

Indonesia

Worker Classifications

Indonesian law makes a distinction between (1) permanent employees which are either workers (pekerja) or laborers (buruh), and (2) non-permanent/contracted employees. Both are entitled to the same employment rights, but permanent employees have more such as rights for severance and service pay in the event of termination.

Fixed Term Contracts

Fixed-term contracts are permitted in Indonesia. There is no minimum duration, but fixed-term arrangements cannot exceed five years. The period of five years includes the entire fixed-term arrangement and its extension, otherwise, they will be deemed permanent. Fixed-term contracts may be terminated before the set end date by following the termination procedure outlined below.

Probationary Periods

Probationary periods are allowed for permanent employees only and are limited to three months. During the probationary period, the employment agreement can be terminated by way of serving prior termination notice no later than seven business days before the proposed termination date to the Worker.

Holidays

Indonesia observes between 14 and 18 National holidays depending on the year. They are considered paid days off. If a Worker works on a public holiday will be entitled to overtime, and wages, the formula of which is set out under Government Regulations No. 35 of 2021 on Fixed-Term Employment Agreement, Outsourcing, Work and Rest Hours, and Employment Termination. Indonesia also has eight to nine days of optional "collective" or "common" leave set by the government which could be counted as part of the Worker's vacation entitlement if used by the Worker. This arrangement will be based on an agreement between the Worker and the employer. The Worker may choose whether or not to observe the collective/common leave days.

Vacation

After 12 consecutive months of service, Workers are entitled to a minimum of 12 days of annual vacation. It is customary for employers to offer annual vacation from the Worker's start date. There is no statutory requirement for unused leave to carry over from year to year. However, if there is accrued but unused leave at the termination of the contract, it is payable to the Worker.

Sick Leave

Workers are entitled to paid sick leave with a medical certificate. Workers who are seriously ill are entitled to their wages based on their length of absence as follows: 0 - 4 months: 100% of wages; 4 - 8 months: 75% of wages; 8 - 12 months: 50% of wages; 12 months until the worker is terminated: 25% of wages. The government is not responsible for any sick pay.

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Working Hours

A standard workweek is 40 hours per week. Those working six days per week work 7 hours per day. Those working five days per week work 8 hours per day. Indonesian law provides flexibility for the Worker and employer to determine other working hour arrangements.

Overtime

Overtime is considered any hours over and above the standard workweek. Workers must agree to work overtime. If they do agree, it is limited to 4 hours per day or 18 hours per week. Workers carried out overtime will be entitled to (a) overtime pay, and (b) meal (i.e. food and drinks) of at least 1,400 kilo calories if the overtime exceeds 3 hours. The calculation of overtime wages is varied, to which it is set out under prevailing regulations. Overtime performed on weekly rest days or public holidays is payable at an increasing premium for each hour of overtime work. The overtime rules could be exempted in the employment agreement for certain positions including executives and managers.

Mandatory Bonuses

In Indonesia, Workers who have been working for 12 months continuously are entitled to one month of wages (referred to as a 13th-month salary) before the relevant Workers' religious holiday. Workers who work for one month but less than 12 months will be e

Termination

In Indonesia, termination requires either mutual agreement or an order from the Industrial Relations Court. Indonesian laws require 14 business days prior written notice to be delivered to the Worker before the proposed termination date. In all cases, terminations must follow a specific procedure otherwise they will be deemed null and void. First, a discussion must take place with the Worker regarding the reasons for termination. Mutual, severance pay, service pay, compensation, and/or separation pay may be negotiated before a mutual agreement is executed. The mutual agreement must be registered with the Industrial Relations Court and notified to the relevant manpower office. If mutual agreement is not possible, termination requires an order from the Industrial Relations Court.

Resignation

Workers must give at least 30 days' notice to resign.

Unique Country Nuisances

Indonesian law restricts non-Indonesian citizens from performing certain jobs such as those in human resources. Workers are entitled to a religious holiday allowance.

Mandatory Employer Costs

JKK (Work Accident Security) & JKM (Death Security), JHT (Old Age Security), BPJS (Social Insurance) and Pension