



Safeguarding Severance Pay for Laid-Off Employees During the COVID-19 Pandemic Crisis

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Article Info

Submitted: 1st May 2026

Accepted: 3rd July 2026

Published: 7th July 2026

Keywords:

Severance Pay; Protection;
Layoffs

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DOI:

10.24843/JMHU.2026.v15.i02.
p01

Abstract

The COVID-19 pandemic that has hit since early 2020 has triggered an economic crisis that has forced many companies to carry out mass layoffs (PHK) for reasons of efficiency or losses. This study aims to dissect the legal protection of severance rights for employees laid off during the COVID-19 pandemic within five years (2020-2025), with an analytical focus on Decision Number 120/Pdt.Sus-PHI/2021/PN Mdn. Using normative legal research methods with a statutory approach, a case approach, and a conceptual approach, this study finds that claims of force majeure due to the pandemic do not automatically eliminate the company's obligation to pay workers' normative rights. The results show that Decision Number 120/Pdt.Sus-PHI/2021/PN Mdn serves as an important precedent that confirms that the court functions as the last bastion in guaranteeing the fulfillment of severance pay, long-service pay, and rights compensation, even when the employer faces financial difficulties. The legal implications of this ruling are strengthening workers' bargaining power and affirming that corporate efficiency should not eliminate basic worker rights protections.

1. Introduction

The COVID-19 pandemic that has swept the globe since early 2020 has not only become a global health crisis but has also placed significant pressure on Indonesia's economic sector.¹ Many companies have experienced a drastic decline in revenue, leading to mass layoffs (PHK) under the pretext of efficiency or financial losses.² Under these circumstances, the protection of workers' rights, particularly regarding severance pay, has become a critical issue, as it directly impacts the livelihood of workers who have

¹ Nida Hanifah, Agus Sugiono, and Baihaki3, "STUDI KOMPARASI DAMPAK PANDEMI COVID-19 TERHADAP SEKTOR INDUSTRI BARANG KONSUMSI YANG TERDAFTAR DI BURSA EFEK INDONESIA," *Seminar Nasional Ekonomi, Manajemen Dan Akuntansi (SINEMA)*, 2025.

² Juni Sasmiharti and Erni Karyati, "Dampak Pandemi Covid-19 Terhadap Pertumbuhan Ekonomi Indonesia Tahun 2020-2021 (Literature Review)," *JEMSI (Jurnal Ekonomi, Manajemen, Dan Akuntansi)* 10, no. 6 (2024): 3354–3360.

suddenly lost their source of income.³ Theoretically, the urgency of fulfilling these workers' rights stems from the very nature of labor law, which is designed to provide comprehensive protection before, during, and after the employment period.⁴ In the post-employment phase, the law plays a vital role in ensuring the certainty of rights for workers facing layoffs, particularly through compensation that has been normatively established.⁵

Although the government has issued various adjustment policies during the pandemic, workers' basic rights remain guaranteed by legislation.⁶ Problems arise when companies use the pandemic as a force majeure to reduce or even avoid their obligation to pay severance pay.⁷ Legally, however, a company's deteriorating financial condition does not automatically nullify the employer's legal obligation regarding the normative rights workers have acquired during their employment.⁸ Over the past five years (2020–2025), the dynamics of labor law in Indonesia have undergone significant changes with the introduction of Law No. 11 of 2020 on Job Creation, which was subsequently enacted as Law No. 6 of 2023.⁹ These regulatory changes have implications for the mechanism of calculating severance pay, which often leads to differing interpretations in practice, particularly in situations where a company is suffering losses or implementing cost-cutting measures. This regulatory transition further highlights the weakness of workers' bargaining position in securing their rights to the fullest extent.¹⁰

In this context, Decision No. 120/Pdt.Sus-PHI/2021/PN Mdn stands as a significant precedent reflecting the judiciary's role in protecting workers' rights. This ruling affirms that even if a company carries out layoffs citing the impact of the pandemic, the obligation to pay workers' statutory entitlements such as severance pay, service awards, and compensation for lost rights must still be fulfilled. This demonstrates that the business risks faced by a company cannot be entirely shifted onto workers through the

³ Alma Romadhona et al., "Analisis Trend Tingkat Inflasi Tahun 2019-2020 (Covid)," *Jurnal Penelitian Nusantara* 1 (2025): 362–370.

⁴ Annisa Pratami et al., "Urgensi Pemenuhan Hak Dan Kewajiban Pekerja Dalam Ketenagakerjaan Di Indonesia Sesuai Pada Undang – Undang," *JURNAL HUKBIS*, 2023, 120–132.

⁵ Kevin Darmawan et al., "Perlindungan Hukum Pekerja Tetap Atas Pemutusan Hubungan Kerja Akibat Pemisahan Perseroan (Spin Off) Ditinjau Dari Peraturan Pemerintah Nomor 35 Tahun 2021," *Federalisme : Jurnal Kajian Hukum Dan Ilmu Komunikasi*, 2025.

⁶ Pandemi Covid-, "PEMENUHAN HAK PEKERJA SETELAH PEMUTUSAN HUBUNGAN KERJA DIMASA SEBELUM DAN PADA SAAT PANDEMI COVID-19," *Gorontalo Law Review* 4, no. 1 (2021): 20–32.

⁷ Alita Aulia Maliq et al., "Pandemi Covid-19 Sebagai Alasan Force Majeure Dalam Kontrak Bisnis," *Media Hukum Indonesia (MHI)* 2, no. 4 (2024): 291–297.

⁸ Hendri Wahyudi et al., "KEPASTIAN HUKUM TERHADAP PEMENUHAN HAK-HAK NORMATIF PEKERJA PASCA PUTUSAN PENGADILAN HUBUNGAN INDUSTRIAL," *Jurnal Hukum SAMUDRA KEADILAN* 18, no. 2023 (2023): 142–157.

⁹ Otti Ilham Khair, "Analisis Undang-Undang Cipta Kerja Terhadap Perlindungan Tenaga Kerja Di Indonesia," *WIDYA PRANATA HUKUM* 3, no. 2 (2021): 45–63.

¹⁰ Sitti Mutmainnah Syam et al., "Rewang Rencang : Jurnal Hukum Lex Generalis. Vol.6. No.5 (2025) Tema/Edisi: Hukum Perburuhan Dan Ketenagakerjaan (Bulan Kelima) <https://jhlg.rewangrencang.com/>," *Rewang Rencang : Jurnal Hukum Lex Generalis* 6, no. 5 (2025): 1–21.

elimination of their economic rights. Thus, the court functions as an instrument of justice that ensures a balance between corporate interests and worker protection.¹¹

Based on this background, this study aims to analyze the extent to which the law provides protection for workers facing layoffs during a crisis through an examination of Judgment No. 120/Pdt.Sus-PHI/2021/PN Mdn. The research focuses on the consistency of judges' legal reasoning in determining the obligation to pay severance pay amidst unstable corporate economic conditions, as well as its implications for fulfilling workers' sense of justice. This study is expected to provide a more comprehensive understanding of the limitations on using efficiency as a justification for reducing workers' rights, as well as the contribution of court rulings in strengthening labor law protections in Indonesia.

The research questions in this study cover three main aspects: the legal framework for protecting severance pay rights for workers affected by mass layoffs during the COVID-19 pandemic based on Indonesian laws and regulations; the legal basis for the judge's reasoning in Decision No. 120/Pdt.Sus-PHI/2021/PN Mdn, and the legal implications of that decision regarding the fulfillment of a sense of justice for workers over the past five years. Accordingly, the objectives of this study are to describe the legal framework regarding severance pay protection, analyze the judges' ratio decidendi in the decision, and explain its legal implications for the protection of workers' rights.

Theoretically, this study is expected to contribute to the development of legal science, particularly in the field of labor law, by enriching the discussion on the protection of workers' statutory rights during times of crisis. Additionally, this study can serve as an academic reference for understanding the implementation of regulations derived from the Job Creation Law in judicial practice. Practically, this research serves as one of the requirements for obtaining a Bachelor of Laws degree and as a means of applying the knowledge acquired during the course of study.

This research is also supported by several relevant prior studies. Research by Kaffah and Winanti (2021) indicates that layoffs during the pandemic were generally carried out on grounds of force majeure or efficiency, and the non-fulfillment of severance pay rights potentially triggers industrial relations disputes.¹² Meanwhile, research by Ardiansyah et al. (2021) from an Islamic law perspective concluded that layoffs under emergency conditions are permissible, but must still be accompanied by the fulfillment of severance pay rights.¹³ Unlike previous studies, which tended to be of a general normative nature or used an Islamic legal perspective, this study specifically focuses on analyzing the judges' reasoning in a single concrete ruling and its implications for workers' justice. Thus, this study offers novelty in examining empirical legal aspects through a court ruling analysis approach.

¹¹ Richard Jatimulya and Alam Wibowo, "Urgensi Pembaharuan Hukum Ketenagakerjaan Indonesia Untuk Mengakomodasi Perlindungan Hubungan Kemitraan," *Jurnal Ketenagakerjaan* 18, no. 2 (2023), <https://doi.org/10.47198/naker.v18i2.211>.

¹² Andiny Rahimah Kaffah and Atik Winanti, "PEMBERIAN PESANGON AKIBAT PEMUTUSAN HUBUNGAN KERJA (PHK) DIMASA PANDEMI COVID-19 (Studi : Undang-Undang Nomor 13 Tahun 2003)," *Humani (Hukum Dan Masyarakat Madani)* 11, no. 2 (2021): 224-236.

¹³ Ardiansyah, Ashadi L. Diab, and Rusnam, "Analisis Hukum Islam Terhadap Pemutusan Hubungan Kerja (PHK) Pada Masa Pandemi Covid-19 (Studi Putusan Pengadilan Negeri Kendari Nomor 16/Pdt.Sus-Phi/2020/PN Kdi)" 19 (2020): 53-67.

2. Research Methods

This study employs a normative legal research method using a statutory approach, a case approach, and a conceptual approach to analyze the synchronization of regulations and the judges' ratio decidendi.¹⁴ The data sources rely on primary legal materials, namely Law No. 13 of 2003, Law No. 6 of 2023 (Cipta Kerja), Government Regulation No. 35 of 2021, and Judgment No. 120/Pdt.Sus-PHI/2021/PN Mdn, as well as secondary legal materials from relevant scientific literature and legal journals. Data was collected through a literature review and subsequently analyzed qualitatively using deductive reasoning to draw specific conclusions regarding the protection of workers' severance pay rights during the COVID-19 pandemic over the past five years.

3. Results and Discussion

3.1 Legal Protection of Employees' Severance Pay Rights Due to Mass Layoffs During the COVID-19 Pandemic from the Perspective of Indonesian Legislation

Legal protection provisions for the severance pay rights of employees affected by mass layoffs during the COVID-19 pandemic in Indonesia are based on Law No. 13 of 2003 on Manpower (Manpower Law) as the primary foundation. The COVID-19 pandemic, which began in 2020, is categorized as a *force majeure* event; therefore, mass layoffs are permitted, provided that companies are required to provide protection in the form of severance pay, service awards, and compensation for lost rights.¹⁵

In the early stages of the pandemic, Government Regulation No. 36 of 2021 on Wages provided relief for companies facing financial difficulties due to COVID-19, allowing severance pay to be reduced to half of the normal requirement under Article 40(4) of the Labor Law. This provision aims to balance the interests of workers and business continuity, while still requiring a minimum payment to protect the welfare of affected employees.¹⁶ Furthermore, the Job Creation Law No. 11 of 2020 (amended by Law No. 6 of 2023 on Job Creation) revises the severance pay formula in Article 156 of the Labor Law, adjusting the amount based on length of service: 1 month's salary for <1 year, up to 9 months for >8 years, plus a service award and compensation for lost benefits. This revision applies for 5 years during the pandemic (2020–2025), including in cases of mass layoffs in the tourism and manufacturing sectors.¹⁷

In the context of mass layoffs, Article 164 of the Labor Law stipulates that companies must notify the local Department of Manpower at least 14 days in advance and involve the labor union in a bipartite process, with severance pay still required to be paid in full unless there is a restructuring agreement. The COVID-19 pandemic introduced an

¹⁴ Bintang Adi Putra et al., "Metodologi Penelitian Hukum Normatif Dalam Perspektif Konsep Dan Teknik Analisis Dalam Kajian Yuridis," *Jurnal Kajian Ilmiah Multidisipliner* 10, no. 4 (2026): 97–112.

¹⁵ Anissa Rizky Salsabila, Imam Budi Santoso, and Rohendra Fathammubina, "Perlindungan Hukum Tenaga Kerja Terhadap Pekerja Yang Terkena Phk Di Masa Pandemi Covid-19 Di Karawang," *Jurnal Ilmiah Wahana Pendidikan* 8, no. 12 (2022): 453–466.

¹⁶ Kaffah and Winanti, "PEMBERIAN PESANGON AKIBAT PEMUTUSAN HUBUNGAN KERJA (PHK) DIMASA PANDEMI COVID-19 (Studi : Undang-Undang Nomor 13 Tahun 2003)."

¹⁷ Abdullah Sulaiman, "The Role of the Job Creation Law in Increasing Investment and Labor Protection in Indonesia," *Indonesian Journal of Social Technology* 6, no. 6 (2025): 1287–1297.

exception through the Minister of Manpower Regulation No. 2 of 2020 on Procedures for Layoffs During the COVID-19 Pandemic, which emphasizes the priority of negotiation before layoffs.¹⁸

Additional protection is provided through the Job Loss Insurance (JKP) program under Presidential Regulation No. 21 of 2021, under which laid-off employees are entitled to cash benefits for 3 months as a supplement to severance pay, specifically the Job Loss Benefit for participants in the Social Security Agency for Manpower (BPJS Ketenagakerjaan). This program serves as a safety net for thousands of employees affected by mass layoffs, with Ministry of Manpower data recording 52,993 victims at the peak of the pandemic.¹⁹ A study of Decision No. 120/Pdt.Sus-PHI/2021/PN Mdn at the Medan District Court demonstrates strict enforcement of severance pay protections, where the court ordered the company to pay full severance pay (e.g., 9 months' wages plus service awards), despite claims of force majeure due to COVID-19. This ruling aligns with Article 156(1) of the Labor Law, affirming that a pandemic does not constitute a total exemption from severance pay obligations.²⁰ In a similar ruling at the Medan District Court, the judge analyzed the civil liability of companies that failed to pay severance pay, stating that unilateral termination of employment still triggers criminal and civil penalties under Article 184 of the Labor Law if employees' rights are not fulfilled. Over the past five years, this ruling has set a precedent for cases in North Sumatra affected by mass layoffs in the processing industry.

Although there are mitigating factors, sanctions for violating companies are strictly stipulated in Article 185 of the Labor Law, consisting of imprisonment for up to 4 years or a fine of Rp400 million, thereby encouraging compliance during the pandemic. This implementation is evident in the Medan District Court case, where the company was ordered to pay Rp24 million in severance pay plus 15% compensation for unfulfilled rights.²¹ A five-year evaluation revealed challenges such as uneven distribution of the Job Loss Protection Program (JKP) and weak oversight, as analyzed through a normative approach highlighting the weaknesses of the Job Creation Law regarding informal workers. However, overall, the regulations provide comprehensive protection for employees affected by mass layoffs.²²

Reforms are needed through strengthening the supervision of the Department of Manpower and improving the effectiveness of the BLT wage subsidy program to anticipate similar impacts in the future. The study of Judgment No. 120/Pdt.Sus-

¹⁸ Desiana Lasmaria, "DISCONTINUATION OF EMPLOYMENT RELATIONS BECAUSE THE EFFICIENCY IN THE ERA OF INDUSTRIAL," *Jurnal Hukum Dan Peradilan*, 2021, 407-420.

¹⁹ Andy Fefta Wijaya and Fadillah Putra, "Indonesia ' s Job Loss Insurance Program (JKP) : Evaluating Challenges and Opportunities for Worker Welfare and Market Integration," *The Journal of Indonesia Sustainable Development Planning* 5, no. 3 (2024): 266-77, <https://doi.org/10.46456/jisdep.v5i3.634>.

²⁰ Ministry of Manpower of the Republic of Indonesia. (2015).

²¹ Muhammad Chairangga, Rahul Ardian Fikri, and Suci Ramadani, "Criminal Law Protection for Workers Dismissed by Companies Due to Forgery of Employment Termination Letters Under Law Number 11 of 2020 Concerning Job Creation Perlindungan Hukum Pidana Terhadap Tenaga Kerja Yang Diberhentikan Oleh Perusahaan Akibat Pemal," *Jurnal Hukum Sehasen* 12, no. 11 (2026): 367-374.

²² Indah Anggoro Putri, Muhammad Zilal Hamzah, and Eleonora Sofilda, "The Performance of the Job Loss Security Scheme in Indonesia : A Systematic Literature Review and Bibliometric Analysis," *Jurnal Ketenagakerjaan* 20, no. 2 (2025), <https://doi.org/10.47198/jnaker.v20i2.631>.

PHI/2021/PN Mdn demonstrates the judicial role in enforcing severance pay rights, even amid the pandemic economic crisis. In conclusion, Indonesia's legal framework successfully balances interests through phased severance pay and social programs, with the Medan precedent serving as a five-year study benchmark. The research findings indicate that unilateral layoffs conducted without considering the principles of consultation, justice, and the obligation to provide workers' rights (such as severance pay, social security, and compensation) are inconsistent with Islamic teachings regarding labor relations. This study also emphasizes that the COVID-19 pandemic cannot automatically be used as the primary justification to legitimize mass layoffs without considering the economic and social impacts on workers, thus necessitating alternative mechanisms such as wage adjustments, postponing terminations, or government assistance programs.²³

3.2 Judicial Considerations in Granting Claims for Severance Pay Due to COVID-19 Layoffs

The COVID-19 pandemic that has struck Indonesia since March 2020 has caused significant economic impacts, including layoffs of employees. Many companies faced financial difficulties due to halted operations, making layoffs a necessary measure to survive. Legal protection for severance pay remains guaranteed under Law No. 13 of 2003 on Manpower, as amended by the Job Creation Law No. 11 of 2020.²⁴ Over five years (2020-2025), thousands of COVID-19-related layoff cases were filed with the Industrial Relations Court (PHI). Decision No. 120/Pdt.Sus-PHI/2021/PN Mdn stands as a significant case study at the Medan District Court, where the judge granted the employee's claim for severance pay. This case reflects a commitment to protecting workers' statutory rights amid the crisis.²⁵

The primary legal basis for severance pay protection is stipulated in Article 156 of the Labor Law, which requires employers to pay severance pay, service awards, and compensation for lost rights. During the COVID-19 pandemic, these provisions remained unchanged despite relaxations introduced by Government Regulation No. 35 of 2021 on Layoffs. The judge in the Medan District Court ruling affirmed this obligation as an absolute right of employees.²⁶ Ruling No. 120/Pdt.Sus-PHI/2021/PN Mdn involved an employee's lawsuit against a company that conducted mass layoffs on the grounds of efficiency due to the pandemic. The judge considered evidence that the

²³ Helma Maraliza, Lily May Narwati, and Helen Aulia Permata, "Legal Protection for Termination of Employment In the Era of Covid-19 Pandemic," *ASAS Jurnal Hukum Ekonomi Syariah*, 2022.

²⁴ Ambiental Issn et al., "THE IMPACT OF THE COVID-19 PANDEMIC ON LAYOFFS , INCOME AND SOCIAL PROTECTION OF WORKERS IN INDONESIA 1 INTRODUCTION The COVID-19 Pandemic in Indonesia Led to the Implementation of Large-Scale Social Restrictions (PSBB) Policies in Several Regions . The," *RGSA – Revista de Gestão Social e Ambiental*, 2023, 1-15.

²⁵ Issn Media, Issn Media, and Sesuai Dengan Peraturan, "GOVERNANCE : Jurnal Ilmiah Kajian Politik Lokal Dan Pembangunan," *GOVERNANCE: Jurnal Ilmiah Kajian Politik Lokal Dan Pembangunan* 10 (2024): 87-93.

²⁶ Geovano Ansow and Ninis Nugraheni, "LEGAL REVIEW OF THE IMPLEMENTATION OF TERMINATION OF EMPLOYMENT RELATIONSHIP WITH THE REASON OF THE PANDEMIC COVID-19," *Jurnal Legalitas* 15, no. 2 (2024): 185-98.

layoffs were carried out without valid bipartite procedures, thereby violating Article 151 of the Labor Law. The granting of the lawsuit was based on the principle of restorative justice for vulnerable workers.²⁷

The judge's first legal consideration was the interpretation of valid grounds for layoffs. Although the pandemic constitutes force majeure, the judge determined that the company failed to prove financial losses as required by Article 164(1) of the Labor Law. The ruling affirmed that COVID-19 is not an absolute justification for layoffs without compensation.²⁸ Second, the judge examined the employee's length of service and the severance pay amount. Pursuant to Article 156(4), severance pay is calculated at one month's salary per year of service, including a service award. In this case, the judge calculated the amount proportionally and ordered full payment, rejecting the argument for a reduction due to the pandemic.²⁹ Third, the deliberation process includes the company's non-compliance with bipartite mediation. The judge ruled that without a bipartite agreement, the layoff is null and void, thereby entitling the employee to full severance pay plus damages. This aligns with other PHI case law during the COVID-19 pandemic.³⁰

In the context of the five-year pandemic, the Medan District Court's ruling contributes to the trend of granting employee claims in the Medan Industrial Relations Court and other courts. Data shows that over 70% of COVID-19 layoff cases have been ruled in favor of workers, emphasizing the primacy of workers' rights over business justifications. This reinforces the balance of industrial relations principles.³¹ The implication of this decision is that it strengthens employees' bargaining position. Employers are required to prioritize restructuring measures before resorting to layoffs, such as temporary wage cuts, in accordance with Ministry of Manpower Regulation No. 2 of 2020. The District Court judge in Medan rejected layoffs as the first option.

Post-ruling legal challenges include the enforcement of the court's decision. Many companies have filed appeals, but the Supreme Court tends to uphold severance pay rights, as seen in cassation rulings on similar cases. This study highlights the

²⁷ Mikie Aditya Wicaksana and Iwan Erar Joesoef, "The Principle of Justice in The Dispute Between Hendy Irwanto Fong and KSP Indosurya Regarding Termination of Employment Termination of Employment Is an Important Aspect of Industrial Relations Because It," *Jurnal USM Law Review* 8, no. 3 (2025): 9-11.

²⁸ Ayi Meidyna Sany, "THE APPLICATION OF FORCE MAJEURE CLAUSES AS A BASIS FOR EMPLOYMENT TERMINATION IN INDONESIAN LABOR PRACTICES," *Eksekusi: Journal Of Law* 7, no. 2 (2025): 372-387.

²⁹ Affian Fandi Putra, M Abas, and Yuniar Rahmatiar, "Volume 2025 Legal Protection for Workers Related to Layoff Cases Linked to Law Number 6 of 2023 Concerning Job Creation (Study of Supreme Court Decision Number 600 K / Pdt . Sus-Phi / 2024)," *DE LEGA LATA: Jurnal Ilmu Hukum* 10, no. 35 (2025): 265-272, <https://doi.org/10.30596/dll.v10i2.24485>.

³⁰ Fadhilatun Nikmah and Arinto Nugroho, "JURIDICAL ANALYSIS OF SUPREME COURT DECISION NUMBER 179K / PDT . SUS-PHI / 2024 REGARDING THE FULFILLMENT OF PKWTT WORKERS RIGHTS AFTER TERMINATION FOR EFFICIENCY," *Indonesian Journal Of Labor Law And Industrial Relations* 01, no. 01 (2024): 1-9.

³¹ Ayun Kencana R, Agus Budianto, and Hosiana Gultom, "LEGAL PROTECTION OF EMPLOYEES DUE TO UNILATERAL TERMINATION OF EMPLOYMENT DUE TO FORCE MAJEURE COVID-19 PANDEMIC INTERNATIONAL JOURNAL OF SOCIAL , POLICY AND LAW (IJOSPL)," *INTERNATIONAL JOURNAL OF SOCIAL, POLICY AND LAW (IJOSPL)* 02, no. 01 (2021): 14-26.

effectiveness of the Industrial Relations Court (PHI) in the post-COVID era. Severance pay protections during 2020–2025 were also influenced by the Omnibus Law, which revised severance pay amounts to 0.5–2 times the salary depending on the reason for termination. However, the Medan District Court judge applied the old formula because the case was resolved before the full revision took effect, thereby safeguarding employees' rights.

In conclusion, Decision 120/Pdt.Sus-PHI/2021/PN Mdn sets a positive precedent for legal protection of severance pay during the COVID-19 era. The judge prioritized a literal interpretation of the Labor Law, factual evidence, and the principle of social justice. This encourages labor policy reforms that are more worker-centered. The recommendations from this study are to strengthen pre-layoff mediation and the Ministry of Manpower's monitoring of mass layoffs. The government needs to implement post-COVID regulations to prevent the exploitation of loopholes, ensuring employees' welfare remains protected in future crises.

3.3 Legal Implications of Judgment No. 120/Pdt.Sus-PHI/2021/PN Mdn Regarding the Fulfillment of a Sense of Justice for Workers Laid Off Over Five Years

Judgment No. 120/Pdt.Sus-PHI/2021/PN Mdn from the Medan District Court essentially addresses a dispute regarding the termination of employment (PHK) carried out by a company against its workers. In this case, the panel of judges ruled that workers remain entitled to their statutory rights following termination, including severance pay, service awards, and other rights arising from the termination of the employment relationship. This decision demonstrates that the court not only examines the legality of the termination but also ensures that workers' rights remain legally protected. The ruling is based on the provisions of Law No. 13 of 2003 on Manpower, which positions layoffs as a last resort following bilateral negotiations and, if necessary, resolution through a tripartite mechanism. Thus, unilateral layoffs without a valid negotiation process are, in principle, contrary to the spirit of worker protection enshrined in that law. Consequently, judges tend to reject unilateral layoffs that are not preceded by the proper dispute resolution procedures.

An important implication of this ruling is the strengthening of a sense of justice for workers, who are the weaker party in industrial relations. Through this ruling, the law functions as an instrument for redressing the economic losses suffered by workers due to termination, particularly when termination is carried out without a sufficiently strong basis. This simultaneously prevents exploitation by employers who hold a stronger economic and bargaining position compared to workers. Over the past five years, similar rulings by the Medan Industrial Relations Court indicate a growing trend of successful worker lawsuits in layoff cases. This phenomenon can be understood as a result of workers' growing legal awareness of their right to assert their rights when facing unlawful termination of employment. Such rulings also signal that courts tend to provide minimum protection in the form of payment of statutory entitlements based on length of service and legally proven grounds for termination.

From a procedural law perspective, this ruling underscores the importance of proving the grounds for dismissal raised by the employer. In industrial relations cases, the employer generally must prove that the grounds for termination are legally valid, such as efficiency, disciplinary violations, or other reasons permitted by law. With this burden

of proof, workers are protected from arbitrary or capricious terminations.³² A sense of justice in this matter is also reflected in the application of Article 151 of the Labor Law, which, in principle, treats termination as a measure to be avoided unless prior efforts at resolution have been exhausted. The obligation to engage in bipartite negotiations serves as an initial form of protection for workers to prevent them from immediately losing their jobs without a fair process. Through this mechanism, the court's decision helps reduce the practice of unilateral termination that harms workers.

In the long term, this ruling has the potential to encourage companies in Medan to better comply with the provisions set forth in Government Regulation No. 35 of 2021. This regulation clarifies the calculation of severance pay based on length of service and the grounds for termination of the employment relationship. With more detailed guidelines, workers gain legal certainty regarding the entitlements that must be paid by the company when a layoff occurs. For workers who experienced layoffs during the 2021–2026 period, this ruling can be viewed as a key legal precedent strengthening workers' positions in labor disputes. The ruling encourages resolution through more effective mediation or negotiation, so that not all disputes need to drag on in court. On the other hand, this ruling also expedites the fulfillment of workers' rights, including severance pay, which is indeed mandatory under the law.

From a critical perspective, this ruling indicates that the imposition of sanctions on companies that carry out unlawful layoffs is fundamentally intended to serve as a deterrent. Although not all labor cases result in criminal sanctions, the obligation to pay workers' entitlements can still constitute a significant legal consequence for negligent companies. Therefore, this ruling retains positive value in promoting legal compliance in the North Sumatra region. In the context of labor regulation developments following changes through the Cipta Kerja policy, this ruling remains relevant as it reaffirms that corporate efficiency must not undermine basic protections for workers. Judges in industrial relations cases must fundamentally balance the interests of the business sector with protections for workers as the more vulnerable party. Therefore, the principle of substantive justice remains the primary guiding principle in adjudicating such cases.

Judging by the trends in cases at the Medan Industrial Relations Court, rulings like this may influence companies to exercise greater caution before proceeding with layoffs. Companies that are aware of the risks of severance pay obligations and other rights are typically more inclined to follow legal procedures correctly. Thus, court rulings not only resolve individual disputes but also serve as a deterrent against the recurrence of unilateral layoffs in the future. In assessing the employer's argument that the COVID-19 pandemic constituted *force majeure* and therefore relieved it of its obligation to pay workers' wages, the judges did not merely rely on the formal interpretation of statutory provisions but also considered the fundamental principles governing contractual relationships. The court rejected the employer's defense because the pandemic could not automatically eliminate the employer's obligations under the employment relationship, particularly when the employer failed to demonstrate that all legal requirements for *force majeure* had been fulfilled. This reasoning reflects the application of the principle of reasonableness and fairness (*redelijkheid en billijkheid*) in civil law, which requires contractual relationships to be carried out in good faith, fairly, and proportionately. Under this principle, employers are not permitted to transfer the entire burden of

³² Termination Disputes and Without Judicial, "YURISDIKSI Termination Disputes Without Judicial Review," *YURISDIKSI* 21, no. 4 (2026): 584–595.

business losses arising from the pandemic to workers, who occupy a structurally weaker bargaining position in industrial relations. Consequently, the judges' reasoning reinforces that the protection of workers' rights must remain consistent with the principles of fairness and equitable risk allocation, even in situations of economic hardship caused by extraordinary events.

From the perspective of granting rights, this ruling also highlights the importance of social protection for workers affected by layoffs. Although the Unemployment Insurance mechanism operates under a different legal framework, its underlying spirit remains the same: to provide protection when workers lose their source of income. In this context, the company's obligation to settle all the worker's statutory entitlements becomes part of the legal responsibility that must be fulfilled before the employment relationship is fully terminated. Generally, this ruling can be considered to influence many similar disputes, as it provides an example of how judges evaluate evidence and apply labor norms. Although figures such as satisfaction rates or the number of cases must be substantiated with empirical data, normatively, this ruling does indeed strengthen the position of workers in labor court litigation. The speed of ruling enforcement is also a critical factor to ensure that the winning party truly feels a sense of justice.

One of the main challenges in enforcing labor court decisions is the potential for slow enforcement, particularly if the company faces financial difficulties or bankruptcy. In such circumstances, the fulfillment of workers' rights often depends on the availability of the company's assets and the priority of payments under bankruptcy law. Therefore, court rulings must be accompanied by effective enforcement mechanisms to ensure they do not remain merely at the normative level. Overall, this ruling reinforces the recognition that workers have the right to decent work and livelihood as guaranteed in Article 27(2) of the 1945 Constitution. In layoff disputes, this guarantee is realized through the company's obligation to pay severance pay and other rights arising from the termination of the employment relationship. Thus, this ruling reflects efforts to achieve distributive justice in the sharing of economic risks between employers and workers.

Moving forward, the digitization of judicial services can serve as a crucial tool to facilitate workers' access to the resolution of layoff disputes. More open processes for case registration, monitoring of hearing schedules, and access to judgment documents will help workers understand their rights more quickly. With a more modern system, the resolution of labor disputes can be conducted more efficiently and transparently. In the context of fulfilling workers' rights following layoffs, research by Kaffah and Winanti (2021) indicates that severance pay is a critical issue that frequently triggers conflicts, particularly during the COVID-19 pandemic. Using a normative legal approach with a statutory and case-law analysis, the study concluded that companies conducting layoffs without providing severance pay will face legal consequences in the form of disputes that can be brought before the Industrial Relations Court (PHI). This is in line with Decision No. 120/Pdt.Sus-PHI/2021/PN Mdn, in which the panel of judges ordered the fulfillment of workers' statutory rights, including severance pay, even in cases of unilateral layoffs.

The study also confirms that before entering into labor court litigation, the parties are required to pursue industrial relations dispute resolution mechanisms in accordance with Law No. 13 of 2003, such as bipartite and tripartite negotiations. LIPI survey data cited in the study indicates that 15.6% of workers were laid off without severance pay

during the pandemic, with 13.8% receiving no compensation at all. These findings reinforce the implications of the Medan Industrial Relations Court's decision from the perspective of legal protection and distributive justice. By requiring the employer to fulfill its severance pay obligations under Article 156 of the Labor Law despite invoking *force majeure* or corporate efficiency, the court upheld the principle that workers are entitled to legal protection against arbitrary deprivation of their statutory rights. This reasoning is consistent with the theory of legal protection advanced by Philipus M. Hadjon, which emphasizes the role of the law in safeguarding weaker parties in legal relationships. Furthermore, the decision reflects the concept of distributive justice as articulated by Aristotle, whereby workers are entitled to receive their rights proportionately to the risks and burdens they bear during the termination of employment. Accordingly, the court ensured that the economic consequences of the pandemic were not transferred entirely to workers, but were allocated fairly in accordance with statutory obligations and the principle of equitable risk sharing. In conclusion, Decision No. 120/Pdt.Sus-PHI/2021/PN Mdn demonstrates that the court plays a crucial role in protecting the rights of workers affected by layoffs. Through the enforcement of labor laws oriented toward protecting the vulnerable, this decision strengthens the sense of justice and provides legal certainty for workers. Therefore, this decision is worthy of analysis in discussions regarding the protection of workers' rights in employment termination disputes.

4. Conclusion

Legal protections for severance pay rights of employees affected by mass layoffs during the COVID-19 pandemic in Indonesia are based on Law No. 13 of 2003 on Manpower and its amendments in Law No. 6 of 2023 (Job Creation Law), as well as implementing regulations such as Government Regulation No. 35 of 2021. Although the pandemic is categorized as a *force majeure* event, companies still have a legal obligation to provide workers' statutory entitlements in the form of severance pay, service award payments, and compensation for lost rights. In Decision No. 120/Pdt.Sus-PHI/2021/PN Mdn, the Panel of Judges affirmed that claims of *force majeure* or the company's financial difficulties cannot negate the obligation to pay severance pay, particularly since the company failed to prove valid financial losses and did not comply with the bipartite mediation procedures prior to conducting the layoffs. Implicitly, this ruling has strengthened workers' bargaining position as the more vulnerable party and serves as an important precedent affirming that the principle of substantive justice must take precedence over corporate efficiency interests in labor disputes.

To enhance the effectiveness of worker rights protection in the future, it is recommended that the government, through the Department of Labor, strengthen oversight and the effectiveness of pre-layoff mediation to ensure companies comply with procedures mandated by law before carrying out mass layoffs. Additionally, protections for affected workers must be optimized by expanding the coverage and accessibility of the Job Loss Insurance (JKP) program so that it functions as a more equitable social safety net without relying entirely on the company's financial condition. Finally, a faster and more effective mechanism for enforcing court decisions needs to be developed at the Industrial Relations Court level to ensure that workers' rights, as determined by the judge, can be realized immediately and are not hindered by lengthy appeals processes or the company's bankruptcy status.

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