**The impact of furloughs on employer-employee relationships during the COVID-19 pandemic: The case of Israel**

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**Abstract**

The sphere of organizational activities is among the many areas profoundly affected by COVID-19, and organizations have had to establish new working strategies impacting employer-employee relationships. While some organizations retained their employees by changing the work structure (working from home), others had to dismiss their workforce. A third group of workers – those furloughed or temporarily laid off – was also created by COVID restrictions. Focusing on furloughed workers, this study examines the price paid for furloughs by Israel and by organizations due to resulting changes in employee-employer relationships.

From this paper’s analysis of the economic effects of furloughs, a complex picture emerges of an increased budget deficit and reduced 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 COVID lockdowns. In the second part of our research examining the impact of employees’ furloughed status on their attitudes and well-being, we conducted interviews with 16 furloughed employees followed by a cross-sectional study during the first lockdown (March–April 2020) and four months after the lockdown (August 2020). The final sample included 336 subjects who continued working during the lockdown or returned to work after being furloughed during the first lockdown. Furloughed employees reported higher feelings of injustice and job insecurity than workers who continued working during the lockdown period, as well as increased turnover intentions. Even after returning to work post-furlough, workers’ negative organizational attitudes persisted, amplifying their turnover intentions. However, these results were prominent only among workers reporting high levels of emotional exhaustion. Despite these negative effects of furlough on employee-employer relationships, our analysis demonstrates that furloughed workers who felt they had been supported by their organization during the lockdown expressed understanding and willingness to contribute the organization. In the last section, we provide recommendations to government and business policymakers.