

New Regulation on Outsourcing Work in Indonesia

Indonesia has introduced a significant development in its labor law framework through Minister of Manpower Regulation No. 7 of 2026 concerning Outsourcing Work (locally known as *Pekerjaan Alih Daya*) (“**MoM Reg. No. 7/2026**”). Notably, MoM Reg No. 7/2026 was enacted on 30 April 2026, shortly before the May Day 2026 commemoration, reflecting the Government’s attention toward strengthening labor protection and improving the regulatory framework governing outsourced workers in Indonesia.

MoM Reg No. 7/2026 serves as an implementing regulation following Constitutional Court Decision No. 168/PUU-XXI/2023 and Article 64 paragraph (2) of Law No. 13 of 2003 on Manpower, as amended by Law No. 6 of 2023 concerning the Stipulation of Government Regulation in Lieu of Law No. 2 of 2022 concerning Job Creation into Law. In addition, MoM Reg No. 7/2026 also refers to Government Regulation No. 35 of 2021 on Fixed-Term Employment Agreements, Outsourcing, Working Hours and Rest Periods, and Termination of Employment, particularly in relation to the existing regulatory framework on outsourcing work arrangement in Indonesia.

MoM Reg No. 7/2026 emphasized the need for stronger legal certainty and protection for outsourced workers while maintaining business continuity. Prior to the issuance of this regulation, outsourcing practices in Indonesia had often been criticized for being overly broad and potentially undermining employee rights.

Below are the key highlights of MoM Reg No. 7/2026:

1. Scope of Outsourcing Work

One of the most important features of MoM Reg. No. 7/2026 is the limitation on the types of work that may be outsourced. Article 3 of MoM Reg. No. 7/2026 limits outsourcing arrangements to 6 (six) categories of supporting services, namely:

- a. Cleaning services;
- b. Food and beverage catering services;
- c. Security services;
- d. Driver and employee transportation services;
- e. Operational support services; and
- f. Supporting services in the mining, oil and gas, and electricity sectors.

Through this limitation, the Indonesia Government intends to prevent companies from outsourcing core business activities that should ordinarily be performed by permanent employees. However, MoM Reg. No. 7/2026 does not provide a clear definition or further explanation regarding the scope of “operational support service” which creates

uncertainty for employers in determining which activities may still be lawfully outsourced and which activities are prohibited or restricted from being outsourced.

From a practical perspective, further implementing guidelines or clarification from the Ministry of Manpower would be beneficial to establish objective parameters regarding the types of activities that fall within the category of operational support services. Clearer guidance would help minimize differing interpretations among business and authorities, provide greater legal certainty for employer in structuring their workforce arrangement, and assist companies in assessing whether their outsourcing arrangements comply with the limitations imposed under MoM Reg. No. 7/2026.

The types and fields of outsourcing work in outsourcing companies (locally known as *perusahaan alih daya*) and the user company that assign part of their work to outsourcing companies (“**User Company**”) must be adjusted to comply with MoM Reg. No. 7/2026 no later than 2 (two) years from the enactment date of MoM Reg. No. 7/2026, which is no later 30 April 2028.

2. Outsourcing Agreements

MoM Reg. No. 7/2026 also regulates the contractual relationship between the User Company and outsourcing companies. The regulation requires that outsourcing arrangements be documented in a written outsourcing agreement (locally known as *perjanjian alih daya*) in order to ensure legal certainty and protection for outsourced workers.

Under Article 4 MoM Reg. No. 7/2026, the outsourcing agreement between the User Company and outsourcing company must at least contain the following provisions:

- a. the type of outsourced work being performed;
- b. the period of the outsourcing agreement;
- c. the location where the work is performed;
- d. the number of the outsourced workers;
- e. the protection and rights of outsourced workers, including at least wages, overtime pay, working hours and rest periods, annual leave, occupational health and safety rights, social security participation, religious holiday allowances, and rights relating to termination of employment; and
- f. the rights and obligations of each party.

The regulation further emphasizes that the outsourcing company remains responsible for protecting the employment rights of outsourced workers, including wages, social security participation, working conditions, and other normative rights under prevailing Indonesian regulations.

Further, MoM Reg. No. 7/2026 also introduces an administrative obligation requiring outsourcing companies to register their outsourcing agreements with the relevant manpower authority. Under the regulation, outsourcing companies are required to obtain proof of registration for each outsourcing agreement entered into with a User Company.

Below are the procedures for the registration of outsourcing agreements:

- a. The application for registration must be submitted to the relevant local manpower office (locally known as *dinas ketenagakerjaan kabupaten/kota*) at the location where the outsourced work is performed no later than 3 (three) working days after the outsourcing agreement is signed by the parties. The application must be attached with the outsourcing agreement document;
- b. The relevant manpower office has the authority to review the submitted outsourcing agreement and may postpone the issuance of proof of registration if the agreement does not comply with the requirements stipulated under the regulation, including provisions relating to the permitted scope of outsourced work and mandatory clauses of outsourcing agreement. Once the outsourcing agreement satisfies the applicable requirements, the manpower office will issue the proof of registration; and
- c. The head of the local manpower office is required to submit periodic reports regarding the registration of outsourcing agreements to the Minister of Manpower, with copies to the provincial manpower office, every 3 (three) months. This reporting mechanism reflects the intention from Indonesia Government to strengthen oversight and monitoring of outsourcing practices in Indonesia.

3. Obligations of Outsourcing Companies and Administrative Sanctions

MoM Reg. No. 7/2026 also imposes several obligations on outsourcing companies as holders of outsourcing business licenses. Under the regulation, outsourcing companies are required to:

- a. implement occupational health, safety, and environmental standards;
- b. register outsourcing agreements with the relevant manpower office; and
- c. commence business activities within 1 (one) year from the issuance of their business license.

In addition, MoM Reg. No. 7/2026 introduces administrative sanctions for User Companies that violate the restrictions on outsourcing arrangements under MoM Reg. No. 7/2026. The applicable sanctions may take the form of written warnings and business activity restrictions, which are imposed gradually.

The restriction of business activities may include limitations on production capacity for goods and/or services within a certain period, and/or postponement of business licensing approvals for one or more project locations. Such sanctions are imposed by the relevant licensing authority based on recommendations from manpower inspectors.

These provisions demonstrate the intention from Indonesia Government to strengthen supervision and enforcement of outsourcing practices while ensuring that outsourcing arrangements remain compliant with Indonesian labor regulations.

In conclusion, MoM Reg. No. 7/2026 marks a notable shift in Indonesia's labor law policy by imposing limitations on outsourcing practices and enhancing protections for outsourced workers. User Companies operating in Indonesia should proactively evaluate their manpower structures and outsourcing arrangements to ensure compliance with the new framework.

Further information

For any inquiries, please contact:



Agniya Anggraeni

Partner

agniya.anggraeni@imcolaw.com



Cecilia I.

Senior Associate

cecilia.indrawan@imcolaw.com



Office 8 Building, 35th Floor, Zone G
Sudirman Central Business District Lot. 28
Jl. Jend. Sudirman Kav. 52-53,
Jakarta 12190, Indonesia

Tel : +62 21 2933 3800
Fax : +62 21 2933 3801
Email: info@imcolaw.com

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