PRESIDEN
REPUBLIK INDONESIA

GOVERNMENT REGULATION OF THE REPUBLIC OF INDONESIA
NUMBER 78 OF 2015
ON
WAGES

BY THE BLESSINGS OF ALMIGHTY GOD

PRESIDENT OF THE REPUBLIC OF INDONESIA,

Considering : that in order to implement the provision of Article 97 of Law Number 13 of 2003 on Manpower, it is necessary to establish Government Regulation on Wages;

Observing :
1. Article 5 section (2) of the 1945 Constitution of the Republic of Indonesia;
2. Law Number 13 of 2003 on Manpower (State Gazette of the Republic of Indonesia of 2003 Number 39, Supplement to the State Gazette of the Republic of Indonesia Number 4279);

HAS DECIDED:

To enact : GOVERNMENT REGULATION ON WAGES.

CHAPTER I
GENERAL PROVISIONS

Article 1

In this Government Regulation:

1. Wage means right of worker/labourer that is received and stated in the form of money as a compensation from

employer or entrepreneur to the worker/labourer which is set and paid in accordance with a work agreement, consensus, or legislation, including allowance for worker/labourer and their family for a work and/or service which has been performed or will be performed.

2. Worker/Labourer means any person who works and receives wages or other forms of compensation.
3. Employer means:
   a. an individual, a partnership, or a legal entity that runs its own company;
   b. an individual, a partnership, or a legal entity that independently runs its a non-self-owned company;
   c. an individual, a partnership, or a legal entity located in Indonesia and representing an company as referred to in point a and point b that is domiciled outside the territory of Indonesia.
4. Company means:
   a. Every form of business, which is either a legal entity or not, which is owned by an individual, a partnership or a legal entity that is either privately owned or State owned, which employs workers/labourers by paying them wages or other forms of compensation;
   b. social entity and other entities that have a management and employ other people by paying wage or other form of compensation.
5. Work Agreement means an agreement between worker/labourer with Employer or enterpreneur which contains terms of employment, rights, and obligations of the parties.
6. Company Regulation means written regulations made by Employer that specifies work requirements and code of conduct of the company.
7. Collective Bargaining Agreement means an agreement as a result of negotiation between trade union or some trade unions registered in government institution responsible for manpower with employer, or some employers or an association of Employers specifies work requirements, rights, and obligations of both parties.

8. Employment Relation means a relation between employer and worker/labourer based on the work agreement, which contains the elements of jobs, wage, and instruction/work order.
9. Termination of Employment Relation means a termination of employment relation due to a certain reason which causes the end of rights and obligations between worker/labourer and Employer.
10. Trade Union means an organization which is established from, by, and for worker/labourer either in the company or outside the company, based on freedom, transparency, independence, democracy, and responsible in order to strive for, defend and protect the rights and interests of worker/labourer as well as to increase the welfare of worker/labourer and their families.
11. Minister means the minister administering the government affairs in the field of manpower.

Article 2

Right of Worker/Labourer to Wage exists when an Employment Relation occurs between Worker/Labourer and Employer and the right ends when Employment Relation is terminated.

CHAPTER II
WAGE POLICY

Article 3

(1) Wage policy aims for the achievement of income that can fulfill decent living for Worker/Labourer.
(2) Wage policy as referred to insection (1) covers:
    a. minimum Wage;
    b. overtime Wage;
    c. Wage for absences from work due to inability to attend work;
    d. Wage for absences from work due to another activity outside work;
    e. Wage for the right to take a rest from work;

f. form and method of Wage payment;
g. fine and Wage deduction;
h. matters that can be calculated with Wage;
i. proportional Wage structure and scale;
j. Wage for severance pay; and
k. Wage for income tax calculation.

CHAPTER III
DECENT INCOME

Article 4

(1) Decent income is the amount of income or earnings received by Worker/Labourer from their work so they can fulfill the basic needs of theirs and their family reasonably.
(2) Decent income as referred to insection (1) is given in the forms of:
    a. Wage; and
    b. non-Wage income.

Article 5

(1) Wage as referred to in Article 4 section (2) point a consists of these components:
    a. Wage without allowance;
    b. Basic Wage and fixed allowance; or
    c. Basic Wage, fixed allowance, and non-fixed allowance.
(2) In the event that Wage components consists of basic Wage and fixed allowance as referred to in section (1) point b, the amount of basic Wage at minimum is 75% (seventy-five percent) of the total amount of basic Wage and fixed allowance.
(3) In the event that Wage consists of basic Wage, fixed allowance, and non-fixed allowance as referred to in section (1) point c, the amount of basic Wage at minimum is 75% (seventy-five percent) of the total amount of basic Wage and fixed allowance.
(4) Wage as referred to in section (1) is regulated in Work Agreement, Company Regulation, or Collective Bargaining Agreement.

Article 6

(1) Non-Wage income as referred to in Article 4 section (2) point b is in the form of religious holiday allowance.

(2) Other than religious holiday allowance as referred to in section (1), Employer may give non-Wage income in the forms of:

a. bonus;

b. money as a substitute for work facility; and/or

c. service charge in certain business.

Article 7

(1) Religious holiday allowance as referred to in Article 6 section (1) is required to be given by Employer to Worker/Labourer.

(2) Religious holiday allowance as referred to in section (1) is required to be paid not later than 7 (seven) days before the religious holiday.

(3) Provisions regarding religious holiday allowance and its payment procedures are regulated in Ministerial Regulation.

Article 8

(1) Bonus as referred to in Article 6 section (2) point a may be given by Employer to Worker/Labourer on company profit.

(2) The determination of bonus earned for each Worker/Labourer as referred to in section (1) is regulated in Work Agreement, Company Regulation, or Collective Bargaining Agreement.

Article 9

(1) Company may provide work facilities for:

a. Worker/Labourer in certain position/job; or

b. all Worker/Labourer.

(2) In the event that work facilities for Worker/Labourer as referred to in section (1) are not available or insufficient, Company may give money as a substitute for work facility as referred to in Article 6 section (2) point b.

(3) The provision of work facilities as referred to in section (1) and the payment of money as a substitute for work facilities as referred to in section (2) are regulated in Work Agreement, Company Regulation, or Collective Bargaining Agreement.

Article 10

(1) Service charge in certain business as referred to in Article 6 section (2) point c is collected and managed by Company.
(2) Service charge in certain business as referred to in section (1) is required to be distributed to Worker/Labourer after deducted by the risk of loss or damage and utilization of quality improvement of human resources.
(3) Provisions regarding service charge in certain business as referred to in section (1) and section (3) are regulated in Ministerial Regulation.

CHAPTER IV
WAGE PROTECTION

Part One
General

Article 11

Every Worker/Labourer has a right to receive the same Wage for work that has the equal value.

Part Two
Determination of Wage

Article 12

Wage is determined based on:
a. time unit; and/or
b. output unit.

Article 13

(1) Wage based on time unit as referred to in Article 12 point a is determined in daily, weekly, or monthly basis.

(2) In the event of Wage is determined based on a daily basis as referred to in section (1), the calculation of daily Wage is as follows:

a. for Company with work days system of 6 (six) days in a week, Wage for a month is divided by 25 (twenty-five); or

b. for Company with work days system of 5 (five) days in a week, Wage for a month is divided by 21 (twenty-one).

Article 14

(1) The determination of Wage amount based on time unit as referred to in Article 12 point a is done in accordance with the Wage structure and scale.

(2) The Wage structure and scale as referred to in section (1) are required to be prepared by Employer by taking into account category, position, years of service, education, and competence.

(3) The Wage structure and scale as referred to in section (2) are required to be informed to all Worker/Labourer.

(4) The Wage structure and scale as referred to in section (2) must be attached by Company at the time of application for:

a. approval and renewal of Company Regulation; or

b. registration, extension, and renewal of Collective Bargaining Agreement.

(5) Further provisions regarding Wage structure and scale as referred to in section (2) are regulated in Ministerial Regulation.

Article 15

(1) Wage based on output unit as referred to in Article 12 point b is determined according to the output which has been agreed upon.

(2) The determination of Wage amount as referred to in section (1) is done by Employer based on the agreement between Worker/Labourer and the Employer.

Article 16

The determination of Wage for a month based on output unit as referred to in Article 12 point b, for complying with the implementation of provisions of legislation, is determined based on the average Wage of the last 3 (three) months received by Worker/Labourer.

Part Three

Method of Wage Payment

Article 17

(1) Wage is required to be paid to the concerned Worker/Labourer.
(2) Employer is obligated to give the proof of Wage payment which contains details of Wage received by Worker/Labourer at the time the Wage is paid.
(3) Wage may be paid to third party with power of attorney from the concerned Worker/Labourer.
(4) The power of attorney as referred to in section (3) is only valid for 1 (one) time of Wage payment.

Article 18

(1) Employer is obligated to pay the Wage at the time as agreed between Employer and Worker/Labourer.
(2) In the event of the day or date which has been agreed upon on holiday or day off, or weekly off day, the payment of Wage is regulated in Work Agreement, Company Regulation, or Collective Bargaining Agreement.

Article 19

Wage payment by Employer is done in the time period at the soonest 1 (one) time in a week or at the latest 1 (one) time in a month unless the Work Agreement is for less than one week.

Article 20

Wage of Worker/Labourer must be paid in full on each period and by the Wage payment date.

Article 21

(1) Wage payment must be done in the rupiah currency of the Republic of Indonesia.

(2) Wage payment as referred to in section (1) must be done on a place as regulated in Work Agreement, Company Regulation, or Collective Bargaining Agreement

(3) In the event of place of Wage payment is not regulated in Work Agreement, Company Regulation or Collective Bargaining Agreement, then the payment of Wage can be done in the place where Worker/Labourer usually works.

Article 22

(1) Wage as referred to in Article 17 may be paid directly or through bank.

(2) In the event that Wage is paid through bank, then Wage must be available to be cashed by Worker/Labourer on the Wage payment date which is agreed upon by both parties.

Part Four

Review of Wage

Article 23

(1) Employer reviews the Wage periodically for price adjustments of living needs and/or the increase of work productivity by considering Company's ability.

(2) Review of wage as referred to in section (1) is regulated in Work Agreement, Company Regulation, or Collective Bargaining Agreement.

Part Five

Wage of Worker/Labourer for Absence from Work and/or for Not Doing the Work

Article 24

(1) Wage is not paid if Worker/Labourer is absent from work and/or for not doing the work.

(2) Worker/Labourer who is absent and/or does not work due to:

a. inability to attend;

b. doing another activity outside their work; or

c. exercising their right to take a rest from work;

their Wage is still paid.

(3) Reason of Worker/Labourer is absent from work and/or not doing the work due to inability as referred to in section (2) point a covers:

a. Worker/Labourer is sick so they are unable to do their work;

b. Female Worker/Labourer who is sick on the first and second day of her menstrual period so she is unable to do her work; and

c. Worker/Labourer who is absent from work due to:

1) getting married;

2) marrying off their child;

3) circumcision of their child;

4) baptism of their child;

5) his wife giving birth or having miscarriage;

6) husband, wife, parents, parents-in-laws, child, and/or son or daughter-in-law passing away; or

7) family member other than the ones as referred to in point (6) who live in the same house passing away.

(4) Reason of Worker/Labourer is absent from work and/or not doing the work due to doing another activity outside their work as referred to in section (2) point b covers:

a. performing obligations to the State;

b. performing religious duties mandated by their religion;

c. performing duties of trade union upon the approval of Employer and can be proven by a written notice; or

d. performing educational duties from Company.

(5) Reason of Worker/Labourer is absent from work and/or not doing the work due to exercising their right to take a rest form work as referred to in section (2) point c if Worker/Labourer exercises:

a. right of weekly rest;
b. annual leave;
c. long rest;
d. maternity leave before and after giving birth; or
e. leave due to miscarriage

Article 25

Employer is obligated to pay the Wage if Worker/Labourer is willing to do the promised work but the Employer does not put them to work, due to the Employer's own mistakes or obstacles that can be avoided by Employer.

Article 26

(1) Wage that is paid to Worker/Labourer who is absent from work and/or not doing the work due to sickness as referred to in Article 24 section (3) point a is as follows:
   a. for the first 4 (four) months, it is paid 100% (one hundred percent) of the Wage;
   b. for the second 4 (four) months, it is paid 75% (seventy-five percent) of the Wage;
   c. for the third 4 (four) months, it is paid 50% (fifty percent) of the Wage; and
   d. for the next month, it is paid 25% (twenty-five percent) of the Wage before Termination of Employment Relation is done by Employer.

(2) Wage that is paid to female Worker/Labourer who is absent from work and/or not doing the work due to sickness on the first and second day of menstrual period as referred to in Article 24 section (3) point b is adjusted with the number of menstrual sickness days, at the longest 2 (two) days.

(3) Wage that is paid to Worker/Labourer who is absent from Work and/or not doing the work as referred to in Article 24 section (3) point c is as follows:
   a. Worker/Labourer who gets married, is paid for 3 (three) days;
   b. marrying off their child, is paid for 2 (two) days;
   c. circumcision of their son, is paid for 2 (two) days;

d. baptism of their child, is paid for 2 (two) days;
e. his wife giving birth or having a miscarriage, is paid for 2 (two) days;
f. husband, wife, parents, parents in-laws, child, and/or son or daughter-in-law passing away, is paid for 2 (two) days; or
g. family member other than the ones as referred to in point f who live in the same house passing away, is paid for 1 (one) day.

Article 27

(1) Worker/Labourer who performs obligations to the State as referred to in Article 24 section (4) point a for not longer than 1 (one) year and the income paid by the State is less than the amount of Wage the Worker/Labourer usually receives, Employer is obligated to pay the shortage.
(2) Worker/Labourer who performs obligations to the State as referred to in Article 24 section (4) point a for not longer than 1 (one) year and the income paid by the State is the same or more than the amount of Wage the Worker/Labourer receives, Employer is not obligated to pay.
(3) Worker/Labourer who performs obligations to the State as referred to in section (1) and section (2) is obligated to inform the Employer in writing.

Article 28

Employer is obligated to pay Wage to Worker/Labourer who is absent from work or not doing their work due to performing religious duties mandated by their religion as referred to in Article 24 section (4) point b, for as much as the amount of Wage received by Worker/Labourer under the condition only once during the Worker/Labourer works in the concerned Company.

Article 29

Employer is obligated to pay Wage to Worker/Labourer who is absent from work and/or not doing the work because of performing the duties Trade Union as referred to in Article 24

section (4) point c, for as much as the amount of Wage normally received by Worker/Labourer.

Article 30

Employer is obligated to pay Wage to Worker/Labourer who is absent from work and/or not doing the work due to performing educational duties from Company as referred to in Article 24 section (4) point d, for as much as the amount of Wage normally received by Worker/Labourer.

Article 31

Employer is obligated to pay Wage to Worker/Labourer who is absent from work and/or not doing the work due to exercising their right to take a rest from work as referred to in Article 24 section (5), for as much as the amount of Wage normally received by Worker/Labourer.

Article 32

The implementing regulation concerning the provisions as referred to in Article 24 to Article 31 is set in Work Agreement, Company Regulation or Collective Bargaining Agreement.

Part Six

Overtime Pay

Article 33

Overtime pay as referred to in Article 3 section (2) point b is required to be paid by Employer who employs Worker/Labourer for longer than normal work hours or on the weekly off days or employed on official holidays as a compensation to the concerned Worker/Labourer in accordance with legislation.

Part Seven

Wage for Severance Pay

Article 34

(1) Component of Wage used as the basis for severance pay calculation consists of:

a. basic Wage; and

b. fixed allowance given to Worker/Labourer and their family, including the purchase price of portion (*catu*) given for free to Worker/Labourer, which if the portion (*catu*) must be paid by Worker/Labourer with subsidy, then the Wage component is considered to be the difference between purchase price and the price that must be paid by Worker/Labourer.

(2) In the event that the Employer pays Wage without any allowance, the basis for severance pay calculation is the amount of Wage received by Worker/Labourer.

Article 35

Wage for severance pay as referred to in Article 34 section (1) and section (2) is given under these conditions:

a. in the event that Worker/Labourer's income is paid based on daily calculation, then the income for a month is the same as 30 (thirty) times the Wage for a day;

b. in the event that Worker/Labourer's Wage is paid based on the calculation of output unit, pieces/lump sum or commission, the income for a day is the same as the daily average income during the last 12 (twelve) months, under the condition it cannot be less than provincial or regency/municipal minimum Wage; or

c. in the event that the work depends on the weather conditions and the Wage is on lump sum Wage basis, then the Wage calculation for a month is calculated from the average Wage of the last 12 (twelve) months.

Part Eight

Wage for Income Tax Calculation

Article 36

(1) Wage for income tax calculation that is paid for income tax is calculated from all of the income received by Worker/Labourer.

(2) Income tax as referred to in section (1) maybe imposed on Employer or Worker/Labourer as regulated in Work Agreement, Company Regulation, or Collective Bargaining Agreement.

(3) Wage for income tax calculation is implemented in accordance with the legislation.

Part Nine
Payment of Wage in Bankruptcy

Article 37

(1) For Employer who is declared bankrupt based on a verdict of bankruptcy statement by the court then Wage and other rights of Worker/Labourer are liabilities of which payment is prioritized.

(2) Wage of Worker/Labourer as referred to in section (1) is prioritized in payment in accordance with the legislation.

(3) Other rights of Worker/Labourer as referred to in section (1) is prioritized in payment after the payment to the creditors who have rights of physical collateral.

Article 38

In the event that Worker/Labourer is in bankruptcy, Wage and all payments which arise from Employment Relation are not included in bankruptcy unless stipulated otherwise by the judge under the condition it does not exceed 25% (twenty-five percent) of the Wage and all payments which arise from Employment Relation that must be paid.

Part Ten
Confiscation of Wage under Court Order

Article 39

If the money that is prepared by Employer to pay for the Wage is confiscated by a bailiff under court order then the confiscation must not exceed 20% (twenty percent) of the total amount of Wage that must be paid.

Part Eleven

Right of Worker/Labourer to Information on Wage

Article 40

(1) Worker/Labourer or legally appointed person has a right to request information on Wage for themselves in the event that the information on Wage can only be obtained through Wage record in Company.

(2) In the event that the request for information as referred to in section (1) is unsuccessful then Worker/Labourer or the appointed person has a right to request for assistance from labour inspector.

(3) Information as referred to in section (1) and section (2) is required to be kept confidentially in accordance with the legislation.

CHAPTER V

MINIMUM WAGE

Part One

General

Article 41

(1) Governor determines minimum Wage as a safety net.

(2) The minimum Wage as referred to in section (1) is the lowest monthly Wage which consists of:

a. Wage without allowance; or

b. basic Wage including fixed allowance.

Article 42

(1) Minimum Wage as referred to in Article 41 section (1) is only applicable for Worker/Labourer whose work period is less than 1 (one) year at the concerned Company.

(2) Wage for Worker/Labourer whose work period is 1 (one) year or more is discussed in bipartite discussion between Worker/Labourer with Employer in the concerned Company.

Article 43

(1) Determination of minimum Wage as referred to in Article 41 is conducted annually based on the decent living need and with regard to the productivity and economic growth.

(2) The decent living need as referred to in section (1) is the needs standard of a single Worker/Labourer in order to live physically decent for a month.

(3) The decent living need as referred to in section (2) consists of some components.

(4) The components as referred to in section (3) consists of some types of basic needs.

(5) The components as referred to in section (3) and types of living needs as referred to in section (4) are reviewed in the time period of 5 (five) years.

(6) Review of the components and types of living needs as referred to in section (5) is conducted by the Minister by taking into account the result of the study conducted by National Wage Council.

(7) The study conducted by the National Wage Council as referred to in section (6) utilizes data and information which come from an authorized institution in statistics.

(8) Results from the review of components and types of living needs as referred to in section (6) become the basis of the next minimum Wage with regard to the productivity and economic growth.

(9) Further provisions regarding the decent living need are regulated in Ministerial Regulation.

Article 44

(1) The determination of minimum Wage as referred to in Article 43 section (1) is calculated using the minimum Wage calculation formula.

(2) The minimum Wage calculation formula as referred to in secion (1) is as follow:

$MW_n = MW_t + \{MW_t \times (Inflation_t + \% \Delta GDP_t)\}$

(3) Further provisions regarding the minimum Wage calculation by using the formula as referred to in section (2) are regulated in Ministerial Regulation.

Part Two

Determination of Provincial and/or Regency/
Municipal Minimum Wage

Article 45

(1) Governor is obligated to determine provincial minimum Wage.

(2) The determination of provincial minimum Wage as referred to in section (1) is calculated based on the minimum Wage calculation formula as referred to in Article 44 section (2).

(3) In the event of a review of the decent living need has been conducted as referred to in Article 43 section (5), governor determines provincial minimum Wage with regard to the recommendation of the provincial wage council.

(4) Recommendation of the provincial wage council as referred to in section (3) is based on the result of the decent living need review where its components and types are determined by Minister and with regard to the productivity and economic growth.

Article 46

(1) Governor may determine regency/municipal minimum Wage.

(2) The regency/municipal minimum Wage as referred to in section (1) must be higher than provincial minimum Wage in the concerned province.

Article 47

(1) Determination of regency/municipal minimum Wage as referred to in Article 46 is calculated based on the minimum Wage calculation formula as referred to in Article 44 section (2).

(2) In the event of a review of the decent living need has been conducted as referred to in Article 43 section (5), governor determines regency/municipal minimum Wage with regard to the recommendation from regent/mayor as well as the advice and consideration of provincial wage council.

(3) The recommendation from regent/mayor as referred to in

section (2) is based on the advice and consideration of regency/municipal wage council.

(4) The recommendation from regent/mayor as well as the advice and consideration of provincial wage council as referred to in section (2) and the advice and consideration of regency/municipal wage council as referred to in section (3) are based on the result of the review of decent living need where its components and types are determined by Minister and with regard to the productivity and economic growth.

Article 48

Further provisions regarding provincial and/or regency/municipal minimum Wage are regulated in Ministerial Regulation.

Part Three

Determination of Provincial
and/or Regency/Municipal Sectoral Minimum Wage

Article 49

(1) Governor may determine provincial and/or regency/municipal sectoral minimum Wage based on the agreement between employer association with trade union in the concerned sector.

(2) The determination of sectoral minimum Wage as referred to in section (1) is done after receiving the advice and consideration concerning leading sector from provincial wage council or regency/municipal council in accordance with their respective duties and authorities.

(3) The provincial sectoral minimum Wage as referred to in section (1) must be higher than the provincial minimum Wage in the concerned province.

(4) The regency/municipal sectoral minimum Wage as referred to in section (1) must be higher than the regency/municipal minimum Wage in the concerned regency/municipality.

Article 50

Further provisions regarding provincial and/or regency/municipal sectoral minimum Wage are regulated in Ministerial Regulation.

CHAPTER VI

MATTERS THAT CAN BE CALCULATED WITH WAGE

Article 51

(1) Matters that can be calculated with Wage consist of:
   a. fine;
   b. indemnity;
   c. deduction of Wage for third party;
   d. prepaid Wage;
   e. rent of house and/or properties owned by the Company which are rented by Employer to Worker/Labourer;
   f. loan or loan installment from Worker/Labourer to Employer; and/or
   g. overpayment of Wage.

(2) Matters that can be calculated with Wage as referred to in section (1) point a, point b, and point d, are implemented in accordance with Work Agreement, Company Regulation, or Collective Bargaining Agreement.

Article 52

In the event of Termination of Employment Relation, matters that can be calculated with Wage as referred to in Article 51 which are liabilities of Worker/Labourer that have not been fulfilled and/or receivables of Worker/Labourer that have not been fulfilled can be calculated with all of the rights as a result of Termination of Employment Relation.

CHAPTER VII
IMPOSITION OF FINE AND DEDUCTION OF WAGE

Part One
Imposition of Fine

Article 53

Employer or Worker/Labourer who violates any provision in Work Agreement, Company Regulation, or Collective Bargaining Agreement due to intent or negligence is fined if it is strictly regulated in Work Agreement, Company Regulation, or Collective Bargaining Agreement.

Article 54

(1) The imposition of fine on Employer or Worker/Labourer as referred to in Article 53 is only used for the interest of Worker/Labourer.

(2) Types of violations which are subject to fine, the amount of fine and the utilization of money earned from fine are regulated in Work Agreement, Company Regulation, or Collective Bargaining Agreement.

Article 55

(1) Employer as referred to in Article 53 who is late in paying and/or not paying Wage as referred to in Article 5 section (4) is fined, under these conditions:

a. starting from the fourth day until the eighth day as of the date when the Wage should have been paid, the fine imposed is 5% (five percent) of the Wage that should have been paid for each day overdue;

b. after the eighth day, if the Wage still has not been paid, the overdue fine imposed as referred to in point a is added by 1% (one percent) for each day overdue under the condition the fine in 1 (one) month must not exceed 50% (fifty percent) of the Wage that should have been paid; and

c. after a month, if the Wage still has not been paid, the overdue fine imposed as referred to in point a and point b is added by interest as much as the prevailing interest rate in government bank.

(2) The imposition of fine as referred to in section (1) does not eliminate the Company's obligation to pay the Wage to Worker/Labourer.

Article 56

(1) Employer who is late in paying religious holiday allowance to Worker/Labourer as referred to in Article 7 section (2) is fined 5% (five percent) of the total religious holiday allowance that must be paid since the end of Employer's payment deadline.

(2) The imposition of fine as referred to in section (1) does not eliminate the Company's obligation to pay religious holiday allowance to Worker/Labourer.

Part Two

Wage Deduction

Article 57

(1) Wage deduction by Employer for:

a. fine;

b. indemnity; and/or

c. prepaid Wage,

is done in accordance with Work Agreement, Company Regulation, or Collective Bargaining Agreement.

(2) The Wage deduction by Employer for third party can only be done if there is a power of attorney from the Worker/Labourer.

(3) The power of attorney as referred to in section (2) can be revoked at any time.

(4) The power of attorney from Worker/Labourer as referred to in section (3) is exempted for all payment obligations by Worker/Labourer to the State or premium as a member of a certain fund that manages social security that has been established in accordance with the legislation.

(5) The Wage deduction by Employer for:

a. loan payment or loan installment of Worker/Labourer; and/or

b. rent of house and/or rent of properties owned by the Company which are rented by Employer to Worker/Labourer must be done in accordance with the written agreement or written contract.

(6) The Wage deduction by Employer for the overpayment of Wage to Worker/Labourer is done without the approval of Worker/Labourer.

Article 58

The total amount of Wage deduction as referred to in Article 57 at the maximum is 50% (fifty percent) of each Wage payment received by Worker/Labourer.

CHAPTER VIII
ADMINISTRATIVE SANCTION

Article 59

(1) Administrative sanction is imposed on Employer who:
   a. does not pay religious holiday allowance to Worker/Labourer as referred to in Article 7 section (1) and section (2);
   b. does not distribute service charge in certain business to Worker/Labourer as referred to in Article 10 section (2);
   c. does not formulate Wage structure and scale as referred to in Article 14 section (2) as well as does not inform all Worker/Labourer as referred to in Article 14 section (3);
   d. does not pay Wage in time until it passes the time period as referred to in Article 19;
   e. does not fulfill their obligation to pay fine as referred to in Article 53; and/or
   f. does a Wage deduction for more than 50% (fifty percent) of each Wage payment received by Worker/Labourer as referred to in Article 58.

(2) Administrative sanction as referred to in section (1) is in the form of:

a. written warning;
b. restriction on business activity;
c. temporary termination of partial or the entire production tools; and
d. freezing of business activity.

(3) Further provisions regarding the procedures of administrative sanction imposition are regulated in Ministerial Regulation.

Article 60

(1) Minister, concerned minister, governor, regent/mayor, or the official who is appointed in accordance with their respective authorities impose the administrative sanction as referred to in Article 59 to Employer.
(2) The imposition of administrative sanction as referred to in section (1) is done based on the result of inspection conducted by labour inspector that is derived from:
a. complaints; and/or
b. follow-up of the result of labour inspection
(3) Inspection conducted by the labour inspector as referred to in section (2) is done in accordance with the legislation.

Article 61

Employer who is imposed with administrative sanction as referred to in Article 59 section (2) does not eliminate their obligation to pay the right of Worker/Labourer.

Article 62

Concerned minister, governor, regent/mayor, or appointed official informs the implementation of administrative sanction imposition as referred to in Article 59 section (2) to the Minister.

CHAPTER IX

TRANSITIONAL PROVISIONS

Article 63

At the time this Government Regulation comes into force:

a. provincial minimum wage that is still below the decent living need, governor is obligated to adjust the provincial minimum Wage to be equal to the decent living need gradually not later than 4 (four) years since this Government Regulation is promulgated;
b. Employer who has not formulated and implemented the Wage structure and scale, is obligated to formulate and implement the Wage structure and scale under this Government Regulation as well as attach it in the application as referred to in Article 14 section (4) not later than 2 (two) years since this Government Regulation is promulgated.

CHAPTER X
CLOSING PROVISIONS

Article 64

At the time this Government Regulation comes into force, all regulations from Law Number 13 of 2003 on Manpower which regulates Wage and Government Regulation Number 8 of 1981 on Wage Protection are declared to remain effective to the extent not contrary to and/or have not been amended under this Government Regulation.

Article 65

At the time this Government Regulation comes into force, Government Regulation Number 8 of 1981 on Wage Protection (State Gazette of the Republic of Indonesia of 1981 Number 8, Supplement to the State Gazette of the Republic of Indonesia Number 3190), is repealed and declared ineffective.

Article 66

This Government Regulation comes into force on the date of its promulgation.

In order that every person may know hereof, it is ordered to promulgate this Government Regulation by its placement in the State Gazette of the Republic of Indonesia.

Enacted in Jakarta
on 23 October 2015

PRESIDENT OF THE REPUBLIC OF INDONESIA,

signed

JOKO WIDODO

Promulgated in Jakarta
on 23 October 2015

MINISTER OF LAW AND HUMAN RIGHTS OF
THE REPUBLIC OF INDONESIA,

signed

YASONNA H. LAOLY

STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 2015 NUMBER 237

Jakarta, 18 May 2018
Has been translated as an Official Translation
on behalf of Minister of Law and Human Rights
of the Republic of Indonesia
DIRECTOR GENERAL OF LEGISLATION,



WIDODO EKATJAHJANA

ELUCIDATION OF
GOVERNMENT REGULATION OF THE REPUBLIC OF INDONESIA
NUMBER 78 OF 2015
ON
WAGES

I. GENERAL

Wage is one of the most sensitive aspects in Employment Relation. Various concerned parties see Wage from different point of views. Worker/Labourer sees Wage as a source of income in order to fulfill their needs and provide for their family. Psychologically, Wage can also create satisfaction for Worker/Labourer. On the other hand, Employer sees Wage as one of the production costs. Government sees Wage as a means to ensure the fulfillment of the decent living need of Worker/Labourer and their family, increase the productivity of Worker/Labourer, and increase the purchasing power of public.

By taking into account those different interests, understanding of the Wage system as well as its regulation is highly needed in order to have the same understanding and interpretation especially between Worker/Labourer and Employer.

In order to achieve a decent living, the income of Worker/Labourer must be sufficient to fulfill physical, non physical and social needs which encompass foods, drinks, clothing, housing, education, health, pension plan, and recreation. Therefore, the policy of Wage must be able to push economic growth and increase job opportunities as well as increase the welfare of Worker/Labourer and their family.

Government Regulation Number 8 of 1981 on Wage Protection must be adjusted with needs and conditions. Therefore, Government Regulation

Number 8 of 1981 is needed to refine. This Government Regulation is expected to be used as a guideline in the implementation of Employment Relations to handle various problems in Wage aspect that become more complex.

In order to increase the welfare of Worker/Labourer and their family which supports business growth and work productivity, provisions regarding the regulation of decent income, wage policy, wage protection, determination of minimum wage, and imposition of fine in Government Regulation are directed to the overall wage system. This Government Regulation essentially regulates wage in a comprehensive manner to ensure decent living for Worker/Labourer and their family in accordance with the development and capability of business sector.

This Government Regulation covers:

a. Wage policy;
b. Decent income;
c. Wage protection;
d. Minimum wage;
e. Matters that can be calculated with wage ;
f. Imposition of fine and Wage deduction; and
g. Administrative sanction.

II. ARTICLE BY ARTICLE

Article 1

Sufficiently clear.

Article 2

The term "when an Employment Relations occurs" means at the time there is a Work Agreement whether in writing or unwriting between Employer and Worker/Labourer.

The term "when an Employment Relations is terminated" means among others when Worker/Labourer is deceased, there is a Collective Agreement or there is a verdict from the Industrial Relation Disputes Settlement Institution.

Article 3

Sufficiently clear.

Article 4

Section(1)

Sufficiently clear.

Section (2)

Point a

Sufficiently clear.

Point b

Non-Wage income is the income of Worker/Labourer from Employer in the form of cash in order to fulfill religious needs, encourage the increase of productivity, or increase the welfare of Worker/Labourer and their family.

Article 5

Section(1)

Point a

The term "Wage without allowance" means the amount of money that is received by Worker/Labourer on a fixed basis.

Example:

Worker A receives Wage of Rp3,000,000 (three million rupiahs) as clean wages. That amount of Wage is fully used as a calculation basis for matters related to Wage, such as religious holiday allowance, overtime pay, severance pay, social security premium, and others.

Point b

Sufficiently clear.

Point c

Sufficiently clear.

Section (2)

The term "basic Wage" means the basic compensation that is paid to Worker/Labourer in accordance with the level or type of work of which its amount is determined based on an agreement.

The term "fixed allowance" means the payment to Worker/Labourer is done regularly and not related to the attendance of Worker/Labourer or certain work achievement.

Example:

Wage components consist of basic Wage and fixed allowance:

A worker receives Wage of Rp3,000,000 (three million rupiahs) consists of basic Wage component of Rp2,250,000 (two million two hundred and fifty thousand rupiahs) and fixed allowance component of Rp750,000 (seven hundred and fifty thousand rupiahs)

With the calculation as follow:

Received Wage = Rp3,000,000 = 100%

Basic Wage = 75% x Rp3,000,000 = Rp2,250,000

Fixed allowance = 25% x Rp3,000,000 = Rp750,000

Section (3)

The term "non-fixed allowance" means a payment that is directly or indirectly related to Worker/Labourer, that is given irregularly for Worker/Labourer and their family and paid based on a time unit that differs from the payment time of basic Wage, such as transportation allowance and/or meal allowance that is based on attendance.

Example:

Wage components consist of basic Wage, fixed allowance, and non-fixed allowance:

A Worker/Labourer receives Wage of Rp3,500,000 (three million five hundred thousand rupiahs) with basic Wage component of Rp2,250,000 (two million two hundred and fifty thousand rupiahs), fixed allowance component of Rp750,000 (seven hundred and fifty thousand rupiahs), and non-fixed allowance component of Rp500,000 (five hundred thousand rupiahs).

With the calculation as follow:

Received Wage = Rp3,500,000 = 100%

Basic Wage = 75% x Rp3,000,000 = Rp2,250,000

Fixed allowance = 25% x Rp3,000,000 = Rp750,000

Non-fixed allowance = Rp500,000

Section (4)

Sufficiently clear.

Article 6

Section (1)

Sufficiently clear.

Section (2)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

The term "in certain business" refers to hotel business and restaurant in hotel business.

Article 7

Sufficiently clear.

Article 8

Sufficiently clear.

Article 9

Section (1)

The term "work facilities" means facility/equipment provided by the Company for certain positions or jobs or for all Worker/Labourer in order to support work implementation.

Example:

Transportation facility, Worker/Labourer shuttle service, and/or meal provision for free.

The term "certain position/job" means a position or activity that requires certain facility or skill in order to ensure the success of work that is determined by the Company as the recipient of work facility.

Section (2)

Sufficiently clear.

Section (3)

Sufficiently clear.

Article 10

Sufficiently clear.

Article 11

The term "work that has the equal value" means the work has the same weight in terms of competence, work risks, and responsibilities in one Company.

Article 12

Sufficiently clear.

Article 13

Sufficiently clear.

Article 14

Section (1)

Sufficiently clear.

Section (2)

Wage structure and scale among others aims to:

a. realize fair Wages;
b. encourage the increase of productivity in Company;
c. increase the welfare of Worker/Labourer; and
d. ensure Wage stability and reduce the gap between the highest and the lowest Wage.

Section (3)

Sufficiently clear.

Section (4)

Sufficiently clear.

Section (5)

Sufficiently clear.

Article 15

Sufficiently clear.

Article 16

The term "complying with the implementation of provisions of legislation," means the fulfillment of the Company's obligations to Worker/Labourer which among others are religious holiday allowance, overtime pay, severance pay, end of service gratuity, Wage for sickness, social security premium and benefits.

Article 17

Sufficiently clear.

Article 18

Sufficiently clear.

Article 19

Sufficiently clear.

Article 20

Sufficiently clear.

Article 21

Sufficiently clear.

Article 22

Sufficiently clear.

Article 23

Sufficiently clear.

Article 24

Sufficiently clear.

Article 25

The term "Worker/Labourer is willing to do the promised work but the Employer does not put them to work" means for example Worker/Labourer is ordered to unload cargo however due to some reasons the ship does not come, then Employer must pay the Wage to Worker/Labourer.

Article 26

Sufficiently clear.

Article 27

Sufficiently clear.

Article 28

Sufficiently clear.

Article 29

Sufficiently clear.

Article 30

Sufficiently clear.

Article 31

Sufficiently clear.

Article 32

Sufficiently clear.

Article 33

Sufficiently clear.

Article 34

Sufficiently clear.

Article 35

Sufficiently clear.

Article 36

Sufficiently clear.

Article 37

Sufficiently clear.

Article 38

A Worker/Labourer is very likely to be bankrupt due to unpaid liabilities to other parties, whether it is to Employer and/or other people. In order to ensure the living of Worker/Labourer whose assets have been confiscated, there is an insurance for living for the Worker/Labourer and their family. Therefore, in this Article, Wage and other payments which are the rights of Worker/Labourer are not

included in bankruptcy. Violation against the provision of this Article may only be done by judge with a limit up to 25% (twenty five percent).

Article 39

Sufficiently clear.

Article 40

Sufficiently clear.

Article 41

Section (1)

Determination of minimum Wage serves as a safety net so that the Wage is not given below the minimum Wage that is set by the government and to prevent Wage from declining to a level that endangers Worker/Labourer's nutrition so it will not interfere with their work abilities.

Section (2)

Sufficiently clear.

Article 42

Sufficiently clear.

Article 43

Sufficiently clear.

Article 44

Section (1)

Sufficiently clear.

Section (2)

Minimum Wage calculation formula:

$MW_n = MW_t + \{MW_t \times (Inflation_t + \% \Delta GDP_t)\}$

Explanation:

MW_n : Minimum Wage that is going to be determinated.

MW_t : Minimum Wage of the current year.

$Inflation_t$: Inflation that is calculated from September of the previous year until September of the current year.

Δ GDP$_t$: The growth of Gross Domestic Product that is calculated from the growth of Gross Domestic Product which encompasses quarter III and quarter IV of previous year and quarter I and quarter II of current year.

Minimum Wage calculation formula is current year minimum Wage added by the multiplication result between current year minimum Wage with the sum of current year national inflation level and current year Gross Domestic Product growth level.

Example:

MW_t : Rp2,000,000

$Inflation_t$: 5%

Δ GDP$_t$: 6%

$MW_n = MW_t + \{MW_t \times (Inflation_t + \% \Delta GDP_t)\}$

MW_n = Rp2,000,000 + {Rp2,000,000 x (5%+6%)}

= Rp2,000,000 + {Rp2,000,000 x 11%}

= Rp2,000,000 + Rp220,000

= Rp2,220,000

Current year minimum Wage used as the basis of calculation for the minimum Wage that is going to be set, is already based on the decent living need.

Adjustment of the decent living need to the minimum Wage that is going to be set is automatically corrected through the multiplication between current year minimum Wage with current year inflation rate.

Minimum Wage that is multiplied by inflation rate will ensure that the purchasing power of the minimum Wage will not lessen. This is based on the types of needs in decent living need that are also the needs for determinants of inflation. Therefore the use of inflation rate in minimum Wage calculation is essentially the same as the decent living need.

Adjustment of minimum Wage with the use of economic growth rate is essentially done in order to appreciate the increase of overall productivity. There are some factors that influence economic growth, among others are the increase of productivity, work force growth, and capital growth. In this formula, all components of economic growth are used in increasing minimum Wage.

In this case economic growth refers to the growth of Gross Domestic Product.

Section (3)

Sufficiently clear.

Article 45

Sufficiently clear.

Article 46

Sufficiently clear.

Article 47

Sufficiently clear.

Article 48

Sufficiently clear.

Article 49

Section (1)

Sufficiently clear.

Section (2)

The term "leading sector" means the business sector that according to the Indonesia Standard Industrial Classification (*Klasifikasi Baku Lapangan Usaha Indonesia*, KBLI), which is based on the result of research conducted by province wage council or regency/municipal wage council, is potential to be set of sectoral minimum Wage.

Section (3)

Sufficiently clear.

Section (4)

Sufficiently clear.

Article 50

Sufficiently clear.

Article 51

Sufficiently clear.

Article 52

Sufficiently clear.

Article 53

Sufficiently clear.

Article 54

Sufficiently clear.

Article 55

Sufficiently clear.

Article 56

Sufficiently clear.

Article 57

Sufficiently clear.

Article 58

Sufficiently clear.

Article 59

Sufficiently clear.

Article 60

Sufficiently clear.

Article 61

Sufficiently clear.

Article 62

Sufficiently clear.

Article 63

Sufficiently clear.

Article 64

Sufficiently clear.

Article 65

Sufficiently clear.

Article 66

Sufficiently clear.

SUPPLEMENT TO THE STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 5747