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STUDIES ON REGULATION

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Abstracts

Galit Klein & Marianna Delegach, *The Impact of Furloughs on Employer-Employee Relationships During the COVID-19 Pandemic: The Case of Israel*

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 returning to work after their furloughs ended, workers' 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 public and private sector policy makers.

Dov Solomon & Ido Baum, *From Problem to Remedy: Toward a Public Securitization Market in Israel*

The COVID-19 pandemic created a global financial crisis with lasting implications. This pandemic-induced crisis and its attendant closures, limitations on movement, and ensuing changes in consumer trends and tastes created a credit crunch that affected numerous businesses. Small and medium-sized enterprises (SMEs), the backbone of the global economy, suffered the most. Because they typically have less diversified sources of credit than do larger businesses, SMEs were hit harder during the pandemic; as a result, inequality in the commercial credit market has increased.

Securitization is a sophisticated financial tool that enables businesses to expand and diversify their sources of credit. The regulatory and public debate concerning the establishment of a securitization market in Israel, ongoing for over two decades, was temporarily halted in the wake of the 2008 global financial crisis. Securitization became negatively associated and even synonymous with this crisis, known as “the subprime crisis.” Therefore, the main reason for postponing the establishment of a securitization market in Israel was the need to learn lessons from accumulated global experience. Although regulators around the world have already acted on the lessons learned from the 2008 crisis, Israel still has not established a public securitization market and current proposals are overcautious.

This article contributes to the discussion by analyzing the coverage of securitization in the Israeli financial press from 2008 to 2020. It finds a dramatic change in public sentiment regarding securitization, which has shifted from negative to positive, thereby allaying policymakers’ potential fears of a public backlash should they promote securitization. Given this empirical finding and the acknowledged benefits of securitization, this article analyzes today’s main proposal for regulating a securitization market in Israel, suggesting that it should be broadened to increase and diversify the sources of credit available to SMEs dealing with the financial implications of the COVID-19 pandemic.

Alon Klement, *Aggregate Litigation: A Paradigm Shift in Civil Procedure*

This article examines the use of aggregate litigation procedures (including joinder, class actions, group litigation, and consolidation of claims) to address complex disputes involving multiple parties and common questions of fact and law. The article reviews the alternative aggregation procedures available in Israel and abroad and examines how each achieves the various goals of civil procedure. It presents a normative framework

for deciding when aggregation should be preferred over individual litigation, and how to choose among alternative aggregation mechanisms.

Assaf Bondy, Relations in Crisis: Power and the COVID-19 Crisis in Labor Relations – What can we Learn from Israel?

The effects of socioeconomic crises on the political economy and its institutional infrastructure have received considerable attention in the literature. Such crises are considered to play a key role in labor relations, triggering or opening up long-lasting processes of change. In like manner, the COVID-19 crisis that began in early 2020 has the potential to drive significant transformations. Nonetheless, this article will suggest that the effects of the COVID-19 crisis were not transformative in nature, but rather accelerated processes already taking place, while revealing deeper trends of the simultaneous erosion and revitalization of the power resources of organized workers and employers. Similarly, the analysis of labor relations in the age of COVID-19 reveals that their liberalization reflects the political power organized labor and employers' associations gained at the expense of other power sources. Whereas organized interests relied on multiple power sources during the golden age of collective bargaining, liberalization reveals the temporary nature of those sources and that organized labor remains dependent on politics to pursue its goals. While political power served organized labor during previous crises, reinforcing its position in policy making processes; this source of power saw significant decline since 2018, marginalizing trade unions from policy making and feeding into the accelerated liberalization of labor relations during the COVID-19 crisis.

Nir Kosti & Yoav Mehozay, The Use of Emergency Regulations in Israel during the COVID-19 Pandemic and in a Historical Perspective, 1948–2020

The COVID-19 pandemic has rekindled the debate over the inherent link between exception and routine in Israel. In response to the pandemic, more than 100 countries declared a state of emergency as a means to combat the pandemic. But unlike other countries, Israel did not do so, as, formally, it has been in such a state since its inception in 1948. Israeli governments, therefore, have the authority to issue emergency regulations, but they have rarely done so over the past three decades. That changed significantly on March 15, 2020, with the outbreak of the COVID-19 pandemic, with the Israeli government issuing an unprecedented number of emergency regulations in the

months that followed. Surprisingly, the literature on Israeli emergency regulations and other emergency policies is rather limited and, for the most part, not up to date. The widespread use of emergency regulations during the COVID-19 crisis highlights the need for such a body of work. To meet this challenge, this article presents unique data on the use of emergency regulations in Israel between 1948 and 2020. More specifically, it discusses the policy areas those regulations covered and compares Israel's emergency response to the COVID-19 crisis to those of other countries. This article thus seeks to contribute to the public, academic, and legal discourse in Israel.

Inbar Mizrahi-Borohovich & David Levi-Faur, *Protecting Borrowers or Lenders? Consumer Debt Policies During the COVID-19 Crisis in the United States, Sweden, and Israel*

In the wake of the COVID-19 crisis, which has led to reductions and delays in economic activity and spikes in unemployment, concerns have been raised about a consumer debt crisis detrimental to the well-being of households and the stability of the economic system. As a result, governments have faced crisis-management conflicts, as reflected in the risks they have chosen to mitigate through regulation. This study examines how and why Israeli, U.S., and Swedish policies regarding mortgage debt and credit scores differed during the COVID-19 crisis; what objectives were sought and what principles were applied? The study presents a multidimensional, comparative analysis and examines the differences at national and policy levels. The study's findings show that, compared with Sweden, the United States and Israel took stronger measures to reduce risk in the mortgage and credit scoring systems, although the measures these two countries took in the credit scoring system were weak and incomplete. Two main conclusions emerge from the article: (1) To manage risk during a crisis, liberal welfare states depend more on regulation than do social democratic states, as their markets are more stable and their households therefore have greater economic stability; (2) The regulatory state is polymorphic, but is governed by the interests and views of strong political players who prefer to reduce lenders' risks rather than borrowers' risks.