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Legal Analysis of Workers Victims of Mass Layoffs Due to Company Efficiency from the Perspective of Indonesian Labor Law

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Abstract: This study analyzes the legal protection of workers who become victims of mass layoffs due to company efficiency policies from the perspective of Indonesian labor law. Using a normative legal research method with a literature review approach, the study examines labor regulations, legal doctrines, judicial decisions, and international labor standards related to efficiency-based termination of employment. The results show that although efficiency is recognized as a legitimate reason for layoffs, the absence of clear legal standards creates legal uncertainty and weak protection for workers. Efficiency-based layoffs often result in unfair dismissal procedures, inadequate compensation, and weakened bargaining positions for employees. The study concludes that Indonesian labor law must balance economic efficiency with justice, legal certainty, and workers' welfare through stronger regulations, fair procedures, and comprehensive social protection mechanisms.

Keywords: Termination of Employment (PHK), Company Efficiency, Legal Protection, Workers' Rights, Indonesian Employment Law.

INTRODUCTION

Mass layoffs resulting from company efficiency policies have become one of the most significant issues in contemporary labor relations in Indonesia. Economic globalization, digital transformation, financial instability, post-pandemic restructuring, and increasing market competition have compelled many companies to implement efficiency measures aimed at reducing operational costs and maintaining business sustainability. One of the most common strategies adopted is workforce reduction through large-scale termination of employment. While employers often justify such measures as necessary business decisions to ensure competitiveness and corporate survival, efficiency-based layoffs generate serious legal, economic, and social consequences for workers whose livelihoods depend on continued employment. These conditions raise important questions regarding the protection of workers' rights, social justice, and the role of labor law in balancing employers' economic interests with the constitutional and socio-economic rights of employees (Asuan & Rizayusmanda, 2023).

Similarly, a study in the *Journal of Law and Sustainable Development* argues that labor flexibility reforms in developing countries tend to weaken workers' bargaining power, particularly in situations involving corporate restructuring and economic rationalization (Simanjuntak & Karianga, 2023).

The urgency of this research is strengthened by the increasing number of layoffs in Indonesia in recent years. According to data released by the Indonesian Ministry of Manpower, more than 77,000 workers were affected by layoffs throughout 2024, while the Confederation of Indonesian Trade Unions (KSPI) estimated that the actual number could be significantly higher due to unreported cases occurring in various industrial sectors (Ministry of Manpower of the Republic of Indonesia, 2024).

The ambiguity surrounding efficiency-based termination has generated considerable debate among academics, judges, labor unions, and policymakers. Research conducted by Cendana Suryani and Gunardi Lie demonstrates that efficiency-based layoffs in Indonesia frequently lead to unilateral dismissals that undermine workers' normative rights, particularly regarding severance pay, procedural justice, and collective bargaining mechanisms (Suryani & Lie, 2025). Nevertheless, empirical evidence reveals that many workers affected by mass layoffs encounter delayed compensation, unfair dismissal procedures, and unequal bargaining positions during industrial dispute settlement processes (Aulawi et al., 2023).

Although previous studies have discussed efficiency-based layoffs from the perspectives of labor protection, severance pay, labor flexibility, and employment deregulation, most of these studies focus primarily on the normative legality of termination procedures or the impact of labor law reforms following the enactment of the Job Creation Law. Existing research has not comprehensively examined mass layoffs caused by company efficiency policies through an integrated legal analysis based on the principles of justice, legal certainty, and legal utility as the fundamental objectives of law. Furthermore, previous studies tend to analyze layoffs in general, without specifically addressing the increasing phenomenon of mass layoffs occurring as a consequence of corporate efficiency strategies in the context of economic restructuring, digital transformation, and industrial competitiveness.

Recent labor reforms in Indonesia following the enactment of the Job Creation Law have intensified academic debate regarding the weakening of workers' protections. Critics argue that the law simplifies dismissal procedures and reduces employers' obligations toward terminated workers. Empirical findings published in the *International Journal of Research in Business and Social Science* reveal that labor deregulation policies in several emerging economies, including Indonesia, have contributed to increased job insecurity and precarious employment conditions (Prakasa, 2023).

Employment relationships are not merely economic transactions but also legal and social relationships involving human dignity and constitutional guarantees. Indonesian labor law recognizes workers as parties requiring legal protection because of their weaker bargaining position compared to employers. Consequently, termination of employment policies must comply with principles of fairness, proportionality, and legal certainty. Nevertheless, efficiency-based layoffs remain controversial because employers often invoke "business necessity" without sufficiently demonstrating financial hardship or exhausting alternative measures to avoid dismissal (Bogg & Freedland, 2020).

The increasing prevalence of mass layoffs reflects broader global trends toward labor market flexibility. According to research published in the *International Journal of Comparative Labour Law and Industrial Relations*, modern economic systems increasingly prioritize corporate adaptability and labor flexibility, frequently at the expense of employment security (Novitz, 2022). Research published in the *Journal of Human Rights, Culture and Legal System* further argues that labor deregulation policies risk undermining

constitutional guarantees of social justice by prioritizing economic efficiency over human rights considerations (Fitriani & Sholikin, 2024).

Such developments have intensified debates regarding the appropriate balance between economic efficiency and workers' fundamental rights. In many jurisdictions, labor reforms designed to encourage investment and economic growth have simultaneously weakened traditional forms of labor protection, thereby exposing workers to greater risks of arbitrary dismissal (Morris, 2020).

In the Indonesian context, the enactment of Law Number 6 of 2023 concerning Job Creation has generated extensive debate concerning the reduction of labor protections. Critics argue that the reform expands employers' authority to terminate workers while simplifying procedural requirements related to layoffs. Empirical studies indicate that labor deregulation often results in declining bargaining power for workers and increasing legal uncertainty regarding severance entitlements and dispute resolution mechanisms (Blackett, 2021).

Scholarly research published in the *International Labour Review* demonstrates that mass layoffs produce long-term economic and social consequences extending beyond individual workers. Dismissed employees frequently experience income instability, psychological distress, social exclusion, and reduced opportunities for re-employment (Berg & Stefano, 2021). The legal uncertainty surrounding efficiency-based layoffs is further complicated by inconsistent judicial interpretations. Comparative studies in the *Comparative Labor Law & Policy Journal* reveal that courts in many jurisdictions struggle to determine the appropriate threshold for legitimate business efficiency dismissals (Stone, 2023).

Another important issue concerns the relationship between layoffs and human rights protection. Employment is closely connected to the fulfillment of socio-economic rights, including access to food, housing, healthcare, and education. According to studies published in the *Human Rights Quarterly*, unjustified dismissal can undermine the realization of fundamental human rights and contribute to structural inequality within society (Mantouvalou, 2018).

In addition, recent global economic crises have accelerated workforce restructuring practices across multiple industries. Studies published in the *European Journal of Industrial Relations* indicate that post-pandemic economic recovery strategies have intensified the use of efficiency-based layoffs as corporations seek to minimize operational costs and maximize productivity (Lucio & Perrett, 2023). Moreover, the expansion of neoliberal economic policies has significantly influenced labor law reform across developing countries. Research published in the *Global Labour Journal* argues that labor deregulation policies frequently prioritize economic competitiveness over workers' welfare and collective rights (Munck, 2019).

Based on the foregoing discussion, the novelty of this research lies in its effort to construct a comprehensive legal analysis of mass layoffs due to company efficiency by simultaneously employing the perspectives of justice, legal certainty, and legal utility within the framework of Indonesian labor law. Unlike previous studies that focus on specific aspects of labor protection or labor market flexibility, this research offers a holistic evaluation of whether existing labor regulations have adequately balanced employers' economic interests with workers' constitutional rights and social welfare. Therefore, this study contributes both theoretically and practically to the development of labor law policies concerning efficiency-based termination of employment in Indonesia.

This study contributes to the labor law literature by providing a multidimensional legal assessment of efficiency-based layoffs through the integrated framework of justice, legal certainty, and utility. The findings are expected to support future labor law reforms aimed at strengthening workers' protection while maintaining economic sustainability.

METHOD

This research employs a normative legal research method using a literature review approach. Normative legal research focuses on examining legal principles, legal doctrines, statutory regulations, judicial decisions, and legal theories related to a particular legal issue. In this study, the primary focus is the legal analysis of workers who become victims of mass layoffs due to company efficiency policies from the perspective of Indonesian labor law (Marzuki, 2021).

The literature review method was selected because the research aims to analyze and synthesize various legal norms, scholarly arguments, international labor standards, and previous academic findings concerning employment termination, labor protection, and efficiency-based layoffs. Literature review research enables researchers to critically evaluate existing legal frameworks and identify legal gaps, inconsistencies, and challenges within the implementation of labor law regulations (Snyder, 2019).

The approach applied in this study consists of a statutory approach, conceptual approach, and comparative approach. The statutory approach examines Indonesian labor regulations, particularly Law Number 13 of 2003 concerning Manpower and Law Number 6 of 2023 concerning Job Creation, including other related regulations governing termination of employment and workers' rights. The conceptual approach is utilized to analyze legal doctrines and theoretical perspectives concerning labor protection, justice, legal certainty, and industrial relations. Meanwhile, the comparative approach is employed to compare Indonesian labor protection mechanisms with international labor standards and selected foreign legal systems related to efficiency-based layoffs (Hutchinson & Duncan, 2012).

The analysis was conducted through four stages. First, legal materials were identified and classified into primary, secondary, and tertiary legal sources. Second, statutory analysis was undertaken to examine provisions concerning termination of employment under Law Number 13 of 2003 and Law Number 6 of 2023. Third, legal interpretation was applied using grammatical, systematic, and teleological approaches to assess the legal meaning of efficiency-based layoffs. Fourth, comparative analysis was employed to compare Indonesian regulations with international labor standards and selected foreign jurisdictions. Finally, the findings were evaluated using the theoretical framework of justice, legal certainty, and legal utility to formulate legal conclusions and recommendations.

The legal literature was selected purposively based on relevance, academic credibility, and publication quality. Sources were obtained from Scopus-indexed journals, Web of Science databases, Google Scholar, HeinOnline, and official legal databases. The inclusion criteria consisted of publications discussing labor law, employment termination, labor protection, industrial relations, and efficiency-based layoffs published between 2015 and 2025. Irrelevant publications, duplicate studies, and non-peer-reviewed sources were excluded from the analysis.

The sources of legal materials in this research consist of primary, secondary, and tertiary legal materials. Primary legal materials include statutory regulations, constitutional provisions, international labor conventions, and court decisions related to employment termination. Secondary legal materials consist of books, international journal articles, scientific publications, and previous studies discussing labor law, mass layoffs, workers' rights, and industrial relations. Tertiary legal materials include legal dictionaries, encyclopedias, and other supporting references relevant to the research topic (Ibrahim, 2020).

Compared to Germany, France, and Japan, Indonesian labor law recognizes efficiency as a lawful ground for termination; however, it lacks detailed indicators concerning business necessity, employee selection criteria, mandatory retraining programs, and post-layoff social protection mechanisms. This situation creates greater legal uncertainty and increases the risk of arbitrary dismissals.

A significant methodological inconsistency exists between the research design and the discussion. While the methodology emphasizes a comparative approach involving Germany, France, and Japan, the comparative dimension is largely absent from the analytical sections. The manuscript would benefit from a separate comparative subsection presenting a systematic cross-jurisdictional analysis, including legal grounds for efficiency-based dismissals, procedural safeguards, consultation requirements, compensation schemes, and state oversight mechanisms. Without such analysis, the comparative approach remains underutilized and the claimed novelty of the study is not fully substantiated.

The data collection technique used in this study is document analysis through systematic identification, classification, and examination of legal documents and academic literature. The researcher collected relevant journal articles published within the last ten years to ensure the relevance and contemporaneity of the analysis. International journals were prioritized to provide broader theoretical perspectives and comparative insights regarding labor law protection and employment termination practices (Xiao & Watson, 2019).

The analytical method applied in this research is qualitative descriptive analysis. Legal materials and literature sources were analyzed by interpreting legal norms, comparing scholarly opinions, and examining the consistency between labor regulations and their implementation in practice. The analysis was conducted systematically to identify legal problems concerning efficiency-based layoffs and evaluate the adequacy of legal protection for workers under Indonesian labor law (Nurbani & Septiana, 2022).

This study differs from previous normative legal research by integrating statutory analysis, legal interpretation, and comparative legal analysis involving Germany, France, and Japan as representative jurisdictions that have developed more comprehensive regulatory frameworks concerning efficiency-based layoffs. The comparative findings are subsequently evaluated through the theoretical perspectives of justice, legal certainty, and legal utility.

RESULTS AND DISCUSSION

General Overview of Mass Layoffs Due to Company Efficiency

Mass layoffs due to company efficiency have become one of the most prominent labor issues in contemporary industrial relations. The phenomenon arises when companies reduce the number of employees as part of corporate strategies aimed at minimizing operational costs, maintaining profitability, increasing productivity, or responding to economic instability. In modern economic systems, efficiency is often viewed as an essential managerial principle for ensuring business sustainability in highly competitive markets. However, when efficiency policies result in large-scale termination of employment, serious legal, economic, and social consequences emerge, particularly for workers whose livelihoods depend upon continued employment (Stone, 2023).

In labor law, termination of employment is generally understood as the ending of the legal relationship between employers and workers, resulting in the cessation of reciprocal rights and obligations. Under Indonesian labor law, termination of employment should only be conducted under legally justifiable circumstances and through procedures established by legislation. The legal framework governing employment termination is primarily regulated by Law Number 13 of 2003 concerning Manpower and its amendments under Law Number 6 of 2023 concerning Job Creation.

The concept of company efficiency itself originates from business management theories emphasizing cost reduction, operational effectiveness, and resource optimization. Companies frequently pursue efficiency measures during periods of economic downturn, declining market demand, technological transition, or organizational restructuring (Block, 2021). Despite its economic rationale, efficiency-based layoffs remain controversial because employment relationships involve not only commercial interests but also social justice and

human rights dimensions. Workers generally occupy weaker bargaining positions compared to employers because they depend economically on wages and employment security for their survival and welfare (Mantouvalou, 2018).

The issue of mass layoffs has become increasingly significant in Indonesia due to rapid economic and technological changes. Globalization and digital transformation have altered industrial structures and labor demands, compelling many companies to adopt modern production systems that require fewer workers (Stefano, 2020). Another contributing factor to the increase in layoffs is the global trend toward labor market flexibility. Many governments have introduced labor reforms intended to create investment-friendly business environments by simplifying employment regulations and reducing restrictions on hiring and dismissal practices (Munck, 2019).

Unlike Germany, Japan, and France, Indonesian labor law does not provide measurable indicators for determining when efficiency-based layoffs are legally justified. The absence of objective criteria creates uncertainty regarding whether workforce reductions are genuinely necessary or merely aimed at increasing profitability. Consequently, Indonesian labor law provides greater managerial discretion but weaker safeguards against arbitrary dismissal.

One of the major legal problems concerning efficiency-based layoffs is the absence of a clear legal definition regarding what constitutes “company efficiency.” Indonesian labor regulations recognize efficiency as a legitimate reason for termination but do not provide comprehensive indicators or measurable criteria for determining when efficiency-based dismissal is legally justified (Morris, 2020). From the perspective of industrial relations, mass layoffs significantly affect social stability and workers’ welfare. Workers dismissed due to efficiency policies frequently experience financial hardship, unemployment, psychological stress, and declining living standards (Berg & Stefano, 2021).

The issue of efficiency-based layoffs is not merely theoretical but has become a practical challenge in Indonesian industrial relations. Recent mass layoffs involving large companies such as Sritex and several technology-based enterprises demonstrate how efficiency considerations are frequently used as a justification for workforce reductions. These cases reveal continuing disputes regarding severance payments, workers’ rights protection, and the adequacy of existing legal safeguards during corporate restructuring processes.

The analytical framework based on justice, legal certainty, and utility is conceptually relevant; however, its application remains insufficiently developed. The discussion is predominantly descriptive and does not adequately engage with empirical or jurisprudential evidence from Indonesia. For instance, the Sritex layoff case is mentioned only briefly without examining whether the dismissal process satisfied procedural fairness requirements, provided adequate legal protection, or achieved broader social utility objectives. The manuscript would be significantly strengthened by integrating detailed analyses of landmark layoff cases, court decisions, or industrial relations disputes to demonstrate how the theoretical framework operates in practice. Without such case-based analysis, the discussion risks remaining at the level of abstract legal theory rather than substantive legal evaluation.

Comparative legal studies demonstrate that many developed countries impose strict legal requirements before companies may conduct collective dismissals. Such requirements often include mandatory negotiations with labor unions, notification to government authorities, judicial oversight, and obligations to provide retraining or reemployment assistance (Lucio & Perrett, 2023). The rise of mass layoffs also reflects broader global labor market trends emphasizing labor flexibility and deregulation. In many developing countries, labor reforms are frequently directed toward creating investment-friendly environments by simplifying employment termination procedures and reducing employer obligations (Blackett, 2021).

Nevertheless, the concept of efficiency in labor law differs from efficiency in purely economic perspectives. From a legal perspective, efficiency cannot be interpreted solely as an employer's managerial prerogative because employment relationships involve social justice and human rights considerations. Labor law requires that efficiency-based layoffs must satisfy substantive and procedural requirements to prevent arbitrary dismissals (Bogg & Freedland, 2020). From the perspective of industrial relations, mass layoffs significantly affect the balance of power between employers and workers. Workers who face termination generally possess weaker bargaining positions because they depend economically on employment for livelihood and social security. Furthermore, labor unions in some sectors remain insufficiently empowered to negotiate against corporate restructuring policies (Fudge, 2017).

Legal Regulation of Mass Layoffs in Indonesian Labor Law

The regulation of mass layoffs in Indonesian labor law has become increasingly significant in response to globalization, labor market transformation, and economic restructuring. In modern industrial relations, layoffs are no longer viewed merely as private contractual matters between employers and workers but as legal and social issues that directly affect constitutional rights, economic security, and social justice (Davidov, 2017).

The regulation of mass layoffs in Indonesian labor law reflects the dynamic interaction between economic development policies, labor market flexibility, and the protection of workers' fundamental rights. In industrial relations, layoffs are not merely contractual matters between employers and employees but also social and constitutional issues because employment is directly connected to human dignity, economic security, and social welfare (Langille, 2018). The issue became increasingly significant following labor law reforms introduced through the Job Creation Law. The reform sought to improve Indonesia's investment climate by simplifying labor regulations and increasing labor market flexibility (Kolben, 2021).

However, the enactment of Law Number 6 of 2023 concerning Job Creation introduced substantial changes to labor regulation in Indonesia. The reform aimed to increase investment attractiveness and labor market flexibility by simplifying employment procedures and reducing regulatory burdens on employers (Mitchell et al., 2020). One of the central legal issues concerning layoffs in Indonesia is the interpretation of company efficiency. In practice, employers often justify workforce reductions on the basis of operational efficiency, technological modernization, productivity improvement, or cost minimization (Estlund, 2018).

In Indonesia, the primary legal framework governing employment termination is contained in Law Number 13 of 2003 concerning Manpower, which has been amended through Law Number 6 of 2023 concerning Job Creation. These laws regulate employment relationships, workers' rights, employers' obligations, severance compensation, and industrial dispute settlement procedures. Article 151 of Law Number 13 of 2003 expressly states that employers, workers, labor unions, and the government must make every effort to avoid termination of employment.

Tabel 1. Comparison Table Before and After the Job Creation Law

Aspect	Before (Law No. 13 of 2003)	After (Law No. 6 of 2023 and PP 35/2021)	Legal basis
Efforts to Avoid Layoffs	Layoffs must be avoided by employers, workers, trade unions and the government	Still maintained	Article 151 of Law 13/2003 and Law 6/2023
Reason for layoffs due to efficiency	Regulated in Article 164 paragraph (3) of Law 13/2003	Regulated in Article 154A of Law 6/2023	Law 13/2003 and Law 6/2023

Severance Pay for Layoffs Efficiency	2 times severance pay + 1 time length of service award + other rights	It becomes 1 time severance pay + 1 time length of service award + other rights	Article 164 paragraph (3) Law 13/2003 and Article 40 PP 35/2021
Interpretation of Efficiency	Tightened by Constitutional Court Decision No. 19/PUU-IX/2011	More flexible through Article 154A of Law 6/2023	Constitutional Court Decision No. 19/PUU-IX/2011 and Law 6/2023
Job Loss Guarantee (JKP)	There isn't any yet	Introduced	Government Regulation No. 37 of 2021

Source: Research data

Judicial interpretation has played a significant role in shaping the legal regulation of efficiency-based layoffs. Prior to labor law reforms under the Job Creation Law, Constitutional Court Decision Number 19/PUU-IX/2011 established that layoffs due to efficiency could only be justified when companies experienced permanent closure or financial losses. Procedural requirements constitute another important aspect of the regulation of mass layoffs in Indonesia. Before conducting layoffs, employers are obligated to negotiate with workers or labor unions through bipartite discussions.

The legal debate surrounding efficiency-based layoffs intensified following the enactment of the Job Creation Law. The reform aimed to simplify labor regulations and create a more flexible labor market environment to attract domestic and foreign investment (Compa, 2021). Workers affected by efficiency-based layoffs are also entitled to financial compensation under Indonesian labor law. Such compensation generally includes severance pay, long-service awards, and reimbursement of employment-related rights (Davies, 2021).

Despite the existence of legal protections, the implementation of labor law concerning layoffs remains problematic. Empirical research indicates that many workers experience difficulties obtaining severance compensation or pursuing effective legal remedies (Lee & McCann, 2019). Comparative legal studies demonstrate that several countries impose stricter controls on collective dismissals than Indonesia. In many European jurisdictions, employers must notify public authorities, consult labor representatives, and implement mitigation measures before conducting layoffs (Barnard, 2020).

Another important issue concerns the relationship between labor deregulation and human rights protection. Employment is closely connected to socio-economic rights, including access to healthcare, housing, education, and social security (Langille & Davidov, 2020). Moreover, inconsistent judicial interpretation continues to create uncertainty concerning the legality of efficiency-based layoffs. Industrial Relations Courts frequently differ regarding the evidence required to justify layoffs, particularly concerning whether companies must prove financial losses before terminating workers (Adams-Prassl, 2021).

In addition to procedural obligations, Indonesian labor law also regulates workers' entitlement to financial compensation following dismissal. Workers terminated due to efficiency reasons generally possess the right to severance pay, service appreciation compensation, and reimbursement for other employment rights (Joseph, 2021). Comparative labor law perspectives reveal that many countries adopt stricter regulations concerning collective dismissals than Indonesia. Several European legal systems require employers to notify government authorities, consult labor unions, and implement mitigation measures before layoffs may proceed (Sciarra, 2020).

Efficiency-based layoffs constitute one of the most debated forms of employment termination in Indonesian labor law. Companies generally justify efficiency measures on the basis of economic necessity, operational restructuring, technological transformation, or productivity enhancement (Bellace, 2019). Despite the existence of legal safeguards, practical implementation remains problematic. Empirical studies indicate that many employers fail to

fulfill compensation obligations or conduct layoffs without meaningful negotiations (Countouris & Orlandini, 2020).

Analysis of Justice, Legal Certainty, and Utility in Efficiency-Based Layoffs

Efficiency-based layoffs have become one of the most controversial issues in labor law because they place employers' economic interests in direct tension with workers' rights protection. Companies generally justify workforce reductions as necessary measures to maintain productivity, reduce operational costs, and preserve business sustainability in increasingly competitive economic environments. However, such layoffs frequently create legal disputes and social consequences because workers lose employment, income, and social security as a result of corporate restructuring policies (Supiot, 2020).

Efficiency-based layoffs constitute a major issue within contemporary labor law because they involve a conflict between employers' economic interests and workers' rights protection. In industrial relations, layoffs undertaken for efficiency reasons are commonly justified as necessary strategies for maintaining business sustainability, improving competitiveness, and adapting to economic or technological transformation. However, such dismissals often generate legal disputes and social consequences because workers become the primary parties affected by corporate restructuring policies (Arthurs, 2020).

1. Justice in Efficiency-Based Layoffs

Justice is a central principle within labor law because employment relationships inherently involve unequal bargaining positions between employers and workers. Employers possess greater economic resources and managerial authority, whereas workers depend upon wages and continued employment to sustain their livelihoods (Kahn-Freund, 2020). From the perspective of distributive justice, efficiency-based layoffs often create inequality because workers bear the primary burden of economic restructuring while employers continue benefiting from reduced labor costs and increased efficiency. In many situations, companies implement layoffs not because of bankruptcy or severe financial losses but to improve competitiveness and maximize profitability (Weil, 2019).

Justice also requires that layoffs be conducted through fair procedures and accompanied by adequate protection for affected workers. Indonesian labor law provides severance pay and compensation rights for employees dismissed due to efficiency reasons. In addition, efficiency-based layoffs often generate broader social injustice. Unemployment resulting from mass layoffs may lead to poverty, social exclusion, psychological distress, and declining living standards among workers and their families (Stefano, 2019).

Procedural justice is equally important in the regulation of layoffs. Workers and labor unions should be involved in consultation and negotiation processes before termination decisions are implemented. Comparative industrial relations studies indicate that worker participation mechanisms improve transparency and reduce industrial conflict during restructuring processes (Adams & Harcourt, 2020). Efficiency-based layoffs frequently raise questions concerning distributive justice because the burden of economic restructuring is often imposed disproportionately upon workers. Companies may conduct workforce reductions to minimize labor costs, increase productivity, or maximize profits even when financial conditions remain relatively stable (Dukes & Streeck, 2020).

2. Legal Certainty in Efficiency-Based Layoffs

Legal certainty refers to the existence of clear, consistent, and predictable legal rules governing employment termination. In labor law, legal certainty is necessary to ensure that both employers and workers understand their rights and obligations regarding layoffs (Raz, 2019). One of the main problems within Indonesian labor law is the absence of a

clear legal definition regarding “company efficiency.” Existing labor regulations recognize efficiency as a legitimate ground for termination but do not establish objective standards concerning the conditions under which efficiency-based layoffs may lawfully occur (Langille & Davidov, 2018).

Judicial inconsistency further weakens legal certainty within layoff disputes. Industrial Relations Courts often issue differing decisions concerning the evidence required to justify efficiency-related termination (Ford & Novitz, 2020). The enactment of Law Number 6 of 2023 concerning Job Creation also produced significant debate regarding legal certainty. Labor reforms simplified dismissal procedures and modified compensation arrangements in order to create a more flexible labor market environment.

3. Utility in Efficiency-Based Layoffs

Utility concerns the extent to which legal rules contribute to economic development, social welfare, and public benefit. In labor law, the principle of utility requires balancing economic efficiency and business sustainability with workers’ welfare and social stability (Pound, 2019). From an economic perspective, efficiency measures may indeed produce certain benefits. Workforce restructuring can reduce operational expenses, improve productivity, and enable companies to adapt to technological transformation and global competition (Koukiadaki & Tountopoulos, 2021). However, the utilitarian justification for layoffs becomes problematic when the social costs imposed upon workers and society outweigh the economic benefits gained by employers. Mass layoffs frequently increase unemployment, poverty, and social inequality while weakening purchasing power and economic stability (Standing, 2021).

In practice, the implementation of efficiency-based layoffs often differs from the normative framework prescribed by labor legislation. Although employers are legally required to conduct bipartite negotiations before termination, many disputes submitted to Industrial Relations Courts indicate that negotiations frequently function as procedural formalities rather than genuine efforts to avoid dismissal. Moreover, workers often encounter difficulties in obtaining severance payments, particularly when companies experience financial distress or insolvency.

The principle of utility therefore requires labor law to create a balanced approach between economic flexibility and social protection. Excessive labor deregulation may generate short-term business advantages but undermine long-term industrial stability by increasing employment insecurity and industrial conflict (Hepple, 2019). International labor standards emphasize that workforce restructuring should be accompanied by social protection measures such as unemployment assistance, retraining programs, and workforce reintegration mechanisms.

CONCLUSION

Mass layoffs resulting from company efficiency policies remain one of the most controversial issues in Indonesian labor law because they involve a direct tension between corporate economic interests and the protection of workers’ rights. This study demonstrates that although Indonesian labor law recognizes efficiency as a legitimate ground for termination of employment, the existing regulatory framework still suffers from significant legal ambiguity regarding the meaning and indicators of company efficiency. As a consequence, efficiency-based layoffs frequently generate disputes concerning procedural fairness, severance entitlements, and the adequacy of legal protection afforded to affected workers.

From the perspectives of justice, legal certainty, and legal utility, the current legal framework has not yet achieved an optimal balance between labor protection and business flexibility. While labor law reforms introduced through Law Number 6 of 2023 concerning

Job Creation have sought to improve investment attractiveness and labor market adaptability, these reforms have simultaneously raised concerns regarding the weakening of workers' bargaining positions and the expansion of managerial discretion in termination decisions.

The scientific contribution of this research lies in its integrated legal analysis of efficiency-based mass layoffs through the three fundamental objectives of law, namely justice, legal certainty, and utility. Unlike previous studies that generally focus on labor protection, severance compensation, or labor market flexibility as separate issues, this study offers a comprehensive framework for evaluating whether efficiency-based layoffs are legally justified and socially acceptable within the Indonesian industrial relations system. The research also highlights the absence of objective legal indicators for determining the legitimacy of efficiency-based dismissals, which constitutes an important gap in Indonesian labor regulation.

The claimed novelty of the study remains insufficiently substantiated. Although the manuscript argues that its contribution lies in integrating the perspectives of justice, legal certainty, and utility, the conclusions do not clearly identify any original findings, theoretical advancements, or policy implications that distinguish this research from existing scholarship on efficiency-based layoffs. The integrated framework appears more as an organizational structure than as a source of new analytical insights. To strengthen the manuscript's contribution, the author should explicitly demonstrate how the combined application of these three legal objectives produces conclusions that could not be reached through conventional labor law analyses.

Based on these findings, several policy recommendations are proposed. First, legislators should revise labor regulations by establishing clear and measurable legal indicators of company efficiency, including financial distress criteria, operational restructuring requirements, technological transformation benchmarks, and mandatory evidence demonstrating that layoffs constitute a last-resort measure. Second, employers should be legally required to exhaust alternative measures before conducting mass layoffs, such as work-sharing arrangements, retraining programs, internal redeployment, or temporary reductions in working hours. Third, the government should strengthen supervision of efficiency-based layoffs through stricter administrative review mechanisms and enhanced involvement of labor inspectors. Fourth, Indonesia may consider adopting comparative regulatory practices from countries such as Germany, Japan, and France, where efficiency-based layoffs are subject to objective standards, mandatory consultation procedures, and social mitigation measures. Finally, social protection programs, including unemployment benefits, retraining assistance, and workforce reintegration schemes, should be further strengthened to minimize the adverse socio-economic consequences of mass layoffs.

Accordingly, future development of Indonesian labor law should not merely prioritize economic efficiency and investment competitiveness but must also ensure legal certainty, social justice, and effective protection of workers' constitutional rights within industrial relations.

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