



## LEGAL ANALYSIS OF LEGAL RISK MANAGEMENT IN HUMAN RESOURCE MANAGEMENT AND ITS IMPACT ON COMPANY PERFORMANCE

**Jumardin<sup>1</sup>, M. Amsyahr<sup>2</sup>, Alamsyah<sup>3</sup>, Astri Aryanti Amsyahr<sup>4</sup>**

<sup>1,2,3</sup> Portman University/Chicago, <sup>4</sup> Institut Ilmu Sosial dan Bisnis Andi Sapada

**Email:** [ardhywajo88@gmail.com](mailto:ardhywajo88@gmail.com)<sup>1</sup>, [amsyahr1305@gmail.com](mailto:amsyahr1305@gmail.com)<sup>2</sup>, [alamsyah05021991@gmail.com](mailto:alamsyah05021991@gmail.com)<sup>3</sup>,  
[astriaryantiamsyahr277@gmail.com](mailto:astriaryantiamsyahr277@gmail.com)<sup>4</sup>

**Received:** 01/05/2026 | **Revised:** 09/05/2026 | **Accepted:** 29/05/2026 | **Published:** 04/06/2026

### Abstract

This study aims to analyze the application of legal risk management in human resource management and examine its impact on company performance. The issues studied include the forms of legal risks that arise in human resource management practices, efforts to handle them based on applicable laws and regulations, and their impact on achieving company goals. The research method used is normative legal research with a statutory, conceptual, and analytical approach. Data collected comes from primary, secondary, and tertiary legal materials, which are then analyzed qualitatively. The results of the study indicate that legal risks in human resource management can include employment disputes, violations of workers' rights, and administrative and criminal sanctions due to non-compliance with legal provisions. The application of good legal risk management, including identification, assessment, handling, and monitoring of risks, has been proven to minimize the occurrence of legal disputes and losses. Furthermore, this has a positive impact on improving company performance, including through the creation of a conducive work climate, increased employee productivity, and maintained business image and sustainability. This study concludes that legal risk management is a strategic aspect that is inseparable from human resource management, so it needs to be strengthened through the preparation of legally compliant internal policies and increasing legal awareness of all parties in the company.

**Keywords:** *Legal Risk Management, Human Resource Management, Company Performance, Legal Analysis*

### INTRODUCTION

Human Resources (HR) are the most important and strategic asset for the sustainability and development of a company. A company's success in achieving its goals is largely determined by the quality, performance, and involvement of its human resources. In managing HR, companies must not only focus on development, compensation, or productivity improvement, but also consider all legal aspects governing the relationship between the company and its employees.<sup>1</sup> The employment relationship between a company and its employees is based on applicable labor laws and regulations, as well as an employment agreement agreed to by both parties. Every step and policy taken by a company in human resource management, from recruitment and placement to development and termination, carries the potential for legal risk. These legal risks can arise from non-compliance with company practices and legal provisions, unclear internal regulations, or disputes with employees.<sup>2</sup> Possible risks include employment disputes, claims for compensation, administrative sanctions from authorized institutions, and even criminal sanctions, all of which can result in material and non-material losses for the company. In practice, many companies still do not make legal risk management an integral part of their HR management. Often, legal risk management is only seen as an administrative matter or as handling problems after they occur, rather than as a

<sup>1</sup> Rizky, MC (2024). Human Resource Strategy in Companies. *Yos Soedarso Economic Journal (YEJ)*, 6(3), 94-98.

<sup>2</sup> Damayanti, P., Sari, AM, & Ambarwati, RA (2024). A Comprehensive Analysis of the Role of Law in Preventing Unethical Business Practices in Companies. *Student Research Journal*, 2(6), 136-145.

preventative measure taken from the outset.<sup>3</sup> However, if legal risk is not managed properly, it will have widespread negative impacts, such as disruption to company operations, decreased employee trust and performance, damaged company image in the eyes of the public, and even threaten the company's sustainability. Conversely, the implementation of sound and structured legal risk management in HR management is expected to provide legal certainty, protect the rights and obligations of both parties, and create a harmonious work climate. This condition will ultimately have a positive impact on improving overall company performance. Based on this, this study was conducted to analyze in depth the legal aspects of legal risk management in HR management and examine how it can affect company performance.

## **METHOD**

The type of research used is normative research. Normative legal research is also called doctrinal legal research, library research, or documentary study.<sup>4</sup> It is called doctrinal legal research because it is conducted solely on written regulations or other materials. Normative research uses a theoretical-rational method with a deductive logical reasoning model (drawing conclusions from the general to the specific).<sup>5</sup> The approach used in this paper is the Legislative Approach, which is an approach carried out by examining all laws and regulations related to the legal issue being handled. The conceptual approach in legal research is a method that starts from the doctrines, thoughts, and views of legal experts to build legal arguments.<sup>6</sup> This approach analyzes basic concepts to answer legal issues when laws and regulations do not.<sup>7</sup> The collected data is analyzed qualitatively, namely by describing and interpreting the existing data in the form of systematic, logical, and objective sentence descriptions.

## **RESULTS AND DISCUSSION**

### **Forms of Legal Risk in Human Resource Management Reviewed from the Perspective of Legislation**

Human resource management encompasses all stages of the employment relationship, and at each stage, there are potential legal risks if practices do not comply with statutory provisions, particularly Law No. 13 of 2003 concerning Manpower and Law No. 11 of 2020 concerning Job Creation. The following are examples of legal risks that may arise:

1. At the Employee Recruitment Stage

Legal risks can arise when a company discriminates in the recruitment process,<sup>8</sup> for example by treating employees differently based on gender, age, ethnicity, religion, or marital status, which violates Article 6 of the Manpower Law. Furthermore, risks arise if a company fails to create a written employment agreement, particularly for fixed-term employment agreements, resulting in unclear rights and obligations for both parties. Regulations require that an employment agreement contain legally defined elements, and the absence of this document can lead to future disputes.

2. At the Implementation Stage of Employment Relations

At this stage, the most common legal risks include: failure to provide wages according to established standards, failure to provide workers' rights such as leave, social security, or occupational safety and health protection, and unfair treatment or actions that harm workers.<sup>9</sup> For example, companies that fail to register their workers in the BPJS Ketenagakerjaan program will be subject to administrative sanctions in the form of fines, and may even be subject to compensation claims in the event of a work accident. Furthermore, violating provisions on working hours, rest periods, or work prohibitions for female and child workers are also forms of legal risks that have the potential to cause problems.

3. At the Employment Termination Stage

---

<sup>3</sup> Lestari, HS, Chandra, K., Sari, WR, Kusumastuti, SY, Sa'dianoor, SD, Nalurita, F., & Judijanto, L. (2025). Risk management: A theoretical and practical approach. Jambi: Sonpedia Publishing Indonesia.

<sup>4</sup> Peter Mahmud Marzuki. (2021). Legal Research. Jakarta: Kencana.

<sup>5</sup> Juliardi, B., Runtunuwu, YB, Musthofa, MH, TL, AD, Asriyani, A., Hazmi, RM, ... & Samara, MR (2023). Legal Research Methods. Padang: Gita Lentera.

<sup>6</sup> Muhaimin. (2020). Legal Research Methods. Mataram: Mataram University Press.

<sup>7</sup> Syarif, M., Ramadhani, R., Graha, MAW, Yanuaria, T., Muhtar, MH, Asmah, N., Syahril, MAF, ... & Jannah, M. (2023). Legal Research Methods. Padang: Get Press Indonesia.

<sup>8</sup> Putri, N. (2026). Recruitment Process of Non-Governmental Workers in F&B Companies Based on Age Reviewed from Article 35 of Law Number 13 of 2003 Concerning Manpower. Al-Zayn: Journal of Social Sciences & Law, 4(2), 4946-4952.

<sup>9</sup> Basofi, MB, & Fatmawati, I. (2023). Legal Protection for Workers in Indonesia Based on the Job Creation Law. Professional: Journal of Communication and Public Administration, 10(1), 77-86.

This is the stage that carries the greatest legal risk. Many companies terminate employment without justification, without prior consultation, or without providing severance pay and compensation in accordance with legal provisions.<sup>10</sup> According to regulations, termination of employment can only be carried out if established requirements and procedures are met, and violations of these can result in the company being required to reinstate the worker or pay substantial compensation, as well as protracted disputes.

#### 4. Forms of Legal Risk Consequences

Legal risks that may arise include: claims for compensation from workers, fines and administrative sanctions from employment agencies, freezing or revocation of business permits, and criminal sanctions if the violations committed are serious and cause significant losses.

Based on the explanation above, the author's analysis shows that legal risks in HR management essentially arise from a gap between company practices and applicable legal provisions. Companies often focus solely on achieving business goals and work efficiency, neglecting their legal obligations. However, labor laws and regulations are not simply burdensome rules, but rather tools to create a balance between the rights and obligations of employers and employees. In terms of their nature, these legal risks are both preventative and repressive. This means they can be prevented early if the company understands and implements the regulations properly, but if left unchecked, they can have detrimental consequences. The author believes that the termination of employment is the most vulnerable stage because it is at this stage that the interests of both parties often clash. Therefore, a thorough understanding of the procedures and requirements stipulated by law is crucial to avoid unnecessary risks.<sup>11</sup> Furthermore, the author also observed that many companies still view legal risks as limited to disputes with employees, even though the consequences are far more extensive, ranging from administrative sanctions to damage to the company's image. This suggests that legal awareness among business owners still needs to be improved, as poorly managed legal risks can be a major obstacle to a company's development.

### **Implementation of Legal Risk Management in Human Resource Management in Accordance with Legal Provisions**

To address the legal risks outlined, companies need to implement systematic and structured legal risk management, aligned with statutory provisions. Based on the research findings, the steps for implementing this are as follows:

#### 1. Risk Identification Stage

Companies must identify all potential legal risks at every stage of HR management. This is done by mapping all HR management activities and then comparing them with applicable laws and regulations.<sup>12</sup> For example, checking whether the payroll system complies with minimum wage standards, whether employment agreements contain legally required provisions, and so on. This identification should be conducted periodically, especially when there are changes in regulations or company policies.

#### 2. Risk Assessment Stage

Once risks are identified, the next step is to assess their level of risk, namely, how likely the risk will occur and how significant the impact will be. Based on this assessment, the company can determine risk management priorities, starting from the most important and dangerous risks to the lower-level risks.

#### 3. Risk Management Stage

There are several risk management strategies that companies can implement, including:

Avoiding risks, namely by not taking actions that have the potential to give rise to legal risks, for example not carrying out discriminatory practices in recruitment.

- a) Reducing risk, namely by taking steps to minimize the possibility of risk occurring or reducing its impact, for example by preparing a complete and clear work agreement, or providing legal training to parties responsible for managing HR.
- b) Transferring risk, namely by transferring the risk to another party, for example by participating in a social security or insurance program.
- c) Accepting the risk, namely by being aware of the risk and preparing funds or steps if the risk actually occurs, but this is only done for low level risks.

<sup>10</sup> Hidayati, LN, Dewi, AL, Oktaviana, MM, Sari, L., Salsabila, SR, & Hadji, K. (2025). Legal Protection of Contract Workers in the Perspective of Law Number 13 of 2003 and the Omnibus Law. *Al-Zayn: Journal of Social Sciences & Law*, 3(3), 1934-1945.

<sup>11</sup> Zaeni Asyhadie, Lalu Hadi Adha, & Rahmawati Kusuma. (2024). *Employment Protection and Social Security for Post-BPJS Workers*. Jakarta: Prenada Media.

<sup>12</sup> Nurohman, DA (2024). *Human resource management*. Jakarta: IDelapan Kreasi Nusa.

#### 4. Monitoring and Evaluation Stage

The implementation of legal risk management must be continuously monitored and evaluated to ensure that the steps taken are effective and aligned with the objectives. If deficiencies or changes in the situation are identified, the company must immediately make improvements or adjustments. Furthermore, companies need to develop company regulations or collective bargaining agreements that comply with laws and regulations, and raise legal awareness among all levels of the company, both employers and employees, to ensure that all activities are always based on the law.<sup>13</sup>

Based on the explanation above, the author's analysis concludes that legal risk management is not simply a series of administrative procedures, but rather a strategic approach that must be integrated into the entire company management system. The steps outlined above demonstrate that legal risk management is proactive, not reactive. This means that the goal is not simply to resolve problems when they occur, but rather to prevent them from arising in the first place.

The author believes that the risk identification and assessment stage is the most crucial foundation, because without a clear understanding of the risks involved, a company cannot determine appropriate mitigation measures. Companies often fail to implement risk management because they don't conduct comprehensive risk mapping, which can lead to overlooked risks that ultimately lead to problems. Furthermore, the author believes that risk management strategies must be tailored to the company's circumstances and capabilities. While no single strategy is best for all companies, the most important thing is that the chosen strategy must be based on legal regulations. For example, a strategy of transferring risk through social security not only benefits the company but also constitutes a legal obligation that must be fulfilled.

Another equally important aspect, according to the author, is legal awareness and internal policies. Legal risk management will not be effective if it is carried out solely by the legal or HR departments; it must be supported by all levels of the company. The development of clear and legally compliant company regulations also serves as a guideline that facilitates all parties' understanding of their rights and obligations, thereby reducing the potential for misunderstandings and disputes.

### **The Impact of Implementing Legal Risk Management in Human Resource Management on Company Performance**

Based on the analysis, the proper implementation of legal risk management has a significant impact on company performance, both directly and indirectly. These impacts can be explained as follows:

#### 1. Impact on Operational Aspects

When legal risks are properly managed, companies can avoid operational disruptions caused by labor disputes, strikes, or inspections by authorized agencies. Company activities can run smoothly and orderly, thus maintaining and even increasing productivity. Furthermore, a clear and legally compliant management system makes work processes more efficient and effective.

#### 2. Impact on Financial Aspects

Implementing legal risk management can reduce costs a company incurs due to legal issues,<sup>14</sup> such as compensation, fines, attorney fees, or costs arising from operational interruptions. These savings can be allocated to other activities that support the company's development, positively impacting its financial condition and profitability.

#### 3. Impact on Human Resources Aspects

This is the most noticeable impact. When companies manage human resources in accordance with the law, workers' rights are fulfilled, and they feel valued, protected, and secure in their jobs. This increases employee trust, loyalty, and motivation, leading to better performance and greater contributions to the company. Conversely, if companies ignore legal aspects, dissatisfaction, decreased morale, and even high employee turnover can result, all of which can negatively impact company performance.

#### 4. Impact on Corporate Image and Sustainability

Companies that implement effective legal risk management will maintain a positive image among the public, employees, business partners, and the government.<sup>15</sup> This positive image will facilitate the company's

<sup>13</sup> Sudiro, A., & Putri, OA (2023). Human resource management. Jakarta: Bumi Aksara.

<sup>14</sup> Fransiscus, R. (2025). Management Relations in Efforts to Protect Business Actors Legally. *Journal of Economic Vision, Accounting and Management*, 7(1), 70-79.

<sup>15</sup> Damayanti, P., Sari, AM, & Ambarwati, RA (2024). A Comprehensive Analysis of the Role of Law in Preventing Unethical Business Practices in Companies. *Student Research Journal*, 2(6), 136-145.

recruitment of qualified employees, collaboration with other parties, and government support. Ultimately, this will support the company's long-term sustainability and growth. Conversely, if a company is frequently involved in legal issues, its image will be damaged, trust in others will be diminished, and this can threaten the company's very survival.

Based on the impact description presented, the author's analysis shows a close and interconnected relationship between legal risk management and company performance. Companies often assume that fulfilling legal obligations will only increase costs and business burdens, when in reality, this is an investment that provides long-term benefits. The author sees the impact on human resources as a key point connecting legal risk management with company performance. Because human resources are a company's primary asset, when legal risks in human resource management can be managed well, the positive impact will be felt throughout the company. Workers who feel protected and treated fairly will be highly motivated, which ultimately will increase productivity and work quality. This is in accordance with the principle that companies manage workers not only as a workforce, but also as partners who contribute to business success.

From a financial perspective, the author believes that cost savings resulting from avoiding legal issues are a tangible and measurable benefit. However, equally important are intangible benefits, such as corporate image and trust from others. In an increasingly competitive business world, a positive image is a valuable asset that is difficult for competitors to replicate. Furthermore, the author believes that legal risk management also plays a role in maintaining corporate sustainability. Many large and growing companies have had to cease operations or experience setbacks due to their inability to properly manage legal risk. Therefore, implementing legal risk management is not only a current necessity but also a strategic step to ensure a company's continued growth and long-term survival.

## CONCLUSION

At every stage of human resource management, from recruitment and employment to termination, various forms of legal risks can arise due to non-compliance of company practices with applicable laws and regulations. These legal risks can result in consequences such as claims for compensation, administrative sanctions, and even criminal sanctions, all of which have the potential to cause material and non-material losses for the company. Furthermore, the implementation of legal risk management in human resource management in accordance with legal provisions is carried out through systematic stages, namely risk identification, risk assessment, risk management, and ongoing monitoring and evaluation. This step is a strategic effort to minimize the possibility of legal problems and ensure that all company policies and activities are carried out based on legal certainty. The implementation of good legal risk management has a significant positive impact on company performance. This is evident in smooth operations, cost efficiency, increased employee motivation and loyalty, and maintained company image, all of which support the achievement of business goals and the company's long-term sustainability.

## REFERENCES

- Basofi, M. B., & Fatmawati, I. (2023). *Perlindungan Hukum Terhadap Pekerja Di Indonesia Berdasarkan Undang-Undang Cipta Kerja*. Professional: Jurnal Komunikasi dan Administrasi Publik, 10(1), 77-86.
- Damayanti, P., Sari, A. M., & Ambarwati, R. A. (2024). *Mengupas Tuntas Peran Hukum Dalam Mencegah Praktik Bisnis Tidak Etis Di Perusahaan*. Jurnal Ilmiah Penelitian Mahasiswa, 2(6), 136-145.
- Damayanti, P., Sari, A. M., & Ambarwati, R. A. (2024). *Mengupas Tuntas Peran Hukum Dalam Mencegah Praktik Bisnis Tidak Etis Di Perusahaan*. Jurnal Ilmiah Penelitian Mahasiswa, 2(6), 136-145.
- Fransiscus, R. (2025). *Hubungan Manajemen Dalam Upaya Perlindungan Hukum Pelaku Usaha*. Jurnal Visi Ekonomi Akuntansi Dan Manajemen, 7(1), 70-79.
- Hidayati, L. N., Dewi, A. L., Oktaviana, M. M., Sari, L., Salsabila, S. R., & Hadji, K. (2025). *Perlindungan Hukum Pekerja Kontrak Dalam Perspektif Undang-Undang Nomor 13 Tahun 2003 Dan Undang-Undang Omnibus Law*. Al-Zayn: Jurnal Ilmu Sosial & Hukum, 3(3), 1934-1945.
- Juliardi, B., Runtuwuwu, Y. B., Musthofa, M. H., TL, A. D., Asriyani, A., Hazmi, R. M., ... & Samara, M. R. (2023). *Metode Penelitian Hukum*. Padang: Gita Lentera.
- Lestari, H. S., Chandra, K., Sari, W. R., Kusumastuti, S. Y., Sa'dianoor, S. D., Nalurita, F., & Judijanto, L. (2025). *Manajemen risiko: Pendekatan teori dan praktik*. Jambi: Sonpedia Publishing Indonesia.
- Muhaimin. (2020). *Metode Penelitian Hukum*. Mataram: Mataram University Press.
- Nurohman, D. A. (2024). *Pengelolaan sumber daya manusia*. Jakarta: IDelapan Kreasi Nusa.
- Peter Mahmud Marzuki. (2021). *Penelitian Hukum*. Jakarta: Kencana.

## LEGAL ANALYSIS OF LEGAL RISK MANAGEMENT IN HUMAN RESOURCE MANAGEMENT AND ITS IMPACT ON COMPANY PERFORMANCE

Jumardin *et al.*

---

- Putri, N. (2026). Proses Rekrutmen Pekerja Non Pemerintah Perusahaan F&B Berdasarkan Umur Ditinjau dari Pasal 35 Uu Nomor 13 Tahun 2003 Tentang Ketenagakerjaan. *Al-Zayn: Jurnal Ilmu Sosial & Hukum*, 4(2), 4946-4952.
- Rizky, M. C. (2024). Strategi Sumber Daya Manusia Dalam Perusahaan. *Yos Soedarso Economic Journal (YEJ)*, 6(3), 94-98.
- Sudiro, A., & Putri, O. A. (2023). *Manajemen sumber daya manusia*. Jakarta: Bumi Aksara.
- Syarif, M., Ramadhani, R., Graha, M. A. W., Yanuaria, T., Muhtar, M. H., Asmah, N., Syahril, M. A.F., ... & Jannah, M. (2023). *Metode Penelitian Hukum*. Padang: Get Press Indonesia.
- Zaeni Asyhadie., Lalu Hadi Adha, & Rahmawati Kusuma. (2024). *Perlindungan Kerja Dan Jaminan Sosial Tenaga Kerja Pasca-BPJS*. Jakarta: Prenada Media.