



EMPLOYMENT IN INDONESIA



Indonesia is a country in Southeast Asia between the Indian and Pacific oceans, comprising over 17,000 islands. Jakarta is the capital and largest city. The largest sectors of the economy are services, industry and agriculture. With a population of over 275M people, Indonesia is the world's fourth-most populous country and the most populous Muslim-majority country. It is also the world's largest archipelagic state. Employment law in Indonesia is regulated by the Manpower Law (or Labor Law), which was most recently amended in 2020, as well as the Industrial Relations Dispute Settlement Law of 2004 and the Employee/Labor Union of 2000.



WORKING TIME AND OVERTIME

The Indonesian work week is 40 hours, split across either 6 days (7 hours per day) or 5 days (8 hours per day). a week or 8 hours a day for 5 days a week. If employers require overtime, they must pay 1.5x the employee's regular wages for the first hour and 2x their regular wages for every hour after that. Wages should include and fixed allowances. The maximum overtime permissible is 3 hours a day or 14 hours a week. Senior-level positions are excluded from overtime regulations.

ANNUAL LEAVE

The Factories Act provides 12 days of annual leave for all employees who have worked at least 12 months. Employees in Indonesia are entitled to receive 12 days of annual leave per year, once they have completed 12 months' continuous service.

TRIAL PERIOD

Probation periods may be implemented, up to a maximum of three months.

RESIGNATION AND DISMISSAL

There is no required notice period for employers in Indonesia. Employees may resign with 30 days' notice. Severance pay varies depending on the reason for employment termination and includes events such as imprisonment, death, retirement, and bankruptcy.

- Standard Severance Pay: one month of wages for service of less than one year, plus an additional month of wages for every year of service, up to nine months' salary.
- Long Service Pay: two months' salary after the first three years of service, followed by an additional one month's salary for every three years of service thereafter, up to a maximum of ten months' salary for 24 years of service.

Additional Compensation Pay must be paid to cover the following:

- annual leave that has not expired or been taken.
- relocation expenses (expenses to return the employee and their family to the place from which they were recruited).
- medical and housing allowance: 15% of the total severance pay and service appreciation pay, if any.
- other benefits provided under the employment agreement, the company regulations or the CBA.
- other compensation amounts as determined by the Industrial Relations Court (this can include special arrangements between the employer and employee).



RESTRICTIVE COVENANTS

In theory, restrictive covenants are enforceable by virtue of the principle of freedom of contract, adopted in the Indonesian Civil Code. However, in practice, they are very difficult – and sometimes impossible – to enforce. This applies to non-compete clauses as well as provisions for customer and employee non-solicitation.

CONTRACT OF EMPLOYMENT

Fixed-term employment agreements must be made in writing and registered with the local Manpower office within:

- 3 days of the signing, if the agreement is registered through online registration; or
- 7 days of the signing, if the agreement is registered through manual registration.

Indefinite-term employment agreements may be made either orally or in writing.

MATERNITY AND PATERNITY

Under Indonesian law, businesses must give three months' paid maternity leave to pregnant employees, at least half of which must be taken after the birth. Fathers in Indonesia working in the public sector are eligible for one month's paid paternity leave, while those in the private sector are granted two days of paid leave

SICKNESS AND DISABILITY LEAVE

Social security in India is governed by the Employees' Provident Funds and Miscellaneous Provisions. Employees are entitled to 100% of their salary for their first four months of sickness. After this, their pay is reduced by 25% and an employer may terminate an employee who has been sick for 12 months. Sick pay is covered by the employer, not the government.

HEALTHCARE AND INSURANCE

Employers are required to contribute 4% of employees' monthly salaries to the Health Care programme, with employees themselves contributing an additional 1%. For these contributions, salary is capped at IDR 8M per month.

SOCIAL SECURITY

Program	Employer	Employee
Accident Benefit	0.24-1.74%	0%
Life Insurance Benefits	0.3%	0%
Old-age Benefit	3.7%	2%
Pension Benefit	.2%	1%

There is no salary cap to calculate the contribution. The rate depends on the type of industry of the company. The salary is capped at IDR 8,512,400 per month. The maximum contribution amount is IDR 170,248 for the employer and IDR 85,124 for the employee. The salary cap is adjusted each year by a factor of one plus the previous year's gross domestic growth. The expatriate is not required to participate in the pension benefit.



EMPLOYMENT OF FOREIGN NATIONALS



Employers are required to notify the MoM of their utilisation of foreign workers and subsequently pay the Foreign Manpower Utilization Compensation Fund Levy (DKPTKA). The MoM then sends the notification to the Directorate General of Immigration (DGI) for further visa process. All foreign workers are still required to obtain a Limited Stay visa and a limited stay permit. The Indonesian government prefers that expatriates be employed in Indonesia only in positions that cannot currently be filled by Indonesia nationals. Companies that wish to hire expatriates must provide the necessary education and training programs for Indonesians who will replace the expatriates within a reasonable time period. In addition, employers must appoint Indonesian employees as the counterpart of the foreign workers and implement education and training for Indonesian employees as part of a transfer-of-knowledge

program. The employer also is obliged to facilitate education and training of and the teaching of Indonesian language to the foreign workers. Work permits are usually issued for a maximum period of 12 months and may be extended, subject to approval from the government.



SALARY TAXES

MINIMUM WAGE

Indonesia's minimum wage is established by provincial and district authorities, which by province, district and sector. The Indonesian monthly minimum wage varies from IDR 1.1M in Central Java to 3.1M in Jakarta

SALARY PAYMENTS

The payroll cycle is monthly is usually paid on the last working day or any other date as agreed in the employment contract. There is a statutory requirement to pay the 13th month salary, which is called THR- a religious holiday pay to reflect the religious diversity in the country. For non-Muslims, the THR is paid by December and for Muslims, before Eid.

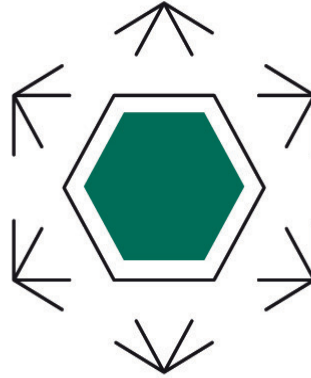


SOCIAL SECURITY

Employees contribute 2% of their monthly salary to old-age benefit (Jaminan Hari Tua), in addition to a 3.7% employer contribution, and 1% of their monthly salary to pension benefit (Jaminan Pensiun), in addition to a 2% employer contribution.

INCOME TAX

Taxable Income (INR)	Tax Rate (%)
Up to IDR 50m	5%
IDR 50-250m	15%
IDR 250-500m	25%
IDR 500m+	30%



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