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Client Alert: Key Changes to Outsourcing Activities under Minister of Manpower Regulation No. 7 of 2026

I. Summary Intro

On 30 April 2026, the Ministry of Manpower issued **Minister of Manpower Regulation No. 7 of 2026 on Outsourcing Activities** (*Peraturan Menteri Ketenagakerjaan Nomor 7 Tahun 2026 tentang Pekerjaan Alih Daya*) ("**MOM Regulation 7/2026**"). MOM Regulation 7/2026 regulates the outsourcing of certain work activities, including the types of work that may be outsourced, requirements for outsourcing agreements, protection of outsourced workers, registration obligations, supervision, administrative sanctions, and transitional arrangements.

MOM Regulation 7/2026 was issued to implement Article 64 paragraph (2) under Article 81 number 18 of **Law No. 6 of 2023 on the Stipulation of Government Regulation in Lieu of Law No. 2 of 2022 on Job Creation into Law** ("**Job Creation Law**") and as a follow-up to **Constitutional Court Decision No. 168/PUU-XXI/2023**. In that decision, the Constitutional Court reviewed the outsourcing provisions under Articles 64, 65, and 66 of the Manpower Law as amended by the Job Creation Law and emphasised the need for written employment arrangements and protection of outsourced workers' rights, including continuity of employment where an outsourcing company is replaced while the outsourced work remains available. The regulation is effective as of 30 April 2026.

The new framework introduces a significant change from the previous outsourcing regime by expressly limiting outsourcing to specified supporting activities and prescribing more detailed requirements concerning the content and structure of outsourcing agreements. Businesses currently using outsourcing arrangements should therefore review their existing outsourcing structures, agreements, and scope of outsourced work to assess whether they remain compliant with the new framework.

II. Key Points

A. Restrictions on Types and Fields of Outsourced Work

Under the previous regulatory framework, there was no specific exhaustive list restricting the types or fields of work that could be outsourced. Accordingly, the regulations did not expressly limit outsourcing to particular categories of activities.

Under Article 3 paragraph (2) of MOM Regulation 7/2026, outsourcing is now limited to the following types and fields of work:

1. Cleaning services;
2. Provisions of food and beverages;
3. Security;
4. Provision of drivers and transportation for workers;
5. Operational support services; and
6. Supporting work in the mining, petroleum, gas, and electricity sectors.

Accordingly, companies may no longer freely outsource other types of work outside the activities expressly recognised under MOM Regulation 7/2026.

It should be noted that MOM Regulation 7/2026 does not further define **"operational support services" (*layanan penunjang operasional*)**. This may create an area of interpretation in determining whether a particular activity falls within the permitted scope of outsourcing. Companies intending to outsource functions under this category should therefore assess the nature and scope of the relevant work carefully and maintain supporting documentation demonstrating its character as an operational support activity.

B. Requirements for Outsourcing Agreements and Protection of Outsourced Workers

MOM Regulation 7/2026 introduces more detailed requirements concerning the content of outsourcing agreements between the Company Assigning Work and the Outsourcing Company. Under the previous outsourcing framework, as regulated under Government Regulation No. 35 of 2021 on Fixed-Term Employment Agreements, Outsourcing, Working Hours and Rest Periods, and Termination of Employment ("**GR 35/2021**"), the regulation primarily addressed the protection of outsourced workers and required their employment agreements with the Outsourcing Company to be made in writing. However, GR 35/2021 did not set out specific minimum requirements for the outsourcing agreement between the Company Assigning Work and the Outsourcing Company.

Under Article 4 of MOM Regulation 7/2026, the agreement must at least contain:

1. The work to be outsourced
2. The term of the outsourcing agreement;
3. The location where the work will be performed;
4. The number of outsourced workers;
5. The protection and rights of outsourced workers; and
6. The rights and obligations of the Outsourcing Company and the Company Assigning Work.

The protection and rights of outsourced workers must at least cover wages, overtime pay, working hours and rest periods, annual leave, occupational safety and health, social security, religious holiday allowance, and rights arising from the expiry or termination of employment.

The Outsourcing Company is responsible for ensuring these protections and rights in accordance with applicable laws. At the same time, the Company Assigning Work is required to ensure that the Outsourcing Company fulfils these obligations.

Accordingly, the Company Assigning Work cannot rely solely on the contractual allocation of responsibility to the Outsourcing Company. Companies engaging outsourced workers should ensure that their outsourcing agreements contain appropriate contractual mechanisms to monitor and verify compliance with applicable employment protections.

C. Registration of Outsourcing Agreements

MOM Regulation 7/2026 introduces a specific requirement to register outsourcing agreements with the relevant manpower office (*Dinas*) no later than three working days after signing. Previously, registration of outsourcing agreements was regulated under Minister of Manpower Regulation No. 19 of 2012 on Requirements for the Outsourcing of Workers **("MOM Regulation 19/2012")**. Following the issuance of GR 35/2021, however, the regulation only specifically addressed the registration of Fix Term Employment Agreement ("PKWT") under Article 14 without expressly requiring the registration of outsourcing agreements. MOM Regulation 7/2026 now expressly reinstates this requirement. Accordingly, companies should incorporate the three-working-day registration deadline into their internal procedures.

D. Supervision and Administrative Sanctions

Implementation of MOM Regulation 7/2026 is subject to supervision by Manpower Inspectors.

A Company Assigning Work that violates the permitted types and fields of outsourced work under Article 3 may be subject to administrative sanctions consisting of:

1. A written warning; and
2. Restriction of business activities.

E. Transitional Provisions for Existing Outsourcing Arrangements

MOM Regulation 7/2026 provides transitional arrangements for existing outsourcing agreements.

Existing outsourcing agreements remain valid until the expiry of their respective terms. However, the types and fields of outsourced work under existing arrangements must be adjusted to comply with MOM Regulation 7/2026 no later than **30 April 2028**, being two years from the date of promulgation.

Companies currently using outsourced workers should therefore conduct an inventory of their existing outsourcing arrangements and assess whether the relevant work falls within one of the six permitted categories under MOM Regulation 7/2026.

Where an existing arrangement involves work that may not clearly fall within the permitted categories, companies should consider whether the arrangement requires restructuring, amendment, or an alternative employment or service arrangement before the transition deadline.

III. Conclusion: Practical Implications for Businesses

MOM Regulation 7/2026 introduces a more prescriptive framework for outsourcing arrangements in Indonesia. Companies that currently use outsourced workers or are considering outsourcing certain functions should consider, among others:

1. **Reviewing outsourced scope:** Companies should identify all functions currently performed through outsourcing and assess whether each function falls within the six permitted categories under MOM Regulation 7/2026.

2. **Preparing for the transition deadline:** Existing outsourcing arrangements should be reviewed well before 30 April 2028 to determine whether the relevant work and contractual arrangements require adjustment.

3. **Reviewing Existing Outsourcing Agreement:** Existing agreements should be reviewed against the mandatory contents under Article 4, including provisions concerning worker protection and rights.

4. **Verifying Outsourcing Company compliance:** Companies should verify that their Outsourcing Companies are appropriately established as legal entities and hold the required business licensing.

5. **Registration requirements:** Companies should coordinate with their Outsourcing Companies to ensure that outsourcing agreements are registered with the relevant manpower office within the required three working day period.

Further Information and Assistance

For more detailed advice or assistance, please contact our legal team:

Yohanes Brilianto Hadi
Partner
brilianto.hadi@lawghp.com

GHP law firm

World Trade Center 3, Level 27
Jl. Jend. Sudirman Kav. 29-31
Jakarta 12920, Indonesia

T: +6221 50110199

www.lawghp.com

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