

Policy Analysis of Mass Layoffs for Workers and Their Social Impact

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Submission date: 11-May-2022 04:20PM (UTC+0700)

Submission ID: 1833709212

File name: Analysis_of_Mass_Layoffs_for_Workers_and_Their_Social_Impact.pdf (378.17K)

Word count: 4414

Character count: 23990

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Abstract

Termination of Employment is an activity from the company that is very feared by workers who are still actively working, and it happened mainly in the past few years. This study is based on a liturgical analysis from various data sources, which is supposed to be valid and is carried out from March 2020 to March 2021, based on conditions currently experienced by the community. This research employs both a descriptive and a library approach. This study focuses on the investigation of force majeure in the Indonesian Covid-19 pandemic and its impact on social life. This research demonstrates that the termination of employment (PHK) policy utilized as an alibi by some organizations during the COVID-19 epidemic was regarded unreasonable because several corporations invoked force majeure. In accordance with Manpower Law No. 13 of 2003, if the company's loss does not exceed two years, the company cannot end the employment contract unilaterally.

Keywords: Pandemic, Layoffs, Social Impact.

A. INTRODUCTION

In achieving a welfare state or welfare state that follows the Indonesian state's goals, it has been regulated in the 1945 Constitution. The fourth paragraph of the 1945 Constitution's preamble outlines the Indonesian state's objectives (Anderson, 2018). The state's mission is to safeguard the entire Indonesian nation and homeland, to advance public welfare, to educate the nation's youth, and to contribute to the maintenance of a world order founded on independence, everlasting bliss, and economic equality (Cheng, Carlin, Carroll, Gupta & Weinberg, 2020). This country aims to provide social welfare for the community so that their rights and needs can be fulfilled and receive protection and stability in carrying out various fields of life. Not only in the aspects of education and health but also in work for workers in Indonesia.

One of the professions that play a role in the development of social welfare for workers is Social Worker (Bartik, Bertrand, Lin & Unarth, 2020). The tasks carried out by social workers are carried out with the responsibility to provide social services that help people, individually, in groups, families, and communities in

solving social problems they face (Cook & Grimshaw, 2021). Another primary mission is to create social conditions that support the achievement of problem-solving goals so that they can carry out their social functions of life in rapid social change (Dias, Chance & Buchanan, 2020).

An example of a problem faced in Indonesia and has a vulnerable influence in influencing the community's social welfare is Termination of Employment or commonly referred to as layoffs (Faris, Aktaviana, Firmansyah & Apriliani, 2021). This layoff occurs in workers in the industrial world. Layoffs occurred in Indonesia due to the unstable condition of political life, followed by the economic crisis, which resulted in many industrial bankruptcies. It also resulted in very unplanned layoffs (Fernández, Sumption & Vergas, 2020). Many workers perceive layoffs as a scourge that makes them feel anxious about when they will experience layoffs if their conditions do not improve.

The existence of unplanned layoffs in the industrial world demands protection and fulfillment of the rights of workers who have been terminated to continue to achieve their social welfare. Because the impact of layoffs significantly hampers a person's social functioning if it is not appropriately handled (Finnie & Gray, 2018). The economic, psychological, and social implications of workers significantly affect their quality of life after receiving layoffs; apart from the impacts that affect the workers, layoffs can also affect the workers' families' conditions (Gathmann, Helm & Schönberg, 2020).

Regardless of size, ¹³ companies around the world that rely on inputs from China have begun to experience contractions in production (Guerrieri, Lorenzoni, Straub & Werning, 2020). Transportation restrictions within and between countries have slowed global economic activity even further. Most significantly, consumer and business panic has altered normal purchasing patterns and generated market oddities (Israhadi, 2020). Likewise, many companies and factories whose raw materials and products depend on China are also affected in Indonesia. Small and large-scale companies also forced out the choice of laying off and laying off ¹⁹ employees (Kniffin, Narayanan, Anseel & Vugt, 2021). This has resulted in a significant increase in the unemployment rate. The ⁴ latest data from the Central Statistics Agency (BPS) in August 2019, the open unemployment rate reached 7.05 million people or 5.28% of the total workforce. The ⁴ Center of Reform on Economics (CORE) Indonesia estimates that the number of open unemployment in the second quarter of 2020 will increase by 4.25 million people (Mardiansyah, 2020). This figure is a projection made by CORE based on a mild scenario of the impact of the corona pandemic. Meanwhile, in the moderate system, there will be an additional 6.68 million people who are unemployed, while in the severe scenario, there will be 9.35 million people.

B. METHOD

This study is based on a liturgical analysis from various data sources, which is supposed to be valid and is carried out from March 2020 to March 2021, based on conditions currently experienced by the community. The methodology of this research consists of a descriptive approach and a library approach. Covid-19 and PSBB in Indonesia are now affected. This study focuses on the investigation of force majeure in the Indonesian Covid-19 pandemic and its impact on the social life.

C. RESULT AND DISCUSSION

The Coronavirus outbreak has caused human suffering with an economic disruption that originated in China and spread rapidly throughout the world. Other countries face financial difficulties as a result of China's supply contraction, as many Chinese countries regulate and limit their output in response to this supply. China is the world's greatest provider of raw materials in a wide variety of industries. As a result, when reserves are depleted, the economies of other countries suffer as well. As a result, global Gross Domestic Product (GDP) growth will slow to 2.4 percent in 2020, down from 2.9 percent in 2019. If the pandemic is unstable, this condition may be severe.

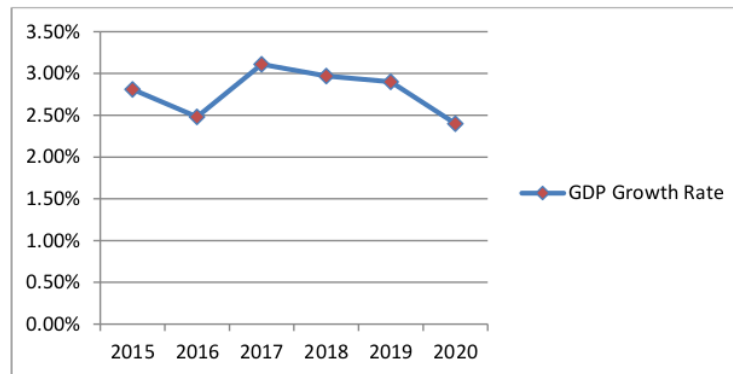


Figure 1. World's GDP Growth Rate

Source: Data processed

The researcher attempts to illustrate the growth of the world's Gross Domestic Product (GDP) from 2015 to 2020 in this figure. In 2015, the rate of growth was 2.81 percent, then decreased somewhat the next year before suddenly increasing to 3.11 percent due to changes. In numerous critical fields. For example, tourism, petroleum, and the pharmaceutical business. Following that, it plummeted to 2.90 percent in 2019 as a result of the US-China trade conflict. However, in 2020, it demonstrated a severe nighttime fall owing to the corona epidemic, which shut down all sectors such as tourism, the stock market, the gold and oil industries, and

so on. The coronavirus has heavily impacted the sports sector, like the cancellation of Willemdon 2020, which caused a loss of 220 Billion Pounds (Markakis, 2017). The respective authorities postpone many events.

Impact of Layoff Workers Nationally

Economically, the Covid-19 outbreak has harmed Indonesia's manufacturing, distribution, consumption, and service industries., this weakening of economic conditions can be measured through many indicators, such as public demand; decreased demand for product consumption by the public and exports, production with reduced labor productivity due to layoffs and reduced working hours in companies, factories, MSMEs, and the informal sector, difficulty in importing materials for production, and paralyzing the export route (Puspitasari & Wijaya, 2020). Transportation and distribution of goods and people Many economic sectors, including those classified as MSMEs, let alone the types of businesses that fall into the informal category, which are very many, are crashing at this time. Accompanied by socio-economic problems that emerged due to the Covid-19 outbreak after the implementation of the PSBB was the issue of declining people's incomes, which led to a decline in purchasing power (Schmitz, Goodwin, Miao & Conley, 2021). This means that people are unable to buy their daily necessities. Never mind paying credit or debit installments; just buying rice is already hard. Suppose the PSBB is carried out strictly to be able to prevent the epidemic from spreading successfully. In that case, the community's mobility will be increasingly limited, and the economic conditions will be more difficult (Sudiarawan, Utami, Saputra & Karunian, 2020). The short-term financial problem that the local government must prepare a mitigation strategy for is the ability of the community to access food, especially staple food, which is fragile and even depleted.

Transportation costs have decreased slightly due to many activities at home, reduced fuel consumption, and can also be reduced nationally. It is assumed to reduce the burden on the government budget on the one hand. Still, on the other hand, it is also accompanied by a decrease in family income. Economic actors (petite and medium-sized enterprises or SMEs) start to reduce their income and even stop. As a result, payment of wages/salaries can be declined, postponed, or not paid. The effect is that public consumption decreases, spending on consumer goods decreases, the impact returns to economic actors/companies; another product is reducing employees (PHK), so the contribution to the percentage of unemployment increases. When unemployment increases, the burden on the family increases, the load on the state increases, and other social problems arise.

In addition, the issue that must be a concern is the availability of food, especially for regions that implement PSBB, which are dependent on other areas. Economic rescue measures are essential to take immediately so as not to cause other serious problems. High financial pressure can cause unrest and even social unrest. Economic issues

during the period of social restrictions are that many workers have been laid off. Many people's businesses have stopped or closed so that they can no longer generate income. This means that those affected no longer have the purchasing power. The number of this group is many and even more significant with pre-prosperous families who existed before Covid-19. This industrial sector is divided into two levels: high level and Medium level. The highest level of industry is found in manufacturing and government companies.

The impact of the coronavirus on the economy has forced manufacturing companies to reduce their production. Manufacturing companies typically can boost the industry due to increasing public demand. Still, manufacturing businesses are under immense strain currently, since their reliance on global supply networks, particularly in Indonesia, has harmed the manufacturing process. Additionally, the end product of the production process will see a decrease in exports as a result of decreased demand from outside (Sunarsi, Suryani & Jati, 2020). The garment business, which employs a strategy of reducing employee density by requiring two weeks of work followed by two weeks off to prevent the spread of the coronavirus, has an effect on production, causing enterprises to incur losses that result in layoffs. The second is on a more modest scale, as in the film business. The Indonesian film industry in recent years has experienced a positive surge. However, currently, the domestic film industry must feel the impact, from creative film workers to the promotion process and even closing cinemas for comprehensive screenings.

According to data submitted by the General Chairperson of the Indonesian Film Producers Association, there are around 15 film projects whose shooting schedule must be stopped per March and April this year until an undetermined time. This figure does not include the production process of independent films and those in other regions. The area so the number could be much higher than this (Warren, 2019). This production delay, he said, had a direct impact on film workers. There are usually 80-100 production crews in making a film, and these film crews are mostly freelancers on a project basis. As a result, when the project is stopped for whatever reason, it will directly affect them.

Another ¹⁴ impact of the COVID-19 pandemic on the Indonesian film industry is closing cinemas for comprehensive screenings. This is done based on the advice of the local government. The temporary closure of film screenings has created quite tricky conditions for film screening companies. The reason is, even though its business operations have not been running, the company must still incur routine costs such as employee salaries. Not only about crews and film screenings, but the film industry is also affected by the coronavirus in terms of scheduling. Several film titles that were supposed to be released in March and April had to be postponed until an undetermined time and waited until things recovered. Furthermore, this will result in a build-up of film schedules that may impact the duration of screening

in theaters and ultimately on ticket sales. In addition, the promotional investment made by the affected film companies must also be longer.

Layoffs and Increase in Unemployment Rate

²
The vast and fast spread of the coronavirus made the government react by limiting the mobility and interaction of the people. Factories and offices were closed; schools were closed; restaurants did not accept food and drink on the premises. All activities that make people gather are taboo. On the one hand, this social distancing has saved lives. New cases are increasingly showing a downward trend.

But on the other hand, social distancing makes the economy suspended. As a result, millions of people lost their jobs, becoming 'victims' of layoffs. The wave of releases is a new scourge in the world besides the virus that attacks itself. The International Labor Organization, or ILO, urged the world in March to strengthen its social safety net program. Countries are also being urged to intervene in the business via policies in order to deal with the massive potential increase in unemployment. Indonesia's unemployment rate, which has been decreasing over the last five years, will climb. If the COVID-19 scale is severe, it will grow by 2.9 million individuals, but it might be as high as 5.2 million people.

According to him, the increasing number of unemployed is due to the enormous pressure experienced by various business sectors. The Ministry of Manpower and BPJS Employment records that more than 2.8 million workers have been ⁸ affected by the COVID-19 pandemic. This is a result of the cessation of the company's operations where they work.

⁶
According to data from the Ministry of Manpower as of April 20, 2020, there are total data on affected businesses, formal and informal sector workers, and informal sector workers; in the legal sector that was laid off and laid off, ¹² there were 84,926 companies, while the number of workers or laborers amounted to 1,546,208 people. Meanwhile, in the informal sector, 31,444 businesses were forced to lay off staff, affecting a total of 538,385 workers. Thus, there are 116,370 businesses and 2,084,593 workers in total between the formal and informal sectors. This number is not small; the increasing unemployment rate in Indonesia can have an enormous impact in the future. It is not easy for a country to recover its economic condition quickly, coupled with a relatively high unemployment rate. The temporary closure of various industrial sectors forced their employees to agree to the decisions given. Additionally, this layoff is necessary due to a lack of consumer purchases and limited exports to specific nations. It will stymie exports, limit firm profits, and perhaps result in company losses. There is another reason for employee layoffs, namely a lack of raw materials for manufacturing, which are imported from foreign countries such as China, impeding industrial activity. Companies that cease operations and an increase in the number of unemployed can stifle and diminish Indonesia's gross domestic product (GDP) growth.

This layoff is the final option available to entrepreneurs. Prior to deciding to conduct releases, numerous alternatives to layoffs⁶ were explored, including lowering wages and benefits for top-level employees such as managers and directors, reducing working hours (shifts), limiting and eliminating overtime hours, reducing working days, and laying off or temporarily laying off workers. However, with the increasing rate of spread of COVID-19, it forces employers to choose the last option, namely layoffs, because there is no income generated to provide salaries or benefits to employees.

The increase in the higher unemployment rate can lead to many bad possibilities if not handled correctly. If you look at the worst possible with improper handling, a high level of coverage can result in the poverty rate reaching below the limit or negative, which causes all sectors to be immobilized, with increasing poverty and the absence of jobs, another more significant problem can arise, namely hunger. Hunger is caused by a person's inability to meet his food needs caused by the poverty mentioned earlier. If not handled properly, Enthusiasm can lead to new, more serious problems, namely looting and crime. Looting and crime occur when there is no other way a person can make ends meet to stay alive. We cannot ignore these things because there is a possibility that this will happen if the handling efforts made from the start have been wrong. Therefore, it is the government's role, measures, and policies that are expected by all Indonesian people, not only workers who are affected by the COVID-19 pandemic.

One of the government's efforts is not imposing a lockdown and replacing it with Large-Scale Social Restrictions (PSBB). The substantial⁵ reason for the government not to charge a lockdown is that the government sees the diverse culture and attitudes of its citizens. After careful review and discussion, the government does not impose this lockdown to avoid the adverse effects that could arise as a result of the imposed lockdown. An alternative effort that the government is taking is PSBB; with this effort, the government hopes to slow down the spread of COVID-19, and all things return to normal.

Analyses of Force Majeure in the Termination of Employment Policies in Indonesia during the Covid-19 Pandemic

According to Article 164(1) of Law No. 13 of 2003 on Manpower, entrepreneurs may lay off workers/laborers if the business is closed due to force majeure. Then, under to Article 164 paragraph (3) of Law 13/2003, entrepreneurs may also lay off workers/laborers if the business is closed owing to efficiency, not due to two consecutive years of losses, nor due to coercive conditions or force majeure. Workers/laborers receive one-time severance pay even if they are laid off.

The Minister of Manpower does not endorse the company's justifications for terminating the employment connection in his statement regarding force majeure. He recommends businesses to adopt initiatives such as cutting salaries and benefits

for managers and directors, reducing work shifts, limiting overtime, or temporarily laying off staff. However, numerous organizations that have terminated employment policies continue to maintain that they lack the cash necessary to pay severance compensation or wages to employees. This is a violation of labor standards, which say that a business may close after two years of operating at a loss. Simultaneously, Covid-19 has not yet arrived or entered the half-year mark. Certain companies' justifications for force majeure are deemed inappropriate by others.

According to Subekti, force majeure is a justification for absolving oneself of the need to compensate. The phrase force majeure is then absent from the Civil Code due to a lack of clarification regarding the kind of coercive circumstances that qualify as force majeure. However, certain provisions of the Civil Code control compensation; the word force majeure then assumes the risk of unilateral contracts. Force majeure cannot be used as an excuse for the firm to flee from compelling circumstances in order to avoid its responsibilities; therefore, certain requirements must exist to prevent this from occurring.

According to Subekti, a scenario is considered force majeure if it is out of the company's control and coercive, and such circumstances must have been unknown at the time this agreement was made, and the laid-off workers do not carry at least the risk. Under some circumstances, a person cannot assert arbitrarily³ that he has encountered force majeure. The term "force majeure" is defined in Article 47 paragraph (1) letter j of Law 2/2017 respecting Construction Services. According to the article's requirements, force majeure is defined as an event that occurs against the parties' will and ability and results in injury to one of them. There are two types of coercive circumstances: 1) absolute (absolute) coercion, in which the parties are unable to carry out their rights and obligations, and 2) absolute (relative) coercion, in which the parties are still able to carry out their rights and obligations.¹¹

In the case of the covid-19 outbreak, it might be described as an unforeseen incident that occurred during the negotiation or formulation of the agreement or policy. This means that if an agreement is reached while the disease is spreading, job termination cannot be cited as a force majeure justification. Thus, it is vital to safeguard the workforce in order to defend workers' fundamental rights and to assure their welfare while also emphasizing the development of the company's interests.

D. CONCLUSION

According to the description above, the termination of employment policy employed by various corporations as an alibi during the COVID-19 epidemic was ruled unreasonable because several companies invoked force majeure. This explanation does not qualify as an epidemic spreading throughout Indonesia, Covid-19, nor does the outbreak qualify as a National Disaster. In accordance with Manpower Law No. 13 of 2003, if the company's loss has not exceeded two years, the company cannot

simply end the employment connection. Thus, additional steps must be made by the employer or government to mitigate the impact of Covid-19 on lay-off workers by limiting working time/overtime, and workers can be laid off without terminating their employment contract. This way, it can assist the government in reducing unemployment and growing the economy during the Covid-19 pandemic.

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