Client Alert

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NEW REGULATION ON OUTSOURCING WORK

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An outsourcing arrangement involves a service recipient company delegating part of its work to an outsourcing company engaged to perform such work. The parties' relationship is governed by an outsourcing agreement, which sets out their respective rights and obligations.

The Minister of Manpower of the Republic of Indonesia ("**MOM**") has issued the Regulation of the MOM No. 7 of 2026 regarding the Outsourcing Work ("**RM 7/2026**"), which came into effect on 30 April 2026. RM 7/2026 was issued to implement Article 81 point 18 of Law No. 6 of 2023 regarding the Stipulation of Government Regulation in Lieu of Law No. 2 of 2022 regarding the Job Creation into Law (employment cluster), and pursuant to the Constitutional Court Decision No. 168/PUU-XXI/2023, which requires further regulation on outsourcing work.

Key provisions under RM 7/2026 are summarized below:

1. Types and Scope of Outsourced Work

RM 7/2026 provides that a service recipient company may only delegate part of the performance of its work to an outsourcing company through a written outsourcing agreement. The scope of work that may be outsourced is limited to the provision of workers for supporting activities, including cleaning services, food and beverage services, security services, driver and employee transportation services, operational support services, and support services in the mining, oil and gas, and electricity sectors. Accordingly, work other than such supporting activities is not permitted to be outsourced under RM 7/2026.

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2. Outsourcing Agreement

The outsourcing agreement, which serves as the basis for the outsourcing arrangement between the service recipient company and the outsourcing company, must at least contain the provision of outsourced work, the term of the agreement, the location of the work, the number of outsourced workers, the protection and rights of outsourced workers, and the rights and obligations of the outsourcing company and the service recipient company.

RM 7/2026 requires the outsourcing company to fulfil and protect the rights of outsourced workers, including wages, overtime pay, working hours and rest periods, annual leave, occupational safety and health, social security, religious holiday allowance, and termination-related entitlements.

The service recipient company must nevertheless ensure that these rights are provided in accordance with applicable laws and regulations.

3. Registration of the Outsourcing Agreement

The outsourcing agreement must be registered with the relevant regency/municipality manpower office having jurisdiction over the location where the work is carried out (the "**Manpower Office**"). While RM 7/2026 does not expressly designate the party responsible for registering the outsourcing agreement, it requires the outsourcing company to hold the registration certificate issued by the Manpower Office.

If the outsourcing agreement does not comply with the requirements regarding the types and scope of outsourced work or the mandatory contents of the outsourcing agreement, the Manpower Office may suspend the issuance of the registration certificate.

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4. **Administrative Sanctions**

RM 7/2026 provides that a service recipient company that violates the provisions on the types and scope of outsourced work may be subject to progressive administrative sanctions in the form of written warnings and restrictions on business activities. Such restrictions may include limitations on the production capacity of goods and/or services for a specified period and/or the postponement of the issuance of business licenses at one or more business locations.

5. **Transitional Provisions**

RM 7/2026 allows existing outsourcing agreements to remain in effect until the expiry of their terms. Nevertheless, the types and scope of outsourced work undertaken by the outsourcing company and the service recipient company must be aligned with the requirements of RM 7/2026 by 30 April 2028.

Conclusion

Following the enactment of RM 7/2026, the service recipient companies and the outsourcing companies should ensure that their outsourced work complies with the permitted categories under the regulation and that their outsourcing agreements are registered with the relevant Manpower Office within the prescribed timeframe.

This Client Alert is provided for general information purposes only and does not constitute legal advice. Please contact us should you require further information or assistance regarding the outsourcing work or related matters.

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