items: 3, 5, and 7. The instrument’s reliability is 0.88.

## Control Variables

Based on previous studies (Costa & Neves, 2017; Robinson, 1996), the control variables in the current study were tenure, age (in years), and education (in categories). Organizational rank was also set as a control variable.

## Data Analysis Methods

The study hypotheses were examined using quantitative methods, including t-tests to assess differences, Pearson correlations to examine relationships, and regression analyses using the PROCESS procedure (version 3.5) to investigate mediation and moderation effects (Hayes, 2013), all performed using SPSS 25.

# Findings

Table 1 presents the means and standard deviations of the investigated variables and their correlations. To examine the differences between furloughed employees and those who continued working throughout the COVID-19 crisis, the t-values, means, and standard deviations of all study variables are displayed in Table 2. Significant differences were found across all variables between furloughed employees and those continued working. This confirmed hypotheses H1- significant differences were found in organizational trust [t(254)=3.49, p<0.001]; H2a - significant differences were found in job insecurity [t(254)=-6.26, p<0.001]; H3a - significant differences were found in psychological contract breach [t(254)=-3.55, p<0.001]; and H6a - significant differences were found in perceived organizational support [t(254)= 3.55, p<0.001].

*Testing the Mediation and Moderation Hypotheses*

To test the mediation hypothesis, H5, which posits that psychological contract breach mediates the relationship between job insecurity and organizational trust, a regression analysis was performed using the PROCESS procedure (Model 4, Hayes, 2013, see Table 3). Regression analyses indicated that psychological contract breach fully mediated the relationship between job insecurity and organizational trust (95% CI [-.008, -.08]). In addition, control variables had no effect on the mediation model.

To test the moderation hypothesis, H6b, a regression analysis was conducted using the PROCESS procedure (Model 1, Hayes, 2013, see Table 4). Table 4 presents the moderation model, i.e. the indirect effect of perceived organizational support on the relationship between psychological contract breach and organizational trust. Regression analyses using the PROCESS method revealed that the moderation effect was not statistically significant (95% CI [.05, -.13]). Therefore, it cannot be claimed that perceived organizational support moderates the relationship between psychological contract breach and organizational trust. In addition, as shown in Table 4, control variables had no effect on the moderation model.

# Discussion

The aim of the current study was to examine the differences in the level of organizational trust and the factors affecting it between furloughed employees and employees who continued to work during the COVID-19 pandemic, as well as the explanation for these differences. The current study may contribute to understanding the employee-employer relationship in organizations where employees were furloughed during the crisis, as well as the factors that affect organizational trust. At the policy level, the central question arising from the findings is whether a furlough policy is appropriate in such situations, when furloughed employees are expected to return to the same organization. As aforementioned, this situation provided the opportunity to examine organizational trust among employees in a new employment situation that had not been researched to date.

The study’s main contribution is the understanding that furloughing employees against their will due to the pandemic affected their perception of various aspects of their job and workplace. The levels of organizational trust and perceived organizational support among furloughed employees were lower and their levels of job insecurity and psychological contract breach were higher compared to employees who continued to work in the organization during the crisis. Among other things, these differences can be attributed to the average duration of the furlough, which was over four months. Such a period of time might have created a psychological distance between them and the organization, leading to a decrease in their organizational trust and perceived organizational support, and an increase in their job insecurity and psychological contract breach. According to a survey conducted by Joblist, a job search site, in the third quarter of 2021, one of the main reasons employees left their workplace in 2021 was dissatisfaction with the way their employer treated them during the pandemic (19%). This reinforces the understanding arising from the current study regarding the negative effects of furlough on employees. Accordingly, the question arises regarding the appropriateness of the furlough policy during the pandemic and the need for alternative solutions in times of crisis.

The significant differences across all study variables between furloughed employees and those who continued working can be explained based on social exchange theory. On one hand, the employee-organization relationship for those who continued working remained intact during the pandemic. As they did not experience a decline in job security and psychological contract breach and felt that the organization continued to support them even during the crisis, their organizational trust remained the same. On the other hand, employees who were furloughed during the pandemic experienced a violation of the reciprocity principle, which is one of the basic tenets of social exchange theory, as their relationship with the organization was undermined and severed against their will. Job insecurity can lead to perceptions of psychological contract breach (De Witte et al., 2015) and as the psychological contract is the unwritten mutual obligations between employees and employers (Ugboro, 2016), a perceived imbalance between an employee’s efforts and the rewards received from the organization could lead the perception of contract breach.

Another significant contribution of the study is the finding that psychological contract breach mediates the relationship between job insecurity and organizational trust. The study found that under the influence of being furloughed during the COVID-19 pandemic, employees perceived both job insecurity and psychological contract breach by the organization, and these perceptions led to a decrease in their organizational trust. Although psychological contract breach has been identified as a mediating factor in several studies (e.g., Salin & Notelaers, 2017; Vander Elst et al., 2016), it had not been previously investigated as a mediator in the relationship between job insecurity and organizational trust during times of crisis. The role of psychological contract breach as a mediator in the relationship between job insecurity and organizational trust can be explained through the lens of social exchange theory. In the case of job insecurity, the reciprocal relationship between the employee and the organization can be seen as unbalanced. Employees with job insecurity may perceive the organization as failing to fulfill its obligations toward them, essentially violating the psychological contract (Ma et al., 2019). Consequently, in line with the norm of reciprocity, which is fundamental to exchange relationships, employees might attempt to restore balance by reducing their investment toward the organization, for example by lowering their trust in it.

Surprisingly, perceived organizational support was not found to be a mediating variable in the relationship between psychological contract breach and organizational trust. Although our hypothesis was not corroborated, this finding holds significant implications regarding organizational conduct during periods of employment crisis and employees’ perception of such conduct. This is because when employees perceive a breach of the psychological contract, various organizational actions that indicate organizational support are not effective in changing employees’ perceptions of organizational trust. During the COVID-19 crisis and its consequent lockdowns, Israeli organizations took various actions to demonstrate organizational support (including online meetings with employees, extra consideration for parents of young children, and options to work from home). However, evidently, in light of the perceived psychological contract breach, these actions did not alleviate the perception of the crisis or change the perceived organizational trust. This indicates that during periods of employment crisis, employees attribute great importance to the honoring or breach of the psychological contract.

## Limitations and Recommendations for Future Research

The current study has several limitations. Firstly, all research tools were self-report questionnaires, and therefore involve the risk of biased results. The survey was administered at two time points, and as respondents were identical at both time points and there was no other party, it is possible that the results are biased. However, as this study focused on the perspectives of the employees, comparison and/or addition of other stakeholders’ attitudes was not possible. Secondly, the study was conducted during the COVID-19 crisis, a period when the country’s residents were in lockdowns and on furlough. Therefore, future research should examine employees’ organizational trust levels over time, including after the crisis, if they continued to work in the same organization. Additionally, considering the finding that perceived organizational support did not mediate the relationship between psychological contract breach and organizational trust, it is plausible that other mediating variables exist in this relationship, and this should be explored in future studies. Furthermore, psychological contract breach had not previously been investigated as a mediator between job insecurity and organizational trust in general, and particularly during crisis periods. Future studies should examine this relationship during different crises to confirm our finding and/or to examine it during non-crisis periods. Moreover, as waves of the COVID-19 pandemic and subsequent lockdowns kept repeating, use of the furlough policy was reduced. Accordingly, future research should investigate changes in employees’ perceived organizational trust in light of the limited use of the policy. Finally, the study was conducted in Israel under an economic and employment policy set by the government during the pandemic. In future research, it would be worthwhile to compare the findings of this study with other countries to enhance its generalizability.

## Practical Recommendations

The study findings offer several practical recommendations for organizational management during crisis situations such as a global pandemic. From an applied perspective, the main contribution of this study lies in its ability to assist organizations in understanding the effects of furlough on their employees’ perceptions of various aspects of their employment. It can help organizations consider whether furlough as a policy is appropriate in crisis situations, where furloughed employees are expected to return to work in the same organization. This insight can help organizations preserve or enhance overall employee trust levels, and particularly during future crises. Furthermore, the study sheds light on the organizational trust of employees who were furloughed and might aid in understanding the process of rebuilding relationships after a period of separation.

The study revealed that in uncertain employment situations, the psychological contract becomes particularly significant in determining psychological outcomes related to job insecurity. Consequently, organizations need to be cautious with their commitments, especially during periods of uncertainty. Even if these commitments are well-intentioned, it is crucial to consider how future changes might affect the organization’s ability to uphold them and maintain its psychological contract with employees. This is vital in order to prevent negative outcomes in the future, such as a decrease in employees’ organizational trust. In addition, managers should be attuned to employees’ perceptions regarding job insecurity and psychological contract breach, and take various actions to prevent the detrimental consequences of these perceptions. Among other things, managers should fulfill explicit promises made to employees and try to avoid various structural changes, such as furloughing employees.

Furthermore, managers should identify strategies that can assist them in managing expectations surrounding the organization’s psychological contracts with employees. Perceptions of breaches can be better managed before they occur by presenting the possibility of furlough to employees during the hiring process. Proactive management of perceived psychological contract breach will make potential furlough a part of the employee’s employment contract, which might reduce perceived psychological contract breach if the need arises to furlough employees in the future.

In this context, Huffman et al. (2021) propose a specific strategy, whereby a clause should be included in employment contracts explicitly stating that being placed on furlough during the course of employment is a possibility. Furthermore, according to Abela and Debono (2019), studies indicate that effective communication reduces perceptions of psychological contract breach among employees and is associated with better employee performance. Accordingly, managing psychological contract breach through effective communication may minimize perceived psychological contract breach.

In addition, some findings were explained by the fact that being furloughed during the COVID-19 crisis led to stress and uncertainty among employees. Therefore, organizations can maintain high levels of organizational trust and job security among their employees, as well as positive perceptions of the psychological contract, by maintaining continuous, open, and honest communication. They should provide clarity about the situation, including information about the expected duration of the furlough and other anticipated changes to reduce stress and uncertainty among employees.

**Conclusion**

This study expands the understanding of the implications of employment policies established during the COVID-19 crisis on the world of work. From a theoretical standpoint, the current study contributes to understanding the relationship between employees and their employers in organizations where employees were furloughed, as well as understanding the factors influencing organizational trust during employment crises. This new employment situation made it possible to investigate differences between employees who were furloughed and those who continued working. The study results show significant differences across all investigated variables (perceived psychological contract breach, job security, organizational support, and organizational trust), revealing the implications of furlough. In addition, psychological contract breach was found to mediate between job insecurity and organizational trust.

From a policy-making perspective, furlough constitutes an employment crisis in the employee-organization relationship. The central contribution of this study lies in its ability to assist organizations in understanding the effects of furlough on their employees’ perception of various elements, and consider whether a furlough policy is appropriate during crises, especially when furloughed employees are expected to return to the organization. This can help organizations maintain or enhance the overall level of trust among their employees and particularly during future crises. Furthermore, the study sheds light on the trust levels of employees who were furloughed and can aid in understanding the process of rebuilding relationships after a period of separation. Thus, the study heightens the understanding regarding the need for effective employment policies during crises.

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