

Termination of Employment (PHK) and its Impact on Workers



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KEYWORDS

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ABSTRACT

Termination of Employment (dismissal) is one of the policies that can be implemented by companies as a last resort to address various issues, such as performance decline, operational efficiency, or financial difficulties. However, the implementation of dismissal must comply with the procedures stipulated in the Labor Law to ensure fairness for employees and avoid potential legal claims. This article discusses the dismissal procedures in accordance with labor regulations, the social and economic impacts of dismissal on employees, as well as the implications for communities affected by increased unemployment and economic instability. This study also examines solutions that can be implemented by companies to minimize the negative impacts of dismissals.

1. Introduction

Termination of Employment (PHK) is a process in which the employment relationship between an employee and the company ends, usually due to economic reasons, company restructuring, or other factors that cause the company to no longer need the workforce. The impact of layoffs on employees is more than just losing their jobs, there are several aspects of life that are affected, namely economic impact, psychological impact, social impact, family impact and impact on career. Layoffs have significant economic consequences for employees and their families. The loss of the main source of income has resulted in a number of economic challenges that have short-term and long-term impacts (Suwadi, 2019). Losing a job means the loss of a steady income that is used to meet daily needs. Without income, laid-off employees may face difficulties in meeting basic needs for food, shelter, and utilities. This financial instability can impact their ability to pay bills, installments, and other debts, potentially leading to greater financial problems such as bankruptcy or asset foreclosure (Aribowo & Jatmiko, 2023). Layoffs require employees to reduce their expenses significantly.

This reduction in consumption can have an impact on the quality of life, including cutting spending on health, education, and other needs. When household consumption decreases, the impact can also be felt on the local economy due to the decline in demand for goods and services, which

can lead to a decrease in income for local businesses and even lead to more layoffs (Amaliah, 2019).

Many jobs provide additional benefits such as health insurance, retirement benefits, and other benefits. By losing a job, employees also lose access to these benefits, which can lead to difficulties in accessing healthcare and financial protection in the future. Unexpected health costs can add to an existing financial burden (Hasibuan & Zainal, 2007).

Difficulty in finding a new job can lead to a prolonged period of unemployment. Long-term unemployment not only impacts current income but can also damage future career prospects. Employees who are unemployed for a long time may lose their skills or fall behind the latest developments in their industry, making them less competitive in the job market (Ropidin & Riyanto, 2020). In an effort to make ends meet during periods of unemployment, employees may be forced to use their savings or sell valuable assets such as homes or vehicles. This decline in assets and savings reduces their ability to deal with future emergencies and interferes with long-term plans such as children's education or retirement (Amaliah, 2019). Financial instability due to layoffs also affects spouses and other family members. Couples may have to find additional work or work extra hours to help cover family needs, which can lead to additional stress and reduce quality time with the family. Children may be affected by economic uncertainty and

changes in daily routines, which can have an impact on their well-being and academic achievement (Muslim, 2015).

2. Method

This study uses a qualitative approach with a case study design to examine the Termination of Employment (PHK) procedure and its impact on workers and the community. The method used consists of the following steps:

2.1 Qualitative Approach

This research relies on qualitative data obtained through in-depth interviews, document analysis, and observation. This approach aims to provide an in-depth understanding of the layoff procedures, the social and economic impacts that arise, and the solutions implemented by companies to minimize the negative impact of layoffs.

2.2 Case Study Design

This study uses a case study method that focuses on companies that have made layoffs. The case study will compare companies that comply with the layoff procedures set forth in the Labor Law with companies that do not comply with those procedures. This comparison aims to explore the differences in social and economic impacts on workers and communities.

2.3 Data Collection

- a. In-Depth Interviews: Interviews will be conducted with workers affected by layoffs, union representatives, HR managers, and other related parties. The purpose of this interview is to explore their experiences related to the layoff process, the procedures implemented, and the impact felt by them.
- b. Document Analysis: This study will analyze the company's internal documents related to the layoff policy, reports on layoffs, and severance policies implemented by the company. This document will provide insights into the company's compliance with the procedures regulated by the law.
- c. Observation: The researcher will observe the social and economic conditions of workers after layoffs, as well as interactions in communities affected by increased unemployment and economic instability.

2.4 Data Analysis

The data obtained will be analyzed using thematic analysis techniques. Researchers will identify key themes related to layoff procedures, social and economic impacts on workers and communities, and solutions implemented by companies to reduce the negative impact of layoffs.

2.5 Literature Studies

In addition to primary data obtained from interviews and observations, this study will also examine literature related

to labor law, layoff policies, and the social and economic impacts of layoffs. This literature review will enrich the analysis and provide a broader context in understanding the research findings.

3. Result and Discussion

3.1 Termination of Employment (PHK) Procedures in Accordance with the Manpower Law

Based on the results of interviews and analysis of documents conducted, most of the companies that are the object of the study have complied with the procedures regulated in the Manpower Law related to Termination of Employment (PHK). In this case, the company generally follows the stages in accordance with the applicable regulations, starting from the issuance of the first, second, and third warning letters, to mediation efforts or consultation with the labor union if necessary. The issuance of this warning letter aims to give workers the opportunity to improve their performance before finally making a decision to lay off. If the problem cannot be resolved through a warning, the next step is to consult with the union or the party representing the worker, to ensure that the decision to lay off has been carefully considered and in accordance with the interests of both parties.

This process is then followed by the provision of severance pay or other rights related to layoffs, such as service award money, reimbursement costs, and the right to get employment services from the company. This severance pay is given in accordance with the provisions stipulated in Law Number 13 of 2003 concerning Manpower which regulates the amount of severance pay based on the employee's working period in the company. This procedure aims to ensure that workers affected by layoffs receive their rights fairly and are not financially harmed after they lose their main source of income. However, in some cases found, there are companies that do not fully follow the established procedures. One example is not providing opportunities for workers to defend themselves before layoffs are carried out. This happened to some companies that did not hold mediation with the union or did not even give workers enough time to clarify the allegations received. In fact, according to the Labor Law, companies are obliged to give workers the opportunity to convey their reasons or defend themselves before the layoff decision is taken. This discrepancy can create injustice and potentially cause conflicts between workers and companies.

In addition, it was also found that companies did not provide severance pay in accordance with the applicable legal provisions. Some workers report that the amount of severance pay received is smaller than they would have received based on their length of service. This causes dissatisfaction among workers affected by layoffs, because



they feel that their rights are not being fulfilled fairly. This practice, while not common, indicates a gap in the implementation of layoff procedures that can be exploited by companies to avoid greater liability to workers affected by layoffs.

Overall, although most companies comply with layoff procedures in accordance with applicable regulations, there are still companies that have not fully followed these provisions. This shows that there are challenges in the supervision and adequate implementation of labor law. Non-compliance with established layoff procedures can harm workers and add to tensions in industrial relations, which in turn can have an impact on social and economic stability.

3.2 Social and Economic Impact of Layoffs on Workers

Termination of Employment (PHK) not only has an impact on the economic stability of employees, but also has a significant impact on their mental health and psychological well-being. The following are some aspects of the psychological impact of layoffs. Layoffs often lead to high levels of stress. Uncertainty regarding the financial and career future, as well as the pressure to find a new job, can cause significant anxiety. Employees who are laid off often feel worried about their ability to meet basic needs and support their families. Research shows that prolonged stress and anxiety can negatively impact physical and mental health, including an increased risk of cardiovascular disease and sleep disturbances. Job loss can lead to depression, especially if employees feel like they have lost their identity and purpose in life.

Work often provides structure, routine, and purpose, which are essential for mental well-being. Without work, individuals may feel useless and disoriented. Depression can affect many aspects of life, including personal and professional relationships, as well as the ability to find a new job. Layoffs can damage employees' self-esteem and confidence. They may feel ashamed of losing their job and worry about how they are viewed by friends, family, and society. Low self-esteem can hinder their efforts to find a new job and worsen their mental health. Feelings of worthlessness and incompetence are often a major obstacle in the post-layoff recovery process. Layoffs can lead to emotional instability, where employees experience drastic mood swings, such as feelings of anger, frustration, and hopelessness. These emotions can affect interpersonal relationships and social interactions. Employees who experience emotional instability may find themselves isolated from friends and family, which can worsen their mental state.

Employees who are laid off may experience a decrease in motivation and productivity, both in finding a new job and in other daily activities. Feelings of helplessness and pessimism about future prospects can reduce their energy and enthusiasm. This decline in motivation can be a cycle that is difficult to break, where a lack of progress in finding a new job exacerbates negative feelings, which in turn hinders further efforts. Termination of Employment (PHK) not only has an impact on economic and psychological aspects, but also has broad social implications.

Job losses often alter the social dynamics and interpersonal relationships of employees affected by layoffs. Layoffs often result in social isolation for affected employees. Losing a job means losing the social network formed in the workplace, including relationships with colleagues and management (Wulansari, 2024). This social isolation can worsen feelings of loneliness and increase the risk of mental health problems. Without regular social interaction, individuals may feel disconnected from community and lose the emotional support they previously relied on.

Job loss can alter an individual's social role in the family and society. Employees who were previously the primary breadwinners may feel like they have lost their identity and social status. This can affect family dynamics, where other family members may have to take on greater responsibilities, causing tension and changes in relationships. In society, laid-off individuals may feel embarrassed or lose respect, which can affect their social interactions (Setiawan & Yulianto, 2019).

3.3 Strategies to Minimize the Negative Impact of Layoffs

Termination of Employment (PHK) often has significant negative consequences for workers, companies, and the wider community. Therefore, various strategies are needed to mitigate these adverse impacts. Here are the strategic steps that can be implemented:

3.3.1 Skills Improvement and Retraining for Affected Workers

One of the main ways to help workers affected by layoffs is to provide reskilling and upskilling programs. This allows them to develop new competencies that suit the needs of the current job market. These training programs can cover areas such as information technology, entrepreneurship, or other technical skills that are in high demand. In addition, support from the government and the private sector in providing easy and affordable access to training is essential so that workers can quickly adapt to dynamic labor market conditions (Nasution et al., 2015).

3.3.2 Transparent Communication between Management and Workers



One of the main causes of conflict in the layoff process is the lack of clear communication between company management and workers. Transparency in conveying information about the reasons for layoffs, the rights that workers will receive, and mitigation measures taken by companies is essential to reduce tensions and misunderstandings. This communication must be done openly and with full empathy to maintain a good relationship between management and workers, even if the situation at hand is difficult. In this way, the layoff process can be more conducive and reflect a sense of justice (Braun & Clarke, 2006).

3.3.3 The Government's Role in Mediation and Mitigation Policy

The government has a crucial role in helping to reduce the negative impact of layoffs. One step that can be taken is to create policies that focus on mitigating the impact, such as social assistance programs for affected workers, unemployment benefits, or incentives for companies that retain their workers despite difficult conditions. In addition, the government can facilitate dialogue between workers and companies through mediation aimed at finding the best solution for all parties. Other policies that could be implemented include subsidizing skills training, tax breaks for companies that retain the workforce, or labor-intensive programs to reduce unemployment (Uwiyono, 2001).

3.3.4 Strengthening Collaboration between Trade Unions, Companies, and Social Institutions

Trade unions have an important role in ensuring that the layoff process runs according to the rules and that workers' rights are protected. Good collaboration between unions and company management can help create a more conducive atmosphere in dealing with the impact of layoffs. In addition, social institutions can play a role in providing additional support, such as psychological counseling services, legal assistance, or skills training. This collaboration can help affected workers recover faster from the impact of layoffs, both economically and socially.

3.3.5 Application of a Humanist Approach in the Layoff Process

A humane approach to the layoff process is an important step to reduce the psychological impact felt by workers. Companies need to show empathy by rewarding workers' contributions during their tenure. Providing adequate transition time, providing letters of recommendation, and assisting workers in finding new job opportunities are some of the steps that can reflect this approach. The humanist approach also contributes to the company's positive image, even in difficult situations.

3.3.6 Increased Awareness and Education about Employment Rights

It is important for workers to understand their rights in the context of employment, including legal layoff procedures and the right to compensation. This education can be done through training, seminars, or practical guidance provided by the government, companies, or labor unions. With adequate knowledge, workers can be better prepared to face the challenges of layoffs and avoid violations of their rights.

3.4 Solutions to Minimize the Negative Impact of Layoffs

3.4.1 Alternative Restructuring

Before deciding on layoffs, companies can explore alternatives such as reduced hours, job rotations, temporary unpaid leave, or voluntary early retirement programs. This step can help companies reduce operational costs without having to lay off employees.

3.4.2 Training and Upskilling Programs

Companies can provide new skills training for workers affected by layoffs, so that they have the relevant abilities to get another job. The program may also include entrepreneurial training for those who want to start an independent business.

3.4.3 Consultation with the Trade Union or Employee Representative

Holding discussions and mediation with the union can help companies find the best solution that is fair to both parties. Unions often have alternative proposals that can help reduce the negative impact on workers.

3.4.4 Fair and Timely Compensation

The company is obliged to ensure that severance pay, service award money, and other rights are provided in accordance with applicable regulations. Fair and timely compensation can help workers affected by layoffs to meet their needs during the transition period.

3.4.5 Counseling and Psychological Support Services

Providing access to counseling services can help workers cope with the emotional distress of layoffs. This psychological support can prevent negative impacts on their mental health.

3.4.6 New Work Placement Program

Companies can work with government agencies, training institutes, or recruitment organizations to help workers affected by layoffs find new jobs. Some companies even offer internal work placement programs for workers that can be transferred to other branches or divisions.

3.4.7 Openness and Effective Communication

The company must communicate transparently to all employees about the reasons and steps related to layoffs.



Clear communication can prevent misunderstandings and increase worker trust.

3.4.8 Post-Layoff Support

After a layoff, the company may provide support in the form of letters of recommendation, specialized training, or access to a professional network that can help affected workers find new job opportunities.

3.4.9 Corporate Social Responsibility (CSR) Policy

Companies can integrate CSR initiatives that support workers affected by layoffs, such as the provision of business capital or educational assistance for workers' families.

3.5 Implications of Termination of Employment (PHK) on the Community

3.5.1 Increasing Unemployment Rate

Layoffs directly increase the number of individuals who lose their jobs, which ultimately increases the unemployment rate in a community. When many workers are laid off at the same time, the impact can be significant, especially in regions with limited employment

3.5.2 Economic Burden on the Family

Losing a job means losing the main source of income for the family that depends on the worker. This can affect the fulfillment of basic needs such as food, education, and health, which ultimately worsens the quality of life of affected families.

3.5.3 Decrease in People's Purchasing Power

Unemployment due to layoffs reduces people's purchasing power, which then has an impact on other business sectors in the community. When public consumption decreases, local businesses can experience a decrease in revenue that triggers a domino effect, such as a reduction in additional labor.

3.5.4 Local Economic Instability

When many individuals lose their jobs in a region, this can lead to local economic instability. Tax revenues from workers and companies declined, reducing the ability of local governments to provide public services and social facilities.

3.5.5 Increased Pressure on the Social Welfare System

As the number of unemployed increases, the demand for government assistance programs, such as food subsidies, unemployment assistance, or job training, also increases. This can put a strain on state or local government budgets, especially if the number of unemployed exceeds the capacity of the welfare system.

3.5.6 Social and Psychological Impact

Layoffs not only impact workers, but also their communities. When unemployment increases, there is the potential for increased social problems such as crime, domestic violence, or drug abuse due to economic and mental stress. In addition, communities can lose social stability, especially if many families are forced to relocate in search of better economic opportunities.

3.5.7 Migration and Depopulation of Regions

In some cases, the impact of mass layoffs encourages individuals or families to migrate to other areas with better job opportunities. This migration can lead to depopulation in the region of origin, which in turn affects economic activity, public services, and the community as a whole.

3.5.8 Stigma and Decline in Community Reputation

Areas that are heavily affected by layoffs often receive a negative stigma as areas with high unemployment rates or poor economic conditions. This could reduce investor interest and worsen the prospects for future economic development.

3.6 Implications and Solutions

Termination of Employment (PHK) has a wide impact, both on workers, companies, and society as a whole. For workers, losing their jobs means the loss of their main source of income, which can make it difficult for them to meet their daily needs. Additionally, layoffs can also cause psychological stress, such as stress, anxiety, and even depression, especially if workers do not have adequate financial readiness. From a social perspective, layoffs can lower the status of workers in society and affect family relationships, especially if economic pressures are increasing.

Meanwhile, for companies, layoffs that are not managed properly can damage their reputation in the eyes of the public and prospective workers. In addition, the layoff process that is not in accordance with laws and regulations can lead to lawsuits, which can cause financial losses and disrupt company operations. At the community and economic level more broadly, large numbers of layoffs contribute to an increase in unemployment, which has an impact on local economic stability. Communities that lose productive workers will also experience a decrease in purchasing power, which can ultimately hinder economic growth in the area.

To overcome the negative impact of layoffs, various solutions are needed that involve workers, companies, the government, and the community. For workers, companies can provide training and reeducation programs so that they have new skills that are more in line with the needs of the job market. In addition, providing decent severance pay in



accordance with regulations can help workers face a period of financial transition after layoffs. No less important, psychological counseling services also need to be provided to help workers cope with mental stress due to job loss.

From the company's side, strategic steps can be taken to reduce the risk of layoffs or better manage the process. Careful human resource planning can be a solution to consider other options before laying off, such as reducing working hours or restructuring. If layoffs are unavoidable, companies need to ensure that the process is transparent and in accordance with labor regulations, including involving labor unions in decision-making. In addition, effective communication with workers is also very important so that they understand the reasons behind layoffs and reduce potential conflicts.

At the government and community levels, strengthening labor policies is crucial to ensure that companies comply with regulations in carrying out layoffs. In addition, the government needs to develop job placement and training programs for workers affected by layoffs so that they can re-enter the job market. Local economic support can also be a long-term solution, where the government and communities work together to create new jobs through the development of small and medium enterprises in the affected areas.

4. Conclusion

Termination of Employment (PHK) is a strategic step that companies often take in dealing with difficult situations, such as declining performance, organizational restructuring, or urgent financial challenges. However, layoffs have far-reaching implications, both for workers, companies, and communities as a whole. The implementation of layoffs that are not in accordance with the procedures regulated in the Manpower Law can have a negative impact, including legal conflicts, worker dissatisfaction, and social instability in the community.

Based on the results of the study, most companies have tried to comply with labor regulations in the implementation of layoffs, including the provision of warning letters, consultations with labor unions, and the provision of severance pay according to the working period. However, gaps are still found in its application. Some companies do not fully provide space for workers to express their self-defense, and some even do not give workers full rights as stipulated in the law. This non-compliance has the potential to create injustice that has a bad impact, both on the welfare of workers affected by layoffs and industrial relations between companies and their workforce.

The social and economic impact of layoffs is significant. For workers, layoffs mean the loss of a primary source of income, which can affect a family's financial condition, increase psychological stress, and lower self-confidence. For communities, layoffs can lead to increased unemployment rates, which contribute to local economic problems such as declining people's purchasing power and increasing social instability. On the other hand, for companies, layoffs that are not carried out properly can tarnish the company's reputation and reduce the level of trust of remaining employees, thus affecting productivity in the long run. Therefore, it is important for companies to implement layoffs as a last resort after considering all other options, such as reduced hours, relocation, or task restructuring. The government also has an important role to play in ensuring companies' compliance with regulations by increasing supervision and sanctions against violations of layoff procedures. Additionally, providing retraining and new job placement programs for workers affected by layoffs can help reduce the negative impact significantly.

In dealing with the phenomenon of layoffs, cooperation from various parties is needed. Companies must be committed to protecting workers' rights and complying with applicable regulations. The government needs to strengthen labor policies that are more oriented towards workers' welfare.

Communities and community organizations also have an important role to play in providing moral support and creating new job opportunities to help affected workers. With a holistic approach, the implementation of layoffs can be carried out more fairly and the negative impact can be minimized, so that the balance between company efficiency and worker welfare can be maintained in a sustainable manner.

4.1 Suggestion

In dealing with and minimizing the impact of Termination of Employment (PHK), various parties need to take strategic steps. Companies must prioritize open communication with workers to maintain transparency and prevent conflicts. Before laying off, companies should consider other alternatives, such as reducing working hours or restructuring the organization. If layoffs are unavoidable, then the process must be carried out in accordance with labor regulations to protect workers' rights and avoid lawsuits.

From the workers' side, it is important for them to continue to develop their skills to be better prepared for changes in the job market. In addition, understanding labor rights, including severance pay and compensation, is crucial so that workers can fight for their rights properly.



The government has a role in ensuring that layoffs are carried out in accordance with the rules by strengthening supervision of companies. In addition, the provision of retraining programs for affected workers can help them adapt to the needs of the job market. Temporary social assistance is also needed so that workers who have lost their jobs can still meet basic needs during the transition period.

At the community level, moral and social support for affected workers is urgently needed. Local communities can play a role in creating new job opportunities and encouraging the growth of small and medium-sized businesses as an alternative source of income for workers who have lost their jobs.

Meanwhile, academics and researchers can contribute by conducting a more in-depth study of best practices in the implementation of fair layoffs and their impact on workers and the local economy. In addition, academics can provide policy recommendations for the government and companies so that regulations and employment programs are more effective in dealing with the issue of layoffs.

With synergy between companies, workers, the government, the community, and academics, the negative impact of layoffs can be minimized, so that the welfare of workers is maintained and economic stability can be maintained.

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