Research Article

Balancing Corporate Rescue and Workers' Protection in Pandemic Crises: Lessons from Selected European Countries

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ABSTRACT

Pandemics, one of the causes of economic crises, have led to the worst global catastrophe in a century. During the COVID-19 pandemic, numerous businesses exercised caution in financial investments and commercial activities to protect productivity and finances. As a result, these companies have progressively reorganized as a proactive strategy, often to reduce production costs and labor expenditures. This study aimed to analyze the balance of interests between corporate rescue and workers' protection during pandemic crises within the framework of best practice regulations in selected EU countries. It also seeks to create a pandemic-preparedness model for companies and workers. The study reveals that wage subsidies (WS) can directly support workers, assess market demand, and reduce turnover due to COVID-19 or the implementation of large-scale social restrictions (PSBB). The Job Loss Security Program (JKP) in Indonesia has allowed for furloughs, providing laid-off workers with monetary benefits and training. Indonesia could consider integrating the WS and furlough systems, enabling firms and individuals to continue working with subsidies or to take temporary or full layoffs with benefits during crises.

Keyword: **Corporate Rescue; Pandemic Crises; Workers's Protection.**

A. INTRODUCTION

The economic impact of the COVID-19 pandemic caused many companies to prioritize caution in financial investments and business activities to safeguard productivity and financial stability (Mustamu & Bakarbessy, 2020). As a result, these companies increasingly turned to restructuring as a proactive measure, often requiring reductions in production costs, which affected labor expenses (Falato, Goldstein, & Hortaçsu, 2021; García-Pérez-de-Lema, Madrid-Guijarro, & Duréndez, 2022). This included work reductions, changes in employment terms and conditions, or the adoption of new working methods. Some companies implemented policies such as relocating to areas with relatively cheaper labor and service costs (Kennedy, 2020).

The prevailing economic conditions forced companies to devise effective strategies to achieve set targets. For example, various sectors were compelled to reduce operations due to a decrease in public income (Gamal, Rohmah, & Muhyi, 2023; Setyorini et al., 2024). The pandemic's impact on the entire production process—from raw materials and manufacturing to distribution—compelled companies to formulate appropriate business strategies to avoid closure or bankruptcy (Endo & Goto, 2024; Pronello, 2023). Therefore, these companies had to devise strategies to rescue business operations or activities, such as implementing cost-cutting measures, resizing production capacity, and closing unproductive units or branches.

The efforts adopted by companies to rescue business activities tend to negatively impact the interests of workers. This may include reducing benefits, lowering wages, layoffs, or terminating employment contracts (Huang et al., 2023; Wardiono et al., 2021). At the outset of the pandemic, the implementation of Large-Scale Social Restrictions (PSBB) and regional quarantines led to approximately 1.47 million workers being laid off or having their employment contracts terminated due to economic decline (Anugerah, Muttaqin, & Purnama, 2021; Tuti, Nurmandi, & Az Zahra, 2022). Furthermore, if companies fail to meet certain obligations mandated by creditors, it could lead to bankruptcy, further jeopardizing workers' economic stability in terms of job continuity, income, and the possibility of permanent job loss as the company faces liquidation.

In the interests of companies and workers, organizational justice plays a significant role in shaping the workforce. According to Eisenberger et al. (2001), the work environment is a crucial social aspect influencing workers' perceptions of justice within the organization. Perceptions of justice are formed by the belief that workers receive rewards in line with their work performance (Eisenberger et al., 2001). Furthermore, Brockner identified three forms of organizational justice: distributive, procedural, and interactional (Brockner & Wiesenfeld, 1996). Distributive justice specifically addresses fairness at the lower level, including issues such as salary, training, promotion, and dismissal. These policies continue to evolve due to updated missions and procedures.

Yamagishi, as cited by Yohanes Budiarto, defined distributive justice in psychology as encompassing all forms of distribution among group members and exchanges between individuals. It involves giving, sharing, allocation, placement, and exchange (Budiarto & Wardani, 2005). Distributive justice is conceptually related to the distribution of conditions and goods that affect individual welfare, including physical, psychological, economic, and social aspects. The objective of distribution is to promote well-being, starting with fairness at the grassroots level, such as salary, training, promotion, and dismissal. Psychologists argue that work has intrinsic value for humans and enhances their well-being. However, the rational economic behavioral model supporting labor economics views work as having no inherent benefit, leading economists to believe that money is the primary motivator for workers. Legal protection and justice for workers are essential due to the inherent disparity between these individuals and employers. This disparity often leaves workers in a weaker and marginalized position in the unbalanced employment relationship with companies.

Achieving a balance between the interests of workers and companies is integral to the concept of a welfare state, reflecting broader societal objectives.

Companies operating solely within the same business sector face heightened risks of incurring losses, often resulting in mass layoffs. During the COVID-19 pandemic, companies implemented measures such as mass terminations, furloughs, and reductions in workers' rights, deviating from agreed-upon employment contracts. By early October 2020, the Indonesian Chamber of Commerce and Industry (KADIN) recorded over 6.4 million layoffs. Meanwhile, data obtained from the Ministry of Finance showed an increase in unemployment by 2.67 million individuals due to the pandemic, bringing the total number of unemployed to 9.77 million by November 2020 (Ma'arif, 2020). Due to the economic stagnation caused by the pandemic, resulting in declining income alongside constant financial burdens on workers, companies focused on the importance of legal harmonization, particularly in protecting employees in bankrupt firms.

These conditions highlight the conflicting interests between companies and workers during the process of rescuing businesses. While companies focus on economically rehabilitating and saving operations to ensure continued operation, workers prioritize securing employment and maintaining income stability. This contradiction often leads to tension, particularly when layoffs become unavoidable, prompting workers to request fair treatment regarding termination of employment and associated rights. Addressing these conflicting objectives requires collaborative efforts between employers and workers, often facilitated through bipartite negotiations and government interventions in policymaking. Additionally, implemented policies should aim to strike a delicate balance in protecting the interests of both parties during the rescue process of companies.

Previous research on worker protection and company interests includes M. A. Mahfud's study titled "Fulfillment of Citizenship Rights for Deported Migrant Workers in Nunukan Regency." This article analyzes the potential for stateless persons in Nunukan Regency, the government's efforts in addressing this issue, and the ideal construction of legal protection for stateless individuals (Mahfud et al., 2022). The study has purposes to identify placement and migrant workers problems, to identify the placement path and the common thread of migrant workers' problems, and to formulate a model of empowering post-placement migrant workers (Waridin et al., 2020). Ferry Efendi's research on "The Course of Broken Dreams: The Expectations and Realities of the Life of Indonesian Nurses as Care Workers in Japan" describes the narratives and experiences of Indonesian caregivers working in Japanese long-term care institutions. This study found that Indonesian nurses who moved to Japan and worked as caregivers in long-term care facilities were satisfied when their expectations were met, and they were able to address challenges with support from the institution and colleagues (Efendi et al., 2022). Harendra Behera's research, "COVID-19 Uncertainty, Financial Markets, and Money," examines the policy effects in two emerging Asian countries. The empirical results from the Growth-at-Risk model indicate that the COVID-19 pandemic had a significantly negative impact on economic growth, outweighing real losses. Additionally, the study highlights the effectiveness of monetary and financial measures implemented by the central banks of Indonesia and India in mitigating the adverse effects of COVID-19 outbreaks (Harendra, Gunadi, & Rath, 2023). Another relevant study by Ira Margaritha Sugianto on the Indonesian trucking business during the COVID-19 pandemic, titled "Performance Gap Analysis and Strategies to Achieve Better Performance," emphasizes that leadership skills, innovation, digitization, adaptability, and risk management are vital for top performers. Conversely, individuals with average or below-average success tend to focus on financial issues. This study contributes to existing knowledge by highlighting survival strategies and resilience during the pandemic, particularly among high achievers (Sugianto, Pujawan, & Purnomo, 2023). Additionally, Anna Kosieradzka's study on "Ensuring the Business Continuity of Production Companies in Conditions of the COVID-19 Pandemic in Poland" underscores the need to strengthen the social protection system to provide a safety net for affected workers, such as wage subsidies, unemployment insurance, and direct cash assistance, to mitigate the economic impact on workers. On the other hand, the government provides credit relaxation for companies affected by the pandemic under strict conditions (Kosieradzka, Smagowicz, & Szwed, 2022).

Based on previous studies regarding worker protection and corporate rescue, this study investigates the tension between the interests of companies in rescuing business operations and the demands of workers for job security during the COVID-19 pandemic in Indonesia. The aim is to propose governmental policies that reconcile these conflicting interests. Additionally, the study explores the clash between the economic objectives of capital owners and the fundamental rights of workers, such as wage protection and safeguards against work termination. The tension arises when companies strive to ensure business continuity, sustain operations, or face bankruptcy. This study examines and analyzes the laws in selected countries, including Indonesia and EU nations such as France and the UK, related to corporate rescue and worker protection.

B. RESEARCH METHODS

This article is based on a legal study on worker protection and corporate rescue during a pandemic. The study employs a statutory approach, examining corporate rescue within the framework of Indonesia's insolvency and employment acts and those of selected European countries. It also explores best practices for balancing corporate rescue and worker protection interests in these European countries, focusing on the Short Time Work Scheme, Furlough Scheme, and Wage Subsidy Scheme.

C. RESULTS AND DISCUSSION

1. Corporate Rescue under Insolvency Act

Amid soaring COVID-19 infection rates, local authorities worldwide enforced social isolation and quarantine measures, leaving businesses to contend with dwindling demand and the looming threat of widespread collapse. Across OECD member countries, the pandemic severely impacted business profits, with significant reductions of 40 to 50% reported across various sectors. It was predicted that 7 to 9% of viable companies would face financial distress, with negative equity values. Additionally, approximately one-third of companies struggled to cover interest expenses (Demmou, 2022). Insurance company Euler Hermes echoed these concerns, predicting a substantial surge in bankruptcies globally. In May 2020 alone, a 25% increase in bankruptcies was anticipated in the United States, with a 19% rise expected in Europe. These projections were set against a backdrop of a 15% reduction in trade volume and an estimated 3.3% decrease in global gross domestic product. Despite these alarming forecasts, it was surprising to observe a decline in bankruptcies in some countries during the quarantine. In May 2020, the UK Insolvency Service reported a significant drop in compulsory liquidations, with an 80% reduction compared to the months preceding the lockdown in March 2020. During the same period, only 944 cases of company insolvencies were reported in England and Wales, marking a 30% decrease from May 2019. The American Bankruptcy Institute projected a 25.1% drop in business bankruptcy filings between April and June 2020 compared to the same period in 2019. The UK Insolvency Service attributed these trends to mandates aimed at reducing capacity and implementing new working conditions to protect workers' health. Furthermore, British insolvency practitioners faced delays in providing the necessary paperwork (Epaulard, 2020).

Several researchers stated that the healthcare crisis, including insolvencies, zombification, or debt deleveraging arising from COVID-19, could lead to an increase in individual bankruptcies (Demary, Hasenclever, & Huther, 2021). Delays in payments, known as trade credits, and added expenses resulting from supply chain disruptions were factors contributing to the potential bankruptcy wave. Concerns arose regarding the increased bankruptcy risk faced by trade creditors due to the evasion of trade debtors, potentially leading to a cascade of business failures. These dynamics highlighted the importance of effectively addressing corporate insolvency during the pandemic, a topic of critical significance in bankruptcy literature (Jacobson & Von Schedvin, 2015).

a) France Insolvency Framework

Insolvency proceedings in France are initiated when a debtor is unable to meet certain financial obligations, typically after suspending payments for 45 days. In response, the debtor may pursue either judicial liquidation or *redressement judiciaire* (judicial restructuring) to address creditor claims. Judicial liquidation is pursued when payment defaults occur, and restructuring is deemed unfeasible. The Commercial or Judicial Court issues an order, appointing a bankruptcy lawyer to oversee the closure of companies and asset liquidation to settle debts. Once all debts are paid, or if the assets are insufficient, the court declares the liquidation closed (Stef & Bissieux, 2022).

However, the *redressement judiciaire* procedure focuses on reorganizing the company with the aim of ensuring its continuity, retaining workers, and reimbursing creditors. This process includes an 18-month observation period, during which the debtor and a court-appointed administrator explore strategies to achieve these objectives. During this period, managers receive support from the administrator, allowing them to continue working without fear of claims being filed against them personally. If the court deems the reorganization efforts futile, the *redressement judiciaire* process is converted into judicial liquidation (Blazy & Stef, 2020).

Additionally, the French insolvency code extends protections to companies not experiencing payment defaults, allowing the implementation of various liquidation procedures similar to those found in other bankruptcy codes. For instance, UK insolvency law defines three distinct liquidation processes: (i) compulsory liquidation, (ii) liquidation at the request of creditors, and (iii) liquidation by members (Blazy & Nigam, 2019). The first two options are adopted when a debtor cannot fully repay certain debts, while the third is initiated by shareholders seeking to dissolve their companies to satisfy creditor claims.

Similarly, the French insolvency system incorporates an amicable liquidation method, which is adopted by shareholders or company owners who vote for the dissolution of the company at a general meeting. This process ensures that creditors' interests are not jeopardized, as the value of assets exceeds liabilities, allowing for full creditor repayment post-procedure. After establishing an inventory, an owner-appointed liquidator proceeds to sell assets to discharge debts. The primary objective is not to pay off creditors but to halt the company's operations by distributing the remaining assets (Ponikvar, Kejžar, & Peljhan, 2018).

Companies not subject to payment suspension but experiencing financial difficulties can initiate a reorganization process known as the *sauvegarde* procedure. Similar to *redressement* *judiciaire*, this procedure aims to restore the financial status of companies while preserving employment. However, the *sauvegarde* procedure has a maximum observation period of 12 months, during which the manager is tasked with formulating a restructuring plan to address the financial woes. The proposed financial measures included in the plan require creditor approval through voting. If the company ceases payments during the execution of the plan, the court has the authority to convert the *sauvegarde* procedure into judicial liquidation or *redressement judiciaire*.

b) Indonesia Insolvency

Law No. 37 of 2004 on Bankruptcy and Suspension of Debt Payments Obligation governs insolvency proceedings in Indonesia, also known as PKPU. According to Article 1, Paragraph 1 of this law, bankruptcy is defined as:

> *"A general confiscation of all the assets belonging to a Bankruptcy Debtor whose management and settlement are performed by the Curator under the supervision of the Supervisory Judge as stipulated in the Law."*

Additionally, Article 21 of the Law states that bankruptcy encompasses the entire assets of the debtor at the time the bankruptcy verdict is pronounced, as well as any wealth acquired during the bankruptcy proceedings.

Under Law Number 37 of 2004, debtor-creditor disputes are resolved within a legal framework designed to address debt issues, particularly when a debtor owes multiple creditors. Following a bankruptcy ruling, the court appoints a receiver to oversee the debtor's assets, which are then liquidated through public auction or private sale. In cross-border insolvency cases, dealing with assets in different countries can be quite challenging for receivers. This situation arises when a debtor's assets are located in a different country from where the bankruptcy was declared, or when a debtor possesses assets or debts in multiple countries, resulting in insolvency across borders.

According to Law No. 37/2004, the assets of foreign debtors who are insolvent can be confiscated. Article 212 of the Law stipulates that if a creditor does not have priority rights after a bankruptcy declaration, they can recover some or all of their receivables from assets included in bankruptcy proceedings outside of Indonesia's jurisdiction. However, the receiver does not have access to the debtor's seized assets located outside of Indonesia by referring to Article 431 Rv. Enforcing foreign court decisions within Indonesian jurisdiction is perceived as a breach of the country’s sovereignty and independence. This viewpoint adheres to the principle of territoriality, which stipulates that foreign court decisions cannot be directly enforced within Indonesia’s territorial boundaries. Consequently, foreign judicial decisions in Indonesia cannot be implemented directly, as Indonesia does not recognize the principle of automatic reciprocity in enforcing foreign decisions. To enforce a foreign court ruling in Indonesia, one must follow a series of steps, including submitting an application and undergoing examination by the District Court (Bianti, 2023). The court will assess the legitimacy of the judgment, including its compliance with public order in Indonesia. Decisions that contravene public order or public policy may be rejected.

Several methods are used to settle cross-border insolvency cases that are not covered by agreements on receivable debts. These methods include court proceedings, bilateral agreements, diplomatic relations, or the application of the UNCITRAL Model Law on Cross-Border Insolvency with Guide to Enactment. The resolution of similar cases, including dispute resolution, occurs through various channels. When cases are settled through court proceedings, a country must present the bankruptcy ruling issued by the state to the nation where the bankruptcy estate is located. The process becomes more complicated when dealing with countries operating under different legal systems. If the case is taken to court, it would be resolved through legal proceedings.

The current bankruptcy law in Indonesia does not facilitate creditors' access to debtor assets located outside the country. However, bilateral agreements with other nations can assist in executing insolvent assets held by debtors beyond Indonesia's jurisdiction.

2. Workers Protection during Corporate Rescue under Employment Act

a) Worker Protection during the COVID-19 Pandemic in Indonesia

The general framework for worker and employment regulations in Indonesia was established by Law No. 13/2003, which was originally enacted on March 25, 2003, concerning workers (the labor law). This regulation was amended by Law No. 11/2020, dated November 2, 2020, concerning Job Creation. Together, these statutes form the basis for labor regulations in the country, commonly referred to as the Job Creation Law. Both the Labor Law and the Job Creation Law have corresponding implementing regulations, including:

i. Law No. 2/2004, dated January 14, 2004, regarding Industrial Relations Dispute Settlement.
ii. Law No. 21/2000, dated August 4, 2000, regarding Labor Unions.
iii. Government Regulation No. 35 of 2021, dated February 2, 2021, regarding Fixed-Term Employment Contracts, Outsourcing, Work and Rest Time, and Termination of Work Relationship.
iv. Government Regulation No. 36 of 2021, dated February 2, 2021, regarding Salary.

Employers and workers are bound by the specifics of any employment agreement, as well as applicable company regulations or collective bargaining agreements (CLAs). While the original Labor Law and its amendments do not explicitly offer protections against workplace harassment, provisions addressing harassment and applicable sanctions are typically found in company regulations or CLAs.

Employment regulations in Indonesia during the COVID-19 pandemic have faced several challenges, leading to suboptimal worker protection. Some of the main issues include: a) **Inconsistencies and Lack of Firmness in Policies:** Labor policies during the pandemic have focused on supporting the business sector, but their implementation has been inconsistent and lacked firmness, leaving many workers inadequately protected. b) **Limitations in Wage Protection:** Protection of employment status and wages has also faced challenges, with many workers experiencing wage reductions or receiving no wages during the pandemic. c) **Problems in Employment Relationships:** Wage cuts, layoffs, the imposition of unpaid leave, and deteriorating working conditions have been prevalent.

b) Workers Protection During the COVID-19 Pandemic in France

The lockdown strategy had a profound impact on both the economy and the labor market. In response, the government adopted several measures to modify the established rules for (a) those in the workforce, (b) the unemployed population, and (c) individuals affected by COVID-19. Apart from the impact of the virus, a significant portion of social measures was attributed to health protocols aimed at containing its spread.

i. Temporary Wage Subsidy (WS)

The government introduced temporary wage subsidies (WS) as part of its efforts to protect workers. For example, the French government extensively used a policy formerly known as partial unemployment, now termed partial activity. Under this scheme, the state pays a portion of workers' salaries—approximately 80% of the net wage—while the employment contract is suspended. Payroll must be paid in advance by companies, with the state reimbursing them later. While these programs had existed since 1951, their scope was significantly expanded during the pandemic to include private households and public bodies. Additionally, the process for initiating partial activity was simplified; companies are no longer required to submit an application before implementation, but rather within 30 days after the suspension of activity. Prior consultation with worker representatives is no longer required, and the response period is two days. If this period elapses without a response from the administration, it is considered tacit acceptance of the request to benefit from the partial activity scheme.

The new policy had certain merits, particularly considering the challenges posed by the lockdown, which led to a surge in business applications, overwhelming the capacity of worker administration for thorough reviews. As a result, procedural modifications introduced a new scheme, effectively establishing a de facto right to partial activity. Some workers could benefit from the program due to childcare obligations. The French government facilitated the widespread implementation of this scheme, with approximately 11,300,000 workers currently using it, resulting in daily costs exceeding EUR 1 billion. The primary objective of policies facilitating easier access to partial activity is to retain individuals on the payroll. However, unemployment surged around mid-March, particularly after contracts were not renewed for workers in precarious situations, such as those on temporary and fixed-term employment contracts. Workers are the main beneficiaries of the partial activity scheme, as it reduces the likelihood of layoffs. Additionally, businesses benefit from the continued employment contracts, which align with the promised ramp-up of activity by May 11, 2020.

The French government adopted Keynesian tactics to maintain high consumer demand, which benefits the economy as a whole. The use of partial activity during this crisis follows a threefold logic: social (to avoid redundancies), organizational (to encourage the gradual recovery of business activity), and economic (to sustain domestic demand). In line with this strategy, the government, adopting a more interventionist approach, implemented a universal income insurance system reminiscent of the Beveridgian model (Kunt, 2024). However, this trend seemed to change during the return-to-work period, as the government intended to reduce its contribution to the partial activity scheme, a move that was met with opposition from all social partners following the announcement in June 2020.

ii. Unemployment Support

The government delayed the implementation of new unemployment compensation rules until September 1, 2020. According to some research, these rules, which were stricter than previous ones, had a significant impact, potentially leading to the impoverishment of 30% of unemployed individuals. Additionally, unemployed individuals whose entitlements ended during the lockdown period had certain rights extended. The delay in tightening unemployment insurance rules served as a response to concerns raised about the potential financial hardships created.

iii. Sick Pay

Individuals infected with COVID-19 are entitled to replacement income through health insurance provided by social security. However, there is ongoing debate, particularly among trade unions, regarding the classification of COVID-19 as an occupational disease. This classification is significant as it determines compensation for illness-related consequences, such as incapacity or death. Currently, only those in the medical sector are automatically considered for this classification, while other workers, particularly those on the front lines like transportation workers or shopkeepers, must prove the occupational origin of the disease to access related benefits. Workers unable to telework due to childcare responsibilities can apply for sick leave, initially for 21 days, which can be extended until schools reopen.

iv. Health and Safety Measures

The law requires employers to adopt the necessary measures to ensure the safety and physical and mental health of workers (Article 4121-1 of the Labor Code). These measures include preventive actions for occupational risks, providing information and training, and establishing appropriate organizational structures and means (Article 4121-1 of the Labor Code). The government identified a set of obligations that employers should adhere to based on general provisions, namely risk assessment, implementation of preventive measures, and control of compliance with barrier actions, although these have not been formalized into normative texts. However, there is a need to focus on three main points. First, the government facilitated the mobilization of two types of actors: those engaged in occupational health services in groups of companies and those who participated in staff representation. Individuals engaged in staff representation are expected to actively participate in these efforts.

Second, the right of workers to withdraw from work exceeds the obligation of employers to provide safety (L. 4131-1 et seq. of the Labor Code). If workers have reasonable grounds to believe that a work situation poses a serious and immediate threat to life or health, they may leave, provided that employers are informed. This is a personal and subjective right that can be exercised when employers fail to implement appropriate measures, considering the current health crisis. Thirdly, the burden of employer security duties was recently addressed in a court case where Amazon was ordered to cease operations in France. Lower courts and the Court of Appeal in Versailles ruled against Amazon for not including worker representatives in risk assessments and failing to implement measures to curb the spread of the disease in warehouses. The company was fined for neglecting to assess psychosocial risks heightened by epidemic threats and resultant organizational changes. Despite the significance of health risks, the court focused on the importance of not overlooking mental and emotional welfare risks. Following these rulings, some Amazon workers initiated a petition to challenge the court's rulings. French warehouses were shut down while operations continued in neighboring countries.

v. Labor Law Exemptions

The government has allowed businesses to deviate from the rules regulating working time and hours. Employers have the authority to impose or adjust workers' paid holidays for periods not exceeding six working days. However, this action depends on the conclusion of a collective agreement at the company or branch level. Regarding the days acquired by workers as part of the early-2000s reform to reduce working time, employers can unilaterally impose or modify them without the need for a collective agreement. Finally, derogations in weekly working hours were permitted in sectors considered necessary for national security or the continuity of economic and social activities. These derogations include increasing the maximum weekly working time from 48 to 60 hours, reducing the compensatory rest period between two working days from 11 to

9 hours, and exemptions from rules regarding Sunday work (Moizard, 2020).

The exemptions were intended to help businesses cope with increased activities when it was difficult to hire new workers. The absence of an implementing decree led to significant criticism, and these measures are not currently mandatory. The future use of these exemptions after the lockdown is lifted depends entirely on how the criterion of necessity for the security of the nation or the continuity of economic and social life is interpreted. France introduced labor law exemptions through the law of May 15, 2020, which contained new derogations and exemptions from fixed-term contract provisions. For example, company-level collective agreements specified the maximum number of renewals for fixed-term contracts, deviating from agreements where such deviations were not previously permitted. As a result, the current crisis highlighted the importance of company agreements.

3. Balancing the Interest between Corporate Rescue and Workers' Protection: Lessons Learned from Three Model (Short Time Wage, Furlough, and Wage Subsidy Schemes in the Selected European Countries)

The impact of the pandemic crisis compelled businesses and workers to urge relevant authorities and policymakers to respond promptly to the changed circumstances (Setyorini, 2021). Consequently, it is the responsibility of authorities to assess the economic impact of the pandemic and implement necessary changes (Syahrial, 2020). The government's response must aim to balance the interests of all parties (Reilly, 1998) and establish a permanent policy scheme capable of addressing temporary economic difficulties caused by fluctuations in demand cycles. Similar situations may arise due to various reasons, particularly in the current turbulent economic environment resulting from the uncertain prospects of COVID-19 crisis recovery and potential disruptions in supply chains (Kusumaweningrat, 2021). A permanent policy scheme would fill the void during crises, providing clarity for all participating actors on the necessary steps to take whenever a crisis emerged, thereby becoming a routine procedure. In a non-permanent scheme, there are uncertain rules and procedures (Aiyar & Dao, 2021), which deter certain businesses from fully adopting the rule. It is important to design a framework that considers and balances the interests of all participating parties (Drahokoupil & Müller, 2021).

In response to economic crises, various European and OECD countries have adopted work retention schemes as a major strategy. These schemes aimed to prevent the severe social consequences of widespread unemployment and maintain the relationship between workers and companies. This was achieved by reducing wages during difficult times while protecting workers from income loss (Hardy et al., 2018).

The evolution of work retention has led to three distinct schemes, namely the Short Time Wage (STW) scheme, the Furlough scheme, and the Wage Subsidy (WS) scheme. Distinguishing between these schemes is crucial as each has different backgrounds, measures, and levels of implementation (Eichhorst et al., 2022). In some countries, particularly in Europe, attempts have been made to implement these schemes to varying extents. Occasionally, two schemes are combined simultaneously, such as STW and WS. The choice of scheme depended greatly on specific objectives, economic conditions, crisis developments, and the country's ability to support the framework. The following are examples of countries implementing STW, WS, and Furlough schemes.

a. Implementation of STW (Short Time Wage) scheme in France during the COVID-19 pandemic

During the global financial and economic crisis from 2009 to 2011, the STW scheme played a crucial role in stabilizing the labor market in countries like Germany, Belgium, Japan, and Italy, accounting for more than 3% of total employment (Pavlopoulos & Chkalova, 2022). The scheme played a critical role in maintaining the relationship between companies and skilled workers, enabling the flexible continuation of productive work as the economy improved (Boeri & Bruecker, 2011). This was particularly beneficial for countries where the costs associated with layoffs are high and skilled staff are in high demand. The policy addressed the challenge of retaining skilled workers, who may be lured by opportunities in other work markets or forced to take lower-productivity roles in the informal sector (HMRC, 2021). The STW scheme was especially beneficial for countries with strict legal provisions regarding layoffs, facilitating the retention of specialized skills in companies and preventing the need for costly rehiring or potential layoffs. Germany is one of the countries that successfully reduced unemployment rates during the crisis through the implementation of the scheme (Balleer et al., 2016).

In response to COVID-19, France introduced the Activité Partielle scheme, offering relatively high wage replacement rates. This scheme subsidized 100% (net) of the minimum wage and 84% of wages up to a maximum of 4.5 times the minimum wage (Hensvik & Skans, 2020). The STW program was extended for 12 months during the crisis period, with a maximum limit set at 1,607 hours annually and continually adjusted to better accommodate non-standard workers. In France, subsidies are provided by employers and briefly replaced through tax revenue, with approximately 1.1% of GDP allocated in 2020. By May 2020, approximately half of the French workforce was covered under the STW scheme, one of the highest proportions by international standards (Hensvik & Skans, 2020). Initially, France planned to promptly terminate the program, but since June 1, 2020, employers have been mandated to use Activité

Partielle in sectors where economic activities are gradually resuming. With this extension, workers received 70% of gross wage tax-free for unpaid hours, and companies were obliged to pay 15% of this replacement amount.

The subsidy policy of Activité Partielle was reduced starting in November 2020, with the replacement rate for gross wages during non-working hours decreased from 70% to 60%, with companies paying 40% of this amount. Additionally, in France, employers provided training support during the STW program. In exchange for reimbursement of training costs (100% until October 2020), employers needed to commit to retaining workers in the short-term work phase and obtain approval for further training (outside working hours) (Hensvik & Skans, 2020). At the same time, new instruments were introduced for companies facing long-term economic difficulties. From July 2020, companies could apply for Activité Partielle de Longue Durée (APLD). This scheme allows for a maximum reduction in working time of 40% or 50% in exceptional cases, while ensuring that workers receive 70% of their usual gross wage, with employers reimbursed 60%.

b. Furlough Scheme in the United Kingdom (UK)

The Furlough scheme operates by temporarily suspending full or partial work, providing unemployment subsidies directly to workers during these periods. It aims to enable companies to reduce wage bills by temporarily laying off workers (Stuart et al., 2021) while ensuring that employment contracts are maintained and workers can return to their previous positions with unchanged conditions. This setup also supports workers in the search for alternative employment, as employees remain connected to employers and are integrated into the existing unemployment insurance system. While some Furlough schemes offer training allowances, few provide support for workers to find other work (Huffman et al., 2022). To prevent abuse, employers typically fund the flat-rate unemployment benefit upfront (Lee & Sanders, 2013).

In the UK, the Furlough scheme provides coverage for 80% of wages for workers impacted by the COVID-19 pandemic, restricted to £2,500 per worker per month. Eligibility for this scheme requires participation in the PAYE payroll system, administered by Her Majesty Revenue and Customs (HMRC), which collects Income Tax and National Insurance contributions from employment relationships (Rayment, 2020). Employers deduct Income Tax (IT), Pay-Related Social Insurance (PRSI), and Universal Social Charge (USC) from the salaries of workers and pay the deducted amount to the Revenue (HMRC, 2021).

PAYE is also used by individuals receiving retirement pensions from previous employers. Introduced in 1944, PAYE is used in several European countries, Australia, and America. Additionally, the UK government provides PAYE for payroll filing (Rayment, 2020), changing how employers submit payroll information to the Inland Revenue Department monthly, regardless of payment frequency (Maré & Hyslop, 2021). The Furlough scheme offers two options: full Furlough, which entails a complete cessation of full-time work, or flexible Furlough, which allows workers to work during specified active hours but stop during designated periods set by companies. While the Furlough scheme should ideally be implemented with the consent of workers and labor unions, employers are not obligated to enroll workers in the scheme (Mayhew & Anand, 2020).

c. Scheme in Indonesia and Compatibility of Wage Subsidy (WS) in Indonesia

Indonesia implemented a Wage Subsidy (WS) program to support workers affected by COVID-19, with the requirement that active workers must be enrolled in the Workers Social Security Agency (BPJS Ketenagakerjaan) (Amri & Amri, 2021). Initially enacted in August 2020, the disbursement of WS was regulated by the Minister of Manpower Regulation No. 14 of 2020, which provided guidelines for government assistance in the form of WS for affected workers. Under this regulation, subsidies were directly credited to the BPJS accounts of workers earning below IDR 5,000,000, deposited at a rate of IDR 600,000 per month for four months (Regulation of the Minister of Manpower of the Republic of Indonesia Number 14 of 2020 Concerning Guidelines for Giving, 2020).

In July 2021, the policy was updated through the Minister of Manpower Regulation No. 16 of 2021, which lowered the subsidy recipient limit to laborers or workers earning IDR 3,500,000 (previously IDR 5,000,000) or the regional minimum wage (Regulation of the Minister of Manpower of the Republic of Indonesia Number 16 of 2021 Concerning Amendments to Regulation of the Minister of Manpower Number 14 of 2020 Concerning Guidelines for Providing Government Assistance in the Form of Salary/Wage Subsidy in Handling the Impact of Covid-19, 2021). The updated regulation also specified eligible business sectors, such as consumer goods, trade and services (except for education and healthcare services), transportation, property, and real estate, and prioritized workers who had not benefited from other government assistance programs, namely the Pre-Employment Card, Family Hope Program, or Productive Micro-Business Assistance (Art. 3b of Regulation of the Minister of Manpower of the Republic of Indonesia Number 16 of 2021 Concerning Amendments to Regulation of the Minister of Manpower Number 14 of 2020 Concerning Guidelines for Providing Government Assistance in the Form of Salary/Wage Subsidy for Workers in Handling the Impact of Covid-19, 2021). This policy was subject to several revisions to adapt to the changing economic conditions influenced by the pandemic. Initially, the subsidy amount was IDR 600,000 per month for four months, but it was later reduced to IDR 500,000, provided in a lump sum for two months.

Unlike the previous regulation, the wage subsidy was initially allocated only to workers residing in areas under the Enforcement of Restrictions on Community Activities (PPKM) Level 4. However, in July, this restriction was updated through Minister of Manpower Regulation No. 21 of 2021, removing the zone restrictions specifying Level 4. Policy updates were adjusted to suit the economic conditions influenced by the pandemic. Finally, in September 2022, the policy was further updated to Minister of Manpower Regulation No. 10 of 2022 regarding Guidelines for Government Assistance in the Form of WS for Workers, increasing the subsidy amount to IDR 600,000, disbursed only once. Efforts were made to reduce duplication of recipients by cross-referencing data with databases from other government assistance programs, namely the Pre-Employment Card, Productive Micro-Business Assistance, and Family Hope Programs, to ensure targeted coverage for those affected by the pandemic. Despite a target of 15.7 million workers in 2020, only 12.4 million benefited from the program (Hemmington & Neill, 2022).

Based on a comparison of best practices from other countries, the implementation of these three models was not driven by the objective of reducing unemployment. In this case, the WS model serves as an option because benefits are not solely provided in response to individual job losses or through STW but are directly paid to the affected companies as WS. Since March and April 2020, when the pandemic and subsequent lockdowns threatened companies with bankruptcy and put millions of workers at risk of unemployment, approximately 40 countries implemented temporary WS as part of the policy responses to counteract the impact of the crisis (Rosenberg, 2020). Temporary WS aimed to prevent mass layoffs, assist companies in retaining a skilled workforce, and facilitate post-lockdown production recovery while ensuring that workers continued to receive a portion of their regular wages.

Unlike STW and Furlough schemes, which subsidize non-working hours, WS specifically targets working hours. Eligibility for WS is closely tied to the conditions of companies and does not consider the working time adjustments experienced by workers. However, support for STW and Furlough schemes is directly related to working time adjustments. WS has been used in several countries to support companies experiencing a decline or loss in turnover or sales without specifically addressing non-working hours. Therefore, this scheme mainly aims to sustain companies during downturns, requiring companies to continue paying workers as if there were no economic shocks, maintaining regular hours, and avoiding layoffs or reductions in paid working hours.

WS has been used in several countries to support companies experiencing a decline or loss in turnover or sales, without directly addressing non-working hours in specific situations. The scheme focused on supporting companies during periods of reduced turnover, requiring companies to continue paying workers as if there were no economic shocks, such as layoffs or reduced working hours (Blumkin, Pinhas, & Zultan, 2020). The WS scheme generally originated from the state budget and was paid to companies per worker as a lump sum, irrespective of any reduction in working hours. One indicator for assessing the eligibility for WS receipt is by evaluating the level of decrease in company income (Rosenberg, 2020). In various WS schemes across Europe, there were regulations regarding the minimum threshold for income reduction, ranging from 15% to 60% in Poland and Croatia, respectively, for the period of July to September. These criteria vary between countries and also internally, depending on the reference period or specific situations (Drahokoupil & Müller, 2021).

Various types of WS exist, differing based on who receives the payment—employers or workers—how the transfer is conducted—through social security contributions, taxes, or direct transfers—and the eligibility and targeting criteria, for example, all workers, newcomers, and youth. Administrative arrangements for implementing WS also vary. Furthermore, the models share certain similarities and possess different underlying logics. There are also overlaps between the schemes, and the differences have become increasingly blurred as they were adjusted to address the impacts of the pandemic. The following variables were used to distinguish the three schemes (Eichhorst et al., 2022).

The Comparison of Three Worker Protection Schemes

VARIABLE	SHORT TIME WORK SCHEME	FURLOUGH SCHEME	WAGE SUBSIDY SCHEME
Type of support	Support for companies to cover wage of workers, when momentarily not working.	Subsidy for non-working workers. Allowing companies to momentarily or completely lay off part of workforce.	Subsidy to companies regardless of whether working hours are reduced.
Conditions (eligibility)	Temporary economic difficulties. Reduction of working time. Employment contract.	Temporary economic difficulties. Reduction of working time. Workers who qualify for unemployment assistance.	Economic crisis. Certain sectors or companies.

Funding levels	Regarding payment. Directly reflects adjustments to working hours.	Regarding payment. Directly reflects adjustments to working hours.	Permissible wage adjustments are not directly related to a reduction in working hours.
Financing	Varies	Unemployment insurance	State budget

In Indonesia, the government provided subsidies uniformly to workers in specific sectors, while other countries relied on social security contributions shared by employers and workers to fund wage support (WS) schemes. For example, in established short-time work (STW) schemes like those in Austria and Germany, social security contributions (SSC) are fully covered by the state, whereas in Belgium and France, these contributions are only paid for actual working hours. In many WS schemes, including those implemented in Bulgaria, Malta, the Netherlands, and Poland, both employers and workers continue to pay SSC. Meanwhile, in furlough schemes, such as those in Finland, Ireland, and Norway, SSC is not paid while workers are in the scheme (Drahokoupil & Müller, 2021).

In most countries, employers are partially exempted from paying SSC. In Indonesia, a longstanding social security program known as BPJS Employment is in operation, with contributions required periodically from workers (Syahputra & Munandar, 2021). BPJS Employment contributions for the non-formal sector amount to IDR 16,800 per month for two programs, namely Work Accident Insurance (JKK) and Death Insurance (JKM). To register for all three programs, including Old Age Security (JHT), individuals need only an additional IDR 20,000, bringing the total to IDR 36,800 per month. Despite the pandemic, workers must continue making periodic BPJS contributions. WS disbursement is exclusively available to laborers or workers who maintained active BPJS registrations and contributed up until July 2022 to receive payments under the latest policy. The WS scheme implemented in Indonesia differs from those in other countries.

i. The Indonesian WS scheme differs from those in several countries where the scheme is implemented, as it does not mandate companies to prove a significant reduction in turnover for the government to provide WS to workers. In contrast, countries such as Bulgaria, Hungary, Ireland, the Netherlands, and Poland require companies to prove specific turnover decreases, ranging from 20%, 15% to 60% (changes over time), 30% and 15% to 25% (Drahokoupil & Müller, 2021);
ii. In Indonesia, wage is directly deposited into the account of each worker, guaranteeing employment regardless of reduced working hours. This contrasts with some countries where WS is granted to companies and then

distributed to individual workers (Wong & Wong, 2021)

iii. Workers are mandated to continue paying BPJS employment social contributions in WS program period. This requirement contrasts with several other countries where such payments are not obligatory, as previously reported.
iv. In Indonesia, subsidized wage is only available to workers earning 3,500,000 IDR or the minimum wage value, as stipulated in the latest Manpower Regulation 10/2022.
v. The common method adopted in most countries includes using subsidies from the state budget to support companies and prevent worker layoffs.
vi. In Indonesia, the assessment is based on individual workers, while in other countries, it is centered around companies.
vii. The aim of providing WS was not to reduce the rate of unemployment or ensure business continuity, but to maintain the purchasing power of workers or laborers in meeting daily needs as a result of rising prices.

To optimize the wage assistance policy in Indonesia, it is crucial to establish clear objectives for the program. This includes determining whether the main objective is to maintain the relationship between workers and companies (work protection), reduce the payroll burden for struggling companies, or protect workers from income loss. Defining these objectives clarifies whether the policy mainly serves the interests of employers or workers (Ebbinghaus & Lehner). However, conducting thorough assessments of companies before identifying eligible sectors for subsidies is advisable. Indonesia needs to adopt several strategies to ensure the effective operation of the policy, and one method is classifying sectors into two parts:

i. Some business sectors remained operational during the pandemic, despite experiencing a decline in turnover due to Large-Scale Social Restrictions/*PSBB*. For example, entrepreneurs in the fields of consumer goods, trade, and transportation services still required workforce, but encountered challenges in wage provision due to reduced in turnover.
ii. Industries that faced reduced demand during the pandemic, namely hospitality, tourism, culture, and real estate, anticipated a prolonged income decline. Consequently, these businesses may decide to downsize workforce through layoffs or temporary suspensions until conditions improved.

The first sector is ideally suited for a WS scheme, which includes providing subsidies directly to workers. The initial step involves assessing whether companies still need a workforce, whether there is continued market demand, and whether the decrease in turnover is attributable to COVID-19 or the implementation of PSBB.

For the second sector, a furlough scheme is more suitable, as it is designed to provide financial assistance to workers who are temporarily or fully laid off. However, implementing this scheme can be challenging due to labor laws and regulations granting rights to laid-off workers, such as severance pay or compensation, making layoffs during a crisis difficult for companies. In other countries, the furlough scheme is typically implemented alongside an existing unemployment insurance program, which covers benefits for full or temporary layoffs during crises (Jurajda, 2004).

Overseas, unemployment insurance (UI), also referred to as unemployment benefits, is a state-provided insurance that offers financial assistance to eligible individuals on a weekly basis. Generally, those who voluntarily quit or are fired for valid reasons are not eligible for UI (Albertini, Fairise, & Terriau, 2020). Eligibility relies on circumstances where individuals lose their previous work due to reasons beyond their control, such as a lack of available work. While federal law governs UI programs, each state administers its own unemployment insurance program, with eligibility based on state-specific employment and wage requirements, including minimum working hours (Butler, 1999). UI benefits are mainly financed by state governments through a special payroll tax.

In Indonesia, the implementation of a furlough scheme became possible after the government issued Government Regulation Number 37 of 2021, also known as the Job Loss Security Program (JKP) or the unemployment insurance program (Harahap, Pratitis, & Sitorus, 2022). Many countries that adopted furlough schemes during the pandemic had already established unemployment insurance policies to cover the costs of layoffs during crises. These policies typically include monthly contributions from both companies and the government, similar to the JKP implemented in Indonesia (Dullien & Fichtner, 2013). With the JKP program in effect, companies can conduct partial or full layoffs during a crisis, with layoff benefits covered through unemployment insurance while workers continue to pay BPJS (Harahap, Pratitis, & Sitorus, 2022).

Article 1 of Government Regulation Number 37 of 2021, which defines the JKP scheme as a form of social security aimed at assisting workers who experience layoffs, includes providing cash benefits, access to labor market information, and work training. According to Article 3, employers are obliged to enroll workers in the JKP program organized by BPJS Ketenagakerjaan and the central government (Ragiliawan & Gunawan, 2021). Additionally, Article 11 states that JKP contributions, set at 0.46% of the monthly wage, are divided between the central government (0.22%) and the employer (0.24%). Unlike some countries where both employers and workers contribute to unemployment insurance (Dullien & Fichtner, 2013), in Indonesia, the monthly JKP contribution of 0.46% is split between the government (0.22%) and employers (0.24%) (Wiryadi & Novendra, 2021).

In European countries, layoff benefits are calculated using the monthly income of workers, often tracked through the PAYE system (HMRC, 2021). This system aggregates data from various sources within companies, including wage and salary details, along with other tax withholdings covering different benefits (e.g., working age tier-1 benefits, NZS pension, income-related ACC, Paid Parental Leave, and Student Allowance payments). Indonesia does not have a similar system, so subsidies are distributed based on the most recent salary and wage reports submitted by employers to BPJS Ketenagakerjaan, which manages the records.

With the implementation of the JKP policy, Indonesia may consider integrating both WS, which includes providing subsidies directly to workers, and furlough schemes in the future. This would offer employers and workers the option to either continue working with subsidies or undergo temporary or full layoffs with associated benefits during crises. For example, a furlough scheme could be targeted at industries directly affected by the pandemic, such as tourism, transportation, hospitality, and cultural sectors. The scheme aims to assist laid-off workers through financial assistance, work placement services, counseling programs, and training opportunities, all covered by the unemployment insurance program. This process supports the transition of workers to productive sectors during the pandemic (Burgess & Low, 1998).

D. CONCLUSION

The WS scheme is ideally suited for sectors where subsidies can be provided directly to workers by assessing market demand and addressing turnover reductions due to COVID-19 or the implementation of PSBB. In contrast, the Furlough scheme is more appropriate for sectors where workers are temporarily or fully laid off, offering them financial assistance. However, implementing Furlough can be challenging in Indonesia due to labor laws and regulations that grant rights to laid-off workers. The introduction of Government Regulation Number 37 of 2021, known as the Job Loss Security Program (JKP), or the unemployment insurance program, made Furlough implementation possible in Indonesia. JKP provides cash benefits, access to labor market information, and work training for workers who experience layoffs. Although Indonesia does not have a system identical to those in other countries, subsidies are distributed based on the most recent salary and wage reports submitted by employers to BPJS Ketenagakerjaan. Indonesia may consider integrating the WS and Furlough schemes, allowing employers and workers to either continue working with subsidies or undergo temporary or full layoffs with associated benefits during crises. The Furlough scheme could be particularly effective for industries directly impacted by the pandemic, offering financial assistance, work placement services, counseling programs, and training opportunities.

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