



Constitutional Court Extends Window for Employment Termination Lawsuits

Indonesia's Constitutional Court ("**Court**") has effectively extended the statute of limitations for employees to submit employment termination lawsuits to the Industrial Relations Court ("**IRC**"). An employee may now file a lawsuit within one year after mandatory mediation or conciliation efforts to resolve a termination dispute have failed, rather than from the date they were notified of termination.

On 3 September 2025, the Court issued Decision No. 132/PUU-XXIII/2025 ("**Ruling**"), which reinterprets the one-year limitation period to start only once the pre-litigation procedures (bipartite meetings and mediation or conciliation) have been exhausted without resolution. This Court reasoned that as the pre-litigation process often takes a significant time, starting the limitation period from the date of termination could unfairly restrict employees' ability to file a lawsuit.

This marks a departure from the previous interpretation under Article 82 of Law Number 2 of 2004 on the Settlement of Industrial Relations Disputes, as reinforced by Constitutional Court Decision No. 94/PUU-XXI/2023, which required employees to file lawsuits within one year from the date they received the termination notice from their employer.

Ruling Implications

On one hand, the extension of the statute of limitations gives employees a more reasonable timeframe to file employment termination lawsuits with the IRC.

On the other hand, the Ruling appears to carry only adverse implications for employers. In Indonesia, employment termination can only be finalized either through a Mutual Termination Agreement between the employer and employee, or through a final and binding court ruling. Until one of these outcomes is reached, employers are generally required to continue fulfilling their obligations, including payment of salary and benefits, in accordance with Article 157A of Law No. 13 of 2003 on Manpower (as amended) and Court Decision No. 168/PUU-XXI/2023.

As a result, the extended statute of limitations effectively prolongs the period before a termination is concluded, thereby extending the employer's obligation to provide salary and benefits.

While the Supreme Court, through Circular Letter No. 5 of 2015, introduced the concept that employers are only required to pay salaries for up to six months while seeking resolution, the practical application of this guidance remains uncertain.

Moving Forward

With the issuance of the Ruling, employers should adopt a clear and comprehensive plan when handling employment terminations to resolve disputes effectively and avoid prolonged litigation over potentially spurious claims.

From a practical standpoint, it will also be important for employers to closely observe how courts interpret salary obligations during the termination process in light of the Ruling.

For employers currently engaged in termination processes, it is crucial to prepare for the possibility that employees who were previously considered “out of time” may now claim that their lawsuits are still viable. It remains to be seen whether judges will allow these claims to proceed or maintain the original cut-off period based on legal certainty considerations.

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