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Settlement Of Industrial Relations Disputes Due To Termination Of Employment Due To Efficiency In Maintaining Balance Between Employers And Workers

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ABSTRACT

Regulations related to termination of employment for reasons of efficiency are not explained explicitly, this will have an impact on the emergence of industrial relations disputes, thus affecting the balance between the interests of employers and the protection of workers/laborers. This study aims to examine the regulations regarding termination of employment for reasons of efficiency based on laws and judges' decisions and efforts to resolve them to ensure justice for the parties. In this study, a normative juridical method is used with a statutory and case approach, where this study analyzes Law Number 13 of 2003, Law Number 6 of 2023, Government Regulation Number 35 of 2021, and decisions such as the Constitutional Court Number 19/PUU-IX/2011. With the findings of ambiguity in the definition of efficiency, the phrase loss, and prevention of potential losses, which are seen in the cases of PT. S against Mrs. E and PT. Jtrust Olympindo Multi Finance against Sudadi Hari Widianto, causing misuse of efficiency reasons in termination of employment. Thus, in its implications, it is necessary to update regulations with a more explicit definition of efficiency, strengthening the role of judges in analyzing company financial audit reports, and transparent steps by companies such as analyzing the company's macro and micro conditions in advance and mapping workers/laborers to ensure the achievement of justice, benefits, and legal certainty, so as to support a harmonious balance in industrial relations.

Keywords : Layoffs, Efficiency Reasons, Job Protection.

INTRODUCTION

Indonesia is called a country of law, which is stated in the provisions of Article 1 paragraph (3) of the 1945 Constitution of the Republic of Indonesia. Therefore, as a country of law, Indonesia has an obligation to guarantee and also pay attention to the fulfillment of human

rights for every Indonesian citizen without any discrimination between citizens. Thus, to realize this obligation, Indonesia is obliged to review laws and regulations at certain periods and also monitor the implementation of law enforcement in the life of the nation and state, where this aims to ensure that the values of justice, benefit and legal protection are realized properly so that welfare can be created for Indonesian citizens.

One of the legal products of legislation concerns employment law. The regulations concerning employment are as follows:

1. Law Number 13 of 2003 concerning Manpower;
2. Law Number 2 of 2004 concerning the Settlement of Industrial Relations Disputes;
3. Law Number 6 of 2023 concerning the Stipulation of Government Regulation in Lieu of Law Number 2 of 2022 concerning Job Creation into Law;
4. Government Regulation Number 35 of 2021 concerning Fixed-Term Employment Agreements, Outsourcing, Working Hours and Rest Hours, and Termination of Employment; and
5. Government Regulation Number 36 of 2021 concerning Wages.

Employment law is a regulation that regulates the relationship or activities of the workforce. The existence of this regulation is very important, because humans have many life needs that must be met in order to ensure their survival. In achieving this, humans are required to work, whether related to independent businesses managed by themselves or working under the direction and pressure of others, such as companies or other employers. In addition, the existence of this law is very important to prevent or resolve problems that will arise or have occurred in the work environment. The existence of legal protection in the employment environment is one of the most crucial things, where this is to ensure the creation of guarantees of continuity and economic progress for workers/laborers and companies or employers. This is related to the provisions of Article 27 paragraph (2) and Article 28 D paragraph (2) of the 1945 Constitution of the Republic of Indonesia. And besides that, the existence of regulations related to employment is very beneficial for workers/laborers, because with these regulations the rights and obligations of workers/laborers can be protected.

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In this regard, there is an employment relationship in the workforce. This employment relationship is between the employer and the worker/laborer. This employment relationship is formed through a written agreement between the two parties. This employment agreement represents an agreement between the worker/laborer and the employer, where the worker has a commitment to work under the employer's direction for a wage, while for the employer, it is related to the readiness to employ the worker in accordance with the provisions stipulated in the laws and regulations and the provisions agreed upon by both parties. Therefore, this employment agreement is legally binding and must be implemented and adhered to by both parties. However, if either party violates the terms agreed upon by both parties, the violating party will be punished in accordance with statutory provisions. In this regard, the existence of an employment agreement not only regulates the employment relationship between the two parties but also serves to regulate the rights and obligations of employers towards employees, and vice versa.

If we look at the provisions of Article 1 number 5 of Law Number 13 of 2003 concerning Manpower. It can be concluded that, the entrepreneur himself is an individual, association, or legal entity domiciled as an Indonesian citizen in running a company himself or a company that is not his (such as a company manager) whether domiciled in Indonesia or outside the territory of Indonesia, for example, a company leader such as a manager has the main authority to run the company as one of the representatives. Meanwhile, regarding workers/laborers themselves, it is explained in the provisions of Article 1 number 3 of Law Number 13 of 2003 concerning Manpower. Where workers/laborers themselves are people who have an obligation to work under the direction or pressure of the employer in accordance with the provisions of the employment agreement between the two parties in order to achieve wages or other forms of compensation. Where related to the relationship between the two parties is of a civil nature, which is regulated by two types of norms, namely:

1. The provisions of the work agreement that have been agreed upon by both parties, namely the worker/laborer and the entrepreneur (ethonom law); And
2. Legislation related to employment which is established by an authorized state institution (heteronomous law).

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With the new regulations regarding employment, namely Law Number 6 of 2023 concerning the Stipulation of Government Regulation in Lieu of Law Number 2 of 2022 concerning Job Creation into Law. The existence of this Law is a crucial sector for maintaining employment relationships between other workers or with employers and even with the government. Thus, L. Husni et al. expressed the opinion that workers/laborers are one of the most important components in the workforce, so that without a role from workers/laborers, the existence of a company cannot be run properly. Therefore, based on this, an employment relationship between employers and workers/laborers must be clearly defined, and also transparent, and must not be detrimental to each other. For example, regarding wages, it must comply with the provisions of Government Regulation Number 36 of 2021 concerning Wages.

The working relationship between workers/laborers and employers does not always run smoothly, for example, there is a lack of harmony caused by a conflict or dispute between the two. As in this case, Desriwulandari and Putra expressed the opinion that every working relationship between workers/laborers and employers will not always run smoothly and harmoniously, where this is due to the existence of a conflict that arises from disputes over interests, rights, or between labor unions. Thus, the existence of this problem can result in sanctions in the form of warnings, demotions, or even termination of employment (PHK). Furthermore, employment relationships between workers/laborers and employers sometimes reach the termination stage. This means the relationship between the two parties is over. This can occur due to termination by one of the parties, either the employer dismissing the worker/laborer for any reason, or the worker/laborer dismissing them themselves. Thus, with the termination of this employment relationship, the rights and obligations stated in the collective agreement between the worker/laborer and the employer will also cease.

Termination by an employer of a worker/laborer constitutes a termination of employment (PHK) due to certain factors. This is in accordance with Lalu Husni's opinion, which states that termination of employment (PHK) is the end of the employment relationship between the worker/laborer and the employer due to certain factors. Layoffs have a significant impact on workers, posing a threat to their livelihoods. Finding another job is challenging,

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especially given the increasingly fierce competition and the growing workforce. However, termination of employment (PHK) is also very necessary for employers to carry out because it is one of the factors that must be implemented for the sustainability of the company and to maintain the stability of competition in the business world.

In this regard, the role of legislation in regulating and resolving these issues is crucial in order to achieve a balance of interests between employers and workers/laborers. Thus, if this is realized properly, legal protection will be created for both parties. Based on the provisions of Article 28 paragraph (2) of the 1945 Constitution of the Republic of Indonesia, legal protection is a very crucial element in efforts to achieve long-term economic prosperity.

Therefore, to achieve legal protection in industrial relations disputes between workers/laborers and employers, the state has established regulations related to this, namely Law Number 2 of 2004 concerning the Settlement of Industrial Relations Disputes. The settlement of industrial relations disputes can take the following forms:

1. Bipatriate Negotiations;
2. Tripatriate Negotiations; and
    a. Mediation;
    b. Conciliation; and
    c. Arbitration.
3. Lawsuit to the Industrial Relations Court.

One of the problems of industrial relations disputes between workers/laborers and employers is related to termination of employment for reasons of efficiency. Where related to termination of employment (PHK) due to efficiency is regulated in the provisions of Article 43 paragraph (1) and (2) of Government Regulation Number 35 of 2021 concerning Fixed-Term Employment Agreements, Outsourcing, Working Hours and Rest Time, and Termination of Employment. Where companies can terminate employment (PHK) to workers/laborers for reasons of efficiency for 2 reasons, namely, the company is experiencing losses or the company is preventing losses in the future.

An example of termination of employment (PHK) for reasons of efficiency is the Supreme Court Decision Number 1221 K / Pdt.Sus-PHI / 2022 Concerning the Cassation

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Application of PT. Jtrust Olympindo Multi Finance against the Decision of the Industrial Relations Court at the Central Jakarta District Court Number 529 / Pdt.Sus-PHI / 2021 / PN Jkt.Pst. Where the PT terminated the employment (PHK) of Sudadi Hari Widianto on the grounds that the company suffered losses with evidence T-7, namely a photocopy of the printout of the Profit and Loss Financial Statement form that has been validated in SILARAS OJK in 21 and T-8, namely a photocopy of the PT's 2020 Financial Report made by the Public Accounting Firm Kosasih et al. However, the opinion of the panel of judges was that the evidence was not strong enough to state that a company suffered losses, but rather a potential loss.

In addition, there is another case, namely against Mrs. E who was terminated by PT. S for reasons. Where this efficiency reason is not transparent to the workers/laborers, where the company cannot prove that there is a loss or avoid any loss. However, the company only has the reason that the age of the worker/laborer named Mrs. E is no longer productive so that the company avoids potential losses, however for Mrs. E's age is still in her 40s and also the provision of severance pay to the workers/laborers is not in accordance with the provisions of Government Regulation Number 35 of 2021 concerning Fixed-Term Employment Agreements, Outsourcing, Working Hours and Rest Time, and Termination of Employment. Therefore, this industrial relations problem is resolved based on the provisions of Law Number 2 of 2004 concerning the Settlement of Industrial Relations Disputes. In the bipartite negotiation stage, no agreement was reached between the two parties, until finally this dispute was continued to the tripartite negotiation stage through mediation at the Manpower and Transmigration Office of City J. And this industrial relations dispute reached an agreement between the two parties as stated in the Joint Agreement Letter of the Manpower and Transmigration Office of City J regarding the Industrial Relations Dispute Between PT. S and Mrs. E. dated May 8, 2025 with Mrs. Alis Sofiatun as the mediator.

Where termination of employment (PHK) for reasons of efficiency remains a problem in the world of employment. This is because the laws and regulations do not explicitly explain the specific criteria related to efficiency itself, so that this makes it easier for companies to terminate employment (PHK) to workers/laborers, thus impacting the lives of

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workers/laborers in the future. In addition, this can also have an impact on the company itself, where if termination of employment due to efficiency is not implemented properly, then the company initially did it for savings will actually have an impact that becomes wasteful beyond the company's predictions. Thus, to create a balance between companies and workers/laborers, it is very important to update the laws and regulations, especially regarding the provisions for termination of employment (PHK) for reasons of efficiency.

Therefore, based on these problems, the author has formulated 2 (two) problem formulations to answer these problems, namely: First, how are the regulations for termination of employment for reasons of efficiency based on statutory regulations? and Second, how is the resolution of the problem of reasons of efficiency in termination of employment to maintain a balance between the company and the legal protection of workers/laborers?

Thus, based on the explanation of the problem above, the author is interested in conducting research entitled "Resolution of Industrial Relations Disputes Due to Termination of Employment Due to Efficiency in Maintaining Balance Between Employers and Workers".

RESEARCH METHODS

In this study, the author used a normative juridical research method. According to Soerjono Soekanto, normative juridical research is legal research analyzed by examining library and secondary data. This research focuses on laws and regulations relevant to the problem being studied. Furthermore, it is examined through an approach based on written sources as the primary basis for analyzing and understanding the issues under study. Therefore, this study utilizes both a legislative approach and a case study approach.

RESULTS AND DISCUSSION

Regulations on Termination of Employment for Efficiency Reasons Based on Statutory Regulations

The issue of termination of employment (PHK) is a very interesting topic to study in more depth. This is evidenced by the fact that many workers still do not receive their rights upon termination. Therefore, the government plays a crucial role in immediately addressing this

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issue by establishing laws and regulations related to employment to create a balance between the interests of employers and workers. This serves as an ethical foundation for the government's role in stabilizing the unequal positions of employers and workers, thus impacting the balance of social life (restitutio in integrum).

Termination of employment used by employers against workers/laborers is on the grounds of the company carrying out efficiency. Where the provisions regarding companies that carry out termination of employment for the first time are regulated by Article 164 paragraph (3) of Law Number 13 of 2003 concerning employment, where this article is often used by employers regarding efficiency in termination of employment. Where based on this article it states that companies can terminate the employment of workers/laborers if a company closes not but the company has suffered losses for two consecutive years not because of force majeure but related to the fact that a company is carrying out efficiency. This provision in its application invites many different interpretations of its application. This is because the article does not provide further explanation regarding the phrase company closed and efficiency itself. So that there are parties who state that termination of employment for reasons of efficiency is required by the closure of the company. In addition, there are also parties who state that the phrases efficiency and closed company are different, so that companies can terminate the employment of workers/laborers without the company closing.

There are differences in interpretation regarding the meaning of Article 164 paragraph (3) of Law Number 13 of 2003 concerning Manpower, until finally 38 workers of the Papandayan Hotel Bandung as victims of termination of employment filed a judicial review of the provisions of the article as stated in the Constitutional Court Decision Number 19/PUU-IX/2011. Where in his consideration, the judge expressed the opinion that efficiency without a permanent closure of the company, cannot be used as a reason for termination of employment (PHK). Therefore, the phrase company closure and efficiency are one unit. Thus, because the Constitutional Court Decision has an erga omnes status and is equal to the law, this Constitutional Court Decision must be used as a guideline for companies that want to terminate the employment of workers/laborers if based on the provisions of Article 164 paragraph (3) of Law Number 13 of 2003 concerning Manpower.

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This decision can provide legal protection for workers/laborers, because the company cannot unilaterally terminate employment for reasons of efficiency.

However, the provisions of the Constitutional Court Decision in its implementation in the field do not require compliance with its provisions, even though the Constitutional Court Decision is final and binding. This has occurred in the case of termination of employment for reasons of efficiency at a company in Pekanbaru engaged in the oil and gas sector in early 2016. At that time, oil prices fell quite drastically, causing the company to tighten its belts for the sake of the company's sustainability. Finally, the company reduced workers with a voluntary system or commonly known as Mutual Agreement Termination (MAT) and if there are workers/laborers who are willing to receive compensation money that is much larger than the provisions of Article 164 paragraph (3) of Law Number 13 of 2003 concerning Manpower. And at that time, as many as 385 workers/laborers were willing to accept the offer.

Over time, employment regulations, particularly those governing termination of employment for efficiency reasons, have undergone updates, due to the enactment of Law Number 6 of 2023 concerning the Stipulation of Government Regulation in Lieu of Law Number 2 of 2022 concerning Job Creation into Law. This law regulates termination of employment for efficiency reasons under Article 81 number 45, with the provisions explained in Article 154A letter b, which states that a company may implement efficiency measures due to closure or not due to losses. This provision serves as a normative reference. In the continuation, it is explained by the provisions of Article 36 letter b of Government Regulation Number 35 of 2021 concerning Fixed-Term Employment Agreements, Outsourcing, Working Hours and Rest Time, and Termination of Employment which has the same explanation as the provisions of the Job Creation Law. However, regarding further explanation regarding efficiency, it is explained in Article 43 paragraphs (1) and (2) of Government Regulation Number 35 of 2021 concerning Fixed-Term Employment Agreements, Outsourcing, Working Hours and Rest Time, and Termination of Employment, where companies can terminate employment of workers/laborers for reasons of efficiency for two reasons, namely the company experiences losses or avoids potential losses.

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Thus, regarding the termination of employment for reasons of efficiency, even though it can be accepted by workers/laborers, the policies and regulations must be implemented fairly and transparently in order to create values of justice, benefit, and legal certainty, so that a balance will be created between employers and workers/laborers.

Resolving the Problem of Efficiency Reasons in Termination of Employment to Maintain a Balance Between Companies and Legal Protection for Workers/Laborers

Regarding the termination of employment for reasons of efficiency by each company must be in accordance with the provisions of laws and regulations, both in terms of conditions and the rights of workers/laborers must also be considered and paid attention to. Thus, employers cannot arbitrarily terminate employment for reasons of efficiency, because employers must pay attention to the values of justice, benefit, and legal certainty in order to create a balance between workers/laborers and employers and a fair relationship amidst the dynamic changes in the business world.

In its implementation, the Regulations related to termination of employment (PHK) for reasons of efficiency are not explained explicitly, either in Article 81 number 45 of Law Number 6 of 2023 concerning the Stipulation of Government Regulation in Lieu of Law Number 2 of 2022 concerning Job Creation into Law, or in its implementing regulations, namely Article 36 letter b jo. Article 43 paragraphs (1) and (2) of Government Regulation Number 35 of 2021 concerning Fixed-Term Employment Agreements, Outsourcing, Working Hours and Rest Time, and Termination of Employment. Where in the article there is a vague or unclear explanation regarding the meaning of the phrase efficiency. Because, in the regulation, companies can terminate employment for reasons of efficiency in only two ways: the company experiences losses and the company prevents potential losses. Thus, there is no more detailed clarity in the article regarding what kind of company losses, what provisions for preventing potential, and also what the meaning of efficiency for the company. Therefore, this will have an impact on the balance between employers and workers/laborers, for example it will have a detrimental impact on workers/laborers because companies abuse the provisions of this vague article such as terminating

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employment relationships on the grounds of efficiency for workers/laborers because of losses experienced by the company even though the losses are not that significant.

If this situation continues, it will impact workers, as they will feel threatened with termination by the company if they commit any act detrimental to the company, even if it's a minor or unintentional mistake. The vagueness of this article will be used by companies as justification. Consequently, it will hamper Indonesia's economic development due to industrial relations disputes between workers and employers.

One example of the case of the ambiguity of the Article that has an impact on workers/laborers is in the case of termination of employment carried out by PT. S against its worker/laborer, namely Mrs. E. Where based on the Joint Agreement Letter of PT. S Number 003/DIR/SBL-HRD/SPHK/I/2025 regarding Termination of Employment Against Mrs. E, Mrs. E experienced termination of employment by PT. S for reasons of efficiency. This was because PT. S reasoned that Mrs. E's age and physical condition could affect her ability to work, so that finally PT. S terminated her employment to prevent potential losses. Whereas in reality Mrs. E's age is still in her productive age, namely 40 or has not yet entered retirement, and Mrs. E's performance is still in the productive phase. However, when Mrs. E asked for evidence of decreased performance, PT. S could not provide it. In addition, the compensation value provided by PT. S was not in accordance with the provisions of statutory regulations. Thus, Mrs. E finally conducted bipartite negotiations, but there was no agreement between the two parties. Furthermore, this industrial relations dispute was resolved at the Manpower and Transmigration Office of City J. And the settlement of the dispute finally reached an agreement with the Joint Agreement Letter of the Manpower and Transmigration Office of City J regarding the Industrial Relations Dispute Between PT. S and Mrs. E dated May 8, 2025 with Mrs. Alis Sofiatun as the mediator.

In addition, the vagueness of the article also impacts companies in analyzing termination of employment for reasons of efficiency. Where companies do not properly analyze losses and also prevent potential losses. This occurred in the case of Supreme Court Decision Number 1221 K / Pdt.Sus-PHI / 2022 concerning the Cassation Request of PT. Jtrust Olympindo Multi Finance. Where the termination of employment for reasons of efficiency

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against Sudadi Hari Widianto, the PT argued that the company suffered losses, however in this case the workers/laborers objected, so they filed an application to the court in the Industrial Relations Court Decision at the Central Jakarta District Court Number 529 / Pdt.Sus-PHI / 2021 / PN Jkt.Pst and there was a cassation request with Supreme Court Decision Number 1221 K / Pdt.Sus-PHI / 2022 concerning the Cassation Request of PT. Jtrust Olympindo Multi Finance. However, in its decision, the Supreme Court rejected the cassation application, because evidence T-7, namely a photocopy of the printout of the Profit and Loss Financial Statement form that had been validated in SILARAS OJK in 2021 and T-8, namely a photocopy of the PT's 2020 financial report made by the Public Accounting Firm Kosasih et al., did not strongly state that a company had suffered a loss, but rather represented the potential for a loss.

Thus, if this condition is not immediately addressed, it will impact the balance between employers and workers and even affect the progress of the Indonesian economy. Therefore, the government must immediately update the article, which is considered vague or lacks further explanation regarding the meaning of the phrase "efficiency." If the vagueness in the article is immediately updated, it is unlikely that there will be multiple interpretations in the use of the article in termination of employment for reasons of efficiency. Furthermore, if the application of termination of employment for reasons of efficiency results in an industrial relations dispute and must be resolved in court, the role of the judge is crucial in analyzing the results of a verified public accountant's analysis of the company's finances, as this can prove whether losses have occurred or prevent potential losses. A report produced by a public accountant's objective and independent audit of a company's financial condition is very useful in ensuring that the report is carried out correctly and fairly, where the audit is carried out by describing all material aspects, financial position, and also the company's operational results.

In addition to these considerations, there are other important things a company must do before terminating an employment relationship for efficiency reasons, namely to achieve a balance between workers and employers. Therefore, if these considerations are taken into account, the values of justice, benefit, and legal certainty for both the company and the

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workers can be assured. Therefore, the things a company must consider before terminating an employment relationship for efficiency reasons are:

1. The company must first understand the company's condition both macro and micro, where this is to assess whether termination of employment for reasons of efficiency is included in the potential to prevent losses or experience losses, so that in the future there will be no impact on the company due to the results of the termination of employment.
2. After understanding the company's situation, it's crucial to identify employees who could potentially be affected by layoffs for efficiency reasons. This allows the company to calculate the amount in accordance with statutory regulations.
3. In addition, before terminating employment, the company must plan the necessary or reserved budget so that the company's condition can remain stable.
4. When terminating the employment of workers/laborers, companies must pay attention to the provisions of laws and regulations, so that there are no industrial relations disputes in the future.
5. The final important point is that the company must pay attention to and properly prepare the documents that must be prepared in connection with the termination of employment, where this aims to create legal certainty and also be legally valid.

CONCLUSION

In terms of termination of employment for reasons of efficiency, it was first regulated in Article 164 paragraph (3) of Law Number 13 of 2003 concerning employment, however, in its implementation, this regulation has many multiple interpretations of the article, so that in the end there was a request for judicial review of the article in the Constitutional Court Decision Number 19/PUU-IX/2011. Where based on this Decision, the judge stated that companies that can carry out efficiency are companies that will close permanently. However, the implementation of the Decision may not be carried out if there are reasons for force majeure, such as the case of termination of employment in Pekanbaru in 2016. As time progresses, there are updates regarding regulations regarding employment, namely

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Law Number 6 of 2023 concerning the Stipulation of Government Regulation in Lieu of Law Number 2 of 2022 concerning Job Creation into Law, and its implementing regulations, namely Government Regulation Number 35 of 2021 concerning Fixed-Term Employment Agreements, Outsourcing, Working Hours and Rest Time, and Termination of Employment.

The ambiguity regarding the regulation of termination of employment for reasons of efficiency has a significant impact in triggering an imbalance between workers/laborers and employers, and in addition, it can also affect the Indonesian economy due to industrial relations disputes. This is shown in the case of termination of employment by PT. S against Mrs. E and termination of employment by PT. Jtrust Olympindo Multi Finance against Mr. Sudadi Hari Widianto. Therefore, regarding this matter, the government must immediately update the unclear article so that there are no more multiple interpretations of termination of employment for reasons of efficiency. In addition, the company in terminating employment for reasons of efficiency must comply with the provisions of employment regulations, first understand the company's condition, map the work, and also prepare the appropriate documents. Thus, if this is achieved, the values of justice, benefit, and legal certainty can be realized, so that it can support harmonious industrial relations between workers/laborers and employers.

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