

INDONESIA'S NEW OUTSOURCING REQUIREMENTS

Outsourcing of both work and employees has become increasingly popular in recent years in Indonesia as businesses feel the effect of high severance and retirement payments and the potential problems and difficulties in employment termination. With companies engaged in outsourcing sometimes not supporting their employees once outsourcing assignments expire, the Government has for some time been under pressure to impose further restrictions on outsourcing practices.

Regulation of the Minister of Manpower and Transmigration No. 19 of 2012 on Requirements for Outsourcing makes significant and widespread changes to the outsourcing regulatory regime. Whilst businesses have one year to adjust to the regulation, many businesses have both complained about the regulation's broad scope and the cost in implementing the required changes. This Advisory discusses the new regulation and the changes made to the previous situation and details some of the concerns that have been raised.

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