

Payroll Newsletter

November 2026/No.01

Summary of Law Number 27 of 2026 regarding Labor Protection

forvis mazars

Indonesia’s New Labor Protection Law

On 28 October 2026, the Government of Indonesia enacted Law No. 27 of 2026 on Labor Protection (UU 27/2026), introducing a comprehensive reform of Indonesia's labor regulatory framework. Among the many areas covered, the new Law regulates employment contracts, outsourcing arrangements, internships, worker placement, foreign workers, informal and platform workers, working hours and overtime, leave entitlements, wages, social security, occupational health and safety, industrial relations, termination of employment and severance payments. The Law also strengthens employee protections and labor-law enforcement, while introducing a number of new compliance requirements for employers.

UU 27/2026 repeals Law No. 13 of 2003 (UU 13/2003) on Manpower as well as specified labor-related provisions of Omnibus Law on Job Creation. Existing implementing regulations remain applicable to the extent that they do not conflict with UU 27/2026, while the implementing regulations required under the new Law must generally be issued within one year of its promulgation.

What Changed?

These are the few key changes in comparison with the previous labor regulatory framework.

Area	Previous Framework	Law No. 27 of 2026	Articles
Fixed-term employment contract (PKWT)	A maximum total duration of five years, including extensions.	Initial term may be up to two years and may be extended twice, for a maximum of one year for each extension.	82–94
Outsourcing arrangements	Not restricted to specific supporting services.	Expressly identifies cleaning services, catering for employees, security services and employee transportation as supporting services.	95–101
Digital platform workers	Did not comprehensively address digital platform work or partnership-based work arrangements.	Workers using digital platforms are entitled to reasonable income, occupational safety protection, social security and other statutory rights.	102–103
Maternity leave	Three-month maternity-leave entitlement	At least three months and may be extended by up to three further months where specified special	121–123

		conditions are medically certified. Paid full for the first four months and 75% for the fifth and sixth months of an approved extension.	
Women's employment protections	Specific protections for women workers, including night-work safeguards and maternity related rights.	Prohibits discrimination against women workers and provides specific protections in relation to work conditions, pregnancy and employment	114
Termination of employment and employee entitlements	Certain grounds for termination are allowed. Severance pay entitlement of 0.5 multiple is used for certain termination conditions	The law sets out new termination procedures, permitted grounds and employee entitlements. Specific provisions address severance pay, long-service pay and compensation of rights for different termination scenarios. 0.5 multiple has been removed and back to minimum of 1 multiple (see below).	227–252

Ground for Termination with the Entitlement upon Termination of Employment

Article	Ground for Termination	Employee Entitlement
236 (1)	Merger, consolidation, acquisition, or corporate restructuring where the employee does not wish to continue employment	1x Severance Pay (previously 0.5x) 1x Long Service Pay 1x Compensation of Rights
236 (2)	Merger, consolidation, acquisition, or corporate restructuring resulting in termination initiated by the employer	1x Severance Pay 1x Long Service Pay 1x Compensation of Rights
237	Efficiency purposes as the company is suffering loss	1x Severance Pay 1x Long Service Pay 1x Compensation of Rights
238	Efficiency purposes as the company is closing	1x Severance Pay

		1.5x Long Service Pay 1x Compensation of Rights
240	Company under Suspension of Debt Payment Obligations or bankruptcy	1x Severance Pay 1x Long Service Pay 1x Compensation of Rights
241	Company closure not caused by losses or force majeure	2x Severance Pay 1x Long Service Pay 1x Compensation of Rights
242	Voluntary resignation meeting statutory requirements	Compensation of Rights Separation Pay (if regulated by company policy)
243	Employee absent for a prolonged period and deemed resigned after proper summons	Compensation of Rights Separation Pay (if regulated by company policy)
244	Serious misconduct by the employee	Compensation of Rights Separation Pay (if regulated by company policy)
245	Employee detained by authorities for an extended period	1x Long Service Pay Compensation of Rights
246	Permanent disability, prolonged illness, or work-related incapacity	2x Severance Pay 2x Long Service Pay 1x Compensation of Rights
247	Retirement	2x Severance Pay 1x Long Service Pay 1x Compensation of Rights
249	Death of employee	2x Severance Pay 1x Long Service Pay Compensation of Rights payable to heirs
250	Other specific termination circumstances regulated under the law	Entitlement follows the formula prescribed under the relevant provision

Exposure

Depending on the violation, administrative sanctions may include written warnings, administrative fines, restriction or suspension of business activities and revocation of business licenses.

Certain violations are criminalized, including serious violations involving child labor, non-payment of wages, minimum wages, overtime, maternity leave, social security, occupational health and safety, union rights, lawful strikes, unlawful termination and failure to pay severance entitlements. Some offenses carry imprisonment, while corporate offenders may face statutory category-based fines. Criminal sanctions do not eliminate the employer's underlying obligation to pay outstanding employee rights or compensation.

The content of this newsletter is for the purpose of general guidance on matters of interest and is not meant as advice. The implementation and impact of laws/regulations can vary widely based on the specific facts involved. Readers are advised to consult their advisors before making any business decisions.

Sebastien Gautier – Managing Partner
+62 21 2902 6677
sebastien.gautier@forvismazars.com

Leahlyn Affan, Partner – Outsourcing
+62 812 9125 2844
leahlyn.tapaoan@forvismazars.com

Forvis Mazars Global Limited is a leading global professional services network. The network operates under a single brand worldwide, with just two members: Forvis Mazars, LLP in the United States and Forvis Mazars Group SC, an internationally integrated partnership operating in over 100 countries and territories. Both member firms share a commitment to providing an unmatched client experience, delivering audit & assurance, tax, advisory and consulting services around the world. Together, our strategic vision strives to move our clients, people, industry and communities forward.

www.forvismazars.com/id

© Forvis Mazars 2026