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Analysis of Factors Triggering Termination of Employment (Layoffs) from the Perspective of Human Resource Management

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Abstract
Termination of employment (layoffs) is an issue in the labor sector that can arise from various factors, originating from either the company or the workforce. Layoffs may be triggered by a company's economic situation, declining productivity, changes in organizational structure, technological advancements, operational efficiency requirements, or violations of company policy. This study aims to analyze the factors that trigger the termination of employment from the perspective of Human Resource Management (HRM). A qualitative descriptive research method was employed, utilizing a literature review approach—collecting and analyzing information from various sources, such as books, scholarly journals, and relevant articles. The findings indicate that layoffs are not solely caused by internal company factors but are also influenced by external factors, such as economic conditions, business competition, and shifts in the industrial environment. From an HRM perspective, the termination process must be managed professionally, transparently, and in compliance with applicable laws and regulations. Consequently, companies should implement appropriate human resource management strategies, enhance employee competencies, and optimize workforce planning to minimize the risk of layoffs.

INTRODUCTION

Human resources are one of the key factors in the success of a company or organization. Employees play a major role in carrying out operations, increasing productivity, and achieving company goals. Therefore, human resource management needs to be carried out effectively and professionally so that the company can maintain the quality of its workforce and create a productive work environment. According to Gary Dessler (2020), human resource management is the process of acquiring, training, appraising, and compensating employees, while also attending to labor relations, health and safety, and fairness for workers.

In practice, human resource management does not always go as expected. Companies often face various problems, such as declining revenue, rising operational costs, business competition, technological change, and decreasing work productivity. These conditions can influence company policies in managing the workforce, including the decision to carry out Termination of Employment (layoffs). A layoff is the end of the employment relationship between a company and a worker or employee that may occur for certain reasons in accordance with laws and regulations.

Termination of Employment (layoffs) is an important issue in the world of labor because it affects both companies and employees. For companies, layoffs are sometimes considered a necessary step to maintain financial stability, improve efficiency, and adjust the size of the workforce to organizational needs. For employees, on the other hand, layoffs can have various impacts, such as loss of employment, reduced income, family economic instability, and difficulty in finding new work.

According to the Government of the Republic of Indonesia (2021) through Government Regulation Number 35 of 2021, there are various reasons that can lead to layoffs, including the company carrying out efficiency measures, suffering losses, experiencing force majeure, being declared bankrupt, undergoing a merger or acquisition, and violations of the provisions of the employment agreement. The regulation also governs the procedures for carrying out layoffs and the fulfillment of workers' rights after the termination of employment. Besides factors originating from the company, layoffs can also be influenced by factors related to employees. Some of these are low levels of discipline, violations of company rules, a mismatch between competencies and job requirements, low performance, and employees' inability to adapt to changes in the work environment. However,

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these factors need to be analyzed objectively so that companies do not make decisions that harm either employees or the organization.

From the perspective of Human Resource Management (HRM), the issue of layoffs deserves attention because it is related to workforce planning, performance appraisal, competency development, industrial relations, and company policy. According to Gary Dessler (2020), human resource management is concerned not only with recruiting and training employees but also with performance appraisal, compensation, and the maintenance of working relationships. Accordingly, companies need to apply appropriate HR management so that various labor problems can be minimized. Therefore, an analysis of the factors that trigger Termination of Employment (layoffs) is very important. This analysis aims to identify the various causes of layoffs, whether they originate from internal company factors or external factors, as well as factors related to employee performance and behavior. In addition, this discussion is expected to provide an understanding of how companies should manage layoff policies based on the principles of Human Resource Management and the applicable labor laws.

METHOD

This study uses a qualitative method with a literature study (library research) approach, that is, a data collection technique whose main focus is the use of books or other literature. According to (Zed, 2014), it is a series of research activities concerning library data collection methods, followed by reading, note-taking, and processing the research materials. The data collected through the literature study include the Definition of Termination of Employment (layoffs), Factors Triggering Termination of Employment, the Impact of Termination of Employment, the Employee Dismissal Process, and Efforts to Prevent Layoffs through Human Resource Management. Furthermore, Sugiyono (2018, in Sofiah et al., 2020) states that a literature study relates to theoretical examination through references concerning the values, culture, and norms that develop in the social situation being studied. From these two views, this library research does not involve direct field observation to meet respondents, because the data are obtained from library sources, namely books and documents that are read, noted, and analyzed.

RESULTS

Based on a review of various literature sources on Termination of Employment (layoffs), it was found that layoffs are a labor problem influenced by various factors, whether internal to the company, external to the company, or originating from the employees themselves. From the perspective of Human Resource Management (HRM), layoffs are related not only to the end of the employment relationship between the company and its employees but also to the condition of the organization, company policy, workforce productivity, and changes in the business environment.

The review shows that one of the main factors triggering layoffs is the company's internal condition, such as declining revenue, financial losses, rising operational costs, organizational restructuring, and workforce efficiency policies. In addition, external factors also influence the occurrence of layoffs, such as economic instability, inflation, business competition, changes in government policy, and declining market demand. These conditions can make it difficult for a company to sustain its operations, so that it reduces the number of employees.

In addition, layoffs can also be caused by employee performance and behavior factors, such as low productivity, indiscipline, violations of company rules, failure to achieve work targets, and a mismatch between competencies and job requirements. Technological development and digitalization are also among the factors affecting labor demand, because the use of automated machines and digital systems can replace some jobs that were previously done manually. Changes in business strategy and organizational restructuring can also lead to the elimination of positions or the reduction of staff in certain positions.

The review also shows that layoffs have a considerable impact on various parties. For employees, layoffs can cause loss of employment and income, declining economic welfare, and uncertainty in obtaining new work. For companies, layoffs can result in a loss of experienced workers, disrupted operations, and decreased motivation among the employees who remain. Meanwhile, for society, layoffs have the potential to increase unemployment and reduce public purchasing power.

In an effort to minimize layoffs, companies need to apply effective Human Resource Management strategies, such as improving employee competencies through training, conducting periodic performance evaluations, preparing workforce requirement plans, improving communication between the company and its employees, and aligning workforce capabilities with technological developments. Overall, the review shows that layoffs are a complex problem because they are influenced by various interrelated factors. Therefore, companies need to consider various aspects before making a layoff decision and give priority to solutions that can maintain the employment relationship in accordance with the applicable laws and regulations.

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DISCUSSION

A. Definition of Termination of Employment (Layoffs)

Termination of Employment (layoffs) is the end of the employment relationship between an employee and a company caused by certain factors, whether originating from the company or from the employee. In the context of organizational management, layoffs are often carried out as a strategic step by the company to adjust the size of the workforce to its operational needs (Maringan, N.2015).

Layoffs can occur for various reasons, such as a decline in company performance, changes in business strategy, organizational restructuring, or technological developments that affect labor requirements (Khoiri, M. A., Pane, P. N. S., Naya, N. P., & Hakim, L.2025). In the case of a global technology company such as Amazon, layoffs were carried out as part of a policy of organizational restructuring and operational efficiency amid the development of digital technology and the use of artificial intelligence (Azizah, S. N.2025).

B. Factors Triggering Termination of Employment (Layoffs)

Termination of Employment (layoffs) is a decision made by a company or by certain parties such as human resource development to be communicated to employees in the process of dismissing them or ending their employment relationship with the company. Humans play an important role in a company; if a company wishes to dismiss employees, it must have certain reasons or factors for the termination, and the dismissal must follow the procedures or agreements that have been mutually agreed upon.

In this regard, there are five factors that influence the termination of employment in a company, namely:

1. The COVID-19 pandemic

At the end of 2019, an outbreak of disease caused by the coronavirus, commonly known as COVID-19, began to emerge. COVID-19 was first detected in Wuhan, Hubei Province, China, and in 2020 it caused major problems around the world, especially in Indonesia, where it greatly affected the world of work. At that time, many companies reduced their employees because it had become government policy to reduce the spread of the virus. The coronavirus thus became one of the factors in the termination of employment.

2. Personal factors

Personal factors are usually influenced by the age of workers who have reached retirement age; this is one of the factors in the termination of employment.

3. Company culture

Company culture is shaped by cultures that vary between companies, and there are usually some workers who do not fit that culture and eventually choose to leave the job.

4. Collective job satisfaction

Dissatisfaction among workers is usually caused by the level of comfort in the company; for example, a rigid company leader and a toxic environment cause employees to choose to quit their jobs. Collective job satisfaction usually has its own drawbacks for workers who prefer to work alone; sometimes there are workers who rely on someone else to complete their work, so it is better to work on something individually than to work together.

5. Prevention of high employee turnover

The prevention of high employee turnover is usually caused by an excess number of employees working in the company; therefore employee turnover takes place in order to reduce the number of workers, and workers who are past a certain age must be replaced by younger workers, because younger workers usually have high enthusiasm for realizing what they have set out to achieve. Therefore, termination of employment for employee turnover is used to select employees who should already have retired or whose working age has run out in a company.

So, with regard to these factors we must know how to respond to them. The way to respond to the factors that influence termination of employment is that the company must take a firm stance or decision regarding Termination of Employment (layoffs). If a company wishes to terminate employment, it must meet the requirements based on regulation (Law No. 11 of 2020, Article 154A). Not only the company; employees too can usually terminate the employment relationship because they feel uncomfortable at the company or because of other influencing factors. In this case the company must take a firm stance regarding Termination of Employment (layoffs). If a company wishes to terminate employment, the employee must meet the requirements based on regulation (Law No. 11 of 2020, Article 154A).

Internal Organizational Factors

Every organization that carries out terminations of employment does not do so without a clear reason. Often, pressure from within the organizational structure itself is the main trigger. One of the most frequently heard factors is a declining financial situation of the company. When revenue is no longer sufficient to cover operating costs, reducing the number of employees becomes the cost-saving option that has the fastest tangible effect on the financial statements.

Besides financial problems, operational efficiency is also a major concern. A company that feels it has more employees than it should, for example because of overlapping duties or ineffective departments, will be driven to rationalize its workforce. In this case, termination of employment is not a sanction but a strategy to simplify the

organizational structure.

Employee performance that is continuously below standard can also result in the termination of the employment relationship. Even so, ideally such a decision is not taken suddenly; companies usually issue a series of warning letters before finally ending the cooperation. In addition, changes in business strategy and organizational restructuring also play an important role. When a company chooses to change its business focus, merge with another company, or eliminate certain divisions, the need for labor changes significantly.

External Factors

Besides internal factors, conditions outside the organization are often a cause of layoffs worth noting. Macroeconomic situations, such as recession, high inflation, or exchange rate fluctuations, significantly affect consumer purchasing power and company profits. When purchasing power falls, demand for goods or services also decreases, so companies must scale down their operations (Fadilah and Nugroho, 2021).

Technological progress, especially in automation and artificial intelligence, is an increasingly important external factor in the era of Industry 4.0. Many routine jobs that were previously performed by humans can now be done by machines or computer programs at a much lower cost. This situation indirectly leads to rising layoffs in various sectors, especially manufacturing, retail, and financial services (Fajar, 2024 in Faidhah et al., 2024).

Increasingly fierce competition in the business world must also be taken into account. When competitors succeed in lowering production costs more efficiently, companies that cannot keep up are forced to make cuts, including reducing the number of employees. In addition, government policies such as increases in the minimum wage, changes in labor regulations, or the introduction of new taxes can also influence a company's decisions regarding the number of workers it needs.

C. Impact of Termination of Employment

According to Zaeni Asyhadi (2007), termination of employment has psychological, economic, and financial effects on workers/laborers. These effects include the following:

1. As a result of termination of employment, workers/laborers lose their livelihood.
2. Finding new work as a replacement requires them to spend a great deal of money.
3. They lose the cost of living for themselves and their families before obtaining new work as a replacement.

The consequences of layoff disputes are always related to the fulfillment of workers' rights, compensation or severance pay, and the employer's obligation to meet those obligations. Fulfilling severance pay and other matters related to workers' rights when they are laid off is a crucial matter for workers. This is because layoffs make workers' economic situation uncertain. Therefore, considering the length of service and the benefits the company has obtained from a person's hard work, it is entirely appropriate for workers to receive severance pay. It is therefore only natural for the government to intervene, not only to protect workers' rights but also to take into account the company's financial capacity by providing regulations based on standards, both national and international.

D. Employee Dismissal Process

The dismissal of employees should truly be based on regulations, so that it does not give rise to conflict or lead to losses for both parties, the company and the employee. The following are several ways of carrying out the employee dismissal process.

1. If the company, for various reasons, wishes to dismiss an employee, the following must first be pursued:
   a. Hold deliberation between the employee and the company.
   b. If the deliberation reaches a deadlock, the last resort is through the court or the authorized agency that decides such cases.
2. Employees who commit serious violations may be handed directly to the police for further processing without first requesting permission from the relevant authorized agency.
3. Employees who are about to retire may be processed in accordance with regulations. Likewise, employees who are going to resign, or who leave at their own request, are governed by company regulations and laws and regulations.

E. Efforts to Prevent Layoffs through Human Resource Management

Termination of Employment (layoffs) is a labor problem that every company needs to pay attention to. To reduce the risk of layoffs, companies need to apply Human Resource Management (HRM) strategies effectively and in a planned way. HR management is not only responsible for regulating labor requirements but also for improving the abilities, productivity, and welfare of employees so as to support the company's sustainability.

According to Gary Dessler (2020), human resource management encompasses various activities, such as recruitment, training, performance appraisal, compensation, and the management of working relationships. These activities play an important role in creating a competent and productive workforce. Therefore, companies need to pay attention to employee development so that employees are able to face changing job requirements and the challenges of the business world.

Several efforts that companies can make to prevent layoffs are as follows:

1. Improving Employee Competencies and Skills

Companies need to provide continuous training and skills development so that employees can improve their abilities in line with job requirements. With good competencies, employees can work more productively and adapt to technological developments and changes in work systems.

2. Conducting Periodic Performance Evaluations

Performance evaluation aims to determine the level of work achievement, discipline, and productivity of employees. Through such evaluations, companies can identify the problems employees face and provide direction, coaching, and improvement before making decisions related to layoffs.

3. Implementing Effective Workforce Planning

Companies need to plan their labor requirements so that the number of employees matches operational needs. Proper planning can avoid both excess labor and unbalanced distribution of tasks, so that the company can manage its human resources more efficiently.

4. Improving Communication between the Company and Employees

Good communication between management and employees can help prevent conflict in the work environment. Companies need to give employees the opportunity to express opinions, complaints, and suggestions so that problems can be resolved through deliberation and mutual agreement.

5. Managing Finances and Operational Efficiency

Companies need to manage their finances properly by reducing unnecessary expenditure, increasing production effectiveness, and optimizing the use of resources. These steps can help maintain the company's financial stability so that the need to reduce the workforce can be minimized.

6. Reassigning or Transferring Employees

If there are changes in the organizational structure or reduced labor needs in a certain department, the company can consider transferring employees to other departments that still need workers. This effort can help retain employees while adjusting to organizational needs.

7. Paying Attention to Employee Welfare and Motivation

Providing fair compensation, adequate work facilities, recognition of achievements, and a comfortable work environment can increase employee motivation and loyalty. Employees who feel valued tend to have better work enthusiasm and a greater sense of responsibility toward the company. Thus, preventing layoffs requires human resource management that is planned, effective, and sustainable. Companies should not make layoffs their main solution when facing economic or operational problems.

CONCLUSION

Based on the discussion presented above, it can be concluded that Termination of Employment (layoffs) is the end of the employment relationship between a company and its employees for certain reasons in accordance with the applicable provisions. Layoffs can be triggered by various factors, both internal and external to the company, such as financial conditions, operational efficiency, technological change, organizational restructuring, and employee performance and discipline problems. The implementation of layoffs must follow processes and procedures that comply with laws and regulations while respecting workers' rights. Layoffs also affect employees, companies, and society, particularly in economic, social, and psychological terms. Therefore, companies need to apply Human Resource Management (HRM) effectively through competency development, performance evaluation, workforce planning, good communication, and improved employee welfare.

Thus, the risk of layoffs can be minimized, and harmonious working relationships and the company's sustainability can be maintained. Based on the discussion presented above, it can be concluded that Termination of Employment (layoffs) is the end of the employment relationship between a company and its employees for certain reasons in accordance with the applicable provisions. Layoffs can be triggered by various factors, both internal and external to the company, such as financial conditions, operational efficiency, technological change, organizational restructuring, and employee performance and discipline problems.

The implementation of layoffs must follow processes and procedures that comply with laws and regulations while respecting workers' rights. Layoffs also affect employees, companies, and society, particularly in economic, social, and psychological terms. Therefore, companies need to apply Human Resource Management (HRM) effectively through competency development, performance evaluation, workforce planning, good communication, and improved employee welfare. Thus, the risk of layoffs can be minimized, and harmonious working relationships and the company's sustainability can be maintained.

RECOMMENDATIONS

Companies are expected to apply human resource management effectively by paying attention to the welfare, rights, and needs of employees. In addition, companies need to improve workforce competencies, conduct periodic performance evaluations, and give priority to resolving problems through communication and deliberation before making a layoff decision. In this way, layoffs can be minimized and harmonious working relationships can be maintained.

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