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Analysis of the Impact of Termination of Employment on Employee Finances

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ABSTRACT

Companies can help their employees better manage their finances through employee benefits programs such as financial counseling and retirement planning assistance. These programs provide employees with the necessary knowledge and tools to make wise financial decisions, thereby improving their financial management capabilities and positively impacting their long-term financial well-being. A good and stable working relationship provides many financial benefits, such as income stability, additional benefits, and company support in professional development and financial management. This research uses a qualitative method with data collection based on a thorough literature search and literature sources. In addition, the psychological and emotional impact of layoffs also needs to be considered as it can threaten employees' quality of life and mental health. Therefore, it is important for companies and governments to provide support and assistance programs for employees affected by layoffs to help them recover and achieve financial stability and well-being in the future. Layoffs can have serious consequences including loss of income, cash flow disruption, debt, loss of social security and health insurance, and psychological distress. The negative impact of layoffs is not only limited to finances, but also includes stress, anxiety, depression and disruption of personal relationships. Therefore, it is important for companies and governments to work together to provide support and assistance programs to employees affected by layoffs.

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INTRODUCTION

The financial aspects of employees are greatly affected by the establishment of the employment relationship as the employment relationship defines the obligations and rights between the employee and the employer, which directly affects income, financial security and economic well-being. The type of contract employees receive in the employment relationship, whether it is permanent or

temporary, greatly affects the stability of their income. Employees with fixed contracts have a more stable income than employees with temporary contracts (Al et al., 2018).

The salary and compensation structure offered in the employment relationship also greatly affects the financial state of employees. A fair and competitive salary system with performance-based bonuses and incentives can increase employee motivation and productivity, thereby significantly increasing income. On the other hand, an unfair or non-transparent salary system can cause employees to become dissatisfied and lower their performance, which in turn has a negative impact on employee finances.

Employee training and development programs are usually part of a good working relationship. Companies gain long-term benefits from their investment in employee development because continuous training gives them the opportunity to improve their skills and opens up opportunities for future promotions and salary increases. This illustrates that working relationships that support professional development can strengthen employees' financial conditions (Wardah Latifah, 2023).

Employees can better manage their time and expenses if they have remote working options or flexible working hours. Employees who can work from home, for example, can save money on transportation and eating out, improving their financial well-being. To maintain a work-life balance, this flexibility is essential. It improves productivity and mental health as well as financial stability.

To establish stable and positive working relationships, a friendly and inclusive work environment is essential. If employees feel valued and supported by their employer, they tend to be more loyal and committed, resulting in lower turnover rates. This means that employees don't have to incur the cost of finding a new job or face periods of unemployment that hurt their finances. A good working environment helps companies remain financially stable.

Employee finances are also affected by good welfare and safety policies. These policies ensure that employees work in a safe workplace, which reduces the risk of workplace accidents that can lead to high medical costs and lost income. Ultimately, a safe working environment makes employees more relaxed and focused, which increases their productivity and income stability.

In addition, employees have the ability to better plan for long-term finances if they have a stable employment relationship. With a stable and predictable income, they can manage their budget more efficiently, prepare for children's education, buy a house, or prepare for retirement without worrying about financial uncertainty.

And companies can help their employees better manage their finances with employee wellbeing programs such as financial counseling or assistance in retirement planning. These programs give employees the knowledge and tools they need to make wise financial decisions. Employees can improve their financial management skills with this support, which will have a positive impact on their financial well-being in the long run.

Overall, it is important for companies to build and maintain positive, fair, and supportive employment relationships to ensure that employees are financially well off. A good and stable working relationship offers many financial advantages, such as income stability, additional benefits, and support from the company in professional development and financial management (Marsoit et al., 2017).

Based on the explanation above, we conducted a study on the problem of termination of employment, namely "Analysis of the Impact of Termination of Employment Relationships on Employee Finances".

RESEARCH METHODE

The research method used in this writing is a qualitative method with data collection methods based on a thorough literature search and library sources. Data collected from various sources, such as reports, textbooks, academic journals, and articles related to the topic discussed.

RESULT AND DISCUSSION

The finances of affected employees are greatly affected by layoffs or job support. Layoffs can typically lead to a significant drop in income for families and individuals, ultimately affecting their ability to meet their basic needs such as food, shelter and healthcare. If the employee has no savings or access to a social safety net, this impact can be compounded.

In addition, laid-off employees face difficulties in finding a new job. This can take a long time, especially if labor market conditions are sluggish or if the employee has skills that are difficult for the market to absorb. Not only do employees lose income during the unemployment period, but they may also incur additional costs to find a job, such as transportation and retraining costs.

Loss of Primary Income

The first impact of an employee's life being ruined by layoffs. Layoffs bring the most significant consequence of job loss, which is the loss of the main source of income. Not just one person, but the whole family is also affected by this.

The inevitable domino effect is a decrease in household income. High-earning employees face layoffs, which means they lose the main source of finance

that supports their family's lifestyle. They may be forced to change their lifestyle, reduce spending, and even sell their valuable assets to fulfill their basic needs (Hendarto & Hery Prasetya, 2024).

For employees who have single parents or large family dependents, the situation is even more difficult. They have to work harder to provide for their children and family as their financial burden increases. They are constantly worried and anxious about the future, leading to depression and stress, which can be harmful to mental health.

It is crucial to have an additional source of income to ease the impact of layoffs. Employees who have a spouse working or earning money from a side business may not be affected by layoffs, but for employees who have no other source of income, layoffs can be a very difficult time.

Not only financial issues, but also psychological and emotional issues. The sense of loss, anxiety, and uncertainty of the future can be distressing for workers. To help them through these difficult times, it is crucial that they get support from their family, friends and community.

Due to the first problem, it is important for governments and companies to help employees who have been laid off. They can get back on their feet and become productive again through financial assistance, job training, and counseling. This collective effort is necessary to reduce the negative impact of layoffs and help employees restart their lives.

Cash Flow Disruption and Financial Instability

Layoffs not only eliminate jobs, but also lead to financial instability and cash flow of employees. The absence of a primary income leads to an uncontrollable flood of financial problems.

For employees affected by layoffs, meeting basic needs such as food, shelter, and bills is extremely difficult. Mortgages, vehicles, and other monthly bills are inevitable. When they realize that their money is no longer enough to make ends meet, they get scared and panic.

Aside from affecting basic needs, these cash flow problems deter employees from saving and investing. They hesitate to set aside money for future needs because the future is uncertain. This can lead to them not having enough money to start a new business or even prepare for retirement.

Financial stress is an inevitable consequence of layoffs. The pressure to pay off debts and make ends meet can cause them to make poor financial decisions, such as owing too much money, using credit cards without consideration, or selling valuable assets at low prices (Arief & Reztrianti, 2021).

Not only are individuals affected by this financial instability, but also their family members and relatives. They can be clouded by anxiety and depression,

which is detrimental to their mental health and psyche. It is vital that they get support from those closest to them to get through these difficult times.

It is imperative for governments and companies to provide assistance to laid-off employees. They can repair their finances and plan for a better future with counseling, job training, and financial assistance programs. These collective efforts are needed to reduce the negative impact of employee dismissal and help them get their lives back on track.

Increased Debt and Finance Charges

Increased Debt and Financial Burden: Binding layoffs not only eliminate jobs, but also increase debt and financial burden. Employees have to find other ways to make ends meet as they are left without a primary income. Unfortunately, this choice often leads them into deeper debt (Hafid, 2020.).

Due to layoffs, employees may be forced to borrow from banks, use credit cards, or even sell their valuable assets to meet their basic needs such as food, housing, and bills. They may benefit in the short term from this decision, but it will ultimately lead to a greater financial burden in the future.

Their financial situation has worsened due to high interest rates on money loans and credit cards. They may be trapped in an unbroken cycle of debt, where they keep borrowing to repay old debts while they also borrow to repay new debts. Since the assets sold are not always enough to cover all the debts and necessities of life, selling valuable assets does not solve the problem either.

Individuals are not the only ones affected by this rising debt and financial burden; it also impacts their family members and relatives. They are enveloped by a sense of anxiety, depression and stress, which is detrimental to their mental health and psyche. Financial limitations hinder the will to help families, leading to frustration and helplessness.

It is imperative for governments and companies to provide assistance to laid-off employees. They can get help to get out of debt and rebuild their lives through financial education programs, assistance in managing debt, and new jobs. These collective efforts are needed to mitigate the negative effects of layoffs and help employees gain financial stability in the future.

Loss of Access to Social Security and Health Insurance

A Double Threat for Layoff Victims Layoffs not only eliminate jobs and income, but also jeopardize the health and well-being of employees and their families as they do not have access to social security and health insurance provided by the company. Not just one person, but the whole family is also affected by this.

Health insurance and social security provide protection for employees and their family members. Access to healthcare, job loss benefits, and pension

programs give them a sense of security and safety when facing life's uncertainties. However, layoffs remove these protections, putting them in significant health and financial jeopardy (Hendarto & Hery Prasetya, 2024).

One of the most harmful consequences is losing the ability to obtain medical services. Families and employees may face difficulties obtaining adequate medical care, especially for those suffering from certain health conditions. High medical costs can drain your savings and make you feel uncomfortable.

Financial uncertainty arises as a result of losing job loss benefits. While employees are looking for a new job, they may lose their source of income to pay for their living expenses. This can increase stress and depression, potentially worsening their mental health (Sulastri & Dede, 2021).

Employees who do not have access to a pension program face daunting challenges as they face an uncertain old age. Without financial security in the future, they are anxious and worried about how they will make ends meet in old age.

It is crucial for governments and companies to provide assistance to employees affected by layoffs. To protect everyone, including those who have lost their jobs, broad and accessible universal social security and health insurance programs are essential. These collective efforts are needed to mitigate the negative effects of layoffs and help employees rebuild their lives with security and comfort.

Psychological and Emotional Impact

Psychological and Emotional Impact: The Invisible Wound for Layoff Victims Layoffs not only take away jobs and income, but also jeopardize the mental health and well-being of employees. It is not okay to ignore these emotional and psychological impacts, as they can be fatal to their lives.

Employee layoffs can cause stress, anxiety, and depression. They can experience various psychological disorders due to job loss, worries about the future, and a huge financial burden. They may experience difficulty concentrating, fatigue, anger, and even physical health problems such as headaches, digestive problems, and insomnia (Hafid, 2020).

New personal and work relationships are affected by this psychological impact. Fear and tension may interfere with relationships with friends and family. They may be haunted by trauma and self-confidence when looking for a new job, which makes it difficult for them to do their best in the recruitment and employment process.

The psychological impact of layoffs also threatens one's quality of life. Frustration, hopelessness, and loss of meaning in life can trigger negative behaviors such as drug abuse, alcohol, or even suicide (Marsoit et al., 2017).

It is crucial for governments and companies to provide assistance to employees who have been laid off. To help them overcome trauma and rebuild self-confidence, psychological counseling programs, mental health education, and social support are essential. These collective efforts are needed to minimize the negative effects of layoffs and help employees achieve the best level of mental health and well-being.

Long-term Impact on Career and Economic Prospects

Long-term Impact on Career and Economic Prospects: Layoffs leave a hard-to-heal wound that not only devastates employees' present, but also leaves a long-lasting scar on their future career and economic prospects. This long-term impact can hinder their progress and make it difficult for them to achieve their long-term financial goals.

One of the worst consequences is the difficulty of finding a new job. The process of finding a new job can be longer at the old company due to loss of reputation and network, as well as the trauma and insecurity caused by layoffs, which can lead to loss of income and worsen their financial situation.

Layoff victims also fear salary increases. In a competitive economy, they may have to accept jobs with lower salaries and benefits than before. This can prevent you from achieving your long-term financial goals, such as buying a home, educating children, or preparing for retirement.

Layoff victims face great difficulty in keeping up with industry developments as they must continue to learn and acquire new skills as the world of work is changing rapidly. However, the financial and psychological limitations caused by layoffs can hinder their learning and development process. This can lead to stagnation in your career and lack of opportunities to advance or improve your position in the future (D Hasibuan et al., 2023).

It is crucial for governments and companies to provide assistance to employees affected by layoffs. They need job training programs, career mentoring, and education on industry developments to improve their skills and adapt to changes. To mitigate the negative effects of layoffs and help employees achieve brighter career and economic prospects in the future, there needs to be this collective effort.

CONCLUSION

The financial well-being of employees is greatly influenced by the nature of their employment relationship, which impacts income stability, financial security and economic well-being. The type of employment contract, whether permanent or temporary, plays an important role in determining an employee's financial stability.

In addition, a fair and competitive salary structure and compensation system can increase employee motivation and productivity, resulting in increased income. In addition, a supportive work environment, inclusive workplace policies, and access to training and development opportunities contribute to strengthening employees' financial condition. Overall, maintaining positive and stable working relationships is critical to ensuring employees' financial well-being, offering benefits such as income stability, professional development support, and financial management assistance. Good and stable working relationships not only improve employees' financial well-being through stable income and development opportunities, but also have a positive impact on mental health and productivity.

Layoffs have significant negative impacts, such as loss of income, disruption of cash flow, increased debt, and loss of access to social security and health insurance. The psychological and emotional impact of layoffs is also noteworthy, as it can threaten employees' quality of life and mental health. Therefore, it is important for companies and governments to provide support and assistance programs for employees affected by layoffs to help them recover and achieve financial stability and well-being in the future.

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