Human Resource Cost Management: Balancing Employee Welfare and Corporate Profitability

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Abstract: human resource cost management is a crucial aspect of corporate business strategy to ensure a balance between employee welfare and profitability. This study aims to analyze the impact of human resource cost management on employee welfare and its effect on corporate profitability, using GoTo Group as a case study. A quantitative approach is applied with a linear regression analysis method to examine the relationship between the independent variable (human resource cost management), the mediating variable (employee welfare), and the dependent variable (corporate profitability). Data were collected through employee surveys at GoTo and an analysis of financial reports and HR policies. The results show that human resource cost management significantly affects employee welfare (β = 0.45, p-value = 0.000), while employee welfare positively contributes to corporate profitability (β = 0.30, p-value = 0.001). These findings suggest that cost efficiency strategies that consider employee welfare can enhance productivity and corporate competitiveness. Additionally, work flexibility plays a vital role in improving employee satisfaction and retention. This study recommends that technology-based companies such as GoTo Group develop data-driven strategies to optimize sustainable HR policies that positively impact long-term profitability.

Keywords: human resource cost management, employee welfare, corporate profitability

INTRODUCTION

In an era of increasingly fierce business competition, companies must find a balance between employee welfare and company profitability. Human resources (HR) are important assets that can determine the success of an organization (Dessler, 2020). Human resource cost management is a crucial aspect of business strategy because it is directly related to operational efficiency and employee welfare. If managed properly, companies can increase productivity and maintain competitiveness in the global market (Noe et al., 2021). Along with the growth of the digital economy in Indonesia, technology-based companies such as GoTo Group face challenges in managing labor costs without compromising employee welfare. GoTo Group, the result of the merger between Gojek and Tokopedia, is a business ecosystem that includes transportation, e-commerce, and digital finance services (GoTo, 2023). As a company with a large scale and diverse

workforce, GoTo must ensure that their HR management policies not only focus on cost efficiency, but also improve employee well-being.

Companies that successfully implement a balanced strategy between labor costs and employee welfare tend to have higher productivity levels and stronger resilience to market changes (Armstrong & Taylor, 2020). However, on the other hand, if HR management only focuses on cutting costs without considering employee welfare, this can lead to decreased motivation, low retention rates, and decreased company reputation (Boxall & Purcell, 2022). Therefore, labor cost management strategies must be carried out wisely by considering the balance between financial efficiency and employee needs. The approach to labor cost management in technology companies such as GoTo is different from other conventional sectors. Technology-based companies often face challenges in retaining highly skilled employees amidst intense competition in the digital industry (Brewster et al., 2020). Therefore, performance-based incentives, work flexibility, and other benefits are important factors in GoTo's HR strategy. However, a balanced policy is still needed so that these incentives do not overburden company finances (Becker et al., 2021).

In Indonesia, technology companies have high labor costs due to competition for top talent, training costs, and additional benefits provided to attract and retain employees (Indonesia Digital Report, 2023). GoTo has implemented policies such as employee stock ownership programs, work flexibility, and mental and physical well-being support. However, how effective these policies are in increasing the company's profitability is debatable. One of the biggest challenges GoTo faces in managing labor costs is financial sustainability. As a growing company, GoTo needs to balance business growth and operational cost efficiency, including HR costs (GoTo Annual Report, 2023). Some policies such as layoffs in the technology sector carried out by various companies, including GoTo, are evidence that companies must continue to evaluate their HR strategies to survive in unstable economic conditions (The Jakarta Post, 2023).

In addition, HR management at GoTo must also take into account labor regulation factors in Indonesia. Employment policies such as minimum wage, social security, and other labor regulations can affect a company's labor cost strategy (Indonesia Ministry of Manpower, 2023). In the context of employee welfare, various studies show that companies that pay more attention to employee welfare tend to have higher levels of job satisfaction, which in turn has a positive impact on business performance (Robbins & Judge, 2022). On the other hand, an overly stringent approach to labor cost reduction without considering employee well-being can negatively impact workforce loyalty and productivity (Guest, 2021).

GoTo as a company engaged in the technology sector also has challenges in terms of employee retention. With many technology companies competing to attract the best talent, an effective labor cost management strategy must consider aspects of competitive compensation and benefits so that employees do not move to other companies (Cascio & Boudreau, 2022).The sustainability of HR management strategies also needs to be linked to aspects of corporate social responsibility (CSR). Companies that care about employee welfare are often more trusted by society and have a better reputation in the eyes of investors (Freeman et al., 2020). GoTo itself has developed a variety of employee well-being programs, such as mental health support, employee stock ownership programs, and flexible work opportunities (GoTo Sustainability Report, 2023).

However, even if an employee welfare strategy has been implemented, further analysis of its effectiveness on the company's profitability is needed. Does the policy actually improve productivity and financial performance? Or does it become a financial burden that can hinder the company's growth in the long run? These questions are the focus of this study. This study aims to analyze how GoTo manages labor costs while maintaining employee welfare. It will also explore

the impact of HR strategies on the company's profitability and competitiveness in the technology industry. Using a case study approach, this research will examine GoTo's HR policies, challenges faced, and solutions that can be implemented to create a balance between cost efficiency and employee well-being.

Ultimately, the results of this study are expected to contribute to other technology companies understanding the importance of effective labor cost management without compromising employee welfare. With the right strategy, companies can increase productivity, retain the best talent, and achieve sustainable profitability in the long run.

METHOD

This study uses a quantitative approach with a linear regression analysis method to measure the relationship between labor cost management, employee welfare as a mediating variable, and company profitability. Linear regression was chosen because it is able to quantitatively analyze the cause-and-effect relationship between the independent and dependent variables. This approach allows evaluation of the extent to which labor cost policies implemented by GoTo Group affect employee welfare as well as the contribution of employee welfare to company profitability. The regression model used in this study consists of two stages, the first regression which aims to test the effect of labor cost management on employee welfare as a mediating variable, and the second regression which analyzes the effect of labor cost management and employee welfare on company profitability.

To obtain relevant data, this study uses a combination of primary and secondary data. Primary data was obtained through questionnaires distributed to GoTo Group employees, covering aspects of job satisfaction, benefits received, and perceptions of labor cost policies. Meanwhile, secondary data was collected from annual reports, financial reports, and company human resource policy documents. Measurement of variables in the questionnaire used a 5-point Likert scale, which was further analyzed using linear regression to identify relationships between variables. Data validity and reliability were tested using the Pearson Product Moment validity test to ensure each item in the questionnaire measured the intended variable, as well as the Cronbach's Alpha reliability test to assess the internal consistency of the research instrument. In addition, this study also conducted a classical assumption test, which includes normality test, heteroscedasticity test, multicollinearity test, and autocorrelation test, to ensure that the regression model used does not experience bias and produces accurate estimates and can be interpreted validly.

Through linear regression analysis, this study aims to provide an empirical understanding of the extent to which labor cost management strategies affect employee welfare and how employee welfare plays a role in increasing company profitability. The results of the study are expected to provide data-based recommendations for GoTo Group in formulating optimal human resource policies, so as to balance cost efficiency with employee welfare without sacrificing company profitability.

Furthermore, to enhance the depth of analysis, this study also applies a partial and simultaneous hypothesis testing approach using the t-test and F-test. The t-test is used to evaluate the individual significance of each independent variable, specifically identifying whether variables such as job satisfaction or employee benefits have a statistically significant effect on employee welfare. Meanwhile, the F-test assesses the overall significance of the regression model to determine whether all independent variables collectively influence the dependent variable. The level of significance is set at 5% ($\alpha = 0.05$), providing a robust statistical basis for decision-making.

These additional analyses help to validate the robustness of the model and offer more comprehensive insights into the interconnected dynamics between labor cost management, employee welfare, and company performance.

RESULTS AND DISCUSSION
Research Results

Linear regression analysis was conducted to examine the effect of labor cost management on employee welfare and its impact on company profitability. The regression model was carried out in two stages: the first regression tested the influence of labor cost management (X1) on employee welfare (M), while the second regression assessed the simultaneous effect of both labor cost management and employee welfare on profitability, as reflected in organizational performance. The results of the analysis are presented in Table 1 below.

Table 1. Linear Regression Results

Variable	Regression Coefficient (β)	t-Statistic	p-Value	R-Square
Constant (α)	1.25	3.21	0.002	0.72 (Regression 1) / 0.81 (Regression 2)
Labor Cost Management (X1)	0.45	5.67	0.000	
Employee Welfare (M)	0.30	4.89	0.001	

Based on the regression results presented in Table 1, the regression coefficient for the variable **Labor Cost Management (X1)** is **0.45**, with a **t-statistic of 5.67** and a **p-value of 0.000**, indicating statistical significance at the 95% confidence level ($α = 0.05$). This suggests that labor cost management has a positive and significant effect on the dependent variable. Similarly, the **Employee Welfare (M)** variable has a coefficient of **0.30**, a **t-statistic of 4.89**, and a **p-value of 0.001**, which is also statistically significant. The **constant value (α)** of **1.25** implies that when all independent variables are equal to zero, the dependent variable retains a baseline value of 1.25.

Furthermore, the **R-Square value of 0.72** in the first regression indicates that 72% of the variation in employee welfare can be explained by labor cost management. In the second regression, the **R-Square value of 0.81** implies that the combination of labor cost management and employee welfare explains 81% of the variation in company profitability. Thus, the model demonstrates a strong predictive power and supports the hypothesis that effective labor cost management strategies can improve employee welfare, which in turn has a positive impact on overall company performance.

Before conducting further analysis on the relationships between variables, an important step was to assess the **validity and reliability** of the research instrument. This step ensures that the instrument accurately measures the intended variables (validity) and provides consistent results over repeated use (reliability). The **validity test** was conducted using the **Pearson Product Moment** technique, while the **reliability test** employed **Cronbach's Alpha**. The results of both tests are presented in Table 2 below.

Table 2. Validity and Reliability Test

Test	Criteria	Results	Conclusion
Validity Test (Pearson Product Moment)	r-count > r-table (0.30)	Valid (All items r-count > 0.30)	Instruments are valid for measuring variables
Realibility Test (Cronbach's Alpha)	α > 0.70	Reliable (Cronbach's Alpha = 0.82)	The instrument has good internal consistency

Based on the results presented in Table 2, all items in the research instrument are declared **valid**, as the calculated **r-values for each item exceed the r-table threshold of 0.30**, in accordance with the established criteria. This indicates that each item in the questionnaire accurately measures the intended variable. High instrument validity is essential to ensure accurate interpretation of results and relevance to the research objectives.

Furthermore, the **reliability test** results show a **Cronbach's Alpha value of 0.82**, which is above the minimum threshold of 0.70. This indicates that the instrument has good internal consistency, meaning that respondents are likely to provide stable and consistent answers to items within the same variable construct.

Therefore, the research instrument is considered appropriate for use in the data collection process. The high levels of both validity and reliability support the accuracy and dependability of the subsequent analytical procedures, including the regression analysis and hypothesis testing as previously described.

Once the instrument has been confirmed as valid and reliable, the next step in the analytical process is to conduct **classical assumption tests**. These tests are essential before performing linear regression to ensure that the data meets specific statistical requirements so that the regression estimates are unbiased and can be interpreted validly. The tests conducted include the **normality test**, **heteroscedasticity test**, **multicollinearity test**, and **autocorrelation test**. The results of these tests are presented in Table 3 below.

Table 3. Classical Assumption Test Results

Classical Assumption Test	Criteria	Results	Conclusion
Normality Test	p-value > 0.05 (Kolmogorov-Smirnov/Shapiro-Wilk)	p-value = 0.124 (Data is normally distributed)	The model fulfills the assumption of normality
Heteroscedasticity Test	There is no particular pattern on the residual plot	No particular pattern found (Heteroscedasticity does not occur)	The model is free from heteroscedasticity
Multicollinearity Test	VIF < 10 and Tolerance > 0.1	VIF = 1.45 (No multicollinearity)	There is no multicollinearity problem
Autocorrelation Test	Durbin-Watson is close to 2	Durbin-Watson = 1.89 (No autocorrelation)	The model is free from autocorrelation

The results presented in Table 3 indicate that all classical assumptions have been met. First, the **normality test** shows a **p-value of 0.124** (> 0.05), indicating that the data are normally distributed; thus, the assumption of normality is satisfied. This is essential because linear regression assumes that residuals are normally distributed in order to produce valid parameter estimates.

Second, in the **heteroscedasticity test**, no distinct pattern was found in the residual plot, suggesting the absence of heteroscedasticity. This means that the variance of the residuals is constant across all levels of the predictor variables, indicating model stability.

Third, the **Variance Inflation Factor (VIF)** value of **1.45** confirms that there is no multicollinearity among the independent variables. This is important to ensure that each variable contributes uniquely to the model and that the predictors are not redundant.

Fourth, the **Durbin-Watson statistic** of **1.89**, which is close to 2, indicates the absence of autocorrelation in the model meaning that the residuals are not correlated with one another.

With all classical assumptions satisfied, the regression model used in this study is deemed appropriate for inferential analysis. This strengthens the reliability of the findings presented in Table 1, which demonstrated that labor cost management and employee welfare significantly affect company profitability. Meeting these classical assumptions provides a solid foundation for developing policy recommendations that are grounded in valid statistical evidence.

Discussion

The Effect of Labor Cost Management on Employee Welfare

Effective labor cost management determines the well-being of employees in a company. GoTo Group implements a labor cost efficiency strategy through a technology-based approach and performance-based compensation, which aims to maintain employee productivity without sacrificing their welfare. Studies conducted by Cascio & Boudreau (2022) show that companies that implement labor cost efficiency strategies while still providing decent benefits to employees tend to have higher levels of job satisfaction compared to companies that only focus on cutting costs.

On the other hand, research by Boxall & Purcell (2022) confirms that labor cost reduction strategies carried out without considering employee welfare can lead to increased turnover and decreased productivity. In the context of GoTo Group, although the company has offered various benefits such as share ownership for employees and work flexibility, further evaluation is needed regarding its effectiveness in improving labor welfare.

The regression results in this study show that labor cost management has a significant effect on employee well-being (β = 0.45, p-value = 0.000). This is in line with the findings of Robbins & Judge (2022), which state that fair compensation strategies and work flexibility policies contribute positively to employee motivation and satisfaction. In addition, the labor cost reduction policy implemented by GoTo must still maintain a balance between efficiency and employee incentives so as not to negatively impact productivity.

Previous research by Noe et al. (2021) also shows that strategic approaches to labor cost management, such as performance-based incentive systems and investments in employee training, can increase workforce loyalty. GoTo has implemented a competitive incentive system for its employees, which is expected to retain top talent and improve overall productivity.

However, not all labor cost efficiency strategies have a positive impact. Studies by Armstrong & Taylor (2020) show that excessive labor cost cuts, such as benefit reductions and increased workloads, can cause psychological distress for employees. Therefore, GoTo needs to

ensure that the efficiency strategies implemented still pay attention to aspects of employee welfare so as not to cause negative impacts in the long run.

The Impact of Employee Welfare on Company Profitability

Employee welfare plays an important role in increasing company profitability. A study by Freeman et al. (2020) found that companies that actively support employee well-being have higher levels of productivity, which has a positive impact on company profits. In the context of GoTo Group, employee well-being is implemented through various benefit programs and psychological support, which aim to increase workforce motivation and loyalty.

The results of this study show that employee well-being has a significant influence on company profitability ($\beta = 0.30$, p-value = 0.001). This finding is consistent with a study conducted by Guest (2021), which shows that companies with high levels of employee welfare tend to have better retention rates, thereby reducing recruitment costs and increasing workforce stability. In the case of GoTo Group, welfare programs such as work flexibility and share ownership incentives can help improve job satisfaction and employee loyalty. Labor cost efficiency is one strategy that can increase the company's competitiveness without having to sacrifice employee welfare (Utami, 2020).

Research by Cascio & Boudreau (2022) also confirms that companies that invest their resources in employee well-being are likely to benefit in the long run. This is because employees who feel valued are more productive and contribute more to company goals. In the context of GoTo, the welfare programs implemented need to be continuously evaluated to ensure that their impact on profitability remains optimal.

Nonetheless, a study by Brewster et al. (2020) cautions that investments in employee welfare must be made wisely. If the cost of welfare programs is too large without an effective strategy for managing it, it can burden the company's finances and reduce profit margins. Therefore, GoTo needs to measure the effectiveness of their welfare programs so that they continue to provide benefits without compromising the company's financial stability. Work flexibility contributes positively to employee productivity because it provides a balance between work and personal life (Maulana, 2022).

As a strategic move, GoTo can use data-driven analytics models to measure the correlation between employee well-being and their productivity. The study by Noe et al. (2021) shows that a data-driven approach in HR management can assist companies in optimizing employee well-being strategies to sustainably increase profitability. High levels of employee welfare can increase loyalty and reduce labor turnover (Kurniawan, 2021).

Labor Cost Efficiency and Company Competitiveness

Efficient labor cost management can help companies improve competitiveness in competitive industries. A study by Armstrong & Taylor (2020) found that companies that manage labor costs well tend to be more flexible in adjusting their business strategies to market changes. In the case of GoTo Group, labor cost efficiency is carried out through technology optimization and a more flexible work system.

The results of this study show that the labor cost efficiency strategy implemented by GoTo has a positive impact on their competitiveness in the technology industry. The study by Boxall & Purcell (2022) supports this finding by stating that companies that can optimize labor costs without sacrificing work quality tend to be superior in the face of market competition. Companies

that have a fair wage payment system tend to find it easier to retain employees with good performance (Pratama, 2020).

However, research by Guest (2021) also shows that overly aggressive labor cost efficiency can lead to a decline in work quality, especially if the strategy sacrifices employee welfare. In the context of GoTo, labor cost efficiency strategies must still pay attention to the balance between cost reduction and employee satisfaction so as not to negatively impact the company's competitiveness.

Brewster et al. (2020) added that companies that succeed in labor cost efficiency usually apply technology-based approaches to automate operational processes. GoTo has adopted various digital solutions in their HR management, including the use of data analytics to optimize workforce allocation. Millennials and Gen Z are increasingly prioritizing work flexibility as a key factor in choosing a workplace (Saputra, 2021).

As a strategic implication, GoTo needs to ensure that the labor cost efficiency policies they implement remain aligned with long-term business strategies. A study by Noe et al. (2021) shows that companies that integrate HR strategies with their business objectives tend to be more successful in achieving sustainable competitive advantage.

CONCLUSIONS

The results of this study indicate that labor cost management has a significant influence on employee welfare, which in turn has an impact on company profitability. In the context of the GoTo Group, the labor cost efficiency strategy implemented has had a positive impact on business sustainability, but a balance is still needed so that employee welfare is not neglected. This finding is in line with previous research which suggests that investments in employee welfare can increase productivity as well as workforce loyalty, which contributes to increased company competitiveness.

In addition, this study also confirms that work flexibility plays an important role in improving employee productivity. With flexible work policies in place, employees have a better work-life balance and can work more effectively. However, work flexibility also requires a good monitoring system to ensure that productivity is maintained. Therefore, GoTo's HR policies must be continuously developed so that work flexibility remains aligned with the company's business goals.

Overall, this study emphasizes the importance of a data-driven labor cost management strategy and a balance between efficiency and well-being. Companies like GoTo need to continually evaluate their HR strategies in light of industry trends and evolving workforce needs. With a holistic, analytics-driven approach, companies can create a conducive work environment, retain top talent, and sustainably increase profitability.

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