

**REGULATION OF THE GOVERNMENT OF THE REPUBLIC OF INDONESIA  
NUMBER 35 OF 2021**

**ON**

**TEMPORARY EMPLOYMENT AGREEMENT, OUTSOURCING, WORKING HOURS AND BREAKS AND  
TERMINATION OF EMPLOYMENT RELATIONSHIPS**

**BY THE GRACE OF GOD ALMIGHTY**

**THE PRESIDENT OF THE REPUBLIC OF INDONESIA,**

Considering:

that in order to implement provisions of Article 81 and Article 185 letter b of Law Number 11 of 2020 on Job Creation, it has been deemed necessary to establish Regulation of the Government on Temporary Employment Agreement, Outsourcing, Working Hours and Breaks, and Termination of Employment Relationships;

Observing:

1. Article 5 paragraph (2) of the 1945 Constitution of the Republic of Indonesia;
2. Law Number 13 of 2003 on Manpower (State Gazette of the Republic of Indonesia of 2003 Number 39, Supplement to the State Gazette of the Republic of Indonesia Number 4279);
3. Law Number 11 of 2020 on Job Creation (State Gazette of the Republic of Indonesia of 2020 Number 245, Supplement to the State Gazette of the Republic of Indonesia Number 6573);

**HAS DECIDED:**

To establish:

**REGULATION OF THE GOVERNMENT ON TEMPORARY EMPLOYMENT AGREEMENT, OUTSOURCING,  
WORKING HOURS AND BREAKS, AND TERMINATION OF EMPLOYMENT RELATIONSHIPS.**

**CHAPTER I  
GENERAL PROVISIONS**

**Article 1**

Under this Regulation of the Government, the following definitions are employed:

1. Employment Relationship is a relationship between entrepreneurs and workers/laborers based on an employment agreement that has elements of work, wage, and orders.
2. Workers/Laborers are any people who work by receiving a wage or other forms of rewards.
3. Entrepreneurs are:

- a. individuals, partnerships, or legal entities that operate a company owned by them;
  - b. individuals, partnerships, or legal entities that independently operate a company not owned by them;
  - c. individuals, partnerships, or legal entities that are located in Indonesia to represent companies as referred to in letter a and letter b that are domiciled outside the territory of Indonesia.
4. Company is:
- a. any form of business that is incorporated or not incorporated in a legal entity, owned by individuals, owned by partnerships, or owned by legal entities, both privately-owned and stated-owned that employ Workers/Laborers by paying wage or other forms of rewards;
  - b. social businesses and other businesses that have management and employ other people by paying wage or other forms of rewards.
5. Worker Union/Labor Union is an organization that is established from, by, and for Workers/Laborers both inside a Company and outside of a Company, and that is free, open, independent, democratic, and responsible to fight for, defend and protect rights and interests of Workers/Laborers as well as to improve the welfare of Workers/Laborers and their family.
6. Wage is the right of Workers/Laborers that is received and stated in the form of money as rewards from Entrepreneurs or employers to Workers/Laborers and that is determined and paid according to an employment agreement, agreement, or laws and regulations, including an allowance for Workers/Laborers and their family over any work and/or service that has been or will be performed.
7. Overtime is working hour that exceeds 7 (seven) hours a day and 40 (forty) hours in 1 (one) week for 6 (six) business days in 1 (one) week or 8 (eight) hours a day and 40 (forty) hours in 1 (one) week for 5 (five) business days in 1 (one) week or working hour on weekly rest days and/or on official holidays established by the Government.
8. Overtime Pay is a wage that is paid by Entrepreneurs to Workers/Laborers who perform work in Overtime.
9. Employment Agreement is an agreement between Workers/Laborers and Entrepreneurs or employers that contains work requirements, rights, and obligations of the parties.
10. Temporary Employment Agreement (Perjanjian Kerja Waktu Tertentu), from this point onwards is referred to as PKWT, is an employment agreement between Workers/Laborers and Entrepreneurs to enter into an employment relationship within a specified period or for certain work.
11. Permanent Employment Agreement (Perjanjian Kerja Waktu Tidak Tertentu), from this point onwards is referred to as PKWTT, is an employment agreement between Workers/Laborers and Entrepreneurs to enter into a permanent Employment Relationship.
12. Company Regulation is a regulation that is drawn up in writing by Entrepreneurs that contains work requirements and Company rules.
13. Collective Employment Agreement is an agreement that is a result of negotiation between a worker/labor union or several worker/labor unions that is registered with an agency in charge of the manpower sector and an Entrepreneur, or several Entrepreneurs or an Entrepreneur association that contains Work Requirements, rights, and obligations of both parties.
14. Outsourcing Company is a business entity that is incorporated in a legal entity that meets the requirements to perform certain work based on an agreement that is agreed by the employer Company.
15. Termination of Employment Relationships is the Termination of Employment Relationships due to certain matters that result in the termination of rights and obligations between Workers/Laborers and Entrepreneurs.

16. Central Government is the President of the Republic of Indonesia who holds the government authority of the Republic of Indonesia and is assisted by the Vice President and ministers as referred to in the 1945 Constitution of the Republic of Indonesia.
17. Manpower Supervisor is a civil servant who are given the full duties, responsibilities, authorities and rights by the authorized official to carry out the activities of guiding, inspecting, examining, investigating and developing the manpower supervision system in accordance with provisions of laws and regulations.
18. Minister is the minister in charge of government affairs in the manpower sector.

## **CHAPTER II**

### **TEMPORARY EMPLOYMENT AGREEMENT**

#### **Division One**

##### **General**

#### **Article 2**

- (1) Employment Relationship takes place because of an employment agreement between Entrepreneurs and Workers/Laborers.
- (2) An Employment Agreement shall be made in writing or verbally.
- (3) An Employment Agreement that is made in writing shall be implemented in accordance with provisions of laws and regulations.
- (4) An Employment Agreement shall be drawn up temporarily (untuk waktu tertentu) or permanently (untuk waktu tidak tertentu).

#### **Article 3**

PKWTT shall be implemented in accordance with provisions of laws and regulations.

#### **Division Two**

### **Implementation of Temporary Employment Agreement**

#### **Article 4**

- (1) PKWT shall be based on:
  - a. period of time; or
  - b. completion of a certain work.
- (2) PKWT cannot be entered into for permanent work.

#### **Article 5**

- (1) PKWT based on period of time as referred to in Article 4 paragraph (1) letter a shall be drawn up for

certain work, namely:

- a. work that is estimated to be completed in not too long a time;
  - b. seasonal work; or
  - c. work that is in relation to new products, new activities, or additional products that are still in an experimental or a try-out phase.
- (2) PKWT based on completion of certain work as referred to in Article 4 paragraph (1) letter b shall be drawn up for certain work, namely:
- a. work that is completed at once; or
  - b. work that is temporary in nature.
- (3) Other than certain works as referred to in paragraph (1) and paragraph (2), PKWT may be implemented for other certain works whose types and characteristics or activities are temporary.

#### **Article 6**

Work that is estimated to be completed in not too long a time as referred to in Article 5 paragraph (1) letter a shall be implemented for a maximum of 5 (five) years.

#### **Article 7**

- (1) Seasonal work as referred to in Article 5 paragraph (1) letter b is a work whose implementation is based on:
- a. seasons or weather; or
  - b. certain conditions.
- (2) Work whose implementation is based on seasons or weather as referred to in paragraph (1) letter a may only be conducted in certain seasons or weather.
- (3) Work whose implementation is based on certain conditions as referred to in paragraph (1) letter b is additional work that is conducted to fulfill orders or a certain target.

#### **Article 8**

- (1) PKWT based on period of time as referred to in Article 5 paragraph (1) can be drawn up for a maximum of 5 (five) years.
- (2) In the event that the PKWT period as referred to in paragraph (1) is about to expire and the work that are carried out is not yet completed, the PKWT can be extended for a period that are in accordance with the agreement between Entrepreneurs and Workers/Laborers, on condition that the overall PKWT period and its extension does not exceed 5 (five) years.
- (3) The terms of office of Workers/Laborers in the event of an extension of PKWT period as referred to in paragraph (2) shall still be counted since the Employment Relationship based on PKWT was made.

#### **Article 9**

- (1) PKWT that is based on completion of certain work as referred to in Article 5 paragraph (2) shall be based on an agreement of the parties that is drawn up in an Employment Agreement.

- (2) Agreement of the parties as referred to in paragraph (1) shall contain:
  - a. scope and limitations for a work to be declared complete;
  - b. the length of time for completion of work that is adjusted to the completion of a work.
- (3) In the event that certain work that is agreed upon in a PKWT can be finished faster than the length of time that is agreed as referred to in paragraph (2) letter b, therefore the PKWT shall terminate by law upon the completion of work.
- (4) In the event of certain work that is agreed upon in a PKWT cannot be completed yet in accordance with the length of time that is agreed as referred to in paragraph (2) letter b, therefore the PKWT period shall be extended to a certain time limit until the completion of work.
- (5) The term of office of Workers/Laborers in the event of an extension of PKWT period as referred to in paragraph (4) shall still be counted since the employment relationship based on PKWT was made.

#### **Article 10**

- (1) PKWT that can be carried out toward other certain works whose types and nature or activities are temporary in nature as referred to in Article 5 paragraph (3) in the form of certain works whose time and volume of work, as well as payment of Workers'/Laborers' wage, are based on attendance.
- (2) PKWT as referred to in paragraph (1) can be carried out with a daily Employment Agreement.
- (3) Daily Employment Agreement as referred to in paragraph (2) shall be carried out on condition that Workers/Laborers works less than 21 (twenty-one) days in 1 (one) month.
- (4) In the event that Workers/Laborers works for 21 (twenty-one) days or more for 3 (three) consecutive months or more, then daily Employment Agreement as referred to in paragraph (2) becomes invalid by law and Employment Relationship between Entrepreneurs and Workers/Laborers change to be based on PKWTT.

#### **Article 11**

- (1) Entrepreneurs who employ Workers/Laborers on works as referred to in Article 10 paragraph (1) shall draw up a daily Employment Agreement in writing with Workers/Laborers.
- (2) Daily Employment Agreement as referred to in paragraph (1) can be made collectively and shall at least contain:
  - a. name/address of Companies or employers;
  - b. name/address of Workers/Laborers;
  - c. type of work that are carried out; and
  - d. amount of Wage.
- (3) Entrepreneurs as referred to in paragraph (1) must fulfill the rights of Workers/Laborers, including the right to social security program.

#### **Article 12**

- (1) PKWT cannot require a probation period.
- (2) In the event that a probation period is required, the required probation period shall become null and void, and the term of office is still counted.

### **Article 13**

PKWT shall at least contain:

- a. name, Company address, and type of business;
- b. name, sex, age, and address of Workers/Laborers;
- c. position or type of work;
- d. place of work;
- e. amount of wage and payment method;
- f. rights and obligations of Entrepreneurs and Workers/Laborers in accordance with provisions of laws and regulations and/or Work Requirements that are regulated in a Company Regulation or Collective Employment Agreement;
- g. commencement and validity period of the PKWT;
- h. place and date the PKWT is drawn up; and
- i. signature of the parties to the PKWT.

### **Article 14**

- (1) PKWT must be registered online by Entrepreneurs to the ministry in charge of government affairs in the manpower sector no later than 3 (three) business days since the signing of the PKWT.
- (2) In the event that the online registration of PKWT is not yet available, then the registration of PKWT shall be carried out by Entrepreneurs in writing at the office in charge of government affairs in the manpower sector at regency/city level no later than 7 (seven) business days from the signing of PKWT.

## **Division Three Provision of Compensation**

### **Article 15**

- (1) Entrepreneurs must provide Compensation to Workers/Laborers whose Employment Relationship is based on PKWT.
- (2) The provision of Compensation shall be implemented upon the termination of the PKWT.
- (3) The Compensation as referred to in paragraph (1) shall be provided to Workers/Laborers who have a term of office of at least 1 (one) month continuously.
- (4) If the PKWT is extended, the Compensation shall be provided at the completion of the period of PKWT before extension and toward the extended PKWT period, the next compensation shall be provided after the extension of PKWT period expires or is completed.
- (5) The granting of Compensation does not apply to foreign workers who are employed by employers in an employment relationship based on a PKWT.

### **Article 16**



- (1) The amount of Compensation shall be provided in accordance with the following provisions:
- PKWT for 12 (twelve) months continuously shall be provided in the amount of 1 (one) monthly Wage;
  - PKWT for 1 (one) month or more, but less than 12 (twelve) months, shall be calculated proportionally with the following calculations:  
$$\frac{\text{term of office}}{12} \times 1 \text{ (one) monthly Wage}$$
  - PKWT for more than 12 (twelve) months shall be calculated proportionally with the following calculation:  
$$\frac{\text{term of office}}{12} \times 1 \text{ (one) monthly Wage}$$
- (2) Wage as referred to in paragraph (1) which are used as basis for the calculation of compensation payment consists of basic wage and permanent allowances.
- (3) In the event that the components of basic wage and permanent allowances are not used in a Company, then the basis for the calculation of Compensation payment shall be wage without allowances.
- (4) in the event that the wage in a company consists of basic wage and non-permanent allowances, then the basis for the calculation of compensation shall be the basic wage.
- (5) In the event that a PKWT is based on the completion of a work, its completion is faster than the length of time that is agreed upon in the PKWT; therefore, the Compensation shall be calculated until the completion of work.
- (6) The amount of compensation for Workers/Laborers at micro-scale businesses and small-scale businesses shall be provided based upon an agreement between Entrepreneurs and Workers/Laborers.

### Article 17

In the event that one of the parties terminates the Employment Relationship before the termination period that is stipulated in the PKWT, then Entrepreneurs are obligated to provide the compensation as referred to in Article 15 paragraph (1), the amount of which is calculated based on the PKWT period that have been implemented by Workers/Laborers.

## CHAPTER III OUTSOURCING

### Article 18

- Employment Relationship between an Outsourcing Company and Workers/Laborers that it employs shall be based on a PKWT or PKWTT.
- PKWT or PKWTT as referred to in paragraph (1) shall be drawn up in writing.
- Protection of Workers/Laborers, wage, welfare, Work Requirements, and dispute that arise shall be implemented in accordance with provisions of laws and regulations and shall become the responsibility of

the Outsourcing Company.

- (4) Protection of Workers/Laborers, wage, welfare, Work Requirements, and dispute that arise as referred to in paragraph (3) shall be regulated in an Employment Agreement, a Company Regulation or a Collective Employment Agreement.

#### **Article 19**

- (1) In the event that an Outsourcing Company hires Workers/Laborers based on a PKWT, then the said employment agreement shall require a transfer of rights protection for workers/laborers if there is a change of Outsourcing Company and insofar that the work object still exists.
- (2) The requirement of transfer of rights protection as referred to in paragraph (1) is a guarantee for work continuity for Workers/Laborers whose Employment Relationship is based on a PKWT at an Outsourcing Company.
- (3) In the event that Workers/Laborers fail to obtain the guarantee for work continuity as referred to in paragraph (2), the Outsourcing Company shall be responsible for the fulfillment of Workers'/Laborers' rights.

#### **Article 20**

- (1) An Outsourcing Company shall be incorporated in a legal entity and must comply with business licensing that is issued by the Central Government.
- (2) Requirements and procedures to obtain business licensing shall be implemented in accordance with provisions of laws and regulations regarding norms, standards, procedures, and criteria for business licensing that are stipulated by the Central Government.

### **CHAPTER IV WORKING HOURS AND BREAKS**

#### **Division One General**

#### **Article 21**

- (1) Every Entrepreneurs must implement Working Hour provisions.
- (2) Working Hour as referred to in paragraph (1) shall consist of:
  - a. 7 (seven) hours in 1 (one) day and 40 (forty) hours in 1 (one) week for 6 (six) business days in 1 (one) week; or
  - b. 8 (eight) hours in 1 (one) day and 40 (forty) hours in 1 (one) week for 5 (five) business days in 1 (one) week.
- (3) Working hour provisions as referred to in paragraph (2) do not apply to certain business sectors or jobs.
- (4) The implementation of work hours for Workers/Laborers at a Company shall be regulated in an Employment Agreement, a Company Regulation, or a Collective Employment Agreement.



## **Article 22**

Entrepreneurs who employ Workers/Laborers in the working hour as referred to in Article 21 paragraph (2) must provide weekly breaks to Workers/Laborers, consisting of:

- a. 1 (one) day weekly break for 6 (six) business days in 1 (one) week; or
- b. 2 (two) day weekly breaks for 5 (five) business days in 1 (one) week.

## **Division Two**

### **Working Hours in Certain Business Sectors or Jobs**

## **Article 23**

- (1) A Company in certain business sectors or jobs may implement working hours that is more or less than the provisions as referred to in Article 21 paragraph (2).
- (2) A Company in certain business sectors or jobs that implements Working hours that is less than the provisions as referred to paragraph (1) shall have the following characteristics:
  - a. completion of work is less than 7 (seven) hours in 1 (one) day and less than 35 (thirty-five) hours in 1(one) week;
  - b. flexible Working hours; or
  - c. work may be performed outside of work location.
- (3) A Company in certain business sectors or jobs that implements Working hour that is more than the provisions as referred to in paragraph (1), its implementation shall be in accordance with Working hour provisions that have been stipulated by the Minister.

## **Article 24**

- (1) In the event that there is a need for Working hours and Breaks other than those that have been stipulated by the Minister as referred to in Article 23 paragraph (3), the Minister may stipulate a Working hour and breaks for other certain business sectors or jobs.
- (2) Further provisions regarding Working hours and Breaks in other certain business sectors or jobs as referred to in paragraph (1) shall be regulated under a Regulation of the Minister.

## **Article 25**

- (1) The implementation of working hours and work hours for workers/laborers who are employed at certain business sectors or jobs that implement working hours that is less than the provisions as referred to in Article 21 paragraph (2) shall be regulated in an Employment Agreement, a Company Regulation, or a Collective Employment Agreement.
- (2) The implementation of working hours and work hours for workers/laborers who are employed at certain business sectors or jobs that implement working hours that is more than the provisions as referred to in Article 21 paragraph (2), shall be regulated in an Employment Agreement, a Company Regulation, or a Collective Employment Agreement.

### **Division Three**

#### **Overtime**

##### **Article 26**

- (1) Overtime may only be conducted for a maximum of 4 (four) hours in 1 (one) day and 18 (eighteen) hours in 1 (one) week.
- (2) Overtime provisions as referred to in paragraph (1) do not include overtime that is performed on weekly breaks and/or official holidays.

##### **Article 27**

- (1) Entrepreneurs who employ Workers/Laborers beyond Working Hours as referred to in Article 21 paragraph (2) must pay Overtime Pay.
- (2) The obligation to pay Overtime Pay as referred to in paragraph (1) shall be exempted for Workers/Laborers in certain positions.
- (3) Workers/Laborers in certain positions have the responsibility as thinkers, planners, executives (pelaksana), and/or controller of a Company with unlimited Working hours and receive higher Wage.
- (4) Arrangement of certain positions shall be regulated in an Employment Agreement, a Company Regulation, or a Collective Employment Agreement.
- (5) If certain positions are not regulated in an Employment Agreement, a Company regulation, or a Collective Employment Agreement, then Entrepreneurs must pay Overtime Pay.

##### **Article 28**

- (1) In order to implement Overtime, there should be an order from Entrepreneurs and approval from the relevant Workers/Laborers in writing and/or through digital media.
- (2) The order and approval as referred to in paragraph (1) may be drawn up in the form of a list of Workers/Laborers who are willing to work overtime and are signed by the relevant Workers/Laborers and Entrepreneurs.
- (3) Entrepreneurs, as referred to in paragraph (2), shall draw up a list of overtime implementation that contains names of Workers/Laborers who work overtime and length of Overtime.

##### **Article 29**

- (1) A Company that employed Workers/Laborers during Overtime has the following obligations:
  - a. pay Overtime Pay;
  - b. provide an opportunity to get enough rest; and
  - c. provide food and drinks at least 1,400 (one thousand four hundred) kilocalories, if overtime is performed for 4 (four) hours or more.
- (2) Provision of food and drinks as referred to in paragraph (1) letter c is cannot be replaced with money.

##### **Article 30**

Overtime provisions shall apply to all Companies, except for Companies in certain business sectors or jobs as referred to in Article 23 paragraph (3) and Article 24.

## **Division Four Overtime Pay**

### **Article 31**

- (1) A Company that employs Workers/Laborers beyond Working Hours as referred to in Article 17 paragraph (2) must pay Overtime Pay with the following provisions:
  - a. for the first overtime hour in the amount of 1.5 (one point five) times an hour's Wage; and
  - b. for each subsequent overtime hour, in the amount of 2 (two) times an hour's Wage.
- (2) A Company that employs Workers/Laborers as referred to in paragraph (1) must pay Overtime Pay, if overtime is performed on weekly rest days and/or official holidays for working hour of 6 (six) business days and 40 (forty) hours a week, with the following provisions:
  - a. calculation of overtime pay is implemented as follows:
    1. the first hour to the seventh hour, is paid 2 (two) times an hour's Wage;
    2. the eighth hour, is paid 3 (three) times an hour's Wage; and
    3. the ninth hour, tenth hour and eleventh hour, is paid 4 (four) times an hour's Wage;
  - b. if official holidays fall on the shortest business day, the calculation of overtime pay is implemented as follows:
    1. the first hour to the fifth hour, is paid 2 (two) times an hour's Wage;
    2. the sixth hour, is paid 3 (three) times an hour's Wage; and
    3. the seventh hour, the eighth hour, and the ninth hour, is paid 4 (four) times an hour's Wage.
- (3) A Company that employs Workers/Laborers as referred to in paragraph (1) must pay Overtime Pay if overtime is performed on weekly rest days and/or official holidays for Working Hour of 5 (five) business days and 40 (forty) hours a week, on condition that calculation of Overtime pay is implemented as follows:
  - a. the first hour to the eighth hour, is paid 2 (two) times an hour's Wage;
  - b. the ninth hour, is paid 3 (three) times an hour's Wage; and
  - c. the tenth, eleventh, and twelfth hours, is paid 4 (four) times an hour's Wage.

### **Article 32**

- (1) Calculation of Overtime Pay shall be based on monthly Wage.
- (2) The method to calculate an hour's Wage is 1/173 (one per one hundred and seventy-three) times a month's Wage.
- (3) In the event that Wage components consist of basic Wage and permanent allowance, then the basis for the calculation of Overtime Pay is 100% (one hundred percent) of the Wage.
- (4) In the event that Wage components consist of basic Wage, permanent allowance, and non-permanent allowance, if the basic Wage plus permanent allowance is smaller than 75% (seventy-five percent) of the

overall Wage, then the basis for the calculation of Overtime Pay is equal to 75% (seventy-five percent) of the overall Wage.

#### **Article 33**

- (1) In the event that Workers'/Laborers' Wage is paid daily, then the calculation of a month's Wage is implemented with the following provisions:
  - a. A day's Wage times 25 (twenty-five), for Workers/Laborers who work 6 (six) days in 1 (one) week; or
  - b. A day's Wage times 21 (twenty-one), for Workers/Laborers who work 5 (five) days in 1 (one) week.
- (2) In the event that Workers'/Laborers' Wage is paid based on a unit of output, a month's Wage is equal to the average income for the last 12 (twelve) months.
- (3) In the event that a month's wage as referred to in paragraph (2) is lower than the minimum Wage, then the monthly Wage which are used as basis for the calculation of Overtime Pay shall be the minimum wage applicable in the region where Workers/Laborers are working.

#### **Article 34**

- (1) In the event that a Company has implemented payment of Overtime Pay with other names and the calculation value of Overtime Pay is the same or better, then the calculation of Overtime Pay shall remain to prevail.
- (2) Overtime Pay with other names and its calculation value that have been implemented by the Companies as referred to in paragraph (1) shall be deemed as Overtime Pay that is in accordance with provisions under this Regulation of the Government.
- (3) The implementation of Overtime Pay payment as referred to in paragraph (1) and paragraph (2) shall be regulated in an Employment Agreement, a Company Regulation or a Collective Employment Agreement.

### **Division Five Long Leave**

#### **Article 35**

- (1) Certain Companies may provide long leave.
- (2) Certain Companies, as referred to in paragraph (1), are Companies that are able to provide long leave and the implementation is regulated in an Employment Agreement, a Company Regulation, or a Collective Employment Agreement.

## **CHAPTER V TERMINATION OF EMPLOYMENT RELATIONSHIPS**

### **Division One Procedures for the Termination of Employment Relationships**

### Article 36

Termination of Employment Relationships may occur due to the following reasons:

- a. a Company conducts merger, consolidation, acquisition, or spin-off of a Company and Workers/Laborers are not willing to continue the Employment Relationship or Entrepreneurs are not willing to employ Workers/Laborers;
- b. a Company conducts efficiency that is followed by the closure of the Company or not followed by the closure of the Company that is caused by the Company incurring a loss;
- c. a Company is closed that is caused by the Company incurring losses continuously for 2 (two) years;
- d. a Company is closed that is caused by force majeure;
- e. a Company is in Suspension of Debt Payment Obligation;
- f. a Company is bankrupt;
- g. there is an application for Termination of Employment Relationships filed by Workers/Laborers because Entrepreneurs committed the following actions:
  1. assault, insult rudely, or threaten Workers/Laborers;
  2. persuade and/or order Workers/Laborers to commit actions that violate laws and regulations;
  3. fail to pay wage at the appointed time for 3 (three) consecutive months or more, although Businesses pay Wage on time after that;
  4. fail to implement obligations that have been promised to Workers/Laborers;
  5. order Workers/Laborers to perform work other than works that have been agreed upon; or
  6. provide works that endanger life, safety, health and decency of Workers/Laborers, while such works are not listed in the Employment Agreement;
- h. there is a decision of the industrial relation dispute settlement agency that stated that Entrepreneurs do not commit the actions as referred to in letter g against the application that is filed by Workers/Laborers and Entrepreneurs decide to conduct Termination of Employment Relationships;
- i. Workers/Laborers resign on their own will and shall fulfill the following conditions:
  1. submit a resignation application in writing by no later than 30 (thirty) days before the resignation date;
  2. not bound by an official bond (ikatan dinas);
  3. remain to implement their obligations until the resignation date;
- j. Workers/Laborers are absent for 5 (five) business days consecutively or more without any information in writing that is equipped with valid proof and have been summoned by Entrepreneurs for 2 (two) times in an appropriate manner and in writing;
- k. Workers/Laborers committed a violation of provisions that are regulated in the Employment Agreement, Company Regulation, or Collective Employment Agreement and previously have been given the first, second, and third warning consecutively, each are valid for a maximum of 6 (six) months unless stipulated otherwise in the Employment Agreement, Company Regulation, or Collective Employment Agreement;
- l. Workers/Laborers are unable to perform their work for 6 (six) months because they are detained by the authorities due to allegedly committing criminal acts;
- m. Workers/Laborers suffers prolonged illness or disability due to occupational accident and are unable to do

their work after exceeding 12 (twelve) months;

- n. workers/laborers reach pension age; or
- o. workers/laborers pass away.

#### **Article 37**

- (1) Entrepreneurs, Workers/Laborers, Worker Union/Labor Union, and the Government shall make efforts so that there is no Termination of Employment Relationships.
- (2) In the event that Termination of an Employment relationship cannot be avoided, objectives and reasons for Termination of Employment Relationships shall be notified by Entrepreneurs to Workers/Laborers and/or Worker Union/Labor Union in the Company if the relevant Workers/Laborers are members of Worker Union/Labor Union.
- (3) The notification of Termination of Employment Relationships shall be drawn up in the form of a notification letter and is delivered officially and properly by Entrepreneurs to Workers/Laborers and/or Worker Union/Labor Union no later than 14 (fourteen) business days prior to the Termination of Employment Relationships.
- (4) In the event that the Termination of Employment Relationships is conducted in the probation period, the notification letter shall be delivered no later than 7 (seven) business days prior to the Termination of Employment Relationships.

#### **Article 38**

In the event that Workers/Laborers have obtained the notification letter and not rejecting the Termination of Employment Relationships, Entrepreneurs must report the Termination of Employment Relationships to the ministry in charge of government affairs in the manpower sector and/or the office in charge of government affairs in the manpower sector at the provincial and regency/city level.

#### **Article 39**

- (1) Workers/Laborers who have obtained the notification letter of Termination of Employment Relationships and declared rejection must draw up a rejection letter along with the reasons within 7 (seven) days at the latest after the notification letter is received.
- (2) In the event that there is dissent regarding the Termination of Employment Relationships, settlement of Termination of Employment Relationships must be conducted through bipartite negotiation between Businesses and Workers/Laborers and/or Worker Union/Labor Union.
- (3) In the event that the bipartite negotiation as referred to in paragraph (2) fails to reach an agreement, the next stage of the settlement of the Termination of Employment Relationships shall be conducted through industrial relationship dispute settlement mechanisms in accordance with provisions of laws and regulations.

### **Division Two**

#### **Rights Resulting from Termination of Employment Relationships**

#### **Article 40**



- (1) In the event that there is a Termination of Employment Relationships, Entrepreneurs must pay Severance Pay and/or Tenure Awards and Compensation of Right that are supposed to be received.
- (2) The Severance Pay, as referred to in paragraph (1), shall be provided with the following provisions:
  - a. term of office is less than 1 (one) year, 1 (one) monthly Wage;
  - b. term of office is 1 (one) year or more, but less than 2 (two) years, 2 (two) monthly Wage;
  - c. term of office is 2 (two) years or more, but less than 3 (three) years, 3 (three) monthly Wage;
  - d. term of office is 3 (three) years or more, but less than 4 (four) years, 4 (four) monthly Wage;
  - e. term of office is 4 (four) years or more, but less than 5 (five) years, 5 (five) monthly Wage;
  - f. term of office is 5 (five) years or more, but less than 6 (six) years, 6 (six) monthly Wage;
  - g. term of office is 6 (six) years or more, but less than 7 (seven) years, 7 (seven) monthly Wage;
  - h. term of office is 7 (seven) years or more, but less than 8 (eight) years, 8 (eight) monthly Wage;
  - i. term of office is 8 (eight) years or more, 9 (nine) monthly Wage.
- (3) The Tenure Awards as referred to in paragraph (1) shall be provided with the following provisions:
  - a. term of office is 3 (three) years or more, but less than 6 (six) years, 2 (two) monthly Wage;
  - b. term of office is 6 (six) years or more, but less than 9 (nine) years, 3 (three) monthly Wage;
  - c. term of office is 9 (nine) years or more, but less than 12 (twelve) years, 4 (four) monthly Wage;
  - d. term of office is 12 (twelve) years or more, but less than 15 (fifteen) years, 5 (five) monthly Wage;
  - e. term of office is 15 (fifteen) years or more, but less than 18 (eighteen) years, 6 (six) monthly Wage;
  - f. term of office is 18 (eighteen) years or more, but less than 21 (twenty-one) years, 7 (seven) monthly Wage;
  - g. term of office is 21 (twenty-one) years or more, but less than 24 (twenty-four) years, 8 (eight) monthly Wage;
  - h. term of office is 24 (twenty-four) years or more, 10 (ten) monthly Wage.
- (4) The Compensation of Right that are supposed to be received as referred to in paragraph (1) consists of:
  - a. annual leave that has not been taken and has not expired;
  - b. fees or return fare for Workers/Laborers and their family to the place where workers/laborers are accepted to work;
  - c. other matters that are stipulated in the employment agreement, company regulation, or collective employment agreement.

#### **Article 41**

Entrepreneurs may conduct Termination of Employment Relationships upon Workers/Laborers because the Company conducts Company merger, consolidation or spin-off and Workers/Laborers are not willing to continue the Employment Relationship or Entrepreneurs are not willing to receive Workers/Laborers; therefore Workers/Laborers are entitled to:

- a. Severance Pay in the amount of 1 (one) times of provisions of Article 40 paragraph (2);
- b. Tenure Awards in the amount of 1 (one) times of provisions of Article 40 paragraph (3); and

- c. Compensation of Right in accordance with provisions of Article 40 paragraph (4).

#### **Article 42**

- (1) Entrepreneurs may conduct Termination of Employment Relationships upon Workers/Laborers because of Company acquisition; therefore, Workers/Laborers are entitled to:
- a. Severance Pay in the amount of 1 (one) times of provisions of Article 40 paragraph (2);
  - b. Tenure Awards in the amount of 1 (one) times of provisions of Article 40 paragraph (3); and
  - c. Compensation of Right in accordance with provisions Article 40 paragraph (4).
- (2) In the event that there is a Company acquisition that results in changes in Work Requirements and Workers/Laborers are not willing to continue the Employment Relationship, Entrepreneurs may conduct Termination of Employment Relationships and Workers/Laborers are entitled to:
- a. Severance Pay in the amount of 0.5 (zero point five) times of provisions of Article 40 paragraph (2);
  - b. Tenure Awards in the amount of 1 (one) times of provisions of Article 40 paragraph (3); and
  - c. Compensation of Right in accordance with provisions of Article 40 paragraph (4).

#### **Article 43**

- (1) Entrepreneurs may conduct Termination of Employment Relationships upon Workers/Laborers because the Company conducts efficiency that is caused by the Company incurring a loss; therefore, Workers/Laborers are entitled to:
- a. Severance Pay in the amount of 0.5 (zero point five) times of provisions of Article 40 paragraph (2);
  - b. Tenure Awards in the amount of 1 (one) times of provisions of Article 40 paragraph (3); and
  - c. Compensation of Right in accordance with provisions of Article 40 paragraph (4).
- (2) Entrepreneurs may conduct Termination of Employment Relationships upon Workers/Laborers because the Company conducts efficiency to prevent losses; therefore, Workers/Laborers are entitled to:
- a. Severance Pay in the amount of 1 (one) times of provisions of Article 40 paragraph (2);
  - b. Tenure Awards in the amount of 1 (one) times of provisions of Article 40 paragraph (3); and
  - c. Compensation of Right in accordance with provisions Article 40 paragraph (4).

#### **Article 44**

- (1) Entrepreneurs may conduct Termination of Employment Relationships upon Workers/Laborers because the Company is closed that is caused by the Company incurring losses for 2 (two) years continuously or incurring losses for 2 (two) years not continuously; therefore Workers/Laborers are entitled to:
- a. Severance Pay in the amount of 0.5 (zero point five) times of provisions of Article 40 paragraph (2);
  - b. Tenure Awards in the amount of 1 (one) times of provisions of Article 40 paragraph (3); and
  - c. Compensation of Right in accordance with provisions of Article 40 paragraph (4).
- (2) Entrepreneurs may conduct Termination of Employment Relationships upon Workers/Laborers because the Company is closed that is not caused by the Company incurring losses; therefore, Workers/Laborers are entitled to:

- a. Severance Pay in the amount of 1 (one) times of provisions of Article 40 paragraph (2);
- b. Tenure Awards in the amount of 1 (one) times of provisions of Article 40 paragraph (3); and
- c. Compensation of Right in accordance with provisions Article 40 paragraph (4).

#### **Article 45**

- (1) Entrepreneurs may conduct Termination of Employment Relationships upon Workers/Laborers because the Company is closed that is caused by force majeure; therefore, Workers/Laborers are entitled to:
  - a. Severance Pay in the amount of 0.5 (zero point five) times of provisions of Article 40 paragraph (2);
  - b. Tenure Awards in the amount of 1 (one) times of provisions of Article 40 paragraph (3); and
  - c. Compensation of Right in accordance with provisions of Article 40 paragraph (4).
- (2) Entrepreneurs may conduct Termination of Employment Relationships upon Workers/Laborers because of force majeure that does not cause the Company to close; therefore, Workers/Laborers are entitled to:
  - a. Severance Pay in the amount of 0.75 (zero point seventy-five) times of provisions of Article 40 paragraph (2);
  - b. Tenure Awards in the amount of 1 (one) times of provisions of Article 40 paragraph (3); and
  - c. Compensation of Right in accordance with provisions of Article 40 paragraph (4).

#### **Article 46**

- (1) Entrepreneurs may conduct Termination of Employment Relationships upon Workers/Laborers due to the Company is in the suspension of debt payment obligation that is caused by the Company incurring losses; therefore Workers/Laborers are entitled to:
  - a. Severance Pay in the amount of 0.5 (zero point five) times of provisions of Article 40 paragraph (2);
  - b. Tenure Awards in the amount of 1 (one) times of provisions of Article 40 paragraph (3); and
  - c. Compensation of Right in accordance with provisions of Article 40 paragraph (4).
- (2) Entrepreneurs may conduct Termination of Employment Relationships upon Workers/Laborers because the Company is in the suspension of debt payment obligation not because the Company incurring losses, therefore Workers/Laborers are entitled to:
  - a. Severance Pay in the amount of 1 (one) times of provisions of Article 40 paragraph (2);
  - b. Tenure Awards in the amount of 1 (one) times of provisions of Article 40 paragraph (3); and
  - c. Compensation of Right in accordance with provisions Article 40 paragraph (4).

#### **Article 47**

Termination of Employment Relationships because the Company is bankrupt; therefore, Workers/Laborers' rights are entitled to:

- a. Severance Pay in the amount of 0.5 (zero point five) times of provisions of Article 40 paragraph (2);
- b. Tenure Awards in the amount of 1 (one) times of provisions of Article 40 paragraph (3); and
- c. Compensation of Right in accordance with provisions of Article 40 paragraph (4).

#### Article 48

Entrepreneurs may conduct Termination of Employment Relationships upon Workers/Laborers because there is an application for Termination of Employment Relationships that are filed by Workers/Laborers due to Entreprises committed actions as referred to in Article 36 letter g; therefore Workers/Laborers are entitled to:

- a. Severance Pay in the amount of 1 (one) times of provisions of Article 40 paragraph (2);
- b. Tenure Awards in the amount of 1 (one) times of provisions of Article 40 paragraph (3); and
- c. Compensation of Right in accordance with provisions Article 40 paragraph (4).

#### Article 49

Entrepreneurs may conduct Termination of Employment Relationships upon Workers/Laborers because there is a decision of the industrial relation dispute settlement agency that stated that Entrepreneurs do not commit actions as referred to in Article 36 letter g against the application that is filed by Workers/Laborers; therefore Workers/Laborers are entitled to:

- a. Compensation of Right in accordance with provisions of Article 40 paragraph (4); and
- b. separation pay whose amount is regulated in an Employment Agreement, a Company Regulation, or a Collective Employment Agreement.

#### Article 50

Workers/Laborers who resign on their own will and fulfill the requirements as referred to in Article 32 letter i are entitled to:

- a. Compensation of Right in accordance with provisions of Article 40 paragraph (4); and
- b. separation pay whose amount is regulated in an Employment Agreement, a Company Regulation, or a Collective Employment Agreement.

#### Article 51

Entrepreneurs may conduct Termination of Employment Relationships upon Workers/Laborers because Workers/Laborers are absent for 5 (five) business days consecutively or more without any written information that is equipped with valid proof and have been summoned by Businesses 2 (two) times in an appropriate manner and in writing; therefore Workers/Laborers are entitled to:

- a. Compensation of Right in accordance with provisions of Article 40 paragraph (4); and
- b. separation pay whose amount is regulated in an Employment Agreement, a Company Regulation, or a Collective Employment Agreement.

#### Article 52

(1) Entrepreneurs may conduct Termination of Employment Relationships upon Workers/Laborers because Workers/Laborers committed a violation of provisions that have been regulated in an Employment Agreement, a Company Regulation, or a Collective Employment Agreement and previously have been given the first, second, and third warning consecutively, therefore Workers/Laborers are entitled to:

- a. Severance Pay in the amount of 0.5 (zero point five) times of provisions of Article 40 paragraph (2);

- b. Tenure Awards in the amount of 1 (one) times of provisions of Article 40 paragraph (3); and
  - c. Compensation of Right in accordance with provisions of Article 40 paragraph (4).
- (2) Entrepreneurs may conduct Termination of Employment Relationships upon Workers/Laborers because Workers/Laborers commit urgent violations that are regulated in an Employment Agreement, a Company Regulation, or a Collective Employment Agreement; therefore, Workers/Laborers are entitled to:
- a. Compensation of Right in accordance with provisions of Article 40 paragraph (4); and
  - b. separation pay whose amount is regulated in an Employment Agreement, a Company Regulation, or a Collective Employment Agreement.
- (3) Entrepreneurs may conduct Termination of Employment Relationships as referred to in paragraph (2), without any notification as referred to in Article 37 paragraph (2).

#### **Article 53**

- (1) In the event that Workers/Laborers are detained by the authorities due to allegedly committing criminal acts, then Entrepreneurs are not obligated to pay Wage, but must provide aid to Workers'/Laborers' family who is their dependents with the following provisions:
- a. for 1 (one) dependent, 25% (twenty-five percent) of the wage;
  - b. for 2 (two) dependents, 35% (thirty-five percent) of the wage;
  - c. for 3 (three) dependents, 45% (forty-five percent) of the wage;
  - d. for 4 (four) dependents or more, 50% (fifty percent) of the wage.
- (2) The aid as referred to in paragraph (1) is provided for a maximum of 6 (six) months starting from the first day since Workers/Laborers are detained by the authorities.

#### **Article 54**

- (1) Entrepreneurs may conduct Termination of Employment Relationships upon Workers/Laborers because Workers/Laborers are unable to perform their jobs for 6 (six) months since they are detained by the authorities due to allegedly committing criminal acts as referred to in Article 36 letter I that causes Company loss; therefore, Workers/Laborers are entitled to:
- a. Compensation of Right in accordance with provisions of Article 40 paragraph (4); and
  - b. separation pay whose amount is regulated in an Employment Agreement, a Company Regulation, or a Collective Employment Agreement.
- (2) Entrepreneurs may conduct Termination of Employment Relationships upon Workers/Laborers because Workers/Laborers are unable to perform their work since they are detained by the authorities due to allegedly committing criminal acts as referred to in Article 36 letter I that are not causing Company loss; therefore, Workers/Laborers are entitled to:
- a. Tenure Awards in the amount of 1 (one) times of provisions of Article 40 paragraph (3); and
  - b. Compensation of Right in accordance with provisions of Article 40 paragraph (4).
- (3) In the event that the court decides the criminal case before the 6 (six) months period as referred to in paragraph (1) elapses and Workers/Laborers are declared not guilty; therefore, Entrepreneurs shall reemploy Workers/Laborers.
- (4) In the event that the court decides the criminal case before the 6 (six) months period as referred to in



paragraph (1) elapses and Workers/Laborers are declared guilty; therefore, Entrepreneurs may conduct Termination of Employment Relationships, and Workers/Laborers are entitled to:

- a. Compensation of Right in accordance with provisions of Article 40 paragraph (4); and
  - b. separation pay whose amount is regulated in an Employment Agreement, a Company Regulation, or a Collective Employment Agreement.
- (5) In the event that the court decides the criminal case before the 6 (six) months period as referred to in paragraph (2) elapses and Workers/Laborers are declared guilty; therefore, Businesses may conduct Termination of Employment Relationships, and Workers/Laborers are entitled to:
- a. Tenure Awards in the amount of 1 (one) times of provisions of Article 36 paragraph (3); and
  - b. Compensation of right in accordance with provisions of Article 36 paragraph (4).

#### **Article 55**

- (1) Entrepreneurs may conduct Termination of Employment Relationships upon Workers/Laborers because Workers/Laborers suffers prolong illness or disability caused by occupational accidents and are unable to perform their jobs after exceeding 12 (twelve) months; therefore, Workers/Laborers are entitled to:
- a. Severance Pay in the amount of 2 (two) times of provisions of Article 36 paragraph (2);
  - b. Tenure Awards in the amount of 1 (one) times of provisions of Article 36 paragraph (3); and
  - c. Compensation of Right in accordance with provisions of Article 36 paragraph (4).
- (2) Workers/Laborers may file a Termination of Employment Relationships to Businesses because Workers/Laborers experience prolonged illness or disability caused by occupational accidents and are unable to perform their work after exceeding 12 (twelve) months; therefore, Workers/Laborers are entitled to:
- a. Severance Pay in the amount of 2 (two) times of provisions of Article 40 paragraph (2);
  - b. Tenure Awards in the amount of 1 (one) times of provisions of Article 40 paragraph (3); and
  - c. Compensation of Right in accordance with provisions of Article 40 paragraph (4).

#### **Article 56**

Entrepreneurs may conduct Termination of Employment Relationships upon Workers/Laborers because Workers/Laborers reach pension age; therefore, Workers/Laborers are entitled to:

- a. Severance Pay in the amount of 1.75 (one point seventy five) times of provisions of Article 40 paragraph (2);
- b. Tenure Awards in the amount of 1 (one) times of provisions of Article 40 paragraph (3); and
- c. Compensation of Right in accordance with provisions of Article 40 paragraph (4).

#### **Article 57**

For Termination of Employment Relationships due to Workers/Laborers pass away, then their heirs shall be given an amount of money, the calculation of which is equal to:

- a. Severance Pay in the amount of 2 (two) times of provisions of Article 40 paragraph (2);
- b. Tenure Awards in the amount of 1 (one) times of provisions of Article 40 paragraph (3); and



- c. Compensation of Right in accordance with provisions of Article 40 paragraph (4).

#### **Article 58**

- (1) Entrepreneurs who include Workers/Laborers in a pension program in accordance with provisions of laws and regulations in the pension fund sector, the contribution that is paid by Entrepreneurs may be calculated as a part of the fulfillment of Entrepreneurs' obligation for Severance Pay and Tenure Awards as well as separation pay caused by Termination of Employment Relationships as referred to in Article 41 to Article 52 and Article 54 to Article 57.
- (2) If the calculation of benefit from the pension program as referred to in paragraph (1) is smaller than the Severance Pay and Tenure Awards as well as separation pay, then the shortfall shall be paid by Entrepreneurs.
- (3) Implementation of the provisions as referred to in paragraph (1) shall be regulated in an Employment Agreement, a Company Regulation, or a Collective Employment Agreement.

#### **Article 59**

Entrepreneurs at micro-scale businesses and small-scale businesses must pay Severance Pay, Tenure Awards, Compensation of Right and/or separation pay for Workers/Laborers who experience Termination of Employment Relationships in an amount that are determined based on an agreement between Entrepreneurs at micro-scale businesses and small-scale businesses and Workers/Laborers.

### **CHAPTER VI**

#### **MANPOWER SUPERVISION**

#### **Article 60**

Manpower supervision toward the application of provisions under this Regulation of the Government shall be carried out by Manpower Supervisors at the ministry in charge of government affairs in the manpower sector and/or the office in charge of government affairs in the manpower sector at the provincial level.

### **CHAPTER VII**

#### **ADMINISTRATIVE SANCTIONS**

#### **Article 61**

- (1) Entrepreneurs who violated provisions of Article 15 paragraph (1), Article 17, Article 21 paragraph (1), Article 22, Article 29 paragraph (1) letter b and letter c, Article 53 and/or Article 59 shall be subject to administrative sanctions in the form of :
  - a. written reprimands;
  - b. restriction of business activities;
  - c. temporary suspension of part or all of the production tools; and
  - d. suspension of business activities.

- (2) The imposition of administrative sanctions as referred to in paragraph (2) shall be conducted gradually.
- (3) The written reprimand, as referred to in paragraph (2) letter a, is a written warning for violations that are committed by Entrepreneurs.
- (4) Restriction of business activities as referred to in paragraph (2) letter b is an administrative sanction that consists of:
  - a. restriction of production capacity of goods and/or services within a certain period; and/or
  - b. postponement of granting of business license in one of or several locations for companies who have projects in several locations.
- (5) Temporary suspension of part or all production tools as referred to in paragraph (2) letter c is an action of not operating part or all tools for producing goods and/or services within a certain period.
- (6) Suspension of business activities as referred to in paragraph (2) letter d is an action of stopping all production process of goods and/or services in a company within a certain period.

#### **Article 62**

- (1) The Minister, related ministers, governors, regents/mayors, or appointed officials in accordance with their authorities shall impose administrative sanctions as referred to in Article 61 paragraph (1) to Entrepreneurs.
- (2) The imposition of administrative sanctions shall be given based on the results of examination conducted by Manpower Supervisors that originated from:
  - a. complaints; and/or
  - b. follow-up on manpower supervision results.
- (3) Follow-up on the results of examination conducted by manpower supervisors as referred to in paragraph (1) shall be drawn up in an examination note.
- (4) In the event that the examination note is not implemented by Entrepreneurs, manpower supervisors shall submit a report on non-compliance toward laws and regulations along with the examination note to:
  - a. director-general who oversees manpower supervision at the Ministry in charge of government affairs in the manpower sector, for manpower supervisors at the Ministry in charge of government affairs in the manpower sector; or
  - b. heads of the office in charge of government affairs in the manpower sector at the provincial level, for manpower supervisors at the office in charge of government affairs in the manpower sector at the provincial level.
- (5) The Director-General or heads of office shall submit a recommendation to the official who is authorized to impose administrative sanctions.
- (6) The related ministers, governors, regents/mayors, or the appointed officials shall notify the imposition of administrative sanctions as referred to in Article 57 paragraph (2) to the Minister.

### **CHAPTER VIII TRANSITIONAL PROVISIONS**

#### **Article 63**

At the time this Regulation of the Government comes into force, PKWT that are already exist and the period have yet to expire shall remain valid until the PKWT expires.

## **CHAPTER IX CLOSING PROVISIONS**

### **Article 64**

At the time this Regulation of the Minister comes into force:

- a. Compensation for PKWT whose period have yet to expire shall be provided in accordance with the provisions under this Regulation of the Government; and
- b. The amount of compensation as referred to in letter a shall be calculated based on the term of office of Workers/Laborers, the calculation of which shall start since the date of promulgation of Law Number 11 of 2020 on Job Creation.

### **Article 65**

At the time this Regulation of the Government comes into force, all laws and regulations that are the implementing regulations of Law Number 13 of 2003 on Manpower (State Gazette of the Republic of Indonesia of 2003 Number 39, Supplement to the State Gazette of the Republic of Indonesia Number 4279) and that regulates working hours at certain business sectors or jobs, are declared to remain valid so long as they are not contrary to provisions of this Regulation of the Government.

### **Article 66**

This Regulation of the Government comes into force from the date of its promulgation.

For public cognizance, it is hereby ordered that this Regulation of the Government be promulgated in the State Gazette of the Republic of Indonesia.

Established in Jakarta

On 2 February 2021

THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

Signed.

JOKO WIDODO

Promulgated in Jakarta

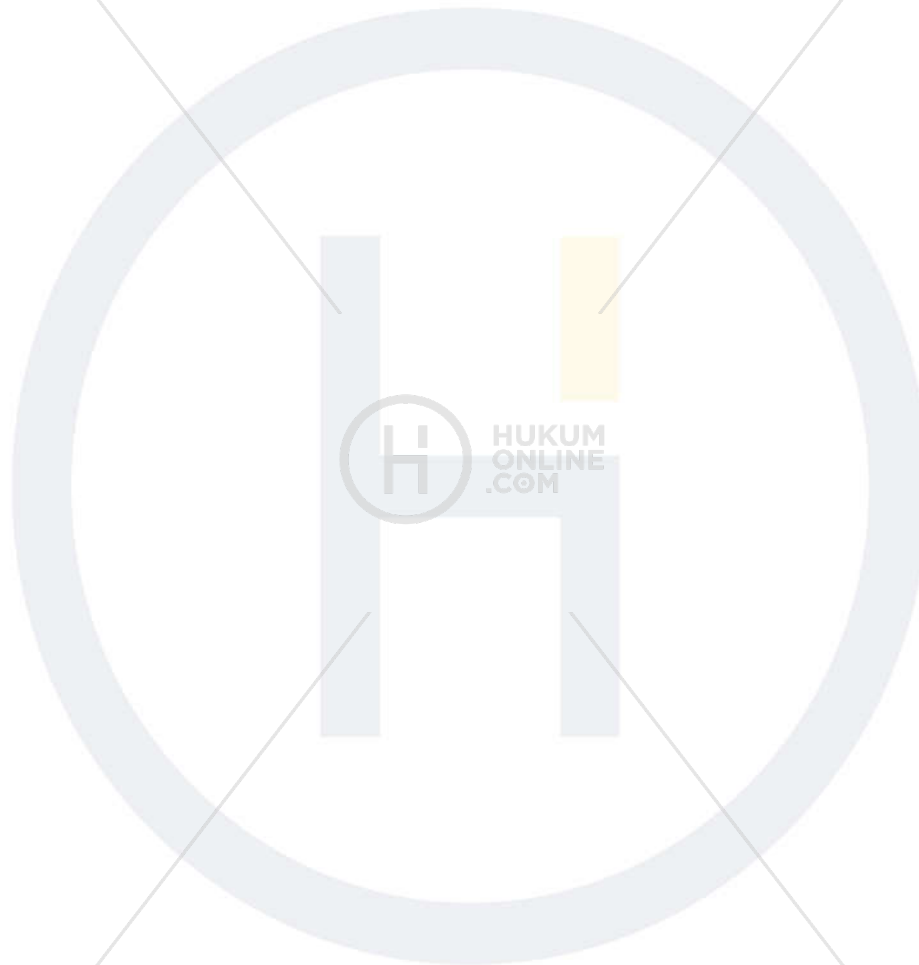
On 2 February 2021

THE MINISTER OF LAW AND HUMAN RIGHTS OF THE REPUBLIC OF INDONESIA,

Signed.

YASONNA H. LAOLY

STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 2021 NUMBER 45



**ELUCIDATION OF  
REGULATION OF THE GOVERNMENT OF THE REPUBLIC OF INDONESIA  
NUMBER 35 OF 2021  
ON  
TEMPORARY EMPLOYMENT AGREEMENT, OUTSOURCING, WORKING HOURS AND BREAKS AND  
TERMINATION OF EMPLOYMENT RELATIONSHIPS**

**I. GENERAL**

The dynamics of globalization and the rapidly developing transformation of information technology have changed the social and economic order, including changes in the manpower sector. Said changes are a strategic challenge that demands the productivity and competitiveness of human resources as the main prerequisites for Indonesian workers to be able to play their role in the global economy.

In order to improve the quality of said Indonesian workers that are productive and competitive, the direction of development policies in the manpower sector shall focus on efforts to create maximum job opportunities and improve the protection of rights and welfare for workers/laborers, both during work and after the termination of employment relationships.

For this reason, regulations that are adaptively capable of responding to the challenges and dynamics of manpower have been deemed necessary, especially on strategic issues regarding employment relationship, which include arrangements on the implementation of PKWT and protection of workers/laborers in it, including PKWT workers/laborers who are employed in outsourcing activities, arrangements for working hours and breaks for workers/laborers, especially in certain business sectors and types of work that emphasize occupational safety and health aspects as well as arrangements regarding mechanisms for the Termination of Employment Relationships, including how to ensure the fulfillment of rights of workers/laborers who have experienced Termination of Employment Relationships.

This Regulation of the Government Regulation contains, among other things:

- a. PKWT based on a certain period of time or completion of a certain work;
- b. Types and characteristics or activities of work, period and deadline for PKWT extension;
- c. Compensation for PKWT workers/laborers;
- d. Protection of Workers/laborers and business licensing in outsourcing activities;
- e. Working hours in certain business sectors or jobs;
- f. Overtime and overtime pay;
- g. Restrictions on certain companies that may implement long leave;
- h. Procedures for the Termination of Employment Relationships; and
- i. Provision of of severance pay, tenure awards, and compensation of rights.

**II. ARTICLE BY ARTICLE**

**Article 1**

Self-explanatory.

**Article 2**

Self-explanatory.

**Article 3**

Self-explanatory.

**Article 4**

Self-explanatory.

**Article 5**

Paragraph (1)

Letter a

Self-explanatory.

Letter b

Self-explanatory.

Letter c

"new product" is referred to as a product that has never existed before or is a development of an existing product.

"new activity" is referred to as a business that has just been carried out by the Company.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

**Article 6**

Self-explanatory.

**Article 7**

Self-explanatory.

**Article 8**

Self-explanatory.

**Article 9**



Paragraph (1)

Self-explanatory.

Paragraph (2)

Letter a

"Scope and limitations for a work" is the type of work and the location where the work is performed.

Letter b

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Paragraph (5)

Self-explanatory.

#### **Article 10**

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

"by law" is that at the time a daily Employment Agreement becomes invalid due to the fulfillment of provisions under this paragraph, Employment Relationship between Entrepreneurs and Workers/Laborers does not required a written agreement or other written decision.

#### **Article 11**

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

"the rights of Workers/Laborers" are, among other things, Wage, religious holiday allowance, break, leave, as well as employment and health social security programs.

## **Article 12**

Self-explanatory.

## **Article 13**

Letter a

Self-explanatory.

Letter b

Self-explanatory.

Letter c

Self-explanatory.

Letter d

Self-explanatory.

Letter e

Self-explanatory.

Letter f

“work requirements” are rights and obligations of Entrepreneurs and Workers/Laborers that are not yet regulated under provisions of laws and regulations.

Letter g

Self-explanatory.

Letter h

Self-explanatory.

Letter i

Self-explanatory.

## **Article 14**

Self-explanatory.

## **Article 15**

Paragraph (1)

Self-explanatory.

Paragraph (2)

“upon the termination of the PKWT” is the moment when the period of PKWT expires or completed.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Paragraph (5)

Self-explanatory.

## Article 16

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Paragraph (5)

Self-explanatory.

Paragraph (6)

Self-explanatory.

Self-explanatory.

## Article 17

## Article 18

Self-explanatory.

## Article 19

Self-explanatory.

## Article 20

Self-explanatory.

## Article 21

Self-explanatory.

## Article 22

Self-explanatory.

### **Article 23**

Paragraph (1)

Self-explanatory.

Paragraph (2)

Letter a

Self-explanatory.

Letter b

"flexible Working Hours" is the arrangement of working hours that grants greater freedom to Entrepreneurs and Workers/Laborers in arranging working hours.

Letter c

Self-explanatory.

Paragraph (3)

"certain business sectors or jobs" are, among other things, energy and mineral resource business in certain regions, general mining business sector in certain areas of operation, upstream oil-and-gas business activities, horticulture agribusiness sector, and fishery sector in certain areas of operation.

### **Article 24**

Self-explanatory.

### **Article 25**

Self-explanatory.

### **Article 26**

Paragraph (1)

Self-explanatory.

Paragraph (2)

"official holidays" are national holidays, days made into a holiday nationally, or holidays established by Regional Governments.

### **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**

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

“the minimum wage applicable in the region where Workers/Laborers are working” is the minimum regency-/city-level wage, in the event that a minimum regency-/city-level wage is stipulated in the said region.

If within the regency/city within the said region, there are no stipulation of a minimum regency-/city-level wage, then the provincial minimum wage shall apply.

**Article 34**

Self-explanatory.

**Article 35**

Self-explanatory.

**Article 36**

Self-explanatory.

**Article 37**

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

The notification letter shall contain, among other things, the objectives of and reasons for the Termination of Employment Relationships, compensation for the Termination of Employment Relationships, as well as other rights for Workers/Laborers arising due to the Termination of Employment Relationships.

Paragraph (4)

Self-explanatory.

#### **Article 38**

Self-explanatory.

#### **Article 39**

Self-explanatory.

#### **Article 40**

Self-explanatory.

#### **Article 41**

Self-explanatory.

#### **Article 42**

Paragraph (1)

Self-explanatory.

Paragraph (2)

"changes in work requirements" are changes to rights and obligations that are detrimental for Workers/Laborers.

#### **Article 43**

Paragraph (1)

Company incurring a loss can be proven, among other things, based on the results of internal audit or external audit.

Paragraph (2)

Efficiency to prevent losses shall be marked by, among other things, the possibility of decline in Company



productivity or decrease of profit that have impacts to Company operations

#### **Article 44**

##### **Paragraph (1)**

“Company is closed that is caused by the Company incurring losses for 2 (two) years continuously or incurring losses for 2 (two) years not continuously” are Companies that stops operating or unable to continue production process due to incurred losses, even though they have not reached 2 (two) years.

Company incurring a loss can be proven, among other things, based on the results of internal audit or external audit.

##### **Paragraph (2)**

Self-explanatory.

#### **Article 45**

Self-explanatory.

#### **Article 46**

Self-explanatory.

#### **Article 47**

With the stipulation of a Company as bankrupt, Entrepreneurs have no authority to operate the management and/or settlement of the Company's bankruptcy assets.

Therefore, the payment of severance pay, tenure award and compensation of right of Workers/Laborers shall be performed by a receiver (kurator).

#### **Article 48**

Self-explanatory.

#### **Article 49**

Self-explanatory.

#### **Article 50**

Self-explanatory.

#### **Article 51**

Self-explanatory.

## Article 52

### Paragraph (1)

The warning letter shall be issued sequentially, namely:

- a. the first warning letter shall be valid for a period of 6 (six) months.
- b. if Workers/Laborers committed another violations of provisions under an Employment Agreement, a Company Regulation, or a Collective Employment Agreement which are still within the 6 (six) month grace period, then Entrepreneurs can issue the second warning letter, that also have a validity period of 6 (six) month since the issuance of the second warning.
- c. if Workers/Laborers still committed violations of provisions under an Employment Agreement, a Company Regulation, or a Collective Employment Agreement, then Entrepreneurs can issue the third (final) warning letter that are valid for a period of 6 (six) months since the issuance of the third warning.

If within the period of the third warning, Worker/Laborers committed violations of an Employment Agreement, a Company Regulation, or a Collective Employment Agreement again, then Entrepreneurs can perform the Termination of Employment Relationship.

In the event that the period of 6 (six) months since the issuance of the first warning letter has elapsed, then if Workers/Laborers in question committed another violation of the Employment Agreement or Company Regulation or Collective Employment Agreement, the warning letter that is issued by Entrepreneurs shall turn back as the first warning, the same applies to the second and third warnings.

Employment Agreement or company regulation or collective Employment Agreement may contain certain violations that may be given the first and final warning.

If Workers/Laborers violate the Employment Agreement, Company Regulation, or Collective Employment Agreement within the grace period of the validity of first and final warning in question, Entrepreneurs may perform the Termination of Employment Relationships.

The 6 (six) month grace period is intended as an effort to educate Workers/Laborers so that they can correct their mistakes, and on the other hand, this 6 (six) month period is sufficient time for Entrepreneurs to evaluate the performance of the relevant Workers/Laborers.

### Paragraph (2)

Urgent Violations that may be regulated in a Company Regulation, Company Regulation or Collective Employment Agreement so that Entrepreneurs may immediately terminate the employment relationship with Workers/Laborers, for example, in the case of:

- a. commit fraud, theft, or embezzlement of the Company goods and/or money;
- b. provide false or falsified information that is detrimental to the Company;
- c. drunk, drink intoxicating liquor, use and/or distribute narcotics, psychotropic and other addictive substances in the work environment;
- d. engage in immoral acts or gamble in the work environment;
- e. attack, abuse, threaten, or intimidate co-workers or Entrepreneurs in the work environment;
- f. persuade co-workers or Entrepreneurs to commit acts that are contrary to laws and regulations;
- g. carelessly or deliberately damage or leave Company property in danger that causes harm to the Company;
- h. carelessly or deliberately leave co-workers or Entrepreneurs in danger at work;

- i. reveal or divulge the Company's secrets that should be kept confidential, except for the state's interest; or
- j. commit other acts within the Company which are punishable by imprisonment for 5 (five) years or more.

Paragraph (3)

Self-explanatory.

#### **Article 53**

Self-explanatory.

#### **Article 54**

Self-explanatory

#### **Article 55**

Self-explanatory.

#### **Article 56**

Self-explanatory.

#### **Article 57**

Self-explanatory.

#### **Article 58**

Paragraph (1)

Example of calculation of fulfillment of Entrepreneurs' obligation are as follows:

Severance pay that should be received by Workers/Laborers is IDR 15,000,000.00 (fifteen million rupiah).

The amount of pension benefits or insurance according to the pension program is IDR 10,000,000.00 (ten million rupiah).

In the pension program arrangement, it has been set that the contribution borne by Entrepreneurs is 60% (sixty percent) and by Workers/Laborers is 40% (forty percent).

The contribution that has been paid by Entrepreneurs is  $60\% \times \text{IDR } 10,000,000.00 = \text{IDR } 6,000,000.00$ .

The Contribution paid by Workers/Laborers is  $40\% \times \text{IDR } 10,000,000.00 = \text{IDR } 4,000,000.00$ .

So the shortfall that still has to be paid by Entrepreneurs is  $\text{IDR } 15,000,000.00 - \text{IDR } 6,000,000.00 = \text{IDR } 9,000,000.00$ .

Thus, the money received by Workers/Laborers at the time of PHK (Termination of Employment Relationship) consists of:

- a. IDR 6,000,000.00 that is compensation from pension program organizers whose 60% of the contribution is paid by Entrepreneurs;
- b. IDR 4,000,000.00 that is compensation from pension program organizers whose 40% of the contribution is paid by Workers/Laborers;
- c. IDR 9,000,000.00 is a shortage of severance pay that must be paid by Entrepreneurs;

The amount of a to c is IDR 19,000,000.00 (nineteen million rupiah).

If the amount of the contribution that is paid by Entrepreneurs is greater than the Severance Pay, Tenure Award, and separation pay for Workers/Laborers, the difference shall be paid to Workers/Laborers.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Self-explanatory.

#### **Article 59**

Self-explanatory.

#### **Article 60**

#### **Article 61**

Self-explanatory.

#### **Article 62**

Self-explanatory.

#### **Article 63**

Self-explanatory.

#### **Article 64**

Self-explanatory.

#### **Article 65**

Self-explanatory.

#### **Article 66**

Self-explanatory.

SUPPLEMENT TO THE STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 6647



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