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Scope of the Manpower Ministry’s Outsourcing Regulation No. 7 of 2026

Employment

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Overview

On 30 April 2026, Indonesia's Ministry of Manpower (**MoM**) enacted Minister of Manpower Regulation No. 7 of 2026 on Outsourcing Work (**MoM Reg 7/2026**), which serves as the implementing regulation for the labour outsourcing provisions contemplated in the 2023 law on job creation[1] (**Job Creation Law**)

The enactment of MoM Reg 7/2026 is also a regulatory response to Constitutional Court Decision No. 168/PUU-XXI/2023 (**CC 168/2023**). In light of the evolution of Indonesia's labour outsourcing framework, MoM Reg 7/2026 appears to partially reintroduce elements of Indonesia's earlier labour outsourcing regime.

Under the earlier regime established by Law No. 13 of 2003 on Employment (as amended) (**Employment Law**) and its 2012 implementing regulation[2] (**MoM Reg 19/2012**), labour outsourcing was strictly limited to non-core or supporting activities, with the regulations expressly restricting the types of work that could be outsourced to a labour outsourcing company.

This position regarding permitted types of work that could be outsourced changed significantly under the Job Creation Law, which removed the earlier limitations by revoking MoM Reg 19/2012 and introduced a broader concept allowing companies to outsource "part of their work". In practice, this formulation created the possibility for labour outsourcing across nearly all business functions, including core activities, which were traditionally carried out by permanent employees. Labour unions criticised the broader framework, arguing that the absence of clear limits created legal uncertainty and enabled abusive labour outsourcing practices.

In October 2024, the Indonesian constitutional court (**Constitutional Court**) handed down CC 168/2023, following a constitutional challenge brought by labour groups. The Constitutional Court held that the labour outsourcing provisions under the Job Creation Law lacked sufficient clarity, and directed the MoM to: (i) specify the types of work that may be outsourced to a labour outsourcing company; and (ii) require labour outsourcing agreements to clearly define the type and scope of outsourced work.

Against the above backdrop, the enactment of MoM Reg 7/2026 is intended to provide greater legal certainty by clarifying and limiting the scope of work that may be outsourced to labour outsourcing companies. The key implementing provisions introduced under MoM Reg 7/2026 are outlined below. A grace period of two years (until 30 April 2028) has been given for businesses to adjust to and comply with MoM Reg 7/2026.

Permissible types and fields of outsourced work

MoM Reg 7/2026	CC 168/2023	Job Creation Law	Employment Law and revoked implementing regulation
• A company (**Engaging Company**) that wishes to outsource part of its work to a labour outsourcing company (**Outsourcing Company**) can only do	• MoM shall determine the implementation of work in accordance with the types and fields of outsourced work agreed upon in a written labour outsourcing agreement.[5]	• (1) A company may outsource part of its work to another company under a written labour outsourcing agreement.[6] • (2) The government shall specify that part of labour	• The outsourcing of part of a company's work to another enterprise shall be performed under a written labour

[1] Law No. 6 of 2023 on the Enactment of Government Regulation in Lieu of Law No. 2 of 2022 on Job Creation
[2] Minister of Manpower and Transmigration Regulations No. 19 of 2012 on the Requirements for Outsourcing Part of the Work to Another Company.
[5] Court Order No. 6 of CC 168/2023.
[6] Article 64(1) as found in Article 81(18) of the Job Creation Law.

MoM Reg 7/2026	CC 168/2023	Job Creation Law	Employment Law and revoked implementing regulation
so under a written labour outsourcing agreement.[3] • The types and fields of outsourced work are supporting activities that include: (a) cleaning services, (b) catering services, (c) security services, (d) transportation services, (e) operational support services, and (f) supporting service activities in the mining, oil, gas and electricity sectors.[4]		outsourcing as referred to in paragraph (1).[7] • (3) Further provisions on the specification of the part of labour outsourcing as referred to in paragraph (2) shall be regulated in a Regulation of the Government.[8]	outsourcing agreement.[9] • Work that may be outsourced must be: (a) carried out separately from the company's main activities, (b) carried out on the company's direct or indirect orders, (c) entirely auxiliary to the company's core activities, and unable to directly inhibit the production process.[10] • Outsourced work explicitly permits the following supporting activities: (a) cleaning services, (b) catering services, (c) security services, (d) supporting service activities for mining and oil companies, and (e) transportation services.[11]

The above provisions highlight that MoM Reg 7/2026 reintroduces explicit sectoral limitations, effectively confining labour outsourcing to six designated supporting fields (as similarly governed under the Employment Law and its implementing regulations). However, key ambiguities remain regarding the scope of the "operational support services" category because MoM Reg 7/2026 does not provide any definition or give any guidance on its scope.

While MoM has not yet issued official implementing regulations or technical guidelines to define the scope of operational support services, our recent informal communications with MoM officers indicate that operational support services would include roles such as:

(a) receptionists;

(b) customer service personnel;

(c) sales and marketing personnel;

(d) call centre operations; and

(e) cashiers.

Beyond the lack of clarity surrounding operational support services, the reintroduction of explicit sectoral limitations also marks a significant rollback for sectors that had previously enjoyed wider labour outsourcing latitude under the Job Creation Law. The mining, oil, gas and electricity sectors serve as a clear illustration of this shift. Under the Job Creation Law's permissive framework, companies in these sectors were (arguably) able to outsource for personnel required to undertake core operational activities, including those directly tied to primary production, given the absence of any explicit sectoral restrictions. MoM Reg 7/2026 now confines permissible labour outsourcing in

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[3] Article 2 of MoM Reg 7/2026.
[4] Article 3(2) of MoM Reg 7/2026.
[7] Article 64(2) as found in Article 81(18) of the Job Creation Law.
[8] Article 64(3) as found in Article 81(18) of the Job Creation Law.
[9] Article 65(1) of Law 13/2003, Article 17(1) of MoM Reg 19/2012.
[10] Article 65(2) of Law 13/2003; Article 17(2) of MoM Reg 19/2012.
[11] Article 17(3) of MoM Reg 19/2012,

these sectors strictly to those required to conduct supporting service activities, effectively prohibiting the labour outsourcing of core production functions that had formerly been (arguably) contractually viable.

The position of mining companies

In practical terms, under the new labour outsourcing framework, mining companies can no longer engage labour from an Outsourcing Company for activities such as mineral extraction or processing work. Only non-core supporting functions, such as logistics, facility maintenance, or other non-production roles, would remain eligible for outsourced labour. In this context, “support activities” carried out by outsourced labour supplied by an Outsourcing Company would need to remain ancillary to the mining company’s core business activities.

Our research with MoM indicates that MoM Reg 7/2026 would not prevent a mining company from appointing a mining services company that holds an appropriate mining services business licence (*Izin Usaha Jasa* / **IUJP**) to carry out services for the mining company, such as actual mineral mining services, which are arguably, core mining activities. Since the provision of such mining services is regulated by the Ministry of Energy and Mineral Resources, we understand MoM’s view to be that the provision of such mining services should therefore not infringe on the principles of MoM Reg 7/2026, as long as the mining services company: (a) holds a valid IUJP; (b) supplies the complete service (with equipment as well as personnel); and (c) has primary responsibility for directing and managing its supplied personnel.

Requirements for labour outsourcing agreements

MoM Reg 7/2026 maintains that any labour outsourcing arrangement between an Engaging Company and an Outsourcing Company must be formalised through a written labour outsourcing agreement, consistent with the approach adopted under the earlier regulatory framework.

Notably, MoM Reg 7/2026 has introduced minimum content requirements for such labour outsourcing agreements, which must specify the:

(a) work outsourced to the Outsourcing Company;

(b) validity period of the outsourcing agreement;

(c) location where the work is performed;

(d) number of outsourced workers/labourers;

(e) protection and rights of outsourced workers/labourers, which must, at a minimum, include wages, overtime pay, working hours and rest periods, annual leave, the right to occupational safety and health, social security, religious holiday allowances, and rights upon the termination of the employment relationship or dismissal; and

(f) rights and obligations of the Outsourcing Company and the Engaging Company.

The protection and rights of outsourced workers/labourers, as referred to in paragraph (e) above is stated to be the responsibility of the Outsourcing Company. However, another significant new development in MoM Reg 7/2026 is that the Engaging Company now has the responsibility for ensuring that the Outsourcing Company duly complies with such obligations.

Unfortunately, MoM Reg 7/2026 does not provide any guidance on the measures the Engaging Company would need to take to ensure the Outsourcing Company’s compliance. It is assumed that at a minimum, the Engaging Company will need to conduct some degree of legal due diligence on the written labour outsourcing agreement it enters into with the Outsourcing Company.

Outsourcing Company’s obligations

MoM Reg 7/2026 introduces a dedicated compliance framework for an Outsourcing Company, covering its operational obligations and a new mandatory registration regime for labour outsourcing agreements.

As licensed entities operating in the labour outsourcing sector, an Outsourcing Company is obliged to:

(a) implement occupational safety, health, and environmental standards;

(b) register labour outsourcing agreements with the relevant local MoM manpower office (**MO**); and

(c) commence business activities no later than one year from the date of issuance of its business license.[12]

With respect to the registration obligation, MoM Reg 7/2026 sets out the following steps:

1. Submission: No later than business days after the outsourcing agreement has been signed by both parties, the Outsourcing Company must apply for registration of such agreement to the MO. The application must include a copy of the outsourcing agreement.[13]

2. Review: The MO will review whether the outsourcing agreement complies with applicable regulatory requirements, including: (i) the prescribed types and fields of work that may be outsourced[14], and (ii) the minimum contractual content and worker protection provisions.[15]

3. Determination: Based on its review, the MO will determine whether to issue a registration certificate evidencing compliance, or to refuse registration where the statutory requirements are not met.[16]

Given the continuing ambiguity surrounding the precise scope of permissible labour outsourcing activities (as discussed above), the practical implementation of this regime remains uncertain and subject to administrative interpretation, as it will be affected by how MOs define the scope of “operational support services.”

Administrative sanctions

MoM Reg 7/2026 governs two sanctioning regimes, one for Engaging Companies and another for Outsourcing Companies:

1. **Engaging Companies that fail to comply** with the provisions regarding the permissible types and fields of outsourced work will be subject to: (a) written warnings; and (b) if continued, restrictions on business activities,[17]

   where "restrictions on business activities" include: (a) restrictions on the production capacity of goods and/or services for a specified period; and/or (b) postponement on the issuance of business licenses at one or more locations for an Engaging Company with projects in multiple locations.[18]

2. **Outsourcing Companies that fail to comply** with their obligations will be subject to administrative sanctions in accordance with the risk-based business licensing legislation.[19] This means that compliance failure can result in:

   (a) warnings;

   (b) temporary suspension of business activities;

   (c) administrative fines;

   (d) coercive measures;

   (e) revocation of licenses, certificates, and/or approvals; and

[12] Article 6 of MoM Reg 7/2026.
[13] Article 5(2) and (3) of MoM Reg 7/2026.
[14] Article 3(2) of MoM Reg 7/2026.
[15] Article 4 of MoM Reg 7/2026.
[16] Article 5(4) and (5) of MoM Reg 7/2026.
[17] Article 8(1) of MoM Reg 7/2026.
[18] Article 8(3) of MoM Reg 7/2026.
[19] Article 9 of MoM Reg 7/2026.

(f) revocation of basic requirements, business licenses, and/or operational licenses.

Transition period

MoM Reg 7/2026 preserves the validity of existing labour outsourcing agreements that were already in place when MoM Reg 7/2026 came into force until their expiry, meaning that companies are not required to immediately terminate existing labour outsourcing arrangements solely due to non-compliance with MoM Reg 7/2026.[20]

However, Outsourcing Companies and Engaging Companies are required to align the existing types and fields of outsourced work with MoM Reg 7/2026 within two years from MoM Reg 7/2026's promulgation date (that is, by no later than 30 April 2028). In practice, companies should use this transition period to review their current labour outsourcing arrangements and ensure that any renewal, replacement, or continuing arrangement complies with the new requirements before the end of the two-year period.[21]

What's next?

The transitional provisions of MoM Reg 7/2026 state that existing labour outsourcing agreements remain valid and enforceable until their respective expiry dates. Fortunately, Outsourcing Companies and Engaging Companies have been given a grace period of 2 years to adjust their operations and comply with MoM Reg 7/2026 (by no later than 30 April 2028).

In light of MoM Reg 7/2026, companies are advised to promptly undertake a comprehensive review and, where necessary, restructure their labour outsourcing arrangements to ensure that: (i) outsourced labour falls within the permitted "supporting" categories; (ii) labour outsourcing agreements comply with the prescribed minimum content requirements; and (iii) labour outsourcing agreements are duly prepared for registration and potential regulatory scrutiny in order to mitigate compliance risks ahead of the 30 April 2028 deadline.

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If you would like to discuss any aspect of this update, or your industry activities or plans, please feel free to contact us.

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[20] Article 10(1) of MoM Reg 7/2026
[21] Article 10(2) of MoM Reg 7/2026

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