

## MINISTER OF MANPOWER REGULATION ON OUTSOURCING AMENDED FURTHER

On August 1, 2019, the Minister of Manpower (the “MOM”) issued Regulation No. 11 Year 2019 (“**Regulation 11**”) to amend several provisions of the MOM Regulation No. 19 Year 2012 dated November 14, 2012 on Requirements for Outsourcing Parts of Work to Another Company (“**Regulation 19**”). Regulation 19 had previously been amended by the MOM Regulation No. 27 Year 2014 dated December 31, 2014.

Regulation 11 addresses several issues on protection of outsourced workers and adjustments relating to the Online Single Submission (OSS) system for outsourcing related licenses.

Pertinent amendments in Regulation 11 are summarized below.

### ❖ **Outsourcing Companies Need Not Be Limited Liability Companies**

Unlike Regulation 19, Regulation 11 allows legal entities other than a limited liability company (or PT in short in Indonesian) to be outsourcing companies. The legal entities may be a cooperative (Koperasi).

### ❖ **Licenses and Online Single Submission**

With the OSS system, the outsourcing business license is now issued through the OSS by BKPM (the Capital Investment Coordinating Board) on behalf of the MOM.

An outsourcing license is now valid for as long as the outsourcing company is in business. Under Regulation 19, an outsourcing license was valid for 3 years.

### ❖ **Outsourcing Agreements**

Regulation 11 now expressly requires an outsourcing to state the obligation to fulfill the rights of the outsourced workers in accordance with prevailing laws and regulations.

### ❖ **Registration of Outsourcing Agreements and Consequences**

Regulation 11 clarifies that an outsourcing company (and not the instructing company) has to register the relevant outsourcing agreement. An outsourcing company is no longer required to submit a draft employment agreement as a part of the registration. Under Regulation 11, now the relevant manpower office must issue the evidence of the registration within 3 (three) working days since the completion of the registration application and all its requirements.

Unlike Regulation 19, Regulation 11 does not allow cancellation of business licenses of an outsourcing company if the outsourcing company has not registered the outsourcing agreement and proceeds with the outsourcing. Instead, the outsourcing company may be subject to administrative sanction (written warnings or suspension of business).

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