

LAYOFFS AND THE MENTAL HEALTH OF REMAINING WORKERS IN PANDEMIC COVID 19

Eka Pariyanti¹, Neneng Sofiyanti², Andiana Rosid³

¹Sekolah Tinggi Ilmu Ekonomi Lampung Timur, ekaparianti10@gmail.com, Indonesia

²Universitas Singaperbangsa Karawang, neneng.sofiyanti@fe.unsika.ac.id, Indonesia

³Universitas Muhammadiyah Metro, rasydande@gmail.com, Indonesia

ABSTRACT

Sudden layoffs due to COVID-19 pose financial and psychological challenges, with effects on the mental health of remaining employees. Gratitude is proposed as a moderating variable in this study, with the hope of being able to moderate the relationship between layoffs, cut salary, and employee mental health. This research was conducted at the Convection in East Lampung with the number of respondents as many as 197 employees. Data analysis using the interaction test is often referred to as Moderated Regression Analysis (MRA). The results of this study indicate that gratitude mediates the relationship between layoffs, cut salary, and employee mental health. Gratitude can be an alternative to improve employee mental health.

Keywords: Layoffs, Cut Salary, Gratitude, Employee Mental Health

1. Introduction

The COVID-19 pandemic affects many sectors, including the business and economic sectors. Many businesses choose to temporarily close their operations. This makes their business lose money and eventually they are forced to lay off employees without pay or even layoffs. The number of workers affected by the Covid-19 pandemic situation reached 1.7 million people, both formal and informal workers, and it is estimated that there will be an increase in unemployment estimated at 2.92 to 5.23 million people (Kemknaker, 2020).

However, the way companies cut their relationships with employees, whether fair or unfair, still has an impact, affecting not only employees who lose their jobs, but also those who remain in downsizing companies even if they themselves are not laid off (Black et al. 2015, Kholodova, 2009). Darity and Goldsmith in 1996 who stated that losing a job has a direct effect on a person's mental state. Whereas in various psychology literature, it has been observed that after losing a job, there are low levels of job satisfaction, depression, unhappiness, and even suicide. These things arise because of decreased income, but there are other things that arise because work is not the only source of income, but also provides social interaction, provides a good identity in the community, and affects the self-confidence of the victims of the layoffs.

¹ Corresponding author. E-mail: ekaparianti10@gmail.com.

The remaining employees, from the mass layoffs had a significant negative effect on their mental health (Sullivan and Von Waechter, 2009, Lille 2019). Fear of being the next person to be laid off, and experiencing feelings of job insecurity, had a devastating effect on their health status. (Caroli and Godard, 2016). The negative effects of psychological impacts over time can translate into physical health problems (Korpi, 2001). Sullivan and Von Watcher (2006) suggest that the death rate appears to have increased markedly in the years following mass layoffs.

Apart from layoffs, it turned out that wages were cut, even the combination of the two had negative effects in several countries, Germany and North America (Gerlach: 2006). Sullivan and Von Watcher, (2006), study site in Pennsylvania. Gerlach: ((2006), Germany and North America, Voßemer, 2018 in Europe. Indonesia itself has experienced several mass layoffs. The problem of layoffs and salary cuts has been felt by the Indonesian people as a result of the 2008 economic crisis, the amount of downsizing activities has been intensified, which leads to an increase in the proportion of employees exposed to the masses. Unlike the crisis or recession caused by war, layoffs carried out by the company will feel even more severe for employees, because they occur during the pandemic season. Employees not only experience problems at work, but they also overshadowed by the pandemic that occurred.

Seeing the negative effects of layoffs, cutting wages on employee mental health, companies need to pay attention to employee mental health. Poor mental health can reduce organizational efficiency and has wider social implications by reducing physical health, which leads to increased medical costs (Tsui , 2013). Happy and healthy employees are the backbone of a great organization. We propose workplace spirituality as a mediating variable between, layoffs, cut wages, and employee mental health. The consideration is that Ahmad & Omar (2014) an employee who experiences workplace spirituality will be more likely to be satisfied with work and will not engage in deviant behavior in the workplace. Workplace spirituality that helps balance various aspects of employee and organizational life (Chawla, 2014; Haldorai, et. Al, 2019). In this study we propose the concept of Bes thankfulness. Gratitude is a condition in which a person feels happy or satisfied with what he receives, so that gratitude creates positive psychological conditions that can strengthen and improve mental health, Toussaint & Friedman, (2009). Gratitude has a bigger role in developing mental health in the workplace compared to forgiveness from aziz et al (2017).

Based on the background, research gaps, and the business phenomena described above, there are problems that must be resolved, namely the differences in the era of layoffs and salary cuts felt by employees, namely the pandemic era.

2. Literature Review

2.1. Theory of human capital

Becker (1993) "human capital theory argues that job loss results in specific losses as well as general depreciation of human capital, which, in turn, requires fewer and lower quality job offers by prospective employers". Another explanation is based on the theory of unemployment theory of stigma and signaling or in the original language called theories of unemployment stigma and signaling (eg Spence, 1973). Because employers have to deal with uncertainty about applicants' productivity, they take advantage of observable characteristics such as their employment history. Job losses and periods of unemployment are likely to signal job seekers 'unsure of quality' and

'[create] skepticism about their achievements' (eg Young, 2012), weakening their bargaining position. Keynes's theory (1936), which states that workers are so concerned about the relationship between their wages and the wages of workers in other companies that no company dares to cut wages. Resistance to cutting wages can only be avoided if all firms in the economy cut wages simultaneously to maintain traditional wage differentials. Because such reductions would be difficult to coordinate, nominal wages stiffen downward. However, real wages can without meeting the same opposition, since inflation affects all workers in the same way, keeping wage differentials at bay.

2.2. layoffs (PHK)

layoffs (PHK) according to Law Number 13 Year 2003 concerning Manpower, it is explained that Termination of Employment (PHK) is the termination of a work relationship due to certain things which results in the termination of rights and obligations between workers / workers and employers. Panggabean (2004) states that layoffs are the termination of the working relationship between workers and employers which can be caused by various reasons, so that the rights and obligations between them also end. After the employment relationship ends, the worker no longer has the obligation to work for the entrepreneur and the entrepreneur is not obliged to pay wages to the entrepreneur (Maimun, 2009).

According to Djumaldji (2005), layoffs are the termination of a work relationship due to certain things that result in the termination of rights and obligations between workers or laborers and entrepreneurs. Nurachmad (2009) defines that termination of employment (PHK) is the termination of a certain work relationship which results in the termination of rights and obligations between workers and employers. Termination of employment is the termination of employment relations between employers or employers and employees, which is caused by a number of important factors (Simanjuntak, 2012).

2.3. Salary deduction

"Salary is usually said to be wages paid to leaders, supervisors, and administration of office employees or other managers. Salaries are generally a higher level than payments to wage workers. " (2003: 2) In the Decree of the Minister of Manpower No. 150 of 2001 and the Decree of the Minister of Finance on Income Tax Article 21 of 2003, there is an explanation of the level of wages received by employees. The wages received by employees are divided into several groups, namely: 1. Daily free wages The wages received within one working day if a person does the work that has been determined. People who work for a casual daily wage are usually not bound to work with the employer. 2. Permanent employee wages The wages earned by a person based on a predetermined period of time with the amount received are also fixed, such as a monthly salary.

Withholding a worker wages due to a payment to the state for membership / participant contributions for a fund that provides social security and is stipulated by statutory regulations, legally the deduction is an obligation of the worker (see Article 22 paragraph [2] PP No. 8 Year 1981). By law, if the worker does not work, the wage is not paid (see Article 93 paragraph [1] of the Naker Law). Meanwhile, wage deductions regarding fines for violations committed by workers can be done if this is strictly regulated in a written agreement or company agreement

(see Article 20 paragraph [1] of Government Regulation No. 8 of 1981 concerning Wage Protection, hereinafter referred to as PP No. 8 of 1981). Companies can ask workers to compensate by deducting wages, if there is damage to goods or other losses owned or assets of the company or a third party due to the worker's intent or negligence, as regulated in Article 23 paragraph (1) PP No. 8 of 1981 which states: "(1) The employer can ask for compensation from the worker, if there is damage to property or other losses, both owned by the entrepreneur and owned by a third party by the worker due to intent or negligence ." Furthermore, the amount of wage deduction for losses suffered by the company caused by errors or violations committed by workers must not exceed 50% of the worker's wages, (see **Pasal 23 ayat [2] Jo. Pasal 24 ayat [1] Jo. ayat [2] PP No. 8 Tahun 1981**).

2.4. Mental Health

WordNet Search (2014), Mental Health is the level of psychological well-being or the absence of mental illness. It is the state of a person "functioning at a satisfactory level of emotional adjustment and behavior." Snyder (2011), from the point of view of positive psychology or holism, mental health can include an individual's ability to enjoy life and create a balance between life activities and efforts to achieve psychological resilience. According to the World Health Organization (WHO), mental health includes "subjective well-being, perceived self-efficacy, autonomy, competence, intergenerational dependence, and self-actualization of one's intellectual and emotional potential. Another language of Employee mental health is Workplace well-being," Harter at all 2002, employees' mental health is influenced by personal growth, life goals, positive relationships with others, mastery of the environment, social integration and social contribution.

Mental health awareness needs to be integrated into all aspects of health and social policy, health system planning, and primary and secondary public health care delivery (Prince et al, 2007). The World Health Organization (WHO, 2001) states that mental health is a condition of well-being that is realized by individuals, in which there are abilities to manage normal life stress, to work productively and produce, and to participate in the community.

Mental health is defined as the realization of harmony between mental functions and the creation of self-adjustment between individuals and themselves and their environment. This data is obtained through the author's modified measuring tool of the Mental Health Inventory (MHI-38) measurement tool that has been made by Veit and Ware (1983). The aspects revealed by this measuring instrument are positive mental health conditions (general positive feelings, emotional states or feelings of love, and life satisfaction) and negative mental health conditions (anxiety, depression, and loss of behavioral and emotional control). This measuring instrument is in the form of a Likert scale whose answer is a choice with six alternative answers.

2.5. Gratitude

According to McCullough, et al (2001) defines gratitude as an emotional awakening caused by moral behavior. In this definition, gratitude is viewed as a moral emotion which equals empathy, sympathy, shame and guilt. Empathy and sympathy arise when someone has the opportunity to respond to calamities that befell others, guilt and shame arise when someone does not perform

his duties according to standards, while gratitude arises when someone is a recipient of a kindness.

The word gratitude is taken from Arabic, namely *syakaro-yasykuru-syukron*, which is praise for the good of people who give goodness (Nuryanto, 2013: 11). Gratitude is also defined as an expression of gratitude to Allah for being given a pleasure (Abidin., 2014: 112). According to language, Ibn Abdullah also explains gratitude which means something taken (Rusdi., 2016: 42).

2.6. Hypothesis Development

The Effect of Layoffs on Employee Mental Health

We estimate a series of models to assess the effect of layoffs on employee mental health. The remaining employees, from the mass layoffs, had a significant negative effect on their mental health (Sullivan and Von Waechter, 2009, Lille 2019). Persons with poorer mental health are at greater risk of being screened for unemployment (Dooley et al. 1996). Career losses are likely to have a negative impact on employee mental health (eg Wahrendorf et al., 2013). Against this theoretical background, it is assumed that the negative potential of layoffs is the mental health of employees. Thus, the following hypothesis is derived:

H1: Layoffs have a negative effect on employee mental health.

Effect of Salary Cut on Employee Mental Health

In most companies, cutting wages is not a useful alternative for the layman, because a cut in wages will not be beneficial for retaining many employees and because the morale of people is disadvantaged by a cut, Bewley (1998). Cut wages make someone feel their place of work is not fair, (1990). Cut wages and layoffs have negative psychological impacts over time can translate into physical health problems (Korpi, 2001). Thus, the following hypothesis is derived:

H2: Cut Salary has a negative effect on Employee Mental Health

Effects of Gratitude on Mental Health

An individual is said to have good mental health if he has a high level of psychological well-being and a low level of stress. Several studies that have strengthened this opinion are studies that have been conducted by several researchers (Toussaint & Friedman, 2009; Watkins, et al., 2003; Emmons & McCullough, 2003). These three studies show that there is a significant relationship between gratitude and mental health. Workplace spirituality that helps balance various aspects of employee and organizational life (Chawla, 2014; Haldorai, et. Al, 2019). Haldorai, et. al, (2019) in his research suggested further examinations to test the prepositions of different spiritual traditions and more specifically to reduce negative behavior, in this case reducing negative effects due to layoffs and deductions from wages. In this study we propose the concept of gratitude. Thus the next hypothesis is:

H3a: Gratitude has a positive effect on employee mental health

H3b: Gratitude mediates the relationship between layoffs, cuts in wages and employee mental health.

3. Research Methodology

To test the hypothesis that we propose, this study was conducted on Convection (13 convection) in East Lampung with a total of 203 people. Researchers only select Muslim employees / employees (Adawiyah, 2017), provided that the respondents are employees or permanent employees who have worked for at least 1 year at their place of work.

Data collection by the author was carried out by distributing questionnaires online in the form of google form, to 203 respondents, the questionnaires returned were 197 respondents, so that this number were analyzed in this study. Hair et al. (2009) suggest that the factor loading value increases when the number of respondents decreases.

This study consists of 4 variables, namely: Layoff (PHK) dimensions and indicators adopted and developed from (Arber S & Ginn J in Mein et al (2000: 530), Paul & Townsend, Kim & Feldman, (2002: 129)) Wijayanto (2009: 6)). Cut Salary dimensions and indicators adopted and developed from (Mulyadi, 2013; 373) Edwin B. Filippo) Gratitude dimensions and indicators adopted and developed from McCullough, Emmons and Tsang (2002). Employee mental health dimensions and indicators were adopted and developed from Veit and Ware (1983).

Data analysis

Alpha reliability for the scale is used to determine the factor loading for each one-item indicator variable. Hypothesis testing uses simple linear regression analysis while the moderation effect uses the interaction test method, often called Moderated Regression Analysis (MRA), with the SPSS analysis tool.

4. Results And Discussion

Our sample consists of 197 permanent employees with Muslim identities. It consisted of 122 women and the rest 75 men. The ages of the respondents ranged from 17 to over 35 years old, with an average age of 20 years. The average education of employees is high school.

To determine whether the model meets the requirements, in this study the data validity and reliability were tested. The validity test criteria, namely, the significant p-value must be less than 0.05 (Hair et al., 2013). The results of the validity test show that the significant correlation value for all indicators of layoffs, cut wages, gratitude and employee mental health is a significant p-value less than 0.05. Therefore, all indicators have met the validity criteria.

Reliability test can be seen through the value of Cronbach's alpha. Both must be rated above 0.70 as a condition for reliability (Hair et al., 2013). The results of Cronbach's alpha variable dismissal, cut wages, gratitude and employee mental health are more than 0.70, so the questionnaire can be declared reliable.

The interaction test is often called Moderated Regression Analysis (MRA), which is a method used to analyze questionnaire results. The results of the MRA test are as follows:

Tabel 1. Regression analysis

Steps	β	t	Sig
Layoffs and Mental Health	-0.042	-2.513	0.008
Cut Salaries and Mental Health	-0.568	-3.846	0.000
Gratitude w / mental health	0.456	2.323	0.025
Layoffs and Cut Salaries in Gratitude Mediation	-0.162	-2.057	0.038

Note: $N = 97$. * $p < 0.05$; β = Beta, Sig= Signifikan

The table above shows that: Termination of employment (PHK) as an independent variable with mental health as the dependent variable. The results of data analysis showed that ($t = -2.513$, Sig < 0.008). This proves that the first hypothesis is supported which shows Termination of Employment (PHK) is negatively related to employee mental health, with a value of $\beta -0.042$, this value means that termination of employment (PHK) reduces mental health or worsens mental health by -0.042 unit. Next is the second hypothesis, namely Salary Cut has a negative effect on employee mental health, the result is supported as evidenced by the value ($t = -3.846$, Sig < 0.00), with a negative coefficient direction. H3: Gratitude has a positive effect on employee mental health, from the table it can be seen that the t table value is 2.323, and is significant at 0.025, this value is less than 0.05, meaning that the third hypothesis H3 is supported. Next is the fourth hypothesis, namely gratitude to mediate the relationship between layoffs, cut wages and employee mental health, this hypothesis is also supported by a t value of 2.057, and a significant value of 0.038, the significant value is less than 0.05.

Discussion

Termination of employment (PHK) is negatively related to the mental health of employees, this hypothesis is accepted, meaning that layoffs have a negative effect on employees, even though the remaining employees are not laid off, but it is proven that layoffs make them feel anxious, because at any time they may get turn to layoffs. Career losses are likely to have a negative impact on employee mental health (eg Wahrendorf at all, 2013). Persons with poorer mental health are at greater risk of being screened for unemployment (Dooley et al. 1996).

Cut Salary has a negative effect on employee mental health. This hypothesis is also accepted, meaning that even though they are not laid off, cut wages have a negative effect on employee mental health. Cut wages make someone feel that their workplace is unfair, (1990). Cut wages and layoffs have negative psychological impacts over time can translate into physical health problems (Korpi, 2001).

Gratitude has a positive effect on employee mental health. The higher one's gratitude and forgiveness, the higher the level of mental health, and conversely the lower one's gratitude and forgiveness, the lower the level of mental health. Maltby, Day, and Barber (2004) found that forgiveness is correlated with aspects of mental health, as well as research conducted by several other researchers always found the same thing. Aziz et al, 2017, also mentioned that gratitude can improve employee mental health.

Gratitude mediates the relationship between layoffs, cut wages and employee mental health. The more grateful they are, the better the mental health of employees even though there are layoffs and salary cuts. Several studies that have strengthened this opinion are studies that have been conducted by several researchers (Toussaint & Friedman, 2009; Watkins, et al., 2003; Emmons & McCullough, 2003). These three studies show that there is a significant relationship between gratitude and mental health. Workplace spirituality that helps balance various aspects of employee and organizational life (Chawla, 2014; Haldorai, et. Al, 2019). The results of this study answer previous research by Haldorai, et. al, (2019) in his research suggested further examination to test the different and more specific spiritual tradition prepositions to reduce negative behavior, in this case reducing negative effects due to layoffs and deducting wages with gratitude.

Research Limitations

This study has several limitations namely self-report measures are used, which can lead to general error bias (Khan at all, 2014). Also, due to the cross-sectional nature of data collection in this study, drawing causal conclusions between the constructs examined is less precise. . Future studies make it possible to conduct longitudinal studies. Research in East Lampung and limited to clothes convection MSMEs which may limit the generalization of some findings elsewhere. Further research is recommended to examine in a broader scope. Seeing some limitations, the suggestion for further research is to examine in a wider scope, examine different mediating or moderating variables.

6. Conclusion

Gratitude can be an alternative to improve employee mental health. Having values related to spiritual building will make employees more ethical about values and behavior and increase self-confidence among workers. The more grateful they are, the more they understand that layoffs and cutting wages will not make them anxious. In the end, the more grateful they are, the better the mental health of employees even though there are layoffs and salary cuts.

References

- Adawiyah, W. R., & Pramuka, B. A. (2017). Scaling the notion of Islamic spirituality in the workplace. *Journal of Management Development*.
- Bertrand, M., Card, D., Currie, J., French, E., Glaeser, E., Greenstone, M., Katz, L., Lee, D., Lleras-muney, A., Lucifora, C., & Paxson, C. (2009). *Job Displacement And Mortality : An Analysis Using Administrative Data * August*, 1265–1306.
- Bewley, Truman F. 1998. “Why Not Cut Pay?” *European Economic Review* 42(3–5): 459–90.
- Brand, J. E., Levy, B. R., & Gallo, W. T. (2008). Effects of layoffs and plant closings on subsequent depression among older workers. *Research on Aging*, 30(6), 701–721. <https://doi.org/10.1177/0164027508322574>.

- Citrome, Leslie. 1997. "Layoffs, Reductions-in-Force, Downsizing, Rightsizing: The Case of a State Psychiatric Hospital." *Administration and Policy in Mental Health* 24(6): 523–33.
- Datta, Deepak K., James P. Guthrie, Dynah Basuil, and Alankrita Pandey. 2010. "Causes and Effects of Employee Downsizing: A Review and Synthesis." *Journal of Management* 36(1): 281–348.
- Gerlach, Knut, David Levine, Gesine Stephan, and Olaf Struck. 2006. "And Pay Cuts : Comparing."
- Kameny, M. M. (2006). *The case of the consulting industry submitted by*. 3133.
- Kropiewnicki, M. E. (2011). *Running the Practice Business Operations The Impact of Layoffs and Employee Turnover on Those Who Remain*.
- Kropiewnicki, Mark E. 2011. "Running the Practice Business Operations The Impact of Layoffs and Employee Turnover on Those Who Remain."
- Krupa, Terry, Dorothy Luong, Ilmu Pekerjaan, and Universitas Toronto. "Pengawas Memahami Dan Mengelola Esehatan Mental Karyawan Di Tempat Kerja." : 547–56.
- Le, Christine, Clainche Lille, and Lille Économie Management. 2019. "Document de Travail Working Paper The Effects of Mass Layoffs on Mental Health."
- McLaughlin, Kenneth J. 1991. "A Theory of Quits and Layoffs with Efficient Turnover." *Journal of Political Economy* 99(1): 1–29.
- Sugiyono. (2017). *Metode Penelitian Kuantitatif Kualitatif dan R & D*. Bandung: Alfabeta.
- Suliyanto, P. (2018). *Metode Penelitian Bisnis untuk Skripsi, Tesis & Disertasi*. Yogyakarta: Andi Publisher.
- Voßemer, Jonas, Michael Gebel, Olena Nizalova, and Olga Nikolaieva. 2018. "The Effect of an Early-Career Involuntary Job Loss on Later Life Health in Europe." *Advances in Life Course Research* 35(July 2017): 69–76. <https://doi.org/10.1016/j.alcr.2018.01.001>.
- Aziz, R., Wahyuni, E. N., & Wargadinata, W. (2017). Kontribusi Bersyukur dan Memaafkan dalam Mengembangkan Kesehatan Mental di Tempat Kerja. *INSAN Jurnal Psikologi Dan Kesehatan Mental*, 2(1), 33. <https://doi.org/10.20473/jpkm.v2i12017.33-43>
- Greenberg, J. (1990). Employee Theft as a Reaction to Underpayment Inequity: The Hidden Cost of Pay Cuts. *Journal of Applied Psychology*, 75(5), 561–568. <https://doi.org/10.1037/0021-9010.75.5.561>
- Nindya, B., & Garaga, I. (2017). *Hardiness Karyawan Yang Mengalami*. 5(3), 642–653.