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By: THE PRESIDENT OF THE REPUBLIC OF INDONESIA
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Title: WAGE

BY THE GRACE OF THE ALMIGHTY GOD

THE PRESIDENT OF THE REPUBLIC OF INDONESIA

Considering: whereas in implementing the provisions of Article 97 of Law Number 13 Year 2003 on Manpower, it is necessary to stipulate a Government Regulation regarding Wages;

In View of:

1. Article 5 paragraph (2) of the 1945 Constitution of the Republic of Indonesia;
2. Law Number [13 Year 2003](#) on Manpower (State Gazette of the Republic of Indonesia Year 2003 Number 39, Supplement to the State Gazette of the Republic of Indonesia Number 4279);

HAS DECIDED

To stipulate: GOVERNMENT REGULATION REGARDING WAGES

CHAPTER 1 GENERAL PROVISIONS

Article 1

In this Government Regulation referred to as:

1. Wage shall be the right of worker/laborer to the payment in the form of money as compensation from a business person or employer to the worker/laborer, f which is determined and paid based on a contract of work, agreement, or laws and regulations, including allowances to the worker/laborer and his/her family for the work and/or service that have been or will be provided.
2. Worker/laborer shall be any person who works and receives wage or compensation in another form.
3. Employer shall be:
 - a. an Individual, partnership, or legal entity that runs its own company;

- b. an Individual, partnership, or legal entity that runs a company owned by other(s);
 - c. an Individual, partnership, or legal entity in Indonesia that represents the company as referred to in letters a and b domiciled in Indonesia.
- 4. Company shall be:
 - a. any form of business whether incorporated or not, owned by an individual, partnership, or legal entity, the private sector or the state, that employs the worker/laborer with the payment of wage or compensation in other form;
 - b. social undertakings or other undertakings that have management and employ person(s) with the payment of wage(s) or compensation in other form.
- 5. Contract of Work shall be a contract between a worker/laborer and business person or employer, which sets out work conditions, rights, and obligations of the parties.
- 6. Company Regulation shall be a regulation prepared in writing by the employer that comprises work conditions and rules of the company.
- 7. Collective Labor Agreement shall be an agreement resulting from negotiation between a labor/work union or several labor/work unions/ registered with an agency in charge of the manpower sector and an employer or some employers or the association of employers, which sets out the work conditions, rights, and obligations of the parties.
- 8. Employment relationship Employment Relationship shall be relationship between the employer and worker/laborer based on the contract of work, which contains the elements of work, wage, and job assignment.
- 9. Employment Termination shall be the termination of employment relationship for certain reason that causes the termination of the rights and obligations of the worker/laborer and employer.
- 10. Work Union/Labor Union shall be an organization that is established from, by, for workers/laborers either inside or outside of the company which is free, transparent, independent, based on democracy, and responsible for fighting for, defending and protecting the rights and interests of workers/laborers as well as improving the welfare of workers/laborers and their respective families.
- 11. Minister shall be the Minister who organizes the governmental affairs in the manpower sector.

Article 2

The right of worker/laborer to wage shall exist upon the establishment of the Employment Relationship between Worker/Laborer and Employer and shall end at the time of the termination of the Employment Relationship.

CHAPTER II

WAGE POLICY

Article 3

- (1) The wage policy shall be directed to the achievement of income that can meet the proper standard of living of the Worker/Laborer.
- (2) The wage policy as referred to in paragraph (1) shall include:
 - a. minimum wage;
 - b. overtime pay;
 - c. pay for absence from work because of certain excuse ;
 - d. pay for absence from work because of another activity not related to the work;
 - e. Pay for the exercise of right to taking a rest from work;
 - f. Form and method of payment of Wage;
 - g. fine and deduction of Wage;
 - h. matters taken into account in the Wage;
 - i. proportional wage structure and scale;
 - j. Wage for the purpose of severance pay; and
 - k. Wage for the purpose of calculation of income tax.

CHAPTER III APPROPRIATE INCOME

Article 4

- (1) Proper income shall be the amount of pay or income of the Worker/Laborer from the product of his/her work so that he/she can reasonably meet the need of living of the Worker/Laborer and his/her family.
- (2) Proper income as referred to in paragraph (1) shall be provided in form of:
 - a. Wage; and
 - b. Non-wage pay.

Article 5

- (1) Wage as referred to in Article 4 paragraph (2) letter a shall include the components as follows:
 - a. Wage without allowance
 - b. Base wage and fixed allowance; or
 - c. Base wage, fixed allowance and variable allowance.

- (2) In the event that the components of wage comprise of Base Wage and Fixed Allowance as referred to in paragraph (1) letter b, the amount of Base wage shall be minimum 75 (seventy five) percent of the amount of Base Wage and Fixed Allowance.
- (3) In the event that the components of wage comprise of Base Wage, Fixed Allowance and Variable Allowance as referred to in paragraph (1) letter c, the amount of Base wage shall be minimum 75 (seventy five) percent of the amount of Base Wage and Fixed Allowance.
- (4) The wage as referred to in paragraph (1) shall be regulated under Work Contract, Company Regulation, or Collective Labor Agreement.

Article 6

- (1) Non-wage Pay as referred to in Article 4 paragraph (2) letter b shall be in form of allowance for religious festivity (THR).
- (2) In addition to the allowance for religious festivity (THR) as referred to in paragraph (1), Employer shall also provide non-wage pay such as:
 - a. bonus;
 - b. money as compensation for work facilities; and/or
 - c. service charge for certain undertakings

Article 7

- (1) Allowance for religious festivity (THR) as referred to in Article 6 paragraph (1) shall be obligated to be paid by the Employer to the Worker/Laborer.
- (2) Allowance for religious festivity (THR) as referred to in paragraph (1) shall be obligated to be paid by the Employer in 7 (seven) days prior to the religious festivity.
- (3) Provisions concerning allowance for religious festivity (THR) and the procedure of its payment shall be regulated under a Minister Decree.

Article 8

- (1) Bonus as referred to in Article 6 paragraph (2) letter a shall be provided by the Employer to Worker/Laborer deriving from the Company profit.
- (2) Determination on the payment of bonus to each Worker/Laborer as referred to in paragraph (1) shall be regulated under the Work Contract, Company Regulation, or Collective Labor Agreement.

Article 9

- (1) Company shall provide work facilities for:
 - a. Worker/Laborer in certain job title/job; or
 - b. All Workers/Laborers.
- (2) In the event that work facilities for Worker/Laborer as referred to in paragraph (1) are not available or not sufficient, the Company shall provide money as

compensation for the work facilities as referred to in Article 6 paragraph (2) letter b.

- (3) The provision of work facilities as referred to in paragraph (1) and the granting of money as compensation for the work facilities as referred to in paragraph (2) shall be regulated under the Work Contract, Company Regulation, or Collective Labor Agreement.

Article 10

- (1) Service charge for certain undertakings as referred to in Article 6 paragraph (2) letter c shall be collected and managed by the Company.
- (2) Service charge for certain undertakings as referred to in paragraph (2) shall be given to the Worker/Laborer after the deduction of the risk of loss or damage and the improvement of quality of the manpower.
- (3) Provisions concerning service charge for certain undertakings as referred to in paragraphs (1) and (2) shall be regulated under a Minister Decree.

CHAPTER IV WAGE PROTECTION

Part One General

Article 11

Every Worker/Laborer shall have right to similar wage for similar category of work.

Part Two Determination of Wage

Article 12

Wage shall be determined based on:

- a. unit of time; and/or
- b. unit of product.

Article 13

- (1) Wage based on unit of time as referred to in Article 12 letter a shall be determined on a daily, weekly, or monthly basis.
- (2) In the event that the wage is determined based on a daily basis as referred to in paragraph (1), the calculation of wage shall be as follows:
 - a. for Company with 6-day system of work in a week, the monthly Wage is divided into 25 (twenty five) days; or
 - b. for Company with 5-day system of work in a week, the monthly Wage shall be divided into 21 (twenty one) days.

Article 14

- (1) The determination of wage based on unit of time as referred to in Article 12 letter a shall refer to the Wage structure and scale as guidelines.
- (2) The Wage structure and scale as referred to in paragraph (1) shall be obligated to be prepared by Employer by taking into account the category, job title, term of service, education, and competency.
- (3) The Wage structure and scale as referred to in paragraph (2) shall be obligated to be announced to all Workers/Laborers.
- (4) The Company shall be obligated to attach the Wage structure and scale as referred to in paragraph (2) at the time of submitting a request for:
 - a. approval and renewal of Company Regulation; or
 - b. registration, extension, and renewal of Collective Labor Agreement.
- (5) Further provisions concerning the Wage structure and scale as referred to in paragraph (2) shall be regulated under a Minister Decree.

Article 15

- (1) Wage based on unit of product as referred to in Article 12 letter b shall be determined based on the result of work as previously agreed.
- (2) The determination of the amount of Wage as referred to in paragraph (1) shall be decided by the Employer based on the agreement between the Worker/Laborer and Employer.

Article 16

The determination of monthly pay of wage based on unit of product as referred to in Article 12 letter b as compliance with the prevailing laws and regulations shall be based on the average Wage of the latest three months that has been received by the Worker/Laborer.

Part Three Method of Wage Payment

Article 17

- (1) Wage shall be obligated to be paid to the Worker/Laborer.
- (2) Employer shall be obligated to provide receipt of payment of the Wage that sets out the details of Wage received by Worker/Laborer at the time the Wage is paid.
- (3) The Wage can be paid to the third party upon a power of attorney from the relevant Worker/Laborer.
- (4) The power of attorney as referred to in paragraph (2) shall be valid only for one time of payment of Wage.

Article 18

- (1) Employer shall be obligated to pay the Wage at the time as agreed between the Employer and the Worker/Laborer.
- (2) In the event that the day or date as agreed falls on holiday or on a day designated as holiday, or on the weekly rest day, the payment of Wage shall be regulated in the Work Contract, Company Regulation, or Collective Labor Agreement.

Article 19

The Wage shall be paid by Employer at the earliest one time in a week or no later than 1 (one) time in a month except for Contract of Work stipulates that it can be paid in less than one week.

Article 20

The Worker/Laborer Wage must be fully paid in every period as per the date of payment of Wage.

Article 21

- (1) The Wage shall be paid in the currency of the Republic of Indonesia, i.e. Rupiah.
- (2) The payment of Wage as referred to in paragraph (1) shall be made in the place as regulated in the Work Contract, Company Regulation, or Collective Labor Agreement.
- (3) In the event that the place of the payment of Wage is not regulated in the Work Contract, Company Regulation or Collective Labor Agreement, the payment of Wage shall be conducted in the workplace of the Worker/Laborer.

Article 22

- (1) The Wage as referred to in Article 17 shall be paid directly or through bank.
- (2) In the event that the Wage is paid through bank, the Wage should have been able to be cashed in by the Worker/Laborer on the date of payment of Wage as agreed by both parties.

Part Four Wage Review

Article 23

- (1) Employer shall review the Wage on a periodical basis for adjustment to the price of living needs and/or increasing work productivity by considering the capability of the Company.
- (2) The review of Wage as referred to in paragraph (1) shall be regulated in the Work Contract, Company Regulation, or Collective Labor Agreement.

Part Five Wage of Worker/Laborer for the Absence of Work and/or for Not Performing Work

Article 24

- (1) Wage shall not be paid in the event that the Worker/Laborer is absent from work and/or not performing work.
- (2) Worker/Laborer who is absent from work and/or not performing work for:
 - a. impediments;
 - b. carrying out another activity outside of his/her work; or
 - c. exercising his/her right to take a rest from work; shall remain subject to the payment of Wage.
- (3) The reasons for the Worker/Laborer to be absent from work and/or not performing work due to impediments as referred to in paragraph (2) letter a shall be as follows:
 - a. the Worker/Laborer is sick and unable to do the work;
 - b. Female Worker/Laborer who is sick on the first day and in the second day during her monthly period that makes her unable to do the work; and
 - c. Worker/Laborer is absent from work because of:
 - 1) getting married;
 - 2) the marriage of his/her child;
 - 3) the circumcision of his/her child;
 - 4) baptism of his/her child;
 - 5) his wife giving a birth or suffering from a miscarriage;
 - 6) the husband, wife, parents, parents in law, child, and/or child in law passing away; or
 - 7) member of family, except any of those as referred to in point 6) who lives in the same house passing away
- (4) The reason for the Worker/Laborer who is absent from work and/or not performing his/her work because of carrying out another activity outside of the work as referred to in paragraph (2) letter b shall include:
 - a. performing his/her obligation to the State
 - b. performing his/her obligation to /attend worship as required by his/her religion;
 - c. performing the task assigned the labor/work union as approved by the Employer as proven from a written notice; or
 - d. undertaking assignment for further education by the Company
- (5) The reason of Worker/Laborer to be absent from the work and/or not performing work because of exercising his/her right to take a rest from work as referred to in paragraph (2) letter c shall be as follows:
 - a. right to take a weekly rest;
 - b. annual leave;

- c. sabbatical leave;
- d. maternity leave before and after giving a birth; or
- e. leave because of miscarriage.

Article 25

Employer shall be obligated to pay the Wage in the event that the Worker/Laborer is willing to do another work as agreed but the Employer then decides not to employ him/her because of the Employer mistake or a problem that should have been anticipated by the Employer.

Article 26

- (1) The Wage paid to the Worker/Laborer who is absent from work and /or not performing work due to sickness as referred to in Article 24 paragraph (3) letter a shall be as follows:
 - a. for the first 4 (four) months, the pay will be 100 (one hundred) percent of the Wage;
 - b. for the second four months, the pay will be 75 (seventy five) percent of the Wage;
 - c. for the third four months, the pay will be 50 (fifty) percent of the Wage; and
 - d. for the next months, the pay will be 25 (twenty five) percent of the Wage prior to the termination of employment by the Employer.
- (2) The Wage paid to female Worker/Laborer who is absent from work and/or not performing work due to sickness on the first day and on the second day of her monthly period as referred to in Article 24 paragraph (3) letter b shall be based on the adjustment to the number of days of sickness during her monthly period, 2 (two) days at a maximum.
- (3) The Wage paid to the Worker/Laborer who is absent from work and/or not performing work as referred to in Article 24 paragraph (3) letter c shall be as follows:
 - a. The Worker/Laborer getting married will be paid for 3 (three) days;
 - b. for the marriage of his/her child will be paid for 2 (two) days;
 - c. for the circumcision of his/her child will be paid for 2 (two) days;
 - d. for the baptism of his/her child will be for 2 (two) days;
 - e. his wife giving birth or having a miscarriage will be paid for 2 (two) days;
 - f. for the passing away of husband, wife, parent, child, and /or child in law will be paid for 2 (two) days;
 - g. for the passing away of member of family except for any of those referred to in letter f who lives in the same house will be paid for 1 (one) day;

Article 27

- (1) A Worker/Laborer who performs his/her obligation by the State as referred to in Article 24 paragraph (4) letter a for no longer than 1 (one) year and the income provided by the State is less than the Wage that is usually received by the Worker/Laborer, the Employer shall be obligated to pay for its shortage.
- (2) A Worker/Laborer who performs his/her obligation to the State as referred to in Article 24 paragraph (4) letter a for no longer than 1 (one) year and the income provided by the State is similar to or greater than the Wage that is usually received by the Worker/Laborer, the Employer shall not be obliged to pay for his/her Wage.
- (3) A Worker/Laborer who performs his/her obligation to the State as referred to in paragraphs (1) and (2) shall be obliged to give a written notice to the Employer.

Article 28

The Employer shall be obliged to pay Wage to Worker/Laborer, who is absent from work or not performing work for performing the obligation /to attend worship as required by his/her religion as referred to in Article 24 letter b, equal to the amount of Wage received by Worker/Laborer provided that it is to made once during the employment of the Worker/Laborer in the Company.

Article 29

The Employer shall be obliged to pay Wage to Worker/Laborer, who is absent from work or not performing work because of undertaking the assignment from the Labor/Work Union as referred to in Article 24 paragraph (4) letter c, equal to the amount of Wage as ordinarily received by the Worker/Laborer.

Article 30

The Employer shall be obliged to pay Wage to Worker/Laborer, who is absent from work or not performing work because of undertaking the assignment for further education from the Company as referred to in Article 24 paragraph (4) letter d, for equal to the amount of Wage as ordinarily received by the Worker/Laborer.

Article 31

The Employer shall be obliged to pay Wage to Worker/Laborer, who is absent from work or not performing work because of exercising the right to take a rest from work as referred to in Article 24 paragraph (5), equal to the amount of Wage as ordinarily received by the Worker/Laborer.

Article 32

Regulation on the implementation of the provisions as referred to in Articles 24 through 31 shall be provided for in the Work Contract, Company Regulation or Collective Labor Agreement.

Part Six Overtime Pay

Article 33

Overtime Pay as referred to in Article 3 paragraph (2) letter b shall be obligated to be paid by the Employer who employs the Worker/Laborer /that is longer than the normal work hours or during the weekly off days or during the official holidays, as compensation to the relevant Worker/Laborer as in compliance with the provisions of laws and regulations.

Part Seven Severance Pay

Article 34

- (1) The components of Wage used as the basis of calculation of severance pay shall include:
 - a. Base wage; and
 - b. fixed allowance given to the Worker/Laborer and his/her family, including the price of free allocation of certain purchases given to Worker/Laborer, or the subsidized allocation of certain purchases to Worker/Laborer, accordingly the component of Wage shall be the difference between the price of purchases and the subsidized price that has to be paid by Worker/Laborer.
- (2) In the event that the Employer pays the Wage without any allowance, the basis of calculation of severance pay shall be based on the Wage received by the Worker/Laborer.

Article 35

Wage for the purpose of severance pay as referred to in Article 34 paragraphs (1) and (2) shall be paid as follows:

- a. In the event that the Wage of the Worker/Laborer is paid on a daily basis, the monthly pay will be 30 (thirty) times one-day wage;
- b. In the event that the Wage of the Worker/Laborer is paid on the basis of unit of product, portion/lump sum, or commission, the daily pay will be the average daily wage for the last 12 (twelve) months, as long as it is not lower than the Minimum Base Wage of province or regency/municipality; or
- c. In the event that the work depends on the weather and the Wage is on lump sum basis, the calculation of monthly Wage will be based on the average Wage for the last 12 (twelve) months.

Part Eight Wage for the Calculation of Income Tax

Article 36

- (1) Wage for the calculation of income tax that will be paid shall be calculated from the total income received by the Worker/Laborer.

- (2) Income tax as referred to in paragraph (1) shall be charged to the Employer or Worker/Laborer as regulated under the Work Contract, Company Regulation, or Collective Labor Agreement.
- (3) Wage for the calculation of income tax shall be in accordance with the provisions of laws and regulations.

Ninth Part Payment of Wage in Bankruptcy

Article 37

- (1) In the event that the Employer is declared bankrupt based on decision on declaration of bankruptcy by the court, the Wage and other entitlements of its Workers/Laborers shall be regarded as preference debt.
- (2) The payment of Wage of the Worker/Laborer as referred to in paragraph (1) shall be given the priority in accordance with the provisions of laws and regulations.
- (3) Other rights of the Worker/Laborer as referred to in paragraph (1) shall be given priority in terms of their payment after the settlement of payment to creditors holding collateral security.

Article 38

In the event that the Worker/Laborer is declared bankrupt, the Wage and all payments arising from the employment relationship shall not be taken into account in the bankruptcy proceedings except stipulated otherwise by a judge as long as the amount is no greater than 25 (twenty five) percent of the Wage and all of the payments arising from the employment relationship which are payable.

Part Ten Confiscation of Wage upon the Court Order

Article 39

In the event the money provided by the Employer for the payment of Wage is confiscated by the bailiffs upon the court order, the amount to be confiscated shall not be greater than 20 (twenty) percent of the amount of Wage payable.

Part Eleven The Right of Worker/Laborer to Information about Wage

Article 40

- (1) The Worker/Laborer or his/her duly authorized person shall have the right to ask for information about his/her Wage as long as the information related to such Wage is only accessible from the Wage register of the Company.
- (2) In the event that the request for information as referred to in paragraph (1) is not met, the Worker/Laborer or his/her duly authorized person shall have right to ask for help from the manpower supervisor.
- (3) The information as referred to in paragraphs (1) and (2) shall be kept as confidential in accordance with the provisions of laws and regulations.

CHAPTER V MINIMUM WAGE

Part One General

Article 41

- (1) Governor shall determine minimum pay of Wage as part of social security.
- (2) Minimum pay of Wage as referred to in paragraph (1) shall be the lowest monthly pay of Wage comprising:
 - a. Wage without allowance; or
 - b. Base Wage including fixed allowance.

Article 42

- (1) Minimum pay of Wage as referred to in Article 41 paragraph (1) shall be only applicable for Worker/Laborer whose term of service is less than 1 (one) year at the Company.
- (2) The Wage of the Worker/Laborer whose term of service is 1 (one) year or more shall be negotiated on a basis of bipartite between the Worker/Laborer and Employer of the relevant Company.

Article 43

- (1) The determination of minimum Wage as referred to in Article 41 shall be conducted annually based on the need for decent standard of living by taking into account the productivity and economic growth.
- (2) The decent standard of living as referred to in paragraph (1) shall be the standard of living for an unmarried Worker/Laborer that would allow him/her to physically live a decent life for 1 (one) month.
- (3) The decent standard of living as referred to in paragraph (2) shall comprise several components.
- (4) The components as referred to in paragraph (3) shall include several types of living needs.
- (5) The components as referred to in paragraph (3) and the types of living needs as referred to in paragraph (4) shall be reviewed within 5 (five) years.
- (6) The review of components and types of living needs as referred to in paragraph (5) shall be conducted by the Minister by taking into account the result of review by the National Board of Wages.
- (7) Review by the National Board of Wages as referred to in paragraph (6) shall use the data and information sourced from the authorized agency in the field of statistics.

- (8) The result of the review of components and types of living needs as referred to in paragraph (6) shall become the basis for the calculation of minimum Wage by further considering the productivity and economic growth.
- (9) Further provisions concerning the decent living needs shall be regulated under a Minister Decree.

Article 44

- (1) The determination of minimum Wage as referred to in Article 3 paragraph (1) shall be calculated by using the formula of calculation of minimum Wage.
- (2) The formula of calculation of minimum Wage as referred to in paragraph (1) shall be as follows:

$$UM_n = UM_t + \{UM_t \times (\text{Inflation} + \% \text{ A PDBt})\}$$

- (3) Further provisions concerning the calculation of minimum Wage by using the formula as referred to in paragraph (2) shall be regulated under a Minister Decree.

Part Two

Determination of Minimum Wage of Province and/or Regency/Municipality

Article 45

- (1) Governor shall determine the minimum Wage of Province.
- (2) The determination of minimum Wage of Province as referred to in paragraph (1) shall be calculated based on the formula of minimum Wage as referred to in Article 44 paragraph (2).
- (3) In the event that a review has been conducted on decent living needs as referred to in Article 43 paragraph (5), Governor shall determine the minimum Wage of Province by taking into account the recommendation from the provincial board of wages.
- (4) The recommendation from the provincial board of wages as referred to in paragraph (3) shall be based on the result of review of decent living needs which components and types shall be determined by the Minister by considering the productivity and economic growth.

Article 46

- (1) Governor shall determine the minimum Wage of regency/municipality.
- (2) Minimum Wage of regency/municipality as referred to in paragraph (1) shall be greater than minimum Wage of province in the Province.

Article 47

- (1) The determination of minimum Wage of regency/municipality as referred to in Article 46 shall be calculated based on the formula of calculation of minimum Wage as referred to in Article 44 paragraph (2).

- (2) In the event there has been a review of the decent living needs as referred to in Article 43 paragraph (5), Governor shall determine the minimum Wage of regency/municipality by taking into account the recommendation from regent/mayor and suggestions and considerations from the provincial board of wages.
- (3) The recommendation from regent/mayor as referred to in paragraph (2) shall be based on the advices and considerations from the board of wages of regency/municipality.
- (4) The recommendation from regent/mayor as well as the advices and considerations from the board of wages of province as referred to in paragraph (2) and the advices and considerations from the board of wages of regency/municipality as referred to in paragraph (3) shall be based on the result of review of decent living needs which components and types shall be determined by the Minister by considering the productivity and economic growth.

Article 48

Further provisions concerning the minimum Wage of province and/or regency/municipality shall be regulated under a Minister Decree.

Part Three

Determination on Provincial and/or Regency/Municipality Minimum Wage of Sector

Article 49

- (1) Governor shall determine the minimum Wage of sectoral province and/or regency/municipality based on the result of negotiation between the association of employers and the Union of Workers/Laborers in the sector.
- (2) The determination of the minimum Wage of sector as referred to in paragraph (1) shall be based on the advices and considerations on superior sectors from the board of wages of province or the board of wages of regency/municipality in accordance with their respective tasks and authorities.
- (3) Provincial Minimum Wage of sector as referred to in paragraph (1) shall be greater than the provincial minimum Wage in the relevant Province.
- (4) Regency/municipality Minimum Wage of sector as referred to in paragraph (1) shall be greater than the regency/municipality Minimum Wage in the relevant regency/municipality.

Article 50

Further provisions concerning the provincial minimum Wage of sector and/or regency/municipality shall be regulated under a Minister Decree.

CHAPTER VI MATTERS THAT CAN BE INCLUDED IN WAGE CALCULATION

Article 51

- (1) Matters that can be included in the calculation of Wage shall be as follows:

- a. fine;
 - b. compensation;
 - c. deduction of wage for the third party;
 - d. prepayment of Wage;
 - e. house rent and/or lease of the Company property by the Employer to Worker/Laborer;
 - f. loan or repayment of loan of Worker/Laborer to Employer; and/or
 - g. overpayment of Wage.
- (2) Matters that can be included in the calculation of Wage as referred to in paragraph (1) letters a, b and d shall be based on the Work Contract, Company Regulation, or Collective Labor Agreement.

Article 52

In the event of Employment Termination, matters that can be included in the calculation of Wage as referred to in Article 51, to which the Worker/Laborer is obliged that have not been fulfilled and/or the receivables of the Worker/Laborer that have not been fulfilled, may be calculated together with all entitlements that the Worker/Laborer would receive due to the Employment Termination.

CHAPTER VII IMPOSITION OF FINE AND DEDUCTION OF WAGE

Part One Imposition of Fine

Article 53

Employer or Worker/Laborer who violates the provisions under the Work Contract, Company Policy, or Collective Labor Agreement deliberately or due to its negligence shall be subject to fine unless expressly provided for under the Work Contract, Company Regulation, or Collective Labor Agreement.

Article 54

- (1) Fine against the Employer or Worker/Laborer as referred to in Article 53 shall be applicable only for the interest of the Worker/Laborer.
- (2) Types of violations that are subject to fine, amount of fine and the use of money from fine shall be regulated under the Work Contract, Company Regulation, or Collective Labor Agreement.

Article 55

- (1) Employer as referred to in Article 53 who is delayed in the payment of and/or failure to pay Wage as referred to in Article 5 paragraph (4) shall be subject to imposition of fine as follows:
 - a. starting from the fourth day up to the eight day as of the date of the payment of Wage, it will be subject to fine at 5 (five) percent for each day of delay of the Wage that should be payable;
 - b. after the eighth day, if the Wage remains unpaid it will be subject to fine due to delay as referred to in letter a plus 1 (one) percent for every day of

delay under a condition that in 1 (one) month there should be no more than 50 (fifty) percent of the Wage that should be payable; and

- c. after one month, if the Wage remains unpaid, it will be subject to fine as referred to in letter a and b plus interest at the rate of interest applicable in the governmental bank.
- (2) The imposition of fine as referred to in paragraph (1) shall not annul the obligation of Employer to pay the Wage of Worker/Laborer.

Article 56

- (1) Employer who is delayed in the payment of allowance for religious festivity (THR) to Worker/Laborer as referred to in Article 7 paragraph (2) shall be subject to fine at 5 (five) percent of the total amount of allowance for religious festivity (THR) that should be payable as of the end of deadline for the payment obligation of the Employer.
- (2) The imposition of fine as referred to in paragraph (1) shall not annul the obligation of Employer to pay the allowance for religious festivity (THR) to Worker/Laborer.

Second Part Deduction of Wage

Article 57

- (1) Deduction of Wage by Employer for:
- a. fine;
 - b. compensation; and/or
 - c. prepayment of Wage,
- shall be in compliance with the Work Contract, Company Regulation, or Collective Labor Agreement.
- (2) Deduction of Wage by Employer for the third party shall be allowed upon a power of attorney from the relevant Worker/Laborer.
- (3) The power of attorney as referred to in paragraph (2) shall be subject to a revoke at any time when necessary.
- (4) The power of attorney from Worker/Laborer as referred to in paragraph (3) shall be exempted for all payment obligations of the Worker/Laborer to the state or contribution as a participant of the fund organized for social security as stipulated in accordance with the provisions of laws and regulations.
- (5) Deduction of Wage by Employer for:
- a. payment of loan or repayment of loan of Worker/Laborer; and/or
 - b. house rent and/or lease of the Company property by the Employer to Worker/Laborer.

shall be conducted based on a written contract or a written agreement.

- (6) Deduction of Wage by Employer for the overpayment of Wage to Worker/Laborer shall be conducted without any prior approval from the Worker/Laborer.

Article 58

The total deduction of Wage as referred to in Article 57 shall be at a maximum 50 (fifty) percent of the payment of Wage received by Worker/Laborer.

CHAPTER VIII ADMINISTRATIVE SANCTIONS

Article 59

- (1) Administrative sanctions shall be imposed against the Employer that:
- fails to pay the allowance for religious festivity (THR) to Worker/Laborer as referred to in Article 7 paragraphs (1) and (2);
 - fails to distribute service charge in certain undertakings to Worker/Laborer as referred to in Article 10 paragraph (2);
 - fails to prepare the structure and scale of Wage as referred to in Article 14 paragraph (2) and fails to provide information to all Workers/Laborers as referred to in Article 14 paragraph (3);
 - fails to pay Wage after the deadline as referred to in Article 19;
 - fails to fulfill the obligation to pay fine as referred to in Article 53; and/or
 - deducts the Wage of greater than 50 (fifty) percent of every payment of Wage received by Worker/laborer as referred to in Article 58.
- (2) Administrative sanctions as referred to in paragraph (1) shall be in form of:
- written warning;
 - restriction of business activities;
 - temporary termination of part or all of production facilities; and
 - freezing of business activities.
- (3) Further provisions concerning procedure for the imposition of administrative sanctions shall be regulated under a Minister Decree.

Article 60

- (1) The Minister, related ministers, governor, regent/mayor, or the appointed official in accordance with his/her authority shall impose the administrative sanctions as referred to in Article 59 against the Employer.
- (2) The imposition of administrative sanctions as referred to in paragraph (1) shall be based on the result of investigation by the manpower supervisor, which comes from:
- complaint; and/or
 - follow up on the result of manpower monitoring.

- (3) The investigation by the manpower supervisor as referred to in paragraph (2) shall be conducted in compliance with the provisions of laws and regulations.

Article 61

Employer who has been subject to administrative sanctions as referred to in Article 59 paragraph (2) shall not be exempted from its obligation to pay the Worker/Laborer entitlements.

Article 62

The relevant minister, governor, regent/mayor, or the appointed official shall inform the Minister of the imposition of administrative sanctions as referred to in Article 59 paragraph (2).

CHAPTER IX TRANSITIONAL PROVISIONS

Article 63

At the time this Government Regulation is effective:

- a. the governor shall be obligated to adjust the provincial minimum wage that is still below the decent standard of living to become equal to the decent living needs on a gradual basis no longer than 4 (four) years as of the enactment of this Government Regulation;
- b. Employer who has not prepared and implemented the structure and scale of wages shall be obliged to do so based on this Government Regulation and attach the same to the application as referred to in Article 14 paragraph (4) no longer than 2 (two) years as of the enactment of this Government Regulation.

CHAPTER X CLOSING PROVISIONS

ARTICLE 64

At the time that this Government Regulation comes into effect, all implementing regulations of Law Number 13 Year 2003 on Manpower governing wages and Government Regulation Number 8 Year 1981 on Protection of Wage shall be declared to remain effective as long as they are in not contradictory to and/or have not been replaced based on this Government Regulation.

Article 65

At the time that this Government Regulation comes into effect, Government Regulation Number [8 Year 1981](#) on Protection of Wage (State Gazette of the Republic of Indonesia Year 1981 Number 8, Supplement to the State Gazette of the Republic of Indonesia Number 3190) shall be revoked and declared no longer effective.

Article 66

This Government Regulation shall be effective as of the date of its enactment.

For public cognizance, hereby ordering that the promulgation of this Government Regulation is published in the State Gazette of the Republic of Indonesia.

Stipulated in Jakarta
Dated October 23, 2015
President of the Republic of Indonesia
SIGNED
JOKO WIDODO

Enacted in Jakarta
dated October 23, 2015
MINISTER OF LAWS AND HUMAN RIGHTS
THE REPUBLIC OF INDONESIA
signed
YASONNA H. LAOLY

STATE GAZETTE OF THE REPUBLIC OF INDONESIA YEAR 12015 NUMBER 237

Issued as a true copy
Ministry of the State Secretariat of the Republic of Indonesia
Deputy of Laws and Regulations
signed
M. Sapta Murti

ELUCIDATION
OF
GOVERNMENT REGULATION OF THE REPUBLIC OF INDONESIA
NUMBER 78 YEAR 2015
REGARDING
WAGES

I. GENERAL

Wage is one of the most sensitive aspects in the Employment Relationship. The relevant parties see Wage from different point of view. Worker/Laborer sees Wage as their source of income to fulfill their and their family needs. From the psychological aspect, Wage can give satisfaction to the Worker/Laborer. On the other side, Employer sees Wage as one of production costs. The Government deems Wage on one part as one of the means to continue guaranteeing the fulfillment of decent life for the Worker/Laborer and their family, to improve their productivity, and increase the public purchasing power.

Considering these different and various interests, understanding on the wages system and its regulations is crucial in forming an integral part of comprehension and interpretation between the Worker/Laborer and the Employer.

In order to achieve a decent life, the Worker/Laborer income must be able to meet the physical, non-physical and social needs, including food, drink, clothing, housing, education, health, old age insurance, and recreation. Therefore the wage policy should be able to promote economic growth and expansion of work opportunity and improve the welfare of the Worker/Laborer and their family.

It is necessary to adjust Government Regulation Number 8 Year 1981 regarding Wage Protection the current needs and demands of the current. Therefore, Government Regulation Number 8 Year 1981 needs to be revised. It is expected that this Government Regulation would be able to serve as a guideline in establishing the Employment Relationship to handle various issues in the field of wage which becomes more complex.

In order to improve the welfare of the Worker/Laborer and their family that promotes the advancement of business and work productivity, provisions on regulation of decent income, wage policy, wage protection, determination of minimum Wage and imposition of fine in the Government Regulation is directed to comprehensive wage system. This Government Regulation essentially governs wage in an inclusive manner to be able to guarantee the continuity of decent life of the Worker/Laborer and their family in accordance with the business development and capacity.

This Government Regulation sets out among others:

- a. Wage policy;
- b. Decent income;
- c. Wage protection;
- d. Minimum wage;
- e. Matters that can be calculated in wage;
- f. Imposition of fine and deduction of Wage; and
- g. Administrative sanctions.

II. ARTICLE DEMI ARTICLE

Article 1

Self-explanatory.

Article 2

Referred to as "upon the establishment of Employment Relationship" is as from the entry into of Employment Agreement, whether in writing or verbally between the Employer and the Worker/Laborer.

Referred to as "upon the termination of Employment Relationship", includes among others when the Worker/Laborer dies, upon Mutual Agreement or stipulation from the Industrial Relation Dispute Settlement Institution.

Article 3

Self-explanatory.

Article 4

Paragraph (1)

Self-explanatory.

Paragraph (2)

Letter a
Self-explanatory.

Letter b
Non-Wage Income is the income of the Worker/Laborer as paid by the employer in the monetary form for the fulfillment of religious needs, motivating the improvement of productivity or improving the welfare of the Worker/Laborer and their family.

Article 5

Paragraph (1)

Letter a
Referred to as "non-allowance Wage" is an amount of money received by the Worker/Laborer on a regular basis.
Example:

Worker A receives Wage in the amount of Rp3.000.000,00 (three million rupiah) as clean Wage. The amount of this Wage is used entirely as the basis for calculating matters related to Wage, such as allowance for religious festivity, overtime Wage, severance pay, contribution for social security, etc.

Letter b
Self-explanatory.

Letter c
Self-explanatory.

Paragraph (2)

Referred to as "base Wage" is the base compensation paid to Worker/Laborer according to the level or type of work which amount is determined according to the agreement.

Referred to as "fixed allowance" is payment to the Worker/Laborer which is made on a regular basis and is not related to the Worker/Laborer attendance or the achievement of specific performance of work.

Example:

Wage components consist of base Wage and fixed allowance:

A worker receives Wage in the amount of Rp3.000.000,00 (three million rupiah) with the component of base Wage of Rp2.250.000,00 (two million two hundred and fifty thousand rupiah) and fixed allowance in the amount of Rp750.000,00 (seven hundred and fifty thousand rupiah). This is based on the following calculation: received Wage = Rp3.000.000,00 = 100%
base Wage = 75% x Rp3.000.000,00 = Rp2.250.000,00
fixed Allowance = 25% x Rp3.000.000,00 = Rp750.000,00

Paragraph (3)

Referred to as "non-fixed allowance" is a payment directly or indirectly related to the Worker/Laborer, on a non-regular basis for the Worker/Laborer and their family which is made according to the unit of time and is different from the time on which the base Wage is paid, such as transportation allowance and/or meal allowance on the basis of attendance.

Example:

Wage components consist of base Wage, fixed allowance and non-fixed allowance:

A Worker/Laborer receives Wage in the amount of Rp3.500.000,00 (two million two hundred and fifty thousand rupiah) with the component of base Wage in the amount of Rp2.250.000,00 (two million two hundred and fifty thousand rupiah), fixed allowance of Rp750.000,00 (seven hundred and fifty thousand rupiah), and non-fixed allowance of Rp500.000,00 (five hundred thousand rupiah).

This is based on the calculation as follows:

Received Wage = Rp3.500.000,00 = 100%

Base Wage = 75% x Rp3.000.000,00 = Rp2.250.000,00

Fixed Allowance = 25% x Rp3.000.000,00 = Rp750.000,00

Non-fixed Allowance = Rp500.000,00

Paragraph (4)

Self-explanatory.

Article 6

Paragraph (1)

Self-explanatory.

Paragraph (2)

Letter a

Self-explanatory.

Letter b

Self-explanatory.

Letter c

Referred to as "in certain undertakings" are hotel business and restaurant business in hotels.

Article 7

Self-explanatory.

Article 8

Self-explanatory.

Article 9

Paragraph (1)

Referred to as "work facilities" are facilities/equipment provided by the Company for certain position or work or all Workers/Laborers to support the performance of their work.

Example:

Vehicle facility, drop off and pick-up vehicle for Worker/Laborer, and/or free meal.

Referred to as "certain position/work" is a position or activity that requires certain facilities and expertise to support the smooth performance of duties as specified by the Company as the receiver of work facilities.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Article 10

Self-explanatory.

Article 11

Referred to as "work of equivalent value" is a work that has equal weight if measured from its competence, work risk and responsibility in a Company.

Article 12

Self-explanatory.

Article 13

Self-explanatory.

Article 14

Paragraph (1)

Self-explanatory.

Paragraph (2)

Wage structure and scale are intended among others:

- a. to realize equitable Wage;
- b. to support the improvement of productivity at the Company;
- c. to improve the Worker/Laborer welfare; and
- d. to guarantee certainty as to Wage and minimize the gap between the lowest and highest Wage.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Paragraph (5)

Self-explanatory.

Article 15

Self-explanatory.

Article 16

Referred to as "compliance with the provisions of laws and regulations" is the fulfillment of the Employer's obligations to the Worker/Laborer including among others allowance for religious festivity, overtime Wage, severance pay, service pay, Wage during sickness, contribution and social security benefit.

Article 17

Self-explanatory.

Article 18

Self-explanatory.

Article 19

Self-explanatory.

Article 20

Self-explanatory.

Article 21
Self-explanatory.

Article 22
Self-explanatory.

Article 23
Self-explanatory.

Article 24
Self-explanatory.

Article 25
Referred to as "Worker/Laborer is willing to perform work as agreed but the Employer fails to employ him/her" is for example, a Worker/Laborer is instructed to unload cargo from a vessel, however for some reasons the vessel did not arrive and therefore the Employer must pay the Worker/Laborer Wage.

Article 26
Self-explanatory.

Article 27
Self-explanatory.

Article 28
Self-explanatory.

Article 29
Self-explanatory.

Article 30
Self-explanatory.

Article 31
Self-explanatory.

Article 32
Self-explanatory.

Article 33
Self-explanatory.

Article 34
Self-explanatory.

Article 35
Self-explanatory.

Article 36
Self-explanatory.

Article 37
Self-explanatory.

Article 38

It is very likely that a Worker/Laborer is declared bankrupt due to his/her failure to pay his/her debt to other parties, either the Employer and/or other persons. In order to guarantee the life of Worker/Laborer whose asset has been confiscated, insurance is provided for him/herself and his/her family. Therefore in this Article, Wage and other payments to which the Worker/Laborer is entitled are excluded from bankruptcy proceedings. Judge may decide on different threshold from that set out in the provision of this Article up to 25% (twenty five percent).

Article 39

Self-explanatory.

Article 40

Self-explanatory.

Article 41

Paragraph (1)

Determination of minimum Wage serves as safety net to prevent payment of lower Wage than the minimum Wage determined by the government and to prevent the decrease of Wage to a level that would jeopardize the Worker/Laborer health and disturb his/her work capacity.

Paragraph (2)

Self-explanatory.

Article 42

Self-explanatory.

Article 43

Self-explanatory.

Article 44

Paragraph (1)

Self-explanatory.

Paragraph (2)

Formula for the calculation of minimum Wage:

$$UM_n = UM_t + \{UM_t \times (Inflasi_t + \% \Delta PDB_t)\}$$

Remarks:

UM_n : specified Minimum Wage.

UM_t : Minimum Wage in the current year.

$Inflasi_t$: Inflation as from September in the previous year up to September in the current year.

ΔPDB_t : Gross Domestic Product Growth calculated from the Gross Domestic Product growth from the 3rd and 4th quarter in the previous year and the 1st and 2nd quarter in the current year.

Formula for the calculation of Minimum Wage is Minimum Wage in the current year plus the multiplication of Minimum Wage in the current year with the sum of the national inflation rate in the

current year and the rate of growth of Gross Domestic Product in the current year.

Example:

UM_t : Rp.2.000.000,00

$Inflation_t$: 5%

ΔPDB_t : 6%

$UM_n = UM_t + \{UM_t \times (Inflation_t + \% \Delta PDB_t)\}$

$UM_n = Rp.2.000.000,00 + \{Rp.2.000.000,00 \times (5\% + 6\%)\}$

$= Rp.2.000.000,00 + \{Rp.2.000.000,00 \times 11\%\}$

$= Rp.2.000.000,00 + Rp.220.000,00$

$= Rp.2.220.000,00$

Minimum Wage in the current year as the basis in the calculation of Minimum Wage that will be specified in the formula of calculation of Minimum Wage is based on decent needs of living.

Adjustment to the value of decent needs of living in the Minimum Wage that will be stipulated immediately corrected through the multiplication of the Minimum Wage in the current year with the rate of inflation in the current year. Minimum Wage multiplied with this rate of inflation will ensure that the purchasing power from the Minimum Wage will not show a decrease. This is based on the categories of needs in the decent needs of living which also determine the rate of inflation. Therefore, the use of rate of inflation in the calculation of Minimum Wage is basically the same as the value of decent needs of living. Adjustment of Minimum Wage using the value of economic growth principally respects the improvement of productivity in overall. In economic growth there are several determining factors, among others improvement of productivity, manpower growth and capital growth. In this formula, all parts of the economic growth are used for the purpose of improvement of Minimum Wage. In this case referred to as economic growth is the growth of Gross Domestic Product.

Paragraph (3)

Self-explanatory.

Article 45

Self-explanatory.

Article 46

Self-explanatory.

Article 47

Self-explanatory.

Article 48

Self-explanatory.

Article 49

Paragraph (1)

Self-explanatory.

Paragraph (2)

Referred to as "superior sectors" are sectors of business according to the Indonesian Classification of Field of Business (KBLI) which is based on the results of study of the wages council of province or regency/city, potentially to be stipulated as Minimum Wage of sectors.

Paragraph (3)
Self-explanatory.

Paragraph (4)
Self-explanatory.

Article 50
Self-explanatory.

Article 51
Self-explanatory.

Article 52
Self-explanatory.

Article 53
Self-explanatory.

Article 54
Self-explanatory.

Article 55
Self-explanatory.

Article 56
Self-explanatory.

Article 57
Self-explanatory.

Article 58
Self-explanatory.

Article 59
Self-explanatory.

Article 60
Self-explanatory.

Article 61
Self-explanatory.

Article 62
Self-explanatory.

Article 63
Self-explanatory.

Article 64
Self-explanatory.

Article 65
Self-explanatory.

Article 66
Self-explanatory.

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NUMBER 5747

NOTE

Source: LOOSE LEAF OF THE STATE SECRETARIAT YEAR 2017